



OFFICE OF THE TREASURER-TAX COLLECTOR
SHARI L. FREIDENRICH, CPA, CCMT, CPFA, ACPFIM



POST OFFICE BOX 4515
SANTA ANA, CA 92702-4515
ttc.ocgov.com

INTERDEPARTMENTAL COMMUNICATION

Date: August 4, 2021
To: Lilly Simmering, Deputy County Executive Officer
From: Shari L. Freidenrich, Treasurer-Tax Collector
Subject: Response to Performance Audit of the Treasurer-Tax Collector Final Report

Summary Response to Report Objectives: The TTC is providing mandated services that are consistent with governing laws and policies, and stakeholders interviewed were satisfied with the services that they received. An organizational assessment was conducted and concluded that staffing at the current County budget approved level in FY 2020-21 should be adequate to support the current workload once a review of the non-mandated duties being done by the TTC is completed and vacant positions are filled. Lastly, the report identified some findings and recommendations for improving the efficiency and effectiveness of operations. The Treasurer-Tax Collector (TTC) responses to each Recommendation are noted below.

Recommendation II-1: The County should assist the TTC to recruit and hire an Assistant Treasurer-Tax Collector to manage the operations of the Department.

Response: The HRS Department and the TTC have been working together on this vacant position recruitment. Together, they finalized the job flyer, and HRS opened the recruitment for this position. The applicants are currently being screened for required skillsets in anticipation of oral board interviews.

Recommendation II-2: The TTC should work with Human Resource Services to develop recruitment and hiring plan for all vacant positions within the next six months.

Response: The TTC, TTC management and HRS have been working together for the past year on filling vacant positions and are currently working on the recruitments for the highest priority vacant positions and expect to continue opening additional vacant position recruitments as these priority positions recruitments are started.

Recommendation II-3: The TTC should work with the County Counsel, Chief Financial Officer, and Auditor-Controller to coordinate specific financial roles for the County.

Response: It is beyond the TTC's scope of responsibility to coordinate specific financial roles for other County departments. However, TTC will coordinate with the County Executive Office (CEO) to work with County Counsel and Auditor-Controller related to the specific financial roles of the departments.

Recommendation II-4: The TTC should establish and publish specific plans and measurements to implement its strategic goals.

Response: The TTC and the Executive Directors already provide at least one key outcome indicator for their Division in the County Annual Budget and measures each of them several times a year during budget updates. TTC Management will consider adding additional key outcome indicators for each

Division and either include them in the County's Annual Budget or identify them separately to track performance of each Division.

Recommendation III-1: Utilize a separate Administrative Division from the Treasury Division to manage the budgeting, finances, and general administration of the TTC.

Response: In 2020, TTC had requested that HRS review the TTC organizational structure and as part of that review, will discuss with HRS, the CFO, and TTC management whether these duties should be included within the Treasury Division or in a separate Division reporting to the Assistant Treasurer-Tax Collector.

Recommendation III-2: Implement an IT policy for the TTC to be able to utilize current financial and security systems.

Response: The TTC is in the middle of two major upgrades to its treasury and tax collector software systems. The TTC management has already identified a number of processes in the treasury software to fully utilize integrated system features and automation of business processes available in the upgraded software that they expect to implement after go-live and may require additional one-time funding.

Recommendation III-3: Fill all vacant positions to have the staffing ability to focus on the Quantum and other IT upgrades.

Response: The TTC, TTC management and HRS are working to fill all vacant positions and have already requested to have some positions that the County required to be deleted this last year during COVID-19 to be added back.

Recommendation III-4: Prioritize the hiring of Cash Management staff.

Response: The Treasury Division Director hired the Cash Manager in April 2020 and other current manager and vacant position recruitments in the Treasury Division are focusing on identifying applicants that have treasury, banking and cash management operational experience.

Recommendation III-5: The TTC should consider providing Treasurer Investment Reports on a quarterly basis.

Response: The TTC will consider updating the Investment Policy Statement (IPS) to provide for quarterly investment reports along with simplifying the pooled funds investment report. The TTC also plans to update the IPS to require performing daily compliance on the pooled funds in total versus on all individual pools, consistent with other Counties to further streamline operations and may require one-time funding.

Recommendation III-6: The TTC should move to a quarterly allocation of interest in its investment accounts.

Response: The TTC and TTC management plan to move to a quarterly allocation of interest, consistent with other peer Counties, once the OCIP and OCEIP are consolidated into a single pooled fund to streamline operations, consistent with other peer counties and may require one-time funding.

Recommendation III-7: The TTC should engage with school districts to discuss any discretionary oversight functions and either negotiate a fee for these services or discontinue the services.

Response: The TTC will meet with the School District management to discuss Government Code mandated requirements and negotiate a fee for any mandated and non-mandated duties currently being

performed by the TTC related to school accounting, ensuring that proper oversight of funds is maintained as the Treasurer is the banker for the School and Community College Districts.

Recommendation III-8: Each Division Director and current management staff should prioritize the hiring of permanent staff within its Division.

Response: Each Division Director is currently working closely with HRS to fill all vacant positions in their Division.

Recommendation III-9: Encourage and provide funding for proper training.

