



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: October 1, 2013

Board Meeting Date: October 8, 2013

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: 2012-13 Grand Jury Response - San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?

RECOMMENDATION:

Approve the Board of Supervisor's response to the 2012-13 Grand Jury report entitled: San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?

BACKGROUND:

On July 18, 2013, the Grand Jury filed a report titled: San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?. The Board of Supervisors is required to submit comments on the findings and recommendations pertaining to the matters under control of the County of San Mateo within ninety days. The County's response to the report is due to Hon. Richard C. Livermore no later than October 16, 2013.

Acceptance of this report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury findings and recommendations are thoroughly reviewed by the appropriate County departments and that, when appropriate, process improvements are made to improve the quality and efficiency of services provided to the public and other agencies.

DISCUSSION:

Findings:

F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response: Not applicable as this is a District, not a County issue.

F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

Response: Not applicable as this is a District, not a County issue.

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response: Not applicable as this is a District, not a County issue.

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response: Not applicable as this is a District, not a County issue.

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response: Not applicable as this is a District, not a County issue.

F6. Trustees and senior District staff should receive monthly financial reports.

Response: Not applicable as this is a District, not a County issue.

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

Response: Not applicable as this is a District, not a County issue.

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

Response: Not applicable as this is a District, not a County issue.

F9. The District would benefit from a redesigned Manager evaluation process.

Response: Not applicable as this is a District, not a County issue.

F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

Response: Not applicable as this is a District, not a County issue.

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

Response: Not applicable as this is a LAFCo issue and LAFCo is an independent of the County. .

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

Response: Assuming that CEHD stands for the County Environmental Health Department, the County cannot comment on the relative cost of District versus County provision of the current District functions without first conducting a detailed analysis.

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

Response: Not applicable as LAFCo is an independent County Commission that sets their own budget and then bills the cities, County and special districts. While the County agrees that additional resources could increase the number of service reviews completed by San Mateo County LAFCo, the County has no jurisdiction over the LAFCo budget.

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

Response: Not applicable as this is directed at cities and not the County.

Recommendations:

The Grand Jury recommends that the County Board of Supervisors do the following:

R8. Provide increased resources to LAFCo so it can meet state mandates with regard to Service Reviews:

Response: LAFCo is an independent County Commission that sets their own budget which is apportioned to the County, cities and special districts based on a state mandated formula. Thus, the County Board of Supervisors has no jurisdiction over the LAFCO budget.

FISCAL IMPACT:

There is no Net County Cost associated with approving this report.