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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SUTTER
CLERK OF THE COURT
By JACKIE LASWELL Deputy

**The Sutter County
Board of Supervisors' Response to the
2010-2011**

**Sutter County Grand Jury
Final Report**



Larry Montna
Stanley Cleveland, Jr.
Larry Munger
Jim Whiteaker
James Gallagher

District No. 1
District No. 2
District No. 3
District No. 4
District No. 5

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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SUTTER
TRAFFIC DIVISION

County of Sutter

...established 1850

Office of the County Administrator

October 11, 2011

The Honorable Christopher R. Chandler
Presiding Judge of the Superior Court of California
County of Sutter
466 Second Street
Yuba City, CA 95991

Dear Judge Chandler,

On behalf of the Sutter County Board of Supervisors, I am herewith submitting its response to the findings and recommendations of the 2010-2011 Grand Jury.

The Board of Supervisors appreciates the dedicated efforts of the 2010-11 Grand Jury in the preparation of its report and the complimentary comments it made with respect to the County and its employees, and trusts that you will find the enclosed material responsive.

I would be happy to meet with the Grand Jury to discuss any or all of these issues.

Sincerely,



STEPHANIE J. LARSEN
County Administrative Officer

SJL/SMC/ja

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- Attachment A – Response from Sutter County Administrative Officer
- Attachment B – Response from Sutter County Auditor-Controller
- Attachment C – Response from Sutter County Sheriff-Coroner
- Attachment D – Response from Sutter County Director of Child Support Services
- Attachment E – Response from Sutter County Community Services Department,
Environmental Health Division

Sutter County Jail Nurses Program Citizens Complaint

Grand Jury Findings:

- (1) *Inadequate Registered Nurse Coverage. The Nurse staffing at the jail has been directed by a court order in Dempsey W. Haller vs. Sutter County, et al., No. CIV-S-93-1256 DFL JFM (P). Failure to comply with this order Sutter County can be found out-of-compliance and could be liable for additional action by the Court.*

Response from the Board of Supervisors:

The Board of Supervisors partially disagrees with this finding. The document referred to is the "Amended Settlement Agreement" that was approved by the court (hereinafter referred to as the "Agreement"). The Board of Supervisors disagrees that violation of the Agreement would necessarily subject the County to liability and/or additional action by the court. In general, the Health Department (hereinafter "the Department") has complied with the staffing provisions of the Agreement. As with staffing for any position the Department has experienced turnover or employee illness, which has resulted in a lack of staffing on a particular day. This has been infrequent, but has occurred. The Department has utilized extra-hire and overtime Registered Nurse staff in order to provide adequate coverage, but has not always been successful.

Grand Jury Recommendations:

- (1a) *Every effort should be made to hire an additional Supervising Registered Nurse and ensure one is available for either the AM shift or the PM shift.*

Response from the Board of Supervisors:

This recommendation has been implemented.

A recent recruitment has resulted in the hiring of a Supervising Registered Nurse. In addition, when the Jail Nurse Manager and the Nurse Practitioner (both of these positions are Registered Nurse licensed) are on duty 8 a.m. to 5 p.m. Monday through Friday every week, the provision for registered nurse coverage is fulfilled. Both of these positions, as well as Extra-Hire Registered Nurse staff, have been used to cover any needs on weekends when there is a lack of permanent Registered Nurse staff available.

- (1b) *The Nursing Program Manager needs to take a more active role in managing the Jail Nursing Program. Once the Supervising Registered Nurse position is filled, the Nursing*

Program Manager, who is also a Registered Nurse, must be utilized to ensure the Jail Nursing Program is in compliance with the court order.

Response from the Board of Supervisors:

This recommendation will be implemented.

The Jail Nurse Manager is actively working with staff and continues to work with the Jail Nursing Unit. The Jail Nurse Manager has been used to cover any needs on weekends when there is a lack of Registered Nurse staff available.

- (1c) *The Assistant Director of Health and Human Services should provide oversight to insure the Jail Nursing Program is in full compliance with court order Legal decree #CIV-S-93-1256 DLF JFM (P).*

Response from the Board of Supervisors:

This recommendation will be implemented.

The Assistant Director of Human Services for Health is providing oversight to ensure the Jail Nursing Program is in full compliance with the Agreement. As stated above, the document referred to is the Amended Settlement Agreement that was approved by the court.

Grand Jury Findings:

- (2a) *Lack of Training. Legal decree #CIV-S-93-1256 DLF JFM (P) E19. Training: "Jail custody staff shall receive periodic update training in First Aid, CPR, intake screening, blood borne pathogens and suicide prevention..."*

Response from the Board of Supervisors:

The Board of Supervisors partially disagrees with this finding.

The above provision of the Agreement refers to the Sheriff Custody Officers, not the Jail Nursing staff. Nonetheless, this training and additional training has and will be provided to Jail Nursing staff. Jail Nursing staff have participated in a variety of safety training. The training included annual all-staff safety trainings; general Jail Medical Staff Trainings (including CPR and Blood Borne Pathogen trainings); presentations by the Nurse Practitioner related to nursing procedures; and, during the regular nursing staff meetings, training on safety issues and other relevant topics such as new medication software system training.

It should be noted that full time regular licensed vocational nurse employees are also granted paid time-off, up to 40 hours per year, to attend continuing education within their field of practice. Such courses must be approved by the employee's Department Head on the basis of job relatedness and minimum scheduling requirements. This policy is administered on an equal basis for all covered employees, and requests for attendance to conferences and seminars are reviewed based on relevance to the fields of practice. These Continuing Education requests are in addition to training sessions at which attendance is required in the staff meetings and trainings described above.

- (2b) *Sutter County Jail Medical Policies and Procedures #3, Section 6. "Oversees training of nurses and/or officers in areas where improvement is needed, as identified by Quality Assurance audits, including regular and continued joint staff development activities. These will be documented as to date given, content, attendees and comments."*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding. Department records indicate that Jail Nursing staff participated in trainings which are documented.

- (2c) *Training is necessary to maintain proficiency in on-site activities. The Nursing Program Manager has failed to offer his nursing staff any of the required training. When one of his Supervising Registered Nurse's put together an emergency response training class he refused to review the course outline before the class was held.*

Response from the Board of Supervisors:

The Department partially disagrees with this finding.

The Jail Nurse Manager recognizes that training is necessary to maintain proficiency in on-site activities. Provision of training in CPR, Blood Borne Pathogens, and other needed trainings as they arise has been documented. The Supervising Registered Nurse requested "to present" a training to nursing staff. The Jail Nurse Manager asked the Supervising Registered Nurse to prepare an outline for the training and to review the outline with the Jail Nurse Manager. The Supervising Registered Nurse did not review the outline with the Jail Nurse Manager and proceeded to provide the training to two nursing staff on a Saturday, when most of the staff was unavailable.

Grand Jury Recommendations:

- (2a) *The Grand Jury recommends the Nursing Program Manager along with the Medical Officer, develop a training program to ensure adequate on-site training be made available to the nursing staff on a regular basis.*

Response from the Board of Supervisors:

This recommendation has and will continue to be implemented.

Training is currently being provided on a periodic basis. As recommended, the jail nursing training needs are being reviewed by the Jail Nurse Manager and the Health Officer to identify areas of needed training to develop a training program. CPR and blood borne pathogen training is provided on an annual basis.

- (2b) *The Assistant Director of Health and Human Services should provide oversight to ensure this training program is implemented.*

Response from the Board of Supervisors:

This recommendation will be implemented.

Grand Jury Findings:

- (3) *Out of Compliance Policies and Procedures. Title 15 Regulations 1206. Health Care Procedure Manual "The health authority shall in cooperation with the facility administrator, set forth in writing, policies and procedures in conformance with applicable State and Federal law, which are reviewed and updated at least annually..."*

During the investigation, it was stated unanimously that the P&P's were significantly out-of-date. The County Medical Officer is responsible for making sure the P&P's are current by signing them annually. The Jail Nurse Program Manager has overall responsibility to see that the Nursing Program policies and procedures are operational and functioning in the scope as laid out in the Standard Nursing Procedures. The Jail Nurse Program Manager has not done this. When the Jail Nurse Program Manager was hired, the P&P's were not up to date. By not correcting these problems, his inaction has allowed this situation to deteriorate further. The Jail Nurse Program Manager indicated it would take over a year to complete. This should be made a priority.

Response from the Board of Supervisors:

The Board of Supervisors partially disagrees with this finding. The Board of Supervisors agrees as to the responsibilities of the Medical Officer and the Jail Nurse Program Manager and as to the need to make it a priority to update and review policies where appropriate. The Jail Nurse Manager and Medical Officer have reviewed the current policies and procedures in the manual and identified policies and procedures that may be appropriate to update, delete or add, starting with the highest priority areas that directly support patient safety and care for urgent health conditions. Both the Jail Nurse Manager and the Medical Officer have made this review and updating of the policies and procedures a priority. The policies and procedures related to the highest priority areas are projected to be in place by December 31, 2011.

Grand Jury Recommendation:

- (3) *The County Medical Officer and the Jail Nurse Program manager with oversight from the Assistant Director of Health and Human Services should ensure the Jail Nursing Program P&P's are reviewed, rewritten, and made current so they can be used and referred to by the jail staff. The Standard Nursing Procedures has been changed with pencil marks and needs to be corrected.*

The Grand Jury recommends that these documents be completed by December 31, 2011. The Jail Nursing Program would also benefit from more active oversight by the Assistant Director of Health and Human Services to see that it is accomplished by the above date.

Response from the Board of Supervisors:

This recommendation has been implemented.

As stated above, steps have been taken to complete the policy review where appropriate by December 31, 2011.

In addition, the Health Division is working to arrange for a member of the National Commission on Correctional Health Care, a nationally recognized professional organization, to provide an expert review of the Jail Medical Program. It is anticipated that, as a result of the review, additional policies and procedures may be recommended.

Grand Jury Findings:

- (4) *During this investigation the Grand Jury finds the Jail Nursing Program is completely out of compliance with annual nurse training updates and standard nursing procedures. This exposes Sutter County to numerous potential issues in the future.*

Response from the Board of Supervisors:

The Board of Supervisors partially disagrees with this finding.

The Board of Supervisors disagrees with the statement that the program is completely out of compliance. The Board of Supervisors agrees that additional trainings will be beneficial and as stated above, the department is taking steps to implement such additional training. The Board of Supervisors agrees that procedures do need to be reviewed and updated as appropriate, and steps have been taken to do so.

Grand Jury Recommendations:

- (4) *The Grand Jury recommends that the Assistant Director of Health and Human Services actively take measures to ensure that this program is in full compliance with the law. It is unacceptable that the program is out of compliance, lack of training for the nursing staff, not having the P&P's up-to-date, and the pencil corrections in the standard nursing procedures. The Grand Jury recommends that the Jail Nursing Program be in full compliance by December 31, 2011.*

Response from the Board of Supervisors:

This recommendation will be implemented.

The Board of Supervisors disagrees with the general statement that the program is out of compliance. However, as is stated above, the Board of Supervisors agrees that additional training would be helpful and the Department is taking steps to implement such additional training. The Department expects to have high-priority policies and procedures in place as appropriate by December 31, 2011. In addition and as previously stated, the Health Division is working to arrange for a member of the National Commission on Correctional Health Care, a nationally recognized professional organization, to provide an expert review of the Jail Medical Program. It is anticipated that, as a result of the review, additional policies and procedures may be recommended.

Misallocation of Bradley-Burns and Transportation Tax Fund Deposits

Grand Jury Finding:

- (1) *The Sutter County Grand Jury finds the county receives electronic funds transfers from the state for a variety of purposes. The County Auditor-Controller, Mr. Stark, is then responsible for determining the breakdown of those monies and transfers the funds into County accounts.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding. As a point of clarification, since it is germane here, Mr. Stark is also responsible for the transfer of funds into several non-County accounts, which includes the Transportation Tax Fund.

Grand Jury Recommendation:

- (1) *The Sutter County Grand Jury recommends the Auditor-Controller's Office continue to scrutinize the deposits.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation.

Grand Jury Finding:

- (2) *The Sutter County Grand Jury finds the Auditor-Controller's Office reversed the sales tax allocations for the Local Transportation Fund and the County General Fund. This error was the result of an unintentional reversal of the account numbers by an accountant clerk.*

Response from the Board of Supervisors:

The Board of Supervisors partially agrees with this finding. We agree that the error was most likely unintentional. However, the reversal of account numbers repeated for 21 out of 24 months and the resulting \$2.1 million financial error constituted a major failure in management oversight by the Auditor-Controller and had a significant impact on the County's financial outlook and the budget. No process existed in the Auditor-Controller's Office to detect such an error.

Grand Jury Recommendation:

- (2) *The Sutter County Grand Jury recommends the Auditor-Controller's Office be responsible for policy and procedures to prevent error in deposits from happening in the future.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation. Recommendations to establish policies and procedures were cited by Price Waterhouse in 1993, by multiple outside auditing firms, and by the Harvey M. Rose Accountancy Corporation in 2006. The Auditor-Controller has never implemented these recommendations.

It is recommended that the Auditor-Controller have a higher-level employee review the Accountant II's work so that an error such as this can be prevented in the future. This recommendation should apply to other major sources of County revenue, as well, such as the property tax (which requires complex calculations for proper allocations to different jurisdictions).

Grand Jury Finding:

- (3) *The Sutter County Grand Jury finds that Ms. Putman acted within the realm of her position as the Assistant Auditor-Controller to audit the differences in the dollar amounts in the accounts of the Local Transportation Fund and the General Fund.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

- (3) *The Sutter County Grand Jury recommends the departments be responsible for their own accounts by using the deposit permits from the Auditor-Controller's Office to verify their deposits.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation.

Grand Jury Finding:

- (4) *The Sutter County Grand Jury finds the Auditor-Controller's Office and the County Administrator's Office each conducted their own investigation into the misallocation of tax funds.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding. However, it is important to note that the two departments' investigations took place at different times. Based on the information presented, the Auditor-Controller's office conducted its investigation sometime between January 2010 and April 2010. The County Administrator's Office began its investigation April 20, 2010, when the office first became aware of a potential problem.

Grand Jury Recommendation:

- (4) *The Sutter County Grand Jury recommends the line of communication between departments be open and approachable.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation. The Board of Supervisors finds it extremely concerning that the Auditor-Controller failed to disclose an issue of this magnitude for over three months, without notifying either the County Administrative Office or the Board of Supervisors.

