



BOARD OF COMMISSIONERS

AGENDA REQUEST & STAFF REPORT

MEETING DATE: December 18, 2024

SUBJECT: Administrative Services Budget and County Internal Audit Office Recruitment

RECOMMENDED MOTION:

Options:

1. Move approval of initiating a recruitment for 1.0 Performance Auditor.
2. Move approval of initiating a recruitment for 0.5 Performance Auditor.

On December 6, 2024, the County Audit Committee passed a motion (with one abstaining and one member not in attendance) to “formally advise County Administration and the Board of Commissioners to prioritize the internal audit function and to look for other areas to cut or additional revenues to make in order to balance the budget.”

The County Administrator recommends the Board adopt option 2.

BACKGROUND AND POLICY IMPLICATIONS:

The General Fund is structurally imbalanced, meaning expenditures are growing at a faster rate than revenues with a projected budget shortfall occurring by Fiscal Year 2027 (FY27), unless corrective action is taken.

The County's Finance and Administration Departments are implementing a budget framework for FY26 with the goals of resetting the expenditure curve by lowering the projected growth rate (“Limited Growth”) and targeted savings (“Focused Savings”) to ensure financial sustainability of the County. In FY 2026, the Limited Growth and Focused Savings framework will limit the growth of General Fund supported departments to 3.3% and Internal Service Fund departments to 8%.

The projected FY26 General Fund Budget, including all estimated staffing-costs and increases must be reduced by approximately \$2.5 million; the County overall must reduce expenses by over \$3 million. On Monday, Dec. 2, the Board approved \$1 million in savings from the General Fund through a series of actions.

The Administrative Services Department (9.75 FTE) FY26 budget will be limited to 8% growth. Developing a budget that meets this target will require reductions of more than \$130,000. Administrative Services is reducing costs to achieve the limited growth target by implementing a series of actions, including holding open the Human Resources Director and Manager positions and eliminating other projects and corresponding expenses. However, saving \$130,000 in FY26 can only be achieved by reducing a full or partial FTE.

The County Administrator made the difficult decision to reduce the County's Performance Auditor position to .5 FTE, effective January 1, 2025. The reasons for this decision, including the timing of this decision, are to minimize impacts to County operations within the small Administrative Services team, and to offer the Performance Auditor the opportunity to maintain full-time employment with the County by moving to the Risk Management program with a retirement occurring on Dec. 31, 2024. The Performance Auditor has accepted this opportunity.

On December 6, 2024, the Audit Committee convened a special meeting to discuss County Administrator proposed changes to the Audit Office budget, and specifically the FTE reduction from 1.0 to 0.5 FTE. Following a robust discussion among Audit Committee members and attendees, the **Committee passed a motion (with one abstaining and one member not in attendance) to "formally advise County Administration and the Board of Commissioners to prioritize the internal audit function and to look for other areas to cut or additional revenues to make in order to balance the budget."**

The County Administrator recommends initiating a recruitment for a 0.5 FTE Performance Auditor in January 2025.

BUDGET IMPACTS:

The Administrative Services budget must be reduced by more than \$130,000 in FY26. If the Board supports filling the Performance Auditor position at .5 FTE, the Audit Office work plan will decrease by at least 25% as the Office's 2.0 FTE would be reduced to 1.5 FTE, and perhaps by 50% if the position is not filled. If the Board supports filling the Performance Auditor position at 1.0 FTE, Administrative Services will present and discuss other budget and operational impacts to the BOCC to achieve the necessary savings.

ATTENDANCE:

Nick Lelack, County Administrator

Elizabeth Pape, County Internal Auditor

Daryl Parrish, Audit Committee Chair (remote attendance)