



Paul Angulo, CPA, M.A.
Auditor-Controller

“Creating Value and Making a Difference”

LEGAL SETTLEMENT COST REPORT

**Comparative Report of Riverside County with
Other California Counties**

January 1, 2013, through December 31, 2017

EXECUTIVE SUMMARY

The Riverside County Auditor-Controller's Office initiated a legal settlement cost review with the objective of providing the Board of Supervisors (the Board) the total cost information associated with settlements paid. This provides the Board and other decision makers transparency and an opportunity to make well-informed decisions related to these costs. It also provides the Board information on how the Riverside County Liability Fund's performance stands comparative to other large California counties. It is our goal to provide the Board with substantive, relevant, actionable information. That is, information that matters.

Legal settlement cost information was collected from the six largest counties (Los Angeles County, San Diego County, Orange County, Riverside County, San Bernardino County, and Santa Clara County) in California by population size for the period January 1, 2013, through December 31, 2017. Riverside County had the highest overall cost per capita¹, which is 78% higher than the next county, Los Angeles, and 237% higher than next similar sized county, San Bernardino. The total dollar payout for Riverside County during the 5-year period under analysis was \$136.6 million. By comparison the four other similar-sized counties had a grand total of \$121.9 million. The question we ask: Why is Riverside County's Liability Fund settlements so far removed from the other counties? Riverside County accounts for 10% of the population for the top six counties (including Los Angeles) yet it is responsible for 23.5% of total legal settlements for the same counties combined.

Based on the data, which is far removed from statistical norms, the Board of Supervisors should therefore empanel a thorough investigation of the legal settlements and associated risks of the Liability Fund. The investigation should also include an analysis of all related parties and associations. The processes in which decisions to settle or proceed to trial should be evaluated to determine the propriety of these processes and if the individuals making the settlement decisions are appropriately qualified. The County Auditor-Controller urges the Board to take decisive action to defend the taxpayer's best interests.

INTRODUCTION

Annually, local governments spend millions of taxpayer dollars fighting and settling litigations for a range of legal challenges. The cost for lawsuits may vary significantly for counties. Heavily populated counties and types of public services provided will influence costs as the legal challenges vary from county to county. State laws also have an impact on how much can be awarded by placing maximums per type of claim. This may also drive the cost up or down depending on the legislation in place.

¹ Population is based on Census Bureau Statistics as of July 1, 2017

SCOPE

The scope included the request of information for calendar year legal settlements in six counties from the period of January 1, 2013, through December 31, 2017. Information on settlements were collected from the following counties:

- Los Angeles County
- San Diego County
- Orange County
- Riverside County
- San Bernardino County
- Santa Clara County

We categorized the data sent from all the counties, except San Bernardino County. For San Bernardino County, we could only utilize the aggregate amounts as details were not provided. Based on the departments for each county, we categorized the data collected according to the portfolios Riverside County utilizes. The tables and charts presented in this report are by category and demonstrates how our county compares to the other large counties in each of the categories.

CONCLUSIONS AND RECOMMENDATIONS

Riverside County's per capita legal settlements are far outside the average range from the other counties reviewed. Further investigation is required to determine the cause of the large payouts and ways to mitigate future risks. Riverside County must implement measures to help mitigate the exposure of lawsuits to the various organizations managed under its responsibility. Such measures can include the following:

- Have a robust process to determine true litigation risks and potential losses
- Use prior settlements and litigation claims to develop new policies and procedures
- High emphasis and continuous messaging from executive management to core values like integrity, transparency, accountability, and rigorous adherence to confidentiality and information security policies
- Dissuade the use of shortcuts in the name of "process efficiencies," specifically when the designed processes are establish to have redundancies and reduce errors
- Develop training needs based on trends from historical claims
- Acute investment in building expertise in challenging sectors to help with prevention of careless errors and accidents
- Candid and constant re-evaluation of needs and resources to implement as risks changes
- Transparent communication with all levels of the organization to reduce misunderstandings by county employees and the public
- Advocacy to create state legislation limiting the settlement and lawsuit payouts for types of claims not currently in place

Legal Settlement Cost Report 2013-2017

- Secure the assistance of legal counsel, qualified to negotiate aggressively and a history of winning outcomes for legal claims facing local governments
- Be less risk averse since quickly settling legal claims sets a precedence and builds a reputation of an organization eager to settle
- Communicate with and involve the alleged offending department
- Human Resources/Risk Management should write policies they can support and defend and not abandon at the first sight of controversy
- Proposed settlements should be reviewed and approved by a panel of qualified attorneys before being presented to the Board of Supervisors for final decision.