Grand Jury Finding:

- (5) *The Sutter County Grand Jury finds the lapse of time between February 18 through April 19, 2010, to be excessive in regard to making the necessary corrections.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Until the Grand Jury report was published, the County Administrative Office was unaware that the Auditor-Controller's Office knew about this error for several months before preparing the FY 2009-10 journal entry that alerted the CAO's office to the problem. The County Administrative Officer expects every department head, elected or appointed, to promptly notify her and the Board of Supervisors of a problem of this magnitude so that it can be immediately addressed. In this instance,

the failure of the Auditor-Controller to promptly notify the County Administrative Officer caused the CAO's Office to rely on artificially inflated revenue projections as it prepared the Recommended Budget for FY 2010-11. General Fund departments ultimately experienced an average 5% reduction in that year due to the sudden reduction in actual and projected funding.

During the time period covered by the lapse, the outside accounting firm of Gallina LLP was conducting their audit of FY 2008-09. The Auditor-Controller had an ethical duty to report the sales tax error to Gallina, since the error covered all 12 months of FY 2008-09. He did not. In fact, Mr. Stark signed a letter dated March 30, 2010, in which he stated just the opposite -- that he knew of no material facts that would affect the financial statements for that fiscal year.

Grand Jury Recommendation:

- (5) *The Sutter County Grand Jury recommends corrections are made more promptly.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation.

Grand Jury Finding:

- (6) *The Sutter County Grand Jury finds Mr. Stark's policies of controls were deemed unnecessary for the general revenue budget unit by the County Administrative Officer because it is monitored and managed by the County Administrative Officer's staff.*

Response from the Board of Supervisors:

The Board of Supervisors respectfully disagrees with this finding.

As the County Administrative Officer has detailed in her attached response, the Auditor-Controller does not have approved policies and procedures, and his internal procedure for these types of deposits (wire transfers) only instructs Auditor-Controller staff to prepare the deposit and provide the affected department with an informational copy.

As a general rule, County Administrative Offices do not have a role in the wire transfer deposit process. Generally, its role is to use the resulting information, which is posted in the financial system, to monitor the county's financial position during the year and to make revenue projections while preparing the budget recommendations for the upcoming fiscal year. This is the full extent to which most County Administrative Offices are involved in sales tax transactions.

However, in Sutter County, the County Administrative Office has routinely gone above and beyond that level by reviewing deposit slips, the back-up documentation provided, and comparing these figures against the entries in the County's financial management system. Additionally, it is the intent of the CAO to now implement further safeguards by checking the general fund sales tax deposits against the Board of Equalization's website to ensure that such an error does not occur in the future.

It should be noted, however, that if the Auditor-Controller had proper policies and safeguards in place, none of these extra measures would be necessary. The Board of Supervisors therefore recommends that the Auditor-Controller develop policies for internal controls that include the use of appropriate, original back-up documentation for wire transfers.

Grand Jury Recommendation:

- (6) *The Sutter County Grand Jury recommends that each department be held responsible for the accuracy of the deposits for their accounts made by the Auditor-Controller's Office.*

Response from the Board of Supervisors:

The Board of Supervisors partially agrees with the Grand Jury's recommendation.

The Board of Supervisors expects that, in the day to day operations of the County, departments will work collaboratively, including maintaining the accuracy of budget and accounting entries. However, working collaboratively is significantly different from holding one department singly responsible for the work of another department. In this case, since the Auditor-Controller is an independently-elected official, even the County Administrative Officer does not formally direct the work of the Auditor-Controller's Office. A department should not be held formally responsible for the errors of the Auditor-Controller's Office if it has no ability to direct that corrections be made.

Grand Jury Finding:

- (7) *The Sutter County Grand Jury finds the Board of Supervisors approved a budget amendment and directed the Auditor-Controller to make all adjustments, and [these] were finalized by October 6, 2010. (Minutes approved on May 18, 2010, book 3-J, page 469).*

Response from the Board of Supervisors:

The Board of Supervisors agrees that a budget amendment was approved on May 18, 2010, and at that time also directed the Auditor-Controller to make all of the necessary adjustments.

Grand Jury Recommendation:

- (7) *The Sutter County Grand Jury recommends the county departments work together, to be more proficient, with their interdepartmental communication skills, to minimize the amount of time for problem solving.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation. The Board of Supervisors notes that it took the County Administrative Office only three days to determine, from a corrected deposit slip submitted by the Auditor-Controller's Office without any accompanying explanation, that there was a \$1.7 million problem spanning an 18-month period. As soon as the County Administrative Office was sure of the facts, the County Administrative Officer promptly notified the Auditor-Controller's Office in the belief that the Auditor-Controller's Office was unaware of the error.¹

The County Administrative Officer has included her own response to the issues brought up by the Grand Jury. Her response is included in this document as Attachment A. The Board of Supervisors supports the County Administrator's response.

The Sutter County Auditor-Controller is an independently elected official, and as such, responds directly to the Grand Jury's findings and recommendations concerning his office. A copy of Mr. Stark's response is included in this document as Attachment B.

¹ It should be noted that there is a factual error in the Grand Jury's report. On page 15, third paragraph, the Grand Jury stated that "On April 19, 2010, Mr. Stark's office notified Ms. Larsen, County Administrative Officer, of the error in deposits." This is incorrect. The Auditor-Controller's Office never directly notified the County Administrative Office of the error. Although Mr. Stark and Ms. Putman readily acknowledged the error once Ms. Larsen and Ms. Corley brought the information to them on April 26, the CAO's only notification was the FY 2009-10 journal entry which lacked any explanatory information. Ms. Larsen and Ms. Corley did hold a meeting with Mr. Stark and Ms. Putman on April 19th, but the purpose of the meeting was on a completely different subject. Neither Mr. Stark nor Ms. Putman mentioned the sales tax issue during this meeting, and Ms. Corley had not yet learned of the sales tax reversal at that point in time.

County Government Release of Public Information

The Sutter County Board of Supervisors approved its response to the Grand Jury on this subject on April 19, 2011.

Sutter County Jail

Grand Jury Finding:

- (1) *The Grand Jury finds the Minimum Security area needs to be up-graded to Medium Security. The Sheriff's Department is currently waiting for the design phase of the facility to be completed.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

- (1) *The Grand Jury recommends the completion of the design be expedited to help prevent any further escapes from the minimum-security area.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation. This recommendation will be implemented, as discussed below.

Grand Jury Finding:

- (2) *The Grand Jury finds the GED preparation program is a necessary program that can help inmates take something positive away from their stay at the Sutter County Jail.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

- (2) *The Grand Jury recommends the Sutter County Jail hire a teacher to replace the one who resigned.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation. As the Sutter County Sheriff-Coroner states in his attached response, the Department is in the process of

hiring a replacement instructor. Therefore, this recommendation will be implemented.

Grand Jury Finding:

- (3) *The Grand Jury finds even though the recent escape from Sutter County Jail is similar to a “walk-away” that can take place at any time by any minimum security inmate that is detailed out in the community. This risk could be reduced by the completion of the medium security upgrade that is now in the engineering stage.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

- (3) *The Grand Jury continues to recommend the completion of the medium security upgrade. Part of this upgrade includes a much higher fence and three strands of razor wire versus the barbed wire now in place, cameras inside, and outside of the building to allow staff to monitor the inmates. Even though this will not preclude an escape of this nature from ever happening again it will certainly reduce the risk.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation, and supports the response from the Sutter County Sheriff-Coroner. This recommendation will be implemented.

The Board of Supervisors approved funding in FY 2009-10 to upgrade the minimum-security facility so that it could be used for medium-security inmates. The balance of that project funding, in the amount of \$495,000, has been carried forward to FY 2011-12.

Due to the size and complexity of the project, the Public Works Department has divided the project into three phases. Each of the phases is near completion, and the Department currently expects the project to be completed in February of 2012.

- Plans and specifications for the fencing and lighting portion of the project were adopted by the Board of Supervisors on September 27, 2011. This portion of the project includes the installation of a 14 foot high fence along the perimeter of the jail, along with high illumination LED lights. Construction is expected to begin the second week of November, and conclude in January 2012.

- **The Sheriff's department is currently expecting a proposal from their control panel maintenance company for the repair (or replacement) of the faulty control panel in the Minimum Security facility. This repair (or replacement) is expected to be completed in February 2012.**
- **A recommendation to purchase the surveillance system for the video camera portion of the project was approved by the Board of Supervisors on October 4, 2011. This will add a 28-camera interior and exterior surveillance system to the Minimum Security facility. Installation is expected to begin at the end of November, and conclude in February 2012.**
- **Drawings are being finalized for improvements inside the jail, which will add an interior corridor to transfer inmates from the west dorm to the courtyard, and will re-locate existing inmate phones. Construction for this phase of the project is expected to be complete in January 2012.**

The Sutter County Sheriff-Coroner is an independently elected official, and as such, responds directly to the Grand Jury's findings and recommendations concerning his office. A copy of Sheriff Parker's response is included in this document as Attachment C.

Sutter County Department of Child Support Services

Grand Jury Finding:

The Grand Jury finds that the morale in the CSS is extremely low.

Grand Jury Recommendation:

The Grand Jury recommends the Director take the staff concern more seriously and work with the employees to find solutions to improve morale.

Grand Jury Conclusions:

The CSS is a department in flux, creating several challenges, and may require mediation to improve morale.

The dedication and experience of the employees is evident.

The Director spending more time in the office would be beneficial to the overall attitude and morale of the personnel.

Response from the Board of Supervisors:

The Board of Supervisors partially agrees with the Grand Jury's finding and recommendation. The Board of Supervisors agrees with the Grand Jury's conclusions.

The response from Sutter County's Director of Child Support Services is included in this document as Attachment D, and the Board of Supervisors supports the Director in her response.

Office of Emergency Services

Grand Jury Finding:

- (1) *The Grand Jury finds there is no consolidated County Emergency Operations Plan.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

- (1) *The Grand Jury recommends Mr. DeBeaux make it a priority to complete a consolidated plan and provide a copy of the completed Sutter County Emergency Operations Plan to all city and county departments.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation. This recommendation will be implemented. The Department has confirmed that work on the consolidated Emergency Operations Plan has been underway and the plan will be completed and adopted in the near future.

On October 5, 2010, the Board of Supervisors adopted Ordinance #1537, which amended Chapter 500 of the Sutter County Ordinance Code relating to Emergency Organization and Functions. This ordinance in part established the methodology for review of the Emergency Operations Plan by the Disaster Council. The Disaster Council has met on multiple occasions over the past three months and a draft of the plan is currently under review. The Disaster Council's goal is to have the plan considered by the Board of Supervisors by October 31, 2011. Once approved, the plan will be distributed to all County Departments and other emergency management partners in both the public and private sectors.

Grand Jury Finding:

- (2) *The Grand Jury finds the emergency power supply only runs on one type of fuel.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

- (2) *The Grand Jury recommends adding a second fuel capability to the Emergency power supply for the EOC.*

Response from the Board of Supervisors:

The Board of Supervisors disagrees with this recommendation.

The need for a redundant power supply is recognized. However, other methods that are more cost effective and viable are available. During an emergency, the EOC in Sutter is used only during the direst of circumstances. To retrofit the current propane fuel system to support natural gas (or other fuels) would incur a cost that can be prevented by one of the two following examples:

- 1. In the event of an emergency requiring an extended use of the generator at the EOC, additional generators with a less specialized fuel (diesel or gasoline) could be rented by the county and the expense would be reimbursable if federal or state disaster funds were provided. This allows the county to have a replacement power generation system available without incurring additional maintenance costs for a secondary system.**
- 2. Under the Standardized Emergency Management System (SEMS), the Operational Area (County) coordinates emergency support for all responders and emergency entities within the county. If secondary power generation was needed for extended operations and all county resources had been expended, the state Regional Emergency Operation Center (REOC) would facilitate the acquisition of a power generation system. It is the experience of the county, that while disaster funding may not always be available, the state has met emergency equipment and personnel needs in past disasters.**

Installing and maintaining a secondary fuel system entail a significant expense that is not cost-effective at this time, since these other two options are available.

Therefore, this recommendation will not be implemented.

Grand Jury Finding:

- (3) *The Grand Jury finds that cable is the only form of telecommunications.*

Response from the Board of Supervisors:

The Board of Supervisors disagrees with this finding.

Grand Jury Recommendation:

- (3) *The Grand Jury recommends installing a second source of telecommunications.*

Response from the Board of Supervisors:

The Board of Supervisors disagrees with this recommendation.

The Emergency Operations Center (EOC) has two means of telecommunications: (1) cable as the primary means, and (2) limited voice and data capabilities through the Operational Area Satellite Information System (OASIS) for a secondary means. OASIS provides video conferencing with state and local agencies through eight voice and data lines that are accessible directly through the OASIS satellite system. These lines are separate from land lines.

Therefore, this recommendation will not be implemented.

Grand Jury Finding:

- (4) *The Grand Jury finds that no utility and sewer hook ups exists for mobile emergency service vehicles.*

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

- (4) *The Grand Jury recommends EOC provide utility and sewer hook ups for mobile emergency vehicles.*

Response from the Board of Supervisors:

The Board of Supervisors disagrees with this recommendation.

Current facilities can support the added number of personnel that would arrive with the “mobile emergency vehicles.” Most units operating “mobile emergency vehicles” do not routinely use their onboard toilet facilities in urban locations due to the cleaning and disposal requirements and costs. As far as the utilities hookups are concerned, all “mobile emergency vehicles” have self contained power generation and do not require utility hookups. The different styles, makes, models, and configurations prevent the EOC from accommodating all vehicles in a reasonable and cost effective manner. However, the EOC will investigate the cost for providing utility (power and computer) connections for the Sheriff’s Mobile Command Post, as it provides primary radio and dispatch communication.

Therefore, this recommendation will be only partially implemented.

Twin Cities Rod and Gun Club

Grand Jury Finding:

The Grand Jury finds the Twin Cities Rod and Gun Club leases the site from Sutter County on a recurring yearly contract.

Response from the Board of Supervisors:

The Board of Supervisors agrees with this finding.

Grand Jury Recommendation:

The Grand Jury recommends that the Board of Supervisors negotiate a lease for a 5-year period. By providing a 5-year lease, the club will be able to set long-range goals for the expansion of the club.

Response from the Board of Supervisors:

The Board of Supervisors agrees with this recommendation. This recommendation has been implemented. On June 14, 2011 the Board of Supervisors approved a five-year lease, with a five-year extension, with the Twin Cities Rod and Gun Club. The initial term of this agreement ends on June 30, 2016, and the extension period ends on June 30, 2021.

