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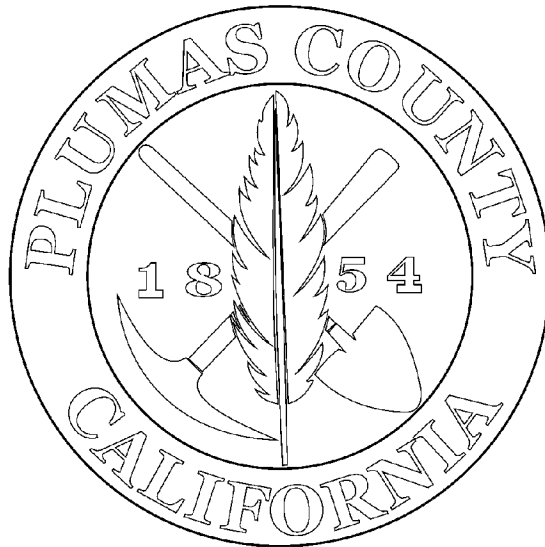
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PLUMAS COUNTY AUDIT

Kicking the Can Down the Road

PLUMAS COUNTY GRAND JURY



Report 2011 / 2012

2011 / 2012 Plumas County Grand Jury

Plumas County – Kicking the Can Down the Road

Table of Contents

Subject	Page
Executive Summary	1
Background	1
Approach	1
Discussion	2
General Fund Spending Graph	2
Revenues	3
Revenues Graph	3
Expenditures	4
Expenditures Grapy	4
County Assets	5
County Debt	5
Unfunded Liability	5
Plumas Paralysis	
A Failure to Lead	5 & 6
Organizational Chart	7
Findings	8
Recommendations	8
Conclusion	9
Glossary of Terms	10
GASB 54	10
Contingency Fund	10
Reserve Fund	10

KICKING THE CAN DOWN THE ROAD

EXECUTIVE SUMMARY

This year's investigation of Plumas County's finances has good and bad news. On the good side, Plumas County's credit rating by Standard and Poor's was increased from an AAA to AAA+. This means that the County has been keeping up with its financial obligations and paying its bills on time. Also of good news is the County received an "unqualified opinion" in the independent auditor's report of Fiscal Year (FY) 2010/2011, which means that the County's accounting requirements and practices were followed correctly and there were no exceptions noted.

But that is where the good news ends. Plumas County is spending more than it is taking in, and in so doing it has depleted all its reserves and is heading for a financial meltdown if changes are not made and made soon. In seven of the last ten years, Plumas County has been depleting its reserve (savings) account to make ends meet and that account is now depleted.

To the County's credit, Management and the Board of Supervisors have made substantial cuts in spending by eliminating or reducing non-essential services, reducing the number of employees, employee's hours and benefits. But that is not enough. The County is still spending more than it is taking in each year. The County is going to have to decide on what Public Services it can maintain, and which ones it has to cut. If cuts are not made, the County could go bankrupt.

BACKGROUND

Section 925 of the California Penal Code requires that the Grand Jury examine the financial accounts and records of the County on an annual basis.

In addition, California Code section 25250 requires the Board of Supervisors to conduct an annual audit of all County accounts. This audit is conducted by an outside independent auditor. Section 926 of the Penal Code allows the Grand Jury to enter into a joint contract with the Board of Supervisors to employ an audit for both of these purposes. As in previous years, the independent audit firm of Smith and Newell of Yuba City, CA was contracted to perform the audit of FY 2010/2011, which is the subject of this report.

APPROACH

The Grand Jury interviewed and took testimony of the County Auditor, County Administration Officer (CAO), the County Treasure, all members of the County Board of Supervisors (BOS) and the independent audit firm of Smith & Newell. In addition, and with the help of an independent outside Certified Accountant, the Grand Jury reviewed the last 10 years of audit reports from FY 2001/2002 to June 30th, 2011.