Table 1 demonstrates the total legal settlement cost by county. It is presented by portfolio as categorized by Riverside County to benchmark each county by portfolio.

Table 1: Total Settlement Cost by County , 5-Year Period

Portfolio Categories	Riverside	Los Angeles	San Bernardino	Santa Clara	San Diego	Orange	Grand Total
Public Safety	84,785,524	184,049,843		15,526,761	12,839,334	16,482,654	313,684,116
Public Works, Land Use & Environment	29,031,971	372,270		3,072,441	2,918,234	3,572,025	38,966,941
Human Services	10,858,790	19,175,965		1,756,175	41,722	1,396,375	33,229,026
Economy & Community Development	4,129,038	30,631,260		600,431	9,902,300	3,721,430	48,984,460
Health & Hospital Services	3,818,489	66,672,260		7,878,532	791,179	586,531	79,746,992
Human Resources	2,913,357	117,908		212,918	1,189	182,692	3,428,063
Finance & General Government Services	571,428	15,046,081		684,822	923,394	885,240	18,110,965
Internal Services	136,140	1,879,942		16,357	25,922	138,945	2,197,306
Other	18,757	3,096,842		168,618	539,792	894,049	4,718,058
County Wide	327,570		36,096,681				36,424,251
Grand Total	\$136,591,066	\$321,042,372	\$36,096,681	\$29,917,056	\$27,983,066	\$27,859,940	\$579,490,179

For the 5-Year period reviewed, Public Safety settlement cost totaled over \$313.7M for all counties. In terms of cost of other portfolio categories, it ranks the highest.

Legal Settlement Cost Report 2013-2017

The charts through the report, provide a visual of how each county benchmarks in comparison to other counties for each portfolio category. Portfolio categories were arranged in the manner consistent with Riverside County’s department portfolios.

