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SUPERIOR COURT

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CLERK OF THE SUPERIOR COURT
COUNTY OF TRINITY
BY: STACI WARNER, DEPUTY CLERK

**TRINITY COUNTY GRAND JURY
2010-2011**

**FINANCE AND ADMINISTRATION COMMITTEE
FAR2010/2011-003**

Trinity County Grant Department Deficit

Approved



John Hamilton, Foreperson Pro-Tem

03/31/2011

**2010-2011 Trinity County Grand Jury
Finance and Administration Committee
Grant Department Deficit Investigation**

Summary

The former County Grant Department (CGD) deficit of approximately \$700,000 may be a financial liability to the County. This could impact budget development and future planning for grants activities. No independent and professional examination to determine the causes and effects of the deficit has been completed. Without the information from such an examination, it is difficult to initiate steps to preclude recurrence of deficits. This also hampers the development of policies and procedures to support County grant activities and creation of an effective grant sourcing, obtaining, and administration function.

Background

On November 2, 2010 the County Administrative Officer (CAO) presented a report to the County Board of Supervisors (BOS) entitled *Grants Deficit Actions*. It stated that on September 29, 2010 the County Auditor and the grants consulting auditor reported that the County Grants Department (CGD) was operating with a deficit of \$460,000. As a result of further analysis, the November report to the BOS indicated that the total deficit was \$568,452. The CAO also reported that the grants consulting auditor contract had been amended to perform additional analysis. This disclosed that there were additional problems with billings that may have resulted in over-billings of \$122,500. This brings the reported potential deficit total to \$690,952. The November report also included comments and recommendations for the future operations of the County grant activities. It did not contain any specific explanations or quantified analysis of the reported deficits.

According to the Grand Jury interviews, this November reporting was the first time that the BOS was made aware of substantially larger deficits in the CGD accounts. The BOS was aware of some deficits in prior years, but were lead to believe they were not unusual and were the results of cash carry-over accounts. Our review of CGD summary reports for fiscal year-end balances prior to the year ended June 30, 2010 verified this understanding by the BOS.

The CAO in his staff report to the BOS reported that he had shut down the CGD, on October 25, 2010, until further examination of the deficit could be assessed. Its activities were assumed by existing County administrative personnel; to the extent they are available.

Method of Investigation

A committee of the Trinity County Grand Jury conducted this investigation. It interviewed County employees, elected officials, and individuals currently and previously involved in County grant activities. Policy and procedure statements, analytical reports, original documents, and relevant source documents were reviewed and examined.

Discussion

Explanations, analysis and quantifications of the reported CGD deficits have not significantly progressed since the November disclosure. This is due to the termination of the contract with the grants consulting auditor, retirement of the County Administrative Officer, and the limited County administrative staff. It should be noted that the current County administrative personnel have been very helpful in the investigation. As of the date of this report, no additional recommendations have been developed and no actions have been taken to determine future grant activities of the County, by county personnel.

The Grand Jury committee conducted numerous interviews and reviews of the provided accounting records relative to the grant activities of CGD. The Committee found inadequate documentation, numerous adjusting and reclassification entries, and lack of segregation of individual grant transactions. As a result, the Grand Jury has been unable to develop sufficient analysis to render an opinion on the causes and effects of the CGD deficit. In summary, the deficit has not been explained to the Grand Jury's satisfaction.

The determination of the causes and effects of the deficits will be a complex task requiring expertise that may not be available within the County administration. Qualified forensic auditors should be able to perform this task in a reasonable amount of time. The current Deputy County Administrative Officer is aware of this need but has limited qualified personnel and funds available to perform the necessary detailed analytical work to clarify the true amount of the deficit, and the areas involved.

Findings/Recommendations

Finding 1:

There is no comprehensive or independent analysis explaining the causes and effects of the reported \$690,952 CGD deficit.

Recommendation 1:

The County should immediately retain forensic accounting resources to determine the amount of the CGD deficit and its causes. This examination should include recommendations for controls and regular reporting, including details of individual grant status, to the Board of Supervisors.

