



July 9, 2013

The Honorable John Laettner
Presiding Judge of the Contra Costa Superior Court
A.F. Bray Court House, Department 25
1020 Ward Street, Martinez CA 94553

Dear Judge Laettner:

On behalf of the Antioch City Council, this letter responds to Contra Costa County Grand Jury Report: "Assessing Fiscal Risk" (Report 1311). The City Council authorized this response at its meeting on July 9, 2013.

We appreciate the time and effort that the Grand Jury spent considering these matters. As the Report states, cities, school districts and other special districts have an obligation to establish and maintain a proper system of fiscal controls. We absolutely agree with this and feel that even with an average staffing reduction of 40% here in Antioch, we have established adequate internal controls over financial reporting and safeguarding of assets.

Pursuant to California Penal Code section 933.05, the City will respond to each finding and to each recommendation individually.

Findings

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies, and other deficiencies in Internal Controls each year as reported by the external auditors.

Based on the information provided by the Grand Jury report, the City agrees with the finding.

2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

We believe this finding should read "as reported by the external auditors" as the auditors are not the ones repeating the deficiencies or responsible for remedying them, the agencies are. If our assumption is correct, then based on the information provided by the Grand Jury report, the City agrees with the finding, but again relying on the information in the Grand Jury report as the City has done no independent analysis of the issue.

OFFICE OF THE MAYOR

Mayor Wade Harper • Mayor Pro Tem Mary Rocha • Council Members Monica E. Wilson, Tony Tiscareno, Gary S. Agopian
P.O. Box 5007, Antioch, California 94531-5007 • Telephone: 925-779-7011 • Fax: 925-779-7003 • www.ci.antioch.ca.us

3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision making based on incomplete or inaccurate information.

Depending on the nature, severity, frequency and materiality of the weaknesses, the City agrees with the finding.

4. Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Based on the information provided by the Grand Jury report, the City agrees with the finding.

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

The City agrees with the finding.

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

The City partially agrees with the finding of the Grand Jury, given that it does not have the resources to conduct its own review of what controls and grant compliance procedures other jurisdictions are, or are not, following, and no empirical data was provided in the Grand Jury report to demonstrate the level of importance each organization places grant compliance.

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Based on the information provided by the Grand Jury report, the City agrees with the finding.

Recommendations

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

July 9, 2013

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This recommendation has been implemented. All findings noted for the City of Antioch were Significant Deficiencies which were corrected upon communication by the external auditors and the findings have not re-occurred.

- 3b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

This recommendation will not be implemented. All findings noted for the City of Antioch were Significant Deficiencies, not Material Weaknesses, which were corrected upon communication by the external auditors and the findings have not re-occurred. The City of Antioch has established effective internal controls to ensure all deficiencies are promptly remedied. The entire City Council will continue to receive audit reports, which are publicly presented at a Council meeting and put on the City's website for citizens to review.

- 3g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

This recommendation will not be implemented. The City of Antioch does not have the financial or staff resources to establish an internal audit group. However, the City does have established internal control procedures we feel adequately safeguard assets and financial reporting. These controls are reviewed annually by the Finance Department as well as our outside auditors. Any findings by the outside auditors, as noted in the Grand Jury report, have been communicated with the City Council and promptly remedied.

Sincerely,



Wade Harper

Mayor

cc: Marc Hamaji, Contra Costa County Grand Jury Foreperson, 725 Court Street,
Martinez, CA 94553

Mayor and City Council

Jim Jakel, City Manager

Lynn Tracy Nerland, City Attorney

Dawn Merchant, Finance Director

MAILING ADDRESS:
City Hall
150 City Park Way
Brentwood, CA 94513
Phone: 925-516-5400
Fax: 925-516-5401
www.ci.brentwood.ca.us

CITY ADMINISTRATION
150 City Park Way
Phone: 925-516-5440
Fax: 925-516-5441

COMMUNITY DEVELOPMENT
150 City Park Way
Phone: 925-516-5405
Fax: 925-516-5407

**FINANCE & INFORMATION
SYSTEMS**
150 City Park Way
Phone: 925-516-5460
Fax: 925-516-5401

PARKS AND RECREATION
35 Oak Street
Phone: 925-516-5444
Fax: 925-516-5445

POLICE
9100 Brentwood Boulevard
Phone: 925-634-6911
24 Hr. Dispatch: 925-778-2441
Fax: 925-809-7799

PUBLIC WORKS

Operations Division
2201 Elkins Way
Phone: 925-516-6000
Fax: 925-516-6001

Engineering Division
150 City Park Way
Phone: 925-516-5420
Fax: 925-516-5421

August 30, 2013

The Honorable John Laettner
Presiding Judge of the Contra Costa Superior Court
A.F. Bray Court House, Department 25
1020 Ward Street
Martinez, CA 94553

Dear Judge Laettner:

This letter is in response to the questions asked in Grand Jury Report No. 1311, "Assessing Fiscal Risk," released on June 4, 2013. In accordance with your request and Section 933.5 of the California Penal Code, the City provides the attached required responses to Findings 1-8 and Recommendations 1, 2, 3b and 3g as identified in the Grand Jury Report. The City wishes to emphasize that it was not one of the entities reviewed as a part of this report and has neither reviewed the documentation obtained by the Grand Jury nor has interviewed any of the parties referenced in the Grand Jury Report. This City is relying upon the veracity of the information provided by the Grand Jury in the accompanying responses to the Grand Jury's findings.

Please feel free to contact me at 925.516.5440 should you need additional information.

Sincerely,



Paul R. Eldredge
City Manager
City of Brentwood

cc: Marc Hamaji, 2012-2013 Contra Costa County Grand Jury Foreperson
725 Court Street, Martinez, CA 94553

Honorable Mayor and City Council of the City of Brentwood

Damien Brower, City Attorney

City's Required Responses to Grand Jury Findings

Grand Jury Finding #1

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

City Response: The City agrees with the finding.

Grand Jury Finding #2

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

City Response: The City agrees with the finding.

Grand Jury Finding #3

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

City Response: The City agrees with the finding.

Grand Jury Finding #4

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

City Response: The City agrees with the finding.

Grand Jury Finding #5

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

City Response: The City partially disagrees with the finding. The City concurs that unresolved problems with grants could potentially result in the loss of future grants and the repayment of expended grant funds. The City also concurs that a loss of public confidence may occur as a result of a loss of a grant or required repayment of grant funds. The City is not aware, however, of whether or not unrelated general fund resources are being used as a source of repayment for grant funds which are required to be returned. It is possible that alternate funding sources for repayment are utilized.

Grand Jury Finding #6

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

City Response: The City agrees with this finding.

Grand Jury Finding #7

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

City Response: The City agrees with the finding.

Grand Jury Finding #8

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

City Response: The City partially disagrees with this finding. As noted in Grand Jury Finding #6, there is a significant difference among County Organizations as to the level of importance placed upon grant compliance. In addition, page 2 of the Grand Jury Report notes that "...there is a significant difference among officials interviewed regarding the importance of establishing and maintaining a rigorous Internal Control environment and responding to/fixing findings raised by the independent auditors."

The City believes that the information presented in the Grand Jury Report suggests that the level of oversight offered by governing bodies varies between entities. The City does not believe these results indicate that all of the governing bodies listed above are failing to provide adequate oversight. The City is not definitively aware of whether or not most County Organizations have an Audit Committee.

City's Required Responses to Grand Jury Recommendations

Grand Jury Recommendation #1: Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

City Response: This recommendation has been implemented. The City would take immediate steps to correct any noted deficiency in internal controls.

Grand Jury Recommendation #2: County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

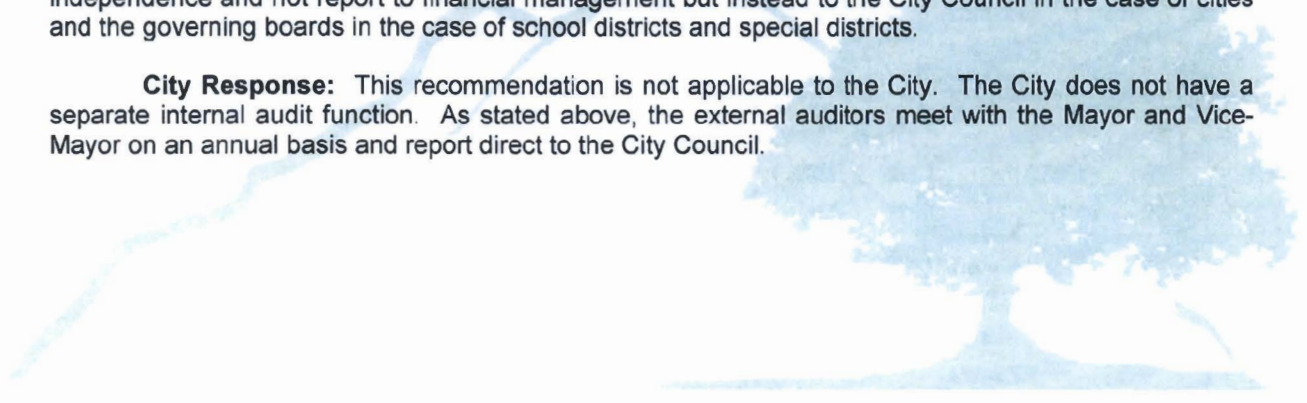
City Response: This recommendation has been implemented. Every City staff member is evaluated on an annual basis. The performance reviews of those staff members who are responsible for maintaining and/or remedying deficiencies identified in audit reports include the results of the annual audit. In addition, every City department publishes a list of departmental goals for inclusion the Operating Budget. The Finance and Information Systems Department has a stated goal to "Complete annual audit with no reportable items" listed in its annual departmental goals.

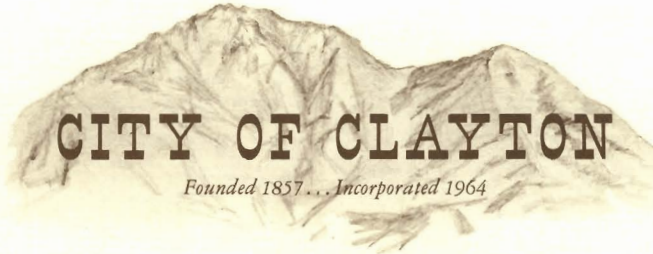
Grand Jury Recommendation #3b: The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

City Response: This recommendation will not be fully implemented as we believe it is not necessary. The City takes many steps to ensure both transparency and that any internal control deficiencies are promptly remedied. The City's Budget and Fiscal Policy requires the external auditors to meet annually with the Mayor and Vice-Mayor for the stated purpose of facilitating the communication of any matters the auditors feel are significant. The auditors also present the results of their audit at a City Council meeting to ensure transparency. Finally, the auditors include internal control deficiencies in their annual management letter which is presented at a City Council meeting. The management letter includes an updated status of any items identified during the previous year to ensure that any internal control deficiencies are corrected. As a result of these extensive communication and transparency efforts, which have continued to prove effective, the City believes that the creation of additional committees is unnecessary.

Grand Jury Recommendation #3g: The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

City Response: This recommendation is not applicable to the City. The City does not have a separate internal audit function. As stated above, the external auditors meet with the Mayor and Vice-Mayor on an annual basis and report direct to the City Council.





CITY OF CLAYTON

Founded 1857... Incorporated 1964

COMMUNITY
DEVELOPMENT (925) 673-7340
ENGINEERING (925) 363-7433

6000 HERITAGE TRAIL • CLAYTON, CALIFORNIA 94517-1250
TELEPHONE (925) 673-7300 FAX (925) 672-4917

City Council
JULIE K. PIERCE, MAYOR
HANK STRATFORD, VICE MAYOR
JIM DIAZ
HOWARD GELLER
DAVID T. SHUEY

August 21, 2013

Contra Costa Civil Grand Jury, 2012-2013
Attn: Marc Hamaji, Foreperson
725 Court Street
P O Box 431
Martinez, CA 94553-0091

Re: Contra Costa County Civil Grand Jury Report No. 1311, FY 2012-13
“Assessing Fiscal Risk – Who is Minding the Store?”

Dear Mr. Hamaji:

In behalf of the Clayton City Council, this letter responds to the Contra Costa Civil Grand Jury’s Report No. 1311 regarding its review and critique on how local governments in this county are establishing and maintaining a proper system of fiscal controls, including financial and physical oversight, in order to safeguard the public assets. The Clayton City Council met in a regular public meeting on August 20, 2013 to consider Report No. 1311 and therein authorized this written response.

Pursuant to California Government Code section 933.5(a), the City of Clayton does hereby respond to the Civil Grand Jury’s required Findings (Nos. 1 thru 9) and Recommendations No. 1, 2, 3b and 3g, as contained within Report No. 1311:

FINDINGS

Finding # 1: *Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.*

The City agrees with this finding to the extent we did not conduct our own research into the fiscal control practices and audit results of other cities, yet the Civil Grand Jury has given us no cause to disbelieve its Finding.

Finding # 2: *In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.*

The City agrees with this finding to the extent the Finding meant to read, “... as reported ...” by the external auditors. In that regard, the City did not conduct any independent

analyses of the various audit results of other cities yet we have no cause to disbelieve this Finding of the Civil Grand Jury.

Finding # 3: *Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), in accurate or faulty financial reporting and decision-making based on the incomplete or inaccurate information.*

The City agrees with this finding.

Finding # 4: *Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.*

The City agrees with this finding to the extent we did not duplicate a review and analysis of the Civil Grand Jury's selected cities awarded certain grants yet the City has no cause to disbelieve the reported Finding. This City has not experienced any non-compliance findings in grants.

Finding # 5: *Unresolved problems with grants could potentially result in the loss of future grants and required payment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).*

The City agrees with this finding in general terms but notes it does not have any independent knowledge of other cities (nor this City) having to repay grant funds or using general fund monies to do so.

Finding # 6: *There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.*

The City partially disagrees with this finding as it cannot address the fiscal control practices of County organizations or ascertain the level of importance placed on their outside auditor's control and grant compliance findings.

Finding # 7: *Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.*

The City agrees with this finding that inaccurate or untimely financial information throughout a fiscal year [and beyond] may indeed impact the budgetary controls, decision-making and oversight conducted by management or governing bodies.

Finding # 8: *Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.*

The City disagrees with this finding as it pertains to this City's fiscal and audit practices (note: this response tailored to Clayton as so admonished by the Civil Grand Jury in its note on Page 14: "*Each County Organization needs to respond only in regards to its own practices.*"). This City has always accepted the serious charge by its electorate to carefully monitor and review the fiscal affairs of its local government, plus it uses a functioning Audit Committee comprised of two members of the City Council (membership subject to rotation by the mayor each year) which is wholly independent of the City's financial management. Members of the Audit Committee meet each year with the independent outside auditor to discuss the financial control and fiscal practices of this City. In addition, this City has a City Council-appointed City Treasurer who also autonomously reviews financial and fiscal matters of the City's finance department.

CIVIL GRAND JURY RECOMMENDATIONS

Recommendation # 1: *Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.*

The recommendation has been implemented or will not be implemented as it is unreasonable due to insufficient budgetary resources to hire additional finance/accounting personnel.

For public transparency purpose, the following summation outlines the most recent four (4) years of audit reports and management letters for the City of Clayton:

A. Fiscal Year 2007-08. No Material Weaknesses or deficiencies reported. Internal Control observations in the Management Letter were corrected or addressed.

B. Fiscal Year 2008-09. No Material Weaknesses or deficiencies reported. Internal Control observations were corrected or addressed, with the exception of a recommendation to employ additional finance personnel for separation of duties, which is deemed infeasible to implement due to constrained budgetary resources and lower priority than hiring additional public safety personnel should funds be available.

C. Fiscal Year 2009-10. No Material Weaknesses reported. One (1) Significant Deficiency identified in "Controls over Financial Reporting" and those particular deficiencies were corrected.

D. Fiscal Year 2010-11. Three (3) Material Weaknesses were identified by the auditors:
1. Controls over Financial Reporting;
2. Conversion to a new accounting software package; and
3. Controls over the Reporting Process.

The Material Weaknesses have been addressed for correction through the City's temporary employment of a former local government Account Manager familiar and versed in the applications of the City's new financial management software package. In addition, the current Finance Manager recently announced retirement effective 31 December 2013 and the City is recruiting and will be selecting a qualified replacement.

The sole Significant Deficiency noted of "Segregation of Duties" is only curable by the hiring of additional finance personnel, which action will not be implemented as being infeasible given the City's constrained annual budgetary resources.

Recommendation # 2: *County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.*

The recommendation has been implemented. The results of audit reports are part of the City Finance Manager's performance indicators, goals and objectives. Results of an audit report are one of many criteria involved in the performance of the Finance staff.

Recommendation # 3b: *The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.*

The recommendation has been partially implemented and will partially not be implemented as it is not warranted. The City has an established and functioning Audit Committee comprised of two (2) members of the Clayton City Council which meets routinely with the auditor each year as well as City management and financial management personnel. Any Internal Control deficiencies can be and are sufficiently

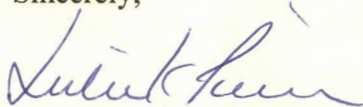
addressed by this Audit Committee and there is no history of recalcitrance by City staff that would suggest the necessity to establish a citizens' oversight committee given the City's legacy of "unqualified" audit reports regarding fiscal condition and transactions.

Recommendation # 3g: The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

The recommendation has been implemented. The Council Audit Sub-Committee reports to the full City Council, not to financial management staff. The independent outside auditor provides and presents its audit report and findings publicly to the City Council at a regular public meeting. The annual Audited Financial Statement prepared by the independent auditor is part of the Agenda Packet and remains uploaded on the City's website for public disclosure and review.

We appreciate the time and effort the Civil Grand Jury spent researching and considering these matters, and we trust this response will be helpful in its endeavors.

Sincerely,



Julie K. Pierce
Mayor

CITY OF CONCORD
1950 Parkside Drive
Concord, California 94519-2578
FAX: (925) 798-0636

OFFICE OF THE CITY MANAGER
Telephone: (925) 671-3150



CITY COUNCIL
Daniel C. Helix, Mayor
Timothy S. Grayson, Vice Mayor
Edi E. Birsan
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Ronald E. Leone

Thomas J. Wentling, City Treasurer
Valerie J. Barone, City Manager

July 24, 2013

Mr. Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P O Box 431
Martinez, CA 94553

Re: Grand Jury Report No. 1311 entitled *Assessing Fiscal Risk*

Dear Mr. Hamaji:

Thank you for the opportunity to respond to the findings and recommendations of the Contra Costa County Civil Grand Jury with regard to assessing financial risk for the City of Concord. The Concord City Council reviewed this letter of response at its July 23, 2013 City Council meeting.

