

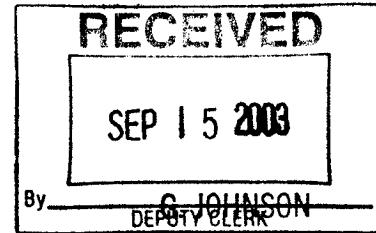
RIO LINDA



ELVERTA

RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

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RIO LINDA, CALIFORNIA 95673
Phone 916-991-1000 Fax 916-991-6616



September 15, 2003

The Honorable Michael T. Garcia
Presiding Judge
Sacramento County Superior Court
720 Ninth Street
Sacramento, CA 95814

Re. Grand Jury Report: *"Recommendations for Improving Public Water Districts' Accountability"*
dated June 30, 2003

Dear Judge Garcia:

In behalf of the Board of Directors of the Rio Linda/Elverta Community Water District and in compliance with Penal Code Section 933.05(c), the following responses to the above referenced report are hereby submitted.

Finding #1. *District directors on the whole do not have financial or accounting backgrounds. They rely on their audit reports to ensure their district's operation is fiscally sound.*

The District agrees with finding #1.

Recommendation #1a. *The district should provide to auditors all district policies and procedures before an audit is performed. Auditors should verify that all disbursements made during the year comply with the district's procedures. The audit should include a random sampling of travel expense reports, including credit card usage.*

The District will implement that portion of this recommendation involving providing its auditor all relevant policies and procedures. The District will not implement the rest of recommendation #1a because adequate internal controls are in place to address this issue, the additional cost to have an auditor verify each transaction will be too costly, these recommendations are inconsistent with normal auditing procedures and the amount of money spent on travel is less than \$7500.00 per year which is not "material" to the District's financial statements.

Directors:

Doug Cater, President
Robert Blanchard, Vice-President
Jerry Wickham
Mary Harris
Mel Griffin

General Manager/Secretary:
David J. Andres

Recommendation #1b. *The Sacramento County Director of Finance should schedule regular, selective reviews of district audit reports for completeness and financial impact on ratepayers, and report any anomalies to the respective water district board of directors.*

The District has no objection to this additional review. This recommendation will not be implemented because the District does not have the legal authority to direct the Sacramento County Director of Finance to review District audits.

Recommendation 1c. *The California State Government Code Section 2609 [sic] should be amended to eliminate Section 2609(f) [sic] providing for audits to be performed less frequently than once a year. The code should require all districts to perform annual audits.*

The District currently has a financial audit performed on an annual basis. Government Code § 26909(f) allows for audits every two or five years with the unanimous approval of governing board of the district and the unanimous approval of the Board of Supervisors. Elimination of this provision may adversely affect small special districts. This recommendation will not be implemented because the District does not have the legal authority to change state law.

Recommendation #1d. *The California State Legislature should enact a statute requiring the state controller to independently verify accuracy and completeness of district audits.*

It is not clear what additional benefit this recommendation will provide the District or its constituents. Auditors currently review district financial records in accordance with generally accepted governmental accounting standards. The audit is then presented at a public meeting. The recommendation will not be implemented because the District does not have the legal authority to change state law.

Recommendation #2. *Auditors should confirm water districts' compliance with IRS rules, that all income is being reported, that boards actively oversee payments to management, and that all financial records are maintained for at least five years.*

This recommendation has not yet been implemented, but will be implemented when the District sends out "Requests for Proposals" for auditing services for the 2003-04 Fiscal Year. That portion of this recommendation regarding maintaining financial records will not be implemented because it is not warranted and not reasonable. Verification by an outside auditor that records are being kept for a five-year period would be expensive and the District has adequate controls in place to deal with this situation. Financial recordkeeping is not the responsibility of the auditor, but rather the General Manager in accordance with District Resolution 2002-09, California Government Code § 60200 – 60203 and California Water Code § 21403.

Recommendation #3. *In an effort to obtain a thorough and professional annual audit, auditors should be changed every three years.*

This recommendation will not be implemented because it is not warranted. In order to conduct a thorough audit the auditing firm must have familiarity with the operations of the District. This can only be achieved through experience reviewing the district's financial operations and records. A three-year period is too short for an auditor to obtain a high-level of familiarity with the District. The District will, however, change auditors at least every five years.

