



Shasta County

BOARD OF SUPERVISORS

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June 28, 2016

The Honorable Gregory Gaul
Presiding Judge, Shasta County Superior Court
1500 Court St., Rm. 205
Redding, CA 96001

Dear Judge Gaul:

Re: Response of Board of Supervisors to Fiscal Year 2015-2016 Grand Jury Report

The Shasta County Board of Supervisors appreciates the time and dedication which the 2015-2016 Grand Jurors contributed to their charge. The following findings and recommendations are under serious consideration and discussions are being held regarding solutions to any unresolved problems.

RESPONSES AND FINDINGS

A. Shasta County Joint Audit Committee, Numbers Matter

FINDINGS

FI. *The Joint Audit Committee's current practices fail to follow its "Functions of the Joint Audit Committee" and "Membership and Officers" Policies and Procedures as they relate to the role of the Grand Jury and the RFP process.*

Response: The Board of Supervisors disagrees wholly with the finding. The Joint Audit Committee met on May 20, 2015, to discuss the renegotiated terms of the agreement with Gallina LLP to continue performing the County's independent Financial Audit. At that time, the County and the Grand Jury had an existing joint contract with Gallina LLP to perform a financial audit for the upcoming 2015-2016 fiscal year. It was proposed to extend the agreement with Gallina LLP by entering into a new contract, which would result in Gallina LLP performing the audit for the 2015-2016 fiscal year and future fiscal years through fiscal year 2019-2020, at a cost savings. It

was also explained that the Government Finance Officers Association recommends that government entities enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors.

In the past, a joint contract was entered into for audit services which included both the County and the Grand Jury. It was explained that the new agreement would be between only the County and Gallina LLP, but the proposed agreement would not reduce the services available to the Grand Jury.

At that May 20, 2015 meeting of the Joint Audit Committee, the Grand Jury member present stated the Grand Jury was satisfied with the services provided by Gallina LLP and that the Grand Jury agreed to an extension of the existing agreement. The Grand Jury member present asked to be provided with a copy of the proposed agreement extending Gallina LLP's services, to ensure it satisfied the Grand Jury's requirements to investigate and report on the operations, accounts, and records of the County under Penal Code section 925. It was explained that Penal Code section 925 does not require the Grand Jury to enter into an agreement with an independent auditor to perform its investigations under that statute. A copy of the proposed agreement was provided to the Grand Jury. No further questions were raised by the Grand Jury and the contract was approved by the Board of Supervisors on June 9, 2015.

F2. *The Chairperson of the Board of Supervisors, as one of the Joint Audit Committee Co-Chairs, is not including the Grand Jury Foreperson as the other Co-Chair, as required.*

Response: The Board of Supervisors disagrees wholly with the finding. The Grand Jury Foreperson was not present at the May 20, 2015 meeting when discussing the proposed contract with Gallina LLP; however, a representative of the Grand Jury was present on behalf of the Grand Jury as explained in the Response to Item F1. On all other occasions in which the Grand Jury Foreperson was present for the Joint Audit Committee, the Foreperson was not prevented nor excluded from acting as the Co-Chair of the Joint Audit Committee.

F3. *The Board of Supervisors failed to adhere to County Policy 6-101 when it did not ensure competitive procurement requirements were followed for a multi-year contract for audit services.*

Response: The Board of Supervisors disagrees wholly with the finding. Policy 6-101 strongly encourages competitive procurement and, in some cases, indicates that competitive

procurement should be used in certain situations. However, Policy 6-101 does not require competitive procurement for the type of personal services provided by Gallina LLP. Additionally, there is no law requiring the use of competitive procurement for these services. Because Policy 6-101 did not require competitive procurement in this situation, the Board was not required to formally waive its use. Moreover, the Board of Supervisors is always able to inquire about whether competitive procurement was utilized. In this case, the Board of Supervisors realized these are specialized services not provided by all firms and that there is cost savings to utilize professionals familiar with the County's systems. In this case, the County successfully renegotiated the terms and conditions of the contract for audit services saving taxpayers an estimated \$35,000 over the term of the agreement. However, the Board Report could have more fully explained the justification for continuing the County's relationship with Gallina LLP without using a competitive procurement process.

