

# 2002-2003 GRAND JURY REPORT

## Local Agency Formation Commission

### Background

Local Agency Formation Commissions (LAFCOs) are mandated by statute (California Government Code Section 56301). The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 amended the Cortese-Knox Local Reorganization Act of 1985 (*Reference Government Code Section 56000*) and replaced three previous laws. In California there are 57 LAFCOs working with nearly 4,000 governmental agencies in 57 counties.

LAFCOs are responsible for coordinating logical and timely changes in local governmental boundaries; conducting special studies that review ways to reorganize, simplify, and streamline governmental structure; and preparing a "sphere of influence" for each city and special district within each county. LAFCOs are under a state category of "miscellaneous local governments," and have independent authority relating to decisions pertaining to proposed incorporation of cities, annexations, and spheres of influence, in accordance with California Government Codes. The law provides that the county, the combined cities of the county, and the combined special districts of the county, each contribute a one-third share of the Commission's operating costs. Additionally, the Commission adopts a fee schedule for recovering the cost of proceedings, filings, and processing applications.

The Riverside County LAFCO consists of seven members: two county supervisors selected by the board of supervisors; two city council representatives selected by a majority of the mayors in the county; two special district board members chosen by the special district selection committee; and one representative from the public sector as designated by the six constituents. There is one alternate for each category – the county, cities of the county, all special districts of the county, and the general public at large.

## **Findings**

1. Under current code there is no specific guidance addressing responsibilities for the auditing of LAFCO.
2. The Riverside County LAFCO has not been financially audited for 12 years.
3. The Commissioners have not provided sufficient oversight on financial matters; however, there is no indication of misuse of funds.
4. Payment vouchers require only one individual's signature regardless of amount.
5. There are no written policies or procedures relating to the operations of LAFCO, as required by California Government Code Section 56300. This code states that the intent of the legislature was for this to be accomplished not later than January 1, 2002.

## **Recommendations**

### **Local Agency Formation Commission (LAFCO) Riverside County Auditor-Controller**

1. The Commissioners coordinate with the Riverside County Auditor-Controller to establish procedures for annual/biennial audits with a determination of who initiates these audits.
2. A financial audit of Riverside County LAFCO be performed immediately.
3. The Commissioners become more involved in the financial process of LAFCO.
4. The Commissioners establish a dual signature requirement, with at least one alternate signer, for vouchers over a specified amount to be determined by the Commission.
5. Establish a policies and procedures manual, as required by code, with specific written policies, including procedures for proper control of financial issues.