For ease of reading, I have incorporated into this letter the language from your report for each finding and recommendation that the City has been asked to address. The City's response is directly below each finding and recommendation. Please also note that in each case this response reflects only the information as it reflects to the City of Concord. The City does not have knowledge of the financial information of the other responding organizations.

Findings

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Response: The City of Concord partially disagrees with this finding insofar as the City of Concord has not thoroughly analyzed each of the entities audit reports and does not have the knowledge to agree or disagree.

2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response: The City of Concord partially disagrees with this finding insofar as the City of Concord has not thoroughly analyzed each of the entities audit reports and does not have the knowledge to agree or disagree. The City of Concord has historically received primarily clean audit reports and any findings received are remedied within the next fiscal year.

3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response: The City of Concord agrees with the finding.

4. Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response: The City of Concord partially disagrees with this finding insofar as the City of Concord has not thoroughly analyzed each of the entities audit reports and does not have the knowledge to agree or disagree.

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response: The City of Concord agrees with the finding.

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issued noted.

Response: Insofar as the City of Concord has knowledge only of its own practices, the City disagrees with the finding. The City of Concord places high importance on control and grant compliance findings of outside auditors and takes necessary steps to address any issues noted on a timely basis.

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response: The City of Concord partially disagrees with this finding insofar as the City of Concord has not thoroughly analyzed each of the entities audit reports and does not have the knowledge to agree or disagree. The City of Concord does agree that inaccurate financial information throughout the year may impact budgetary controls and decision-making and oversight by management and governing boards.

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response: Insofar as the City of Concord has knowledge only of its own practices, the City of Concord partially disagrees with this finding. The City of Concord provides adequate oversight to ensure any deficiencies are addressed in a timely manner. Annual audits including the outside auditor's letter on internal control are shared with the City Council and the Public in an open meeting at the completion of the audit.

Recommendations

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response: This recommendation has been implemented by the City of Concord in that an outside auditor letter noting any deficiencies in Internal Controls is presented, along with management's responses and corrective action plans, as part of the presentation of the annual audit at a public meeting. Any findings are remedied within the next fiscal year by implementing new procedures to address issues identified and the resolutions are documented in the following year's audit.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response: This recommendation will not be implemented by the City of Concord as it is not warranted. Procedures are in place to ensure deficiencies identified in audit reports are remedied in a timely manner and responses, including corrective actions, to those remedies are communicated to the City Council and the Public at a public meeting.

3. The County Organizations improve direct financial oversight and assessment of the control environment including:
 - b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

Response: The recommendation will not be implemented as it is not warranted and is not reasonable. The City of Concord has procedures in place to ensure deficiencies identified in audit reports are remedied in a timely manner and responses, including corrective actions, to those remedies are communicated to the City Council and the Public at a public meeting.

Additionally, the City of Concord does not possess the staff resources necessary to provide support to additional committees.

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response: The recommendation will not be implemented as it is not warranted and is not reasonable. The City of Concord has procedures in place to monitor internal control compliance and to ensure any deficiencies noted in audits are remedied in a timely manner.

Additionally, the City of Concord does not have resources to create an internal audit function to supplement the current financial staff and external auditors.

Mr. Marc Hamaji, Foreperson
Grand Jury Report No. 1311 – Response
July 24, 2013
Page 5 of 5

Thank you for your work with regard to this very important issue in municipal governance and for the opportunity to respond.

Respectfully,

A handwritten signature in blue ink that reads "Valerie J. Barone". The signature is written in a cursive style with a large, looped initial "V".

Valerie J. Barone
City Manager, City of Concord

cc: Mayor and City Council Members
City Clerk
City Attorney



*"Small Town Atmosphere
Outstanding Quality of Life"*

July 17, 2013

Honorable John T. Laettner
Judge of the Superior Court
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Re: Contra Costa County Grand Jury Report No. 1311, "Assessing Fiscal Risk."

Dear Judge Laettner:

Pursuant to California Penal Code Section 933.05, this letter responds to Contra Costa County Grand Jury Report No. 1311, "Assessing Fiscal Risk." This response was reviewed and authorized by the Town Council at a duly noticed Town Council meeting on July 16, 2013. As requested on page 14 of the report, Danville will respond only in regard to its own practices.

Grand Jury Findings

Finding #1: Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Response: Danville partially disagrees with Finding #1. The Town cannot address the practices of, or draw comparisons with other entities and the reports produced by their external auditors.

Finding #2: In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response: Danville partially disagrees with Finding #2. The Town cannot address the practices of, or draw comparisons with other entities' Material Weaknesses, Significant Deficiencies and other deficiencies. Danville has remedied any findings by the external auditor within the next fiscal year.

510 LA GONDA WAY, DANVILLE, CALIFORNIA 94526

Administration
(925) 314-3388

Building
(925) 314-3330

Engineering & Planning
(925) 314-3310

Transportation
(925) 314-3320

Maintenance
(925) 314-3450

Police
(925) 314-3700

Parks and Recreation
(925) 314-3400

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Finding #3: Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response: Danville agrees with Finding #3.

Finding #4: Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response: Danville partially disagrees with Finding #4. The Town cannot address the practices of, or draw comparisons with other entities' compliance with grants.

Finding #5: Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response: Danville partially disagrees with Finding #5. The Town cannot address the practices of, or draw comparisons with other entities' unresolved problems with grants.

Finding #6: There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and the need to remedy, on a timely basis, the issues noted.

Response: Danville partially disagrees with Finding #6. The Town cannot address the practices of County Organizations and the level of importance placed on their outside auditors' control and grant compliance findings.

Finding #7: Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response: Danville partially disagrees with Finding #7. The Town cannot address the practices of, or draw comparisons with other entities and their budgetary control practices. Danville has had no findings requiring adjustments to the financial statements. Danville does agree that inaccurate financial information throughout the year may impact budgetary controls and decision-making and oversight by management/governing boards.

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Finding #8: Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response: Danville partially disagrees with Finding #8. The Town cannot address the practices of, or draw comparisons with other entities, with respect to oversight and grant compliance.

Grand Jury Recommendations

Recommendation #1: Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response: Danville has implemented this recommendation. Any findings are remedied within the next fiscal year by implementing new procedures to address any issues. The resolutions are documented in the following year's audit.

Recommendation #2: County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response: Danville has implemented this recommendation. The results of audit reports are part of the Finance Division's performance indicators, goals and objectives. Audit reports are one of many criteria included in the performance of the Finance staff.

Recommendation #3b: The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

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Response: The recommendation will not be implemented because it is not warranted or is not reasonable. Any Internal Control deficiencies would be addressed by Danville's existing Finance Committee. The Committee is comprised of two council members and meets monthly, subject to the procedures set forth in the Ralph M. Brown Act.

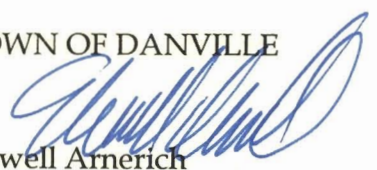
Recommendation #3g: The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to the financial management but instead to the City Council in the case of cities and the governing boards in case of school districts and special districts.

Response: Danville has implemented this recommendation. Danville's Finance Committee reports directly to the Town Council at least quarterly.

The Town appreciates the time and effort spent by His Honor and the Grand Jury in consideration of these matters.

Sincerely,

TOWN OF DANVILLE



Newell Americh
Mayor



November 5, 2013

Mark Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P O Box 431
Martinez CA 94553-0091

RE: Grand Jury Report No. 1311, "Assessing Fiscal Risk"

Dear Mr. Hamaji:

On behalf of the City of El Cerrito, this letter serves as a response to your June 4, 2013 letter regarding Grand Jury Report No. 1311, "Outsourcing Municipal Services" by the 2012-2013 Contra Costa Grand Jury.

In accordance with your request and Section 933.05 of the California Government Code, the City is responding as required to Findings 1-8 and Recommendations 1, 2, 3b and 3g as outlined in the Grand Jury Report. Please note that the responses are based on information as it reflects to the City of El Cerrito, since the City does not have knowledge of the financial information of the other County Organizations referenced in this report.

Findings:

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.
The City of El Cerrito partially disagrees with this finding in that the City has not thoroughly analyzed each of the entities' audit reports and does not have the knowledge to agree or disagree.
2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.
The City of El Cerrito partially disagrees with this finding in that the City has not thoroughly analyzed each of the entities' audit reports and does not have the knowledge to agree or disagree. The City of El Cerrito places high importance on reports issued by external auditors and takes necessary steps to address any issues noted on a timely basis.



3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision making based on incomplete or inaccurate information.
The City of El Cerrito agrees with this finding.

4. Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.
The City of El Cerrito partially disagrees with this finding in that the City has not thoroughly analyzed each of the entities' grant compliance findings and does not have the knowledge to agree or disagree.

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).
The City of El Cerrito agrees with this finding.

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.
The City of El Cerrito partially disagrees with this finding in that the City has not thoroughly analyzed each of the entities' responses to grant compliance findings and does not have the knowledge to agree or disagree. The City of El Cerrito places high importance on control and grant compliance findings of outside auditors and takes necessary steps to address any issues noted on a timely basis.

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.
The City of El Cerrito partially disagrees with this finding in that the City has not thoroughly analyzed each of the entities' audit reports and does not have the knowledge to agree or disagree. The City of El Cerrito does agree that inaccurate financial information could potentially impact budgetary controls, decision-making and oversight by management and governing boards.

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal



Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight. **The City of El Cerrito partially disagrees with this finding in that the City only has knowledge of its own oversight practices. The City of El Cerrito provides adequate oversight to ensure any issues are addressed in a timely manner.**

Recommendations:

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.
The City of El Cerrito has implemented this recommendation in that an outside auditor letter noting any issues is presented, along with management's responses and corrective action plans, as part of the presentation of the annual audit at a public meeting of the City's Financial Advisory Board prior to presentation to the City Council as a public document. Any findings are remedied within the next fiscal year or are included in a plan to be implemented within a reasonable timeframe and are documented in the following year's audit.
2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.
The City of El Cerrito will not implement this recommendation as it is not warranted. Procedures are in place to ensure deficiencies identified in audit reports are remedied in a timely manner. Responses, including corrective actions, are communicated to the City's Financial Advisory Board at a public meeting prior to presentation to the City Council as a public document. Employees are held accountable to these procedures, as with all City policies and procedures, within the current performance evaluation structure and as necessary by the City Manager.
3. The County Organizations improve direct financial oversight and assessment of the control environment including:
 - b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.
The City of El Cerrito will not implement this recommendation as it is not warranted. Since 2000, the City Council has appointed a Financial Advisory Board, comprised of five resident volunteers, that includes among its duties a review of the annual audit and management letter



and provides the City Council with recommended changes in financial practices. Additionally, the City has procedures in place to ensure deficiencies identified in audit reports are remedied in a timely manner. Responses, including corrective actions, are communicated to the full City Council.

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

The City of El Cerrito will not implement this recommendation as it is not warranted and not reasonable. The City has procedures in place to ensure deficiencies identified in audit reports are remedied in a timely manner. Responses, including corrective actions, are communicated to the City's Financial Advisory Board at a public meeting prior to presentation to the City Council as a public document. Additionally, the City of El Cerrito does not have resources to create an internal audit function to supplement the current financial staff and external auditors. Further, this recommendation does not comply with the principles of the Council-Manager form of government and as directed by El Cerrito Municipal Code Section 2.04.

Should you have any questions regarding the City's response, please feel free to contact me.

Very truly yours,

Karen E. Pinkos
Assistant City Manager
City of El Cerrito

cc: El Cerrito City Council
Scott Hanin, City Manager
Lisa Malek-Zadeh, Director of Finance/City Treasurer



OFFICE OF THE CITY MANAGER

Steven Duran

July 15, 2013

Mr. Marc Hamaji, Foreperson
Contra Costa County Grand Jury
P.O. Box 431
Martinez, CA 94553-0091

RE: Grand Jury Report No. 1311 – “Assessing Fiscal Risk”

Dear Mr. Hamaji:

The City of Hercules has reviewed Grand Jury Report No. 1311 – “Assessing Fiscal Risk”. Required responses to Findings Nos. 1 through 8 and Recommendations Nos. 1, 2, 3b and 3g are provided below and meet the requirements of California Penal Code Sections 933.05(a) and 933.05(b).

FINDINGS

Finding No. 1: Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Response: The City Council agrees with the finding.

Finding No. 2: In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response: The City Council partially disagrees with the finding. Since the City of Hercules staff does not know the detail of other agency’ material weaknesses and significant deficiencies that were repeated from one year to the next without being remedied, the City of Hercules can only comment on its own Single Audits, Audit, and Internal Controls material weaknesses and significant deficiencies. For FY2008 Single Audit, the federal awards had no material weaknesses identified and no reported significant deficiencies. For FY2010 Single Audit, the federal award had no material weaknesses identified and did have significant deficiencies. For FY2010 Internal Controls there were significant deficiencies.

Finding No. 3: Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response: The City Council agrees with the finding.

Finding No. 4: Several of the entities reviewed showed issues (including Material Weaknesses/ Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response: The City Council partially disagrees with the finding. This seems similar to Finding No. 2. Since the City of Hercules staff does not know the detail of other agency compliance with grants they have been awarded, the City of Hercules can only comment on its own compliance with grants they have been awarded. For FY2008 Single Audit, the federal awards had no material weaknesses identified and no reported significant deficiencies. For FY2010 Single Audit, the federal award had no material weaknesses identified and did have significant deficiencies.

Finding No. 5: Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response: The City Council agrees with the finding.

Finding No. 6: There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response: The City Council partially disagrees with the finding. The City of Hercules staff does not know other Agency' level of importance placed remedying, on a timely basis, control and grant compliance findings. The City of Hercules places a high level of importance on remedying, on a timely basis, control and grant compliance findings.

Finding No. 7: Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/ governing boards for decision-making or oversight purposes.

Response: The City Council agrees with the finding.

Finding No. 8: Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response: The City Council partially disagrees with the finding. In 2011, the City of Hercules City Council formed a Citizens Finance Advisory Committee and in FY2012 formed a Measure O (voter approved sales tax measure) Oversight Board, comprised of community members to meet with the City of Hercules Finance staff. Currently, there are quarterly joint meetings of the Finance Subcommittee (comprised of two council members), the Citizens Finance Advisory Committee, and the Measure O Oversight Board. During budget preparation (March through June), the joint meeting

will occur monthly or more than once a month to review the budget. At these meetings, a quarterly variance analysis is reviewed, along with the review of any audits or monitorings. Also at the joint meetings, as mentioned prior, the committee' take a very active role ensuring that there is a realistic/balanced budget. The Committee also periodically reports its findings and recommendations to the City Council and the community.

RECOMMENDATIONS:

Recommendation No. 1: Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response: The recommendation has not yet been implemented, but will be implemented in the future. The City of Hercules is unable to comply with the recommendation at this time, as audits for Fiscal Years 2010-2011 and 2011-2012 are in the process of being completed. Once finalized, any weaknesses or deficiencies will be addressed. The FY2011-12 audit and findings should be completed by the end of December 2013. Twelve months from this date is the end of December 2014.

Recommendation No. 2: County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response: The City Council agrees with the recommendation.

Recommendation No. 3: The County Organizations improve direct financial oversight and assessment of the control environment including:

3b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.


Response: The recommendation has been implemented. In January of each year, the newly appointed Mayor appoints individual Council Members to represent the City on certain regional committees and board. In addition, the Mayor appoints two Council Members to each City Council Sub-committee, which includes a Finance Sub-committee. These subcommittee members meet jointly with the members of the committees identified in the response to Finding No. 8 above.

3g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response: The City Council agrees with the recommendation that the Finance Subcommittee and the Citizen Finance Committees maintain their independence and not report to financial management but instead to the City Council.

The Hercules City Council thanks the Grand Jury for its service. If you have any questions or need additional clarification, please do not hesitate to contact us at (510) 799-8200.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve Duran", with a long horizontal flourish extending to the right.

Steve Duran
City Manager



City Council

Mike Anderson, Mayor
Don Tatzin, Vice Mayor
Brandt Andersson, Council Member
Mark Mitchell, Council Member
Traci Reilly, Council Member

August 13, 2013

Marc Hamaji, Foreperson
2012-2013 Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Dear Mr. Hamaji:

Pursuant to your June 4, 2013 letter regarding Grand Jury Report No. 1311, "Assessing Financial Risk" please consider this to be the City of Lafayette's response.

According to page 15 of the Report, Lafayette is required to respond to Findings 1-9 and Recommendations 1, 2, 3b and 3g.

Finding 1: Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors. City response: Agree. However, note that Lafayette has not had the opportunity to evaluate the audits of any of the reviewed entities so the City is relying on the Grand Jury's first hand investigation that this is true.

Finding 2: In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied. City response: Agree. However, note that Lafayette has not had the opportunity to evaluate the audits of any of the reviewed entities so the City must rely on the Grand Jury's first hand investigation that this is true.

Finding 3: Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision making based on incomplete or inaccurate information. City response: Agree. The ability to spend wisely and account accurately for constituent's money is fundamental to the process of competent public governance.

Finding 4: Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded. City response: Agree. However, note that Lafayette has not had the opportunity to evaluate the audits of any of the reviewed entities so the City must rely on the Grand Jury's first hand investigation that this is true.

Finding 5: Unresolved problems with grants could potentially result in the loss of future grants and require repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk). City response: Partially Disagree. Without knowing the specifics of the grants, how funds were spent and what sources of funds may have been used to repay the grants, we cannot comment on whether general fund resources may be affected.

We do agree, however, that misuse of grant funds could have a negative effect on future grants as well as result in a potential loss of public confidence.