Sutter-Yuba Mental Health Services

Discussion:

The Grand Jury attended a tour of the Sutter – Yuba Mental Health Services facility and provided an overview of the Department's programs and services.

Response from the Board of Supervisors:

The Grand Jury did not issue Findings or Recommendations regarding Sutter - Yuba Mental Health Services.

The Board of Supervisors thanks the Grand Jury for its comments.

Sutter County Environmental Health Division

Discussion:

The Grand Jury conducted a visit of the Sutter County Department of Community Services' Environmental Health Division and provided an overview of the division's programs.

Response from the Board of Supervisors:

While the Grand Jury did not issue Findings or Recommendations regarding the Sutter County Environmental Health Division, the Interim Director has provided a response to the Grand Jury's discussion as a point of clarification regarding the Certified Unified Program Agency (CUPA).

The Board of Supervisors appreciates the report from the Grand Jury regarding the services provided by the Community Services Department, Environmental Health Division, and supports the response from the Department. This response is included as Attachment E.

Sutter County Planning Services

Discussion:

The Grand Jury conducted a visit of the Sutter County Department of Community Services' Planning Division and provided an overview of the division's programs.

Response from the Board of Supervisors:

The Grand Jury did not issue Findings or Recommendations regarding the Sutter County Planning Division.

The Board of Supervisors thanks the Grand Jury for its comments.

Sutter County Animal Control Shelter

The Sutter County Board of Supervisors approved its response to the Grand Jury on this subject on July 11, 2011.

Maternal, Child and Adolescent Health Program

Discussion:

The Grand Jury conducted a visit of the Sutter County Department of Human Services' Health Division, Maternal, Child and Adolescent Health Program and provided an overview of the program.

Response from the Board of Supervisors:

The Grand Jury did not issue Findings or Recommendations regarding the Maternal, Child and Adolescent Health Program.

The Board of Supervisors thanks the Grand Jury for its comments.

Sutter County Department of Human Services

Discussion:

The Grand Jury conducted a visit of the Sutter County Department of Human Services and provided an overview of the In-Home Supportive Services (IHSS); Women, Infants and Children (WIC); and Public Guardian-Conservator programs.

Response from the Board of Supervisors:

The Grand Jury did not issue Findings or Recommendations regarding the In-Home Supportive Services (IHSS); Women, Infants and Children (WIC); and Public Guardian-Conservator programs.

The Board of Supervisors thanks the Grand Jury for its comments.

Attachment A

Response from the Sutter County Administrative Officer



COUNTY OF SUTTER
County Administrative Office

TO: Board of Supervisors

FROM: Stephanie J. Larsen, County Administrative Officer

DATE: October 11, 2011

SUBJECT: **RESPONSE TO THE GRAND JURY REGARDING REVERSAL OF
BRADLEY-BURNS GENERAL FUND SALES TAX AND THE
TRANSPORTATION FUND TAX**

Introduction

The traditional Grand Jury format of findings and recommendations doesn't lend itself easily to the provision of a comprehensive response. Therefore, what follows is a narrative, in chronological order as much as possible, which I believe addresses the Grand Jury's points and tells a story about the sequence of events regarding this issue.

The Reversal

In mid-January of 2008, an Accountant II in the Auditor-Controller's Office made a mistake. When the employee pulled down sales tax revenue information from the Board of Equalization's website, the employee inadvertently attributed the County's general fund sales tax revenue to the regional Transportation Fund, and the Transportation fund's sales tax to the County general fund.

This mistake, if it had been noticed and corrected within a reasonable timeframe, would have been insignificant. Unfortunately, the same mistake was repeated for 21 months. The receipts were reversed for the last six months of FY 2007-08, all 12 months of FY 2008-09, and three months of FY 2009-10. The mistake came to the attention of the Sutter County Auditor-Controller's Office on or about January 2010 only as a result of the State Controller's desk audit of Sutter County's Annual Report of Financial Transactions for FY 2008-09. By that time, the County general fund owed the Transportation Fund nearly \$2.1 million¹.

¹ The errors amounted to \$612,000 in FY 2007-08, \$1,111,000 in FY 2008-09 (totaling \$1.7 million), and an additional \$363,000 in FY 2009-10 which was corrected by the Auditor-Controller's Office in April 2010. For ease of reading, the figures in this footnote and throughout this report are rounded to the nearest \$1,000. Larger figures in this report are rounded to the nearest \$100,000 (e.g., \$2.1 million).

**RESPONSE TO THE GRAND JURY REGARDING REVERAL OF BRADLEY-BURNS
GENERAL FUND SALES TAX AND THE TRANSPORTATION FUND TAX**

For the Board Meeting of October 11, 2011

Page 2

What ensued after that was puzzling: total silence. For three long months – a three-month period during which an opposition candidate could have filed nomination papers to challenge Robert Stark’s re-election and during which the County’s independent auditors were conducting an audit of FY 2008-09 – the Auditor-Controller said not one word about this error. Not to the Board of Supervisors. Not to the County Administrative Office, which was in the process of building a budget based on faulty revenue information. Not even to the independent auditors, who the Auditor-Controller was working with constantly over this entire time period -- although an error of that magnitude constituted a material error which should have been noted and corrected.

On Friday, April 16, 2010, the Auditor-Controller’s Office finally acted. They prepared a “journal entry” (essentially a document memorializing an accounting action) and sent a copy to the County Administrative Office. The journal entry shifted \$363,000 of sales tax revenue out of the General Fund and into the Transportation Fund. No additional information about the transaction was provided.

The CAO’s Office received the journal entry on April 19, 2010. On Tuesday, April 20, Assistant County Administrator Shawne Corley found the journal entry in her inbox. She wondered why a fairly significant amount of sales tax revenue was being subtracted from the General Fund. She looked at the County’s financial management system to see what had been posted thus far for FY 2009-10. Seeing that the journal entry shifted funding to the Transportation Fund (a non-county fund not listed in our financial management system) and that the journal entry referenced information from the Board of Equalization website, she went to the Board of Equalization’s website to find out more. She also pulled past deposit permit copies received from the Auditor-Controller’s Office. The results of that research revealed that the sales tax figures for both funds had been reversed for three months: July and December 2009, plus January 2010. The journal entry she held in her hand corrected this error.

Was it possible that this mistake had begun earlier, perhaps somewhere in FY 2008-09? Ms. Corley researched farther back, and eventually uncovered an additional \$1.7 million worth of errors stretching over an 18-month period from January 2008 through June 2009.

There are a number of issues to be addressed here, such as:

1. How did this error go undetected for two years without being noticed by anyone else in the Auditor-Controller’s Office? Why weren’t there systems of review and control in place that would have prevented this error from going on for so long?
2. When questioned about the sales tax figures approximately a year earlier (this issue will be discussed later in this narrative), why did the Auditor-Controller’s staff essentially ignore multiple inquiries about whether the sales tax figures were correct or not? Instead, the Sacramento Area Council of Governments, as well as CAO and Public Works staff, were simply told that the low numbers should be expected given current economic conditions.

3. Once the Auditor-Controller's Office became aware of the issue, why didn't they immediately communicate the existence of a \$2.1 million error to the County Administrative Office? It is also troubling that he didn't report it to the independent auditors who were in the middle of auditing the fiscal year most affected by the mistake. Despite numerous opportunities to bring up the subject, Mr. Stark remained silent. In fact, he signed a "management letter" to the independent auditors stating that he knew of no material facts which would affect the underlying financial statements for FY 2008-09.
4. Finally, we respectfully disagree with the Grand Jury's conclusion that the County Administrative Office ignored the Auditor-Controller's system of policies and controls. No such policies exist. Even despite the lack of a policy regarding wire transfers, the Sutter County Administrative Office exercised a higher level of due diligence regarding sales tax revenue than is expected of any other County Administrative Office that we are aware of.

Systems of Review and Controls

To begin addressing these four issues, we need to start by going back in time to September 2006, when the Harvey M. Rose Accountancy Corporation (HMR) completed a management audit of the Auditor-Controller's Office. While reviewing the Auditor-Controller's policies and procedures, HMR recommended that:

"The Auditor-Controller's Office should develop three basic management tools: written policies and procedures, performance measures, and a formalized training program.

The need for written policies and procedures is pervasive and has clearly been articulated by many parties from independent auditors to the Auditor-Controller's own staff.

... Once established, these tools would greatly improve the operational efficiency of the Auditor-Controller's processes, *including those that impact other County departments.*"²

According to the Government Finance Officers' Association (GFOA)'s "Best Practices" of 2002 which were reiterated in 2007:

"Communication is an essential component of a comprehensive framework of internal controls. *One method of communication that is particularly effective for*

² Similar recommendations were made by Price Waterhouse in 1993 and several times since then by outside auditors. In the 18 years since then, the Auditor-Controller still has not developed a comprehensive manual of policies and procedures.

**RESPONSE TO THE GRAND JURY REGARDING REVERAL OF BRADLEY-BURNS
GENERAL FUND SALES TAX AND THE TRANSPORTATION FUND TAX**

For the Board Meeting of October 11, 2011

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controls over accounting and financial reporting is the formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency.”

If the Auditor-Controller had put either HMR’s or GFOA’s recommendations into practice, it is likely that the original Accountant II, the more-senior Accounting Systems Analyst, or Ms. Putman would have caught the sales tax errors before they could continue for more than a few months.

Finally, it appears that the Auditor-Controller didn’t establish the most basic of due diligence procedures within his office. According to an e-mail on February 16, 2010³, by an Accountant II in the Auditor-Controller’s Office (see Exhibit 1, name deleted to protect the employee), the Accountant II receives an official “remittance advice” by mail from the State a few days after the wire transfer settles. The back-up she uses for the original deposit is the information printed from the Board of Equalization website (which has no distinguishing information to formally identify the fund type). If she had matched the numbers she pulled down from the Board of Equalization website against the numbers provided on the official remittance advice, the error would have been discovered immediately and could not have continued for a full 21 months.

Transportation Tax Inquiries Made in March 2009

Now, let’s fast-forward to March 2009. Around that time, two high-level employees in the Public Works Department both made inquiries about the apparently too-low transportation sales tax revenues. At approximately the same time, Ms. Corley was also making independent inquiries on behalf of SACOG. SACOG, the Sacramento Area Council of Governments, is the regional transportation agency which prioritizes regional road projects. Transportation sales tax monies are sent to SACOG, which then distributes the funds back to local agencies. Thus, Transportation Tax Fund sales tax revenue submitted to SACOG by Sutter County is then allocated back to Yuba-Sutter Transit, the Cities of Yuba City and Live Oak, and also to the Sutter County Road Fund.

Because of the inquiry from SACOG, a meeting was convened on March 4, 2009, which was attended by Karen Wilcox and Jim Brown from SACOG, the Accounting Systems Analyst (a management employee) from the Auditor-Controller’s Office, and Ms. Corley. At first, the conversation centered around the Auditor’s estimated calculations for the Transportation sales tax. All of the participants were assured by the Auditor’s staff that the transportation sales tax figures were correct, they were just low due to the economic downturn. At the end of that meeting, the Accounting Systems Analyst was asked to follow up on the deposits for the next few months, and report back to SACOG and the CAO’s Office on actual revenues received for the next several months. Ms. Corley received no follow-up information from Accounting Systems Analyst

³ Although this e-mail was referring to Realignment sales taxes rather than to the General Fund or Transportation sales taxes, the wire transfer procedure is exactly the same for all three forms of sales tax.

following the meeting. On April 18, 2009, Ms. Corley sent an e-mail to the Accounting Systems Analyst requesting follow-up information. On April 20, the Accounting Systems Analyst forwarded an e-mail to Ms. Corley that had been sent to Ms. Wilcox and Mr. Brown of SACOG on April 14, 2009. In that e-mail (Exhibit 2), and as was detailed in Mr. Stark's memo on May 18, 2010, the Accounting Systems Analyst said he made an inquiry to the Board of Equalization, and that the Board of Equalization confirmed his projections from January 2009 (which included figures for actual revenue received from July – December 2008).

In retrospect, it seems unlikely that the Board of Equalization could have confirmed the Auditor-Controller's figures since the figures were drastically incorrect. It would appear that the Accounting Systems Analyst did not double-check the postings against the background materials to see if there had been a posting error of some sort. If the Auditor-Controller's Office had taken these inquiries seriously, the error would have been caught nearly a year earlier.

The Three-Month Gap and the Management Letter

According to the Grand Jury report, the Auditor-Controller's Office became aware of the error as early as January 14, 2010, as a result of inquiries from the State Controller's Office. The department's response was decidedly casual: Ms. Putman asked an "Account Clerk" (presumably the Accountant II who handled the sales tax data entry) to run a report, which didn't take place until a month later, on February 18, 2010.

For the next two months, no discernible action whatsoever was taken by the Auditor-Controller's Office to report the error to the Board of Supervisors or the County Administrative Officer. Nor did anyone in the Auditor-Controller's Office report it to the independent auditor, although numerous e-mail conversations took place between the Auditor-Controller's Office and the independent auditor during that time period. For the Auditor-Controller to state that their office was essentially "too busy" to correct a \$2.1 million error is simply inexcusable.⁴

But let's look at that gap between February 18th and April 16th in more detail. The independent auditor begins their review of the preceding fiscal year in August, and then issues their final report at the end of the following March. Between August 2009 and March 2010, Gallina LLP was conducting the financial audit for FY 2008-09. All twelve months of FY 2008-09 – for a total of \$1.1 million – were affected by the sales tax error. Mr. Stark is well aware that an error of that magnitude is considered "material" by independent auditors. He had a professional and ethical obligation to report the error – an error that he knew about at least six weeks before Gallina LLP completed the audit. Mr. Stark did not report the error. In fact, he did just the opposite.

⁴ Please see page 2 of the Auditor-Controller's response to the Grand Jury, which is included in the Board of Supervisors' response as Attachment B.

Each year, the County Administrative Office and the Auditor-Controller's Office are required to sign a "management letter" which essentially states that the signing County officials have made known all facts which would materially affect the County's underlying financial statements for that fiscal year. On March 30, 2010, Mr. Stark signed a letter which stated:

4. *"There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.*

*... To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs."*⁵

The County Administrative Officer also signed the management letter, but would not learn of the sales tax error until three weeks after that date. However, during that time period, the County Administrative Office was preparing the Proposed Budget for FY 2010-11. After 25 years in office, the Auditor-Controller had to realize that the sales tax error would have a significant impact on the County budget. He had to realize that not reporting the sales tax error would result in the Board of Supervisors adopting an unrealistic budget based on faulty sales tax figures. Nevertheless, despite a professional responsibility to the Board of Supervisors, his fellow department heads, to SACOG, and the taxpayers of Sutter County, Mr. Stark inexplicably remained silent.

