



**AUDITOR-CONTROLLER
COUNTY OF ORANGE**

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October 10, 2003

Frederick P. Horn
Presiding Judge of the Superior Court of California
700 Civic Center Drive West
Santa Ana, California 92701

The Honorable Frederick P. Horn:

In accordance with the Grand Jury's request dated May 14, 2003, attached is my revised response to the Grand Jury's 2002-2003 report entitled "Who Represents Orange County Taxpayers?" I made minor modifications to clarify my position, although I did not change the substance of my original response.

Responses to Findings 3 and 4 required of the Auditor-Controller are contained in the attachment. If you have any questions, please feel free to contact me.

A handwritten signature in black ink, appearing to read "David E. Sundstrom".

David E. Sundstrom
Auditor-Controller

DES:lr
Attachment

cc: Members, Board of Supervisors
Clerk of the Board of Supervisors
James D. Ruth , Interim County Executive Officer

Revised Auditor Controller Response to Grand Jury Report Entitled: “Who Represents Orange County Taxpayers”

Findings

There were five initiatives cited in the Grand Jury report. Auditor Controller involvement and knowledge concerning each of these initiatives is addressed separately.

3. Some affected departments/agencies management had little or no participation or input in the negotiations with bargaining units. Disagree in part.

Orange County Safety Members Retirement: Although the concept of enhancing safety member retirement was presented at a department head offsite, specifics, such as the cost of the plan, the source of the funding to pay for the plan, the implementation schedule, eligibility and other important details were not discussed or revealed.

Educational and Professional Reimbursement Program: Input was limited to the potential need for such a program among certain professional classifications. However, the discussions did not include any details as to program’s cost, eligibility or structure.

Performance Incentive Plan: All departments were advised as to the initial benefits and costs of the PIP program, however, we were not advised of the programs expansion from one to two percent or of the notion that the program was to be awarded to 95 – 98% of the employees.

Early Incentive Retirement Plan: Although we were unsuccessful in convincing the CEO that the plan would result in substantial increases in costs for our department (due to our low vacancy factor and our need to fill critical positions) we did convince the Board that the program should be implemented on a department-by-department basis. As a result, the Board allowed departments to opt out.

Annual Leave: Input was limited to high-level discussion concerning the need to reward Tier Two employees for their judicious use of sick leave. However, the notion of an annual leave program was not discussed. We learned of the annual leave plan only a few days prior to its approval by the Board of Supervisors. Accordingly, there was insufficient time to prepare a thorough analysis that could have assisted the Board in their decision.

4. Proposed increases in benefits and wages are not thoroughly and accurately costed out prior to offering them to bargaining units or presented to the BOS.

Orange County Safety Members Retirement: Can neither agree nor disagree. We had no role in costing this benefit.

Educational and Professional Reimbursement Program:
Can neither agree nor disagree. We had no role in costing this benefit.

Performance Incentive Plan:

Can neither agree nor disagree. We had no role in costing the expansion of this benefit.

Early Incentive Retirement Plan:

Agree. The program was initially presented as saving costs. As noted above, it would have increased costs in our department.

Annual Leave:

Agree. The Auditor-Controller reviewed a PowerPoint presentation for the Annual Leave Plan that was presented to the Board *after* it was approved by the BOS and found that it omitted several key factors that would have greatly increased the cost estimates and did not consider options that could have significantly reduced costs while retaining the objectives of the program. The Auditor-Controller was not invited to review the costing or otherwise participate in the analysis of the programs noted in the Grand Jury Report.

Recommendations

2. Require that prior to passage, all new wage and benefit initiatives receive review by the Auditor-Controller with input and review by the Chief Financial Officer and any affected department. This review should be required prior to submittal of all wage and benefit proposals to the County Executive Officer or the Board of Supervisors for approval (Finding 4)

Concur. The Auditor-Controller is often requested by the BOS to prepare fiscal impact statements relating to ballot measures or ordinances in accordance with §9160 of the Elections Code. These statements appear with the ballot materials and assist the voter in deciding the measure. A similar function could assist the Board in approving wage and benefit proposals. Implementation of this recommendation is dependent on the response by the BOS.

3. The Auditor-Controller, Chief Financial Officer and affected departments should have greater participation and input to the negotiations with bargaining units. (Finding 3)

Concur. The Auditor-Controller and other departments must live within their means in operating their respective departments. Budgetary shortfalls can lead to hiring freezes, layoffs, and the resulting reduction of service levels within the departments for which they are responsible. Allowing the departments input to the process will help ensure the economic and operational viability of the negotiation process. The Implementation of this recommendation is dependent on the response by the BOS.