Finding 6: There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted. *City response: Agree. Organizations generally do differ as to the level of importance placed on various issues within their span of control. Note, however, that Lafayette has not had the opportunity to evaluate the audits of any of the reviewed entities, nor are we familiar with how each responded to the various compliance findings specific to their organization, so the City must rely on the Grand Jury's first hand investigation that this is true.*

Finding 7: Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes. *City response: Partially Disagree. Without knowing the specific types of adjustments that were made, it is difficult to draw a conclusion based solely on the number of adjustments. Some adjustments may have been minor and reflect only a difference of opinion as to how certain items should be classified. These types of adjustments may have no material effect or impact on the overall budget or on the information that was used to make budgetary decisions. Likewise, in some cases, a single adjustment, if significant or large enough, could well have a major (negative) impact on the overall financial picture.*

Finding 8: Based on the entities reviewed, the County Board of Supervisors, the City Councils and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies, and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management which is chartered to provide financial oversight. *City response: Partially Disagree. Given that we do not have specific knowledge as to how any of the reviewed entities function, we cannot offer an opinion as to the competence of their oversight. In some cases, an Audit Committee might well be helpful, but the existence of such a committee does not necessarily guarantee improved financial reporting. There is no evidence in the Grand Jury Report that suggests that organizations with an Audit Committee have fewer Material Weaknesses/ Significant Deficiencies or tighter Internal Controls than those without one.*

Finding 9: A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity. *City response: Agree. Anytime an organization has to deal with cash, there is a higher possibility for fraud and mismanagement. This, coupled with individuals who are not necessarily well trained and/or experienced with accounting procedures may lead to potential losses and negative publicity.*

Recommendation 1: Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors. *This recommendation has been implemented. Lafayette has had no Material Weaknesses or Significant Deficiencies reported, however, the auditor has on occasion made suggestions to tighten some internal controls. In all cases, these recommendations have been implemented within 12 months.*

Recommendation 2: County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure such individuals are held accountable for promptly remedying deficiencies identified in audit reports and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations. *Lafayette has implemented the addition of audit results to financial managements' annual evaluations.*

Recommendation 3c: The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied. *Lafayette has a Finance Subcommittee that is appointed by the Mayor each year and consists of two councilmembers. This subcommittee acts as the Audit Committee as well as provides general oversight and guidance regarding the financial operations of the City. When internal control deficiencies have been noted by the auditors, the Finance Subcommittee has taken the lead to ensure that they are remedied in a timely manner. On occasion, when necessary, the Council has appointed ad hoc citizen's committees to analyze the finances of the City and provide recommendations.*

Recommendation 3g: The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts. *Lafayette is a small organization with a limited number of employees and therefore does not have separate internal audit staff.*

We hope this letter is responsive to your request.

Sincerely,

Steven Falk, City Manager



City of Martinez

525 Henrietta Street, Martinez, CA 94553-2394

(925) 372-3505
FAX (925) 229-5012

July 25, 2013

Marc Hamaji, Foreperson
2012-13 Contra Costa County Civil Grand Jury
P. O. Box 431
Martinez, CA 94553-0091

Dear Mr. Hamaji:

On behalf of the Martinez City Council, this letter responds to Contra Costa County Grand Jury Report #1311: "Assessing Fiscal Risk." The City Council authorized this response at its meeting on July 24, 2013. In accordance with your request and Section 933.05 of the California Penal Code, the City will respond to each finding and recommendation separately.

Finding #1

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in internal Controls each year as reported by the external auditors.

City Response: With the information provided in the grand Jury Report #1311, City agrees with this finding.

Finding #2

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

City Response: With the information provided in the grand Jury Report #1311, City agrees with this finding.

Finding #3

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

City Response: City agrees with this finding.

Finding #4

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

City Response: With the information provided in the grand Jury Report #1311, City agrees with this finding.

Finding #5

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

City Response: City agrees with this finding.

Finding #6

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

City Response: With the information provided in the grand Jury Report #1311, City agrees with this finding.

Finding #7

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

City Response: With the information provided in the grand Jury Report #1311, City agrees with this finding.

Finding #8

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

City Response: With the information provided in the grand Jury Report #1311, City agrees with this finding.

Finding #9

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over “Associated Student Body Funds” – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputation risk).

City Response: With the information provided in the grand Jury Report #1311, City agrees with this finding.

Recommendations #1

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

City Response: The recommendation has been implemented. If the City had any material weaknesses, significant deficiencies or any other deficiencies in Internal Controls reported by the the external auditors, they would be addressed and remedied within 12 months.

Recommendations #2

County Organizations maintain or add audit report results to appropriate financial managements’ performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports to financial managements’ evaluations.

City Response: The recommendation has been implemented. The City already mentions the audit as part of the employee’s evaluation.

Recommendations #3b

The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens’ committee to ensure that Internal Control deficiencies are promptly remedied.

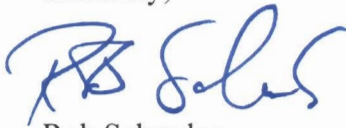
City Response: The recommendation has been implemented. The City has a Budget/Finance Standing Subcommittee that meets with the external auditor annually to review the CAFR and Audit Internal Control Report. Both reports are presented at a City Council meeting with the external auditor in attendance if there are any questions by the City Council or the public.

Recommendations #3g

The Board of Supervisors has the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

City Response: The recommendation will not be implemented because the City doesn't have an internal auditor. However, the external auditor reports to the Budget/Finance Standing Subcommittee, and the City Council at a public meeting annually.

Sincerely,



Rob Schroder
Mayor

Cc: City Council
Jeffrey Walter, City Attorney
Phil Vince, City Manager
Alan Shear, Assistant City Manager



Town of Moraga

TOWN MANAGER

August 29, 2013

Via US Mail and Email: clope2@contracosta.courts.ca.gov

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553

**SUBJECT: TOWN OF MORAGA RESPONSE TO GRAND JURY REPORT NO. 1311,
"ASSESSING FISCAL RISK" BY THE 2012-2013 CONTRA COSTA GRAND
JURY**

Dear Jury Foreperson Hamaji:

The Town of Moraga provides this response to Grand Jury Report No. 1311, "Assessing Fiscal Risk" pursuant to your June 4, 2013 letter and California Penal Code Section 933.05.

According to page 14 of the report, the Town of Moraga is required to respond to Findings 1 through 8 and Recommendations 1, 2, 3b and 3g.

RESPONSES TO GRAND JURY FINDINGS 1-8:

In compliance with Section 933.05(a), The Town of Moraga responds to each of the report's findings as follows:

GRAND JURY FINDING #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

RESPONSE: The Town of Moraga was not identified as one of the entities with any deficiencies and did not review the reports nor interview any of the other entities, thus we are unable to agree, or disagree with the finding as written.

GRAND JURY FINDING #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

RESPONSE: The Town of Moraga was not identified as one of the entities with any deficiencies and did not review the reports nor interview any of the parties, thus we are unable to agree, or disagree with the finding as written.

GRAND JURY FINDING #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

RESPONSE: The Town of Moraga agrees with this finding.

GRAND JURY FINDING #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

RESPONSE: The Town of Moraga was not identified as one of the entities with any issues associated with grant compliance and did not review the reports nor interview any of the other parties, thus we are unable to agree, or disagree with the finding as written.

GRAND JURY FINDING #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

RESPONSE: The Town of Moraga partially agrees with this finding. This finding concludes that "Where repayment of grant funds is required, unrelated general fund resources are being used." The Town would agree with this finding if the conclusion was that "Where repayment of grant funds is required, unrelated general fund resources may need to be used."

GRAND JURY FINDING #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

RESPONSE: The Town of Moraga did not review the reports nor interview any of the parties, thus we are unable to agree, or disagree with the finding as written.

GRAND JURY FINDING #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

RESPONSE: The Town of Moraga did not review the reports nor interview any of the parties, thus we are unable to agree, or disagree with the finding as written.

GRAND JURY FINDING #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant

Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

RESPONSE: The Town of Moraga did not review the reports nor interview any of the parties, thus we are unable to agree, or disagree with the finding as written.

RESPONSES TO GRAND JURY RECOMMENDATIONS 1-3:

In compliance with Section 933.05(b), the Town of Moraga responds to each of the report's recommendations as follows:

GRAND JURY RECOMMENDATION #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

RESPONSE: The Town of Moraga has implemented this recommendation. Where the Town has been in concurrence with the auditor's findings and the remedy was practicable and cost effective given the size of the Town, the Town has implemented the remedy as quickly as possible.

GRAND JURY RECOMMENDATION #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

RESPONSE: The Town of Moraga has implemented this recommendation. The Town's personnel policies are such that performance evaluations are completed annually and are flexible enough to ensure that individuals are held accountable for specified tasks and performance.

GRAND JURY RECOMMENDATION #3b:

The County Organizations improve direct financial oversight and assessment of the control environment including: (b) the City Councils more activity provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to insure that Internal Control deficiencies are promptly remedied.

RESPONSE: The Town of Moraga has implemented this recommendation. The Town Council created, by charter, the Audit and Finance Committee comprised of two Council members and three members of the community, including the appointed Town Treasurer. The Audit and Finance Committee was established in 2007. The Committee's responsibilities include the selection of the independent auditor, the annual independent audit of the Town's financial statements, financial reporting and budgets, financial planning and investment policy, and other special projects as determined by the Town Council.

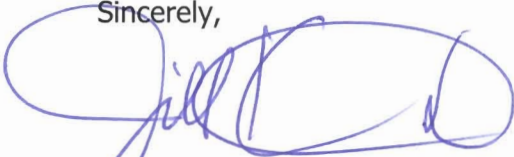
GRAND JURY RECOMMENDATION #3G:

The County Organizations improve direct financial oversight and assessment of the control environment including: (g) the Board of Supervisors have the County internal auditor staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

RESPONSE: This recommendation is not applicable because the Town of Moraga does not have a separate internal audit function.

I appreciate the opportunity to provide this response. If you have any questions, please contact Stephanie Hom, Administrative Services Director at (925) 888-7032 or myself at (925) 888-7020. Thank you.

Sincerely,



Jill Keimach
Moraga Town Manager

cc: Moraga Town Council



3231 Main Street
Oakley, CA 94561
925 625 7000 tel
925 625 9859 fax
www.ci.oakley.ca.us

MAYOR
Kevin Romick

VICE MAYOR
Randy Pope

COUNCILMEMBERS
Diane Burgis
Doug Harcastle
Carol Rios

June 26, 2013

Contra Costa County Civil Grand Jury
Attn: Mark Hamaji, Foreperson
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091
Clope2@contracosta.courts.ca.gov

RE: Response to Grand Jury Report No. 1311 "Assessing Fiscal Risk"

Mr. Hamaji:

Thank you for the opportunity to respond to the Grand Jury's recent Report No. 1302. Below are our replies regarding each Finding and Recommendation requested of the City of Oakley, acknowledging before hand that Oakley was *not* one of the entities reviewed as a part of this Report.

Finding #1: Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

City's Response: We did not review the reports nor interview any of the parties, thus we are unable to agree, or disagree with the finding as written.

Finding #2: In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

City's Response: We did not review the reports nor interview any of the parties, thus we are unable to agree, or disagree with the finding as written.

Finding #3: Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence, inaccurate or fault

financial reporting and decision-making based on incomplete or inaccurate information.

City's Response: We agree.

Finding #4: Several entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies with respect to compliance with grants which they have been awarded.

City's Response: We did not review the reports nor interview any of the parties, thus we are unable to agree, or disagree with the finding as written.

Finding #5: Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

City's Response: We only partially agree. This finding concludes that "Where repayment of grant funds is required, unrelated general fund resources are being used." We believe a better statement would be less absolute, such as: "Where repayment of grant funds is required, unrelated general fund resources may need to be used."

Finding #6: There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

City's Response: We are unable to agree or disagree with the finding, as written. We did not review the reports, nor interview any of the parties, but trust the finding reflects the Grand Jury's observations.

Finding #7: Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

City's Response: We agree with the finding, but point out that having a significant number of audit adjustments could be caused by any number of factors and might not be an indication that monthly or interim information provided to users during the year was incorrect.

Finding #8: Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management which is chartered to provide financial oversight.

City's Response: We neither agree nor disagree with this finding as written. It presupposes that based on the results of reviewing the reports and interviewing representatives of selected entities, that their conclusion as to the adequacy of oversight for those entities apply to all other local agencies in the County. It presupposes that all findings reported by the Auditors are correct, and/or need immediate attention (although certainly many of them do - but not necessarily all of them); and it concludes that most County organizations do not have an Audit Committee - and we do not know if this is true. In Oakley, the Oakley the City Council serves as the audit committee and is independent of the day-to-day financial management of the City.

Recommendation #1: Financial management of the County, all cities, all school districts and all special districts within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by external auditors.

City's Response: This has been implemented, where the City agreed with the finding and where the recommended solution can be cost effectively implemented.

Recommendation #2: County organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for

promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

City's Response: This recommendation has been implemented, where appropriate. Normally, staff works to implement recommendations with as soon as they are identified. If the City agrees with a recommendation and it cannot be implemented immediately, then resolution would be included in the Department Head's performance goals, and part of his/her performance review. Some recommendations are not feasible.

Recommendation #3 b.: The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad-hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

City's Response: This recommendation will not be specifically implemented, as we believe it is not necessary. The findings and management's responses are presented to the City Council, each year - and each year, the report includes an updated status of the finding(s) from the prior year. In addition, the City promptly implements findings with which it agrees, and holds its staff accountable for their implementation. Creating a separate subcommittee to review the report and status, that is already reviewed with the Council as a whole (de facto audit committee), would be redundant, and we feel unnecessary.

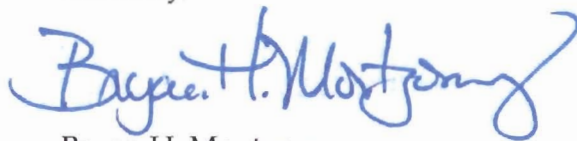
Recommendation #3g.: The Board of Supervisors have the County internal audit staff report directly to the Board rather than the Audit Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

City's Response: This recommendation is not applicable -- the City does not have a separate Internal Audit function.

Again, we thank you for the opportunity to respond to the Grand Jury's recent Report No. 1311. If you have any questions or need any

assistance, please contact me directly at (925) 625-7025 or at montgomery@ci.oakley.ca.us.

Sincerely,

A handwritten signature in blue ink that reads "Bryan H. Montgomery". The signature is written in a cursive style with a large, sweeping flourish at the end.

Bryan H. Montgomery
City Manager

cc: City Council



September 3, 2013

Marc Hamaji
Contra Costa County Civil Grand Jury 2012-2013
725 Court Street
PO Box 431
Martinez, CA 94553-0091

Dear Mr. Hamaji:

Thank you for your June 4, 2013 letter regarding Grand Jury Report No. 1311 “Assessing Fiscal Risk.” The City of Orinda is pleased to have the opportunity to review the Report’s findings and recommendations as they relate to the City of Orinda and to provide responses to the Grand Jury regarding both the findings and recommendations.

As directed in the letter from the Civil Grand Jury, the City of Orinda, along with all other County Organizations in Contra Costa County, is to review both the findings and the recommendations in the Report. With each finding, respondent must state that the respondent is in agreement, disagreement or partial disagreement. With each recommendation, respondent is to indicate if the recommendations have been implemented, have not been implemented, requires further analysis or will not be implemented.

The following responses are reflective of the City of Orinda’s practices as per page 14 of the Report; however, the City is not in a position to provide opinions regarding other County Organizations’ practices, policies or procedures.

GRAND JURY FINDINGS

Finding #1: Several of the entities reviewed show Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

City Response: The City agrees with this finding based on the information presented in the Report.

Finding #2: In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

City Response: The City agrees with this finding based on the information presented in the Report.

Finding #3: Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

City Response: The City agrees with this finding.

Finding #4: Several of the entities reviewed show issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

City Response: The City agrees with this finding based on the information presented in the Report.

Finding #5: Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

City Response: The City agrees with this finding.

Finding #6: There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

City Response: The City agrees with this finding based on the information presented in the Report.

Finding #7: Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

City Response: The City agrees with this finding.

Finding #8: Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

City Response: The City agrees with this finding based on the information presented in the Report.

GRAND JURY RECOMMENDATIONS

Recommendation #1: Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

City Response: The City of Orinda had one Significant Deficiency in the fiscal year (FY) 2011-2012 audit:

“In loading in the preliminary trial balance for this year’s audit, we noted that the fund balance for one of the funds didn’t agree to the June 30, 2011 audited financial statements. City finance staff researched and provided the information to record an adjusting journal entry which trued up this fund balance account to the prior year audited fund balances for these funds.”

For the FY 2012-2013 audit, the City of Orinda will reconcile the FY 2011-2012 year end audited financial statements to the general ledger prior to submitting the trial balance to the auditor.

Recommendation #2: County Organizations maintain or add audit report results to appropriate financial managements’ performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements’ evaluations.

City Response: The City of Orinda has not yet implemented this recommendation, but it will be implemented in the Finance Director’s FY 2013-2014 annual performance review.

Recommendation #3b: The City Councils more actively provide oversight by appointing an Audit committee from among their members as well as an ad hoc citizens’ committee to ensure that Internal Control deficiencies are promptly remedied.

City Response: This recommendation has been implemented. The City of Orinda has a longstanding audit committee made up of two council members and a citizen liaison from the City’s Finance Advisory Committee.

Recommendation #3g: The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial

management but instead to the City Council in the case of cities and governing boards in the case of school districts and special districts.

City Response: This recommendation will not be implemented because the City of Orinda does not have an internal audit group. The City currently has 35.6 full-time equivalent employees (FTE's) of which 2.5 FTE's make up the Finance Department. Due to the City's limited budget and minimal staffing, it would not be fiscally prudent to maintain an internal audit group.

On behalf of the City of Orinda, I want to thank the Contra Costa Grand Jury for its important work on financial transparency and for the opportunity to comment and reply to the report Number 1311. Should you need further information please contact Janet Keeter, City Manager, at (925) 253-4222 or by email at jkeeter@cityoforinda.org.

Sincerely,

A handwritten signature in blue ink that reads "Amy R. Worth". The signature is fluid and cursive, with the first name "Amy" being the most prominent.

Amy R. Worth
Mayor, City of Orinda

Cc: Orinda City Council
City of Orinda Finance Advisory Committee



CITY OF PINOLE

City Manager's Office

2131 Pear Street
Pinole, CA 94564
Phone: (510) 724-8933
FAX: (510) 724-9826
www.ci.pinole.ca.us

August 22, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553

Dear Mr. Hamaji:

Enclosed, please find the City of Pinole response to Grand Jury Report Number 1311, "Assessing Municipal Risk".

Grand Jury Findings:

- 1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors**

Response: The City of Pinole agrees that this may occur in some entities.

- 2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditor without being remedied.**

Response: The City of Pinole agrees that this may occur in some entities.

- 3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk) inaccurate or faulty financial reporting and decision making based on incomplete or inaccurate information.**

Response: The City of Pinole agrees that this may occur in some entities.

- 4. Several of the entities reviewed showed issues (Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.**

Response: The City of Pinole agrees that this may occur in some entities.

