

**LOS ANGELES COUNTY
CITIZENS ECONOMY AND EFFICIENCY COMMISSION**

ROOM 139, HALL OF ADMINISTRATION / 500 WEST TEMPLE / LOS ANGELES, CALIFORNIA 90012 / 974-1491

July 2, 1974

Honorable Board of Supervisors
Los Angeles County
383, Hall of Administration
Los Angeles, California 90012

Gentlemen:

SUBJECT: SPECIAL INVESTIGATIVE AND
MANAGEMENT AUDIT AGENCY

On June 11, 1974, the Board of Supervisors referred to the Economy and Efficiency Commission the proposal by Supervisor Hayes that a special investigative unit be established within the department of the Board of Supervisors. The Board also requested us to report on a similar proposal by Supervisor Ward made in April of last year.

We were requested to review the proposals and report our recommendations to you within 30 days. The commission herewith submits its report. It contains six recommendations. Each is followed by an analysis explaining the commission's views.

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RECOMMENDATION 1.

The commission agrees with Supervisor Hayes and Supervisor Ward that a special investigative and management audit agency should be established reporting directly to the Board of Supervisors.

Analysis - Agency Objective

In making his proposal, Supervisor Hayes stated that the unit '5 principal responsibility would be to insure "that the board will have the accurate and timely information it needs to properly solve problems in county government, and to prevent serious problems from arising in the first place."

In submitting his proposal last year, Supervisor Ward pointed out that the new agency would free the chief administrative officer from an embarrassing conflict of interest. "We place him in an uncomfortable, untenable position." the Supervisor said, "when we ask him to investigate himself."

We agree with the two Supervisors that recent events in County government--the failure of the ORACLE data processing system, the exposure of an ambulance chasing ring in operation at the County-USC Medical Center, the series of drug and tranquilizer thefts at the same institution, and the reporting of the deplorable conditions discovered to be existing at Central Juvenile Hall-- clearly demonstrates the need for such an agency.

Typical of many governments, Los Angeles County depends to a large degree upon an information system in which subordinates report to their superiors orally or in writing on the status of the operations which they supervise. Subordinates, however, are typically reluctant to report that there are serious problems in their areas, particularly if they suspect-- rightly or wrongly--that they will be criticized or disciplined for allowing the problems to develop in the first place. The inevitable result

is that all too often problems needing discussion and resolution never reach the decision and action level of the Board of Supervisors until they have developed into full-blown crises.

Thus, the first objective of this unit should be to uncover such problems as they develop and report them to the Board of Supervisors. Second, and equally important, having uncovered these problems, the unit should work with the Board of Supervisors, the Chief Administrative Office, and the concerned departments in seeking constructive solutions to resolve the problems. Hence, we should point out, that the objective of this function emphatically is not head-hunting. Such a policy would lead to certain failure.

The military branches have such agencies operating through their inspector general offices, and many private corporations have similar investigative and management audit units. Typically, these functions report to the highest level of executive authority in the organization. This relationship places them in the strongest possible position within the executive hierarchy to carry out evaluative and investigative activities free from the influence and authority of those executives whose operations it is their responsibility to investigate. (These units, we should note, differ from the General Accounting Office in Washington and the Legislative Analyst in Sacramento in that they report to an executive authority; the latter report to the legislative branch only and are thus completely separated from the executive branch which it is their responsibility to investigate.)

The highest executive authority in Los Angeles County is the Board of Supervisors. We therefore agree with the proposals by Supervisor Ward and Supervisor Hayes that to be most effective the investigative agency should report directly to the Board of Supervisors.

RECOMMENDATION 2.

The commission agrees with the basic structure proposed for this agency by Supervisor Hayes.

Analysis - Agency Structure and Manner of Operation

We believe that the description by Supervisor Hayes of the organization structure and manner of operation of the unit should prove appropriate for the responsibilities assigned to it. The ordinance drawn up for Supervisor Ward by the County Counsel, while not as detailed, appears to be in substantial agreement with Supervisor Hayes' concept.

Under the proposal there will be three principal functions reporting to the director: an audit team, an investigative team, and a project evaluation team, plus appropriate clerical support. We believe that in the beginning each of these teams should be staffed with two to three specialists experienced in operational investigation and evaluation, systems analysis and management auditing. Additional staff may be added later as further experience with the unit may determine.