Finding 2:

Because of the lack of any verification of the magnitude of the CGD deficit, the potential impacts on County budgeting and strategic planning are unknown.

Recommendation 2:

Depending on the financial significance of the actual deficit, the Board of Supervisors should immediately determine the impact on future County operations, future grant activities, and related strategic implications.

Finding 3:

With the closing of the County Grants Department and the delegation of its duties to existing County administrative personnel and no current policies, procedures or controls to preclude further deficits, the exposure to additional County liability could continue.

Recommendation 3:

From the information obtained by analysis of causes of the deficits the Board of Supervisors should determine policies, procedures and controls to insure that there is no recurrence of deficit operations in County grant programs.

Responses Required

In accordance with the California Penal Code 933.05, a response is required as indicated below:

<u>Respondent</u>	<u>Findings/Recommendations</u>	<u>Due Date</u>
Acting County Administrative Officer	1, 2, 3	60 days
Board of Supervisors	1, 2, 3	90 days

The governing bodies indicated above should be aware that comment or response of the governing body must be conducted subject to the notice, agenda, and open meeting requirements of the Brown Act.



TRINITY COUNTY
Office of the County Administrator
WENDY G. TYLER

Deputy County Administrative Officer
P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093-1613
PHONE (530) 623-1382 FAX (530) 623-8365

TO: The Honorable James Woodward,
Judge of the Superior Court

FROM: *WGT* Wendy G. Tyler, Deputy County Administrative Officer

SUBJECT: Response to 2010-11 Grand Jury Finance and
Administration Committee Final Report
Re Trinity County Grant Department Deficit
No.: FAR2010-2011-003

*Reviewed
5/22/11
[Signature]*

DATE: May 13, 2011

The Grand Jury Finance and Administration Committee has requested a written response to their final report on the Trinity County Grant Department Deficit. In my capacity as Deputy County Administrative Officer my response is as follows:

Finding #1: *There is no comprehensive or independent analysis explaining the causes and effects of the reported CGD deficit.*

Response: I agree with this finding.

Recommendation #1: *The County should immediately retain forensic accounting resources to determine the amount of the CGD deficit and its causes. This examination should include recommendations for controls and regular reporting, including details of individual grant status, to the Board of Supervisors.*

Response: It should be noted that consulting auditor Craig Goodwin determined the CGD deficit to be \$460,000. This determination did not however identify the causes of the deficit. Someone with appropriate accounting and grant experience would need to be retained in order to facilitate the outcomes desired by the Grand Jury. The implementation of this recommendation would be at the discretion of the Board of Supervisors and dependent upon available funding.

Finding #2: *Because of the lack of any verification of the magnitude of the CGD deficit, the potential impacts on County budgeting and strategic planning are unknown.*

Response: I disagree with this finding. The amount of the deficit has been determined to be \$460,000. While the source of the deficit has not been completely identified, steps have been taken to ensure the deficit does not continue to grow. A plan is being developed to eliminate the deficit, and upon approval of the plan, the County will be able to take into account the deficit's impact on budgeting and strategic planning.

Recommendation #2: *Depending on the financial significance of the actual deficit, the Board of Supervisors should immediately determine the impact on future County operations, future grant activities, and related strategic implications.*

Response: Will be implemented as stated in response above. It is anticipated that the plan will be finalized during fiscal year 2011-12.

Finding #3: *With the closing of the County Grants Department and the delegation of its duties to existing County administrative personnel and no current policies, procedures or controls to preclude further deficits, the exposure to additional County liability could continue.*

Response: I disagree with the finding. Without the completed analysis of what caused the deficit, it is difficult to determine that the County continues to be exposed to further deficits and additional liability. The co-location of grant activities within the administrative offices by and of itself provides for a reduction in overhead costs and allows for more direct supervision of the work taking place.

