

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: CHIEF EXECUTIVE OFFICE

BOARD AGENDA # B-15

Urgent Routine

AGENDA DATE September 18, 2001

CEO Concurs with Recommendation YES RW NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT: **APPROVAL OF RESPONSE TO THE FINAL REPORT OF THE STANISLAUS
COUNTY CIVIL GRAND JURY 2000 - 2001**

STAFF
RECOMMEN-
DATIONS:

1. ACCEPT THE RESPONSE, WITH ANY MODIFICATIONS MADE AFTER CONSIDERATION BY THE BOARD, AND AUTHORIZE THE CHAIR TO FORWARD IT TO THE PRESIDING JUDGE OF THE SUPERIOR COURT.
2. DIRECT THE CHIEF EXECUTIVE OFFICER TO ENSURE THAT THE RECOMMENDED ACTIONS BE FOLLOWED AND COMPLETED BY EACH COUNTY DEPARTMENT AS APPROPRIATE AND REPORT BACK TO THE BOARD DURING THE MID-YEAR BUDGET EVALUATION.

FISCAL
IMPACT:

There is no direct fiscal impact associated with this response.

BOARD ACTION AS FOLLOWS:

No. 2001-718

On motion of Supervisor Blom , Seconded by Supervisor Caruso
and approved by the following vote,

Ayes: Supervisors: Blom, Simon, Caruso, and Chair Paul

Noes: Supervisors: None

Excused or Absent: Supervisors: Mayfield

Abstaining: Supervisor: None

1) X Approved as recommended

2) Denied

3) Approved as amended

MOTION:

Christine Ferraro

DISCUSSION: This year the Civil Grand Jury Report was received on June 14, 2001. In accordance with California Penal Code Section 933(c), the Board of Supervisors has 90 days to comment to the Presiding Judge of the Superior Court, on the findings and recommendations.

In this year's report the Chief Executive Officer and/or the Board of Supervisors are required to respond to the following items:

Grand Jury Case No. 01-07-GF - regarding the mandate of the Civil Grand Jury, by Section 925 of the California Penal Code to "...investigate and report on operations, accounts and records of the officers, departments and functions of the County".

Response to Recommendations: The County is in general agreement with the findings, with some issues needing further explanation or a difference of opinion that is further explained. While the elected department heads have responded directly to the Presiding Judge as required by State law, we have included their comments in the areas in which they have comments as part of this response. In addition, we make the following comments regarding specific findings and recommendations.

TAX COLLECTOR

The Tax Collector is in agreement with the recommendations made by the Grand Jury. His response has been forwarded to the Presiding Judge of the Superior Court pursuant to law, a copy of which is attached.

CLERK-RECORDER

The Clerk-Recorder generally disagreed with the Grand Jury. Her responses are attached and have previously been sent to the Presiding Judge pursuant to State law.

AUDITOR-CONTROLLER

The Auditor-Controller responded directly to the Presiding Judge of the Superior Court as required by law, but those areas in which there were some additional comments are included here, as part of the overall response. The Auditor-Controller's complete response is attached.

Recommendation Number 3 – Auditor Controller: The external auditor is requested to perform ANNUAL audits of purchase

card/travel authorization transactions for every department in its 2001-2002 contract rather than hire two additional County auditors at a total cost of \$142,608. The cost of the external auditors would be approximately \$82,000 to perform purchase card/travel authorization transactions audits. Hiring an outside auditing firm would prevent a perceived conflict of interest.

Response: The Auditor-Controller does not currently have any internal audit staff, and must take staff from other critical assignments to do limited audit work. An Internal Audit staff would not be limited to the auditing of credit card activity, but would review all internal control issues on a proactive basis. An Internal Audit staff would conduct audits throughout the year as opposed to the limitations of an annual audit period. This permits audit concerns and issues to be addressed on a current basis.

The goal of the internal auditor is to help management function more efficiently and effectively. In doing so, the internal auditor typically plays a vital role in helping management to establish and maintain a comprehensive framework of internal controls. Internal auditors actually function as an integral part of the internal control Framework, serving as a secondary level of control to ensure that a government's control-related policies and procedures remain relevant and operational.

The role of the internal auditor differs substantially from that of the independent auditor of the government's financial statement. Internal auditors work directly for the entities they audit. While a significant degree of independence is required for the internal audit function to be effective, it is not the same degree of independence required of the independent auditor of the financial statements. Also, the primary focus of the independent auditor of the financial statements is on the fair presentation of a particular set of financial statements. The focus of internal auditors often extends to much broader managerial concerns, such as performance auditing.

Recommendation Number 7 –Auditor-Controller: A standardized depreciation schedule for equipment under \$5,000 be established by the Auditor-Controller's Office that ALL departments must follow effective immediately.

Response: Under Generally Accepted Accounting Standards, fixed assets purchased through Governmental Funds, which include the County's General Fund, Special Revenue, and Capital Projects Funds are expensed and are not capitalized. Therefore, a

depreciation schedule for departments accounted for in a Governmental Fund would not be appropriate.

While the Controller of the State of California has issued guidelines which allow for a fixed asset to be \$5,000 or more, the county Auditor-Controller's Office has determined that there is a need for the safeguarding of assets that are less than \$5,000 in value. For this reason, the Auditor-controller's Office requires that any single item having a value of \$1,000 or more be tracked and accounted for in the Fixed Asset module of the county financial system. These items are also included in the biennial fixed asset inventory required by state law.

PURCHASING

Recommendation Number 1- The Board of Supervisors and CEO's office review the current policy of allowing individual departments' purchasing and procurement related functions to coexist while continuing the Purchasing Division's identical role.

Response: Both the Purchasing Division and the various departments have a role in performing procurement related functions. The Purchasing Agent and the Departments work together to continuously improve our practices and processes. A move to totally consolidate purchasing related services under the Purchasing Division or have individual departments provide all of their procurement needs would not be cost effective nor in keeping with the Board of Supervisors' goal of promoting efficient government operations.

Recommendation Number 2 – All departments, if allowed to continue to solicit vendor bids themselves, have an "Approval to Do Business with the County" form, to be created by Purchasing, effective July 2001.

Response: Agree with concept. The Purchasing Division presently uses a Bid List Application Form, which is provided to vendors interested in doing business with the County. Once the application form has been completed and submitted to the Purchasing Division, the vendor is placed on the county's bid list after appropriate review, and approved to do business with the County. The Departments all have access to this list.

Recommendation Number 5 – Central Services provides quality products at a competitive price in a timely fashion or begin the

gradual phase out of Central Services over a two-year period, beginning July 2001.

Response: Agree, Central Services should provide quality products at a competitive price in a timely fashion and in most cases achieves the goal. However, technology, commercial purchasing programs and purchasing services partnerships are constantly changing. Because of this, Central Services is presently participating in a business assessment, which is being conducted by Patrick E. Carroll and Associates, Inc. This assessment will produce operational related recommendations to improve the way the Central Services Division does business and continue to improve its customer service.

MANAGEMENT INFORMATION SERVICES (MIS)

Recommendation Number 2- The Chief Executive Officer, Auditor-Controller and MIS Department consider that employee usage is the most equitable means of charging operational divisions for MIS services and infrastructure.