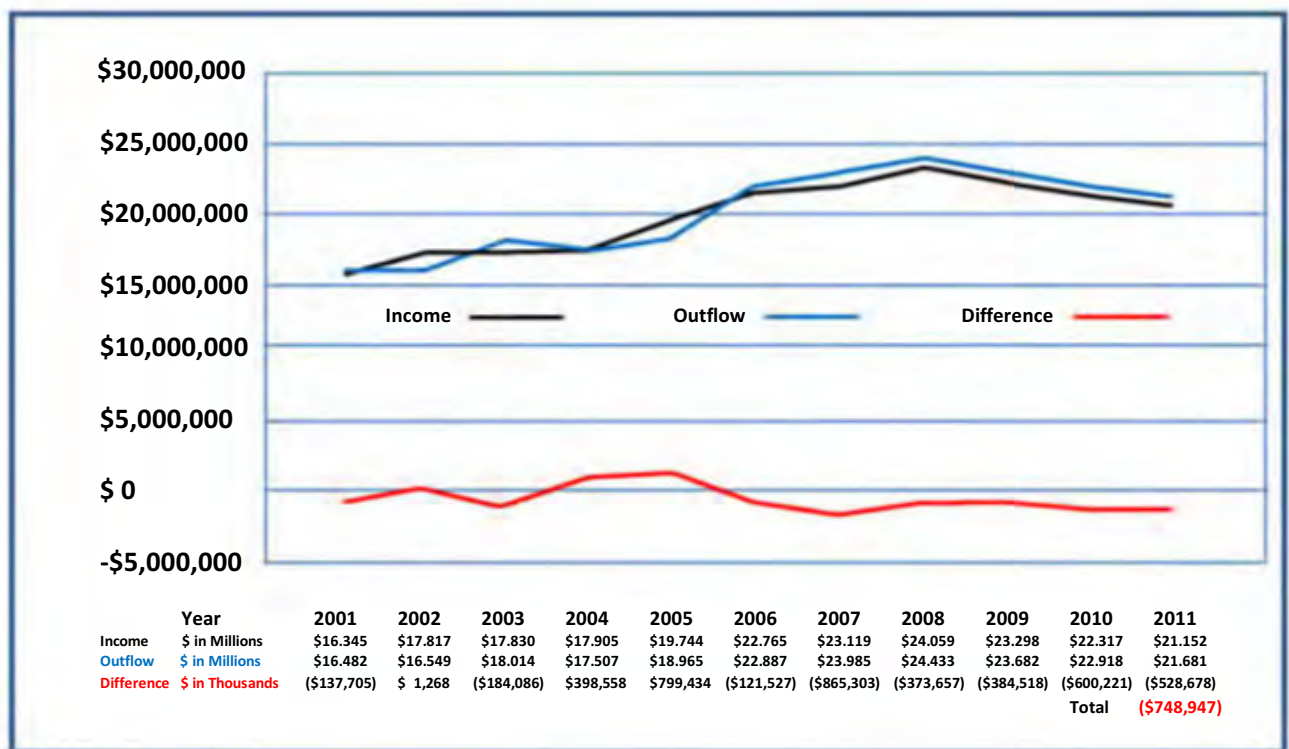
DISCUSSION

The Grand Jury felt it was time to report to the citizenry what is really going on with the County's finances in a manner that can be understood by every reader, professional and layman alike.

The General Fund is the chief operating fund of the County. During FY 2010/2011, the County's income was \$51,491,280 down \$2,896,901 from the previous year, and yet, expenditures were only down \$881,078 from the previous year. *Herein lies the problem; the County is not reducing its spending sufficient enough to keep pace with its reduction of income.*

The following chart shows how the County is spending more money than it is taking in.