Figure 1: Total Legal Settlement Cost by County, 5-Year Period

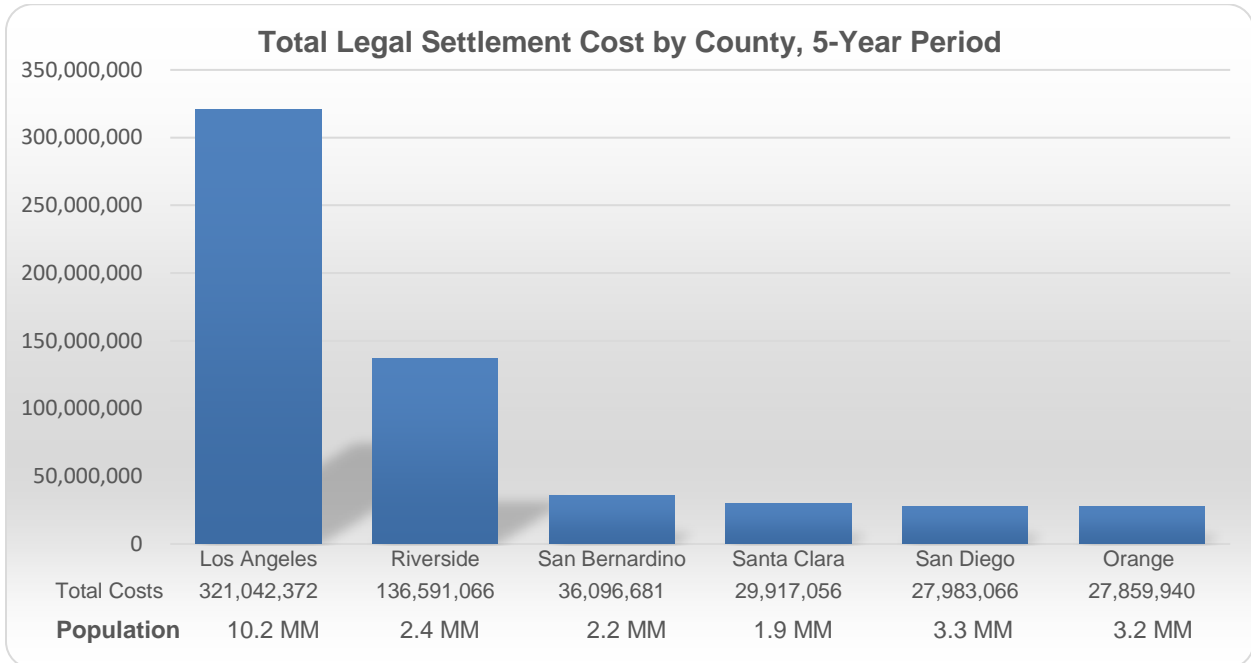


Figure 2: Total Per Capita Legal Settlement Cost by County, 5-Year Period

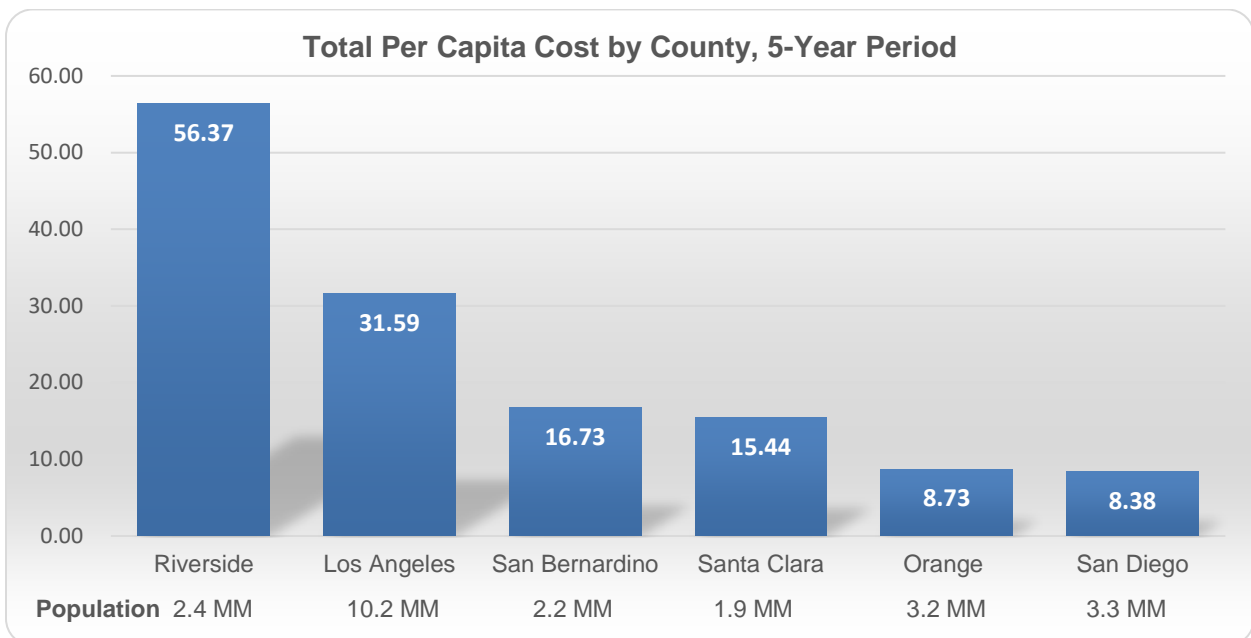


