

# DISCLOSING PUBLIC EMPLOYEE SALARY COMPENSATION DATA IN MONTEREY COUNTY

## SUMMARY

In the aftermath of the financial scandal that rocked the City of Bell, California in 2010, State Controller John Chiang ordered cities, counties, and special districts, under Government Code (GC) sections 12463<sup>1</sup> and 53892<sup>2</sup> to submit public employee salary compensation data to the State Controller's Officer (SCO). The data was part of their Financial Transaction Reporting (FTR) requirements and was published on the Government Compensation in California (GCC) website established by the SCO that same year to promote government transparency. In 2015, subsection (l) was added to GC 53892, making reporting mandatory for all cities, counties, and special districts; and changing the filing deadline from April 1st to April 30th. Failure to submit the required data by the deadline can result in a penalty.

In 2018, the Civil Grand Jury read an article in the Carmel Pine Cone newspaper, that the Monterey County Office of the Auditor-Controller failed to meet the deadline for submitting public employee salary compensation data for the past three years; 2015-2017. The article also stated that in 2015 and 2016, the county submitted reports that were "non-compliant", meaning they were either incomplete, filed in a different format than required by the state, or were submitted after the reporting deadline. The Monterey County Civil Grand Jury decided to investigate to determine if the County Office of Auditor-Controller did, in fact, miss the deadlines, the reason(s) for missing the deadlines, and if the county incurred a penalty for late filing during the three years in question.

The Civil Grand Jury found that the Office of Auditor-Controller indeed failed to meet deadlines for the years 2015, 2016, and 2017. They were late, they were non-compliant, and they have no policy in place to avoid future late filings. A penalty was not assessed by the SCO.

Public employee salary compensation is, by far, the single largest expense of the county budget; and taxpayers deserve to have an accurate and transparent accounting of the data. Since the inception of the reporting mandate in 2010 and state law in 2015, the Monterey County Office of Auditor-Controller has not had written policies and

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<sup>1</sup> [http://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=GOV&sectionNum=12463](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=12463)

<sup>2</sup> [https://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=GOV&sectionNum=53892](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=53892)

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procedures for submitting the data on time to the SCO. The Civil Grand Jury believes future late filings can be avoided by creating and instituting written policies and procedures that include calendar driven protocols for timely filing.

### **BACKGROUND**

In July 2018, the Carmel Pine Cone newspaper published an article stating that the Office of Auditor-Controller neglected to file the public employee salary compensation and pension data as prescribed by law for 2015, 2016, and 2017.<sup>3</sup>

Failure to disclose public employee salary compensation information by the deadline prescribed by law undermines the processes that have been put in place by the SCO for accountability and transparency.

Public employee compensation is the largest expense in the budget of Monterey County,<sup>4</sup> according to the “Budget End of Year Report” for 2017-2018.<sup>5</sup> Taxpayers have the right and a responsibility to know how and what is spent in this budgetary category.

The Monterey County Civil Grand Jury investigated to determine if the Monterey County Office of Auditor-Controller was remiss in filing, and if it was, the reason(s) for late filing, and if the county incurred fines for late filing during the three years in question.

The law supporting public employee compensation disclosure went into effect as a result of the revelation of the misappropriation of public funds and high salaries for several City of Bell employees. In the aftermath of this financial scandal exposing payroll malfeasance, California State Controller John Chiang began requiring all cities, counties, and special districts to submit public employee salary information to the SCO. When the law first went into effect in 2010, cities, counties, and special districts were required to submit only summary information to the SCO including revenues and expenditures. Payroll information was part of that data, but it was hidden in the summary. The 2015 law requires all cities, counties, and special districts to supply all compensation data including compensation for elected officials such as mayors and

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<sup>3</sup> <http://pineconearchive.fileburstdn.com/180713PCA.pdf>

<sup>4</sup> <http://www.co.monterey.ca.us/home/showdocument?id=71673>, Page 5

<sup>5</sup> [Monterey County Annual Report/Expenses](#)

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other officials, including city managers and county administrators. The compensation data is now completely visible to all taxpayers in a separate category.

The goal of the new law is to provide complete transparency of public employee salary, pension, and other compensation data. After conducting an audit of the City of Bell, Chiang explained, “The absence of transparency is a breeding ground for waste, fraud, and abuse of taxpayer dollars. A single website with accessible information will make sure that excessive pay is no longer able to escape public scrutiny and accountability.”<sup>6</sup> The revelation of the corruption and ultimately, the conviction of some City of Bell public employees led to the passage of the salary disclosure laws we have today.

While providing the taxpayer with public employee salary compensation information is the law in California, delivering it on time, as prescribed, creates an additional layer of transparency and trust among those who serve the interests of the public. The timely publication of the information is the responsibility of the Office of Auditor-Controller. The information is necessary and foundational to an informed electorate.