Finally, on April 16, 2010, the Auditor-Controller's Office sent their journal entry to the County Administrative Office – a journal entry which lacked any explanatory information. Ms. Putman would later state⁶ that she wanted to add explanatory information, but she failed to reach anyone at Gallina, so she left a message with Gallina and sent off the journal entry, anyway. During the two-month period between February 18th and April 16th, Ms. Putman had ample opportunity to call Gallina LLP.

The County Administrative Office would contend that a response from Gallina LLP was unnecessary in order to add sufficient information to make the journal entry meaningful and put it in context. What kind of professional advice is needed in order to say "Our office accidentally reversed sales tax figures for 21 months over a 24 month period. The cumulative error means that the General Fund owes the Transportation Fund \$2.1 million?" The Auditor's Office needed to report the full extent of the error.

⁵ See Exhibit 3, paragraph 4 on page 1 and the concluding paragraph on page 6.

⁶ See Exhibit 4, verbatim transcript of the Board meeting of May 18, 2010, p. 8.

When Ms. Corley reviewed the State Controller's figures on April 20, 2010 and realized the magnitude of the sales tax problem, she immediately understood the implications for the County budget. Since revenue projections for an upcoming year are built upon trendlines of revenue received in prior fiscal years, the cumulative effect of the \$2.1 million error meant that General Fund sales tax revenue for FY 2010-11 would be approximately \$3.7 million lower than originally projected. As soon as Ms. Corley was sure that her facts were correct, she reported her findings to County Administrative Officer Stephanie Larsen.

On the afternoon of Friday, April 23rd, Ms. Larsen called Mr. Stark and informed him of the sales tax error. At that point in time, the County Administrative Office did not know if the Auditor-Controller's Office was aware that the sales tax error stretched many months earlier than the beginning of FY 2009-10. In case he did not, Ms. Larsen made the call. Mr. Stark's response was "oh, we know about that." Ms. Larsen then made an appointment for the following Monday morning (April 26th) to discuss the issue.

On the morning of April 26th, Ms. Larsen and Ms. Corley met with Mr. Stark and Ms. Putman. Mr. Stark and Ms. Putman immediately acknowledged that Ms. Corley's figures were correct, that the amount of the errors for the prior fiscal years totaled up to \$1.7 million, and that they already knew about the full extent of the errors.

However, their next responses were less than satisfactory. At first, Ms. Putman stated that she "didn't want to bring a problem forward without a solution." This sounds reasonable on the surface, except that there is a distinct difference between accounting and budgeting. The Auditor-Controller is the chief accounting officer of the County (Government Code Section 26881). His responsibility is to ensure that all financial transactions of the County are recorded correctly. The County Administrative Officer prepares the Recommended Budget. In Sutter County, the Auditor's Office has no role in preparing the Recommended Budget except to provide its own set of property tax revenue projections. Until the County Administrative Office learned about the sales tax reversal, the CAO and her staff would be unable to solve the \$3.7 million budgetary problem that the mistake created.

Ms. Putman then stated that "we didn't know if the mistake was material." Those of us who aren't CPA's don't need an accountant to tell us that \$2.1 million is a significant amount that the CAO needs to know about. For a jurisdiction of Sutter County's size, Gallina LLP explained that any dollar amount over \$580,000 is considered "material."⁷ Regardless, "materiality" is again an accounting issue related to the financial statements. It's certainly significant to the County budget, and the Auditor's Office had an ethical obligation to disclose this issue to the Board of Supervisors and the CAO's Office.

⁷ Per e-mail from Sandy Sup, Supervisor in the firm of Gallina LLP, dated March 24, 2010 (Exhibit 5). This figure was also repeated during the Grand Jury/Board of Supervisors Audit Committee meeting of April 27, 2010.

Ms. Putman's third comment was to ask if the Board of Supervisors needed to know about the error. She felt that it didn't need to go to the Board of Supervisors and that the Auditor's Office could fix it with a simple journal entry. Ms. Larsen responded that the Board of Supervisors definitely needed to know because of the significant impact the sales tax error would have on the upcoming County budget, and because the accounting transactions that needed to take place to correct the error would, legally, need to be approved by the Board of Supervisors.

The Auditor's "System" of Policies and Controls

Finally, Ms. Putman stated that it was the County Administrative Office's fault that the problem went undetected because the CAO's Office was supposed to review the deposit permits and report back to the Auditor-Controller's Office if they were incorrect. If the CAO's Office was doing its job correctly, she implied, the error would have been detected much earlier. However, the Auditor's Office has no policy that indicates an expectation for the CAO's Office to go beyond the back-up documentation provided and search out primary source documents to make sure that the Auditor-Controller's Office has done its job correctly. The only policy that the Auditor-Controller's Office does have regarding wire transfers is an internal office procedure entitled "How to Prepare a Deposit" which clearly states that the deposit permit is sent to the department as an *informational* copy:

*"Make the appropriate number of copies using the pink copy and highlight the appropriate lines for each department affected and attach a copy of the remit [remittance advice] so they have knowledge of the deposit."*⁸

If there ever was an expectation for the CAO's Office to double-check the Auditor's work, it has never been stated orally or in writing. It appears convenient that when the Auditor's Office made a significant error, the Auditor-Controller suddenly decided to accuse another department of being at fault and non-existent "policies of controls" were used to justify his accusation.⁹

At the end of the meeting, Ms. Larsen asked Mr. Stark to consult with Gallina and report back to her with recommendations on the appropriate accounting transactions to correct the error. She handed him a memo to that effect (Exhibit 7).

The next day, April 27th, was the date of a previously-scheduled joint Grand Jury/Board of Supervisors Audit Committee meeting. The purpose of the meeting was to review the recently-completed independent audit of FY 2008-09. Shortly before the meeting began, Ms. Larsen asked

⁸ "How to Prepare a Deposit" was one of several policies and procedures presented by the Auditor-Controller to the Board of Supervisors on March 27, 2007. None of the policies and procedures were adopted by the Board of Supervisors.

⁹ This is also a recurring theme noted in the September 7, 2004, report to the Board of Supervisors: The Auditor-Controller "Refuses to accept accountability and responsibility for his actions. He typically reacts to criticism by blaming others, minimizing the issue involved, changing the subject, or simply not responding."

Brad Constantine, a partner in Gallina LLP, to come into her office. She informed Mr. Constantine of the sales tax error. This was the first time that Mr. Constantine had heard of the error.

Mr. Stark did not attend the Audit Committee meeting, although the Auditor-Controller's Office is usually represented at these meetings. A lively discussion ensued about how an error of this magnitude could have taken place, and why it wasn't discovered during the financial audit. (Mr. Constantine explained that recording sales tax revenue is such a simple procedure that it was considered "low risk" and was not examined in detail. Given this new information, Gallina would certainly be reviewing sales tax information during their next audit of Sutter County's finances).

Over the next month, the County Administrative Office committed its full resources to revising its budget recommendations for FY 2010-11. On May 4, 2010, Ms. Larsen held a department head meeting to discuss the County budget and other issues. The department heads were stunned to learn of a \$3.7 million hole in the budget, and that further cuts would be necessary. Mr. Stark arrived half an hour late to the department head meeting, entering the room shortly after the budget discussion was completed.

Two weeks after the CAO's meeting with Mr. Stark and Ms. Putman, the Auditor's Office still had not responded to Ms. Larsen's request to provide the CAO with the appropriate accounting transactions that needed to take place to correct the sales tax error. Because Ms. Larsen believed that it was ethically imperative to "make things right" with SACOG as soon as possible, she instructed Ms. Corley to develop the budget amendments herself. The resulting Board agenda item was placed on the Board agenda for May 18, 2010, and was made public on Friday, May 14, 2010.

At 5:48pm on May 18th, roughly an hour before the Board meeting was due to begin, the Auditor-Controller e-mailed a "Report on Incorrect Sales Tax Allocation by Auditor-Controller's Office" to the Board of Supervisors and *Appeal-Democrat* reporter Howard Yune. He did not send a copy of the e-mail to the County Administrative Officer or any of her staff. The County Administrative Officer was handed a paper copy of the Auditor's "Report" five minutes before the Board meeting began. Because of this short timeframe (and because the Board members received the "Report" as a PDF attachment on their Blackberries, which is virtually impossible to read), neither the Board of Supervisors nor the CAO had the opportunity to read or evaluate the Auditor's "Report" prior to the meeting. The late submission of the Auditor's "Report" was discussed at length during the Board meeting (see Exhibit 4, pp. 5-7). In this case, as on previous occasions, the Auditor's "Report" contained erroneous and misleading information.

The County Administrative Office did not write a rebuttal to the "Report" after the Board meeting because it was irrelevant once the Board had taken action and because the CAO's Office was totally immersed in revising its FY 2010-11 budget recommendations to accommodate the surprise \$3.7 million revenue shortfall. However, because the Grand Jury apparently relied on the Auditor's erroneous "Report" more than it did on the directly-contradictory information provided by the County Administrative Office, a rebuttal is now warranted (Exhibit 7).

Conclusion

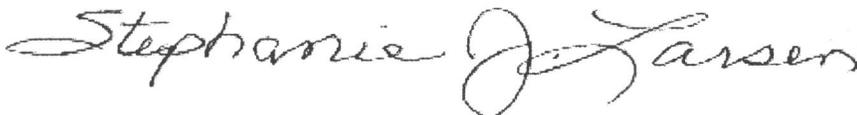
The Grand Jury report provided new information which was not previously available to the Board of Supervisors or the County Administrative Office: namely, that the Auditor-Controller's Office knew about the sales tax reversal for three long months before taking any action. In preparing a response to the Grand Jury report, the County Administrative Office had to re-evaluate previously-provided information in that new light.

As a result, several things appear clear:

1. Despite the recommendations of the 2006 HMR management audit, the Auditor-Controller's Office failed to establish any internal controls that would have prevented this error from going undetected for nearly two years.
2. When questioned by multiple people about why the Transportation sales tax numbers were so low, the Auditor-Controller's Office failed to properly address the concerns of SACOG, Sutter County Public Works, and Yuba City. A minimum amount of investigation would have revealed the sales tax posting errors a year earlier.
3. There is no viable excuse for the Auditor-Controller to fail to report the sales tax reversal to the Board of Supervisors, the County Administrative Officer, and the independent auditor. In fact, by signing the independent auditor's Management Letter and asserting that he knew of no material information that affected FY 2008-09, it appears that the Auditor withheld relevant information from the parties most in need of that information.
4. When confronted by the error, the Auditor-Controller and Assistant Auditor-Controller tried to shift the blame for their own office's mistake to the County Administrative Office.

The Auditor-Controller's lack of accountability and the manner in which he has addressed this issue is very troublesome.

Respectfully submitted,



STEPHANIE J. LARSEN
County Administrative Officer

C: Robert E. Stark, Auditor-Controller

Exhibit 1

to the

County Administrative Officer's

Response to the Grand Jury

From:
To: [Shawne Corley](#)
Cc: [Ronda Putman](#); [Peter Crowson](#); "[Melinda Aure-Catbagan](#)"
Subject: RE: Realignment Apportionment
Date: Tuesday, February 16, 2010 10:01:31 AM

Good morning Shawne,
I receive the realignment remittance advices in the mail a few days after the wire transfer settles. The back up I use for the original deposit is the information that I print from the SCO's website.

From: Shawne Corley
Sent: Tuesday, February 16, 2010 9:50 AM
To:
Cc: Ronda Putman; Peter Crowson; 'Melinda Aure-Catbagan'
Subject: Realignment Apportionment

Hi ,

I see in your last deposit that you included a memo indicating that the back-up for the deposit was located at the SCO's web-site. I am curious whether you are receiving remittance advices still from the State or not. (I am wondering if they have stopped sending those as a way of saving money.) If you are receiving those advices, and other items that prove the receipt of funds, are you still preparing the deposit permit with that back-up?

Since Peter and Melinda received the same memo, I have cc'd them on this e-mail.

Thanks, Shawne

Shawne M. Corley
Deputy County Administrative Officer,
Acting Assistant County Administrative Officer

County of Sutter
1160 Civic Center Boulevard
Yuba City, CA 95993
phone.(530)822-7100
fax.(530)822-7103
scorley@co.sutter.ca.us

Exhibit 2

to the

County Administrative Officer's

Response to the Grand Jury

Shawne Corley

From:

Sent: Monday, April 20, 2009 8:20 AM

To: Shawne Rising

Subject: FW: Qtrly Report for Sutter County

Attachments: TRANS TAX BAL & INC 03-31-09.xls; TRANFD 2008-09.xls; ANNUAL INCOME COMPARISON.xls

Shawne,

Here is the LTF update I sent to Karen and Jim last week.

Accounting Systems Analyst
Sutter County
(530) 822-7127 Ext. 13

From:

Sent: Tuesday, April 14, 2009 4:59 PM

To: Karen Wilcox; 'Jim Brown'

Subject: Qtrly Report for Sutter County

Karen/Jim,

Here is the 3rd quarter report for the Sutter County Transportation Funds. We received zero distributions for the months of February and March which puts us at only 77.48% of last year revenue at this point. I do not see us receiving the remaining \$1,383,975 from the original estimate in the last three months. I just left a message with the State BOE to find out if we will be receiving any more revenue distributions for this year. I will let you know what I find out. At this point it appears my first revised estimate dated January 21, 2009 will be more accurate.

Accounting Systems Analyst
Sutter County
(530) 822-7127 Ext. 13

Shawne Corley

From: Shawne Rising
Sent: Saturday, April 18, 2009 12:16 PM
Subject: LTF funding Sales Tax info

Hi

Could you send me the updated worksheet for the LTF funding, as follow up to the meeting we had with SACAG a few weeks ago? We had discussed that you would be receiving the next month's sales tax info and that you would update the worksheet/estimates and send those out.