Response: The current billing model was recently developed with participation by all County departments and was approved by the State Controllers Office.

Recommendation Number 3- The Chief Executive Office immediately share its Strategic Technology Plan with all MIS employees and all department managers since it appears departments are unaware of the Board approved and adopted Strategic Technology Plan, September 2000.

Response: Agree with clarification. The Strategic Technology Plan was shared with both the departments and all MIS employees. This plan is being enhanced and elaborated on at this time with the participation of all county departments and all MIS staff. The final results will be shared with all.

PURCHASE/TRAVEL CARD POLICIES AND PROCEDURES

Recommendation Number 3 – Thirty-five unit managers in Stanislaus County return for safe keeping 654 inactive cards out of the 1510 issued to the Auditor Controller's Office. Only after a written request with justification is signed by the department head and forwarded to the Auditor-Controller will an inactive card be distributed and activated.

Response: Agree. The policy will be reviewed and revised, and the specifics of control will be addressed as part of the revised policy.

Recommendation Number 4 – Any County employee who has had his/her purchase card removed, for whatever reason, not be eligible for merit pay, even though the person may have met the professional objectives outlined in his/her development plan.

Response – We agree that any employee who misuses a County credit card should be appropriately disciplined, there are times when a credit card may be taken away for reasons other than cause that would not support punitive action. These situations need to be reviewed on a case by case basis and the appropriate level of discipline, which could include suspension, demotion or termination (above and beyond the withholding of a merit increase) considered. Because employees are protected by laws and have “due process” rights related to discipline, and termination based on general policy as suggested would be in violation of those legal rights granted by federal and state law.

Recommendation Number 6- Department managers and their designees, who do not adhere to the County’s established Purchase and Travel Card policies for themselves and their employees, shall be considered ineligible for merit pay for that year and have a letter of reprimand placed in their personnel file.

Response: We agree the appropriate level of discipline should be taken against any employee who does not adhere to the established Purchase and Travel Card policy. We would review each situation on a case-by-case basis and pursue the appropriate level of discipline, which could include (above a reprimand) suspension, demotion or termination.

HEALTH SERVICES AGENCY

Recommendation Number 2 – The Agency’s budget for fiscal year 2001-2002 reflect the actual projected \$6,000,000 deficit, as well as required current year expenditures.

Response: Agree, but need to clarify that the Proposed Budget accepted by the Board on June 19th reflected a budget deficit projection of \$4.6 million, not \$6 million. All revenues and expenditures are included in the Proposed Budget. The Final

Budget will in fact reflect a balanced budget that we expect the Agency to adhere to..

Recommendation Number 3 – If the Agency's budget for fiscal year 2001-2002 cannot reflect the actual \$6,000,000 projected deficit, it should be clearly shown in the General Fund ending balance so the Board of Supervisors, County taxpayers, and legislators realize the operational cost of this department in relationship to other needs of County residents.

Response: The level of deficit has been clearly relayed to the public and the Board of Supervisors and we will continue to do so. The Proposed Budget included the \$4.6million deficit, which is a public document. The Final Budget eliminates this deficit and is balanced. The Agency will be presenting a Strategic Action Plan to the Board of Supervisors as part of the Final Budget process, which will provide several options focused on reducing the projected budget deficit, utilizing a variety of funding sources.

Grand Jury Case No. 01-10-C (Originally released as Final Report Part Six on May 30, 2001), regarding a complaint alleging improper conduct by the Stanislaus County Clerk-Recorder, in violation of County Policy, State and Federal Law.

Response to Recommendations: While the Chief Executive Officer is currently overseeing the office while the elected Clerk-Recorder is off on medical leave, the Clerk-Recorder has responded to the recommendations and provided that response directly to the Presiding Judge as required by law (see attached). Additionally, at the direction of the Board, the Auditor-Controller is conducting a thorough audit of the departments' financial activities.

Grand Jury Case No. 01-02-C (Originally released as Final Report Part Eight on June 11, 2001) regarding a written complaint regarding the Stanislaus county Management Information Systems Department. The complaint alleges:

1. County money was spent to send Personal Services Contract Employees for out of County training unrelated to their contract.
2. A manager used County property at a private party in his home.
3. Equipment, such as personal computers, was taken without permission and not returned to the County.

Below is the response to the specific allegations noted above, with the responses to those recommendations that require comment following.

1. County money was spent to send Personal Services Contract Employees for out of County training unrelated to their contract.

Response: Management Information Services has sent Personal Services Contract employees for out of County training as appropriate. The special training was required to support the specific projects and activities that the individuals were working on. This has been a cost saving measure for the County, due to the fact that Personal Services Contractors generally are at a lower cost than the alternative, which would be to hire outside consultants at a much higher cost.

2. A manager used County property at a private party in his home.

Response: The Grand Jury concluded that this allegation could not be substantiated. The County agrees with the Grand Jury findings, that there is no basis of fact to this allegation.

3. Equipment, such as personal computers, was taken without permission and not returned to the County.

Response: Procedures are now in place for the tracking and accountability of equipment. Over the course of the last four years, a digital camera was stolen (in September 2000), a laptop was lost during the emergency response flood of 1997 and a laptop belonging to a consulting firm was stolen (in 1998).

Recommendation Number 3 – The CEO and the MIS Department develop consistent procedures for ordering, receiving and assigning asset numbers and tracking equipment.

Response: Currently the Auditor Controller has the responsibility for setting policy on assets and keeping proper accounting of the assets. The Auditor Controller will be auditing current practices and based on the findings, changes will be made to ensure that consistent procedures are in place. The Auditor-Controller follows

the rules, regulations, and procedures established by the State Controller, Federal Office of Management and Budget, and the Governmental Accounting Standards Board.

Recommendation Number 4 – A uniform tracking system be developed for all departments for items costing in excess of \$250.00.

Response – The Auditor-Controller establishes this policy based on rules, regulations and guidelines from Governmental Accounting Standards, and the State of California Controllers Office.

The investigations conducted by the Civil Grand Jury into issues in the Sheriff's Office and the Clerk-/Recorder have been addressed under separate cover by those elected official, pursuant to Section 914 that requires that the elected officials comment within 60 days to the presiding judge of the Superior Court. While we refer to the responses of the Treasurer/Tax Collector and the Auditor as part of the larger County response to the audit, their specific responses have been sent to the Presiding Judge as well. All the elected official responses are attached for your information.

**POLICY
ISSUE:**

Pursuant to California law, the Board of Supervisors must respond to the Presiding Judge of the Superior Court no later than 90 days after submittal of the Annual Report. Adoption of this response meets this requirement.

**STAFFING
IMPACT:**

There is no staffing impact associated with this report.



