



BOARD OF
SUPERVISORS AGENDA
LETTER

Agenda Number:

Clerk of the Board of
Supervisors 105 E. Anapamu
Street, Suite 407 Santa
Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: September 18, 2018
Placement: Departmental
Estimated Time: 1 hour
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director (s): Mona Miyasato, County Executive Officer

Contact Info: Jeff Frapwell, Assistant County Executive Officer
Richard Morgantini, Fiscal & Policy Analyst

SUBJECT: Response to 2017-2018 Grand Jury Report: Internal Controls in the County of Santa Barbara.

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form N/A

Other Concurrence: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Consider and adopt the responses in Attachment A as the Board of Supervisors' response to the 2017-2018 Grand Jury report entitled "Internal Controls in the County of Santa Barbara", Attachment B; and
- b) Authorize the Chair to sign the letter included in Attachment A and forward the letter and responses to the Presiding Judge of Santa Barbara County Superior Court; and
- c) Determine pursuant to CEQA Guidelines 15378(b)(5) that the above actions are not a project subject to CEQA review, because they are government administrative activities that does not result in direct or indirect physical changes to the environment.

Summary Text:

On June 20, 2018, the Santa Barbara County Grand Jury published a report entitled "Internal Controls in the County of Santa Barbara". Today, the Board will consider the proposed response to the report, adopt their preferred response and authorize the Board Chair to sign the response letter. The Board is required to respond in writing to the Presiding Judge of the Superior Court by September 18, 2018.

Background:

On June 20, 2018, the Santa Barbara County Grand Jury published a report entitled "Internal Controls in the County of Santa Barbara". **The Grand Jury concluded that:** the annual financial audits of the County of Santa Barbara are presented in the Consolidated Annual Financial Reports and in the "single audit" of intergovernmental funds passed through the State of California and the Federal Government. The independent auditors' reports, which are part of the annual CAFR, typically conclude that the County's financial statements, including the single audit reports, present fairly the County's financial position in all material respects in accordance with generally accepted accounting principles.

Despite the clean audit opinions on the finances of the County of Santa Barbara provided over many years by independent auditors, the 2017-18 Santa Barbara County Grand Jury found significant residual risks to the County's finances. These risks were in the areas of promulgating and applying guidelines for financial management, especially those on internal controls, lack of knowledge of financial management among some senior staff, and in the use of an internally developed financial management system that requires departments to write and maintain their own complementary software. The Grand Jury said that many of these failures may have contributed to a \$2 million embezzlement by a County of Santa Barbara employee discovered in 2017.

The Board of Supervisors is named as a responder to Findings 1 through 11 as well as Recommendations 2a, 3a, 3b, 4, 5a, 6, 7, 8, 9a, 9b, 9c, 10, 11a, 11b.

Additional County Departments Required to Respond:

Santa Barbara County Sheriff: Findings 3, 4, 5, 11, and Recommendations 2c, 3c, 5b.

Santa Barbara County Auditor-Controller: Findings 1, 2, 3, 4, 5, 6, 7, 9 and Recommendations 1, 2b, 3c, 5b.

Santa Barbara County Clerk Recorder-Assessor-Registrar of Voter: Findings 3, 4, 5 and Recommendations 2c, 3c, 5b.

Santa Barbara County District Attorney: Findings 3, 4, 5 and Recommendations 2c, 3c, 5b

Santa Barbara County Treasurer-Tax, Collector-Public Administrator: Findings 3, 4, 5, 11 and Recommendations 2c, 3c, 5b.

Fiscal and Facilities Impacts:

Staff anticipates no fiscal or facilities impacts as a result of the Board's action on this matter.

Special Instructions:

1. As per Recommendation b, please forward the original signed letter and responses to the Presiding Judge of Santa Barbara County Superior Court.
2. Please send a copy of the signed letter and a copy of the minute order to Richard Morgantini, Fiscal & Policy Analyst, CEO office.

Attachments:

Attachment A: Board of Supervisors Response

Attachment B: Grand Jury Report

Attachment C: County Departmental Responses

Authored by:

Richard Morgantini, Fiscal & Policy Analyst, County Executive Office