

CHAMISE CUBBISON
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From: Chamise Cubbison, Acting Auditor-Controller

Re: Proposed consolidation of the Offices of the elected Auditor-Controller and
Treasurer Tax-Collector

The Auditor-Controller calculates the property tax rates, the distribution factors for ad valorem taxes, and distributes \$160 million dollars to the County, Schools, School Districts, Colleges and Special Districts. The Controller is the chief accounting officer of the County and prescribes and exercises general supervision, including the ability to review departmental and countywide internal controls, over the accounting forms and method of keeping the accounts of all offices, departments and institutions. The Auditor-Controller reviews and posts all deposits of funds received by the Treasurer and audits the Treasurer's treasury count on a monthly basis.

The Auditor-Controller's office staff audit department purchases, invoices and other financial transactions on a daily basis, issues payments to vendors and contractors, audits and completes bi-weekly payroll for all county employees, authorizes wire transfers, performs budget tracking, reviews Special District accounts payable, audits transient occupancy tax (TOT) returns, tracks the status of Special District audit reports and receives their annual budgets, prepares a multitude of state reports in the areas of sales tax, property taxes, payroll taxes, Counties and Special District Financial Transactions Reports, and participates in the annual county audit and the preparation of the annual comprehensive financial report.

The Auditor-Controller is the official responsible for preparing the revisions to the proposed budget and other budget revisions. The Auditor, along with the County Chief Executive Officer, is responsible for approving any transfers or revisions to the Adopted Budget, or as allowed under the authority prescribed by the State or Board including monitoring, authorizing additional appropriation controls and administering those controls over the Annual budget.

The Auditor-Controller's office and the Treasurer Tax-Collector should not be combined into one elected office. No compelling reasons have been indicated and no in depth review of the offices has been conducted. There has been no communication with myself to discuss the consolidation beyond notifying me of the upcoming agenda items. There has been no discussion about Board concerns, nor desired goals or outcomes other than what may be taking place in other offices behind closed doors.

In my opinion, there are no efficiencies to be realized and the risk of collapse of two functioning departments that are key to all County departments and functions is real. In each office, the elected department head is a working department head. Both offices require the experience and skills of the various positions within them and if combined would still have the same amount of work for at least the same number of FTEs, if not possibly more. In addition, consolidation would require yet another annual audit for the County to pay for and participate in. This new audit would be specifically to insure that the internal controls and the separation of duties required by code are adhered to in the combined office.

These two offices have been working through the additional workload required for the Property Tax System conversion on top of their normal duties, while short staffed and through the nearly two years of pandemic. We need to finish the Property Tax System conversion, put in place new business practices for all offices involved in the project and not be forced to take on the additional burden of a transition to a combined office with new rules and processes.

It is quite likely that some staff will choose not to work under the combined office structure and will likely transfer to another department or leave the County workforce. Given the current issues with attracting and hiring new employees across all areas, these offices cannot afford to lose any additional staff, especially those with years of institutional knowledge. Ideally the Board would be working with these offices to ensure that any re-classifications and compensation adjustments necessary to deal with compaction are addressed in order to shore up these offices going into the future.

Any true leader or professional can see there is substantial risk in undertaking a change like is being considered with no research of the possible pros/cons, no documented goals or desired outcomes, no transition plan which includes meeting with staff and creating new systems and procedures.

Sadly, there is false information being distributed to try to provide minimal justification for the Board's recent action which was taken with no supporting information or rationale other than because they *can*. I would like to address two recent comments circulating in the community.

First, according to recent information being circulated by email, the following has been attributed to Supervisor Gjerde *"...this is an opportunity to create increased visibility and accountability through the consolidation of a single elected officer accountable for these financial matters. One example: visitor transient occupancy tax is collected by the elected Treasurer. But the Treasurer does not verify the business/Airbnb pays all the tax it collected from visitors. Verification, if it were to occur, is the responsibility of the Auditor. However, the Auditor has not verified full payment in several years. By establishing a single elected officeholder we will provide one point of accountability. No more pointing fingers between two offices, with taxes going uncollected for essential services."*

If Supervisor Gjerde made these comments, it shows that he is misrepresenting government code, doesn't understand what the Auditor-Controller's office does and has forgotten his own comments and recent County Board actions during the pandemic. Combining the offices will not create greater accountability. It will make a single elected official accountable. Currently there are two elected officials with responsibilities relating to TOT collections. It will also reduce the qualifications of the Auditor-Controller as the newly combined office will require that the individual meet either one of the Auditor qualifications OR one of the qualifications of the Treasurer, which are less accounting focused than the Auditor's qualifications.

The Auditor-Controller's office has a position, that until the incumbent retired in early 2021, was responsible for performing TOT audits. Prior to the pandemic, those audits were performed largely in person at the lodging establishment or in our office with financial documents submitted by the establishment. In person audits ceased when the pandemic started due to Public Health Orders.

During the April 28, 2020, Board meeting where the Board took action to extend the deadline for lodging establishments to file the Transient Occupancy Tax returns and taxes, Supervisor Gjerde's comments (5:25:43) indicated that he was concerned that paying their taxes could cause some of the establishments to file bankruptcy and possibly lose their properties, which might delay the economy. He said the intent was to help those lodging operators re-open when they are allowed to re-open. All of which provided a clear indication that he supported them using the County's TOT tax revenue they were holding to help "float" their business' cash flow during the pandemic.