Thanks, Shawne

Shawne M. Rising
Deputy County Administrative Officer
Sutter County Administrative Office
1160 Civic Center Boulevard
Yuba City, CA 95993
(530)822-7100
srising@co.sutter.ca.us

PUTTER COUNTY
 TRANSPORTATION FUND (LTF)
 MONTHLY BUDGET
 YEAR-TO-DATE
 MONTHLY COMPARISON

FEB	MAR	APR	MAY	JUN	TOTAL	ESTIMATE	OVER/(SHORT) OF ESTIMATE
376,947.18	191,700.00	255,600.00	306,699.06	224,900.00	3,180,556.78	3,442,000	(261,443.22)
382,605.48	205,700.00	274,300.00	324,998.28	254,400.00	3,621,085.21	3,185,000	436,085.21
5,658.30	14,000.00	18,700.00	18,299.22	29,500.00	440,528.43	13.85% of previous year	
210,628.14	208,900.00	278,500.00	341,437.69	255,500.00	3,592,005.52	3,383,000	209,005.52
(171,977.34)	3,200.00	4,200.00	16,439.41	1,100.00	(29,079.69)	-0.80% of previous year	
63,581.29	144,700.00	192,900.00	148,453.70	193,500.00	2,808,851.49	3,476,881	(668,029.51)
(147,046.85)	(64,200.00)	(85,600.00)	(192,983.99)	(62,000.00)	(783,154.03)	-21.80% of previous year	
(63,581.29)	(144,700.00)				1,761,936.58	2,106,638	(Revised Estimate)
					(512,061.21)	-22.52% of previous year	

previous year at this point.

TRANSPORTATION FU' 'SBURSEMENTS FY2008-09

ENTITY	APPROVED CLAIMS	% SHARE	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL	REMAINING BALANCE
COUNTY ADMIN COSTS	2,500						(2,500)					(2,500)	0
SACOG ADMIN COSTS	24,840					(24,840)						(24,840)	0
SACOG AMOUNT-SUTT	18,761					(18,761)						(18,761)	0
SACOG AMOUNT-LO	6,426					(6,426)						(6,426)	0
SACOG AMOUNT-YC	49,113					(49,113)						(49,113)	0
SUTTER COUNTY	606,596	0.252500											0
YSTA (.162621)	145,751	0.240277											0
	0.06067												0
ROADS (.837379)	460,845	0.759723				2007/08	(196,778)		(43,010)	(20,276)		(63,286)	82,465
	0.19183												
LIVE OAK	207,785	0.086492				2007/08	(72,400)					0	460,845
	0.086492												
YUBA CITY	1,587,979	0.661008										0	207,785
YSTA (.476040)	1,067,451	0.672207							(314,996)	(148,496)		(463,492)	603,359
	0.444334												
ROADS (.523960)	520,528	0.327793				2007/08	(355,666)					0	520,528
	0.216674												
TOTAL	1,000,000								(358,006)	(168,772)	0	(628,418)	0
	2,504,000	1.000000	0	0	0	0	(726,484)	0	(358,006)	(168,772)	0	(628,418)	0

REVENUES:

SOURCE	ESTIMATED	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	TOTAL
SBE	3,145,912	258,100.00	153,825.97	171,500.00	228,800.00	310,610.61	304,900.00	334,200.00	0.00	0.00	1,761,936.58
INTEREST	40,000				4,232.42			3,432.37			7,664.79
TOTAL	3,185,912	258,100.00	153,825.97	171,500.00	233,032.42	310,610.61	304,900.00	337,632.37	0.00	0.00	1,769,601.37

COUNTY OF SUTTER
 LOCAL TRANSPORTATION FUND
 BALANCE SHEET
 March 31, 2009

DATE

ASSETS

Cash-Current Fund Balance	\$	516,339
Due from Other Governments		1,383,975
Interest Receivable	\$	<u>32,335</u>
<u>TOTAL</u>	\$	<u><u>1,932,649</u></u>

LIABILITIES

Claims Payable 1/		
County of Sutter	\$	<u>460,845</u>
City of Yuba City	\$	<u>520,528</u>
City of Live Oak	\$	<u>207,785</u>
Yuba-Sutter Transit	\$	<u>686,424</u>
	\$	<u> </u>
<u>TOTAL</u>		\$ <u>1,875,582</u>

FUND BALANCE 2/

Funds in excess of Apportionment	\$	<u>57,067</u>
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<u>TOTAL FUND BALANCE</u>	\$	<u>57,067</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$	<u><u>1,932,649</u></u>

- 1/ Claims payable are the difference between the amount authorized and paid.
- 2/ The fund balance consists of cash in the funds that have been apportioned but not authorized for payment, as well as funds received in excess of apportionment.

(Report due by the 30th day of October, January, April, July)

Signature	Auditor-Controller Title	(530) 822-7127 Telephone
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Exhibit 3

to the

County Administrative Officer's

Response to the Grand Jury

COUNTY OF SUTTER



March 29, 2011

ROBERT E. STARK, CPA

AUDITOR-CONTROLLER

Gallina LLP
925 Highland Pointe Drive, Suite 450
Roseville, CA 95678

We are providing this letter in connection with your audit(s) of the financial statements of the County of Sutter as of June 30, 2010 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Sutter and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of March 29, 2011, the following representations made to you during your audit(s).

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data
 - b. Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.

5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. The County of Sutter has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the County is contingently liable.
 - c. All accounting estimates, (including fair value measurements), that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

12. There are no—
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.
 13. The County of Sutter has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 14. The County of Sutter has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 15. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 16. The financial statements properly classify all funds and activities.
 17. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 18. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 19. Provisions for uncollectible receivables have been properly identified and recorded.
 20. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
-

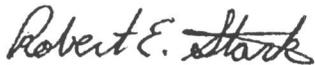
21. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
22. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
23. Special and extraordinary items are appropriately classified and reported.
24. Deposits and investment securities are properly classified as to risk.
25. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
26. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
27. As part of your audit, you prepared the draft financial statements. We have designated a competent employee to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements.
28. With respect to federal award programs:
 - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
 - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
 - d. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system

is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.

- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB Circular A-133 Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments, and OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- l. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- m. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.

- n. We have taken appropriate action on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- o. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- p. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- q. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- r. We have disclosed to you all contracts or other agreements with our service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Robert E. Stark, CPA
Auditor-Controller

Summary of Uncorrected Financial Statement Misstatements

Management passed on the following adjustments:

- Increase receivables and unavailable revenue by \$212,826 for amounts due to the County at June 30, 2010, and not accrued by the County at year-end.
- Adjust total pooled cash by \$3,076,684 to account for the fair value of the County's investments at June 30, 2010. The adjustment by fund is as follows:

○ General Fund	\$408,788
○ Welfare	42,495
○ Public Safety/Trial Courts	12,435
○ Mental Health Services Act	24,543
○ Nonmajor governmental funds	701,609
○ Agency Funds	1,886,814

Exhibit 4

to the

County Administrative Officer's

Response to the Grand Jury

May 18, 2010 Board of Supervisors Meeting

Verbatim Transcript of Appearance Item #8

8. Stephanie Larsen, Acting County Administrative Officer

1. Approval of a Budget Amendment to reduce General Fund Designations and increase Fund Balance available in the Fiscal Year 2009-1010 Final Budget in order to correct a misallocation of Sales Tax Revenues during Fiscal Years 2007-1008 and 2008-2009 (4/5 vote required)

Stephanie Larsen:

Ok, Mr. Chairman and members of the board. As I mentioned in my memo, the County receives sales taxes that by law are separated out for various different purposes. We receive sales tax that's dedicated to our Health & Welfare departments through the State program called Realignment, we receive sales tax that's for public safety through proposition 172 was passed in the early 90's, and we also get General Fund sales tax that's an important component of our General Fund budget. There another portion that goes to the local transportation fund. That's not part of the County budget, that's money that goes to the Sacramento Area Council of Governments and then it gets apportioned out to the cities of Live Oak, Yuba City, to the County road fund, and also to Yuba Sutter Transit. We discovered about a month ago that for an 18 month period, the sales tax allocations have been reversed. The amount that should have gone to the General Fund went to the Transit Fund and vice versa.

And unfortunately the error went in the wrong direction as far as the General Fund is concerned because the grand total is about \$1.7 million in that 18 month period. And so, the item in front of the Board tonight is a budget amendment to adjust the beginning balance, downwards for the current fiscal year to reflect that it is \$1.7 million lower. And then we need to take money out of designations, or reserves if you prefer to call it that, it's a generic term. It reduces the designation to reflect that change in our beginning balance.

The rest of this is to notify SACOG and we would like to talk to them, verbally, and formally notify them of the dollar amount. I spoke with Mike McKeever, the Executive Director of SACOG, late Friday and initially he thought we might not owe interest. But on Friday night, he confirmed that we would. The main purpose here is to make it right, get the money to the transportation funds, and deal with the reversal.

The unfortunate part for our budget is that we are going into the next budget year. We knew we were going to draw down on reserves, somewhat, just because of the economic downturn. Property taxes are down, sales taxes are down, other revenues are down, and it has been my goal, budget wise, to draw down on our reserves by no more than 1/3 so that we could make it through the next three years or so. And we know economists are not predicting a quick recovery so we try to spread out our reserves as

long as possible. In our office, what we do is... When we make projections of various revenue sources for the following fiscal year, we are usually doing a budget somewhere around April, May (like around now) and we look at revenues that have come in, the actual revenues for the last 5 years or so, and we're going to look at the year to date and figure out what we really think revenues will be by June 30 of the current fiscal year. And we look at the trends and we look at what we know is going on in the economy and we will make a projection for the next fiscal year. Because we are conservative, we usually knock something off of what we think is our most likely trajectory so that if there's a surprise in the economy, or something like that, we won't have to come back and cut budgets midyear.

So unfortunately what happened is that for the current fiscal year, we projected revenues based on what we thought last year's revenue was. And because we saw revenues declining, and the revenues were declining in approximately the same proportion as they were for the Law and Justice and Health & Welfare ones, it wasn't surprising that sales tax was going down. But what we didn't know is that sales taxes for the General Fund were declining more precipitously than what we were seeing on the County records.

And therefore, we need to adjust our expectations for sales tax revenue for the current fiscal year. Because the current fiscal year is low, and we know sales taxes are not going to be zooming next year, we also have to reduce what we originally projected for next fiscal year and the grand total and the impact on the two different fiscal years is about two million dollars. And so that creates kind of a financial strain on the budget going into the next fiscal year because if we had known about the downturn in the sales taxes at the time they were occurring, we could have adjusted accordingly. Our budget projections for last year would have been lower and we would have made adjustments to the budget. We made have held positions vacant or not made certain expenditures if we had known about it as it was coming in. And unfortunately it's kind of hitting us, smack between the eyes all at once and we have to face that going into the next fiscal year. So that's what I am recommending today. My intention this evening is to address this as neutrally as possible, which I believe I have just done.

Unfortunately, apparently the Auditor sent out a memo at 5:50 PM that was copied to your board and the press, but not to me. If there is an unfair comment towards the County Administrator's Office, I will defend my office. As I mentioned earlier, we make our projections based on what we see as actual for the prior years. It has never been this County's practice, or for any of my previous four past counties practice to go back to the primary source documents and check the Auditor's postings. We assume they are correct. And apparently, according to the Auditor's memo, he believes it's the County Administrator's responsibility to double-check the Auditor's office work. That's not correct. Just in case all four of my previous counties have been lax, I emailed the counties yesterday and asked, "What do you do with your sales postings, property tax, TOT, etc.? Do you double check primary source documents or assume they are correct and make projections accordingly?" And I have 16 responses that I didn't bring with me tonight, but they all say, "If we saw a number that looked weird, we'd ask the Auditor about it but we don't typically go back to the source documents." One county did say, "We did that once for redevelopment funds, but it's not a normal practice for the CAO office to double check." And I'm not going to have my staff criticized for another department's error. I don't want to make a big

deal of it right now, I just want to make it right with SACOG and various transportation funds and I want to deal with budget fallout because this does put a big crimp in next year's budget and move on.

Thank you.

Stan Cleveland: Any questions from the Board?

James Gallagher: To the Chair, One thing I might just say...that we will do what we need to do. And obviously this is not great news, but I would like to hear briefly from the CAO's office and the Auditor's office how this happened.

Jim Whiteaker: We saw how this happened and obviously Ms Larsen, the county is going to be looking at several options on how we are going to resolve this problem. But 1.7 million dollars, that's a lot of money to make a mistake. Obviously you are going to be meeting with other department heads, what other options do we have? Will we be cutting programs or anything?

Stephanie Larsen: We're looking at every line item in every budget. We are taking out any padding, any cushion you might say, that any department has put in there. We're looking at holding positions vacant, we're looking at eliminating one time expenditures. I don't have a firm picture of the depths of any cuts yet. I'm waiting for the Assessor. He was going to give me an update on the likely status of tax rolls for next year. Now we are budgeting for a 5% decrease from the current years actual. I don't have the postings on the April property taxes yet, but we're making out projections on what it will look like as of June 30th. You know, once I know our revenue numbers better, I will better know what our status is going into next year. Again, I am assuming I am drawing on reserves by only 1/3. But I'm in discussions with department heads. I started meeting with some yesterday and today. We have some very good department heads here in the County that understand the difficulty this causes and they are saying "yes, we know what kind of cuts we need to make and we will try to do this as painlessly as possible."

James Gallagher: I guess where I was going with my question is more...I know we are going to have to deal with this. The Board will have to make a touchy decision to deal with this hole. But I want the Auditor's department and the CAO's office to be thinking about what did break down here and why did we get to here. We should be thinking about that and implement whatever policies or procedures need to be done so this doesn't happen again. Because this kind of error...it can happen and I can see mistakes can happen...but the test is, do you have those policies and procedures to be sure that error is caught early so we don't have this 18 month problem. I think that's what everybody needs to be thinking about that. We're going to be doing what we need to do but let's not just brush this over. Something has to change. Something needs to be done to make sure this doesn't occur again.

Larry Montna: Mr. Chair, I'm reading this thing here and it says here that because the staff relied on the false numbers provided by the Auditor of the sales revenue, projections for fiscal year 2009-10 and 2010-11 need to be reduced by \$1 million each and anticipated loss of \$2 million on top of the \$1.7 million. Now, when I went to school, the \$2 million and the \$1.7 million amounted to \$3.7 million. Are we looking at that kind of a number?

Stephanie Larsen: Yes, Supervisor Montna. Actually, my Assistant County Administrator, Shawne Corley, was relooking at sales tax projections this evening and it might be slightly higher – closer to \$4 million.

Larry Montna: Closer to \$4 million than \$1.7 million?

Stephanie Larsen: Well, closer to \$4 million than \$3.7 million.

Larry Montna: You know, the industry I worked in...if a guy screwed up that bad, he would get his check and get sent down the road in a heartbeat. But, I guess if you are an elected official, you can't send them down the road.