PLUMAS COUNTY MAIN GENERAL FUND FOR OPERATIONS



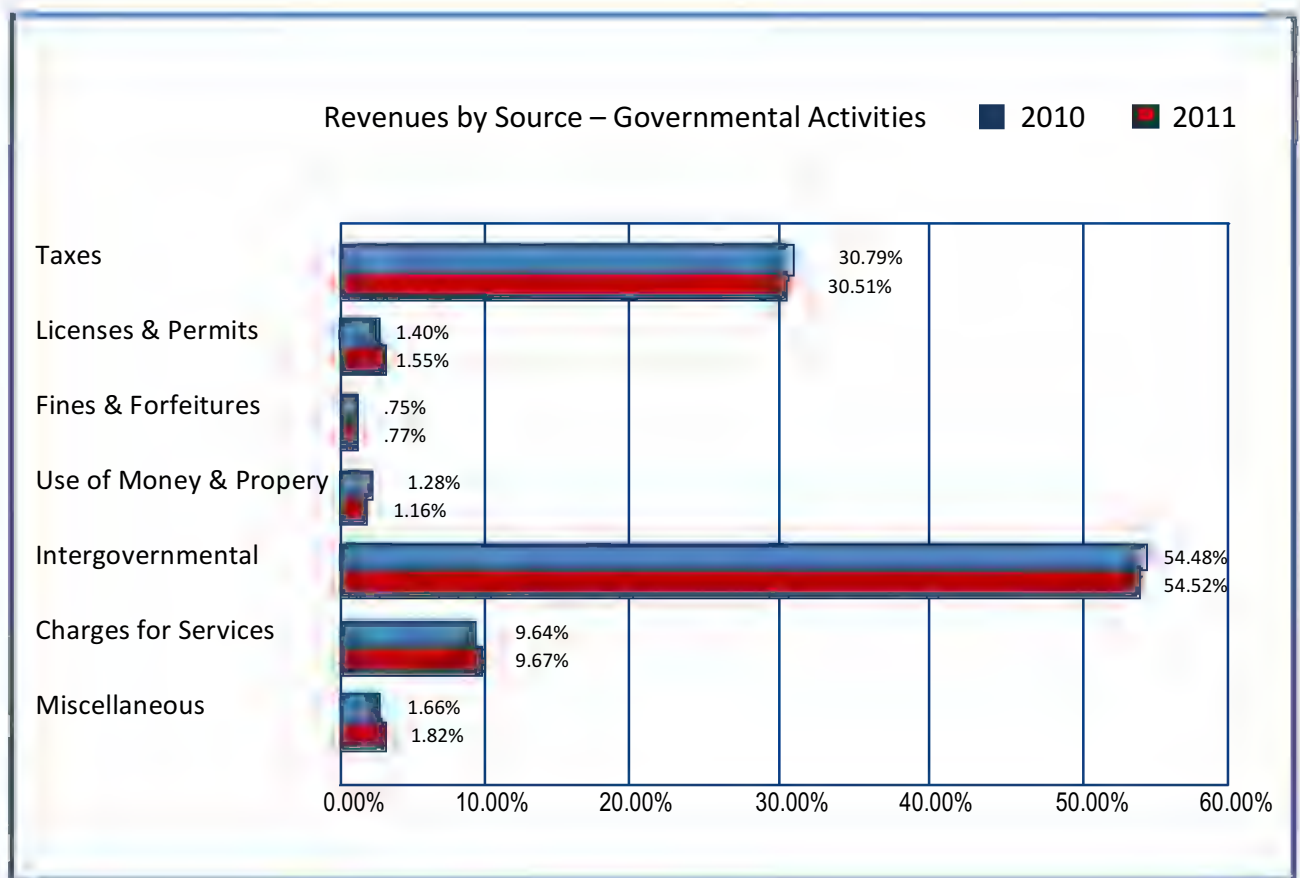
Source: Plumas County Auditor

The County continues to overspend by digging into its reserve account (savings) to the point where there is no savings left, and as of this writing, it is estimated the County is in the hole approximately \$1.5 million dollars for the current Fiscal Year.

REVENUES

Of the over \$51 million received last year, 54.52% were funds from State and Federal programs and grants. 30.51% came in from various taxes (Property, Tourist and Sales Taxes, etc.). The remaining 14.97% came in from a wide assortment of charges for licenses, permits, fees and fines.

The following graph shows an illustrative picture of where the County funds come from.

