

DOREEN FARR

Third District, Chair

SALUD CARBAJAL

First District, Vice Chair

JANET WOLF

Second District

JONI GRAY

Fourth District

STEVE LAVAGNINO

Fifth District



BOARD OF SUPERVISORS

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COUNTY OF SANTA BARBARA

August 14, 2012

The Honorable Judge Brian Hill
Presiding Judge of the Santa Barbara County Superior Court
1100 Anacapa Street
Santa Barbara, CA 93101

Re: Board of Supervisors Response to the 2011-12 Grand Jury Report on: Santa Barbara County Grand Jury Report "A Failure of Oversight - Lompoc Housing and Community Development Corporation"

Dear Judge Hill:

Attached is the Board of Supervisors response to the current Grand Jury Report entitled A Failure of Oversight - Lompoc Housing and Community Development Corporation. The Grand Jury requested that the Board of Supervisors respond to Finding 1 and Recommendations 1a, 3a, 4a. The Board thanks the Grand Jury for its efforts at improving County government and commends the efforts of its members.

Sincerely,

Doreen Farr, Chair
Santa Barbara County Board of Supervisors

Cc: Lloyd G. LeCain, Santa Barbara Grand Jury Foreperson FY 2012-3013
Santa Barbara County Board of Supervisors
Chandra Wallar, County Executive Officer
Robert Geis, County Auditor-Controller

**BOARD OF SUPERVISORS RESPONSE
SANTA BARBARA COUNTY 2011-12 GRAND JURY
FINDINGS AND RECOMMENDATIONS**

A Failure of Oversight- Lompoc Housing and Community Development Corporation

RESPONSES FINDINGS AND RECOMMENDATIONS

Finding 1:

Lompoc Housing and Community Development Corporation loan agreements gave Santa Barbara County as the lead entity in the HUD HOME Consortium, authority to require audits and inspect the organization's records.

Agree. Language in the contracts is intended to provide access to the organization's records.

Recommendation 1a:

That the Santa Barbara County Board of Supervisors establish a policy that the Auditor-Controller conduct an annual audit, with time certain deadlines, of all organizations that receive County funds in excess of \$100,000.

This recommendation will not be implemented as written because it is not reasonable as written. The County incurs significant expenditures associated with grants, cost-reimbursement contracts, cooperative agreements, disbursements to non-profits, other governments, service providers for health and mental health services, loan programs, debt service payments, cash assistance, food subsidies, property purchases, information technology contracts, construction contracts, workers compensation, legal services, etc.

The County has a number of mandated audits performed over County departments. Two of the mandated annual audits require an evaluation of the reliability of the County's financial processes and compliance with regulations of Federal programs. Other policies and procedures are also already in place to mitigate weaknesses in disbursement of funds to outside organizations.

Due to the number of contracts and costs involved in performing an audit it is not reasonable to audit each contract greater than \$100,000 on an annual basis. The Auditor-Controller's department is currently staffed to complete its mandated audits and is limitedly able to complete any additional audits. The Auditor-Controller estimates that, to accomplish this recommendation, as written, an additional equivalent of nine to ten full-time auditors would need to be added to the department.

Additionally, the County CEO is developing an internal contract compliance policy committee to improve accountability, efficiency and consistency in contract / grant management businesses processes.

Recommendation 3a:

That the Santa Barbara County Board of Supervisors appropriate the necessary funds to allow the Auditor-Controller to conduct annual audits per Recommendation 1a or, where permissible, require that organizations receiving county-controlled funds in excess of \$100,000 bear the cost of an annual audit.

This recommendation will not be implemented as written because it is not reasonable as written. During this budget shortfall, we will not be able to fund the Auditor-Controller's department to annually audit all organizations that receive County funds in excess of \$100,000. Rather than requiring each entity to bear the cost of an audit, we will request the Auditor-Controller's Internal Audit Division begin preparing annual reports of contract expenditures to the Board.

A Failure of Oversight- Lompoc Housing and Community Development Corporation

RESPONSES FINDINGS AND RECOMMENDATIONS

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We will also request that the Auditor-Controller, to the extent resources are available, use statistical sampling and risk assessment techniques to select a sample of organizations including reviews of departmental compliance efforts to perform an annual review over and report the results to the Board. As the County budget permits and during the normal budget cycle, we will consider the Auditor-Controller's request to add an on-going compliance officer as part of the Auditor-Controller's Internal Audit Division.

Recommendation 4a:

That the County of Santa Barbara withhold all funding from any organization that fails to supply complete records for annual audits or has failed to meet requirements of existing contracts.

This recommendation will not be implemented as written because it is not always reasonable. Withholding of these funds may depend whether it is allowable by the funding source driving the agreement. The County will evaluate future agreements to determine whether the addition of this language is allowable and add it when able.



County of Santa Barbara
BOARD OF SUPERVISORS

Minute Order
August 14, 2012

Present: 5 - Supervisor Carbajal, Supervisor Wolf, Supervisor Farr, Supervisor Gray,
and Supervisor Lavagnino

COUNTY EXECUTIVE OFFICE

File Reference No. 12-00623

RE: HEARING - Consider and adopt responses as the Board of Supervisors Response to the Civil Grand Jury Report entitled "A Failure of Oversight - Lompoc Housing and Community Development Corporation." (EST. TIME: 30 MIN.)

COUNTY EXECUTIVE OFFICER'S RECOMMENDATION: APPROVE

Fourth District Supervisor Joni Gray recused herself and did not participate in this hearing.

Received and filed staff presentation and conducted public hearing.

A motion was made by Supervisor Carbajal, seconded by Supervisor Lavagnino, that this matter be Acted on as follows:

Considered and adopted responses. Approved and authorized the Chair to execute a letter forwarding the responses to the Grand Jury.

The motion carried by the following vote:

Ayes: 4 - Supervisor Carbajal, Supervisor Wolf, Supervisor Farr, and Supervisor Lavagnino
Recused: 1 - Supervisor Gray