

COUNTY OF SUTTER

August 17, 2009



ROBERT E. STARK, CPA

AUDITOR-CONTROLLER

FILED

SEP 28 2009

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SUTTER
CLERK OF THE COURT
By Michael Lowell Deputy

The Honorable Christopher R. Chandler
Presiding Judge of the Superior Court of California
County of Sutter
446 Second Street
Yuba City, California 95993

Dear Judge Chandler:

Submitted herewith is the Auditor-Controller's Office response to the 2008-2009 Grand Jury Final Report. Penal Code §933(c) and §933.05 require elected officers to respond within 60 days to the findings and recommendations of the Grand Jury. This response is submitted directly to you pursuant to Penal Code §933.05.

I commend the individual members of the Grand Jury for their public service.

I share the Grand Jury's concerns in making Sutter County government work better. I am looking forward to working constructively and positively with the Board of Supervisors and the County Administrator's Office to implement improvements with the objective of increasing the County's efficiency and effectiveness.

By law I am also required to send a copy of this report to the Sutter County Board of Supervisors, after which they will have another 30 days to write their response. I am complying with that requirement. I trust that my response will likewise be distributed to all recipients of the Grand Jury's report and all recipients of the Board of Supervisor's response.

Sincerely,

Robert E. Stark, CPA
Auditor-Controller

Cc: Information copy to Sutter County Board of Supervisors per Penal Code §933(c)

RECEIVED

AUG 17 2009

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SUTTER
TRAFFIC DIVISION

Sutter County Auditor-Controller's Response to 2008-2009 Grand Jury Report

Department Purchasing and Financial

Page 2, Finding One (in order presented)

"The Grand Jury finds the Auditor-Controller's office does not have standardized guidelines and procedures to aid departments to reconcile purchases to financial reports."

The Auditor-Controller responds— We agree. Standardized guidelines and procedures to aid departments to reconcile purchases to financial reports do not exist. However, the finding is not clear as to what is meant by "standardized guidelines and procedures." If the Grand Jury's intent is for the Auditor-Controller's office to provide individualized guidelines tailored to the varied needs of each department this would be outside the scope of the duties of Auditor-Controller.

Finding Two

"The Grand Jury finds there are no formal written procedures to reconcile purchases to financial reports at the department level."

The Auditor-Controller responds— We agree. Department level management should implement individual department policies and procedures to maintain accountability over the programs department managers are responsible for, including departmental procedures specific to departmental purchasing in order to reconcile with the official general ledger maintained by the Auditor-Controller's Office.

Finding Three

"The Grand Jury finds the Sutter County Fleet Department, Sheriff's Department, and Library Services have systems to reconcile purchases to financial reports and have a good rapport with the Auditor-Controller's office

The Auditor-Controller responds—We agree. Based on the Grand Jury findings, apparently these departments have proactively established departmental policies and procedures to reconcile departmental purchases with the official general ledger maintained by the Auditor-Controller's Office. Managers from other departments should review these procedures as a good basis on which to develop their own systems.

Recommendation One

"The Grand Jury recommends the Sutter County Auditor-Controller create standardized guidelines and procedures for processing and reconciling department purchases."

The Auditor-Controller responds—We disagree. This recommendation will not be implemented because it “is not reasonable”, within the meaning of Penal Code §933.05(b)(4). Reconciling accounts is a basic accounting skill which is taught in the first year of an accounting curriculum. Sutter County only employs two accountants outside the Auditor-Controller’s Office. The problems the Grand Jury are seeing in most departments are symptomatic of assigning accounting work to positions that are misclassified and therefore the individuals are ill-equipped to handle the basic accounting tasks assigned to them. Reclassifying these positions and hiring employees with the necessary accounting education (Bachelor degree), experience and skills to perform the job is the only practical way to correct this deficiency.

Recommendation Two

“The Grand Jury recommends the Sutter County Auditor-Controller provide training to departments to aid in account reconciliation.”