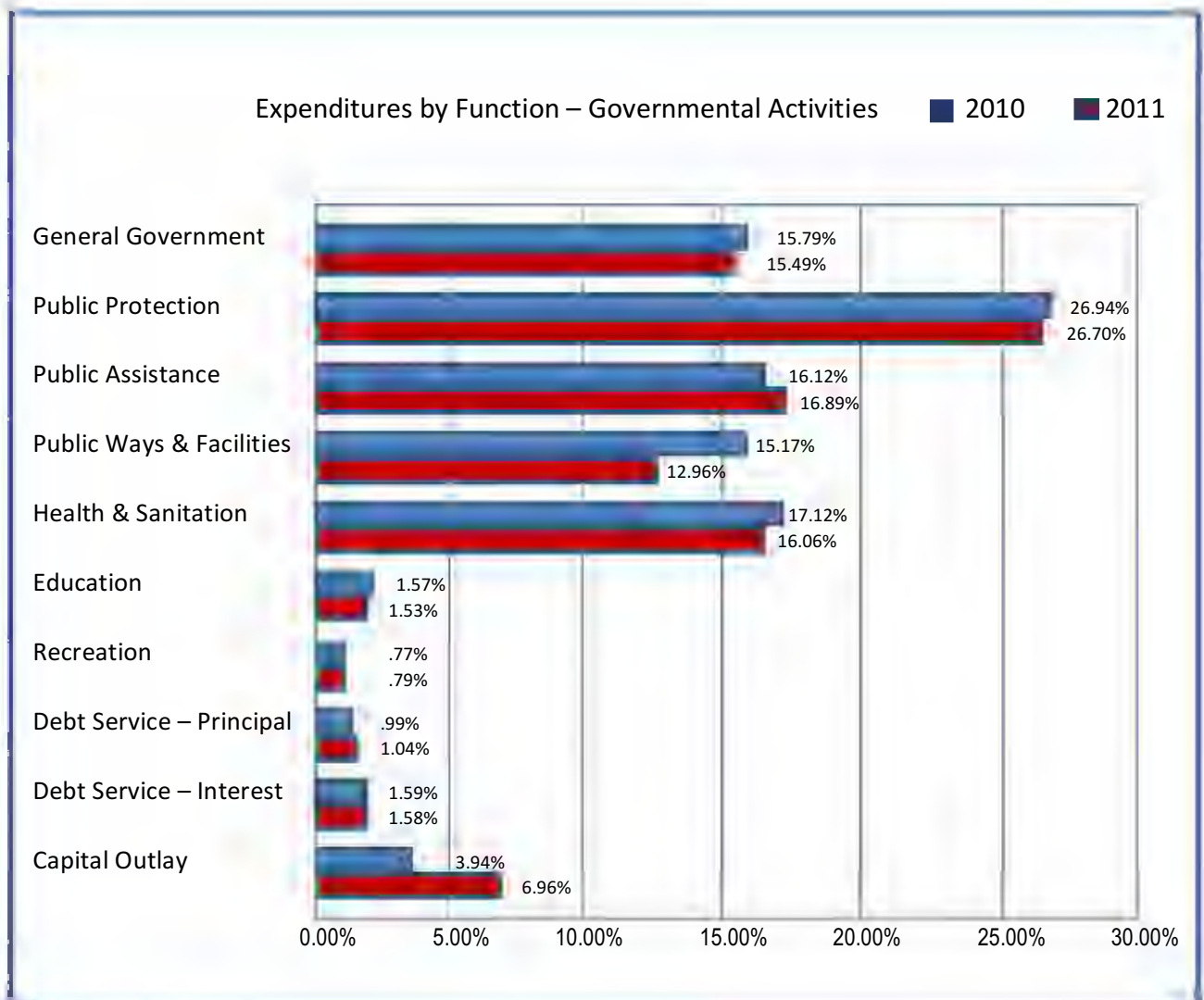


Source: Smith & Newell Audit Report for year ending 6/30/2011

EXPENDITURES

On the expense side of the ledger, the County spent the majority of its income (26.7%) on Public Protection (Police, etc.), 16.89% went to Public Assistance programs, 16.06% for Health and Sanitation services, and 12.96% for Public Ways and Facilities. The County spent 15.5% on its own operations, down \$294,510 from last year. The remaining 11.89% was spent on Capital Outlay, Education, Recreation and Debt Service.

The following graph shows an illustrative picture of how County funds were spent.



Source: Smith & Newell Audit Report for year ending 6/30/2011

COUNTY ASSETS

The County's investment in capital assets as of June 30th 2011 amounted to \$50,983,513. This includes a broad range of assets including land, infrastructure, (roads and bridges), buildings, tools and equipment.

COUNTY DEBT

As of June 30, 2011, the County had a total long-term debt outstanding of \$24,773,820 as compared to \$24,965,982 in the prior year. During the year there was a reduction of debt amounting to \$536,704 and an increase in post-employment benefits of \$344,542.

UNFUNDED LIABILITY

An unfunded liability is a liability that has no funds put aside to cover its potential expense.

An unfunded liability is what the actuary determines as the cost to cover shortfalls from market losses, demographic changes, overly optimistic investment returns by the pension plan administrator or other benefit improvements that were not covered by the contribution rates collected from the employee or the employer.

The County has a huge unfunded liability in its Retiree Health Benefit program. For years, the program was funded by returns from investments in Stocks, Bonds and other investments. With the poor economy, these investments have not met their normal return and therefore the resulting shortfall is left to the County.

From 2009 to 2011 the County's unfunded liability has nearly doubled, going from \$767,398 to \$1,444,251. Under current policies, a County employee's sick time is accrued from year to year, and when an employee retires, all of their sick time is paid out to them as an additional benefit to their retirement plan. This puts a financial burden on the unfunded liability account.

PLUMAS PARALYSIS

A Failure to Lead

The County's inability to get a handle on its spending practices is a symptom of a much larger problem. The problem is simply a lack of leadership at the highest level.

In its investigation, the Grand Jury interviewed each member of the Board of Supervisors (BOS), the County Administration Officer (CAO) and several department heads. The CAO told the Grand Jury that his role was that of the budget officer and not supervising the department heads. Several Board members told us that they thought the CAO was to supervise the department heads. It was obvious after those interviews that consistent supervision was not in place. We asked the Supervisors individually if there were meetings with the department heads to set goals, objectives, and expectations for the coming year. The Grand Jury was surprised to learn that there was none.

The Grand Jury was left wondering how the CAO and members of the BOS could possibly align the County's goals and objectives with the department heads, without focused leadership and communication.

Development of departmental objectives and goals seemed to be left to each individual department head. The Grand Jury asked the BOS why there was no policy or plan in place for directing department heads and performing evaluations. One Supervisor told us that they kept asking the CAO for a policy but it was never received. The Grand Jury was stunned to learn that the BOS would ask an employee to perform a task and then do nothing when it was not completed. The Grand Jury realized that the BOS was not sure of their leadership roles, or responsibilities within the County.

Individually, most all of the people who serve the County as department heads or on the Board of Supervisors (BOS) are well-intended, good and honest people. They are doing a good job under trying circumstances, and credit should be given to each one of them for their efforts. But as a group they are *at times* dysfunctional. They do not work together for the common good of the County, and are seemingly more concerned with their own territory than doing what is right for the citizens of Plumas County. Without strong leadership, they run amuck with their own agenda and no clear direction or purpose.