OFFICE OF TREASURER / TAX COLLECTOR

Tom Watson
Treasurer / Tax Collector

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Phone: 209.525.6388 Fax: 209.525.7868

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BOARD OF SUPERVISORS

RESPONSE

TO: Honorable William A. Mayhew, Presiding Judge of the Superior Court
→ Honorable Pat Paul, Chair of the Board of Supervisors – District 1
Honorable Thomas W. Mayfield, Supervisor – District 2
Honorable Nick W. Blom, Supervisor – District 3
Honorable Raymond Clark Simon, Supervisor – District 4
Honorable Paul W. Caruso, Supervisor – District 5
Honorable Larry Haugh, Auditor-Controller

FROM: Tom Watson, Treasurer/Tax Collector *Tom Watson*

SUBJECT: Response to the 2000-2001 Stanislaus County Civil Grand Jury Final Report

DATE: June 29, 2001

Recommendation: The Tax Collector's Office should fully automate and complete the computerization of tax delinquencies in coordination and cooperation with the Auditor-Controller's Office and MIS Department by September 2001.

Response:

I heartily agree with the recommendation. This Office has desired to complete the computerization of tax delinquencies for more than a decade. Three attempts through contracting with private entities failed to produce a final workable version prior to 1995. The implementation of CPATS, the County's computerized property tax administration System that integrates the property tax functions of the Assessor, Auditor-Controller and Tax Collector Offices afforded our Office an opportunity to finally computerize the redemption (or tax delinquencies) process.

We were given a completion date by our MIS Department of February 2000 (at a cost of about \$43,000). We were then informed that the completion would be June 2000. In October 2000, the (now retired) Auditor-Controller Byron Bystrom appeared before the Board of Supervisors and received approval for the completion of the system by April 2001 at a cost exceeding \$60,000. The Assessor funded the cost with loan money from the State. In January 2001, MIS staff working on this project assured me that the project was on schedule and would be completed by April 2001. When the subject of completion was brought up in March 2001, I was informed that the project would not be completed in April 2001. In fact, there had not been any design of the system written down and it appeared that we were starting from "square one." I was given every reason as to why the project was not completed including Y2K, lack of computer running time and lack of other resources in MIS. I questioned how the project costs and timeframe provided by MIS and given to the Board of Supervisors in October 2000 could have been developed and was told that these were "gut" estimates done in quite a hurry.

Staff and I from the Treasurer/Tax Collector's Office have been meeting with project staff and managers from MIS on a biweekly basis to receive updates on the progress of the system (except when project staff have been ill). Treasurer/Tax Collector staff have spent numerous hours devoted to helping MIS staff understand the project so that it could be completed. I honestly think that our Office has done its part in moving this project along and we are certainly not dragging our feet or ignoring any needs that MIS has to understand what our needs are.

On June 27, 2001 MIS assured me that this project is on schedule to be completed by September 2001. I do not, however, have any authority to hire, discipline or fire staff from MIS who are working on this project to insure its completion.

I will continue to cooperate and coordinate the completion of this project with MIS and the Auditor-Controller's Office as has been our customary stance and activity. I cannot, however, make any assurances that "my staff" will complete this project, because "my staff" are not programming this project and this project will not be completed until the programming is completed. My staff and I are making every effort to cooperate and coordinate the completion of this project.

I thank the members of the Civil Grand Jury for continuing to help this project along to better our tax collection process in Stanislaus County. I am frustrated that this project is not completed, but hopeful that this September we will see its completion.



OFFICE OF COUNTY CLERK-RECORDER

KARFN MATHEWS
County Clerk-Recorder

Clerk: PO Box 1670, Modesto, Ca. 95353

Phone: 209-525-5250

Recorder: PO Box 1008, Modesto, Ca. 95353

Phone: 209-525-5260

July 3, 2001

The Honorable William A. Mayhew, Presiding Judge
STANISLAUS COUNTY SUPERIOR COURT
1100 I Street
Modesto, California 95354

**RE: RESPONSE TO CIVIL GRAND JURY REPORT
PART VII - STANISLAUS COUNTY/AUDIT**

Your Honor,

The 2000-2001 Civil Grand Jury, as mandated by Section 925 of the California Penal Code, investigated and reported on the County's operations, accounts and records of offices, departments, or functions of the County. This consisted of a review of the prior and current years' accounting practices.

Following is the recommendation for the Elections division of the Clerk-Recorder's Office and the response. It should be noted that the Clerk-Recorder's Office agrees with the recommendation of the Civil Grand Jury.

Recommendation

The County Clerk-Recorder's Office go out to public bid on sample ballots and related voting literature, effective immediately, in order to receive the most competitive bid and stifle any hint of favoritism/cronyism.

Response

The Elections division, in association with the County's Purchasing Division, obtained bids for sample ballot mailing services for the 2000 Presidential General Election. This process resulted in savings of \$5,000.00. It is the intent of the Elections division to continue with the bidding procedure for future elections. The Assistant Registrar of

**Response to Civil Grand Jury Final Report VII
Clerk-Recorder's Office
July 2001**

Voters worked closely with the County Purchasing Agent to formulate a bid that will be beneficial to election administration, and cost savings for the County.

Manufacturing and printing of ballots and sample ballots for the Data Vote System used in Stanislaus County is regulated by the California Secretary of State. Only certified ballot card vendors are to be used in accordance with Title 2, California Code of Regulations, section 20220. The current certified list, obtained February 22, 2001, specifies two (2) printing companies certified to manufacture, finish, and print Data Vote ballot cards. They are:

1. Elections Systems & Software, Addison, Texas
2. Sequoia Pacific Systems, Sacramento, California.

Stanislaus County currently uses Sequoia Pacific Systems for all ballot and sample ballot printing. Although the Elections division is willing to participate in the bidding process for these services, it is questionable whether obtaining services outside of California will be conducive to the timely management of an election.

Respectfully submitted,

Judith A. Ferreira
Interim Manager
Clerk-Recorder's Office



AUDITOR-CONTROLLER

Larry D. Haugh
Auditor - Controller

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July 5, 2001

The Honorable William A. Mayhew, Presiding Judge
Stanislaus County Superior Court
1100 I Street
Modesto, CA 95353

SUBJECT: STANISLAUS COUNTY CIVIL GRAND JURY
2000-2001 FINAL REPORT

This memorandum will serve as the Auditor-Controller's response to the Grand Jury's Final Report for the 2000-2001 year. The Grand Jury should be commended for devoting a significant amount of time interviewing numerous individuals and reviewing thousands of pages of documents. Reporting on matters as complex as those contained in the report is a difficult task.

The Auditor-Controller's Office agrees with some of the findings either in whole or in part. Our responses are in the same order as they appeared in the Grand Jury Report. We have included the Grand Jury's recommendations followed by our response.

Recommendation #1

The Auditor-Controller assign designated accountants to identify and monitor all federal and state grants received by the County.

Response

We agree with the Grand Jury's recommendation. State and local governments frequently receive substantial federal assistance, which is often provided by several different grantor agencies. At one time, state and local governments were subject to the separate audit requirements of each individual grantor. Such multiple audits often resulted in a wasteful duplication of effort, with different audit teams examining and re-examining the same internal control framework. The federal response to remedy this situation was the Single Audit Act of 1984, which was further strengthened by the Single Audit Act amendments of 1996.

As part of the audit process, a schedule of all federal grant funds must be completed and identified. This task is assigned to an Accountant III in the Auditor-Controller's Office. This schedule is used as the basis for the field work performed by the external audit firm to comply with the annual Single Audit.