### APPROACH

The Civil Grand Jury researched the reasons why these laws were enacted. We interviewed staff from the Monterey County Office of Auditor-Controller to understand the processes and procedures involved with submitting the required data to the SCO. Additionally, the Civil Grand Jury spoke to and corresponded with staff from the State Controller’s office on multiple occasions. We reviewed the salary data for 5,875 Monterey County public employees. We reviewed pension and health care costs for retired public employees, all of which must be reported to the public through the SCO. The Civil Grand Jury also reviewed and analyzed budgets for Monterey County between the fiscal years 2014 and 2019 to determine the percentage of the budget that is allocated to employee wages, salaries, and compensation.<sup>7</sup> In addition to using these primary sources, the Civil Grand Jury reviewed the State Controller’s Government Compensation in California website, the Monterey County Annual Report website, and several non-governmental websites, including news outlet organizations for whom the Office of Auditor-Controller annually provides salary data information. These news

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<sup>6</sup> [https://www.sco.ca.gov/eo\\_pressrel\\_controller\\_requires\\_salary\\_reporting.html](https://www.sco.ca.gov/eo_pressrel_controller_requires_salary_reporting.html)

<sup>7</sup> <http://www.co.monterey.ca.us/government/departments-a-h/administrative-office/budget-analysis>

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organizations included Transparent California the Salinas Californian Bay Area News Group, the Monterey Herald, and the Monterey County Weekly.

### DISCUSSION

**The facts in this report are the result of multiple interviews conducted by the Civil Grand Jury during the investigation process or in documentation footnoted separately.**

- In 2010, under the authority of GC sections 12463 and 53892 the SCO required the compensation data from cities, counties, and special districts as a component of their financial transaction reports. The compensation data was published as “The Government Compensation in California Report.”<sup>8</sup>
- The current law requires counties, cities, and special districts to submit salary compensation data to the SCO by April 30 each year for the previous calendar year.<sup>9</sup> The SCO is specific as to the date, format, and method, the salary data must be submitted.
- Penalties for late filing, or if the data are deemed false, incomplete or incorrect, range from \$1,000-\$5,000.<sup>10</sup>
- Monterey County did not incur penalties for late filing during the years in question.
- The newly elected Auditor-Controller has weekly meetings to discuss upcoming calendar deadlines.
- Of the 58 California counties, Monterey County was not the only county that missed the salary compensation data filing deadline for the years 2015, 2016, and 2017. In 2015, 13 counties missed the deadline; in 2016, 7 counties missed the deadline; and in 2017, 11 counties missed the deadline.
- Monterey County salary compensation data was submitted late in years 2015, 2016, and 2017.

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<sup>8</sup> [http://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=GOV&sectionNum=12463](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=12463)

<sup>9</sup> [http://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?sectionNum=53895.&lawCode=GOV](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=53895.&lawCode=GOV)

<sup>10</sup> [http://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?sectionNum=53895.&lawCode=GOV](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=53895.&lawCode=GOV)

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- The Monterey County Office of Auditor-Controller was required to clarify certain salary compensation anomalies to the SCO for 2015 and 2016 before data could be posted online. These anomalies related to special compensation practices.

Salary compensation for Monterey County for the years 2015 and 2016 were not posted to the State website until July 2018 pending clarification of the salary compensation anomalies.

Monterey County was late in filing salary compensation data as follows:

Government Compensation in California Reporting Year	Submittal Date
2015	08/22/2016
2016	06/28/2017
2017	07/13/2018

- Public employee compensation is the single largest expense of the Monterey County budget.
- Nine years after the law was enacted, Monterey County Office of Auditor-Controller still does not have written policies and procedures for filing salary compensation data to the SCO.
- The salaries for Monterey County public employees can be viewed on the SCO website.<sup>11</sup>
- The Monterey County Office of Auditor-Controller must provide all public employee pension information annually to the SCO.

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<sup>11</sup> <https://publicpay.ca.gov/Reports/Counties/County.aspx?entityid=27&year=2017>

## **DISCLOSING SALARY COMPENSATION DATA IN MONTEREY COUNTY**

### **FINDINGS**

- F1) Monterey County taxpayers should have an accurate accounting of public employee salary and pension compensation.
- F2) Monterey County Office of Auditor-Controller did not submit salary information to the State Controller's Office as required by law thereby depriving the public of timely information.
- F3) Monterey County did not proactively address salary anomalies as identified by the SCO.
- F4) Monterey County could have been penalized up to \$5,000 for missing the filing deadline.

### **RECOMMENDATIONS**

- R1) By fiscal year 2019-2020, the Monterey County Auditor-Controller should create written policies and procedures for the timely filing of public employee salary compensation data to the SCO.
- R2) The Monterey County Auditor-Controller should file the data required by law to the State Controller's Office, by the deadline each year, in a manner and format specified in the law.

### **REQUIRED RESPONSES**

Pursuant to Penal Code sections 933 and 933.05, the Civil Grand Jury requests responses to Findings: F1) - F4) and to Recommendations: R1) - R2) from the following elected county official within 60 days:

- Monterey County Auditor-Controller

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.