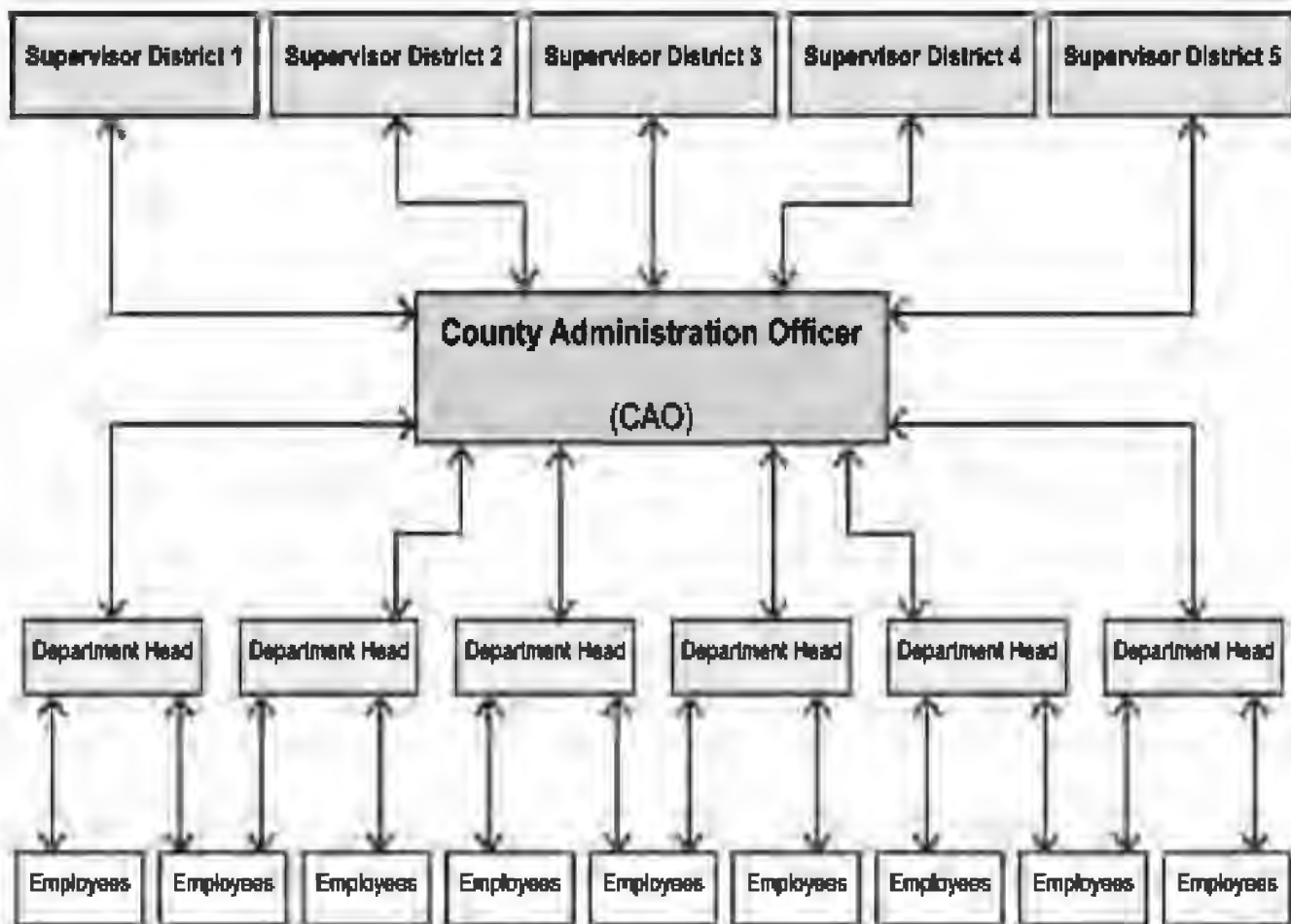
The County is like a ship without a rudder; an army without a General.

The following statements are not directed at the previous CAO, but rather the circumstances that have led to leadership issues and organizational dysfunction.

The last several years, the County has been running around without proper leadership and direction. The former County Administration Officer (CAO) has allowed department heads and other employees to go around the CAO and consult directly with the BOS or County Legal Counsel with impunity. When department heads are free to consult with five different BOS members, all with different opinions, nothing is consistent, and nothing gets accomplished. The lack of strong leadership has led to chaos and stress in the system to the point where two highly-qualified department heads quit their jobs in protest, leaving no one trained to fill that position.

The system is not broken; it is simply paralyzed without a **STRONG** leader in the CAO position. With a strong CAO as leader, all department heads and employees would know with certainty what their common goal is and how to achieve it. There would be no tolerance for backstabbing or rogue behavior. **(See the following Organizational Chart)**

ORGANIZATIONAL CHART



FINDINGS

- F1. The Contingency Fund is down from \$3,138,700 in 2006 to \$422,000 as of April 2012. Contingency funds are to be used for unanticipated expenses only. (See Glossary of Terms)
- F2. The County's Reserve Fund has been used to cover temporary shortfalls. Its target balance of \$2,000,000 is down to \$1,564,917. GASB 54 calls for 8% of the previous year's revenue or a minimum of \$2 million to be in the Reserve Fund.
- F3. Over the last 6 years the County has spent on average \$479,000 more per year from the Main General Operations Fund than it is taking in.
- F4. The County Auditor reported that the County has not been funding its Retiree Health Benefit Program. As such the potential liability to the County as of this writing is approximately \$5.4 million dollars.
- F5. One of the trends found among the Board of Supervisors was the attitude that "someone should do something, but I am only one member."
- F6. The Board as a whole seems to be oblivious to what is really going on in the departments under its supervision.
- F7. There is no policy that addresses evaluations, supervision, or discipline of department heads being applied at this time.
- F8. Some department heads have not been evaluated for several years; yet have been receiving merit increases because a supervisor heard that they were doing a good job.
- F9. Sick Leave can be accrued and saved up over time even if not used.