- 5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence.**

Response: The City of Pinole agrees that this may occur in some entities.

- 6. There is a significant difference among County organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issue noted.**

Response: The City of Pinole agrees with this finding.

- 7. Many of the entities reviewed, had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing board for decision making or oversight purposes.**

Response: The City of Pinole agrees that this may occur in some entities. When and if this should occur in the City of Pinole, it is reported out to the City Council in a public meeting. We provide quarterly updates to our City Council on the performance of the budget and any audit findings that may have occurred.

- 8. Based on the entities reviewed, the County Board of Supervisors, the city councils, and the governing boards in the case of the school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.**

Response: The City of Pinole agrees that this may occur in some entities.

Grand Jury Recommendations:

- 1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.**

Response: The City of Pinole concurs with this recommendation.

- 2. County organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality for maintaining or adding such performance goals on audit reports to financial managements evaluations.**

Response: The City of Pinole concurs with this recommendation.

3. The County Organizations improve direct financial oversight and assessment of the control environment including:

B) The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens committee to ensure Internal Control deficiencies are promptly remedied.

Response:

The City of Pinole has a Finance Subcommittee whereby the Mayor and Mayor Pro Tem serve.

G) The Board of Supervisors has the County internal audit staff report directly to the Board of Supervisors rather than the County Auditor. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response:

The City of Pinole does not have an "audit staff". We are a small city without the capability of having those resources. Our audits are independently done and each audit is presented to the City Council's Finance Subcommittee (Mayor and Mayor Pro Tem serve) before being presented to the entire City Council at a regular city council meeting. The audits are reported in an open session so that the public may also engage in the discussions and provide input. We take all audit findings seriously and work diligently to resolve them.

If you have any questions about the above, please do not hesitate to contact me at (510) 724-8933.

Sincerely,



Belinda B. Espinosa
City Manager

C Mayor and Council
Ben Reyes, City Attorney
Patricia Athenour, City Clerk



City of Pittsburg

65 Civic Avenue • Pittsburg, California 94565

August 5, 2013

Contra Costa Grand Jury
725 Court Street
PO Box 431
Martinez, CA 94553

Attention: Marc Hamaji, Foreperson

Subject: City of Pittsburg Response to Grand Jury Report No. 1311 "Assessing Fiscal Risk"

Dear Mr. Hamaji:

As requested, the following is a response to Grand Jury Report No. 1311 "Assessing Fiscal Risk" in the format you have requested. Please note that we agree with the Grand Jury's findings because they are general and not necessarily specific to the City of Pittsburg and we assume the Grand Jury's findings are reported accurately. As such, we do not have a basis to disagree since we do not have all of the information to review from the cities in Contra Costa County as the Grand Jury did when they prepared Report.

List of Findings

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.
City of Pittsburg Response - (1) Agree with the finding
2. In several instances the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated form one year to the next by the external auditors without being remedied.
City of Pittsburg Response - (1) Agree with the finding
3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.
City of Pittsburg Response - (1) Agree with the finding

4. Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

City of Pittsburg Response - (1) Agree with the finding

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

City of Pittsburg Response - (1) Agree with the finding

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

City of Pittsburg Response - (1) Agree with the finding

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

City of Pittsburg Response - (1) Agree with the finding

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing board, in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organizations financial management, which is chartered to provide financial oversight.

City of Pittsburg Response - (1) Agree with the finding

List of Recommendations

1. Financial Management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by external auditors.

City of Pittsburg Response – (1) The recommendation has been implemented

The City addresses all Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls as soon as they are identified by the City's auditor.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality if maintaining or adding such performance goals on audit reports to financial managements' evaluations.

City of Pittsburg Response – (1) The recommendation has been implemented

All Finance Department staff are expected to promptly remedy deficiencies identified in audit reports. Failure to do so would be reflected in their performance evaluations.

3. The County Organizations improve direct financial oversight and assessment of the control environment including:
 - b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as ad hoc citizens' committee to ensure internal control deficiencies are promptly remedied.

City of Pittsburg Response – (1) The recommendation has been implemented

The City has a Finance Committee and the Measure P Oversight Committee to provide financial oversight of the City's operations. In addition, the City's auditor meets with members of the City Council to solicit input on areas of potential internal control weaknesses in the City as well as to brief them on areas in which the auditor has found internal control weaknesses.


- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor-Controller. The governing boards of the other County Organizations have the internal audit groups of other County maintain their independence and not report to financial management but instead to the city Council in the case of cities and the governing boards in the case of school districts and special districts.

City of Pittsburg Response – (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation thereof.

The City of Pittsburg does not have internal audit staff.

Thank you for providing us with the opportunity to respond to the Grand Jury's findings and recommendations. If you have any questions, please call me at (925) 252-4923 or Tina Olson, Director of Finance and Administration, at (925) 252-4848.

Sincerely,


Joe Sbranti
City Manager

Cc: City of Pittsburg City Council Members



City of Pleasant Hill

August 19, 2013

John T. Laettner
Judge of the Superior Court
A.F. Bray Courthouse
1020 Ward Street
Martinez, CA 94553

Re: City of Pleasant Hill Response to Grand Jury Report No. 1311: "Assessing Fiscal Risk"

Dear Judge Laettner:

Pursuant to Grand Jury Foreperson Marc Hamaji's June 4, 2013 letter to the City of Pleasant Hill transmitting Grand Jury Report No. 1311: "Assessing Fiscal Risk," please consider this letter to be the required response of the City of Pleasant Hill.

GRAND JURY FINDING #1

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

RESPONSE: Agree.

GRAND JURY FINDING #2

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

RESPONSE: Agree.

GRAND JURY FINDING #3

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

RESPONSE: Agree.

GRAND JURY FINDING #4

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they had been awarded.

RESPONSE: Agree.

GRAND JURY FINDING #5

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of unexpended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

RESPONSE: Agree.

GRAND JURY FINDING #6

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of outside auditors and need to remedy, on a timely basis, the issues noted.

RESPONSE: Agree.

GRAND JURY FINDING #7

Many of the entities reviewed had communication from auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest monthly or interim information prepared during the year as incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

RESPONSE: Agree.

GRAND JURY FINDING #8

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure Material Weaknesses, Significant Deficiencies and other deficiencies in regards to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County organizations do not have an Audit committee, independent of the organization's financial management, which is chartered to provide financial oversight.

RESPONSE: Agree.

GRAND JURY FINDING #9

A recurring finding by independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds"- the various student clubs and organizations for which districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds by organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

RESPONSE: Agree.

GRAND JURY RECOMMENDATIONS

The Grand Jury specified that Pleasant Hill respond to Recommendations 1, 2, 3b and 3g; our responses follow:

GRAND JURY RECOMMENDATIONS #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by external auditors.

RESPONSE: Agree. If any internal control weaknesses were to be identified, they would be remedied immediately and documented in the following year's audit.

GRAND JURY RECOMMENDATION #2:

County Organizations maintain or add audit report results to the appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

RESPONSE: Agree. These duties are a core function of financial management's responsibilities. In Pleasant Hill they are already included as a factor in financial managements' evaluations and performance goals.

GRAND JURY RECOMMENDATION #3:

The County Organizations improve direct oversight and assessment of the control environment including:

b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

RESPONSE: Agree. The City of Pleasant Hill has an established Budget committee that is comprised of two designated Council members that act as the City's audit committee. The City's auditors are in direct communication with representatives from this committee in order to ensure financial accountability. The auditors have not reported any financial deficiencies, but if any were to be reported these deficiencies would be communicated to the committee and would also be reported to City Council as part of the year end audit.

g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the cases of cities and governing boards in the case of school districts and special districts.


RESPONSE: Agree. The City of Pleasant Hill has an established Budget committee that is comprised of two designated Council members that act as the City's audit committee. The City's auditors are in direct communication with representatives from this committee in order to ensure financial accountability. The auditors have not reported any financial deficiencies but if any were to be reported these deficiencies

Judge John T. Laettner – Re: Grand Jury Report No. 1311
August 19, 2013
Page 4 of 4

would be communicated to the committee and would also be reported to City Council as part of the year end audit.

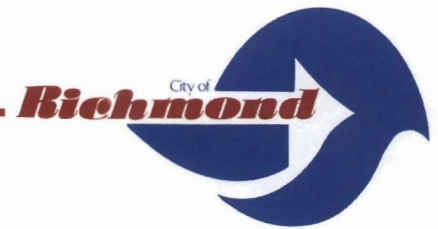
The City thanks the Contra Costa County Civil Grand Jury for the opportunity to respond to its findings and recommendations. Please feel free to contact City Manager June Catalano at (925) 671-5204 should you need additional information.

Sincerely,



Michael G. Harris, OD
Mayor, City of Pleasant Hill

✓ cc: Mark Hamaji, Foreperson, 2012-2013 Contra Costa County Grand Jury
June Catalano, City Manager
Kimberly Lehmkuhl, City Clerk
City Council Members



February 20, 2014

Ms. Martha Whittaker
Foreperson Pro Tem
Contra Costa County Civil Grand Jury
725 Court Street
Martinez, CA 94553

Re: Response to Grand Jury Report No. 1311, "Assessing Fiscal Risk: Who is Minding the Store?"

Dear Foreperson Whittaker:

Please find below the responses by the City of Richmond to the findings and recommendations of the Contra Costa County Civil Grand Jury's Report No. 1311, "Assessing Fiscal Risk: Who is Minding the Store?" For ease of reading, I have incorporated the language from the report for each finding and recommendation that the City has been asked to address. The City's response is in italics directly below each finding or recommendation. Please note that in each case the response reflects only the information as it applies to the City of Richmond.

FINDINGS

- 1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.**

Response: Agree. On May 3, 2013, the Finance Department prepared and presented to the Finance Committee a Grant Management Policy (Policy) (Attachment #1). Included in the Policy are the following procedures:

- Handling fixed assets funded by federal grants*
- Preparing Schedule of Expenditures of Federal Assistance*
- Internal controls for grants received*
- Updates on the receipt and control of City funds*

All City staff that work with grant funds have been trained in the procedures identified in the Policy. The Policy will be reviewed annually and updated as needed.

- 2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.**

Response: Agree. As stated on page two of the Grants Management Policy, the Finance Department provides technical assistance to operating departments in responding to any audit or information requests. Additionally, on page three, the Grants Management Policy identifies the Finance Department as the responsible party for ensuring compliance with grant requirements. To better achieve this, the Finance Director and Grant Manager meet with relevant departments to review the findings in its Single Audit Reports, and identify strategies to cure Material Weaknesses, Significant Deficiencies and other issues within twelve months. City policies and procedures are adjusted where necessary to ensure continuing compliance with all required regulations and controls.

- 3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.**

Response: Agree. Beginning on July 1, 2013, the Finance Director and Grant Manager meet with relevant departments to review the findings in its Single Audit Reports, and identify strategies to cure Material Weaknesses, Significant Deficiencies and other issues within twelve months. City policies and procedures are adjusted where necessary to ensure continuing compliance with all required regulations and controls. Additionally, the Grants Manager continually trains staff on proper grants management practice. Recent trainings were conducted on May 21, 2013, June 27, 2013, and June 28, 2013.

- 4. Several of the Entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.**

Response: Agree. On May 3, 2013, the City of Richmond implemented a Grant Management Policy. Beginning on page two, Sections 5a through 5f detail the procedures for monitoring compliance with grant regulations and requirements, which will address Material Weaknesses and Significant Deficiencies. All City staff who work with grant funds have been trained on the procedures identified in the Policy. This Policy will be updated as needed, and reviewed and presented to the Finance Committee on an annual basis.

- 5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).**

Response: Agree. Roles and responsibilities of both the Finance Department and the operating departments regarding Grants Management are detailed on pages two through five of the Grant Management Policy. By following the guidelines identified here, the City has implemented operating procedures to make sure that grant documents are in order and reports are submitted on time to the grantor. The grant policy is submitted to the Finance Committee at least once a year and procedures are incorporated and implemented when needed.

- 6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.**

Response: Agree. On pages two through five, the City of Richmond's Grant Management Policy includes procedures for monitoring compliance with grant regulations and requirements. Personnel who are responsible for grant administration have been trained in these procedures, with the Finance Department also conducting surveillance on all grant administration activities to ensure compliance. The Grant Manager submits a monthly report to the Finance Director and City Manager which details the current status of all grants in the city.

- 7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.**

Response: Agree. The City of Richmond places great emphasis on completing the annual financial audit with a minimal number of adjusting entries, and has implemented a review process. For Fiscal Year 2012, the City of Richmond, including the Successor Agency to the Richmond Community Redevelopment

Agency, had a total of 44 adjusting entries. The majority of these adjustments are a result of the changes to the City's account structure resulting from the implementation of California Assembly Bill 1484, which dissolved redevelopment agencies.

The City of Richmond has a core team of financial managers, led by the City Manager and Finance Director. This team meets monthly to conduct a detailed review of the City's financial performance and position.

- 8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.**

The City of Richmond has a core team of financial managers, led by the City Manager and Finance Director. This team meets monthly to conduct a detailed review of the City's financial performance and position.

Annually, the Memorandum of Internal Control (MOIC) is addressed city-wide and procedures and policies are modified to eliminate a repeat of the findings. One of the findings in prior year's audit was the inventory of fixed assets acquired through grants. The City established a procedure for handling and recording fixed assets as part of the grant policy presented to Finance Committee on May 3, 2013. Now, physical inventory of fixed asset inventory is conducted every two years while accounting records are updated every year. Attachment B to the Grants Management Policy details very specific procedures on handling fixed assets funded by federal grants.

RECOMMENDATIONS:

- 1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.**

Response: Implemented. Beginning on July 1, 2013, the Finance Director and Grant Manager meet with relevant departments to review the findings in its Single Audit Reports, and identify strategies to cure Material Weaknesses, Significant Deficiencies and other issues within twelve months. City policies and procedures are adjusted where necessary to ensure continuing compliance with all required regulations and controls.

- 2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.**

Response: Implemented. The City of Richmond currently utilizes performance goals to track the number of audit adjustments and findings, these goals are identified at the operating division level, and are tied to individual managers' performance goals. A new procedure was implemented July 1, 2013, by the City to include the following performance measurements at the department manager's level:

- Number of audit findings*
- Number of audit findings resolved per quarter*
- Number of audit findings unresolved from previous fiscal year*

- 3b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members to ensure that Internal Control and grant compliance deficiencies are promptly remedied and there are sufficient direct and detailed discussions between the Board and the outside auditors.**

Response: Implemented. The City of Richmond Finance, Administrative Services and Economic Development Standing Committee, comprised of two Councilmembers, meets monthly. All audit reports, along with planned actions for curing all findings, will be presented to the Committee for their review.

3g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response: Implemented. The City of Richmond's Finance Department currently manages all internal audit functions, and hires independent auditors to conduct audits of City departments and operations. All audit reports are presented to the City of Richmond Finance, Administrative Services and Economic Development Standing Committee for review.

The Richmond City Council reviewed this response at their meeting on October 22, 2013.

Thank you for the opportunity to respond on this very important issue. Please contact me at (510) 620-6512 or at bill_lindsay@ci.richmond.ca.us if you have any additional questions.

Respectfully,



Bill Lindsay
City Manager
City of Richmond



August 20, 2013

Marc Hamaji, Foreperson
2012-2013 Contra Costa Civil Grand Jury
725 Court Street
P.O. Box 725
Martinez, CA 94553-0091

Re: Response to Contra Costa Civil Grand Jury No. 1311, "Assessing Fiscal Risk" by the 2012-2013 Contra Costa Civil Grand Jury, the City of San Pablo responds as follows:

Dear Mr. Hamaji:

Findings

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Response: Based on the information provided by the Civil Grand Jury report, the City agrees with the finding.

2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response: Assuming that this statement should read: "...other deficiencies were repeated from one year to the next as reported by the external auditors...", the City agrees with the finding; however, no information was provided to determine if any progress was being made to address the findings. There are times when an entity may make great progress to address a deficiency but still not make enough progress to completely remedy the finding.

3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision making based on incomplete or inaccurate information.

Response: The City agrees with the finding.

4. Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response: Based on the information provided by the Civil Grand Jury report, the City agrees with the finding.

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response: The City partially disagrees with the finding. While it is true that “unresolved problems with grants could potentially result in the loss of future grants,” no evidence was provided to substantiate the claim that general funds were actually being used to repay grant funds due, although one could assume this would normally be the case.

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response: The City partially disagrees with the finding. Although some County organizations may do a better job than others at implementing solid financial controls because of competency, skills, available resources, etc., an evaluation regarding the “level of importance placed” is highly subjective and difficult to quantify. No evidence was provided to make that determination.

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response: Based on the information provided by the Civil Grand Jury report, the City agrees with the finding.

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization’s financial management, which is chartered to provide financial oversight.

Response: The City disagrees with the finding. A blanket statement that the governing boards of those entities reviewed are not providing adequate oversight is not warranted. Again, this type of evaluation is a judgment call and highly subjective. Not enough evidence was provided in the report to substantiate such a claim, nor was there evidence presented to document the existence of an independent audit committee, or lack thereof.

Recommendations

The Grand Jury recommends that:

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response: This recommendation has been implemented by the City of San Pablo in that all Material Weaknesses and Significant Deficiencies as identified in the external auditor's letter are addressed within 12 months, and the complete external auditor's Memorandum on Internal Control Report is presented annually to the City Council. However, some of the issues identified therein—such as segregation of duties—are not and cannot be fully remedied now or in the near future due to insufficient staff and lack of available resources. The City makes every effort to ensure that compliance with auditor recommendations is achieved to the fullest extent possible.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response: The City of San Pablo will not implement this recommendation, because it is not warranted or reasonable. The City already has an effective performance evaluation system in place and conducts such evaluations regularly. Procedures are also in place to ensure that identified weaknesses and deficiencies are addressed in a timely manner. Moreover, the external auditor's Memorandum on Internal Control is presented annually to the City Council, so elected officials are well-informed on financial management issues.


3. The County Organizations improve direct financial oversight and assessment of the control environment including:
 - b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

- Response:** The City of San Pablo will not fully implement this recommendation, because it is not warranted or reasonable. The City has already established a financial oversight committee of the City Council—the Budget Services Ad-Hoc Subcommittee—which is fully apprised of and takes action on all significant financial management matters. Moreover, the City already has effective internal controls in place to ensure effective financial management; therefore, an additional citizens' oversight committee is not needed.
- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response: This recommendation will not be implemented as it is not warranted and is not reasonable. The City of San Pablo is a small city of less than 30,000 and does not have the financial or staff resources to establish an internal audit group. Moreover, because the City is small, financial management staff already have direct contact with elected officials at both the City Council and Budget Services Ad-Hoc Subcommittee levels. Lastly, as previously noted, the City already has procedures in place to monitor internal control compliance and to ensure that deficiencies noted in audits are addressed in a timely manner.