Like all federal audits, Single Audits must be performed in accordance with Generally Accepted Government Auditing Standards. In addition, Single Audits are subject to the requirements of the Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Circular places special testing and reporting responsibilities on auditors dealing with federal awards.

Approval to apply for state and federal grants must be obtained from the Board of Supervisors. State and federal grant agenda items are routed to the Accountant III referenced above. State and federal funds must be approved through the budget process by the Board of Supervisors. Budgets for these programs are reviewed no less than annually. Budget modifications to state grants must be approved by the Auditor-Controller.

All federal and state grants are tracked on the County's financial system. Monthly reports, including those pertaining to federal and state grants, are created for use by departments. This is in addition to the on-line availability of this information which can be accessed by departments.

Recommendation #2

All County departments, who had significant variances ten percent (10%) or higher between actual and budgeted costs in their 2000-2001 budget, be required to provide written documentation to the Auditor-Controller, Chief Executive Officer, Board of Supervisors and Grand Jury by September 15, 2001 as to why such substantial differences existed.

Response

We agree with the Grand Jury's recommendation. In some cases, budget variances may appear to be excessive and numerous, however, they are projections that are monitored throughout the year. Departments are issued a base budget allocation in preparing their proposed budgets. Changes to this base budget are scrutinized and must be approved by the Board of Supervisors in arriving at the final budget numbers. The final budget may not be increased without approval from the Board of Supervisors, but departments can make internal adjustments as long as they stay within their total budgeted amount. At mid-year and at the third quarter, a formal review of the County's budget position is presented to the Board of Supervisors with recommended adjustments. These adjustments include increases and decreases in appropriations and estimated revenues.

In addition, the complexity of governmental accounting, the effect of differing state and federal government fiscal years in relation to the County fiscal year, and the receipt of funding from these entities in arrears contribute to this issue, all of which are outside of local control.

Monthly operating statements are provided to departments with actual expenditures and revenues to budget numbers. This permits monitoring on an ongoing basis.

Recommendation #3

The external auditor is requested to perform ANNUAL audits of purchase card/travel authorization transactions for every department in its 2001-2002 contract rather than hire two additional County auditors at a total cost of \$142,608. The cost of the external auditors would be approximately \$82,000 to perform purchase card/travel authorization transactions audits. Hiring an outside auditing firm would prevent a perceived conflict of interest.

Response

We disagree with the Grand Jury's recommendation. Due to severe fiscal constraints in the 1992-1993 fiscal year, the Internal Audit staff was eliminated. A contract for limited internal audit work was negotiated with the firm responsible for the County's annual financial audit. In subsequent years the Grand Jury was critical of the Auditor-Controller's Office for eliminating this essential function.

The following excerpts are from the 1993-1994 Grand Jury Report:

"The lack of an effective internal auditing function has been criticized in Advisory comments from the independent auditors for at least the last three years, as well as the Final Reports of the last three Civil Grand Juries. In the face of these criticisms, the internal audit staff has shrunk from 5 people to 1 over a three year period."

"Internal audit functions are typically not missed until there has been a significant loss which could have been prevented if detected early. The loss potential associated with misuse of County monies grows more significant as time goes on without appropriate checks and balances. The prevention of a loss could easily justify the addition of internal audit staff."

The Auditor-Controller's Office does not currently have any internal audit staff, and must take staff from other critical assignments to do limited audit work. An Internal Audit staff would not be limited to the auditing of credit card activity, but would review all internal control issues on a proactive basis. An Internal Audit staff would conduct audits throughout the year as opposed to the limitations of an annual audit period. This permits audit concerns and issues to be addressed on a current basis.

The goal of the internal auditor is to help management function more efficiently and effectively. In doing so, the internal auditor typically plays a vital role in helping management to establish and maintain a comprehensive framework of internal controls. Indeed, internal auditors actually function as an integral part of the internal control framework, serving as a secondary level of control to ensure that a government's control-related policies and procedures remain relevant and operational.

The role of the internal auditor differs substantially from that of the independent auditor of the government's financial statements. Internal auditors work directly for the entities they audit. While a significant degree of independence is required for the internal audit function to be effective, it is not the same degree of independence required of the independent auditor of the financial statements. Also, the primary focus of the independent auditor of the financial statements is on the fair presentation of a particular set of financial statements. The focus of internal auditors often extends to much broader managerial concerns, such as performance auditing.

Recommendation #4

Human Resources personnel determine which employees are of retirement age and calculate retirement cash outs for 2001-2002, so department managers can analyze the fiscal impact on each department's budget.

Response

We agree with the Grand Jury's recommendation. There are many factors that enter into determining the impact of retirements on a department budget in a specific year. The cash out amount is affected by an employee's bargaining unit, whether they are a safety or general member of the retirement system, have prior government service, and whether they have a personal sick leave limit.

While not exact, it is possible to develop a global query that would identify most of those eligible in a department to retire and provide an estimate of the cost. We will make this query available to departments, which they can run themselves. The query will be based on the age of the employee, years of service, employee bargaining unit, and retirement tier.

Another factor is that most employees retire at the end of March. This is due to the 1937 Retirement Act, whereby if an employee retired on April 1 and has met certain criteria, he is eligible for a 3% cost of living increase in his retirement benefit. The final budget is typically approved in September. This precludes a department's ability to accurately forecast an employee's retirement prior to the budget process.

Recommendation #5

Human Resource personnel determine the number of unused vacation days for each department's employees, so department managers can analyze fiscal impact on each department's budget.

Response

We agree with the Grand Jury's recommendation. We currently provide with each biweekly payroll, a report to all County departments reflecting the number of vacation and sick hours accrued by each employee. In addition to this, a separate report is provided to all County departments with each biweekly payroll showing who is near their maximum vacation accrual, total number of hours accrued, and their individual vacation limit.

Recommendation #6

Stanislaus County inventory, track, and place an asset tag on specified electronic equipment costing under \$1,000, since a huge gap exists in this category with the potential of hundreds of thousands of taxpayer dollars unaccounted for by County departments.

Response

We agree with the Grand Jury's recommendation. Currently many departments track, at department head discretion, specific electronic equipment they feel has a great exposure of becoming lost or missing. The County's fixed asset system has the capability to track these items under \$1,000. The Auditor-Controller's Office makes available County property tags.

Recommendation #7

A standardized depreciation schedule for equipment under \$5,000 be established by the Auditor-Controller's Office that ALL departments must follow effective immediately.

Response

We disagree with the Grand Jury's recommendation. Under Generally Accepted Accounting Standards, fixed assets purchased through Governmental Funds, which include the County's General Fund, Special Revenue, and Capital Projects Funds are expensed and are not capitalized. Therefore, a depreciation schedule for departments accounted for in a Governmental Fund would not be appropriate.

The governmental fund balance sheet is the basic statement of position for the governmental funds. Governmental funds focus on current financial resources. Accordingly, only financial assets are properly reported in governmental funds. An asset is considered financial if it satisfies any of the following conditions:

The asset is a form of cash.

The asset will convert to cash in the ordinary course of operations.

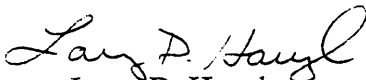
The asset represents inventories (such as materials or supplies) or a prepayment.