F4. *The Auditor-Controller failed to follow Joint Audit Committee Policies and Procedures and County Policy 6-101 by not issuing a Request for Proposal for a multi-year contract for audit services, or providing justification for not doing so.*

Response: The Board of Supervisors disagrees wholly with the finding. As stated under the response to F3, these are specialized services not provided by all firms and that there is cost savings to utilizing professionals familiar with the County's systems. The Board of Supervisors considered the significant savings with the early renewal of the audit contract saving taxpayers \$7,000 in the first year and an estimated \$35,000 over the life of the contract. As such, a Request for Proposal was not required or necessary. Also, please see response to F3.

F5. *The Auditor-Controller maintains a fraud hotline accessible only by the Auditor-Controller and one other staff member in his office, allowing the possibility for selective complaint (tip) investigation.*

Response: The Board of Supervisors disagrees wholly with the finding. Complaints, whether received by telephone or anonymously using the electronic form on the Auditor-Controller's website are forwarded to the Auditor-Controller, two managers, and one staff member in the Auditor-Controller Department.

F6. *The telephone number for the fraud hotline is not posted or available on the Shasta County web page or the associated Auditor-Controller Office's page, making it difficult for employees or the public to report fraud via the hotline number.*

Response: The Board of Supervisors disagrees partially with the finding that the telephone number is not posted on a web page and that it is difficult for employees to report fraud. A link to the fraud hotline is currently on the Auditor-Controller's intranet web page.

RECOMMENDATIONS

R1. *The Grand Jury recommends the Board of Supervisors immediately requests the Joint Audit Committee to adhere to its "Functions of the Joint Audit Committee" and "Membership and Officer" policies and procedures.*

Response: The recommendation requires further analysis. The Board of Supervisors will direct staff to review the current "Functions of the Joint Audit Committee" and "Membership and Officer" policies and procedures and provide an update concerning these policies and adherence to them where appropriate by November 30, 2016.

R2. *The Grand Jury recommends the Board of Supervisors instructs its Chair, as Co-Chair of the Joint Audit Committee, to actively engage the Grand Jury Foreperson as an equal Co-Chair of the Joint Audit Committee within 30 days of each new Grand Jury empanelment and in a regular basis throughout each term.*

Response: The recommendation will not be implemented because it is not warranted. The Joint Audit Committee is a noticed public meeting under the Brown Act and all input, comment and participation received will continue to be considered.

R3. *The Grand Jury recommends the Board of Supervisors adheres to County Policy 6-101.*

Response: This recommendation has been implemented. The Board of Supervisors has adhered to County Policy 6-101 prior to this Grand Jury's investigation.

R5. *The Grand Jury recommends the Auditor-Controller work with the County Executive Officer to develop a fraud hotline voicemail messaging system that ensures that all fraud hotline messages are simultaneously and independently forwarded to both the County Executive Office and Auditor-Controller, no later than August 31, 2016.*

Response: The recommendation will not be implemented because it is not warranted. California Government Code section 53087.6 permits Auditor-Controllers to maintain a

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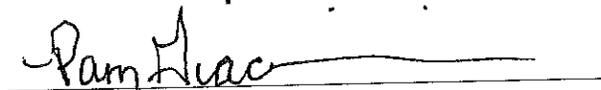
whistleblower hotline to receive calls from persons who have information regarding possible violations by local government employees of state, federal, or local statutes, rules, or regulations. The calls are confidential and can provide information about employees from any department including the County Administrative Office.

R6. *The Grand Jury recommends the Auditor-Controller and County Executive Officer ensure that the fraud hotline telephone number is displayed in a prominent location on the Shasta County website and in all county employee facilities no later than August 31, 2016.*

Response: The recommendation will not be implemented because it is not warranted. Since the hotline is designed to allow employees to report fraud it will not be posted on the Shasta County internet website. However, the fraud hotline telephone number is linked on the Shasta County intranet website homepage as well as the Auditor-Controller's intranet page. New employees will continue to receive information about the fraud hotline at new employee orientation, and the Auditor-Controller will continue to send an annual email to all employees reminding them of the fraud hotline.

This concludes the responses of the Shasta County Board of Supervisors to the FY 2015-2016 Grand Jury Report, Shasta County Joint Audit Committee, Numbers Matter.

Sincerely,



PAM GIACOMINI, Chairman
Board of Supervisors
County of Shasta

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