Thank you for your work in helping make local government agencies as financially responsible and informed as possible.

Respectfully,


Kelsey D. Worthy, MPA
Acting City Manager

cc: Mayor and City Council Members
City Clerk
City Attorney



CITY OF SAN RAMON

2226 CAMINO RAMON
SAN RAMON, CALIFORNIA 94583
PHONE: (925) 973-2500
www.sanramon.ca.gov

August 19, 2013

Mark Hamaji, Foreperson
2012-2013 Contra Costa County Civil Grand Jury
Contra Costa County
725 Court Street
P. O. Box 431
Martinez, CA 94553-0091

RE: Contra Costa County Grand Jury Report No. 1311 “Assessing Fiscal Risk”

Dear Mr. Hamaji,

On behalf of the City of San Ramon, this letter responds to the Contra Costa County Grand Jury Report 1311: “Assessing Fiscal Risk”. The City of San Ramon appreciates the time and effort that you and the Grand Jury spend considering these matters. As required, by California Penal Code §933.05, the City’s response to the Findings 1-8 and Recommendations 1, 2, 3b, and 3 g is provided below.

Finding #1: Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

City Response: The City of San Ramon agrees with the finding.

Finding #2: In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

City Response: The City of San Ramon agrees with the finding.

Finding #3: Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputation risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

City Response: The City of San Ramon agrees with the finding.

Finding #4: Several of the entities reviewed showed issues (including Material Weaknesses / Significant Deficiencies) with respect to compliance with grants which they have been awarded.

City Response: The City of San Ramon agrees with the finding.

Finding #5: Unresolved problems with grants could ultimately result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

City Response: The City of San Ramon agrees with the finding.

Finding #6: There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

City Response: The City of San Ramon agrees with the finding.

Finding #7: Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to the management/governing boards for decision-making or oversight purposes.

City Response: The City of San Ramon agrees with the finding.

Finding #8: Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

City Response: The City of San Ramon agrees with the finding.

Recommendation #1: Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

City Response: The City of San Ramon has previously implemented this recommendation and continues to be responsive to any deficiencies in Internal Controls reported by the external auditors.

Recommendation #2: County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

City Response: The City of San Ramon has previously implemented this recommendation and continues to hold financial management performance goals an ongoing responsibility.

Recommendation #3: The County Organizations improve direct financial oversight and assessment of the control environment including:

- b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.**

City Response: The recommendation has been implemented as the City of San Ramon has the Finance Committee that acts as an Audit Committee; and the Finance Committee consists of two appointed City Council members.

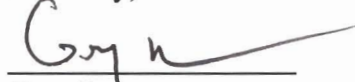
- g. The Board of Supervisors has the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to City Council in the case of cities and the governing boards in the case of school districts and special districts.**

City Response: The recommendation has been implemented as the City of San Ramon's independent auditor reports directly to both the Finance Committee and the City Council on the status of the organizations audit and control functions.

The City of San Ramon appreciates the work performed by the Grand Jury and acknowledges the importance of the role served in oversight of local government activities.

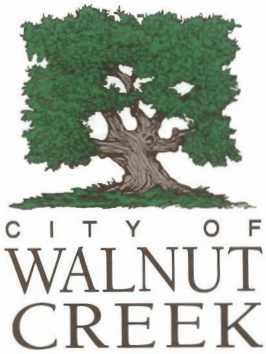
We trust that the Grand Jury will find these responses helpful to its endeavor.

Sincerely,



Greg Rogers
City Manager

- (1) Mayor & City Council
- (2) Eva Phelps, Administrative Services Director



August 8, 2013

Mr. Marc Hamaji, Foreperson
2012-13 Contra Costa County Civil Grand Jury
725 Court St.
P.O. Box 431
Martinez, CA 94553-0091

Dear Mr. Hamaji,

On behalf of the City of Walnut Creek, I am providing the following response to your letter dated June 4, 2013.

FINDINGS

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

The City of Walnut Creek agrees with this finding.

2. In Several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

The City of Walnut Creek agrees with this finding.

3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making bases on incomplete or inaccurate information.

The City of Walnut Creek agrees with this finding.

4. Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

The City of Walnut Creek agrees with this finding.

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

The City of Walnut Creek agrees with this finding.

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

The City of Walnut Creek agrees with this finding.

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

The City of Walnut Creek agrees with this finding.

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies are in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

The City of Walnut Creek agrees with this finding.

Recommendations:

The Grand Jury specified that Walnut Creek respond to Recommendations 1, 2, 3b and 3g; our responses follow:

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Walnut Creek will not be implementing this recommendation because is not warranted. Walnut Creek's auditors have reported no instances of financial deficiency. As demonstrated by the Grand Jury's survey results, our systems of financial accountability are working well in their current state.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or addition such performance goals on audit reports to financial managements' evaluations.

Walnut Creek will not be implementing this recommendation because is not warranted. Walnut Creek's auditors have reported no instances of financial deficiency. As demonstrated by the Grand Jury's survey results, our systems of financial accountability are working well in their current state.

3. The County Organizations improve direct oversight and assessment of the control environment including:
 - b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.

This recommendation has been partially implemented. Walnut Creek has established a Finance Committee that is comprised of the Mayor, a designated Council member and our elected Treasurer. This committee performs the audit review activities and the auditors are in direct communication with the Finance Committee members. We see no need to establish an ad hoc citizens' committee in order to ensure financial accountability. As demonstrated by the Grand Jury's survey results, our systems of financial accountability are working well in their current state.

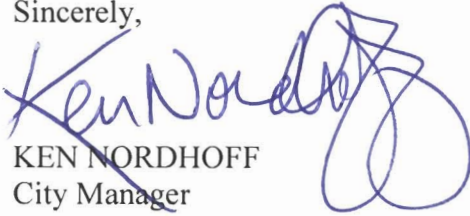
- g. The Board of Supervisors has the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

This recommendation has been partially implemented. Walnut Creek has established a Finance Committee that is comprised of the Mayor, a designated Council member and our elected Treasurer. This committee

performs the audit review activities and the auditors are in direct communication with the Finance Committee members. We see no need to establish an ad hoc citizens' committee in order to ensure financial accountability. As demonstrated by the Grand Jury's survey results, our systems of financial accountability are working well in their current state.

The City Council approved this response at their August 6, 2013, meeting.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Nordhoff", with a large, stylized flourish at the end.

KEN NORDHOFF
City Manager

Cc: City Council
City Attorney
Assistant City Manager

BOARD OF SUPERVISORS RESPONSE TO CONTRA COSTA COUNTY
GRAND JURY REPORT 1311:

ASSESSING FISCAL RISK

Who is Minding the Store?

Findings:

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Response: The respondent agrees with the finding.

2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response: The respondent agrees with the finding.

3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision making based on incomplete or inaccurate information.

Response: The respondent agrees with the finding.

4. Several of the entities reviewed showed issues (including Material weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response: The respondent agrees with the finding.

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response: The respondent agrees with the finding.

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response: The respondent agrees with the finding.

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as

prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response: The respondent agrees with the finding.

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response: The respondent partially disagrees with the finding. Disagree that the County Board of Supervisors is not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. The County Board of Supervisors provides oversight through the County Administrator and County Auditor-Controller to address material weaknesses and sufficient deficiencies and other internal controls including grant compliance. Additionally, beginning November 8, 1999, the Board established a policy and procedure for addressing the annual findings and recommendations of the County's external auditors. The procedure directs that the Board refer the annual Single Audit findings to the Finance Committee, and that the County Administrator make a report to the Finance Committee on the current- and prior-year audit findings and recommendations that identifies what corrective action has been taken or is planned to be taken on each recommendation. Inasmuch as the Single Audit reports encompass all unresolved or pending audit issues from prior-year audits, the annual report responds directly to annual Single Audit report. Agree that most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

9. A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" - the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response: Contra Costa County Board of Supervisors response not required.

Recommendations

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response: The recommendation will not be implemented because it is not reasonable to implement within twelve months. It would be fiscally and operationally unwarranted to increase the staffing level at this time to provide the requested additional oversight of County Departments.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response: The recommendation will not be implemented because it is not warranted. The County Administrator currently provides and will continue to provide an annual report to the Board of Supervisors through the Finance Committee. The annual report describes the deficiencies identified in the audit report and includes remedies developed in cooperation with departmental staff. When the report is heard by the Finance Committee, department heads are included in the invitation list and expected to be present during the discuss of findings and remedy.

3. The County Organizations improve direct financial oversight and assessment of the control environment including:
 - a. The Board of Supervisors more actively provide oversight in the case of the County and appoint a formal Audit Committee from among their members to ensure that Internal Control and grant compliance deficiencies are promptly remedied and there are sufficient direct and detailed discussions between the Board and the outside auditors.
 - b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.
 - c. The governing boards of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.
 - d. The governing boards of special districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied. In instances where the size of the entity precludes an adequate segregation of duties, governing board members need to consider direct involvement in key financial processes.

- e. The Superintendent of the County Office of Education continue to provide oversight over governing boards of school districts and continue to use the power of this office to compel remediation of Internal Control deficiencies.
- f. LAFCO (Local Agency Formation Commission) encourage governing boards of special districts to promptly remedy Internal Control deficiencies that are identified.
- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response: The Contra Costa County Board of Supervisors has been asked to respond to questions 'a' and 'g'.

- a. The recommendation will not be implemented because it is not warranted. The Board of Supervisors has already established a policy and procedure for addressing the annual findings and recommendations of the County's external auditors. The procedure directs that the Board refer the annual Single Audit findings to the Finance Committee, and that the County Administrator make a report to the Finance Committee on the current- and prior-year audit findings and recommendations that identifies what corrective action has been taken or is planned to be taken on each recommendation. Additionally, the Internal Operations Committee works with the Office of the Auditor-Controller in setting the annual audit plan.
- g. The recommendation will not be implemented because it is not warranted. As stated in response 3.a. The Board of Supervisors has already established a policy and procedure for addressing the annual findings and recommendations of the County's external auditors. The procedure directs that the Board refer the annual Single Audit findings to the Finance Committee, and that the County Administrator make a report to the Finance Committee on the current- and prior-year audit findings and recommendations that identifies what corrective action has been taken or is planned to be taken on each recommendation. Additionally, the Internal Operations Committee works with the Office of the Auditor-Controller in setting the annual audit plan. The Board of Supervisors will, however, direct the County Administrator to work with the Auditor-Controller to update Administrative Bulletin 212.1 – Internal Audit of County Departments and Offices to current standards as appropriate.



Acalanes Union High School District

1212 Pleasant Hill Road, Lafayette, CA 94549

www.acalanes.k12.ca.us

925-280-3900 ♦ Fax 925-932-2336

GOVERNING BOARD

J. Richard Whitmore
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Kathleen R. Coppersmith
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Susie Epstein
Member

Tom Mulvaney
Member

Monica Dwight
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DISTRICT ADMINISTRATION

John T. Nickerson, Ed.D.
Superintendent

Christopher J. Learned
*Associate Superintendent,
Business Services*

Kevin French
*Associate Superintendent,
Administrative Services*

SCHOOLS

Acalanes Adult Education
Walnut Creek

Acalanes Center for
Independent Study
Walnut Creek

Acalanes High School
Lafayette

Campolindo High School
Moraga

Las Lomas High School
Walnut Creek

Miramonte High School
Orinda

August 29, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311
Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

The District disagrees with this finding. The Grand Jury report cites the 2007-08 and 2008-09 as two years that the AUHSD had issues raised by the external auditor. The report does not reflect that there were no material weaknesses, significant deficiencies, and other deficiencies on the three most recent fiscal years 2009-10, 2010-11 and 2011-12. The District believes this indicates that the proper corrective actions were implemented.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

The District disagrees with this finding. All audit findings are corrected before the completion of the subsequent fiscal year and were not repeat findings.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

The District agrees with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants, which they have been awarded.

Response to Finding #4:

The District agrees with this finding. From time-to-time, audit findings relate to grant award compliance that does not have negative fiscal impact on the districts. There was no fiscal impact on the AUHSD finding.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

The District agrees with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

The District agrees with this finding. However, the AUHSD feels that it places a high level of importance on audit findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

The District disagrees with this finding. The AUHSD does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

The District disagrees with this finding. The AUHSD does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

The District agrees with this finding. However, there have been no ASB findings for four consecutive years. The District requires site administrators and school finance technicians to attend the annual Fiscal Crisis Management Assistance Team (FCMAT) workshop on managing the ASB funds properly.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the Governing Board, the CCCOE, the SCO and the CDE. Further, the AUSHD has had a Finance Committee of the Governing Board for 6 years.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

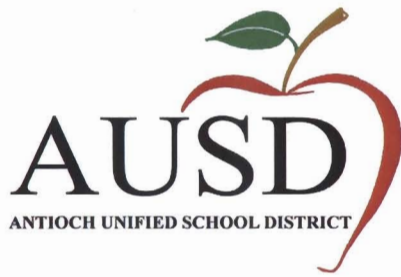
Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective actions to the Governing Board, the CCCOE, the SCO and the CDE.

Sincerely,



John Nickerson, Ed.D.
Superintendent



Office of the Superintendent
Donald Gill, Ed.D.

Preparing Students for Success in College, Career, and Life.

August 28, 2013

Marc Hamaji, Foreperson
Contra Costa Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

RE: Comments and responses to 2012-2013 Contra Costa Grand Jury Report No. 1311,
“Assessing Fiscal Risk”, Findings and Recommendations

Dear Foreperson Hamaji,

We are pleased to respond to your general findings on Assessing Fiscal Risk. Although not specific to Antioch Unified School District, we responded to your findings and recommendations below. Pursuant to California Penal Code sections 933.05(a) and 933.05(b), the Governing Board of the Antioch Unified School District files this comment with regard to the 2012-2013 Contra Costa County Grand Jury Report No. 1311 Findings and Recommendations.

FINDINGS

Antioch Unified Required to respond to Findings 1-8

Finding #1

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as report by the external auditors.

Response to Finding #1

Yes the Grand Jury report verifies this but this is not the case at Antioch Unified School District.

Finding #2

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3

Yes the Grand Jury report verifies this but this is not the case at Antioch Unified School District.

Finding #4

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4

Yes the Grand Jury report verifies this but this is not the case at Antioch Unified School District.

Finding #5

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organization and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9

We agree with this finding. However, our District makes it a point to train all employees annually on the use and management of ASB Funds.

RECOMMENDATIONS

Antioch Unified School District required to respond to 1,2,3c,3g

Recommendation #1

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1

Yes the Grand Jury report verifies this and Antioch Unified School District is in compliance.

Recommendation #2

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c

The County Organizations improve direct financial oversight and assessment of the control environment including:

(c) The governing boards of school districts appoint a formal Audit committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c

Yes the Grand Jury report verifies this and Antioch Unified School District will consider creating a committee in the future for this oversight.

Recommendation #3g

The County Organizations improve district financial oversight and assessment of the control environment including:

(g) The Board of Supervisors have the County Internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

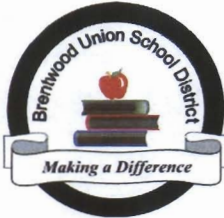
Response to Recommendation #3g

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Donald Gill, EdD
Superintendent
Secretary to the Board of Education



**Superintendent
Dana Eaton, Ed.D.**

Brentwood Union School District

255 Guthrie Lane, Brentwood, CA 94513 (925)513-6300 FAX (925)634-8583

August 7, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Dana Eaton, Ed.D.
Superintendent

Byron Union School District



14301 Byron Highway Byron, CA 94514
(925) 809-7500 FAX: (925) 634-9421
Debbie Burnette, Ed.D, Superintendent

August 26, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Byron Union School District Superintendent, Debbie Burnette, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility.

The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of “Associated Student Body Funds” makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller’s Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA’s) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA’s response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements’ performance goals to ensure that such individuals are held accountable for

promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,

A handwritten signature in blue ink that reads "Debbie Burnette, Ed.D." The signature is written in a cursive style.

Debbie Burnette, Ed.D.
Superintendent



since 1918

CANYON ELEMENTARY SCHOOL

August 7, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 7, 2013
Page 7

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

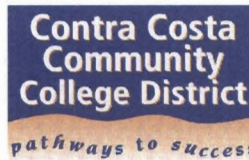
Sincerely,

A handwritten signature in blue ink that reads "Gloria Faircloth". The signature is written in a cursive style with a large, decorative initial "G".

Gloria Faircloth
Superintendent/CBO
Canyon Elementary

Governing Board

Sheila A. Grilli, *President*
John E. Marquez, *Vice President*
John T. Nejedly, *Secretary*
Greg Enholm
Vicki Gordon



Chancellor
Helen Benjamin, Ph.D.

College Presidents
Contra Costa College Denise Noldon, Ph.D.
Diablo Valley College Peter Garcia
Los Medanos College Robert Kratochvil

July 24, 2013

Marc Hamaji, Foreperson
2012-2013 Contra Costa County Civil Grand Jury
725 Court Street
P.O. BOX 431
Martinez, California 94553-0091

Re: 2012-2013 Grand Jury Report 1311, "Assessing Fiscal Risk"

Honorable Marc Hamaji, Foreperson:

On behalf of the Contra Costa Community College District (District), I am responding to the 2012-2013 Contra Costa County Grand Jury (Grand Jury) *Report 1311: Assessing Fiscal Risk*.

Pursuant to California Government Code §933.5(a), the District is required to report on each finding and recommendation. For each finding, the District is required to report one of the following responses:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees with the finding.
- (3) The respondent partially disagrees with the finding.

In the case of responses (2) and (3), the District is to specify the portion of the finding that is disputed and is to include an explanation of the reasons why this finding is in dispute. Following is the District's response to each finding and recommendation.

Finding 1

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Response

We agree with this finding with respect to the entities the Grand Jury reviewed as noted in its report. With respect to the Contra Costa Community College District, there have been no material weaknesses or significant deficiencies in internal controls over financial reporting and on compliance and other matters based on an audit of financial statements reported by our external auditors for three fiscal years (FY 2011-12, FY 2010-11 and FY 2009-10). Going back to FY 2008-09 and FY 2007-08, the material weaknesses/significant deficiencies that were reported were corrected or showed "significant improvement" within 12 months.

