

County of San Luis Obispo

Office of the Auditor-Controller

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June 22, 2011

Presiding Judge Charles S. Crandall
Superior Court of California
1050 Monterey Street
San Luis Obispo, CA 93408

Copy: San Luis Obispo County Grand Jury ✓
PO Box 4910
San Luis Obispo, CA 93402

Honorable Judge Crandall:

I have reviewed the report provided by the 2010-2011 SLO County Grand Jury dated May 31, 2011 titled "The South San Luis Obispo County Sanitation District". This is the formal response by the San Luis Obispo County Auditor-Controller as required under Penal Code Section 933.

Finding 14:

The County of San Luis Obispo's Audit Division has the right to audit the accounts and records of the District.

Response:

We agree substantially with this finding. However, there is a small issue that we believe can be dealt with under the circumstances.

Government Code Section 26909 (a) (1) contains the following language:

The county auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided.

We have a report of audit on file for the District's 2009-2010 fiscal year by a certified public accountant. So there is a question whether the county auditor can make his own annual audit for that fiscal year. However, as of this response date there is no audit on file for the District's 2010-2011 fiscal year. Therefore it appears that the county auditor could perform audit procedures as suggested by the Grand Jury for 2010-2011 or a future year.

Recommendation 6:

The County of San Luis Obispo's Audit Division should consider conducting an audit of the District that would include an independent professional assessment of whether the District has the controls in place to mitigate the financial risks inherent in a conflict of interest. (Addresses Findings 5, 9, and 14)

Response:

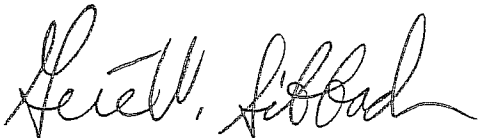
The District has engaged an independent certified public accountant each year to make an audit of its accounts and records. I am also told that the District plans to rotate its principal auditor in accordance with the Grand Jury's recommendation (recommendation #7) for rotation every five years. Therefore, it does not appear cost effective or necessary for the county auditor to also perform a full audit. I would propose an alternative that in my view would better address the Grand Jury's expressed concerns.

I will assign staff from our Audit Division to perform a limited review of internal financial controls at the District, with a specific emphasis on possible conflicts of interest between the District Administrator and District Engineer. I also understand that the District is adopting new contracts for District Administrator and District Engineer. I will ask Audit Division staff to review the new contracts as well and evaluate the controls under the new agreements.

The Auditor-Controller has a very small Audit Division with many critical responsibilities to perform. However, in light of the Grand Jury's interest and the evolving nature of District management, we will attempt to schedule this work within the next 6 months. Our report will be addressed to the District Board of Directors, with copies provided to the Grand Jury and the Board of Supervisors for their information.

Conclusion:

I believe this response and our planned action meets the requirements of law and the spirit of the Grand Jury's report.



Gere W. Sibbach, CPA
SLO County Auditor-Controller

Cc: SLO County Board of Supervisors
James Grant, County Administrative Officer
Board of Directors, South SLO County Sanitation District

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