



AGENDA ITEM **C-9**

COUNTY OF HUMBOLDT

For the meeting of: June 22, 2004

Date: June 8, 2004

To: Board of Supervisors

From: Loretta Nickolaus, County Administrative Office

Subject: Grand Jury Response

RECOMMENDATION(S):

That the Board of Supervisors not implement the Grand Jury recommendation to immediately restore funding to the Auditor-Controller's Office.

SOURCE OF FUNDING:

General Fund

DISCUSSION:

The Grand Jury has issued the attached report which includes a finding and recommendation concerning the Special District Audit Program. The suggested response from the Board of Supervisors, in the format as set forth in Penal Code Section 933, is as follows:

Finding: "The 2003-04 Grand Jury finds that the lack of a dedicated Senior Accountant-Auditor position to conduct Special District audits will once again result in Special District audit delinquencies and non-compliance with Government Code Section 26909, and jeopardize this beneficial program."

Prepared by Karen Suiker

CAO Approval 

REVIEWS

Auditor  County Counsel  Personnel _____ Risk Manager _____ Other _____

TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor **WOOLLEY SMITH**
 Seconded by Supervisor
 And unanimously carried by those members present,
 The Board hereby adopts the recommended action
 contained in this report.

JUN 22 2004

PREVIOUS ACTION/REFERRAL:

Board Order No. _____

Meeting of: _____

Dated: _____
Lora Canzoneri, Clerk of the Board

By: 

Suggested Response from Board of Supervisors: Disagree with finding. Government Code Section 26909 allows for the county auditor to "...contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special purpose district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided." There is no requirement for any such audit to be performed by in-house staff, and as is the case in some other counties, staffing reductions may result in the need for the Auditor to contract for such a service. This same Government Code Section provides that any costs incurred in making the audit shall be borne by the applicable special district. The Board of Supervisors understands and supports the need for the Auditor to contract for these services to assure compliance with the Government Code.

Recommendation: "The Grand Jury recommends that the Board of Supervisors immediately restore funding to the Auditor-Controller's office to allow this position to be filled permanently."

Suggested Response from Board of Supervisors: The recommendation will not be implemented because it is not reasonable in the face of severe budgetary constraints, and is not necessary for reasons as set forth in the response to the Finding.

FINANCIAL IMPACT:

There is no financial impact to not restoring a position. Allocating a Senior Auditor-Accountant position would require an appropriation of about \$55,000, of which about \$15,000 has historically been recovered by charging for audit services.

OTHER AGENCY INVOLVEMENT:

Special Districts

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could elect to transfer funding from Contingencies to fund the position.

ATTACHMENTS:

Grand Jury Report 2004-CD-03

KS/bd

Attachment

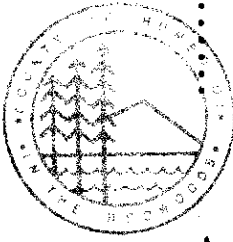
cc: Auditor-Controller

Grand Jury

KS

Chron. file

FJury Response



GRAND JURY
COUNTY OF HUMBOLDT

825 FIFTH STREET
EUREKA, CALIFORNIA 95501-1153 PHONE (707) 476-2475

April 16, 2004

Michael Giacone, Auditor/Controller
County of Humboldt
825 - 5th Street
Eureka, CA 95501

Dear Mr. Giacone:

The 2003-2004 Humboldt County Grand Jury has prepared an early "Final Report" and "Executive Summary" that affects the Humboldt County Auditor/Controller's Office. California Penal Code Section 933.05 (f) requires that:

"A grand jury shall provide to the affected agency a copy of the portion of the grand jury report, relating to that person or entity, two working days prior to its public release."

Therefore, we are enclosing herewith a copy of Grand Jury Report and Executive Summary: **"2004-CD-03: Special District Audit Program in Jeopardy."**

Elected officials such as yourself are required to prepare a response to each Grand Jury Finding and Recommendation in reports that affect them, in accordance with the format set forth in Penal Code Section 933.05 (see attached). The response shall include the agencies name and the Grand Jury Findings and Recommendations as numbered in the report.

