

GENERAL SERVICES DEPARTMENT COLLECTIONS DIVISION

REASON FOR INVESTIGATION

The Collections Division was selected by the Civil Grand Jury because of past audit reports on the division, the lack of response from the department head and the Board of Supervisors to these audit reports and the possible loss of revenue to the county.

PROCEDURE FOLLOWED

The Grand Jury interviewed Director of General Services Dennis Cassella, the revenue and collection officer, the collection clerk, the court administrative officer and the contract collection agency. Documents pertaining to the Collections Division were studied as were past management reports of four county annual audit reports. Visits were made to the collections office and the contract collection agency. Members of the Grand Jury participated in the 1997 annual audit review.

FINDINGS

1. The Collections Division was created by the Board of Supervisors in 1981 and assigned to the General Services Department. The Collections Division was created because the County Treasurer at that time declined to collect certain debts owed the county. *(For the remainder of this report the Collections Division will be referred to as "the Division.")*
2. The primary purpose of the Division is to collect debts owed to the county that county departments have been unable to collect in the normal course of business.
3. The Division is where the transient occupancy tax and weights and measures fees are paid.
4. It is standard practice in the Division to combine all funds: taxes, fees and bad debts. These are all referred to as collections in measuring their overall efficiency.
5. The Division when created was staffed with three employees. However, the Division presently has two employees, a collections clerk and a revenue and collections officer.
6. The Division was without a revenue and collections officer from August until November 1997. During this period the Division was staffed only by the collection clerk. Prior to August 1997 the revenue and collections officer worked limited part time because of health problems.
7. The Division carries over as uncollected debt approximately \$5 million each year in more than 5,000 accounts. Many of these accounts have been inactive for many years.
8. The Division has written off a total of \$1,561,726 over the last five fiscal years.

9. The Division did not implement the low cost recommendations from four previous annual audits to improve accountability.
10. The Grand Jury requested standard financial reports, some of which were provided, while some did not even exist. Many of the reports provided had errors in them and had to be corrected before being of any use.
11. The Division did not follow the Board of Supervisors Resolution 82-69 enacted on March 22, 1982, paragraphs 8a and 8b, which requires that the Division establish records that conform with generally accepted accounting and fiscal practices.
12. The Division has a contract with an outside collection agency to which it can refer the debts it is unable to collect. This agency has seldom been used.

CONCLUSIONS

1. The Collection Division function should not be managed by the General Services Department.
2. The revenue and collection officer was not replaced in a timely manner. This caused a growing backlog of work and a possible loss of revenue to the county.
3. Insufficient attention was paid by general services management to the growing work load in the Division. There is a high dollar value in the division that requires aggressive collection methods. The accounts, as they age, tend to be less collectible and loss of income will increase.
4. The Division cannot be audited cost effectively with the present accounting system. The lack of audit control greatly increases the potential for loss and possible fraud. The Grand Jury found no evidence of fraud.
5. The Division did not implement low cost recommendations from four previous annual audits, which would have improved accountability and made it possible to audit the division. The reason given for not implementing these recommendations was "Funds were not provided." The Grand Jury found that in 1995 the Division voluntarily took the cost to do this out of their budget request when they had a surplus of over \$9,000 for these services. These recommendations would have greatly increased efficiency and accountability. At the suggestion of the current auditor, the Grand Jury assisted the Information Services Division in providing one of these essential reports to meet audit needs in less than one week.
6. The present system of combining debt collection, fees and taxes into one large collection fund overstates the effectiveness of a "collection system."
7. The present employees have an extremely difficult time performing their jobs with the lack of a proper computerized accounting system.

8. The Division did not use the contract with the outside collection agency before writing off all bad debts. This may have resulted in monetary loss to the county.

RECOMMENDATIONS

1. The Grand Jury recommends that the Board of Supervisors separate the current responsibilities in the Collections Division.

- Move the transient occupancy tax and weights and measure fees to the Tax Collector and Treasurer's Office.
- Move the remainder of the Collections Division to a group that has legal, accounting, data processing expertise and is capable of installing a proper accounting control system within the present county organizations.

2. The Grand Jury recommends that all recommendations of the outside auditors be implemented immediately.

3. The Grand Jury recommends that the Board of Supervisors institute a policy whereby department heads must take certain steps in a timely manner to alleviate the effects of prolonged absences of key personnel.

4. The Grand Jury recommends that all proposed write-offs be given to the outside collection agency. The disposition of this action should be included in the required communications to the auditor-controller and the county administrative officer.

5. The Grand Jury recommends that the Board of Supervisors be informed of all write-offs on a quarterly basis.

REQUIRED RESPONSES

County Administrative Officer
Due August 30, 1998

Board of Supervisors
Due September 30, 1998