



OFFICE OF THE AUDITOR-CONTROLLER
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FILED

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Superior Court of California
County of Tuolumne

By:  Clerk

September 7, 2012

The Honorable Eric L. DuTemple
Presiding Judge of the Superior Court
41 W. Yaney Street
Sonora, CA 95370

Re: Response to Grand Jury Report - Central Sierra Planning Council

Dear Judge DuTemple:

The following is offered in response to the 2011-12 Grand Jury Report as it pertains to the Central Sierra Planning Council.

Grand Jury Findings

F1 The CSPC suffered from a lack of financial oversight and controls and board members apparently lacked the training or skills to understand the importance of maintaining financial controls.

Response: Agree.

F2 Independent audits of financial records were performed on an annual basis up to 1999 but none thereafter.

Response: Agree. There was one for 2000 but none after could be found.

F3 The Joint Powers Agreement creating the CSPC lacked language under California Code Section 6508.1 that would have provided relief from financial obligations of the CSPC to member entities.

Response: Agree.

- F4 The CSPC resolved to join PERS without an adequate understanding of how future obligations would be funded; i.e. the member entities may end up with significant unfunded obligations or the employees may suffer unfairly.

Response: Agree

Grand Jury Recommendations

- R1 All public entity board members should be required to take a training class on financial record-keeping and financial controls of government entities. Both Carlyn Drivdahl and Deborah Russell have stated that it is their intention to institute such a training program for the County in the near future.

Response: This recommendation has not been implemented, but such training will be made available in FY 2012-3 for Tuolumne County Board members. There is interest from other members of this JPA board to attend but it should be noted that: 1) training will be focused at the decision-maker level versus practitioner level (e.g. understanding financial control systems and comprehension of basic financial reports); and 2) that the Tuolumne County Board of Supervisors can choose to take advantage of this training but can not require other JPA members to do likewise without amending the JPA's thereby making it a requirement. This would require approval by all member agency boards.

- R2 All public entities, including Joint Powers Authorities, should be required to have an audit committee whose purpose is to review financial records to insure financial integrity.

Response: This recommendation will not be implemented due to it being overly restrictive on how each JPA performs its fiduciary duties. Instead of requiring use of an audit committee, the Tuolumne County Board members will request that all financial reports and audits be reviewed by each JPA's full Board and/or through a designated committee (e.g. finance committee, budget committee, audit committee, etc...) as each agency deems appropriate. To require any standardized approach to the review of financial reports and audits would require an amendment to each respective JPA. For Tuolumne County, Annual reports will be given to the Auditor-Controller from the JPA for review.

- R3 All public entities, including Joint Powers Authorities, are required to perform annual audits of financial records by law. Tuolumne County should adopt procedures to ensure that audits are performed at least annually of each public entity, including JPA's, in the County or for which services are provided. A formal presentation to the Board of such entity or JPA should be made and a copy

of the audit report should be filed with the County Clerk & Auditor-Controller for review and comment to the Board of Supervisors.

Response: This recommendation will not be implemented since there are no procedures that the Tuolumne County Board of Supervisors can unilaterally adopt that would require JPAs to complete annual audits. Instead, the Board will pursue approval of an amendment to each JPA that: 1) repeats the legal obligation for completing annual financial audits; 2) sets a specific timeframe for presenting same to the JPA Board; and 3) requires submission of a copy to each participating County's Auditor/Controller.

For Tuolumne County, the Auditor-Controller will request a copy of all JPA's audited financial statements annually. If there are audit findings or concerns that would warrant making a special report to the Tuolumne Board of Supervisors, one will be made.

- R5** All Joint Powers agreements should prohibit PERS participation unless member entities understand the future obligations and can fund future obligations should the Joint Powers entity fail or is dissolved.

Response: While very understandable, this recommendation will not be implemented as stated. Most importantly, Tuolumne County can not unilaterally impose such a requirement. Tuolumne County can request approval of such an amendment to existing JPAs which do not currently participate in PERS and/or choose not to enter into any new JPAs which do not have such a requirement. Secondly, if the Board were to pursue this type of amendment, it would be better to broaden the language to not just address PERS but any potentially costly benefit program (e.g. other forms of defined benefit retirement programs, post retirement medical programs, etc...).

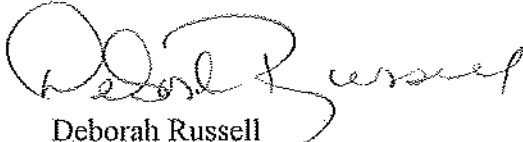
- R6** Consideration should be given to alternatives to PERS, including Individual Retirements Account (IRA), 401k type programs or other programs approved by the federal government, that do not create future obligations in the event of dissolution of the Joint Powers entity. Other programs such as IRA's and 401k's could be in addition to Social Security and Medicare. The County Department of Human Resources should be a resource for investigating the viability of PERS or alternate employee retirement programs

Response: The cost of retirement benefits is an important topic for any public or private organization. However, this recommendation will not be implemented as stated. First, the Tuolumne County Board of Supervisors as one member of a JPA can not unilaterally require such consideration. Second, the Tuolumne County HR department does not currently provide personnel services for most JPAs. It only does so for the Tuolumne County Transportation Council

(TCTC,) Tuolumne County Economic Development Authority (TCEDA) and Tuolumne Public Power Agency (TPPA). Therefore, the Tuolumne County Board of Supervisors will request all JPA boards to give such consideration in conjunction with its labor negotiations. The Tuolumne County HR department is available as a general resource in that process. Those JPAs that use another provider for personnel services would be best served using their current provider to ensure the best, most accurate analysis of alternatives.

Thank you for the opportunity to respond to the above findings and recommendations. Please feel free to contact me should you have any questions regarding same.

Yours truly,

A handwritten signature in cursive script, appearing to read "Deborah Russell". The signature is written in dark ink and is positioned above the printed name.

Deborah Russell
County Clerk & Auditor-Controller