Recommendation #3: *From the information obtained by analysis of causes of the deficits the Board of Supervisors should determine policies, procedures and controls to insure that there is no recurrence of deficit operations in County grant programs.*

Response: Will be implemented. It is anticipated that the policies, procedures and controls will be finalized and implemented during fiscal year 2011-12.



TRINITY COUNTY

Board of Supervisors
P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093
PHONE (530) 623-1217 FAX (530) 623-8365

REVIEWED
JMW
6/28/11
Received by
B.G. 6/30/11

TO: The Honorable James Woodward,
Judge of the Superior Court

FROM: Trinity County Board of Supervisors *Jim Morris*

SUBJECT: Response to 2010-11 Grand Jury Finance and
Administration Committee Final Report
Re Trinity County Grant Department Deficit
No.: FAR2010-2011-003

DATE: June 21, 2011

The Grand Jury Finance and Administration Committee has requested a written response to their final report on the Trinity County Grant Department Deficit. The Board of Supervisors response is as follows:

Finding #1: *There is no comprehensive or independent analysis explaining the causes and effects of the reported CGD deficit.*

Response: We agree with this finding and it was directed by the County Board of Supervisors to have completed when the deficit came to light in fall of 2010.

Recommendation #1: *The County should immediately retain forensic accounting resources to determine the amount of the CGD deficit and its causes. This examination should include recommendations for controls and regular reporting, including details of individual grant status, to the Board of Supervisors.*

Response: The \$460,000 CGD deficit was first discovered by outside consulting auditor Craig Goodwin but causes were not determined. The remaining amount was brought to attention of then County Administrative Officer Dero Forslund and the Board by grants consultant Susanne Baremore who, although directed to submit a final report to the Board by December 2010, never completed this task. At this time, we are unable to determine the amount over the \$460,000 was conjecture or not. This recommendation requires further analysis and will be dependent upon staffing and available funding during fiscal year 2011-12.

Finding #2: *Because of the lack of any verification of the magnitude of the CGD deficit, the potential impacts on County budgeting and strategic planning are unknown.*

JUDY PFLUEGER
DISTRICT 1

JUDY MORRIS
DISTRICT 2

ROGER JAEGEL
DISTRICT 3

DEBRA CHAPMAN
DISTRICT 4

WENDY OTTO
DISTRICT 5

Response: We partially disagree with this finding. The amount of the deficit has been determined to be \$460,000 by outside auditor Goodwin - the Board of Supervisors took immediate action to layoff the grant department staff in November 2010 to stop any further additional deficit accumulation until more was known. Though the Board was expecting a final report in late 2010 or early 2011, as mentioned in the Grand Jury report regarding the termination of the contract with grants consultant, retirement of CAO and limited administration staff and funds has caused further delay. However, the Deputy CAO is well aware of the need for a final determination, a plan for repayment of the deficit and overall plan for a new grants department as directed by the BOS.

Recommendation #2: *Depending on the financial significance of the actual deficit, the Board of Supervisors should immediately determine the impact on future County operations, future grant activities, and related strategic implications.*

Response: Once a plan is approved implementation is likely in the 2011/12 fiscal year.

Finding #3: *With the closing of the County Grants Department and the delegation of its duties to existing County administrative personnel and no current policies, procedures or controls to preclude further deficits, the exposure to additional County liability could continue.*

Response: We disagree with this finding. Though further analysis is still needed steps have been taken to reduce exposure to additional deficits, including layoff of grants department staff, as noted in response #1. During the winter of 2011, extra help was brought in to help facilitate processing of grants with recipients approved prior to grant department layoffs. In this model, steps were taken to carefully watch any deficit issue by moving the grant activities to the Administration office which will allow for tighter oversight by the Deputy CAO, using extra help (part time personnel) until the county decides next steps for a more full fledged grant department.

Recommendation #3: *From the information obtained by analysis of causes of the deficits the Board of Supervisors should determine policies, procedures and controls to insure that there is no recurrence of deficit operations in County grant programs.*

Response: Once a final analysis is determined and a plan recommended and approved by the BOS, implementation will begin 2011/12 fiscal year.