RECOMMENDATIONS

- R1. The County must make additional cuts in expenses and services to balance its budget.
- R2. The Board of Supervisors must renegotiate the County's retiree Health Benefit Program to reduce its current unfunded obligation to a more affordable / manageable level.
- R3. The Board of Supervisors must install a STRONG leader in the CAO position; a leader of strong moral charter who can stay above and not be swayed by the politics of public office.
- R4. The County needs to adopt a new Sick Leave policy for its employees. A policy that has a "Cap" to the amount an employee can accrue or save over time. This benefit should be used for being sick, not as an additional perk to an employee's retirement plan. The benefit should be canceled when an employee retires or leaves their job.
- R5. The County needs to set up a separate Extended Sick Leave policy for its employees. A policy that can accumulate over time to be used for long term illnesses. The benefit should be canceled when an employee retires or leaves their job.
- R6. The Board of Supervisors should initiate long term Strategic Planning Workshops.
- R7. The Board of Supervisors must take steps to work together as a cohesive and functional unit.

The Grand Jury requests and expects a response for each recommendation herein from the Plumas County Board of Supervisors within 60 days as per Pinal Code Section 933(c)

CONCLUSION

Plumas County is experiencing the most difficult financial times since the Great Depression. For the past several years, property tax revenue, the major source of income for the County, has been declining and the County had to cut back on their main expense: labor. First they implemented a hiring freeze with some furloughs and layoffs. Then they reduced many employees from full-time to part-time status, and negotiated wage and benefit concessions. Finally the County has resorted to drawing down its own reserves. But these are all short-term repairs; no real long-term solutions have been implemented, in the hope that the economy will turn around soon and they can go back to the failed policies and spending practices as before. Throwing money at a problem seems to work when there is ample money to spend, but it only masks the problem. When money is in short supply, failed policies and practices have no place to hide.

The real problem is lack of **STRONG** leadership at the highest levels in the County. With strong leadership, difficult decisions on spending can be made. The solution therefore is to install a strong leader in the CAO position. With a strong leader, further cuts in non-essential programs can be implemented. With a strong leader, new ideas for improving the County's services and increasing revenues can be accomplished. Strong visionary leadership is the key.

Great leaders envision the future and chart a course through troubled times, doing something and not blaming others. It is time management stopped fighting among themselves and start thinking about what is best for the citizens of Plumas County. Strong leadership and strategic plans will set the path toward success.

Time is short. The County needs to face the facts and take action NOW!

The result of not taking positive action is very clear. The County will go bankrupt and the State will appoint a Trustee to administer the County until the situation is rectified, which could take years. The Trustee will have complete authority over the finances of the County and could ignore all input from county residents or elected officials to fix the problem. That would not be a good situation and must be avoided at all costs.

As voters we must pay attention to diversionary tactics, excuses for failures, and make our voices heard. As county employees we must question every process and look for opportunities for improvement in all areas of our work.

Citizens of Plumas County, the choice is ours. We cannot wait any longer for the economy to improve. We must take decisive action now.

We cannot **KICK THE CAN DOWN THE ROAD** any further.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.
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GLOSSARY of TERMS

GASB 54

The Governmental Accounting Standards Board (GASB) is an independent, not for profit organization that was organized in 1984. GASB sets standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those governmental entities.

CONTINGENCY FUND

Contingency funds are to be used only for unanticipated expenses... big or small. County-level emergencies like an earthquake, tornado, a roof caving in or replacing a damaged vehicle are examples where Contingency Funds can be used. Contingency Funds are also there for on-going, day-to-day cash flow shortages. GASB 54 suggests a three-month operating costs to be held in the Contingency Fund. For Plumas County, that equals approximately \$3,500,000.

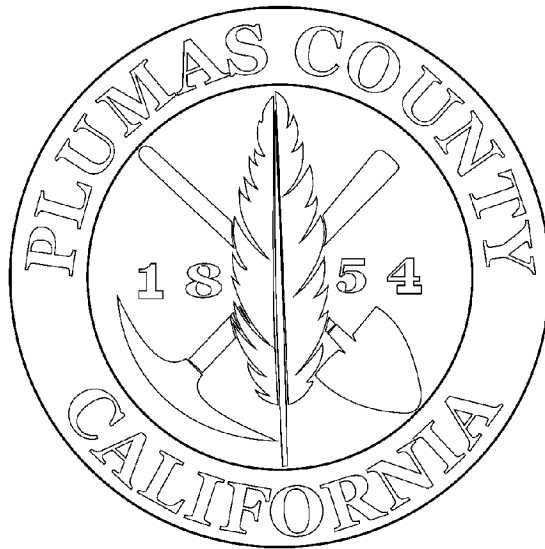
RESERVE FUND

Reserves are funds reserved for onetime expenses only.