In regards to compliance with requirements that could have a direct and material effect on each major program and on control over compliance in accordance with OMB Circular A-133, the Contra Costa Community College District has had only one significant deficiency (internal control over compliance) in the past five years. The significant deficiency was in FY 2009-10 and was remedied within 12 months. The Contra Costa Community College District has had four non-compliance findings in the past five years, all of which were remedied within 12 months. None of the non-compliance findings, nor the single significant deficiency, were recurring findings.

Finding 2

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response

We disagree with this finding with respect to the Contra Costa Community College District. Material weaknesses and significant deficiencies were either corrected or showed significant improvement within 12 months of being identified. These corrections go back to FY 2008-09 and FY 2007-08 as the Contra Costa Community College District has had no material weaknesses or significant deficiencies in internal control over financial reporting and on compliance and other matters based on an audit of financial statements reported by our external auditors for three fiscal years (FY 2011-12, FY 2010-11 and FY 2009-10).

In regards to compliance with requirements that could have a direct and material effect on each major program and on control over compliance in accordance with OMB Circular A-133, the Contra Costa Community College District has had only one significant deficiency (internal control over compliance) in the past five years. The significant deficiency was in FY 2009-10 and was remedied within 12 months. The Contra Costa Community College District has had four non-compliance findings in the past five years, all of which were remedied within 12 months. None of the non-compliance findings, nor the single significant deficiency, were recurring findings.

Finding 3

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response

We agree with this finding. However, the Contra Costa Community College District has worked hard to develop internal controls that allow for detection of any misstatements to be found and corrected on a timely basis. This has resulted in no material weaknesses or significant deficiencies in internal controls over financial reporting and on compliance and other matters based on an audit of financial statements reported by our external auditors for three fiscal years (FY 2011-12, FY 2010-11 and FY 2009-10).

Finding 4

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response

We agree with this finding with respect to the entities the Grand Jury reviewed as noted in its report. The Contra Costa Community College District works to ensure that all grants it receives are spent according to the parameters specified in the agreements and the regulations that govern the funds. This is shown in no recurring non-compliance or significant deficiency issues reported by our external auditors with respect to OMB Circular A-133 compliance.

Finding 5

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response

We agree with this finding. However, the Contra Costa Community College District has had no recurring "unresolved problems" and has remedied each audit finding related to OMB Circular A-133 compliance within 12 months. In addition, the Contra Costa Community College District has incurred no instances of "required repayment" of grant funds as described in Finding 5.

Finding 6

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response

We agree with this finding with respect to the entities the Grand Jury reviewed as noted in its report. Contra Costa Community College District places a high level of importance on resolving all audit findings, including those related to grant compliance. The external auditors present their findings at a Board Finance Committee meeting (a two-person sub-committee of the entire Governing Board) as well as at a public Governing Board meeting. In addition, the external audits are placed on the Contra Costa Community College District's website for the public to view. The Contra Costa Community College District places resolution of external audit findings as a top priority. We feel this is illustrated in our audit reports showing no recurring findings reported by our external auditors with respect to OMB Circular A-133 compliance.

Finding 7

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response

We agree with this finding with respect to the entities the Grand Jury reviewed as noted in its report. However, the Contra Costa Community College District has worked hard to develop internal controls that allow for detection of any misstatements to be found and corrected on a timely basis. This has resulted in no material weaknesses or significant deficiencies in internal controls over financial reporting and on compliance and other matters based on an audit of financial statements reported by our external auditors for three fiscal years (FY 2011-12, FY 2010-11 and FY 2009-10).

Finding 8

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organizations' financial management, which is chartered to provide financial oversight.

Response

We disagree with this finding with respect to the Contra Costa Community College District. We have systems in place to control expenditures, including business procedures to provide guidance on purchasing and an Enterprise Resource Planning (ERP) system with approvals embedded within it requiring management approval for purchases over \$1,000. The college business directors and District Office finance staff meet monthly to monitor college and District budgets and discuss procedures and protocols in conducting business within the Contra Costa Community College District.

The Contra Costa Community College District's external audit assesses the effectiveness of its financial management. The Governing Board, college presidents, and the public are provided periodic updates and presentations regarding the District's financial condition. These updates include monthly fiscal trend reports, quarterly financial statements, and an annual budget study session. Moreover, the Governing Board approves contracts and is made aware through a Governing Board report of all expenditures greater than \$10,000.

The Contra Costa Community College District has a sub-committee of two Governing Board members acting as the "Governing Board Finance Committee." This committee meets quarterly and is kept updated on the financial status of the Contra Costa

Community College District through reports from the external auditors, the internal auditor, and District finance staff. The charge of the Committee includes responsibilities towards policy issues connected to external audit function and internal audit program and special projects assigned by the Governing Board. Special projects would generally be considered topics which relate to major financial matters affecting long-term financial commitments or the Governing Board's role.

Finding 9

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response

We disagree with this finding with respect to the Contra Costa Community College District. The Contra Costa Community College District has had no findings in the area of student funds.

In addition, as required by §933.05(b) of the California Government Code, the District is providing its reply to the report's recommendation. For each recommendation, the District is required to respond by stating one of the following actions:

- (1) The recommendation has been implemented, with a summary describing the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
- (3) The recommendation requires further analysis. This response should explain the scope and parameters of the analysis or study, and a time frame for the matter to be prepared for discussion. This time frame shall not exceed six months from the date of the publication of the Grand Jury report.
- (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation thereof.

Recommendation 1

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response

The recommendation has been implemented. The Contra Costa Community College District has not had a recurring material weakness, significant deficiency or other deficiency in internal controls reported by external auditors since FY 2008-09. Even in that specific case in FY 2008-09 where a recurrence did occur, the external auditor made note that "significant progress" had been made in remedying the situation over the 12 month period.

Recommendation 2

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response

This recommendation has been implemented. Performance in meeting the standards of a position is a fundamental goal for all employees of the District. All managers whose scope of work encompasses areas that are or may be noted in financial reports are evaluated on their performance through a supervisor's evaluation of the respective manager's performance and on a regular, periodic basis through a survey of the respective manager's

constituency group. Each manager sets annual goals and is evaluated on these goals, together with the fundamental performance requirements of the position. Moreover, the job descriptions of management (including the chancellor, presidents, vice chancellor of administrative services, vice presidents and director of District finance services) within the Contra Costa Community College District also provide accountability for ensuring that sound fiscal management is taking place and that responsible allocation of resources is occurring. The Contra Costa Community College District believes its system of evaluation and accountability has been instrumental in having no recurring audit findings during the period the Grand Jury is referencing.

Recommendation 3

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. *The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.*

Response

This recommendation has been implemented. The Governing Board of the Contra Costa Community College District has a sub-committee consisting of two Governing Board members acting as the "Governing Board Finance Committee." This committee meets quarterly and is kept updated on the financial status of the Contra Costa Community College District through reports from the external auditors, the internal auditor, and District finance staff. The charge of the Committee includes responsibilities towards policy issues connected to external audit function and internal audit program and special projects assigned by the Governing Board. Special projects would generally be considered topics which relate to major financial matters affecting long-term financial commitments or the Governing Board's role.

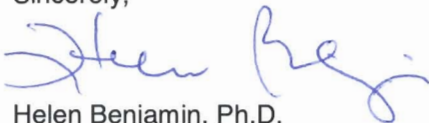
- g. *The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.*

Response

The recommendation has been implemented. The internal auditor at Contra Costa Community College District currently reports to the Board Finance Committee, a sub-committee consisting of two Governing Board members. The charge of the Committee includes responsibilities towards policy issues connected to external audit function and internal audit program and special projects assigned by the Governing Board. Special projects would generally be considered topics which relate to major financial matters affecting long-term financial commitments or the Governing Board's role.

We welcome the opportunity to address any questions the Grand Jury may have regarding our responses. Please do not hesitate to contact me (925-229-6820, hbenjamin@4cd.edu), should you have any further questions.

Sincerely,



Helen Benjamin, Ph.D.
Chancellor

cc: Governing Board
Chancellor's Cabinet



JOHN SWETT UNIFIED SCHOOL DISTRICT

Office of the Superintendent
Mike McLaughlin, Ed. D.
400 Parker Avenue, Rodeo, CA 94572
(510) 245-4300 • FAX (510) 245-4312

June 13, 2013

Mr. Marc Hamaji
Foreperson
Contra Costa County Civil Grand Jury
725 Court St.
PO Box 431
Martinez, CA 94553-0091

Dear Mr. Hamaji,

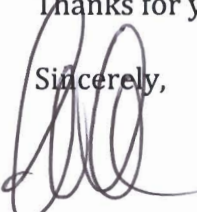
John Swett USD is in receipt of your report "Assessing Fiscal Risk". Your report states that the district is subject to findings 1-9. Unfortunately the report has no documentation of such findings. The district's 2011-12 Audit (attached) shows no "material weaknesses". Thus John Swett respectfully disagrees with findings 1-8. We do, however, agree with finding 9 which you note is common in school districts.

Since no material weaknesses were found, we disagree with all recommendations except recommendation 3c that we will endeavor to implement. With regards to recommendation 3g, we note that John Swett USD is too small to employ an internal audit staff.

Finally you state that the report is available on your website. A search of the website did not reveal the report.

Thanks for your hard work on the Grand Jury.

Sincerely,


Mike McLaughlin, Ed. D.
Superintendent

GOVERNING BOARD

Norma Clerici

Brian Colombo

William Concannon

James Delgadillo

Jerrold Parsons



Knightsen Elementary School District

1923 Delta Road / P.O. Box 265
Knightsen, CA 94548
925-625-0073
FAX 625-8766

Board of Trustees
Thomas Baldocchi, Jr.
Franklin Dell
Adam McMeans
Janice Smith
Liesel Williams
Superintendent
Theresa Estrada

August 8, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.



Knightsen Elementary School
1923 Delta Road
Knightsen, CA 94548
925-625-0073
FAX 625-4593

Theresa Estrada
Superintendent

Ray Witte
Principal



Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over “Associated Student Body Funds” – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of “Associated Student Body Funds” makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller’s Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA’s) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA’s response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed

the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations

maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Theresa Estrada
Superintendent

TE:ts

cc: Tom Baldocchi, Board President
Teresa Sidrian, Business Manager



Lafayette School District
3477 School Street ~ P.O. Box 1029 ~ Lafayette, CA 94549
Telephone: (925) 927-3500 ☎ Fax: (925) 284-1525
www.lafsd.k12.ca.us

July 1, 2013

Marc Hamaji, Foreperson
2011-12 Contra Costa County Civil Grand Jury

RE: Response to 2012-13 Contra Costa Grand Jury Report No.1311, Assessing Fiscal Risk

Below are Lafayette School District's responses to the findings (#1-9) and recommendations listed in the report.

Response to Findings:

- 1) The District agrees with **Finding #1**.
- 2) The District agrees with **Finding #2**.
- 3) The District agrees with **Finding #3**.
- 4) The District agrees with **Finding #4**.
- 5) The District agrees with **Finding #5**.
- 6) The District agrees with **Finding #6**.
- 7) The District agrees with **Finding #7**.
- 8) The District agrees with **Finding #8**.
- 9) The District partially disagrees with **Finding #9**. For small school districts like Lafayette, it is financially **NOT feasible** to hire additional staff to achieve the "ideal segregation of duties" to further tighten internal control especially in relation to Student Body Funds and student clubs. The district has many competing priorities just to meet the instructional needs of students. The District does its utmost best given the limited staff and financial resources available.

Response to Recommendations:

- 1) **The recommendation has been implemented.**
The district submitted the corrective actions completed to the County of Education which reviewed and approved these.
- 2) **The recommendation requires further analysis.**
This will have to be reviewed by the Superintendent and the Leadership at school sites as the recommendation proposes to make them accountable for audit findings at their site by including these in the performance goals and evaluation process.
- 3) **c. The recommendation has not yet been implemented.**
The District is very small and establishing a formal Audit Committee consisting of governing board members is not practical and an inefficient use of their time.

g. This recommendation is not within the purview and responsibilities of the district.

Respectfully submitted by:


Lenee A. Cadotte
Chief Business Official



Liberty Union High School District

20 Oak Street

Brentwood, CA 94513

Phone: (925) 634-2166 Fax (925) 634-1687

Eric L. Volta, Superintendent

August 7, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct these types of audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance. However, corrective measures follow. Compliance issues are shared out with staff and compliance regulations are reviewed with the instructional directors as well as finance to ensure future compliance is met.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

Agree that all organizations listed attempt to remedy if not fully remedy within one year. The recommendations are corrected and implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

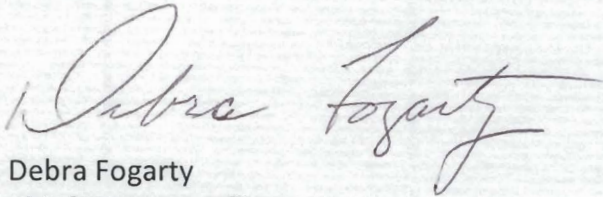
- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 7, 2013
Page 7

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We are currently required under state law to report all audit findings and corrective measures to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,

A handwritten signature in cursive script that reads "Debra Fogarty". The signature is written in black ink and is positioned to the right of the typed name.

Debra Fogarty
Chief Business Officer
Liberty Union HSD



MARTINEZ UNIFIED SCHOOL DISTRICT

"Together we will ensure diverse paths to educate students in their quest for knowledge and success."

August 13, 2013

SCHOOL BOARD

*Denise Elskan
John L. Fuller
Deidre M. Siguenza
Bobbi Horack
Kathi McLaughlin*

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

DISTRICT STAFF

Superintendent
Rami Muth

Assistant Superintendent

Personnel Services
David Robertson

Chief Business Official
Andi Stubbs

Director Curriculum and Educational Technology
Audrey Lee

Director Special Education
Janelle Eyet

Director Student Services & Secondary Support
Helen Rossi

Chief Technology Office
Max Eissler

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

SITE ADMINISTRATORS

Alhambra High
*Tom Doppe
Principal*

Vicente Martinez / Briones School
*Carol Adams
Principal*

Martinez Junior High
*Jonathan Eagan
Principal*

John Muir Elementary
*Jessica Conkle
Principal*

John Swett Elementary
*Adam Welcome
Principal*

Las Juntas Elementary
*Crystal Castaneda
Principal*

Morello Park Elementary
*Kate Besocke
Principal*

Martinez Adult Education
*Kathy Farwell
Director*

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over “Associated Student Body Funds” – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of “Associated Student Body Funds” makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller’s Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA’s) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to

determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and

corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

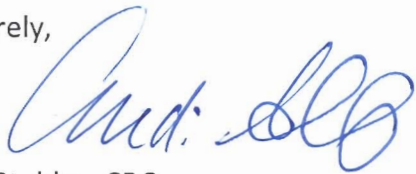
The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Andi Stubbs, CBO
Martinez Unified School District
925-335-5925
astubbs@martinez.k12.ca.us



Bruce K. Burns
Superintendent
1540 School Street
Moraga, CA 94556
T: (925) 377-4101
F: (925) 376-6755
bburns@moraga.k12.ca.us

August 29, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Moraga School District Superintendent Bruce K. Burns, files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

Though Moraga School District will agree with this finding, there have not been any Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported for the district since the 06/30/2009 audit report. Moraga School District does recognize that from time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

Though Moraga School District will agree with this finding, there have not been any issues in respect to grants for the district for many years. Moraga School District does recognize that from time-to-time there may be audit findings which relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year, though this has not been an issue for the Moraga School District.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, the Moraga School District places a high level of importance on auditor findings and these findings are corrected quickly. We are closely monitored by the County Office of Education, which requires districts to report plans to resolve these issues.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. The Moraga School District does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Moraga School District does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner. In addition, we are required to report any findings and resolutions to the finding to the Contra Costa County Office of Education.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for

which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, Moraga School District only has one organized student body fund and we have not had any exceptions regarding this fund for over 4 years. The nature of “Associated Student Body Funds” makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. The Contra Costa County Office of Education has offered classes and the Moraga School District takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller’s Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA’s) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA’s response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements’ performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements’ evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Bruce K. Burns
Superintendent
Moraga School District



MT. DIABLO UNIFIED SCHOOL DISTRICT

JAMES W. DENT EDUCATION CENTER
1936 Carlotta Drive
Concord, CA 94519-1397
Phone (925) 682-8000 ~ Fax (925) 691-5246

JOHN BERNARD, Ed.D.
Interim Superintendent

BRYAN RICHARDS
Chief Financial Officer

August 29, 2013

Marc Hamaji, Foreman
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

RECEIVED

SEP 04 2013

**K. TORRE, CLERK OF THE COURT
COURT EXECUTIVE OFFICE**
By _____, Deputy Clerk

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Mr. Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, Mt. Diablo Unified School District files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk's Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We partially agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors. However, the District has not had any findings of Material Weaknesses during the years under review by the Grand Jury.

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 29, 2013
Page 2

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We agree with this finding. While identified items are normally addressed before the completion of the subsequent fiscal year, due to the inability of the District's former contracted actuary to maintain required levels of insurance, the District was delayed in receiving its actuarial study on Other Post-Employment Benefits. However, that item has since been remedied with the selection of a new actuary and the release of their report. Other weaknesses have been addressed as they have been raised.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 29, 2013
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Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation has been implemented as the board has had an audit committee for many years. However, the audit committee's function is not to provide direct oversight to district operating and fiscal management and to do so would create a conflict of roles with regard to the Board. The Board is a policy making entity. The superintendent and chief financial officer are responsible for the District's operating and financial management. Our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 29, 2013
Page 7

management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

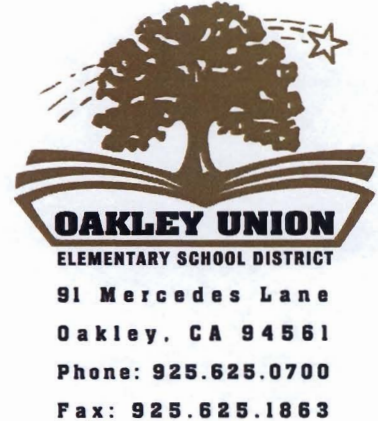
Response to Recommendation #3g:

Due to financial constraints, the position of Internal Auditor has been eliminated. However, the recommendation continues to be implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



John Bernard, Ed.D.
Interim Superintendent



August 29, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Chief Business Official of Oakley Union Elementary School District, Cindy Peterson, files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 7, 2013
Page 7

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Peterson". The signature is written in a cursive style with a large initial "C" and a distinct "t" at the end.