Examples of assets that should not be reported in governmental funds because they are not financial in nature include general capital assets and intangible assets used in the government's operations. General capital assets might include land, buildings and improvements, equipment, and infrastructure.

Capitalization and depreciation of fixed assets is required in Proprietary Funds, which include Enterprise and Internal Service Funds. This represents a small part of the fixed assets purchased and held by the County.

While the Controller of the State of California has issued guidelines which allow for a fixed asset to be \$5,000 or more, the County Auditor-Controller's Office has determined that there is a need for the safeguarding of assets that are less than \$5,000 in value. For this reason the Auditor-Controller's Office requires that any single item having a value of \$1,000 or more be tracked and accounted for in the Fixed Asset module of the County financial system. These items are also included in the biennial fixed asset inventory required by state law.

In closing, I would like to give my thanks to the Grand Jury for all of their comments and I look forward to working with them in the future.


Larry D. Haugh
Auditor-Controller

- C: Honorable Pat Paul, Chair, Chair of the Board of Supervisors – District 1
- Honorable Thomas W. Mayfield, Supervisor – District 2
- Honorable Nick W. Blom, Supervisor – District 3
- Honorable Ray Simon, Supervisor – District 4
- Honorable Paul W. Caruso, Supervisor – 5
- Reagan Wilson, Chief Executive Officer



Beverly M. Finley
Managing Director

CHIEF EXECUTIVE OFFICER

830 Scenic Drive, P.O. Box 3271, Modesto, CA 95353

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www.hsahealth.org

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July 6, 2001

To: Reagan Wilson
Chief Executive Officer

From: Beverly M. Finley
Managing Director

Subject: Grand Jury Response – Health Services Agency

The following narrative is written in response to the Grand Jury questions relating to the Health Services Agency.

1. All internal measures of fiscal responsibility are absolutely mandatory to offset the three year negative cumulative balance of \$22,00,000 to include the following:
 - a. Establish a time line for the pharmacy to implement a daily reconciliation work sheet that should include daily cash totals and summary totals by no later than July 2001.

Daily cash reconciliation procedures were put in place Agency wide in October, 2000. The pharmacies included in the implementation of these new procedures. New user friendly deposit sheets were designed to assist all service areas in determining if they were out of balance, and if so, where.

- b. Review its automated and manual billing control procedures to prevent the occurrence of quantity errors.

A review was conducted for all automated and manual billing control procedures. Currently all pharmacy prescriptions are double checked by a pharmacist which is verified against what has been entered into the PDX billing system. The pharmacists actually recount the pills in each filled prescription container.

The Meditech system creates a report which identifies all patients seen in the clinics who have been charged for a quantity greater than one. The lead

clerk in each clinic reviews these charges for accuracy prior to being sent to the billing office.

2. The Agency's budget for fiscal 2001-2002 reflect the actual projected \$6,000,000 deficit, as well as required current year expenditures.

The proposed budget accepted by the Board of Supervisors on June 19th reflects a budget deficit projection of \$4.6 million. All revenues and expenditures are included in the proposed budget.

3. If the Agency's budget for fiscal year 2001-2001 cannot reflect the actual \$6,000,000, projected deficit, it should be clearly shown in the General Fund ending balance so the Board of Supervisors, County taxpayers, and legislators realize the operational cost of this department in relationship to other needs of County residents.

The Chief Executive Office has included the projected \$4.6 million deficit in the 2001/2002 budget report to the Board of Supervisors which is a public document.

4. The Agency develops a new long range plan to demonstrate fiscal effectiveness and accountability so all taxpayers realize the benefit of this department.

The Agency is developing a Strategic Action Plan which will present the Board of Supervisors several options focused on reducing the projected budget deficit. This Plan will be presented to the Chief Executive Office and the Board of Supervisors prior to the presentation of the final 2001-2002 budget on September 11, 2001.

The Agency is presenting to the Board of Supervisors an Annual Report during the month of July that will outline many of the contributions it makes to the welfare and health of county residents.

5. The CEO, Board of Supervisors, and Health Services Agency management continuously work to institute state and federal legislation that assists in providing equitable allocations to offset health care costs in highly impacted counties.

The County is pursuing the restoration of the MediCal room charge reimbursement through AB 963, sponsored by Assemblyman Dennis Cardoza. This bill restores reimbursement for current services as well as seeks reimbursement for prior years' losses amounting to approximately \$5-6 million. This bill has passed out of the Assembly Appropriations Committee and the Senate's Health and Human Services Committee at the time of this writing.

Efforts are being directed toward evaluating the potential to having all clinic sites designated as Federally Qualified Health Center (FQHCs) or as a

FQHC look-a-like for Agency clinics which qualify. An initial proposal will be presented to the Board in the late summer outlining the benefits, requirements and costs of FQHC designation.

As per your memo dated June 26, 2001, requesting information on our credit card policies and procedures, I report the following:

cc: Sr. Managers
Pat Sweeny
John Sims



Stanislaus County

DEPARTMENT OF
MANAGEMENT INFORMATION SERVICES

948 11th Street, St 23
Modesto, California 95354
Phone (209) 558-4477
Fax (209) 558-4483

July 13, 2001

MEMORANDUM

TO: Reagan M. Wilson
Chief Executive Officer

FROM: James W. Ray
Interim Director

SUBJECT: Response to Grand Jury Report - Case # 01-02-C

The Grand Jury Report, Case # 01-02-C was reviewed by this department.
The enclosed document is submitted in response to that report.

Enclosure



Stanislaus County Management Information Services



Response to Grand Jury Case #01-02-C

July 2001



FINDINGS & Response to Findings

1a. The MIS Department hires both independent contractors and personal services contractors.

Concur

1b. The MIS department hires personal services contract staff in place of regular staff.

Nonconcur. MIS hires contractors to augment regular County staff. Personal services contractors are not hired in place of County Staff. They are hired to perform specific projects and activities. They are hired to perform short-term project specific activities which are difficult and are above our normal workload.

1c. Testimony indicated that it is quicker to hire someone on a contract than to go through the process of hiring regular staff.

Nonconcur. The reason for hiring contract staff is not for the shorter hiring process. In addition to the administrative process that is required to bring in contractor staff, they are subjected to the same competitive screening that permanent staff are.

1d. Testimony also indicated that sometimes regular staff cannot be hired because of budget constraints, but money has been set aside to pay for short term contracts. Contract staff can be hired as regular employees at a later date.

Concur with clarification. MIS hired contractors to augment the current staff. For example, in 1999 Y2K generated a great deal of extra workload requiring a large number of temporary staff for a short term period of time. Contract staff can only be hired permanently if they apply through the regular competitive process, consistent with County policy.

1e. Managers testified that they did not keep records of the length of time of a contract and did not know when contracts were supposed to end.

MIS uses a standard County contract, which is approved by County Counsel and CEO staff. A copy of each contract is kept on file with MIS, Payroll, and Human Resources. County Policy dictates that the cost and/or duration must be defined in the contract.



1f. The MIS Department sends personal services contract staff to training at County expense.