The responses shall be submitted directly to the Presiding Judge of the Superior Court in accordance with the 60-day response period specified in Penal Code Section 933 (c). The 60-day period to respond will begin to run **2 days** after your receipt of this report. The response should be addressed to:

The Honorable Marilyn Miles
Presiding Judge
Humboldt County Superior Court
825 - Fifth Street
Eureka, CA 95501

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April 16, 2004

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At the same time, you should send a written copy of your response for information purposes along with a floppy-disc, with the response formatted in either Microsoft Word or WordPerfect, to the Board of Supervisors via the CAO's office **AND** a copy directly to the Grand Jury at the address on this letterhead.

If you have any questions regarding the foregoing, please do not hesitate to contact me at 476-2475.

Sincerely,



Judith D. Schmidt, Foreperson

2003-2004 Humboldt County Grand Jury

JDS

Encl.

Cc: Hon. Marilyn Miles

Board of Supervisors: Karen Suiker, CAO's Office ✓

Cities & Districts Committee

Editorial

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**GRAND JURY REPORT 2004-CD-03
SPECIAL DISTRICT AUDIT PROGRAM IN JEOPARDY**

EXECUTIVE SUMMARY:

Government Code Section 26909 requires the Auditor/Controller to ensure that special districts are audited periodically. The 1999-2000 Grand Jury recommended that the Board of Supervisors (Board) and the Auditor/Controller intensify their efforts to assist special districts to comply with the law.

Both the Board and Auditor/Controller accepted and implemented the recommendation. A senior accountant-auditor position was funded, and through the efforts of this employee all but two of the 48 special districts in Humboldt County were in compliance at June 30, 2003. Due to the retirement of the Auditor/Controller in 2003 and subsequent promotions within the Auditor/Controller's office, this position was left vacant and not funded in the current fiscal year.

This finding of facts led to a recommendation that the Board immediately restore funding to the Auditor/Controller's office to permit this position to be filled permanently, and allow this beneficial program to continue.

Grand Jury Report # 2004-CD-03
Special District Audit Program in Jeopardy

Who Shall Respond: Pursuant to California Penal Code Sections 933 and 933.05, responses to the Findings and Recommendations of Grand Jury Report # 2004-CD-03 shall be provided as follows:

- The Board of Supervisors and the Auditor/Controller shall respond to **Finding and Recommendation 1.**

The 1999-2000 Grand Jury recommended that the Auditor/Controller and the Board of Supervisors (Board) of Humboldt County continue and intensify their efforts to comply with the provisions of Government Code Section 26909, which requires that special districts be audited annually or by special request to the Board biennially, or depending on the district's budget, an audit covering a five-year period. Both units of County government embraced and implemented the recommendation.

The Grand Juries of both 2001-2002 and 2002-2003 found that excellent progress was made toward the special district audit program. The 2003-2004 Grand Jury commends the Board and Auditor/Controller for authorizing, funding and filling a senior accountant-auditor position necessary to perform the audits. This employee assisted 14 special districts with multi-year audits at a cost the districts could afford, and as of June 30, 2003, all but two of the County's 48 special districts were in compliance with state law, thus increasing the confidence of their respective communities in the proper expenditure of public funds. However, the retirement of the Auditor/Controller occasioned the promotion of others in the department. This left a senior accountant-auditor position vacant. That position is now un-funded leaving no one available to audit special districts.

1. Finding: The 2003-2004 Grand Jury finds that the lack of a dedicated senior accountant-auditor position to conduct special district audits will once again result in special district audit delinquencies and non-compliance with Government Code Section 26909, and jeopardize this beneficial program.

Recommendation: The Grand Jury recommends that the Board of Supervisors immediately restore funding to the Auditor/Controller's office to allow this position to be filled permanently.