In order for the director and his staff to accomplish these organizational objectives, the ordinance establishing the new agency should delineate their major responsibilities. The primary responsibility of the agency is (1) to conduct systematic audits of County departments or particular systems or programs involving one or more departments, and (2) to provide the Board of Supervisors with timely, accurate, and complete information as to how effectively a department is carrying out its assigned duties or a system or program is meeting its established objectives.

In conducting these audits, the agency in particular should perform the following specific duties:

1. To analyze the managerial controls in the department, system or program and the adequacy of the procedures established to uncover problems and weaknesses in the overall operation.
2. To evaluate the organizational structure, staffing patterns, and operating policies and procedures in the department, system or program to determine if the personnel are working with maximum productivity and effectiveness.
3. To analyze the level of morale in the department, system or program, the attitude of employees toward their jobs, and the effectiveness of managerial communication with employees.
4. To uncover problems in all these areas that are developing and to work with departmental or other concerned management in seeking solutions to resolve them.

We see no need to go into further detail on this subject at this time. When a director is selected, it should be his responsibility, working with the Board of Supervisors, to develop further details on the method and manner of operation.

RECOMMENDATION 3.

The director of the agency should be selected through an open, competitive examination using standard civil service procedures. The County Charter requires that the director's position and all other positions in the unit must be part of the classified service.

Analysis - Selection Procedures and Civil Service

In discussing the proposed agency, several of the board members expressed the opinion that the director and at least some of the principal investigators and analysts in the agency should be placed in the unclassified service, that is, outside the civil service system.

We have conferred with the County Counsel on this matter, and he has informed us that present County Charter provisions would prohibit such a classification.

The proposals by the two Supervisors both stipulate that the new unit should be established within the Department of the Board of Supervisors. In this case the director and his staff would be County employees. Section 33 of the County Charter requires that all such employees be included in the classified service.

The only possible alternative then in order to avoid civil service status would be for the Board to secure the services of the director and his staff on a contractual basis, similar to the manner in which the Board contracts for the services of an architect or special consultant.

The civil service provisions of the charter, however, place severe restrictions on the authority of the Board to contract with outside agents or agencies for personal services. In a long series of opinions interpreting these charter provisions the County Counsel has concluded:

"...under the Civil Service provisions of the County Charter work which is capable of being performed adequately and competently by persons selected under Civil Service cannot legally be performed by means of contracts with independent private agencies except in certain highly exceptional situations where the work to be performed is urgent, temporary or occasional, or requires expert knowledge or ability of a technical nature and is unobtainable from those in County employ or those who could be brought into such employment under Civil Service."

The foregoing principles, the County Counsel reports, must be fully and fairly recognized. The intent of the charter to establish a "merit system" of employment free from a spoils system should be given full support.

Clearly, the work proposed for the investigative unit is not of a temporary nature nor is it so exceptional that it could not be performed by present County employees or employees hired under civil service procedures. Consequently, the County Counsel advises us that the County Charter prohibits the Board of Supervisors from using the contract method for

personnel in the new agency. Thus, unless or until the charter is changed, the director and his staff must be hired through civil service procedures and placed in the classified service.

We therefore recommend that the director and his key subordinates be selected through open, competitive examinations using standard civil service procedures. We are sure that there are people in the County qualified and knowledgeable who will be able to compete effectively with outsiders in such an open, competitive examination process.

RECOMMENDATION 4.

The new agency should be empowered to investigate any area of County government, either on the request of a majority of the Board of Supervisors or on its own initiative, and to report its findings to the Board.

Analysis - Assignment of Investigative and Study Projects to the Agency

Supervisor Hayes recommends in his proposal that the Board of Supervisors assign investigative cases and other studies to the new agency by a majority vote. Supervisor Ward has expressed a strong feeling that each individual supervisor should have this authority.

Supervisor Ward apparently is concerned that under the concept of majority vote a majority of the Board could continually block a study advocated by one supervisor or a minority of two supervisors which the majority did not favor. Thus, studies or investigations considered to be critical and urgent by the minority would have no chance of initiation if the majority opposed them.

Admittedly, under majority vote authorization, such situations could occur. Nevertheless, for the following reasons we cannot agree with the concept of assignment by one supervisor.

First, the County Counsel advises us that where the Board of Supervisors exercises a power or performs a duty that is given by law to the County or to the Board of Supervisors, it must act as a Board. If an

investigation part of the exercise of such a power or duty, it would have to be authorized by the action of the Board acting as a Board.

