



A Tradition of Stewardship
A Commitment to Service

Auditor-Controller

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Tracy A. Schulze
Auditor-Controller

July 16, 2012

FILED

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Clerk of the Napa Superior Court
By: *[Signature]*
Deputy

The Honorable Diane Price
Presiding Judge
Superior Court of the State of California
County of Napa
825 Brown Street
Napa, CA 94559

RE: 2011-2012 Grand Jury Report
Measure A

Dear Judge Price:

Thank you for your report on Measure A. I truly appreciate the hard work and dedication the members of the 2011-2012 Grand Jury put towards this effort.

In accordance with Section 933(a) of the California Penal Code, please find the attached Auditor-Controller responses as requested to finding 5, and recommendations 7 and 9. If you have any additional questions or need any further information, please do not hesitate to contact me at 707-299-1733.

Sincerely,

Tracy A. Schulze

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Auditor-Controller

Enclosure

Cc: David B. Gilbreth, Foreman 2011-2012 Napa County Grand Jury
Napa County Board of Supervisors
Nancy Watt, Napa County Executive Officer

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Napa Superior Court

**Napa County
Responses to Grand Jury Report
Measure A
Fiscal Year 2011-2012**

Responses to Findings:

Finding #5. The invoices for the fees paid by the City of Calistoga for the Kimball Creek Bypass litigation provided inadequate information to allow the FPWIA to make an informed determination as to whether the billings were reasonable and appropriate.

Response, County Auditor-Controller. The Auditor-Controller disagrees with this finding. The invoices submitted by the City of Calistoga for the Kimball Creek Bypass project followed all required procedures and had all the appropriate and required approvals to allow for payment. Billing records between the City of Calistoga and its attorneys identifying the specific legal tasks performed are subject to the attorney-client privilege, and such specific identifying information is appropriately redacted. The Auditor and Authority are entitled to rely on the representations of the City that the attorney fees were an appropriate reimbursable expense.

Responses to Recommendations:

Recommendation #7. Auditor-Controller prepare an annual audit as per Section 23 of Ordinance in addition to the annual Financial Oversight Committee audit.

Response, County Auditor-Controller. The recommendation will not be implemented because it is not warranted.

Section 9 (A)(2)(b) of the ordinance states the Financial Oversight Committee shall cause an annual audit to be prepared. Section 23 of the ordinance states in addition to that audit, the Napa County Auditor-Controller shall annually conduct an audit of how Measure A revenues are spent by the County of Napa.

Currently, the Auditor-Controller contracts with an independent certified public accounting firm to issue three annual financial audits with regards to the Measure A funds: 1) for the Napa County Flood Protection and Watershed Improvement Authority, which receives the original sales tax collections and allocates the revenues to each jurisdiction (compliance with Section 9(A)(2)(b)), 2) for the County's financials, which includes how the County of Napa spends Measure A funds within the unincorporated areas of the County (compliance with Section 23), and 3) for the Napa County Flood

Control and Water Conservation District, which receives Measure A funds for the Napa City and vicinity project. Each audit involves extensive testing of receipts and claims issued regarding Measure A funds. Bound within each report, there are additional, separate opinions given by the external auditors regarding internal controls over financial reporting and on compliance and other matters in each of the audits. These opinions result from additional testing of both internal controls and compliance regarding the reporting and use of the funds. In addition, the County contracts with The HDL Companies to provide quarterly updates and continuous auditing of the sales tax revenue, ensuring maximum collections and appropriate allocations to the jurisdictions pursuant to Measure A. Furthermore, the Auditor-Controller presents detailed quarterly reports to the Financial Oversight Committee which involves a review of all revenues and expenditures to ensure proper recording and accurate reporting. It is the opinion of the Auditor-Controller that both sections of the ordinance are being complied with, there are adequate checks and balances in place and inserting an additional audit would be an inefficient and unnecessary use of Measure A funds.

Recommendation #9. Financial Oversight Committee receive and examine itemized invoices billed to Measure A projects in addition to the summarized data currently provided it.

Response, County Auditor-Controller. The recommendation has been implemented as all the invoices are a matter of public record and can be viewed at any time. However, to assist the Committee in their role, the Auditor-Controller will make available the invoices paid during the quarter at each quarterly meeting for review by the Committee.