Concur with clarification. The MIS department has paid for limited training. Personal services contractors started as low as \$8 per hour and do not have the resources to pay for this additional training. This special training is needed to support the specific projects and activities that the Personal Services Contractors worked on and generally is only for a few days. This has been a very good value for the County. An alternative would have been to hire consultants at \$100 to \$180 per hour.

1g. There is not a written policy that prohibits sending contract staff to training.

Concur

1h. As many as 17 MIS employees attended the same workshop on the same date at a cost of \$185 per person.

Concur with clarification. MIS records indicate that the department sent 12 people to a "Lessons in Leadership" class on Nov 18, 1998. This class was hosted by Stanislaus County at the SOS Club and County staff from all departments were encouraged to attend.

1i. The County Travel Policy states that training expenses are to be reimbursed to personal services contractor employees in the same way as regular employees.

Concur

1j. Testimony and a review of the type of training provided to the MIS Department indicated that staff was receiving training that was not related to their jobs.

Nonconcur. It is the policy of the County to train staff for professional growth, with which MIS has complied. MIS trains in new technology areas where required.

1k. The practice of sending staff or contract employees to training was not uniformly followed throughout the department.

Nonconcur. Training is encouraged in the MIS department for professional and technical skills development.

2. No evidence could be found to support the allegation that the Applications Development Manager used County equipment for a private party at his home.

Concur.



3. During the course of the Civil Grand Jury investigation, other problems with the MIS Department came to light that are related to the original allegations. They are as follows:

- a. Ordering of County equipment and lack of tracking
- b. Misuse of credit cards, also known as purchase cards
- c. Misuse of County equipment by the Applications Development Manager who was running for public office.

All items discussed here are addressed under number 4. See number 4 for responses

4a. Digital cameras, monitors, laptops, and other equipment have mysteriously disappeared from the MIS Department.

Concur with clarification. A digital camera was stolen in September 2000. A laptop was lost during the emergency response of the flood of 1997 and a laptop belonging to a consulting firm was stolen in 1998.

4b. County policy is to assign asset numbers and affix asset tags to items costing more than \$1,000 as a means to track inventory. Without these numbers, inventory cannot be tracked.

Concur

4c. County policy does not have a system for the tracking of items costing less than \$1,000.

Concur

4d. The MIS Department does not put asset tags on any equipment costing under \$1,000.

Concur

4e. The MIS Department started an asset list for items costing less than \$1,000 in October 2000.

Concur with clarification. Purchases under \$1000 were tracked for the purpose of billing accountability.



4f. When the MIS Department Manager orders equipment for other departments, that equipment can be sent directly to the requesting department from the vendor. The requesting department is responsible for assigning asset tags. The MIS Department does not track this equipment.

Concur

4g. The Applications Development Manager loaned computers to the Oakdale High School District without following County policy on the disposal of surplus equipment. He signed his name on the loan document identifying himself as the department head.

Nonconcur. The MIS director at the time authorized the loan of equipment to the Oakdale High School. This was discussed with Purchasing. The Applications Manager signed for the Director, as the Director was out of the office.

4h. The MIS Department loaned computers to various staff, outside entities and contract employees for home use.

Concur. MIS has signed letters for all equipment that has been loaned. Employees and contractors use computers at home to perform authorized work after already having put in a full day. County computer systems are supported 24 hours a day and 7 days a week by MIS staff.

4i. "In accordance with the California Government Code, Public Contract Code, and Stanislaus County Ordinance the Purchasing Agent is authorized to sell, trade, trade-in, lease, exchange, or otherwise dispose of any personal property belonging to the County which is deemed to be surplus and not required for public use by the County which has a value of less than \$1,000 per individual item without prior approval by the Board of Supervisors. The disposal of surplus property may be made without securing bids or advertising.

Concur

4j. For the disposition of County property exceeding \$1,000, the Purchasing Agent must obtain prior approval of the Board of Supervisors. The policy further states that each department shall determine if an item becomes surplus or obsolete and, if so, shall report this to the Purchasing Agent by completing a Turn In of County Property To Surplus Form. The Purchasing Agent then determines the proper disposal of the item.



Concur

4k. There was no evidence that the MIS Department used the Turn In of County Property To Surplus Form during the 1999 or 2000 fiscal years.

Nonconcur. MIS used the salvage process extensively during this period. MIS has used the salvage form and transfer form during this period. MIS files dating back to 1992 can be submitted for verification, including as late as March 2001. Purchasing changed the procedure to use transfer form exclusively during last couple of years.

4l. The MIS Department placed an order for 230 computers for the D.O.V.E. project at a cost in excess of \$300,000.

Concur

4m. These computers were stored at the former women's jail on Oakdale Road and were distributed as needed.

Concur

4n. The MIS Department did not track the computers when they were stored or as they were distributed from the former women's jail on Oakdale Road.

The cross-functional project teams tracked the PC's for the PeopleSoft and Oracle Projects. As the assets were delivered to departments, it was their responsibility to track the asset through the accounting system.

5a. The Stanislaus County Credit Card policy states that credit cards may be used to purchase individual items costing less than \$1,000. The policy also states that employees need to obtain competitive quotes, check with the Purchasing Division for any existing contracts, and identify themselves as County employees to receive government discounts.

Concur

5b. Computer components can be purchased by credit card if the cost of each component is under \$1,000. These components can be used to build a system that is worth considerably more than \$1,000.

Concur



5c. No evidence exists to indicate that competitive quotes were received by the MIS Department prior to credit card purchases.

Nonconcur. MIS consistently shops for the best price and the shortest delivery timeframe. Most credit card purchases of equipment and software, when essential, are to address an immediate need. For example, a server requires additional memory to continue operation. If memory is not purchased immediately, several departments' computer processing could be at risk. The cost of lost productivity is much greater than the cost of \$70 memory.

5d. The MIS Department used County credit cards to purchase hundreds of dollars of computer equipment, books, software, digital cameras and other equipment without getting bids or accessing information available through the Purchasing Division regarding where these items might be purchased cost-effectively.

Nonconcur. Credit card purchases are typically required on the basis of urgency. According to the County's purchasing policy, bids are required on items costing \$25,000 or more, which MIS has complied with. The cheapest possible source for an item is utilized unless there is a delivery issue.

5e. The MIS Department purchased one fully equipped Macintosh IMAC computer for the Applications Development Manager. This is the only Macintosh computer in the MIS Department. County credit card records show that an additional \$8,900 was spent on this Macintosh computer during the time period July 1, 1998 through June 30, 2000.

Nonconcur. Our records indicate that approximately \$2700 was spent on software and hardware for the Mac computers during the last three years. This includes the cost of the PC. MIS purchase general PC and network equipment from MacWarehouse (also known as MicroWarehouse and PCWarehouse) and Macdaddy. This may have caused some confusion. Also, there is one other Mac computer that we support for the CEOs office. Though not the County standard, Non-standard equipment can be purchased when there is a need.

5f. The County received a government discount from two large suppliers of office equipment and supplies; however, the MIS Department used a local downtown vendor to purchase the items cited in Finding e.

Nonconcur. In 1999, the one source, Central Services, for support, was initially very slow. MIS purchased large amounts of supplies on credit card because of time constraints to meet urgent customer needs. The



referenced purchases were made through a discount supplier whose prices were very competitive. MIS also identified themselves as county employees to obtain discounts. Today, MIS uses the two sources for over 95% of our supplies. Local office supply stores are used for emergencies only.

