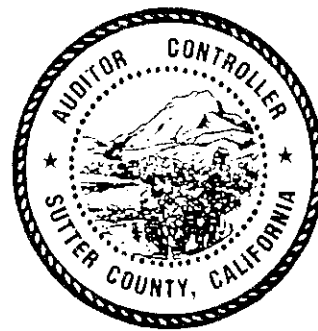


COUNTY OF SUTTER

July 24, 2013



ROBERT E. STARK, CPA

ENDORSED FILED
AUDITOR-CONTROLLER

OCT 10 2013

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SUTTER
CLERK OF THE COURT
By JACKIE LASWELL Deputy

The Honorable Christopher R. Chandler
Presiding Judge of the Superior Court of California
County of Sutter
446 Second Street
Yuba City, California 95991

Dear Judge Chandler:

Submitted herewith is the Auditor-Controller's response to the 2012-2013 Grand Jury Report section on SUTTER COUNTY FINANCIAL PRACTICES. Penal Code §933(c) and §933.05 require elected officers to respond within 60 days to the findings and recommendations of the Grand Jury. This response is submitted directly to you pursuant to Penal Code §933.05.

We commend the individual members of the Grand Jury for their public service.

We share the Grand Jury's concerns in making Sutter County government work better. We are looking forward to working constructively and positively with the Board of Supervisors and the County Administrator's Office to implement improvements with the objective of increasing the County's efficiency and effectiveness.

By law the Auditor-Controller as an elected officer is also required to send a copy of this report to the Sutter County Board of Supervisors, after which they will have another 30 days to write their response. I am complying with that requirement. I trust that this response will likewise be distributed to all recipients of the Grand Jury's report and all recipients of the Board of Supervisor's response.

Sincerely,

Robert E. Stark, CPA
Auditor-Controller

RECEIVED

JUL 26 2013

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SUTTER
TRAFFIC DIVISION

Cc: Information copy to Sutter County Board of Supervisors per Penal Code §933(c)

Sutter County Auditor-Controller's Response to 2012-2013 Grand Jury Report:

SUTTER COUNTY FINANCIAL PRACTICES

This is the response of Auditor-Controller Robert Stark.

Finding F1—"Departments are not following GAAP."

Auditor-Controller's Response to F1—Agree with finding in principle. Compliance with GAAP is not consistent throughout the county and has not been emphasized by management. The non GAAP basis budgeting has been noted in the Auditor-Controller's "budget memo" which is published in the Adopted Budget submitted to the State Controller's office and also published on the county's website. Management has taken no action to correct this deficiency.

Recommendation R1—"All departments should follow GAAP. County departments should utilize the Auditor-Controller's expertise to become more familiar with GAAP."

Auditor-Controller's Response to R1—Agree with recommendation. Following GAAP is required by law for both financial accounting and budgeting.
.....

Finding F2—"The Cash Handling Policy is not being followed consistently."

Auditor Controller's Response to F2—Agree with finding.

Recommendation R2—"All departments should follow the county Cash Handling Policy. Accounting tasks should be divided between employees to provide more checks and balances."

Auditor-Controller's Response to R2—Agree with recommendation. The Cash Handling Policy was adopted in 1985 and updated in 2001. It is posted on the county website.
.....

Finding F3—"CAMS and the QuickBooks accounts are not audited or reconciled on a routine basis."

Auditor-Controller's Response to F3—Agree with finding.

Recommendation R3—"CAMS and the QuickBooks accounts should be audited and reconciled on a regular basis."

Auditor-Controller's Response to R3—Agree with recommendation. Audits of these systems have not been provided for in the budget.
.....

Finding F4—"Labor rates are not consistently calculated using the standard worksheet."

Auditor-Controller's Response to F4—Agree with finding.

Recommendation R4—"Labor rates should be calculated using the standard worksheet."

Auditor-Controller's Response to R4—Agree with recommendation.
.....

Finding F5—"There are no internal audits."

Auditor-Controller's Response to F5—Agree with finding. Except for some management audits which have been contracted there are no internal audits.

Recommendation R5—"The Auditor-Controller's office should be assigned the responsibility of conducting internal audits."

Auditor-Controller Response to R5—Agree with recommendation. To achieve the intended effect, this will require revising the county's internal audit policy to conform to Generally Accepted Government Auditing Standards (GAGAS) and International Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors (IIA) standards).
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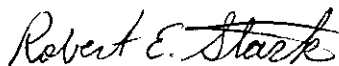
Finding F6—"Almost all accounting position employees outside of the Auditor-Controller's office are not familiar with GAAP."

Auditor-Controller Response to F6—Agree with finding. This also applies to management positions and is the root cause of many budgeting issues that have arisen over the course of many years.

Recommendation [R6]—[No recommendation was presented.]

Auditor-Controller Response to [R6]—None.

Submitted by,



Robert E. Stark, CPA
Auditor-Controller

July 24, 2013