Figure 3: Public Safety Portfolio Legal Settlement Cost by County, 5-Year Period

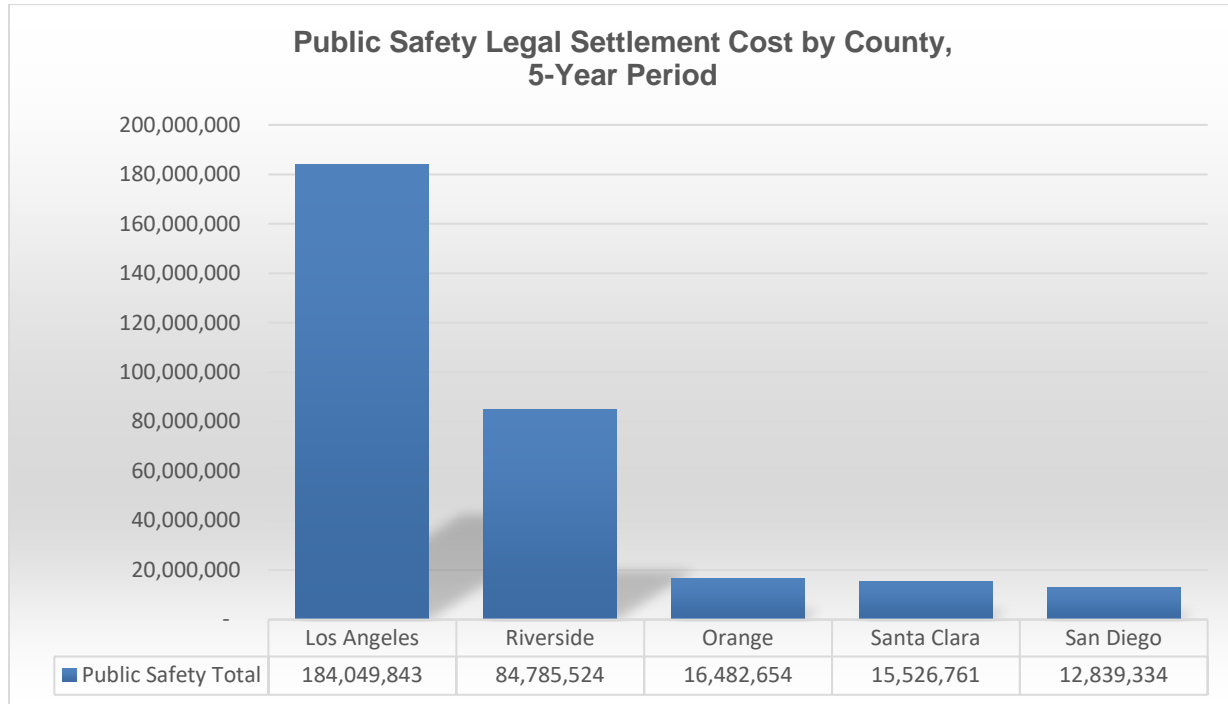


Figure 4: Public Works, Land Use & Environment Portfolio Legal Settlement Cost by County, 5-Year Period