Second, whatever the legal status, allowing individual board members to assign projects to the agency would place the director in an extremely difficult and probably untenable position. An authority structure in which five supervisors--each with different interests, opinions, concerns, and political priorities--would be authorized individually to make assignments to the agency is bound to create severe conflicts over priorities. It would be almost impossible for the director to resolve these priorities without creating bitter feelings on the part of the supervisors whose assignments were not given top priority.

Third, as Supervisor Hayes has stated, the responsibility of this unit is to provide the Board of Supervisors with information on problems before they develop into crises and to prevent serious problems from arising in the first place. Thus, while major projects and studies would be assigned to the agency by majority vote of the Board, the agency must also be authorized to conduct preliminary investigations on its own initiative in areas where danger signs appear and to report potential problems to the Board which may require further investigation.

It is extremely important that this particular responsibility of the agency be conducted in as independent and objective a manner as possible. The objectivity of these investigations could be jeopardized if the agency were subjected to too much individual control and domination by a single supervisor.

Fourth, the County Counsel advises us that the majority vote requirement on formal, full-scale investigations and studies would not prohibit the Board of Supervisors from delegating authority to an

individual supervisor to request the agency to conduct preliminary investigations into particular areas where he has received information that serious problems exist or are developing. Under these circumstances, the agency would conduct the requested investigations and on the basis of the results would recommend to the Board whether or not a full-scale study should be initiated.

RECOMMENDATION 5.

Salary schedules of the director and his staff should be set at a relatively high level in order to attract trained and qualified people for these sensitive positions.

Analysis - Salary Levels

The work of this agency will be highly sensitive and significant. If the unit is to operate effectively, it will require a staff with a high degree of training and experience, as well as a balanced blend of professional skills. In particular, it will require personnel trained in law, accounting, investigative procedures, and systems analysis.

In this regard, it may be of value to note the experience with this type of function in the City of Los Angeles. The City has operated an investigative and management audit unit within the City administrative office since 1963. The unit employs only attorneys, CPA's, trained investigators, and experienced systems analysts. The personnel consist of an assistant chief administrative officer--who heads the function--two chiefs of audit teams, 10 investigative and audit specialists, and three clerical employees, making a total complement of 16. The assistant GAO receives \$39,500 a year; the chiefs of the two audit teams receive \$34,500; the investigative and audit specialists receive \$28,600.

Dr. C. Erwin Piper, City Administrative Officer, is a strong advocate of this type of function. He reports excellent results with the

City unit in uncovering problem areas and in working out effective solutions to the problems. Dr. Piper stresses, in particular, the importance of setting the salaries of the employees in the unit at a relatively high level in order to attract properly qualified people. The Economy and Efficiency Commission agrees with this concept.

RECOMMENDATION 6.

The Board of Supervisors should make clear to all County officials its intent to provide strong and vigorous support to the new agency.

Analysis - Support of the Board of Supervisors

The type of investigative and audit agency which the two supervisors propose could prove to be extremely helpful to the Board of Supervisors in uncovering and resolving County problems and in overcoming the current tendency of the County to operate predominantly by crisis.

The difficulty of operating such a function, however, in responsible and objective manner cannot be underestimated. Such a its very nature operates with immense power and authority. To the it is exposed to numerous pressures and temptations which may lead improper or self-interested abuse of that power. Consequently, if operate responsibly, it must operate with thorough objectivity and with the knowledge that its final objective is to resolve problems uncover them.

On the other hand, however fairly and objectively such a function may attempt to operate, by its nature it tends to generate fear and opposition-sometimes leading to attempts, overt or surreptitious, to discredit its work and secure its dissolution.

Therefore, we especially emphasize that the Board should exercise great care in the selection of a director. He must be trained in the

management of this type of function and demonstrate a record showing the highest administrative and managerial capabilities as well as integrity.

Once a director and his staff are selected, it is also important that the Board give the new agency strong and vigorous support and continue its support as long as the function continues to operate in a responsible and effective manner. To this end the intent of the Board of Supervisors to insure that the objectives of this agency will be met must be clearly announced to all a balanced, function by same degree to an it is to fairness and not simply County officials. Any less positive position on the part of the Board of Supervisors could seriously impede the effectiveness of the agency and critically endanger its chances of success.

Very truly yours,

MAURICE RENE CHEZ
Chairman

MRC:ml