

FILE



RIVERSIDE LAFCO

Hon. Douglas P. Miller  
Presiding Judge of the Superior Court  
4075 Main Street, Suite 310  
Riverside, CA 92501

May 29, 2003

Honorable Judge Miller:

The Commission appreciates the time and effort expended by the Grand Jury in gaining an understanding of the Commission's function and operations. The following is the Commission's response to the Grand Jury recommendations, numbered to correspond to those recommendations.

1. Commission staff has discussed the performance of audits for Riverside LAFCO with the Internal Audits Division of the County Auditor-Controller. Auditor-Controller staff has contacted the Riverside County Purchasing Department in order to issue a Request for Proposals (RFP) for auditing services. The RFP will call for three years of audits, with a two-year option renewal. The initial audit will include fiscal years 2001-02 and 2002-03, the first two years under the current independent budget process prescribed by the Cortese-Knox-Hertzberg Act (CKH).
2. See Response 1.
3. Effective immediately, the Commission will review the prior month's expenditures as part of its monthly agenda.
4. Payment processing through the Auditor-Controller is entirely electronic. No signatures are required as part of the OASIS process. The County financial system does have the ability, however, to require additional electronic authorization to process payments. Internally, invoices are OK'd by the Executive Officer prior to processing.

In conjunction with the development of financial procedures (see Response 5.) the Executive Officer will consult with

the Auditor-Controller regarding a dual manual signature or utilizing electronic authorization control mechanisms available through OASIS.

5. Government Code Section 56300 requires LAFCOs to adopt written policies and procedures to implement CKH. The Commission does have such written policies in place, although they are not currently in a single document. Although CKH does not specifically require administrative policies such as fiscal procedures, development of such written procedures is certainly prudent. Staff has discussed this topic briefly with the Auditor Controller/Internal Audit Division staff. They have tentatively agreed to work with LAFCO staff to develop financial procedures appropriate for the size of our operation.

Respectfully submitted,



Terry Henderson  
Chair



OFFICE OF THE  
COUNTY AUDITOR-CONTROLLER

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Robert E. Byrd, CGFM  
AUDITOR-CONTROLLER

May 13, 2003

Office of the Grand Jury  
P.O. Box 829  
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Subject: 2002-2003 Grand Jury Report, Local Agency Formation Commission

Dear Members of the Grand Jury:

In accordance with Penal Code Section 933 et seq., the following responses are provided to the subject report:

- |                         |  |
|-------------------------|--|
| <b>Finding 1</b>        | Under current code there is no specific guidance addressing responsibilities for the auditing of LAFCO.  |
| <b>Recommendation 1</b> | The Commissioners coordinate with the Riverside County Auditor-Controller to establish procedures for annual/biennial audits with a determination of who initiates these audits.   |
| <b>Response</b>         | Agree with the finding. The Auditor-Controller was contacted by LAFCO for assistance with obtaining audit services. The Auditor-Controller is coordinating the Request for Proposal (RFP) process for an audit of fiscal years 2002 and 2003 and will also assist in the auditor selection process. The Auditor-Controller's assistance with the RFP and auditor selection process will be completed by June 2003. |
| <b>Finding 2</b>        | The Riverside County LAFCO has not been financially audited for 12 years.  |
| <b>Recommendation 2</b> | A financial audit of Riverside County LAFCO be performed immediately.  |
| <b>Response</b>         | Agree with the finding. The Auditor-Controller is coordinating an RFP for an audit of fiscal years 2002 and 2003.  |

The Auditor-Controller's assistance with the RFP and auditor selection will be completed by June 2003.

**Finding 5**

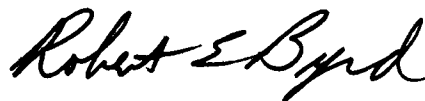
There are no written policies or procedures relating to the operations of LAFCO, as required by California Government Code Section 56300. This code states that the intent of the legislature was for this to be accomplished no later than January 1, 2002.

**Recommendation 5**

Establish a policies and procedures manual, as required by code, with specific written policies, including procedures for proper control of financial issues.

**Response**

Agree with the finding. The Auditor-Controller is assisting LAFCO in the process of writing policies and procedures for the proper control of financial issues. Sections of the Auditor-Controller's Internal Control Handbook applicable to LAFCO's operations will also be provided as a guide for use in establishing and maintaining internal controls. The Auditor-Controller's assistance with the implementation of this recommendation will be completed by August 2003.



ROBERT E. BYRD, CGFM  
Auditor-Controller