Response: Training is critical to staff performance and excellence, and the TTC budget has included funding for training/tuition reimbursement in each year's budget, including in this year's budget. However, because of vacant positions, some of these positions were staffed with temporary help plus the COVID-19 impacts this past year, the Divisions have not been able to have staff attend significant amounts of training due to their workload. The TTC will encourage Division to utilize these training/tuition dollars to develop and enhance employees' skillsets.

Recommendation IV-1: Consider housing the Investment Section within the Treasury Division.

Response: Due to the large portfolio size of public funds, to maintain separation of duties and to mitigate risk of loss, most large public entities do not have the Investment functions within the Treasury Division. Both the City of Los Angeles and the County of Los Angeles, the two largest public entities in California, have separated the Treasury and Investment Divisions. The current organizational structure at TTC mirrors these best practices, and TTC and TTC management do not expect to consider this recommendation.

Recommendation IV-2: Consider consolidating the OCIP and the OCEIP into a singular pooled fund.

Response: The TTC and TTC management agree that the efficiencies of a single pool will significantly benefit both the Investment and Treasury Divisions, streamline and simplify operations, reduce overall risk, and improve overall portfolio performance benefitting all pool participants. The TTC will plan to make this a priority for this fiscal year and may need one-time funding to assist with changing the software set-up.

Recommendation IV-3: The TTC should review its current practices and determine if there are adequate resources to continue providing additional services to the school districts. If not, the TTC should modify its current practices and limit services to those required by law.

Response: Districts and bond financing disclosure documents require that TTC provide disclosures on funds invested on behalf of the district. In addition, some district bond financings are required to be approved by the Board of Supervisors, and the TTC prepares and takes these agenda items to the Board of Supervisors on behalf of the districts. The TTC requires that School and Community College District Bond Financing resolutions provide for recoupment of all TTC costs as part of the costs of issuance for participating in the bond financing. However, TTC also processes districts' debt service payments after the bonds are sold, which are not currently recouped and will be added to the discussion of non-mandated duties in recommendation II-3.

Recommendation IV-4: The TTC should work with Public Finance and County Counsel to determine responsibility and debt service investments for the County.

Response: The TTC will meet with these parties and the CEO to determine if these investments should be invested by the TTC, with the client as the Public Finance Division, similar to other specific

investments. The TTC is the Board of Supervisors delegated expert on investments and due to this delegation, has all contracts in place to purchase investments for public funds at competitive rates.

Recommendation V-1: Establish Departmental policies for billing and collections metrics as well as service levels.

Response: The TTC management currently has collections metrics in place that go into the County's Annual Budget report as a key outcome indicator. The TTC will review with TTC management whether to add additional metrics for billing and whether to include service levels to track performance.

Recommendation V-2: Provide bi-monthly County bank deposit reports to departments expecting funds to identify funds in CAPS+.

Response: The Treasury Division management currently provides electronic bank account access to all departments sub bank accounts to assist them in preparing cash receipts in CAPS+ for their incoming funds. However, certain incoming funds in the Tax and Central Collections Divisions are being deposited to a Treasury Division bank account versus a Tax and Central Collections sub bank account. TTC management will work with Tax & Central Collection management to deposit these funds to their own sub bank account where they currently have electronic access.

Recommendation V-3: Should there be a continuation of the trend of decreasing revenue for fines, forfeiture, and penalties, the County should consider outsourcing certain collection services.

Response: TTC only receives revenue from fines, forfeiture and penalties from property taxes. Decreases in these revenues have resulted from higher collection rates on current property taxes. The TTC does provide collection services for other departments and plans to contract with a third-party collection agency to assist in increasing collections after TTC has performed certain collection services and the debts still remain outstanding.

Recommendation V-4: Designate a role in the tax collections unit or utilize contracted services to search for unregistered hotels and short-term properties semi-annually.

Response: Transient Occupancy Tax (TOT) billing and reporting is currently managed by the Treasury Division and due to staffing restraints, additional research for unreported TOT has only been done on a periodic basis. Updated TOT forms are now on the website that should increase compliance with the existing County resolutions. TTC management is currently evaluating whether to outsource this to a vendor using a proposed new state law and also whether this process should be moved to the Tax & Central Collection Division.

Recommendation V-5: The TTC should hold annual property auctions unless there are no properties with delinquent properties taxes for five more years.

Response: The TTC annually goes to the Board of Supervisors to get approval for a property tax auction. The auction has been cancelled the last several years as only a few unimproved properties have remained unpaid the day before the auction, and it would not be cost-effective to hold an auction. The TTC will continue to request approvals for annual auctions and this year is moving to an online tax auction for all tax-defaulted properties.

Recommendation V-6: Reconsider the use of shared services should staffing shortages negatively affect the TTC's ability to provide its core services for the County.

Response: The TTC management has one shared service contract with the City of Westminster for processing their utility billing payments. This contract currently has not had any negative effect on the

TTC ability to provide core services. The TTC management evaluates and reviews costs for this shared service every time the contract comes up for renewal.

Recommendation V-7: Conduct regular Cost Recovery analysis of shared service to ensure that the TTC is accurately recovering costs for the services to the County.

Response: The TTC Management recently extended the City of Westminster contract, the only shared service contract, and determined that costs for the services were being recovered at that time.