

September 1st, 2010

Honorable Steve White, Presiding Judge
720 9th Street, Dept. 47
Sacramento, CA 95814

Re: Response to 2009-2010 Sacramento County Grand Jury
Survey of Independent Special Districts in Sacramento County

Dear Judge White,

On June 18th, 2010, Herald Fire Protection District received a request to respond to certain of the findings and recommendations of the 2009-2010 Sacramento County Grand Jury final report on the Survey of Independent Special Districts.

Enclosed as requested please find HFPD's responses to Findings 1 through 5.

If you require any further information please feel free to contact me.

Sincerely,

Chris L. McGranahan
Fire Chief

cc: Becky Castaneda, Grand Jury Coordinator at castanb@saccourt.com
with responses HFPD Board of Directors

Finding 1.0 ISD directors perform valuable service at minimal cost. However this survey reveals inconsistent behaviors regarding compliance with sound management practice.

Recommendation 1.1 Directors should review their by-laws every four years to assure compliance with applicable laws, ethical practices, and appropriate behavior.

Response:
Herald Fire Protection District (HFPD) is continually updating Policies and Procedures to ensure they are within compliance with applicable laws. “Board Policy #4020 “Ethics Training”.

Recommendation 1.2 Directors should limit compensation to reasonable meeting stipends and necessary costs of professional activities. All ISD boards should ensure that their compensation practice confirm to the principles in Section 5.1 of this report.

Response:
HFPD agrees and has “Board Policy #081992 “Director Compensation”.

Recommendation 1.3 Directors should limit the use of consent calendars according to the principles in section 5.1 of this report.

Response:
HFPD agrees and has “Board Policy #5070 “Rules of Order for Board and Committee Meetings”.

Findings 2.0 Some ISDs grant monetary awards for education and training; many have inadequate evaluation of employees’ degrees and certificates.

Recommendation 2.1 All ISDs should encourage education and training, but should not make direct monetary (cash) awards for educational achievement.

Response:
HFPD agrees and has “District Policy #2160 “Training Reimbursement”.
HFPD encourages staff to participate in educational and training programs.
HFPD does not provide “cash” awards for completing educational and or training programs.

Recommendation 2.2 All ISDs should recognize educational degrees and certificates only if they meet the criteria listed in Section 5.3.1.

Response:
HFPD follows these guidelines.

Findings 3.0 ISD pension awards and Other Post Employment Benefits (OPEB) have increased markedly in the last decade. Some of these awards are unfair and unsustainable.

Recommendation 3.1 All ISDs should adopt pension and OPEB plans that are fair, affordable and sustainable.

Recommendation 3.2 To minimize unfair pension boosting, all ISDs should ensure that calculations of employees' base pension awards are on actual base salary earning over their highest 36 months of earnings and urge CalPERS to promote this standard.

Recommendation 3.3 All ISD pension/OPEB changes should be made only after analysis and full disclosure to all parties of the fiscal ramifications.

Recommendation 3.4 All ISD pension/OPEB benefits should have an employee contribution component.

Response:

HFPD agrees with all above, and is currently in contract with CalPERS. At this time the CalPERS contract is in the process of amendment. HFPD stipulates, however, that it has never boosted the salary of any employee in order to balloon a pension award.

Findings 4.0 The majority of the ISDs surveyed in this study are neglecting their fiduciary responsibility to taxpayers and ratepayers by excessive use of no-bid purchasing.

Recommendation 4.1 Every ISD in Sacramento County should establish and adhere to a goal of minimizing no-bid purchasing. Essentially all purchases except utilities and emergency construction should be by contracts awarded to the lowest responsive responsible bidders.

Response:

HFPD is in the process of adopting a "Bid" policy. However, HFPD is in compliance with California Government Code Section 935.4 which permits the BOD to delegate its authority for the allowance, compromise and settlement of claims to an employee (Fire Chief) provided the claim does not exceed fifty thousand dollars. All purchases are reviewed by the elected Board, and subjected to a bi-annual independent audit. It is the objective of the HFPD to obtain the best value possible when making purchases for goods or services for the District.

Finding 5.0 ISDs have not consistently conducted and reported required Independent Financial Audit Reports and management audits.

Recommendation 5.1 All ISDs must complete and file the required annual Independent Financial Audit.

Response:

HFPD files Annual Report of Financial Transaction with the California State Controller Division of Accounting and Reporting. Government Code section 53891. Sacramento County Auditor Controllers Department processes all claims submitted by HFPD. In addition HFPD conducts a biannual audit in accordance to auditing standard generally accepted in the United States of America, the Minimum Audit Requirements for Special Districts, issued by the State Controller's Office, and Government Auditing Standards, issued by the Comptroller General of the United States.

Recommendation 5.2 All ISDs should commission a thorough periodic management audit. These audits should be completed by multi-disciplinary team qualified to examine a district's management practices. This audit should be done in fiscal year 2011, and every four years thereafter.

Response:

HFPD acknowledges the benefits of a periodic management audit; however the concern with the cost to conduct such an audit. HFPD will further investigate the feasibility of an independent "management audit" that addresses the concerns highlighted in 5.2.3, and deemed through a cost benefit analysis to be worthwhile, will be implemented.