Cindy Peterson
Chief Business Official



August 28, 2013

**Orinda Union
School District**
25 Orinda Way
Suite 200
Orinda, CA 94563

Phone (925) 254-4901
Fax (925) 253-0719

Superintendent
Dr. Joe Jaconette

Board of Trustees
Sarah G. Butler
Tyson Krumholz
Matt Moran
Julie Rossiter
Dr. Chris Severson

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311,
Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Orinda Union School Districts Loreen Farrell, Superintendent's Designee, files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We agree with this finding. From time-to-time, due to timing of the completed final audit report, the corrective plan of an audit finding may not be fully implemented prior to the start of the new fiscal year. This could cause the finding to be repeated even though the corrective plan was implemented.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings could relate to grant award compliance, however, our district is not aware of problems in this area.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. However, our district is not aware of any auditing findings related to grants which resulted in repayment of grant dollars.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings, if applicable would be corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 28, 2013
Page 4

involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
August 28, 2013
Page 6

audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

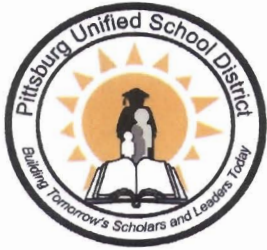
Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Loreen Farrell
Superintendent's Designee
Director of Business Services



PITTSBURG UNIFIED SCHOOL DISTRICT

Enrique E. Palacios - Deputy Superintendent

2000 Railroad Avenue ▪ Pittsburg ▪ California ▪ 94565

September 4, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.


Sincerely,
Enrique E. Palacios
Deputy Superintendent for Business Services



Jul 2, 2013

Mr. Marc Hamaji, Foreperson
2012-13 Contra Costa County Civil Grand Jury
725 Court Street
P O Box 431
Martinez, CA 94553-0091

Dear Mr. Hamaji,

This is the official response to the items raised in the Grand Jury Report No 1311, "Assessing Fiscal Risk" by the 2012-13 Contra Costa Grand Jury for Pleasant Hill Recreation & Park District (PHRPD).

PHRPD agrees with each finding listed (#1-#9) in the Grand Jury Report.

The responses by PHRPD to the recommendations cited in this Grand Jury Report that are applicable to PHRPD as a Special District are as follows;

Recommendation #1) – PHRPD currently does not have any Material Weaknesses, Significant Deficiencies and Other Deficiencies in Internal Controls reported by external auditors as evidenced by Table 1 in the Contra Costa County Grand Jury Report 1311. Should one develop PHRPD commits to remedy said deficiency within the recommended 12 month period.

Recommendation #2) – PHRPD will add to the appropriate District Financial Management Staff a performance goal to remedy deficiencies in audit reports if and when one occurs.

Recommendation #3d) – PHRPD will appoint a formal Audit Committee comprised of Board Members to provide direct oversight to District operating and financial management to ensure that Internal Control deficiencies are remedied if/when one is noted by our external auditors.

Recommendation # 3g) – Due to the size of the District PHRPD currently does not employ any internal audit staff. Should staff be added they will have reporting responsibility directly to the Board and not to other District financial management staff.

Sincerely,

Mark Blair
Accounting Supervisor



SAN RAMON VALLEY UNIFIED SCHOOL DISTRICT

699 Old Orchard Drive, Danville, California 94526

Mary C. Shelton, Superintendent

(925) 552-2933 • FAX (925) 838-3147

mshelton@srvusd.net • www.srvusd.net

August 8, 2013

Mr. Marc Hamaji, Foreperson
Contra Costa County Grand Jury
725 Court Street
Martinez, CA 94553

Dear Foreperson:

RE: GRAND JURY REPORT NO. 1311, "ASSESSING FISCAL RISK"

Our responses to the findings of the Grand Jury and its recommendations with regard to the report listed above are as follows:

FINDINGS

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Agree based solely on information contained in Report No. 1311

2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Agree based solely on information contained in Report No. 1311

3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Agree

4. Several of the entities reviewed showed issues (including Material Weaknesses, Significant Deficiencies with respect to compliance with grant which they have been awarded.

Agree based solely on information contained in Report No. 1311

5. Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

a. First sentence: Agree.

b. Second sentence: Agree based solely on information contained in Report No. 1311.

c. Third sentence: Agree.

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Agree based solely on information contained in Report No. 1311

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Agree

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure the Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

a. First Sentence: Partially disagree. We have no direct knowledge of the internal controls of any of the organizations referred to in this report. Based solely on this report, some of the organizations may have oversight problems, some have no audit findings and some appear to have reduced the number of audit findings over time.

b. Second sentence: Agree based solely on information contained in Report No. 1311.

9. A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Agree

RECOMMENDATIONS

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Implemented. Education Code 41020 requires the County Superintendent of Schools to review school district audit exceptions including findings related to internal controls and requires districts to substantiate to the County Superintendent that any audit findings have been corrected or an acceptable plan of corrective action has been developed.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial management's evaluations.

Implemented. Financial and Operational management are held accountable for -remedying deficiencies identified in audit reports.

3. The County Organizations improve direct financial oversight and assessment of the control environment including:
 - a. The Board of Supervisors more accurately provide oversight in the case of the County and appoint a formal Audit Committee from among their members to ensure that Internal Control and grant compliance deficiencies are promptly remedied and there are sufficient direct and detailed discussions between the Board and the outside auditors.
 - b. The City Councils more actively provide oversight by appointing an Audit Committee from among their members as well as an ad hoc citizens' committee to ensure that Internal Control deficiencies are promptly remedied.
 - c. The governing boards of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Will not be implemented. The Board of Education oversees and holds the district Superintendent accountable for overall school district performance. The Board of Education also receives an annual audit report in a public meeting directly from an independent auditor. The Superintendent oversees and manages district financial and operational management and holds management accountable for promptly remedying internal control deficiencies and other audit findings.

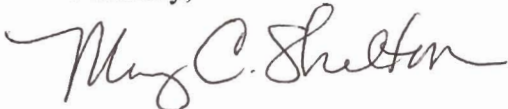
- d. The governing boards of special districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied. In instances where the size of the entity precludes an adequate segregation of duties, governing board members need to consider direct involvement in key financial processes.

- e. The Superintendent of the County Office of Education continue to provide oversight over governing boards of school districts and continue to use the power of this office to compel remediation of Internal Control Deficiencies.
- f. LAFCO (Local Agency Formation Commission) encourage governing boards of special districts to promptly remedy Internal Control deficiencies that are identified.
- g. The Board of Supervisors has the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other county Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in case of cities and the governing boards in the case of school districts and special districts.

Will not be implemented at this time. The district does not currently have internal audit staff. The district has employed an internal auditor in the past and at that time, the internal auditor reported directly to the district Superintendent. If this position is reinstated in the future, the reporting relationship will likely be the same.

If you require any further clarification, please don't hesitate to contact me.

Sincerely,



Mary C. Shelton
Superintendent



WALNUT CREEK SCHOOL DISTRICT

960 Ygnacio Valley Road
Walnut Creek, CA 94596
925/944-6850
Fax: 925/944-1768

GOVERNING BOARD

Elizabeth Bettis
Angela P. Borchardt
Jon-Michael Johnson
Katie Peña
Barbara Pennington

SUPERINTENDENT

Patricia Wool, Ed.D.

SCHOOLS

Buena Vista Elementary
2355 San Juan Avenue
Walnut Creek, CA 94597
925/944-6822
Fax 925/934-8907

Indian Valley Elementary
551 Marshall Drive
Walnut Creek, CA 94598
925/944-6828
Fax 925/935-1091

Murwood Elementary
2050 Vanderslice Avenue
Walnut Creek, CA 94596
925/943-2462
Fax 925/934-0356

Parkmead Elementary
1920 Magnolia Way
Walnut Creek, CA 94595
925/944-6858
Fax 925/939-2849

Walnut Heights Elementary
4064 Walnut Boulevard
Walnut Creek, CA 94596
925/944-6834
Fax 925/934-0648

Walnut Creek Intermediate
2425 Walnut Boulevard
Walnut Creek, CA 94597
925/944-6840
Fax 925/933-1922

To: Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553
From: Walnut Creek School District
960 Ygnacio Valley Road
Walnut Creek, CA 94596
RE: Grand Jury Report No.1311 "Assessing Fiscal Risk"
Date: July 29, 2013

Here are the Walnut Creek School District responses to Grand Jury Report No. 1311, "Assessing Fiscal Risk:"

Findings 1-9

Walnut Creek School District agrees with all nine findings.

Recommendations: 1, 2, 3c and 3g

1. Financial management of the county, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

#1 The recommendation has been implemented. The WCSD Business Office worked to correct any deficiency.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports.

#2 The recommendation has not yet been implemented, but will be implemented in the 2013-14 school year with our CBO.

3c. The governing boards of school districts appoint a formal Audit committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

#2 The recommendation has not yet been implemented, but will be implemented in the 2013-14 school year. One of our Board Members who oversees Fiscal will provide oversight.



WALNUT CREEK SCHOOL DISTRICT

960 Ygnacio Valley Road
Walnut Creek, CA 94596
925/944-6850
Fax: 925/944-1768

GOVERNING BOARD

Elizabeth Bettis
Angela P. Borhardt
Jon-Michael Johnson
Katie Peña
Barbara Pennington

SUPERINTENDENT

Patricia Wool, Ed.D.

SCHOOLS

Buena Vista Elementary
2355 San Juan Avenue
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Walnut Creek, CA 94598
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Fax 925/934-0356

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Fax 925/939-2849

Walnut Heights Elementary
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Walnut Creek, CA 94596
925/944-6834
Fax 925/934-0648

Walnut Creek Intermediate
2425 Walnut Boulevard
Walnut Creek, CA 94597
925/944-6840
Fax 925/933-1922

3g. The governing board of the school district have the internal audit groups maintain their independence and not report to financial management but instead to the governing boards in the case of school districts.

#1 The recommendation has been implemented. We presently have the auditor give the audit report directly to the Governing Board. We will continue to do this and have the auditor brief the Board member who wears the fiscal hat.

Patricia Wool
Supt.
WCSD

To: Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553

From: Walnut Creek School District
960 Ygnacio Valley Road
Walnut Creek, CA 94596

RE: Grand Jury Report No.1311 "Assessing Fiscal Risk"
Date: July 29, 2013

Here are the Walnut Creek School District responses to Grand Jury Report No. 1311, "Assessing Fiscal Risk:"

Findings 1-9

Walnut Creek School District agrees with all nine findings.

Recommendations: 1, 2, 3c and 3g

1. Financial management of the county, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

#1The recommendation has been implemented. The WCSD Business Office worked to correct any deficiency.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports.

#2 The recommendation has not yet been implemented, but will be implemented in the 2013-14 school year with our CBO.

- 3c. The governing boards of school districts appoint a formal Audit committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

#2 The recommendation has not yet been implemented, but will be implemented in the 2013-14 school year. One of our Board Members who oversees Fiscal will provide oversight.

- 3g. The governing board of the school district have the internal audit groups maintain their independence and not report to financial management but instead to the governing boards in the case of school districts.

#1 The recommendation has been implemented. We presently have the auditor give the audit report directly to the Governing Board. We will continue to do this and have the auditor brief the Board member who wears the fiscal hat.

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

1108 Bissell Avenue
Richmond, CA 94801-3135
Telephone (510) 231-1100

Bruce Harter, Ph.D.
Superintendent of Schools

Sheri Gamba
*Associate Superintendent
Business Services*

August 30, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing
Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. Audit findings are corrected before the completion of the subsequent fiscal year with few exceptions. The District had no recurring finding for the audit year ending June 2012.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance. The only finding of that nature for the District in recent history was the reporting of interest earned to a federal grant being reported in a more timely manner.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We disagree with this finding because we are unaware of the level of importance other County Organizations place on grant compliance. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. The nature of "Associated Student Body Funds" makes it difficult to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. However, our agency takes this responsibility very seriously and we take steps to train staff and manage these funds in a responsible manner.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3c:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- c. The governing board of school districts appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied.

Response to Recommendation #3c:

This recommendation will not be implemented because our current procedures and State law provide for prompt resolution of audit findings. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reviewed annually by the CCCOE and reported to the School Board of Education, the CCCOE, the SCO and the CDE.

Recommendation #3g:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Sheri Gamba
Associate Superintendent of Business



Joseph A. Ovick, Ed.D., Superintendent of Schools

77 Santa Barbara Road • Pleasant Hill, CA 94523 • (925) 942-3388

August 7, 2013

Marc Hamaji, Foreperson
Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 911
Martinez, CA 94553

Re: Responses to 2012-13 Contra Costa County Grand Jury Report No. 1311, Assessing Fiscal Risk Findings and Recommendations

Dear Foreperson Hamaji:

Pursuant to California Penal Code sections 933 and 933.05, the Contra Costa County Superintendent of Schools Joseph A. Ovick, Ed.D., files this response with regard to the 2012-13 Contra Costa County Grand Jury Report #1311, Assessing Fiscal Risk Findings and Recommendations.

FINDINGS

Finding #1:

Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by external auditors.

Response to Finding #1:

We agree with this finding. From time-to-time weaknesses and deficiencies may be identified by external auditors.

Finding #2:

In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response to Finding #2:

We disagree with this finding. All audit findings are corrected before the completion of the subsequent fiscal year.

Finding #3:

Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response to Finding #3:

We agree with this finding. For this reason, we make certain to document and correct audit findings.

Finding #4:

Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response to Finding #4:

We agree with this finding. From time-to-time audit findings relate to grant award compliance.

Finding #5:

Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).

Response to Finding #5:

We agree with this finding. For this reason, audit findings are documented and corrected before the completion of the subsequent fiscal year.

Finding #6:

There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response to Finding #6:

We agree with this finding. However, we feel that our organization places a high level of importance on auditor findings and these findings are corrected quickly.

Finding #7:

Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response to Finding #7:

We disagree with this finding. Our agency does not experience a significant number of audit adjustments.

Finding #8:

Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response to Finding #8:

We disagree with this finding. Our agency does provide adequate oversight to ensure that audit findings are documented, communicated and resolved in a prompt manner.

Finding #9:

A recurring finding by the independent auditors with respect to school districts related to the need for improved controls over "Associated Student Body Funds" – the various student clubs and organizations for which the districts have financial oversight and accounting responsibility. The improved control recommendations involved controls over cash receipts, timely accounting and reconciliation of funds held by the organizations and controls over disbursements. Continued and significant problems in this area could result in both losses and negative publicity (reputational risk).

Response to Finding #9:

We agree with this finding. However, the nature of "Associated Student Body Funds" makes it economically impractical to provide the level of training and controls necessary to prevent every possible breakdown in cash receipts, timely accounting and other controls. Our agency takes every reasonable step to train and manage these funds.

RECOMMENDATIONS

Recommendation #1:

Financial management of the County, all cities, all school districts and all special districts remedy within 12 months of the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

The recommendation has been implemented based on existing procedures in effect under current state law.

The California State Controller's Office (SCO) issues an audit guide each year that School Districts and County Offices of Education (LEA's) auditors are required to follow in the preparation of the audit report. The auditors are required to code all findings to allow the California Department of Education (CDE) and Contra Costa County Office for Education (CCCOE) to properly evaluate and resolve audit findings.

The audit guide requires the LEA to provide a corrective action plan for each audit finding. In January, the CCCOE staff begins reviewing the audit exceptions in the audit reports to determine whether the LEA's response to the audit exception in the audit report represents a sufficient corrective action plan. If the CCCOE staff determines that the response from the LEA in the audit report is not adequate, they should notify the LEA in January/February. Not later than May 15, the CCCOE must notify the CDE and the SCO that the county staff have reviewed the audits, reviewed the audit exceptions, and that all exceptions have been corrected or the LEA has submitted an acceptable plan.

Recommendation #2:

County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

The recommendation has been implemented. Current state law required that all audit findings be reviewed and corrected no later than May 15th of each fiscal year. Audit findings and corrective actions must be reported to board of education members, the CCCOE, the SCO and the CDE. Therefore, there is no need to add additional performance or other reporting mechanisms to ensure that individuals are held accountable for promptly remedying deficiencies in audit reports.

Recommendation #3e:

The County Organizations improve direct financial oversight and assessment of the control environment including:

- e. The Superintendent of the County Office of Education continue to provide oversight over governing boards of school districts and continue to use the power of this office to compel remediation of Internal Control deficiencies.

Response to Recommendation #3e:

The recommendation has been implemented based on procedures in effect under current state law. We currently are required under state law to report all audit findings and corrective to the School Board of Education, the CCCOE, the SCO and the CDE.

Sincerely,



Joseph A. Ovick, Ed.D.
County Superintendent of Schools

JAO:tf



Lou Ann Texeira
Executive Officer

MEMBERS

Donald A. Blubaugh
Public Member
Federal Glover
County Member
Michael R. McGill
Special District Member

Don Tatzin
City Member

Dwight Meadows
Special District Member
Mary N. Piepho
County Member
Rob Schroder
City Member

ALTERNATE MEMBERS

Candace Andersen
County Member
Sharon Burke
Public Member
Tom Butt
City Member
George H. Schmidt
Special District Member

July 17, 2013

Marc Hamaji, Foreperson
2012-13 Contra Costa County Civil Grand Jury
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Dear Mr. Hamaji:

On June 6, 2013, the Contra Costa Local Agency Formation Commission (LAFCO) received Grand Jury Report No. 1311, entitled “*Assessing Fiscal Risk: Who is Minding the Store?*”

On July 10, the Commission reviewed the draft response to the Grand Jury, provided input and directed LAFCO staff to submit a response by the September 4th deadline.

We hereby submit the response below, which addresses the findings and recommendations contained in Grand Jury Report No. 1311.

FINDINGS

1. Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors.

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

2. In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied.

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

3. Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information.

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

4. Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

5. Unresolved problems with grants could potentially result in loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in loss of public confidence (reputational risk).

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

6. There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

7. Many of the entities reviewed had communications from the auditors indicating that a significant number of annual audit adjustments were required to financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

8. Based on the entities reviewed, the County Board of Supervisors, the City Councils and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an audit committee, independent of the organization's financial management, which is chartered to provide financial oversight.

Response: *The respondent can neither agree nor disagree with the finding as we do not have the data to reach a conclusion.*

RECOMMENDATIONS

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors.