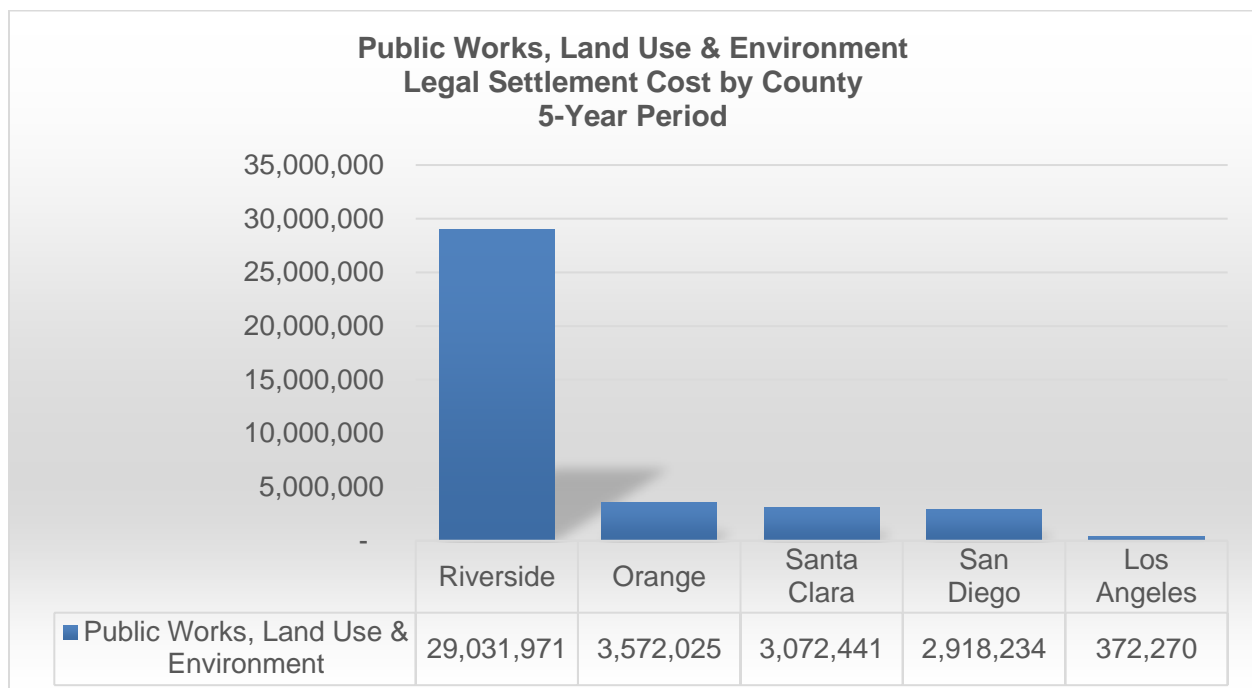


Figure 5: Human Services Portfolio Legal Settlement Cost by County, 5-Year Period

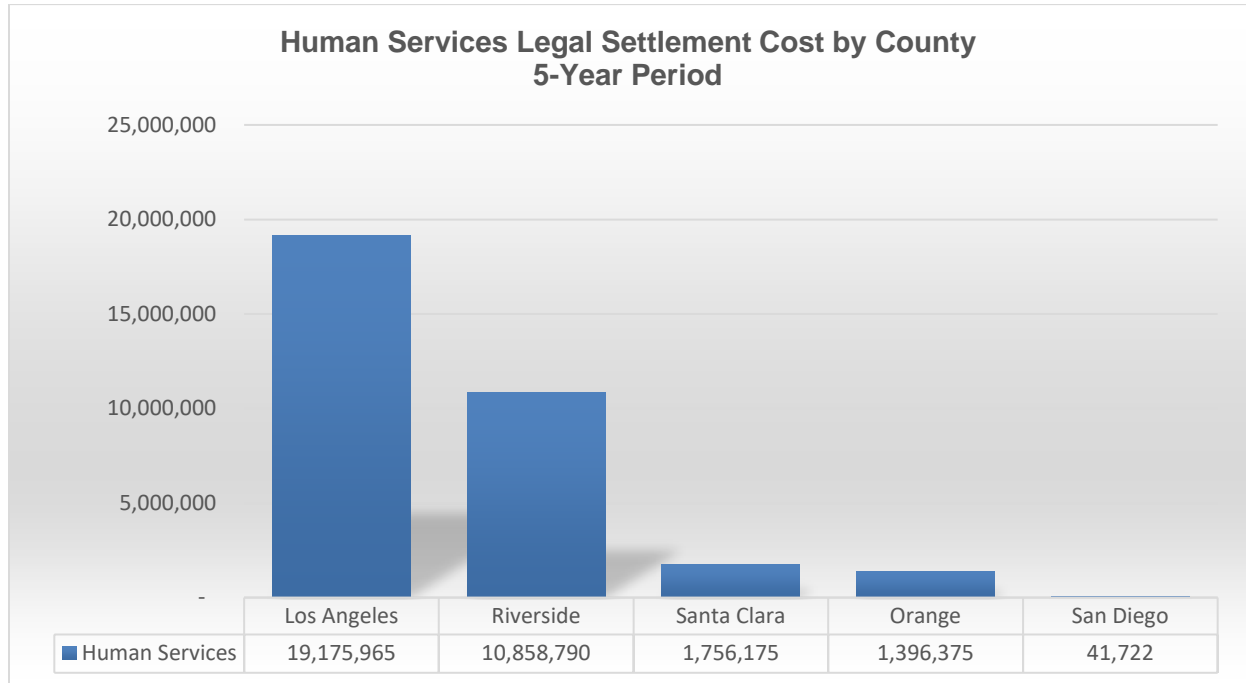


Figure 6: Economy & Community Development Portfolio Legal Settlement Cost by County, 5-Year Period