5g. The Applications Development Manager used his purchasing card at SaveMart and Smart and Final to purchase food totaling:

- (1) \$1,581.00 between June 30, 1999 and July 27, 1999.
- (2) \$ 608.00 between August 5, 1999 and August 25, 1999.
- (3) \$ 310.00 between September 23, 1999 and September 27, 1999.
- (4) \$ 709.00 between October 6, 1999 and October 28, 1999.
- (5) \$ 809.00 between November 3, 1999 and November 27, 1999.
- (6) \$1,344.00 between December 3, 1999 and December 31, 1999.

Concur. Food was purchased for numerous County/MIS events including:

- *Staff working OT, Y2K Projects*
- *MIS Quarterly Meetings: mandatory all staff meeting. Approx. 85 MIS plus other dept staff*
- *MIS Forums: approx. 65 at each meeting*
- *MIS Technical Forums: approx. 40 people from all depts.*
- *Stanislaus State Professor and Student Tours (Part of our recruiting program)*
- *CJIS Meetings*
- *Product Enhancement meeting with other depts.*
- *Employment and Panel Lunches*
- *Y2K Dec 31st Emergency Operations*
- *Y2K preparation conferences with representatives from all County Departs and some outside agencies*

5h. Multiple managers within the MIS Department used County credit cards to purchase food products in excess of \$7,000 for staff between July 1, 1999 and June 30, 2000. A review of credit card expenditures for July 1, 1998 through June 30, 1999 and July 1, 2000 through February 28, 2001 indicated similar expenditures. Meeting agendas and employee attendance records could not be found to document the need for these expenses.

Concur with clarification. MIS has retained some agendas and sign-in sheets. MIS was not aware there was a requirement to keep records that included detailed individual names on food/meeting tracking. Charges for food to credit cards were greatly reduced during the period from 7-1-2000 through 2-28-2001.



5i. MIS Department managers' credit card printouts for the fiscal year 1999-2000 indicate that the Technical Services Manager charged in excess of \$25,000 and the Applications Development Manager charged in excess of \$40,000.

Concur

5j. The Applications Development Manager charged in excess of \$53,000 on his purchasing card in 1998-1999.

Concur

5k. The Applications Development Manager had his credit card removed from his possession in the fall 2000.

Concur

5l. Records were reviewed indicating that reconciliation of credit card expenditures is being conducted the Confidential Assistant. These records do not adequately explain what the expenditures were for or who had actually made the expenditures.

Nonconcur. MIS has kept records with notations for purchases, containing a brief description, which may not be readily interpreted by non-technical personnel.

5m. Managers testified that staff can use the managers' credit cards and that they do not monitor what staff purchases.

Nonconcur. Staff used credit cards in the past. This practice has been terminated. Managers did monitor staff purchases via prior approval and receipts.

5n. The Stanislaus County Travel policy indicates that in-county meals are allowable, with department head approval, when incurred in conjunction with a County sanctioned meeting, when oral interview boards contain non-County employees, or for recognized training programs where the employee's attendance is required all day without a full-hour discretionary lunch period and the meal is not claimable through another agency. The maximum meal rates apply.

Concur

6. The Applications Development Manager used County equipment to copy campaign materials for a public office for which he was running.

Concur. The applications manager used a network printer to print materials. He immediately ceased this practice when made aware that this was prohibited and completely reimbursed the County.



7. The Applications Development Manager was given a good evaluation and a raise for the same period in which his credit card was cancelled and he misused County equipment.

Nonconcur. The County Performance Evaluation Criteria clearly states a team approach to rating process. The supervisor's opinion is only one input to the rating process. The former Director of MIS last rated the applications manager. The Interim Director has completed no evaluation at this time. The credit card was canceled later by the Interim Director of MIS.



RECOMMENDATIONS & Response to Recommendations

The Civil Grand Jury recommends that:

1. The MIS Department develop an internal process to track the length and terms of both personal services contracts and independent contractors.

MIS is enhancing a current process to track the length and terms of contractors and will complete this within 30 days.

2. The MIS Department and the office of the CEO establish written policies regarding the training of regular employees and contract employees. The policy should be uniform with regard to who can attend training and what type of training is appropriate.

MIS will comply with the County policy on training employees.

3. The CEO and the MIS Department develop consistent procedures for ordering, receiving and assigning asset numbers and tracking equipment.

Currently, the Auditor Controller has the responsibility for setting policy on assets and tracking.

4. A uniform tracking system be developed for all departments for items costing in excess of \$250.00.

MIS has no authority to set a policy for tracking all items costing more than \$250. Current policy requires the tracking of items costing \$1000 or more.

5. The MIS Department and the office of the CEO develop an adequate system to obtain supplies and computer equipment so that employees do not need to constantly go to local stores to purchase office and computer supplies,

MIS has already implemented this recommendation. Purchases at local office supply stores are limited to rare occasions when there is an essential service at risk.

6. The MIS Department expand the current credit card tracking system to indicate who made the purchases, what was the purpose of the purchases and who approved the expenditures.

Processes will be updated to provide more detail on tracking information for credit card purchases. This will be in place within 30 days.



7. MIS Department review written County policies and procedures regarding surplus equipment and ensure all staff are following these procedures. If the equipment is deemed to be excess, County policy for the liquidation of excess equipment should be followed.

Current policies for dealing with surplus equipment will be reviewed within 30 days to validate compliance.

8. The MIS Applications Development Manager reimburses the County for the use of County equipment to copy campaign material.

The MIS Manager had reimbursed the County for personal use of equipment in September 2000 immediately upon realizing that he had inadvertently printed materials on the County network.

9. The MIS acting department head review evaluation criteria for management staff to ensure that management personnel who do not follow County procedures do not receive good evaluations and raises. Instead, these infractions should be adequately addressed in the evaluation process.

The interim Director will review the rating criteria, which can only count for 40% of the total criteria. Criteria are based upon the Baldrige model.

10. MIS staff be housed in one location. It is difficult for a department head to know what is happening with staff that are located in three different locations in the County.

MIS has been working to be housed in a single location for a number of years. A timeframe cannot be set, as this requires the coordination with other County departments.

- 1. The Board of Supervisors and CEO's office review the current policy of allowing individual departments' purchasing and procurement related functions to coexist while continuing the Purchasing Division's identical role.**

Allowing County departments to perform some procurement related functions makes sound organizational sense, and this arrangement should not be changed. The Purchasing Division makes purchases under \$5,000, while County departments do likewise. However, the Purchasing Division is also responsible for overseeing a host of other procurement functions not performed by individual departments. These responsibilities include the administration of large public works contracts, soliciting and analyzing major bids and RFP's (Request for Proposals), and negotiating property/equipment leases and sale bids used in the processing and disposition of County surplus property. Coupled with these activities, Purchasing staff is constantly interacting with and providing advice to their assigned departments on procurement-related functions. Purchasing staff also participate in a variety of other special County projects, involve themselves on task force teams, and regularly interface with County Counsel on certain legal issues related to contracts and agreements. Purchasing is an excellent resource for departments attempting to access procurement-related information, and provides excellent customer service to facilitate those requests. Therefore, for the reasons noted above, a move to totally consolidate purchasing related services under the Purchasing Division or have individual departments provide all of their procurement needs, would not be cost effective, not in keeping with the Board of Supervisors' goal of promoting efficient government operations.