The Auditor-Controller responds—We disagree because the recommendation is not reasonable. Although it is apparent from the Grand Jury’s findings that the departments are having trouble with account reconciliation, the underlying problem will not be solved by training provided by the Auditor-Controller. As noted above, reconciling accounts is a basic accounting skill. Sutter County only employs accountants in one other department outside the Auditor-Controller’s Office. The problems the Grand Jury are seeing in most departments are symptomatic of assigning accounting work to positions that are misclassified and therefore the individuals are ill-equipped to handle the basic accounting tasks assigned to them. Reclassifying these positions and hiring employees with the necessary accounting education and skills to perform the job is the only practical way to correct this deficiency.

Recommendation Three

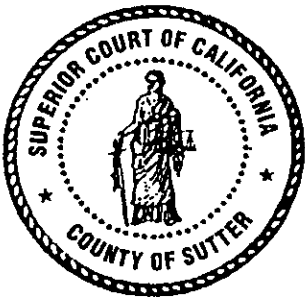
“The Grand Jury recommends individual departments create written policies and procedures to reconcile purchases to budget.”

The Auditor-Controller responds—We agree. However, this recommendation is directed at individual departments and therefore is not within the purview of the Auditor-Controller’s Office to implement. It would be appropriate for the Auditor-Controller’s Office to perform an internal audit of the adequacy of each department’s policies and procedures but we are unable to do so unless an internal audit position is approved.

Submitted by,

Robert E. Stark, CPA
Auditor-Controller

August 17, 2009



Superior Court of California

County of Sutter

446 Second Street ♦ Yuba City, California 95991
Telephone 530-822-3300 ♦ Fax 530-822-3500

LEN L. LeTELLIER
Court Executive Officer

June 18, 2009

Dear Department Head:

Enclosed is a copy of the 2008-2009 Grand Jury Final Report section(s) that pertains to your department. Pursuant to Penal Code §933.05(f) the section(s) are provided to you on behalf of the Grand Jury.

Provide your response to the Presiding Judge of the Superior Court within the time period specified in Penal Code §933(c) and include the details required by Penal Code §933.05. Please provide an original and two sets of copies. Your response will be filed with the Court and a copy will be posted on the Court's web site, www.suttercourts.com.

Please acknowledge the receipt of these documents by signing below on the copy and returning the copy of this letter in the enclosed self-addressed envelope as soon as possible. Please retain one copy for your records.

Very truly yours,

JENNIFER LAMBERT
Court Clerk/Jury Services

JL
Enc.
c:file

Receipt Date: 6/24/09

Signed: Robert E. Stark
Respondent

Department: Auditor-Controller

Robert E. Stark
Please Print Name



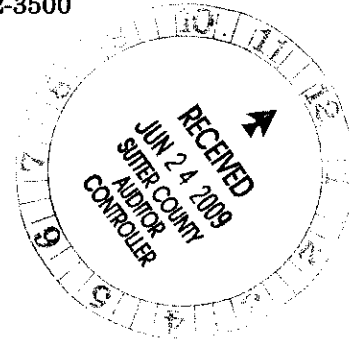
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Very truly yours,

JENNIFER LAMBERT
Court Clerk/Jury Services

JL
Enc.
c:file

Receipt Date: _____ Signed: _____
Respondent

Department: _____
Please Print Name

CALIFORNIA CODES
PENAL CODE
SECTION 925-933.6

933. (c) No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section 914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls. In any city and county, the mayor shall also comment on the findings and recommendations. All of these comments and reports shall forthwith be submitted to the presiding judge of the superior court who impeached the grand jury. A copy of all responses to grand jury reports shall be placed on file with the clerk of the public agency and the office of the county clerk, or the mayor when applicable, and shall remain on file in those offices. One copy shall be placed on file with the applicable grand jury final report by, and in the control of the currently impeached grand jury, where it shall be maintained for a minimum of five years.

933.05. (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.


(c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decision-making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.


(d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

(e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.

(f) 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 and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

Final Report
of the
2008-2009
Sutter County
Grand Jury


Kevin Bermingham,
Foreperson


Christopher R. Chandler,
Presiding Judge

Department Purchasing and Financial Reconciliation

Introduction

The 2008-2009 Sutter County Grand Jury investigated the process and procedures for Sutter County purchase processing at the department level.