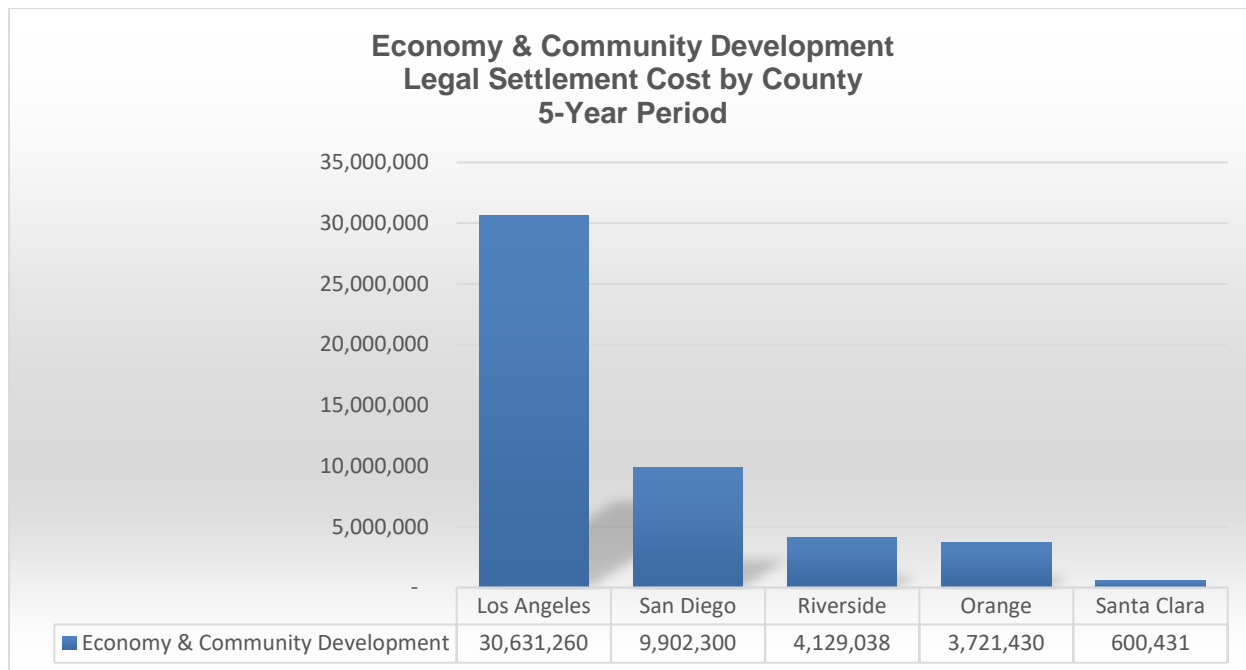


Figure 7: Health & Hospital Services Portfolio Legal Settlement Cost by County, 5-Year Period