- 2. All departments, if allowed to continue to solicit vendor bids themselves, have an "Approval to Do Business with the County" form, to be created by Purchasing, effective July 2001.**

The Purchasing Division presently uses a Bid List Application form, which is provided to vendors interested in doing business with the County. Once the application form has been completed and submitted to the Purchasing Division, the vendor is placed on the County's bid list, and approved to do business with the County.

- 3. A county wide vendor list be established and distributed to all departments immediately.**

Based on this recommendation, the County has made available its vendor list electronically to all County departments that have access to the County's Local Area Network System. Those departments that do not have electronic access, have been provided a hard copy of the vendor bid list, and will receive regular updates to this list.

- 4. The Purchasing Division be consulted as a primary source for pricing quotes. Three (3) outside bids should be obtained for purchases of \$500 or more.**

As stated in the response to the first recommendation, the Purchasing Division in providing its customer services is always available and regularly contacted by many departments for consultation related to pricing information and other procurement needs. Furthermore, Purchasing currently administers multiple pricing agreements for common goods and services and departments

are appropriately informed as these agreements are developed. Presently, the Purchasing Agent may purchase personal property without securing competitive bids for individual items costing less than \$5,000, per Section 2.24.060 of the Stanislaus County Ordinance Code. The County's Credit Card Policy also allows for purchases of goods to be handled in the same manner. However, it is expected and the Credit Card Policy encourages employees to obtain competitive quotes, and check with Purchasing for any existing contracts prior to purchase. This method has proved to be operationally efficient, and allows Purchasing staff to concentrate their efforts on many of the high dollar procurements related to major bids and contracts.

5. Central Services provides quality products at a competitive price in a timely fashion or being the gradual phase out of Central Services over a two-year period, being July 2001.

Central Services is presently participating in a business assessment which is being conducted by Patrick E. Carroll and Associates, Inc. This assessment will produce operational-related recommendations to improve the way the Central Services Division does business and addresses its customers' needs.

Specific recommendations from the consultancy firm are expected later this summer.

Somewhat disconcerting to staff is the fact that representatives from the Grand Jury did not speak with us regarding the recommendation noted above. To say the least, your recommendation for possible elimination of Central Services is troubling even though the premise which gave rise to your

recommendation in the first instance, was based on but one area of possible concern. More specifically, your recommendation completely disregards the fact that the work that Central Services addresses is both multi-faceted/functional. While it is true that Central Services does order certain products and supplies, this operation is concurrently involved in overseeing the County's centralized mail, messenger, delivery, and bulk supply (paper and janitorial) services. This division is also responsible for coordinating the County's salvage program, and for taking care of the County's printing needs, which include the printing of materials such as the recently printed Grand Jury report.

Returning to your specific recommendation, you should know that under the direction of the Central Services Division, the vast majority of County departments now purchase basic office supplies at discounted contract rates over the Internet. For those departments not presently connected to the Internet, they will continue to access basic office supplies through the County's Stores, while likewise realizing appropriate savings which are made possible by the Central Services Division. Our goal is to "connect" those few departments not presently tied to Internet, so that they too can have this supplies-related ordering option.

In summary, we appreciate the Grand Jury's recommendation. We are pledged to continue doing everything we can to provide cost effective services to our customers not only in the area of office supplies deliveries, but

in all the other functional areas noted above that are addressed by the Central Services Division.

6. Although not specifically recommended by the Grand Jury, the Purchasing Agent has reviewed credit card use by employees in the Purchasing, Fleet Services, and Central Services divisions. Based on this review, the Purchasing Agent has instituted uniform guidelines and safeguards to assure accountability and compliance with County policies and procedures with respect to credit card use.

Part 5

STANISLAUS COUNTY

Keeping the Peace Since 1854

CHIEF EXECUTIVE OFFICER
2001 JUN 22 A 11:49



**ADMINISTRATION
DIVISION**

SHERIFF'S DEPARTMENT
Les Weidman, Sheriff - Coroner

Richard Breshears, Assistant Sheriff
Zane Clark, Assistant Sheriff

June 12, 2001

THE HONORABLE WILLIAM MAYHEW
PRESIDING JUDGE OF THE
STANISLAUS COUNTY SUPERIOR COURT
PO BOX 3488
MODESTO CA 95353

RE: Response to Civil Grand Jury Final Report Part IV, Sheriff's Dept./ Men's Jail

Dear Judge Mayhew:

The 2000/2001 Civil Grand Jury conducted an investigation of the Stanislaus County Jail medical system in response to a complaint that alleged that an inmate had not been provided needed medical treatment during his incarceration. The Civil Grand Jury found that the medical staff at the County jail had acted appropriately on the information that they had received concerning this inmate and his HMO provider.

The Sheriff agrees with the findings of the Civil Grand Jury.

The Civil Grand Jury did make three recommendations of which they required a response under section 933(c) 933.05 PC.

Recommendation #1

The medical staff of Stanislaus County Jail continue to question inmates regarding their physician and make every effort to obtain any insurance numbers or other information that might shorten the waiting time for medical records from a physicians office.

Response: The Stanislaus County Sheriff and its medical provider California Forensic Medical Group will continue to make the necessary efforts in obtaining health information from the inmates to include any insurance coverage and private physician.

Recommendation #2

The medical staff at the county jail create a reminder system that will alert them when requested information has not been returned in timely manner.

**Response to Civil Grand Jury Final Report Part IV, Sheriff's Department/Men's Jail
Page 2**

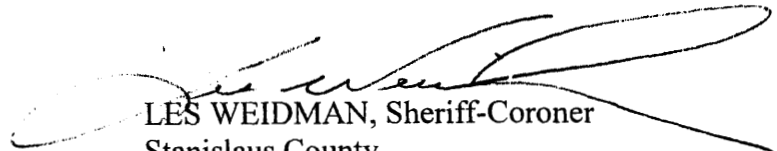
Response: The medical staff of the California Forensic Medical Group already have in place a system that reminds them when they have not received a response from a private medical provider concerning an inmate. It was just this system that alerted the medical staff in this case that they had not received the return telephone call from the physician pursuant to their initial inquiry. The Stanislaus County Sheriff and California Forensic Medical Group will make sure that this practice continues and improvements will be made concerning the timeliness of subsequent requests for medical information.

Recommendation #3

The medical staff at the County jail retain copies of fax transmission logs to validate successful transmissions.

Response: The fax machines used in making the medical requests to outside providers will be reprogrammed, so that a transmission report is generated at the conclusion of each fax.

Very truly yours,



LES WEIDMAN, Sheriff-Coroner
Stanislaus County

LW:RB:vm

Copy to: Sheriff's Administration
Karen Matthews, County Clerk
Reagan M. Wilson, Chief Executive Officer
Pat Paul, Chair, Board of Supervisors
Marnie Ardis, Grand Jury