Our office paused nearly all audits when the Board took the action to extend the deadline for filing and paying TOT taxes. We thought it would add insult to injury to be asking those establishments prepare for, and schedule time to, participate in an audit while trying to navigate the multitude of public health requirements and the impacts that they may be experiencing due to loss of revenue due to shelter in place orders impacting the state. We believed that the Board action further supported that pause.

We have not been able to fill the staff auditor position in spite of several recruitments. The position is one that we have requested be re-classified due to limitations caused by the qualifications and the salary due to compaction not addressed when the County negotiated raises nearly three years ago. It could take six months or more before the County addresses this position. Our office has been looking into other ways to address the TOT audits, which may include contracting out those services.

TOT receipts had been steadily increasing prior to the start of the pandemic and have bounced back quickly after the first half of calendar year 2020. The numbers for TOT indicate that the establishments are reporting and paying taxes and that the Treasurer is collecting the funds. The Auditor-Controller's office will resume auditing returns and receipts when staffing and resources become available either through the hiring of staff or new contract services. This is clearly not a substantiated reason for consolidation of the offices of the Auditor-Controller and Treasurer Tax-Collector.

Second, according to the Anderson Valley Advertiser, Supervisor Gjerde recently implied that if the offices of the Auditor-Controller and the Treasurer Tax-Collector were consolidated the County's new property tax administration system would have been implemented sooner. This allegation is completely false and incredibly disrespectful to all of the staff from the four departments that have been involved in the property tax system conversion project (Assessor-Clerk-Recorder, Auditor-Controller, Treasurer Tax-Collector, and Information Services). If Supervisor Gjerde made this comment, he is totally out of touch, has not been paying any attention to this project and has no regard for employee morale whatsoever.

California property tax is the most complicated in the nation and every county in the state handles property tax differently. There is no "off the shelf" software product available. The County issued an RFP for the replacement of the property tax system in 2014. There was one bidder, Thomsen Reuter. The County entered into a contract with the software developer in June 2015. However, at that time the company was committed to finishing their \$90M + property tax system conversion with Riverside County before moving on to other California counties. There were several other counties in line before Mendocino County. The Riverside project took more than six years to "go live" and is still not fully completed.

When I started with the Auditor-Controller's office in January 2018, it was apparent that we were still several counties down the list and that we were on the verge of losing an immense amount of key historical knowledge with the retirements of Assessor Sue Ranochak and Assistant Auditor-Controller Lucy Simonson who had worked in property tax for more than 25 years. These individuals would be critical to a successful conversion for Mendocino County. I brought an item forward which was passed, despite Supervisor Gjerde's opposition, to bring back Ms. Simonson as extra help after her retirement, primarily for her property tax knowledge.

By April 2018, I had personally made a connection with Ann Kurz, Thomsen Reuter's Head of Sales to try to find out what the status was of our project, what we could do, if anything, to be as ready as possible for when they were ready to move forward, and to implore them to expedite our project due to the risk that we would lose access to the retired staff with decades of historical knowledge of our system before they got to us. She put me in touch with a group of California counties that either had their product or were in similar situations as Mendocino (in line waiting for them to complete Riverside County) which held monthly calls to share information about the software or to share updates on their conversions. I kept up to date on any lessons learned with the software and the status of the Riverside project by participating in the monthly calls, and attending California State Association of County Auditors' conferences and Property Tax Managers' meetings.

Once Thomsen Reuter made some of their project team available in April 2019, Mendocino County staff immediately began work on the project, met with the software developers in person and began reviewing database configurations and providing every

possible report/file/document available to insure they were brought up to speed on the way our system worked. The company was not initially ready to begin focusing fulltime on Mendocino, but County staff was providing information and responding to inquiries timely.

Normally the company would have sent a team to work onsite with the client through the delivery of the product. Unfortunately, once the company was ready to dedicate their resources in earnest to the Mendocino project, the pandemic had already taken hold and all remaining conversion work, testing, configuration and training had to be completed through remote sessions. County staff and the company had to adapt to new ways of conducting business, with company staff working remotely all over the country. During the project Thomsen Reuter sold the property tax portion of their business to Harris Technologies. We were fortunate that there was only minor impact from that sale.

County staff have worked countless hours in addition to covering their regular full-time duties, some working nights and weekend, forgoing vacations for more than two years, not traveling to see loved ones in order to avoid quarantine requirements, working through office COVID-19 outbreaks/quarantines and the death of a coworker due to COVID-19 as well as the loss of staff not willing to learn the new system. Remarkably, in spite of all the challenges, the County was able to “go-live” with several features of the program in February 2021, but not without issues and challenges. The County continues to have challenges holding the company to delivering the full functionality and accuracy in the converted data we expected.

This project was a huge undertaking. I am confident there is nothing that the offices involved could have done to shorten the timeline this project was delivered in. I am proud of the work that everyone involved has done through their willingness to sacrifice personal time with their family and friends, their sheer determination to persevere and their commitment to our community because this has been a remarkably challenging endeavor. Implying that somehow the consolidation of the Auditor-Controller and Treasurer Tax-Collector offices could have resulted in the property tax system being implemented sooner is ridiculous, shows that this Supervisor is totally out of touch and is frankly insulting to everyone who has worked, and continues to work, so hard on this project.

In closing, I hope that this Board will make the right decision, drop this idea, take action to respectfully learn about staff challenges, appreciate these hard working employees and provide the resources and support we need to continue doing our jobs without future misguided interference.