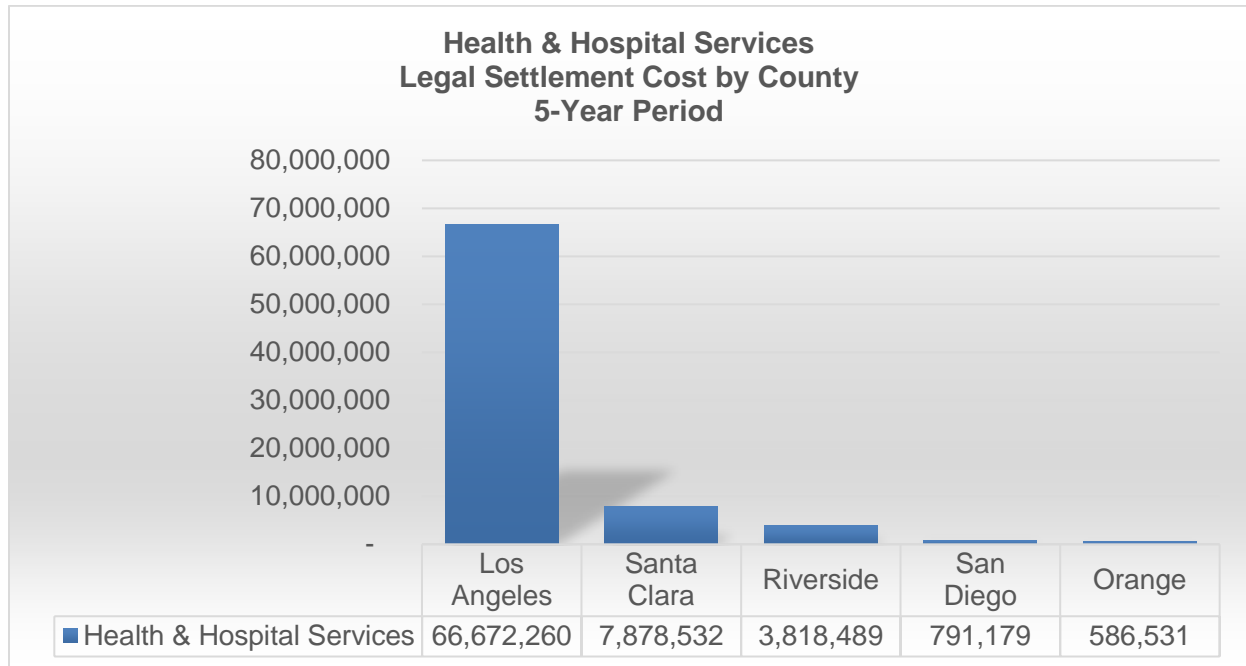


Figure 8: Human Resources Portfolio Legal Settlement Cost by County, 5-Year Period



Figure 9: Finance & General Government Services Portfolio Legal Settlement Cost by County, 5-Year Period

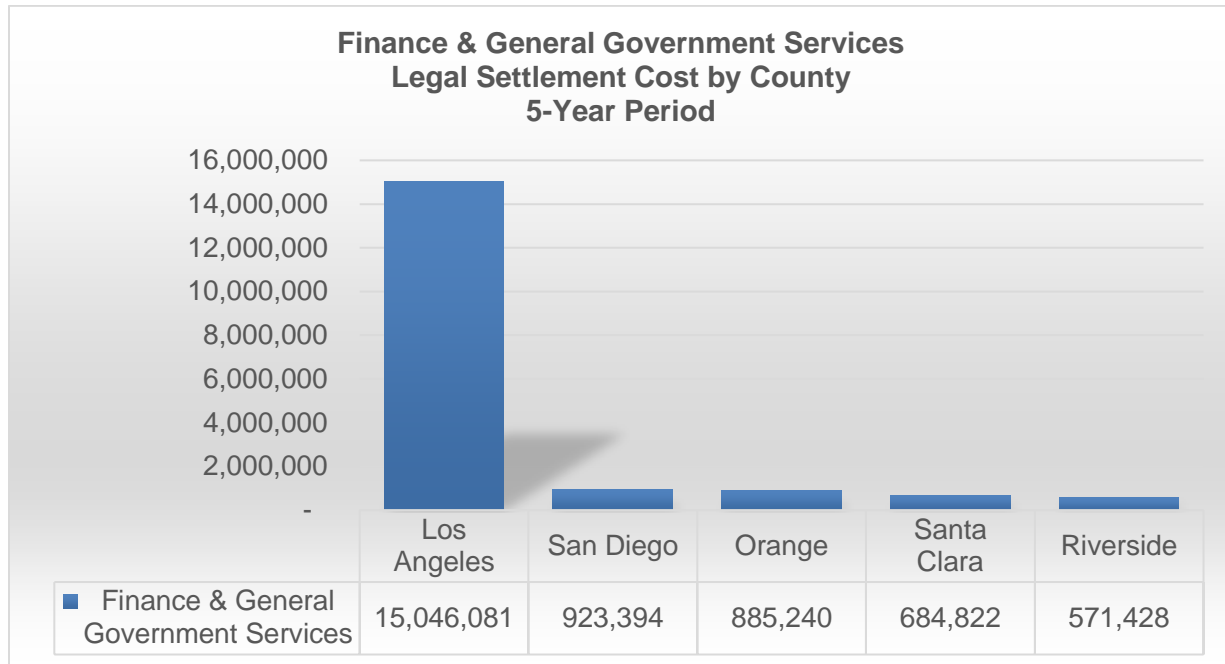


Figure 10: Internal Services Portfolio Legal Settlement Cost by County, 5-Year Period