Stan Cleveland: Anybody else?

Jim Whiteaker: It's important to...obviously we have identified the problem. And now we have to come up with solutions. Tough solutions. This is probably going to be one of the toughest challenges this Board has faced. And collectively, I hope we can all work together to resolve this issue and make sure it doesn't happen again. That's all we can do right now at this point.

Stephanie Larsen: I did, I think, tell you folks separately that we were originally planning to bring the proposed budget to the Board on June 8th. We are pushing that back by about two weeks. Now tentatively, because of this, it's going to be an additional challenge by our staff to determine how to balance the budget. So, right now we are tentatively planning to bring the proposed budget to you on June 22nd.

Stan Cleveland: So, I'm going to put together, I guess from comments made by Board members that somehow, we need to have a report or something a little more chronological about how this happened. Possibly from the Auditor and the opinion or ideas of others in the CAO because I know I've got four different scenarios, actually two scenarios, of timelines when this occurred and for us to be able to put that together and find out if there was a break down and where it was and if there is anything we can do to fix it or a policy we can do to take care of this for the future. Maybe it's one of those times where it got by everybody, because that can occur. But maybe there's a chance we can develop a policy or procedure to make sure this doesn't happen again. So, we need to continue thinking individually and possibly the Auditor/Controller can give us another report or something informal for the CAO to look over as to what his thoughts are and just proceed informally in that way at first. So, it's just an idea that possibly might work and maybe won't. I know we have to move forward and take care of this.

Larry Montna: Mr. Chair, Just what you said. It says for projected years 2009-10 and 2010-11...No, somebody ought to have caught that. I mean, you are not going to put that kind of money in the wrong box. I mean, it's his office and in my opinion, it's his responsibility to make sure his people are doing it right. If they aren't doing it right, it's up to him to tell them what they are doing is wrong. And if hi's not doing his job, what I said earlier, he needs a can tied to his tail. I think he wants to talk to you.

Stan Cleveland: If you wish to speak, please

Robert Stark: What prompted me to speak is you are asking for a report and we provided you all with a detailed report by email. *(Mr. Stark hands out printed copies of emailed report)* And perhaps you didn't all see it. We do have some disagreements on the details of what happened here with regards to meeting with the CAO and also to the roles of the Auditor/Controller's office. We're referring to this as a \$1.7 million error and it's true that there's the cumulative effect. But this has been characterized in quite a different way to the board than it was when we last met with the CAO and all of that is in this report. But the long and short of it is it was a relatively small error that was repeated for several months. It has gained the attention. And until it was questioned in a report that we sent to the State and yes, in view of Sutter County's problems with its \$100 & \$23 million unfunded pension obligation, we don't need this added to that, in fact that's where we are. And all I can really say beyond what I've just said, and this is in my report, we will be happy to work with the County Administrative Office to recommend solutions to overcome these budget shortfalls and I think we can work together. So, our offices work together so the financial records are coordinated with budget processes. I mean the reality is that's all we can do and my staff takes this work very seriously.

Stan Cleveland: I want to speak to this real quickly. The main thing is I'm going to say, as far as comparing the issue with the pension obligation, or the pension, we are going to be addressing this individually. Separately from that in a stand-alone situation. That really has no bearing directly upon this. It's just a comparison that I would like the board to overlook. I would really request that because I want to focus on this situation. Here now. And just real quickly, this *(looking at the report handed out by Mr. Stark)* is exactly what I wanted to have. Now, I don't remember getting this on my email. Otherwise, I would have not asked for it. So, I apologize if I missed it.

Jim Whiteaker: Mr Chairman, You didn't miss it because it was sent at 6 PM this evening.

Stan Cleveland: Oh, this is the one that just got sent?

Jim Whiteaker: Yes.

Stan Cleveland: This is the one *(report)* I wanted so we can work on it.

Robert Stark: And I do apologize for having to send these things out late but the fact is that when you get into something like this that is so complicated and involves 1/3 of my office, it is very difficult to put things out to you any faster.

Stan Cleveland: I really appreciate this because this is actually somewhat what I've been asking for and so now go ahead and ask the Board Members if they..

James Gallagher: I really don't want to get into a blame game because that's not going to help us do what we need to do. The bottom line is that – the error occurred in your office, ok? So you have to own that. You have to own that and take responsibility for it. Now, are there policies and procedures that we could all implement so that we catch errors? Yes. But let's own the fact that it happened and move forward and do what we've got to do.

Secondly, and the thing that concerns me, and I did get a chance to read your report on my Blackberry. I'm very concerned that the communication wasn't there. It sounded like in your report you sent a record adjustment and that alerted the CAO office to the problem. That's not enough to alert us to the problem. You have got to tell us this is what has happened. It's not enough to just send something that hopefully you'll look at and see there's a problem here. I mean, there's got to be communication, An open dialogue when a problem occurs like this so we can get right to it and that's not what occurred here and that concerns me. And I think that what we have here is a culture of distrust between these two offices. And I know there's historical issues, for better or for worse. But those have to end. Because if we aren't communicating openly with each other when things like this happen, that's a problem you know. And it's not enough to say, "Oh, I sent that over to you so you should have been alerted to the problem." If this happens, we all need to know about it so we can all work towards a solution. So let's deal with those two issues. Let's all take responsibility and move on and let's deal with that communication problem. Then, we as a Board will deal with the budget problem and do what needs to be done on that end. Fair enough?

Robert Stark: If I may respond. I tried to clearly explain in my report that we had alerted the CAO. We thought we had an ongoing dialogue with the CAO and we were also working with the Independent Auditor firm Gallina. And we were as surprised as anyone to see this on the Board's Agenda because the goal of the Auditor's office when we have problems is to also bring the solution. So that's what we were attempting to do but there seems to have been some sort of miscommunication.

Stan Cleveland: I'm going to speak here and reinforce James' thoughts on this because I know this Board has been willing to take a step back from previous administrations and situations and I believe we still are. As to correcting some of these miscues, as I'm going to call it, in communication and we really want this to improve, I know I do. And hopefully this will not be a hindrance to the improvement in communication. And I think the goal of the Board to do this because if it doesn't occur, it will only damage the County as a whole and the atmosphere of the County. So, I think we are still willing to make sure this occurs and we get better communications. So, I know I'm with James on this. Maybe there's a miscue here. Let's try again on other items and see what happens in the near future. I think this can be ironed out between the two offices and I am willing to definitely continue this effort.

Larry Montna: Better find the tooth fairy!

Stan Cleveland: Jim?

Jim Whiteaker: Yeah, once again Mr. Chairperson, I don't want to make this a personal issue as well. The only thing Mr. Stark, is when you send a memo close to 6:00 and the Board has a Closed Session at 6:45, it's kind of hard to get your memo and your thoughts. You made the comment that when you have this magnitude to deal with, that it's hard to get the info out. But you've known about this all the way back to April 16th. So, you have had plenty of time to prepare for this Board. And what I found in your report that is kind of erroneous is that you stated that in here this \$363,090 adjustment was alerted to Shawne Corley on April 16th. That same day, Ms. Putman phoned Sandy, a CPA & MBA of Gallina, the County's independent auditor and notified her of the errors and discussed the impact on the

financial statements. How come no one notified the County? How come no one notified the Interim CAO or the Assistant CAO?

Robert Stark: The Auditor/Controller is the County. And as I said, we were trying to work with the Independent Auditor to find out if they agreed on our professional judgment on correcting the entry and they did. And we were in the process of working with the CAO. As I said, I was surprised this was agendaized because I thought that was premature and after our meeting with the CAO, I thought the two offices were working together to prepare a report for the Board but obviously, I and all my staff who were involved, we were not clear on what the CAO had told us.

Jim Whiteaker: Mr. Stark, at anytime did you call the Assistant CAO or the Interim CAO and say, "Hey, could you pull this item off the Agenda and let's discuss it further and actually come up with a report together and hopefully get some collaboration on this?"

Robert Stark: Our report was on the fast track. It bypassed all the committees and it didn't seem to me at that point it was an effective way to deal with it. It was already in the public domain. It was being wildly misinterpreted and that's why we spent so much time working on this report. Because we thought it was important for the Board to have our perspective on what had transpired. It's also important for the Board and the public to know that we can work with the CAO even when we have disagreements and that's what we were attempting to do.

Jim Whiteaker: You never answered the question. Did you ever call the CAO or Assistant CAO to ask them to pull the item off the Agenda?

Robert Stark: As I said...

Jim Whiteaker: Just say yes or no Sir.

Robert Stark: We took the steps that we believed were appropriate in the circumstances.

Jim Whiteaker: You did it with the Board and you also forwarded it to the Appeal Democrat, the reporter back there, Howard Yune. But you never once sent it to the Assistant CAO or Interim Cao.

Robert Stark: We are having that discussion as we speak. I mean, I didn't expect to go into details of it. All I'm doing is giving you our perspective and our assurance that we can work this out.

Jim Whiteaker: So, in saying that Mr. Stark, what do you see the solutions being? Where are you going to find solutions to this problem you have created? This almost \$4 million – where do you see the County finding the solutions?

Robert Stark: Well, if you are asking us to work with the CAO, then we will have to have a meeting and go over their plans about the budget because normally we are not privy to that information. We will be happy to review the budget and budget assumptions and compare those assumptions to the actual financial data for the past several years and the information that comes from the State. We haven't

done that ever in the past, but we will be happy to work with the CAO and we will probably both learn things.

Larry Munger: Mr. Chair. Mr. Stark, why don't you just stand up to the plate instead of dancing around the rosebush all night and say, "I screwed up." Then we can find a solution. You want to have meeting upon meeting upon meeting and we didn't create this problem – you did Sir.

Robert Stark: I understand that we sent this report late but the report says we are taking responsibility. I told that to Howard Yune. We never said that we didn't make the error.

Stan Cleveland: I can see that that's true here on this *(report)*. Any questions? Jim?

James Gallagher: I can feel the wall starting to build again and that's what I don't want to happen, ok? I agree with you that we need to work together to find the solution to this problem. Let's do that. So let's not get off that track. All I'm trying to say is, in your report you say, "Oh, we did alert the CAO's office by sending them the adjustment – the \$363,000 adjustment." What I'm saying is in the future, that's not sufficient communication. You don't just send a document without saying what it's for and say, "Oh, that's sufficient to let you know what the problem is." What should have happened on April 16th is sending over the copy of the adjustment, then calling Shawne or Stephanie and saying, "Hey, this is the problem and we've got to find a way to remedy it." That would have been the better way to handle it. I'm just saying that in the future let's try to keep the communication that way.

Robert Stark: My Assistant, Ronda Putman, is here and the reason she came is because she is the one who directly communicated with the CAO's office. I think it would be enlightening for the Board to hear how we communicated the problem.

Ronda Putman: Thank you. You know James, you are absolutely right and I will take responsibility for that lack of communication. What happened that day with the staff that I was working with in resolving this issue, once we found out what the amounts were and the years that they apply to, said, "What should I do with the journal entry?" I said, "Go ahead and send the journal entry to the CAO's office and I'm going to call Gallina and confirm that the layout of our solution is agreeable to them and then we'll get together with the CAO's office." Well, I called Gallina, I believe it was Friday, and left a voicemail. She called me back on Monday and left a voicemail and that went on for a couple of days. Well, in the meantime, we met with the CAO's staff and during that meeting, I said I have a call into Gallina and the reason I didn't bring the problem forward is because I don't like bringing a problem forward without a solution. So, it was just a timing issue. If I had known I wouldn't get a hold of Gallina that day or Monday at the very latest, I wouldn't have sent the journal entry. I would have talked to Gallina. I would have packaged the whole problem and then presented it to them, but it was just a timing issue. There was no intention on our part to not communicate and I understand the importance of that communication. And that was my full intention. So, it was a one-time thing and it's unfortunate that it happened, but I did tell Stephanie and Shawne at the meeting that I was in touch with Gallina and I didn't want to bring forth the problem without a solution. So that's how that happened. And I'm sorry that it happened, but that's life sometimes.

Stan Cleveland: Thank you. We appreciate your communicating that to us right now. I appreciate it a lot. Is that kind of more like what you were thinking James?

James Gallagher: Yes.

Stan Cleveland: Try to, I guess, work on that next time. Hopefully, there's not a next time of this degree. But anything smaller - communicate.

James Whiteaker: Anything smaller Mr. Chairman? I don't think we can afford anything smaller.

Stephanie Larsen: Mr. Chairman, could I just add a little bit? I'm actually glad Mr. Stark said he would like to work with our office. I think, as Supervisor Gallagher implied, I think there is years of distrust between the two offices that had developed and certain actions or inactions had been interpreted in different ways than had been intended. In our point of view, we got a journal entry without explanation. Shawne looked back to see if this had ever happened in the past and it had. And when I called Mr. Stark on Friday afternoon, April 23rd, I honestly did not know if he was aware of the other 18 months worth and so I was trying to alert him to the issue. He mentioned that day when I called him "Oh yes. We know about that." And then we met with him the following Monday morning. But, an issue of that magnitude – we're in the middle of budget season – I would have appreciated a call for discussion that said, "I need to give you a heads up. I know we are in the middle of budget season but I've got a problem that unfortunately is going to affect the budget. And I need to give you this heads up. We're not positive of what the solution is yet but I need to give you this alert." You Board members know that as soon as I was aware of it, I alerted you as it is sufficient magnitude that you need to know about it. We're not talking about \$300 here. I'd appreciate a heads up just like all my other department heads would give me a heads up about something of that magnitude.

Stan Cleveland: I appreciate that. Is there other public participation? With that, thank you for the great communication at this time. Appreciate it.

James Gallagher: Do we have a budget amendment attached to this because I didn't see it.

Stephanie Larsen: It's just part of Recommendation #1, Supervisor Gallagher.

Ronda Putman: I just need some clarification on the Staff Report just so there's no misunderstanding later. On page 1 it says that you are going to decrease the General Fund designation for Capital Projects. And on page 3 it says you are going to reduce the designation for Future Appropriations. Those two items contradict each other, so I'm not sure what you want to do here.

Stephanie Larsen: That's my drafting error. It is inconsistent. It should be the...what is shown in recommendation #1 is correct.

Ronda Putman: So you want to reduce the designation for Capital Projects, correct?

Stephanie Larsen: Yes.

