



County of El Dorado
OFFICE OF AUDITOR-CONTROLLER

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JOE HARN
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August 31, 2015

El Dorado County Superior Court
Honorable Suzanne N. Kingsbury
Department 3
1354 Johnson Blvd., Suite 2
South Lake Tahoe, CA 96150

RE: Response to Case Number GJ-14-12

Honorable Judge Kingsbury:

Below you will find my response to the above noted Civil Grand Jury Investigation:

Finding 1a.

The Auditor/Controller is ultimately responsible for the Cost Allocation Plan.

Response 1a.

The Auditor-Controller agrees.

Finding 1b.

The Auditor/Controller had full knowledge that the state would disallow reimbursement if the Cost Allocation Plan were not corrected and he had full knowledge of the impact that this loss of reimbursement would have on the county's fiscal situation.

Response 1b.

The Auditor-Controller wholly disagrees. The State Controller's review of the Cost Plan for use in Fiscal 2013-14 was a review of the County's actual costs for Fiscal 2011-12. Included in costs charged to state and federal programs during Fiscal 2011-12 were direct charges for IT Mainframe Services and IT Network Services. These direct charges were prepared by a Senior Departmental Analyst in IT and approved by the Interim IT Director. These direct charges from IT were recorded in the County's accounting records by the Auditor-Controller's Office at the written request of the Interim IT Director. In July 2013, during the State Controller's Cost Plan field review, the Interim IT Director provided no records or working papers to support the IT direct charges that she requested be recorded in the County's accounting records and charged to state and federal programs. In his report, the State Controller states, "Detailed time sheets are not maintained for those (IT) staff that are directly billed to departments. IT Department Management does not understand the purpose of the Countywide Cost Allocation Plan."

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Finding 1c.

As soon as the State Controller raised the specter of this loss of reimbursement, the Auditor/Controller should have convened a work group of appropriate staff to resolve this issue.

Response 1c.

The Auditor-Controller wholly disagrees. The County was informed of the State Controller's conclusion related to the disallowance of IT direct charges in a meeting that was attended by the then Assistant CAO and myself in July 2013.

Finding 2.

The Auditor/Controller willfully refused to prepare a complete Cost Allocation Plan. In doing so he failed to protect the fiscal integrity of the County.

Response 2.

The Auditor-Controller wholly disagrees. I will not repeat much of my previous response related to the Cost Plan Finding, but it is important to note one of the major factors that led to the State Controller's decision to conduct a field review. The County's Health Benefit program was financially mismanaged by the CAO's Office. During the State Controller's customary desk review of our Cost Plan, the State Controller noticed an unusually large equity balance in the County's Health Benefit program. Because of this large equity balance and the then CAO's failure to deal with it for over a year, the State Controller decided to conduct a field review. The State Controller's field review states, "As a result of overbilling, there are pooled funds in the amount of \$5,244,505 that must be returned to the departments, employees and retirees." Because of the then CAO's financial mismanagement of the Health Benefit program, the County lost state and federal revenues. Further, because of the then CAO's financial mismanagement of the County's Workers Compensation and General Liability programs, the County lost state and federal revenues.

Finding 3.

The Auditor/Controller delays or refuses to make payments for reason of personal and political motivation.

Response 3.

The Auditor-Controller wholly disagrees. I would have been happy to provide a more detailed, specific response, but the Civil Grand Jury does not cite one specific example of my failure to make a payment.

Finding 4.

The Board of Supervisors has not ensured the independence of the outside audit of the county's financial statements.

Response 4.

The Auditor-Controller wholly disagrees.

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Finding 5.

The Auditor/Controller willfully fails to comply with Ordinance Code sections 3.16.130 and 3.16.140.

Response 5.

The Auditor-Controller wholly disagrees. In August of 1978, the Board of Supervisors delegated to the Auditor-Controller the authority to allow the payment of claims. This authority previously rested with the Board of Supervisors. It is clear in the action taken in 1978 that the Board intended to in effect overrule or rescind the County's 1958 Claims Ordinance. Since August of 1978, my last three predecessor Auditor-Controllers and I have followed the intent of the Board of Supervisors' 1978 action.

Finding 6.

The Auditor/Controller allows personal relationships to interfere with his management of his staff.

Response 6.

The Auditor-Controller wholly disagrees.

Finding 7.

The Auditor/Controller is guilty of harassment and disrespectful conduct towards employees of both the county and other entities.

Response 7.

The Auditor-Controller wholly disagrees. On May 13, 2014, the Board of Supervisors invited complaints from County employees related to the behavior of any County employee or any County officer. Employees were given 45 days to file their written complaint with a law firm that served as the County's "special master." No complaint related to the County's respectful workplace policy directed at me has ever been substantiated. Not everybody likes me which is okay. To quote Winston Churchill, "You have enemies? Good. That means you've stood up for something, sometime in your life."

If you have any questions, please feel free to contact me at (530) 621-5456.

Sincerely,



**Joe Harn
Auditor-Controller**