Recommendation #4. *To increase public awareness of district activities and to provide easy access to this information, public water districts should establish and maintain a Web site with links to their audit report, district travel policies and travel expenses.*

This recommendation will not be implemented in respect to travel expenses because it is not warranted. This information is available at the monthly meeting of the Board of Directors. In respect to establishing a link to the annual audit and travel policy the recommendation has not yet been implemented, but will be implemented by March 1, 2004.

Recommendation #5. *Notices of public hearings for rate increases should be clear and concise enabling customers to understand easily the reasons and justifications for such increases.*

This recommendation has been implemented. The District provides written notices in compliance with Government Code § 54354.5, Proposition 218 and other applicable statutes when setting public hearings for rate increases.

Finding #2. *The Grand Jury finds that an electorate, kept unaware by a district that fails to "give light" to its actions, cannot properly evaluate the performance of district personnel. These voters elect boards to oversee the operation of the district. The board in turn hires a general manager to manage the district. It is the close relationship between the board and the general manager that has the potential for misuse of district funds. We find that the use of district credit cards may enable the misuse of district funds; however, it is the culture within the district that permits the abuse. District managers and board members should be aware of what is and what is not proper. Golf at district expense is not proper. Expensive restaurant meals charged to the district is not proper. Increasing the retirement benefits to a level primarily give [sic] to public safety personnel to benefit a retiring general manager is not proper.*

The District agrees with Finding #2.

Recommendation #2a. *These practices should stop immediately.*

The District has implemented this recommendation. At no time have any of the practices that are outlined in Finding #2 been attributed to the District. The District does not assign individual credit cards to Board Members, District expenses for all activities including credit cards and travel reimbursement are reviewed at the monthly meeting of the Board of Directors, golf expenses have never been charged to the District account, meal reimbursements are limited by Board policy (Resolution 2003-05 Director Compensation & Travel Policy) and public safety-level benefits have not been provided to a retiring General Manager. Agencies that allow these activities to take place compromise the public trust that many agencies including this District have worked hard to develop.

Recommendation #2b. *Expenses for reimbursement or charges on district credit cards that exceed California state per diem allowances or that do not fall within permitted district expense policies should be disallowed, published on the district's web site and discussed at the next board meeting.*

The District has implemented this recommendation in respect to disallowing expenses that exceed District policy as contained in "Resolution 2003-05 Director Compensation & Travel Policy". In the event an expense is submitted that exceeds the policy, the claimant must request authorization from the Board of Directors at a public meeting in order to receive reimbursement. This recommendation in respect to posting the expense on the web site will not be implemented because it is not warranted. The current procedures in place are adequate to address this issue.

Finding #3. *Some written practices and policies, which vary from district to district, may be outdated.*

The District agrees with Finding #3.

Recommendation #3. *Each District general manager and board of directors should review and update bi-annually practices and policies.*

The District has implemented this recommendation by annually meeting to establish goals and priorities for the District during the Budget review process and by follow-up during the year. The Board and General Manager regularly review specific programs, policies and procedures during regular meetings of the Board of Directors.

The Grand Jury also finds that several of these water districts are efficiently run by dedicated people who serve the public interest well. However, it is the opinion of the Grand Jury that reform and consolidation of many of these districts would be in order.

The District agrees with this finding because it has a highly qualified and exceptionally dedicated workforce of customer service oriented employees. These employees provide an excellent product to the community at an extremely competitive cost. While it is not clear what is specifically intended by the statement that "reform and consolidation of many of these districts would be in order", the District stands ready to represent the interests of the Rio Linda / Elverta Community on these and other issues as they come forth.

This report and the effort put forth by members of the Grand Jury in compiling this information is greatly appreciated by the Board of Directors and the community.

Sincerely,



Doug Eater

President, Board of Directors



San Juan Unified School District

Superintendent of Schools

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General Davie, Jr., Ed.D., Superintendent of Schools

September 26, 2003

Honorable Michael T. Garcia, Presiding Judge
Sacramento Superior Court
720 Ninth Street, Department 17
Sacramento, CA 95814

RE: Final Report - SRO Program
San Juan Unified School District

Dear Judge Garcia:

As requested in written format to us dated June 25, 2003, this correspondence is to acknowledge our concurrence with the findings and recommendations contained in the above referenced report.

Sincerely,

General Davie, Ed.D.
Superintendent of Schools

c: Mark Norris, Director of Finance
County-Clerk Recorder Division

Michelle Park
Sacramento County Grand Jury

Barry T. Heilman, Foreman
Sacramento County Grand Jury

Diana Halpenny, General Counsel
San Juan Unified School District