Community Participation comments by Holly Stout:

Holly Stout: *I think the one thing that's missing here from Mr. Stark is "I'm sorry". There is nothing in this world that could hurt this County more, after all the work this Board has done to get balanced budgets and be conservative, then to suddenly create a hole close to \$4 million. This is the same man that nit-picks every travel expense, every single everything that anyone wants reimbursed, as he should. But he can't keep his own office in line and creates this level of problem. It's all well and good to take responsibility but I didn't hear him say that he really is sorry and I didn't hear him apologize for the hard work that everyone who works in this County is going to have to do now. Because you are going to have to make some serious, serious cuts. Thank you*

Stan Cleveland: With that, it brings it back to the Board. Do we have a motion and do we have a second?

Gallagher: Motion

Munger: I second the motion

Jim Whiteaker: Mr. Chairman, before we second it, I would also add #4 that we send this report to the Grand Jury.

Stan Cleveland: Is that wanted to be added?

Larry Montna: I'll second it

James Gallagher: I'll accept it as an amendment.

Larry Munger: I'll second it.

Stan Cleveland: With that added, all in favor of sending it to the Grand Jury, all in favor say AYE.

All responses: AYE

Stan Cleveland: All opposed say Nay.

No responses to Nay.

Stan Cleveland: With that, the vote carries. Now, let's move on.

Exhibit 5

to the

County Administrative Officer's

Response to the Grand Jury

From: Sup, Sandy [mailto:SSup@gallina.com]
Sent: Tuesday, March 23, 2010 11:32 AM
To: Shawne Corley
Cc: Shawne Corley; Barbara Kinnison
Subject: RE: Sutter Management PDF

Hi Shawne,

During our audit, we did identify sales tax revenue of \$205,900 in the General Fund that had been recorded to FY 08-09 and should have been recorded to FY 09-10. However, we did not record an audit adjustment because it was well below our materiality limit for the General Fund which was \$580,000. During the exit conference, we reviewed the passed adjustments with the Auditor's Office and gave them the option of posting these adjustments. Ronda and Mr. Stark said that they preferred that they not be posted. Due to its immateriality, we don't believe that it needs to be disclosed in the financial statements or management report.

Sandy Sup, CPA, MBA
Supervisor



Opening Doors to Success – for clients, colleagues and staff

925 Highland Pointe Drive, Suite 450
Roseville, CA 95678-5418

Phone: (916) 784-7800
Fax: (916) 784-7850
Email: ssup@gallina.com

www.gallina.com

IRS Circular 230 Disclosure: We are required to inform you that any U.S. tax advice contained in this message (including any additional enclosures) is not intended or written to be used, and cannot be used, for the purpose of (1) avoiding penalties under the Internal Revenue Code; or (2) promoting, marketing or recommending to another party any matters addressed herein.

Exhibit 6

to the

County Administrative Officer's

Response to the Grand Jury

Deposits – Preparation

HOW TO PREPARE A DEPOSIT

Checks and remittance advices for wire transfers may arrive daily. They may be received in the treasurer's office or they may arrive in the auditor's office incoming mail. The majority of checks will be from the State of California. Deposits may be taken to the Treasurer's Office from 10 am – 3 pm daily. Please see samples following this narrative.

If it is a wire transfer, examine the date. Prepare the deposit permit so it will be ready as needed; be sure you place the proper date of the wire on the deposit permit. That may or may not be the current date. The amount will be entered in the Wire Transfer box under Composition of Funds on the Deposit Permit. Example: If the wire transfer is 3/15/04 the treasurer's office will be over the next working day, 3/16/04. When a Treasurer's Office employee comes to our office, stamp a deposit number on the bottom of the form, the Treasurer's Office will sign it and take the yellow copy. Place the appropriate backup on the white original and hand it to the individual in the Auditor's Office that will be performing data entry on the deposits for that day. Example: Deposits for 3/15/04 will be input on 3/16/04.

If a check accompanies a remittance advice, you will want to deposit the check(s) the same day they are received. Examine the remittance advice. Make sure we are the payee. On occasion, it will be for the Sutter County Schools. If that is the case, write "Schools" on the envelope and place it in the pickup box for Schools. If it is a large check, which does happen on occasion, give the Sutter County Schools office a phone call and let them know the check is here so they have an opportunity to take care of it immediately.

Open the red binder, titled Deposit Information. There are many pages, some strictly by department such as Welfare, Mental Health, Health, Realignment while some other pages are miscellaneous and cover a variety of checks that may be received such as Commission on Post, Children and Families Commission, Agric, and Franchise Fees. Examine the remit stub and locate the appropriate item in the binder and write the account number on the remit advice.

Using the receipt book, write a receipt for each check and wire transfer received. Write the receipt number on the lower corner of the remit advice or personal check. Checks will be on one deposit form while wire transfers are always on separate deposit forms.

Endorse the check in the appropriate area on the back of the check. We have a stamp for this purpose.

The Deposit Form is stored in Excel. Prepare the form and change the date if necessary – that often will be required on wire transfers that are prepared in advance.

When the Deposit Form is complete, arrange in appropriate order all four copies of the NCR paper and place in the printer, tray 4. Announce form is in the printer. Allow it to rise properly in the tray and click on Print Deposit Permit. Announce when the form is out of the printer.

Sign the form. Stamp a deposit number on the form. Make copies of the remittance advice and copies of checks such as personal checks for insurance purposes. After the treasurer's office signs in the appropriate spot, I find it easier to attach the receipts and then each original remittance advice and staple at that time. Make the appropriate number of copies using the pink copy and highlight the appropriate lines for each department affected and attach a copy of the remit so they have knowledge of the deposit. Write the department name or contact name at the top upper left and place in a pickup box or distribution.

Exhibit 7

to the

County Administrative Officer's

Response to the Grand Jury

Exhibit 7
Correction of Misrepresentations in Auditor-Controller's
"Report on Incorrect Sales Tax Allocation by Auditor-Controller's Office"
Dated May 18, 2010

Most of the issues brought up in the Auditor-Controller's "Report" have been addressed in my cover memo to the Board of Supervisors. This exhibit is intended to address only those misleading statements that have not already been discussed. The boldfaced quotations refer to statements made in Mr. Stark's "Report". My rebuttals are in plain type below the quoted remarks.

"The controls that the Auditor-Controller has put in place for all other departments were deemed unnecessary by the CAO because it is monitored and managed by the County Administrative Office's staff."

This issue has been fully addressed in my cover memo to the Board of Supervisors. The Auditor-Controller has never promulgated any policies or "controls".

As stated in the draft Board of Supervisors' response to the Grand Jury related to Recommendation #6, other departments should not be held formally responsible for errors made by the Auditor-Controller's Office since they have no ability or authority to direct that corrections be made.

"The procedure instituted by the CAO and defined in the e-mail below requires the deposit permits to be sent to Shawne Corley." [text of an e-mail from Shawne Corley to an Accountant II in the Auditor-Controller's Office dated November 4, 2005 follows].

Mr. Stark's memo accurately indicates that the e-mail sent to one of his Accountant IIs on November 5, 2005, requested that copies of deposit permits for deposits to the General Revenues budget unit be sent to the attention of Ms. Corley. Staff in the CAO's office had recently changed with the retirement of a former Deputy County Administrator, and budget assignments within the office had also been shifted. Prior to sending that e-mail a number of phone calls had gone back and forth between the Accountant and several members of CAO staff regarding depositing checks, and where to deposit SB 90 payments that had been coming in.

In the e-mail, Ms. Corley (who was then a Principal Analyst and the most junior member of the CAO staff) was simply attempting to clarify in writing, at the request of the Accountant II, who in the CAO's Office to contact for answers to her questions. The Accountant II had verbally indicated to Ms. Corley that she periodically had questions and was not sure who to ask because of the changes in staff and budget assignments. Thus, the e-mail simply clarified for the Accountant II whom in the CAO's office had been assigned to which budget units, in the event that a question arose, and clarified who deposit permit copies should be sent to.

Even if a "system" or policy had existed at the time, nothing in the 2005 e-mail could reasonably be interpreted to mean that such a system or policy was deemed to be unnecessary. Furthermore, it is equally as unreasonable to suggest that the lowest ranking analyst in the CAO's office would have the responsibility for deciding whether such a (non-existent) system or policy should be disregarded. If the Auditor's office did interpret the e-mail to mean that the CAO's Office intended to disregard one of his systems or policies, the Auditor's immediate reaction should have been to question that alleged direction.

"The controls broke down because the individual assigned to oversee General Revenue was not reconciling the deposit permits to the amounts paid by the State Board of Equalization."

Again, there is no knowledge or record of a system of controls, as referenced by Mr. Stark in his memo, that existed in which CAO staff would be responsible for reconciling the work of the Auditor-Controller staff *back to original sources*. Mr. Stark's implication and conclusion that the reason the error was repeated continuously in the Auditor-Controller's office and then went undetected for such a length of time is the fault of CAO staff is erroneous and utter nonsense.

In fact, CAO staff regularly did reconcile those deposits. When deposit permit copies were received from the Auditor-Controller's office, CAO staff regularly compared the amount on the deposit permit to the back-up documentation provided by the Auditor staff in order to identify any potential data entry or recording errors. CAO staff also compared the deposit permits to the amounts posted in the financial system records.

It is general knowledge that the individual preparing a journal entry or other instrument for the purposes of recording a transaction to a financial system, including deposit permits, is responsible for providing appropriate and accurate source documents. It is clear that in the case of the repeated deposit errors, the individual responsible for providing the appropriate and accurate source documents was incorrectly identifying those documents. This alone is the sole reason for the error. If original source documents, which clearly identified by the remitting agency the source and purpose of the transmitted fund had been used by the Auditor-Controller staff, this error most likely would not have occurred at all, and most certainly would not have occurred 21 times.

Mr. Stark also states that... (in year-end closing meetings) his office "does an analytical review of every account in every fund and every department prior to closing the books." He states that the "Auditor-Controller's Office then meets individually with department heads, assistants, and others to discuss a list of questions compiled based on the review." Mr. Stark goes on to state that "this procedure was deemed unnecessary for General Revenues by the CAO; therefore, the error did not come to the attention of the Auditor-Controller."

It should be noted that these meetings are also intended to include a representative from the County Administrative Office.

A year-end review is conducted by the County Administrative Office, independent from the review that Mr. Stark's office conducts, and identified inconsistencies are discussed with individual departments in conjunction with the Auditor-Controller's Office. Regularly throughout the year and at year-end, the County Administrative Office conducts a review of

the General Revenues budget unit. Whether an actual meeting or telephone conference was held or not should not be construed to mean that no review process was taking place.

It is concerning that Mr. Stark is admitting that he and his office do not make a year-end review of the General Revenues budget unit in light of his role in processing and depositing those revenues (including Property Tax based revenues, Franchise Fee revenues, Tobacco Tax revenues, among others). It is clear from the voluminous e-mail correspondence from CAO staff to Auditor staff that CAO staff regularly review individual accounts within the General Revenues budget unit to determine whether the amounts look reasonable, to identify inconsistencies and possible errors, and that CAO staff promptly brings those inconsistencies and possible errors to the attention of the Auditor-Controller's Office.

Regarding the March 4, 2009, meeting with SACOG: "The purpose of the meeting was clearly to adjust the allocations because the revenue was low, not to analyze the reason for the low revenue. SACOG did not question the low revenues but instead indicated that the revenues were low all over the state. No additional effort was made to analyze the revenues because SACOG did not question them. ... The Auditor-Controller's Office made no additional affirmation about the correctness of the revenues. None was asked for and none was required."

We disagree with Mr. Starks account of the "Meeting with SACOG." We have already provided our account of activities that took place related to the Transportation Tax estimates that the Auditor-Controller's office prepares and provides to SACOG.

In actuality, at the end of the March 4, 2009, meeting, the Auditor-Controller's representative was asked to follow up on the deposits for the next few months, and report back to SACOG and the CAO's Office on actual revenues received for the next several months. On April 14, 2009, the Auditor's representative to the SACOG meeting, an Accounting Systems Analyst, sent an e-mail to the SACOG attendees which states that: "I just left a message with the State BOE to find out if we will be receiving any more revenue distributions for this year. I will let you know what I find out. At this point it appears my first revised estimate dated January 21, 2009 will be more accurate" [in projecting revenues to the end of the fiscal year].

"On April 14, 2009, he called Sonia Caistro of the State Board of Equalization asking why revenues in the LTF fund were so low. She provided the explanation that the reason the revenues in the LTF fund were so low was due to a "true up" of annual revenues and e-mailed him a spreadsheet. The Auditor-Controller's Office relied on that Board of Equalization e-mail that the revenue was correct."

Since the Auditor-Controller's revenue numbers were drastically *incorrect*, it appears unlikely that the Board of Equalization's spreadsheet could have confirmed the Auditor's numbers. No one on the County Administrative Office's staff has seen the alleged e-mail and spreadsheet from Ms. Caistro.

Error Discovered: “As a result of the State Controller’s desk audit of the 2008-09 County’s Annual Report of Financial Transactions, the question arose as to why the Sales and Use Tax was overstated in the General Fund based on the State Controller’s payment records.”

Unfortunately, the County Administrative Officer was never notified of any such desk audit or the question that arose from that audit. Furthermore, as is pointed out in the Grand Jury’s report (July 2011), that audit brought up the question of the misallocated deposits in January 2010, three months before the Auditor’s Office sent the journal entry to the County Administrative Office which alerted us to the problem.

“We were left with the impression that our offices would work together to prepare a report and bring a solution to the Board to repay the \$1.7 million with interest.”

Having received no response from the Auditor-Controller’s Office after approximately two weeks, and acting in the belief that it was imperative to “make things right” with SACOG and the other agencies which rely on Transportation Fund revenues, I instructed Ms. Corley to prepare the needed budget amendments herself. That resulted in the Board agenda item of May 18, 2010.

Attachment B

Response from the Sutter County Auditor-Controller

COPY PROVIDED TO
ALL BOARD MEMBERS

COUNTY OF SUTTER

July 20, 2011

RECEIVED

JUL 21 2011

COUNTY CLERK
and EX-OFFICIO CLERK
BOARD OF SUPERVISORS
SUTTER COUNTY



ROBERT E. STARK, CPA

AUDITOR-CONTROLLER

The Honorable Christopher R. Chandler
Presiding Judge of the Superior Court of California
County of Sutter
446 Second Street
Yuba City, California 95991

Dear Judge Chandler:

Submitted herewith is the combined Auditor-Controller's and Assistant Auditor-Controller's response to the 2010-2011 Grand Jury Report (subject: Misallocation of Bradley Burns and Transportation Tax Fund Deposits, June 23, 2011). 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.