Response: *The recommendation has been implemented. Although LAFCOs are not required by statute to prepare annual financial audits, LAFCO records show that independent audits have been prepared for Contra Costa LAFCO since 2003-04. Should a LAFCO audit ever identify a Material Weakness, Significant Deficiency and/or other deficiency in Internal Controls as reported by external auditors, Contra Costa LAFCO will take prompt action to remedy the matter.*

It should be noted that LAFCO has no direct authority or responsibility over the financial management activities of local agencies, including the agencies' ability to address material weaknesses, significant deficiencies and other deficiencies in internal controls. Further, LAFCO has no authority over school districts.

2. County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response: *This recommendation has been implemented. The Contra Costa LAFCO Executive Officer's annual performance review, as well as the Commission's annual work program, includes completion of the annual financial audit as an annual goal.*

3. The County organizations improve direct financial oversight and assessment of the control environment including:
 - (f) LAFCO encourage governing boards of special districts to promptly remedy Internal Control deficiencies that are identified.

Response: *The recommendation has been implemented. In conducting Municipal Service Reviews (MSRs), one of the financial documents LAFCO typically reviews is the local agency's financial audit. If LAFCO finds significant issues of concern regarding financial matters, these are identified in the MSR report.*

We appreciate the opportunity to submit these comments.

Sincerely,



Federal Glover
Chair, Contra Costa LAFCO



1331 Concord Avenue
P.O. Box H2O
Concord, CA 94524
(925) 688-8000 FAX (925) 688-8122
www.ccwater.com

July 17, 2013

Directors
Joseph L. Campbell
President

Karl L. Wandry
Vice President

Bette Boatman
Lisa M. Borba
John A. Burgh

Jerry Brown
General Manager

Mr. Marc Hamaji, Foreperson
2012-2013 Contra Costa County Civil Grand Jury
Contra Costa County
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Via: U.S. Postal Service and electronic mail

Dear Mr. Hamaji:

The following is Contra Costa Water District's (CCWD) response to Grand Jury Report #1311 "Assessing Fiscal Risk". The report asserts County Organizations have an obligation to establish and maintain a proper system of fiscal controls (Internal Controls), including financial and physical oversight, in order to safeguard the public assets. CCWD's response addresses report findings 1-8 and report recommendations 1, 2, 3d, and 3g as requested.

Report Finding:

- 1) "Several of the entities reviewed showed Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls each year as reported by the external auditors."

Response: CCWD agrees with this finding. CCWD had no Material Weaknesses or Significant Deficiencies. The auditors did identify an Internal Control area needing improvement during the 2012 audit related to the performance of accrued payroll reconciliations. CCWD now performs these reconciliations on an annual basis as part of its year-end closing procedures for the accounting records prior to audit.

- 2) "In several instances, the Material Weaknesses, Significant Deficiencies and other deficiencies were repeated from one year to the next by the external auditors without being remedied."

Response: CCWD agrees with this finding. CCWD had no repeated instances.

- 3) "Weaknesses in Internal Controls could ultimately result in financial losses, loss of public confidence (reputational risk), inaccurate or faulty financial reporting and decision-making based on incomplete or inaccurate information."

Response: CCWD agrees with this finding. CCWD works hard to maintain strong Internal Controls, and has not experienced any of these negative consequences.

- 4) “Several of the entities reviewed showed issues (including Material Weaknesses/Significant Deficiencies) with respect to compliance with grants which they have been awarded.”

Response: CCWD agrees with this finding. The auditors noted no instances of grant non-compliance for CCWD.

- 5) “Unresolved problems with grants could potentially result in the loss of future grants and required repayment of expended grant funds. Where repayment of grant funds is required, unrelated general fund resources are being used. This can result in a loss of public confidence (reputational risk).”

Response: CCWD agrees with this finding. CCWD has no unresolved problems related to grants.

- 6) “There is a significant difference among County Organizations as to the level of importance placed on the control and grant compliance findings of the outside auditors and need to remedy, on a timely basis, the issues noted.”

Response: CCWD agrees with this finding. CCWD had no grant compliance findings.

- 7) “Many of the entities reviewed had communications from the auditors indicating that a significant number of audit adjustments were required to the financial statements as prepared by the organization. This may suggest that monthly or interim information prepared during the year was incorrect, potentially impacting the budgetary controls and/or information presented to management/governing boards for decision-making or oversight purposes.”

Response: CCWD agrees with this finding. CCWD has received no communication from its auditors regarding a significant number of required audit adjustments to its internally prepared financial statements.

- 8) “Based on the entities reviewed, the County Board of Supervisors, the City Councils, and the governing boards in the case of school districts and special districts, are not providing adequate oversight over the entities that they govern to ensure that Material Weaknesses, Significant Deficiencies and other deficiencies in regard to Internal Controls and outside grant compliance are being remedied in a timely manner. Most County Organizations do not have an Audit Committee, independent of the organization’s financial management, which is carted to provide financial oversight.”

Response: CCWD partially disagrees with this finding. CCWD cannot attest to the adequacy of oversight provided by other County Organizations, however, CCWD has an established Finance Committee consisting of two of its Board members who provide oversight over the District's internal controls and grant compliance. The Finance Committee is independent of the District's financial management. The Finance Committee receives quarterly financial performance reviews, annual grant funding updates, and meets with the auditors to review the annual audit results, including any noted Internal Control and grant compliance issues. The full Board also receives quarterly financial performance reports, and meets with the auditors to review annual audit results. The Finance Committee and Board ensure that any noted issues are addressed in a timely manner.

Report Recommendation:

- 1) "Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies and other deficiencies in Internal Controls reported by the external auditors."

Response: Recommendation implemented. As previously noted, CCWD did not have any Material Weaknesses or Significant Deficiencies noted by its auditors. The Internal Control improvement area noted in 2012 related to the performance of accrued payroll reconciliations has been addressed. These reconciliations are now prepared on an annual basis as part of year-end closing procedures for the accounting records prior to audit.

- 2) "County Organizations maintain or add audit report results to appropriate financial managements' performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider legality of maintaining or adding such performance goals on audit report to financial managements' evaluations."

Response: Recommendation already implemented. CCWD has always had a performance requirement related to external audits included in appropriate financial managements' performance goals, including the Director of Finance, and these performance goals are a component of annual evaluations.

- 3d) "The governing boards of special district's appoint a formal Audit Committee from among their members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied. In instances where the size of the entity precludes an adequate segregation of duties, governing board members need to consider direct involvement in key financial processes."

Response: Recommendation already implemented. CCWD has a long-standing Finance Committee comprised of two members from the Board of Directors that is tasked with

Mr. Marc Hamaji, Foreperson
2012-2013 Contra Costa County Civil Grand Jury
July 19, 2013
Page 4 of 4

reviewing all financial transactions of the District, including the annual audit results. The Finance Committee meets with the auditor on an annual basis to review the audit results, including any Internal Control deficiencies. The auditors also present the audit results and any Internal Control deficiencies directly to the full Board. The combination of the Finance Committee and Board involvement ensures prompt attention and resolution to any Internal Control deficiencies. CCWD is of sufficient size to provide adequate segregation of duties, therefore direct involvement by the Board in key financial processes is not required.

3g) "The Board of Supervisors has the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of the other County Organizations maintain their independence and not report to the financial management but instead to the City Council in the case of cities and the governing boards in the case of the school districts and special districts."

Response: Recommendation will not be implemented. CCWD does not utilize an internal audit function, but instead utilizes external auditors who are independent of financial management and report audit results directly to the Finance Committee and Board of Directors.

Should you have any questions regarding our responses, please contact Brice Bledsoe, Assistant General Manager, Administration. Mr. Bledsoe can be reached by telephone at 925-688-8300 or via e-mail at bbledsoe@ccwater.com

Regards,



Jerry Brown
General Manager

JB/bjb/kc

cc: Brice Bledsoe

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

December 16, 2013

Mr. Marc Hamaji
Grand Jury Foreperson
725 Court Street
Martinez, CA, 94553-0091

Dear Mr. Hamaji,

This letter constitutes the response of the Kensington Police Protection and Community Services District (“KPPCSD” or “the District”) to the Grand Jury Report No. 1311, “Assessing Fiscal Risk” (“the Report”) filed by the Grand Jury on June 3, 2013. The Report sets forth findings and recommendations related to the District and this response addresses each in turn.

FINDINGS/DISTRICT RESPONSE

Finding 1

“Kensington Police Protection and Community Services District”

“In 2010, the independent auditor identified as an internal control weakness the issue of unsubstantiated credit card purchases. Subsequently, there were allegations of improper credit-card spending. The District had to incur approximately \$25,000 in costs related to an additional independent, forensic audit of the spending allegations as a result of the lack of functioning of internal controls.”

Per Section 933.05(a) of the California Government Code, **we the respondent disagrees with the finding.**

Relevant Facts

The District’s financial records and practices for Fiscal Year 2010 were reviewed as part of its annual audit. The auditor did not find a deficiency with respect to the District’s financial practices or that the District failed to have proper internal controls related to its financial activities. In Section IX of the auditor’s report, Current Year Recommendations, the auditor commented:

“Based on the fieldwork performed for the 2010 audit, I found several instances of the tested credit card charges not having credit receipts or proof of purchase attached to the credit card statements. *In my opinion, these credit card charges*

“Based on the fieldwork performed for the 2010 audit, I found several instances of the tested credit card charges not having credit receipts or proof of purchase attached to the credit card statements. ***In my opinion, these credit card charges missing receipts are immaterial since they were all pertaining to training and small office/field supplies.*** However, it is always good practice to have all receipts or expense reports attached to the statements at all times. Recommend to institute more thorough review procedures for processing credit card payments to ensure all purchases and reimbursement reports are reconciled and have sufficient supporting documents before payments are made.” [emphasis added]

With respect to costs incurred by the District related to credit card accounting, two of the District directors alleged, for political reasons, a concern over credit card charges. The District conducted an investigation of the allegations. As part of the investigation, the Board directed a forensic audit of the credit card charges. In an e-mail that I sent to Mr. Webber in response to his request for the amount that has been incurred in accounting fees and legal fees related to responding to the credit card allegations, I wrote, “As far as legal fees associated with the credit card investigation, Hemming Morse was paid \$10,000 and Hanson Bridgett was paid \$14,742 in legal fees associated with that investigation.”

Hemming Morse was paid to conduct the forensic audit that was requested by our Board of Directors in response to the politically motivated allegations made by two sitting directors. The \$14,742 in legal fees associated with that investigation were related to the possible violations of District employee’s employment rights as a result of the politically motivated allegations made by the two directors.

District Response

Pursuant to Section 933.05(a) of the California Penal Code, KPPCSD disagrees with the foregoing finding.

The District’s audit report does not include any adverse findings regarding credit card charges and does not cite a failure/lack of internal controls or “internal control weakness of unsubstantiated credit card purchases.” This statement is an opinion made by the grand jury’s report writer that is contrary to and not supported by any evidence.

The report’s comments that, “The District had to incur approximately \$25,000 in costs related to an additional independent, forensic audit of the spending allegations as a result of the lack of functioning of internal controls” is similarly factually inaccurate and without evidentiary basis. Moreover, the statement is a misrepresentation of the information provided to Paul Webber on March 6, 2013. The expenditure in question did not result from a lack of internal control or failure of policy; rather, the expenditures were necessary to respond to a specious allegation, initiated for political purposes, which allegation was ultimately not sustained by the investigation. Consequently, the statement asserting that costs were incurred by the District as a result of the lack of functioning

internal controls is a misrepresentation of fact and opinion which the report has no basis or fact to rely upon.

Finding 2¹

“KPPCSD has not completed a timely audit for either 2011 or 2012 due to the credit card charges allegations and investigations. Due to the inability to produce audited financial statements on a timely basis- there is deemed to be a Material Weakness.”

Per Section 933.05(a) of the California Government Code, **we the respondent disagrees with the finding.**

Relevant Facts

In the Controlled Environment Survey Questionnaire that was completed on November 26, 2012, I provided the following information in regards to the allegation of credit card misuse:

“In July of 2011, KPPCSD Directors Cathie Kosel and Mari Metcalf accused General Manager/Chief of Police Greg Harman of misuse of the District’s credit card, specifically, using the card for personal goods and services. A forensic audit was conducted by Hemming Morse following the accusations and was completed in December 2011 with a finding of no wrongdoing, however, best practices could be improved. This confidential personnel investigation is attached.”

“Following the finding of no wrongdoing by the forensic auditor, KPPCSD Director Cathie Kosel filed a complaint in January 2012 with the Contra Costa District Attorney’s Office. In October 2012, The Contra Costa District Attorney’s Office concluded their investigation with a finding of no criminal complaint.”

On February 4, 2013, at 4:28 PM, I received an e-mail from Paul Webber requesting our finalized 2011 and 2012 audits. My response to him at the time was:

“Please note that our Fiscal Year ending June 30, 2011 audited financial statement has not been completed as of this date due to a District Attorney Office investigation into credit card usage. Our auditor, Steven Chang, has scheduled December 11th and December 12th, 2012, as meeting dates in order to complete the audit.”

“Steven Chang has been retained to complete our Fiscal Year ending June 30, 2012 audit.”

¹ The Grand Jury report lists this issue as a legend note to a chart in the report: “Summary of Material Weaknesses/ Significant Deficiencies.”

Although the District Attorney's investigation into the allegations falsely made by Cathie Kosel was completed in October of 2012, our auditor Steven Chang was unable to complete our 2011 audit until April 30, 2013. The 2012 audit could not be started until the 2011 audit was completed.

However, both the 2011 and 2012 preliminary audit reports were filed within the required time frame with the State Controller's Office. Only the finalized audit reports were delayed as a result of the politically motivated allegations of misuse of the District's credit card. Our preliminary audits were accepted by the State Controller, as were the reasons for the delay in filing the finalized reports.

District Response

Pursuant to Section 933.05(a) of the California Penal Code, KPPCSD disagrees with the foregoing finding.

The Grand Jury's report's finding of, "Due to the inability to produce audited financial statements on a timely basis- there is deemed to be a Material Weakness" is incorrect and contrary to the evidence. Preliminary audits for both 2011 and 2012 were filed and accepted in a timely manner with the State Controller's Office.

RECOMMENDATIONS/RESPONSE

The Grand Jury made recommendations (1, 2, 3d and 3g) as indicated below and the District responds to each in turn.

1. Financial management of the County, all cities, all school districts and all special districts remedy within 12 months the Material Weaknesses, Significant Deficiencies, and other deficiencies in Internal Controls reported by the external auditors.

Response to Recommendation #1:

Per Section 933.05(b) of the California Government Code, **we the respondent indicate that the recommendation will not be implemented because it is not warranted or is not reasonable.**

The District is not required to undertake corrective action regarding this recommendation.

As stated in the response to findings section of this reply, both the 2011 and 2012 preliminary audit reports were filed within the required time frame with the State Controller's Office. Only the finalized audit reports were delayed as a result of the politically motivated allegations of misuse of the District's credit card. Our preliminary audits were accepted by the State Controller, as were the reasons for the delay in filing the finalized reports.

The District's finalized 2011 Fiscal Year audit was completed on April 30, 2013 and filed with the County Auditor's Office.

Our Special Districts Financial Transactions Report was filed with the State Controller's Office on October 9, 2012. Our finalized 2012 audit is currently being completed by Steven Chang of Lamorena & Chang, and is scheduled to be completed in September 2013.

The District is contracting with a new auditor, Fechter & Company, Sacramento, to have its 2013 audit completed by December 2013.

2. County Organizations maintain or add audit report results to appropriate financial management's performance goals to ensure that such individuals are held accountable for promptly remedying deficiencies identified in audit reports, and consider the legality of maintaining or adding such performance goals on audit reports to financial managements' evaluations.

Response to Recommendation #2:

Per Section 933.05(b) of the California Government Code, **we the respondent indicate that the recommendation has been implemented.**

The District's Board of Director establishes performance goals for the General Manager/Chief of Police. The District requires the General Manager/Chief of Police to manage the District's finances and accounting, including conducting an audit of District finances/records according to law and correction of any deficiencies noted within such audit. In addition, a separate goal set for the General Manager/ Chief of Police requires that he/she prepares a Quarterly Internal Audit Report for the KPPCSD Board of Directors.

The process for this Internal Audit Report provides that the KPPCSD District Administrative Assistant is to randomly select two sets of Account Payable documents for each pay period in a quarter, to demonstrate that complete documentation is provided and that proper controls have been used, prior to checks being issued. This quarterly report is reviewed by the General Manager/ Chief of Police and provided to the KPPCSD Board of Directors and is a part of the General Manager/ Chief of Police's evaluation process.

- 3d. Governing boards of special districts appoint a formal Audit Committee from among members and provide direct oversight to district operating and financial management to ensure that Internal Control deficiencies are promptly remedied. In instances where the size of the entity precludes an adequate segregation of duties, governing board members need to consider direct involvement in key financial processes.

Response to Recommendation #3d:

Per Section 933.05(b) of the California Government Code, **we the respondent indicate that the recommendation has been implemented.**

KPPCSD as policy has a Finance Committee as a Standing Committee of the Board of Directors. The Finance Committee is made up of two KPPCSD directors and several members of the community. The Finance Committee is concerned with the financial management of the District, including recommendations on the annual budget and major expenditures, investment policies, long range planning, comments and recommendations regarding the annual audit and our certified public accountant.

3g. The Board of Supervisors have the County internal audit staff report directly to the Board of Supervisors rather than the Auditor Controller. The governing boards of other County Organizations have the internal audit groups of other County Organizations maintain their independence and not report to financial management but instead to the City Council in the case of cities and the governing boards in the case of school districts and special districts.

Response to Recommendation #3g:

Per Section 933.05(b) of the California Government Code, **we the respondent indicate that the recommendation has been implemented.**

The KPPCSD Finance Committee reports directly to the KPPCSD Board of Directors. Neither the General Manager/ Chief of Police nor the District's certified public accountant is a member of the Finance Committee. They serve the Finance Committee in a staff capacity only. Finance Committee reviews of fiscal management go directly to the KPPCSD Board of Directors at a public meeting of the Board.

CONCLUSION

With this response to the Grand Jury Report No. 1311, the District requests that the Grand Jury review and reconsider its findings that the KPPCSD has not completed a timely audit for either 2011 or 2012, and that, due to the inability to produce audited financial statements on a timely basis, there is deemed to be a Material Weakness. The District also requests that the Grand Jury make the appropriate corrections to its report.

I will make myself available for any further questions or documentation that may be needed.

Sincerely,



Gregory E. Harman, General Manager/ Chief of Police