Reserves are not to be used for on-going, day-to-day expenses.

PLUMAS COUNTY JAIL

PLUMAS COUNTY GRAND JURY



Report 2011 / 2012

2011 / 2012 Plumas County Grand Jury

Plumas County Jail Report

Table of Contents

Subject	Page
Specific Issues	1
Function	1
Purpose Statement	1
Summary of Investigation	1
Findings	2
Findings	3
Responses	3
Responses	4
Recommendations	4
Recommendations	5
Recommendations	6

JAIL REPORT

SPECIFIC ISSUES

It is mandatory that the Grand Jury inspect prisons and jails within its jurisdiction. California Penal Code Section 919 (b) mandates that the Civil Grand Jury in each county shall inquire into the condition and management of the public prisons within the county.

FUNCTION

The Plumas County Sheriff's Department provides public safety, emergency service, law enforcement and security for the courts and the citizens of Plumas County. The County Jail is run by the Sheriff, an elected official. The County Jail houses people being detained while awaiting trial, those who have been sentenced to a County Jail term and those sentenced to State prison and waiting transfer.

PURPOSE STATEMENT

- To comply with the California Penal Code
- To comply with the consent decree in Pederson v. County of Plumas, United States District Court for the Eastern District of California, No. CIV S-89-1659 JFM P signed in 1992.

SUMMARY OF INVESTIGATION

The annual Grand Jury jail inspection took place on September 28, 2011. The Grand Jury was accompanied by the on-duty jail supervisor and his staff. Based on the findings of this inspection, a follow-up inspection was conducted to determine that previously discovered deficiencies had been corrected.

During the initial jail inspection the Grand Jury confirmed the existence of the active Federal Consent Decree. The Grand Jury interviewed the Sheriff and several members of his staff, each member of the Plumas County Board of Supervisors, the Plumas County Administrative Officer, the Plumas County Counsel and the Director of Facilities/Airport concerning jail operations and the Federal Consent Decree. With the exception of the Sheriff and some members of his staff no other elected or appointed County officials or employees were aware of the Federal Consent Decree.

County Counsel is now in the process of attempting to terminate the Federal Consent Decree, in the belief the conditions at the jail that led to the Federal Consent Decree have long since been corrected and the jail is currently compliant with Corrections Standards Authority (CSA) standards.

FINDINGS

The jail facility is old and has been renovated several times in an attempt to meet changing county needs. Because of its age, maintenance is difficult, labor intensive and expensive. The following inadequacies were noted:

- Perimeter security is grossly inadequate to prevent the transfer of contraband
- Damaged and missing recreational equipment
- Wiring hazards
- Damaged walls and flooring
- Unsafe furniture
- Missing emergency medical equipment
- Failure to label valves and their functions
- Failure to train staff on valve locations, functions and operations
- Interior and exterior radio/wireless phone communications still lack integration and functionality as reported by the 2010/2011 Grand Jury which raises great concern for officer, inmate and public safety
- Jail Policy and Operations Manual is grossly inadequate and outdated to a level which also raises great concern for officer, inmate and public safety
- Lack of documentation that deficiencies noted in the 2008 Fire Marshall's inspection of the jail have been corrected
- Lack of inspection documentation of the jail by the Fire Marshall since 2008. Section 13146.1, California Health and Safety Code requires inspections be made at least once every two years

- California Penal Code (CPC) Section 6030 requires that the Corrections Standards Authority (CSA) establish minimum standards for state and local correctional facilities. CPC Section 6031.1 requires CSA to inspect local detention facilities biennially. CPC Section 6031.2 requires, in part, that CSA file with the Legislature on December 30, in each even-numbered year reports which shall include information on all of the following: (a) Inspection of those local detention facilities that have not complied with the minimum standards established pursuant to Section 6030. The reports shall specify those areas in which the facility has failed to comply and the estimated cost to the facility necessary to accomplish compliance with the minimum standards.
- The 2008-2010 biennial CSA inspection of the jail reported Areas of Non-Compliance specifically noting the routine lack of sufficient staff to perform required functions, including life safety checks
- The CSA inspection report of June 1, 2010, was provided to the Sheriff with copies to the following Plumas County officials: Chairperson of the Board of Supervisors, County Administrator, Presiding Judge, Foreperson of the Grand Jury
- A Sheriff's Department spokesperson responded to the June 1, 2010, request from CSA to provide a corrective action plan in telephone conversations with a CSA Field Representative.
- The 2010-2012 biennial CSA inspection of the jail conducted on April 30, 2012, reported the same Areas of Non-Compliance concerning the routine lack of sufficient staff to perform required functions, including life safety checks as noted in the 2008-2010 CSA inspection. The jail Policy and Procedures Manual was also found to be an Area of Non-Compliance in this inspection.