This investigation was conducted by the Audit Committee comprised of the following Jurors: Thea Brooke, Anne Deis, Doug Heacock, and Marchell Nelson.

Discussion

The Audit Committee conducted interviews with the Sutter County Sheriff's Office, Sutter County Fleet Department, and Sutter County Library Services. Departments were chosen randomly. The purpose of the interviews was to determine the timeliness of invoice processing and reconciliation relating to department financial statements.

Purchasing for each department is conducted at the department level. Each department has different authorization criteria. Authorization is required and budget money must be available in order for purchases to be made. Goods and services are received directly at the department level. Packing slips are reviewed and reconciled to ensure all items are received. All vendor invoices and statements are sent to individual departments. It is the responsibility of each department to reconcile vendor statements.

Packing slips remain in a pending file until an invoice is received from the vendor. Packing slips are matched to invoices and a claim is completed by department personnel. Claims are coded by department personnel to affect proper account categories and funds. The invoice is attached to the claim with appropriate signatures and forwarded to the Auditor- Controller's office for payment.

After month end, Department Payment Record reports are forwarded to each department for reconciliation. Each department ensures invoices were processed with correct accounts and dollar amounts. Payment or coding discrepancies are resolved between departments and the Auditor-Controller's office.

Each department is responsible for reconciling their own accounts. The Auditor-Controller's office submits monthly financial reports to each department. Financial review can also be conducted on-line. Departments review financial informational reports noting variances between yearly expenditures and remaining budget. Department personnel have varying accounting experience and knowledge; however, each department has a system to ensure claims are forwarded to the Auditor-Controller's office and reconciled to financial reports.

Departments have different accounting systems to track expenditures to financial statements. The Sheriff's Department and Fleet have stand-alone accounting systems. Stand-alone accounting systems are purchased by each department to aid in maintaining financial information for each department. Stand-alone accounting systems do not link to the Auditor-Controller's accounting systems and must be reconciled to the Auditor-Controller's reports in order to accurately track current expenditures to budget status.

Departments with stand-alone accounting systems track expenditures and budgets by entering invoices into the stand-alone system. As invoices are received and coded in the stand-alone accounting system, a claim is issued and attached to the invoice. The stand-alone accounting system automatically reduces the available budget for the affected account and budget. Each month, the Auditor-Controller generated financial reports are reconciled to the stand-alone accounting system. Adjustments such as sales tax are entered into the stand-alone accounting

system to ensure financial information is in sync with the Auditor-Controller reports. Discrepancies between the Auditor-Controller's financial reports and stand-alone accounting systems are resolved between the department and the Auditor-Controller's office.

Library Services reconciles financial information by a stand-alone spreadsheet. Program expenditures are reconciled to the Auditor-Controller's reports.

Some department procedures are in writing. Some department procedures are unwritten but are understood procedures within a department. No department has approved written procedures. In addition, no department has written procedures from the Auditor-Controller's office to aid in account reconciliation and financial statement interpretation.

Findings

The Grand Jury finds the Auditor-Controller's office does not have standardized guidelines and procedures to aid departments to reconcile purchases to financial reports.

The Grand Jury finds there are no formal written procedures to reconcile purchases to financial reports at the department level.

The Grand Jury finds the Sutter County Fleet Department, Sheriff's Department, and Library Services have systems to reconcile purchases to financial reports and have a good rapport with the Auditor-Controller's office.

Recommendations

The Grand Jury recommends the Sutter County Auditor-Controller create standardized guidelines and procedures for processing and reconciling department purchases.

The Grand Jury recommends the Sutter County Auditor-Controller provide training to departments to aid in account reconciliation.

The Grand Jury recommends individual departments create written policies and procedures to reconcile purchases to budget.

Respondents

Sutter County Board of Supervisors

Robert Stark, Sutter County Auditor-Controller

J. Paul Parker, Sutter County Sheriff

Robert Starr, Deputy Director Sutter County General Services

Roxanne Parker, Director of Library Service