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

We share the Grand Jury's concerns in making Sutter County government work better. We are 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 the Auditor-Controller as an elected officer is 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 this combined 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)

**Sutter County Auditor-Controller's Response to 2010-2011 Grand Jury
Report:**

Misallocation of Bradley Burns and Transportation Tax Fund Deposits

This is the combined response of Auditor-Controller Robert Stark and Assistant Auditor-Controller Ronda Putman, each of whom received a copy of the report.

First Finding (in order presented)

"The Sutter County Grand Jury finds the county receives electronic funds transfers from the state for a variety of purposes. The County Auditor-Controller, Mr. Stark, is then responsible for determining the breakdown of those monies and transfers the funds into county accounts."

Combined Response to first finding—We agree.

First Recommendation (in order presented)

"The Sutter County Grand Jury recommends the Auditor-Controller's Office continue to scrutinize the deposits."

Combined Response to first recommendation— This has been implemented. This is and will continue to be standard office procedure.

Second Finding (in order presented)

"The Sutter County Grand Jury finds the Auditor-Controller's Office reversed the sales tax allocations for the Local Transportation Fund and the county General Fund. This error was the result of an unintentional reversal of the account numbers by an accountant clerk."

Combined Response to second finding—We agree. However it should be noted that the position title is "accountant," not "accountant clerk."

Second Recommendation (in order presented)

"The Sutter County Grand Jury recommends the Auditor-Controller's Office be responsible for policy and procedures to prevent error in deposits from happening in the future."

Combined Response to second recommendation—This recommendation is implemented within the Auditor-Controller's Office. Spreadsheets have been designed to track state revenue and reconcile year-to-date totals as received.

Third Finding (in order presented)

"The Sutter County Grand Jury finds that Ms. Putman acted within the realm of her position as the Assistant Auditor-Controller to audit the differences in the dollar amounts in the accounts of the Local Transportation Fund and the General Fund."

Combined Response to third finding— We agree.

Third Recommendation (in order presented)

"The Sutter County Grand Jury recommends the departments be responsible for their own accounts by using the deposit permits from the Auditor-Controller's Office to verify their deposits."

Combined Response to third recommendation— This recommendation has always been an established control but was "superseded" by the County Administrator's Office as reported by the Grand Jury on page 16: "*This clearly demonstrated the controls designated by Mr. Stark for all county departments have been superseded by the County Administrator Officer, Ms. Larsen*" [italics added]. Therefore, because this is not a change from current procedure no further action is required for implementation. Deposit permits are available/provided to all departments to facilitate the reconciliation of accounts for which they are responsible.

Fourth Finding (in order presented)

"The Sutter County Grand Jury finds the Auditor-Controller's Office and the County Administrator's Office each conducted their own investigation into the misallocation of tax funds."

Combined Response to fourth finding— We agree.

Fourth Recommendation (in order presented)

"The Sutter County Grand Jury recommends the line of communication between departments be open and approachable."

Combined Response to fourth recommendation— This has been implemented to the extent for which the Auditor-Controller's Office is able since it involves other departments. We will continue to work to improve the quality and timeliness of our communication.

Fifth Finding (in order presented)

"The Sutter County Grand Jury finds the lapse of time between February 18 through April 19, 2010 to be excessive in regard to making the necessary corrections."

Combined Response to fifth finding— We agree and acknowledge this did take what seems to have been an excessive amount of time to make the corrections. However, this was a complex

issue which needed to be researched and there were other extenuating business and personal circumstances at the time which caused the delay.

Fifth Recommendation (in order presented)

“The Sutter County Grand Jury recommends corrections are made more promptly.”

Combined Response to fifth recommendation— Auditor-Controller’s staff has been informed of the recommendation, which we consider adequate implementation. If a similar situation occurs in the future with a potential budgetary impact the County Administrator’s Office will be timely notified.

Sixth Finding (in order presented)

“The Sutter County Grand Jury finds Mr. Stark’s policies of controls were deemed unnecessary for the general revenue budget unit by the County Administrator Officer because it is monitored and managed by the County Administrator’s Office staff.”

Combined Response to sixth finding— We agree.

Sixth Recommendation (in order presented)

“The Sutter County Grand Jury recommends that each department be held responsible for the accuracy of the deposits for their accounts made by the Auditor-Controller’s Office.”

Combined Response to sixth recommendation— This recommendation appears to be directed to the Board of Supervisors which is responsible for the supervision of the various county departments. Accordingly, the Auditor-Controller’s Office will take no action to implement this recommendation without direction from the Board of Supervisors.

Seventh Finding (in order presented)

“The Sutter County Grand Jury finds the Board of Supervisors approved a budget amendment & directed the Auditor-Controller to make all adjustments, and were finalized by October 6, 2010. (Minutes Approved on May 18, 2010, Book 3-J page 469.)”

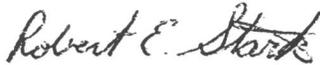
Combined Response to seventh finding— We agree.

Seventh Recommendation (in order presented)

“The Sutter County Grand Jury recommends the county departments work together, to be more proficient, with their interdepartmental communication skills, to minimize the amount of time for problem solving.”

Combined Response to seventh recommendation— The Auditor-Controller's Office has already implemented this recommendation within the office. Proficiencies in communication skills among Auditor-Controller employees in grammar, writing and speaking skills are emphasized in employee evaluations. At staff meetings training opportunities are encouraged such as courses on grammar, office communications and report writing. Training in oral communication and public speaking is encouraged by participation in organizations such as Toastmasters International. Discussions at staff meetings frequently include topics such as appropriate email communication and telephone etiquette. When considering job applicants, much weight is given to proficiency in communication and interpersonal relations.

Submitted by,



Robert E. Stark, CPA
Auditor-Controller



Ronda G. Putman
Assistant Auditor-Controller

July 20, 2011

Attachment C

Response from the Sutter County Sheriff-Coroner



SUTTER COUNTY SHERIFF'S DEPARTMENT

J. PAUL PARKER
SHERIFF - CORONER

June 30, 2011

Chris Chandler - Presiding Judge
Superior Court of California
County of Sutter

RE: Response to the 2010-2011 Grand Jury Final Report

The following are the responses of the Sheriff-Coroner-Public Administrator to the findings and recommendations of the 2010-2011 Sutter County Grand Jury Final Report.

Jail

#1 Findings: *The Grand Jury finds the minimum security area needs to be upgraded to medium security. The Sheriff's Department is currently waiting for the design phase of the facility to be completed.*

Recommendations:

The Grand Jury recommends the completion of the design be expedited to help prevent any further escapes from the minimum security area.

Response: The Sheriff's Department concurs with the recommendation and is working with the Community Services Department and its Engineer to complete this project which has been approved by the County. It is our understanding that all of the design phases other than the remote camera layouts are completed and the whole project will go out to bid within the next several weeks.

#2 Findings: *The Grand Jury finds that the GED preparation program is necessary programs that can help inmates take something positive away from their stay at the Sutter County Jail.*

Recommendations:

The Grand Jury recommends that the Sutter County Jail hire a teacher to replace the one who resigned.

Response: The Sheriff's Office concurs with the recommendation of the Grand Jury and recruiting is underway. In the meantime, GED preparation textbooks have been

purchased and placed in the inmate law library for their use. One of the problems with running a General Educational Degree (GED) program in a County Jail was that many of the inmates have short stays which disrupts their ability to complete their GED program. The Sheriff's Office believes that the need/demand for the GED program may increase in the coming years with the passage of California Assembly Bill 109 which will require to County Jails to house certain prisoners for significantly longer periods of time.

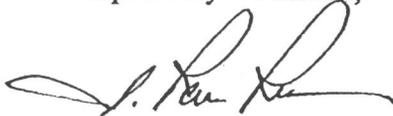
#3 Finding: The Grand Jury finds that even though the recent escape from the Sutter County Jail is similar to a "walk away" that can take place at any time by any minimum security inmate that is detailed out in the community, this risk could be reduced by the completion of the medium security upgrade that is now in the engineering phase stage.

Recommendations:

The Grand Jury continues to recommend that completion of the medium security upgrade. Part of this upgrade includes a much higher fence and three strands of razor wire versus the barbed wire now in place, cameras inside and outside the building to allow staff to monitor the inmates. Even though this will not preclude an escape of this nature from ever happening again, it will certainly reduce the risk.

Response: The Sheriff's Office wholeheartedly concurs with the Grand Jury. See response to question #1.

Respectfully submitted,



J. PAUL PARKER
SHERIFF-CORONER

cc: Sutter County Board of Supervisors
Stephanie Larsen, County Administrative Officer

Attachment D

Response from the
Sutter County Director of Child Support Services



543 Garden Highway
P.O. Box 689
Yuba City, CA 95992-0689

Jamie E. Murray, Director
Martha G. Patchin, Deputy Director

Telephone: (866) 901-3212
Facsimile: (530) 822-7170

August 24, 2011

To: Chris Chandler, Presiding Judge, Superior Court of California, County of Sutter

From: Jamie E. Murray, Director of Child Support Services

Subject: Response to the 2010-2011 Grand Jury Final Report

The following are the responses of the Director of Child Support Services to the finding, recommendation and conclusion of the 2010-2011 Sutter County Grand Jury Final Report.

Department of Child Support Services (pages 31-33)

Finding: *The grand Jury finds that the morale in the CSS is extremely low.*

Recommendation: *The Grand Jury recommends the Director take staff concerns more seriously and work with the employees to find solutions to improve morale.*

Conclusion: *The CSS is a department in flux, creating several challenges, and may require mediation to improve morale.*

The dedication and experience of the employees is evident.

The Director spending more time in the office would be beneficial to the overall attitude and moral of the personnel.

Response: The Department of Child Support Services respectfully disagrees with the finding of the Grand Jury. There were a few employees in the department who were extremely upset about losing the 9/80 work schedule and transitioning back to managing a full case load from case opening through case closure. I am committed to Sutter County and the Department of

Child Support Services and its employees. I take employee concerns seriously. I have an open door policy and I encourage staff to express their concerns to me as well as their innovative ideas to increase efficiencies within the department. I am always willing to listen to staff however, I must make decisions for this department also taking into consideration the best interest of the children and families in the community we serve, as well as the wishes of the Sutter County Board of Supervisors, the tax payers who fund this program, and the considerations of the State Department of Child Support Services. At times these interests compete and it is my responsibility to ensure the quality of our program.

The Child Support Program has been in effect since 1975. During my 20 plus years in the program I have experienced many changes. While the mission of the program remains constant to establish paternity, locate non custodial parents, establish child support and medical support orders, enforce child support and medical orders, and collect and distribute child support to families, the program is ever changing. The child support program is governed by federal and state laws and regulations. As these laws and regulations change, the program and its employees must adapt. In 2007 Sutter County was one of three counties to pilot the Statewide Child Support Enforcement Automated System. Now that all California counties are on one computer system we are experiencing more automation and improved access to statewide data than ever before. While this is a positive for the program it brings additional training needs and challenges to staff.

I value the dedication and experience of the employees within this department. I have every confidence they can continue to adapt to the changing needs of the department and the California Child Support Program.

I was nominated by my peers to serve on the Child Support Director's Association (CSDA) Board of Directors. I am currently serving a three year term as the Treasurer for the CSDA which takes me to Sacramento for monthly meetings. I do attend statewide meetings for County Directors and participate on statewide committees representing the interests of Sutter County and other small counties in California. Prior Department Directors did not participate on the CSDA Board of Directors.

Continuity Committee- (page 461 of the 2010-2011 Grand Jury Report)

Response from the 2010-2011 Sutter County Grand Jury

The Grand Jury acknowledges the 2009-2010 recommendations have been met with the exception of destroying the closed files, which is in process.

~~The above response from the Grand Jury is not accurate.~~

The response from the Department of Child Support Services in 2009-2010 was as follows:

The Department of Child Support Services currently houses closed files in an off-site storage unit. We are required by state and federal law to retain these records for four years and four months CCR § 111450. We are currently in the process of imaging our open case files. Once this effort to image the open files is completed we may look into imaging of the closed files as funding and resources allow. At this time we currently store closed files off-site for the years 2009, 2008, 2007, 2006 and 2005.

The Department of Child Support Services secured additional funding from the State for June 2010 through October 2011 to expedite the imaging of our open files. At this time we are not planning to image the closed files. As the above mentioned retention requirement timeframe expires we will purge the closed files. At this time we are still storing closed files from 2009, 2008, 2007 and 2006.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jamie E. Murray".

Jamie E. Murray

Director, Sutter County Department of Child Support Services

Cc: Sutter County Board of Supervisors

Stephanie Larsen, County Administrative Officer

Attachment E

Response from the

Sutter County Community Services Department,

Environmental Health Division



SUTTER COUNTY
COMMUNITY SERVICES DEPARTMENT

Animal Control
Building Inspection
Environmental Health
Planning

Interim Director – Randy Cagle
Fire Services – Dan Yager
Emergency Services – John DeBeaux

July 25, 2011

To: Stephanie J. Larsen, County Administrative Officer

From: Randy Cagle, Interim Community Services Director
Jeff Williams, Environmental Health Manager

Re: Response to 2010-2011 Grand Jury Report – Sutter County Environmental Health Division

Division Comments

The Environmental Health Division has reviewed the 2010-2011 Sutter County Grand Jury discussion regarding the Environmental Health Division and generally concur with the comments.

With respect to the Certified Unified Program Agency (CUPA) slight clarification is needed. The six programs are more commonly known as the Hazardous Waste Generator and Onsite Hazardous Waste Treatment (tiered permitting) Program, Underground Storage Tank Program, Aboveground Petroleum Storage Act (APSA) Program, California Uniform Fire Code: Hazardous Material Management Plans and Hazardous Material Inventory Statements, Hazardous Materials Release Response Plan and Inventories (Business Plans) and the California Accidental Release Prevention (Cal ARP) Program.

There are 643 facilities eligible for regulation within the program. The inspection frequency is at least once every three years with the exception of the Underground Storage Tank Program facilities which are inspected at least once a year.

There are currently 17 Septic Pumper Vehicles that are inspected and permitted each year. There are no response plans required for the Septic Pumper Vehicles. The disposal from the pumper vehicles is mainly at the Yuba City Sewer Treatment Plant which is inspected as part of the CUPA program.

Findings

None

● Page 2

July 25, 2011

Recommendations

None

Sincerely,

A handwritten signature in cursive script that reads "Randy Cagle".

Randy Cagle, Interim Director
Community Services Department

RC:tsg

cc: Shawne Corley
Megan Greve
Charles Smith