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## **Economy & Efficiency Commission Presentation**

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**PRESENTATION BY  
Mr. Tyler McCauley  
Assistant Auditor Controller, Los Angeles County  
Topic: Management Audits Within Los Angeles County  
September 10, 1998**

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Chairman Abel introduced Mr. Tyler McCauley. During the introduction Chairman Abel asked Mr. McCauley to share his thoughts and reactions of the current Commission Debt Management Report.

Mr. McCauley began his presentation by discussing the County's auditing processes and the departments that have been audited. He differentiated the different types of audits used within the County: management, performance, operational, and financial. Commissioner Crowley asked if the distributed chart defined all of the audit types used within the County and Mr McCauley responded that it did. Typical audits within the County are the operational/financial type of audits. Management audits are considered to be a full scope audit. Chairman Abel asked Mr. McCauley to address the Board's action covering policy on the debt and uncollectible account issues. Mr. McCauley stated that he would try to do that as he proceeded.

Mr. McCauley continued that the Auditor first looks at the department's planning process. The Auditor has found a mixed bag in the accomplishment of strategic plans, some do a good job and some do nothing. Those department that tend to be more technology oriented usually have a longer view of their operations. Commissioner Buerk asked if there was a requirement for each department to have a strategic plan. Mr. McCauley stated that each department has a Year 2000 Plan. Departments have differing levels of achievement on this requirement. The CAO is trying to pull together a coordinated approach to strategic planning, with law and justice departments come the closest to accomplishing this requirement. Commissioner Buerk continued by asking if the Board was working on a strategic plan where all five supervisors are involved. Workshop have been designed, reported Mr McCauley, to train county managers to work with the Board.

In the course of auditing the Auditor's Office attempts to find if departments link their strategies to operations. Often departments create a plan and it never gets implemented. The Auditor tries to find the linkages that are missing and departments to improve their planning. They try to look at the organization, leadership structure, and span of control.

Commissioner Breslauer asked what happens if the Auditor looks at a department and finds the leadership lacking. Mr McCauley responded that in some instances the Auditor has found deficiencies and has informed the Board of its findings. Commissioner Crowley asked if the final responsibility shouldn't rest with the Board rather than the department head. Mr. McCauley agreed with that statement. Commissioner Crowley stated that many cities are pursuing a form of government that gives more authority to the mayor. Mr. McCauley responded that twice the county has put to vote a change in the form of county government

(ie. County mayor) and both times it failed.

Chairman Able asked if the department head has the authority to hire and fire senior staff. Mr. McCauley responded that he/she has authority to hire and less ability when it comes to firing because of civil service requirements. Chairman Abel pointed out that it is difficult to hold the administrator accountable if he/she does not have this ability. Mr. McCauley felt that they could be held accountable over time since they could change attitudes or take other actions. Commissioner Breslauer reacted to this by asking if it had ever been suggested that a department head be replaced. Mr. McCauley responded that it had and that consideration will be given to this possibility in the future.

Chairman Abel asked about the thrust of the uncollectible debt issue. Mr. McCauley felt that the EEC report would be successful if the Board pushes it. Although not as large a problem as seems to be indicated by the Commission report, Mr. McCauley felt that it was a big problem. Commissioner Breslauer asked if the Auditor agreed with the recommendations of the Commission. Mr. McCauley responded that some of the recommendations micro manage the problem, while others are good. What is important is that light is being shed on this issue. Chairman Able commented, that although the amount cited in the report of \$1 billion is more likely to be in the neighborhood \$250 million, this is still a lot of money, most of which is unsecured.

Commissioner Barger commented that it is his feeling that by the time employees receive information on Board actions, not much happens. Mr. McCauley responded that the Auditor is tasked with the responsibility to follow-up on all recommendations and report to the Board on actions taken. As a general statement departments implement 92% of recommendations.

Commissioner Buerk asked if dollars are being spent on debts that are recognized as being uncollectible, ie. health care for indigents, and why hasn't the County established a budget item to account for these uncollectible debts. Mr. McCauley responded that often these debts are shown as receivable because there may be a third party payee, ie insurance company. Commissioner Buerk asked if criteria have been established to identify those debts that can be collected from those that can't. Mr. McCauley responded that when individuals come through the door each of the debts are collectible, but as they shift out as to their ability to pay or due to program eligibility, the remaining group may not be collectible.

Mr. McCauley defined the term "near poor" as being individuals not eligible for federal or state programs. Also these individuals make too much money (ie.. \$15,000 per year) to be considered poor, but not enough to pay medical bills. Commissioner Buerk asked that since the County complies with the law to provide services to individuals in this category, and since compliance with this law requires some money, is there any money allocated to this in the budget? Mr. McCauley responded that money is set aside for this purpose. Commissioner Buerk commented that criteria should be set to identify those monies that can't be collected and thus, will be paid within budgeted funds. Mr. McCauley stated that this is true, but these funds are not receivables for budgetary purposes. Although not budgeted, they are tracked to know how much the county doesn't get. Commissioner Buerk continued that these criteria would allow someone to determine the category of debt. Mr. McCauley stated that something can be collected. The EEC report shows the gross amount of debt to be collected, rather than the net available. A change of philosophy is needed to insure that departments know that it is their job to collect funds due.

Chairman Abel thanked Mr. McCauley for his presentation.

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