RESPONSES

The following inadequacies have been addressed:

- Some recreational equipment has been replaced
- Hazardous wiring has been repaired
- Additional lighting has been added to indoor recreation room
- Some damaged walls and flooring have been repaired

After being notified of jail inadequacies the Director of Facilities/Airport took a very proactive roll to initiate repairs. On January 24, 2012, members of the Grand Jury met at the jail with the Director of Facilities/Airport at his request to review repairs made to previously reported deficiencies. The Sheriff and Assistant Sheriff responsible for the jail were also present. The Grand Jury observed the Sheriff and the Director of Facilities/Airport working together in a very industrious and innovative fashion, while facing severe budget constraints, to keep an old and literally crumbling County facility in operation.

Concerning the Jail Policy and Operations Manual, the Sheriff has advised the Grand Jury that a consulting firm has been engaged to rewrite and update the manual over a period of two years.

RECOMMENDATIONS

- The Grand Jury recommends that the Sheriff take immediate corrective action on those inadequacies noted in our Findings that can be corrected with current funding. The Grand Jury requests the Sheriff respond to this recommendation.
- The Grand Jury strongly recommends immediate corrective action be taken in updating the Jail Operations and Policy Manual, which has raised major safety concerns. The Grand Jury recommends that the Sheriff utilize his command staff and senior supervisors to accomplish this update within one hundred twenty days of this report. The Grand Jury requests the Sheriff respond to this recommendation.
- The Grand Jury strongly recommends that the Board of Supervisors make mandatory a requirement that all members of the Board of Supervisors, the County Administrator, the County Counsel and all Department Heads affiliated with jail operations tour/inspect the county jail at least annually. The Grand Jury requests the Board of Supervisors respond to this recommendation.
- The Grand Jury recognizes that additional funding will be necessary to alleviate the dangerous lack of proper radio/wireless phone communications at the jail. The Grand Jury recommends that the Board of Supervisors make available the necessary funds to allow the Sheriff to correct this dangerous situation. The Grand Jury requests the Board of Supervisors and the Sheriff respond to this recommendation.
- The Grand Jury also recognizes that the Areas of Non-Compliance noted in the 2008-2010 and 2010-2012 CSA jail inspections will require additional funding to bring the jail into compliance. It must be noted that these Areas of Non-Compliance relate directly to officer, inmate and ultimately public safety based on current staffing levels.

- The Grand Jury is aware of the current economic difficulties of Plumas County, and the difficult budget decisions facing the Board of Supervisors. One of the most important facets of government is public safety. With that point in mind, the Grand Jury strongly recommends and expects that the Plumas County Board of Supervisors allocate the funding necessary to correct the dangerous communications and staffing problems at the jail. Failure to do so puts Plumas County at extreme financial risk. The Grand Jury requests the Board of Supervisors and the Sheriff to respond to this recommendation.
- In a written response to the 2010-2011 Grand Jury Sheriff's Department and Jail Report the Board of Supervisors said, "Section 933.05 of the California Penal Code provides at subdivision(b), 'However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decision making authority.' [Emphasis added.] Since the Plumas County Sheriff is an elected position and the Grand Jury's report does not request a response from the Board of Supervisors, the Plumas County Board of Supervisors does not respond to the Grand Jury's findings and recommendations regarding the Sheriff's Department and Jail, except to acknowledge that the Board has read and considered such findings and recommendations."
- The 2011-2012 Plumas County Grand Jury wishes to make it perfectly clear to the Plumas County Board of Supervisors that the Grand Jury is requesting a response from the Board of Supervisors on the budgetary and personnel recommendations described in this report.
- The Board of Supervisors and the Sheriff as elected officials share responsibility for the operation of the Sheriff's Department. The Board of Supervisors has decision making authority over budgetary matters which affect the funding of overall operations for the Sheriff's Department. Certain statutory requirements must be met and maintained in the operation of a Sheriff's Department. For the most part this is accomplished by the elected Sheriff. However, without knowledgeable and responsible funding by the Board of Supervisors and strong fiscal oversight by the Sheriff it is not possible for these requirements to be met, putting public safety at risk and exposing the County of Plumas to extreme financial liability. The Grand Jury recommends and expects them to work together even more closely in this shared responsibility to solve the major problems noted in this report. The Grand Jury requests the Board of Supervisors and the Sheriff to respond to this recommendation.

- The County must focus on meeting California Standards Authority (CSA) required staffing levels in the current jail facility. The Grand Jury recommends and expects the Board of Supervisors and the Sheriff to work together to develop a viable plan for the hiring of sufficient personnel to bring the jail into compliance with CSA staffing levels. The Grand Jury requests the Board of Supervisors and the Sheriff respond to this recommendation.
- **The Grand Jury reiterates that continuing to allow the jail to operate in non-compliance leaves Plumas County open to litigation and extreme financial risk. Above all the Plumas County Grand Jury is concerned with the extreme risk this non-compliance presents to public safety.**

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