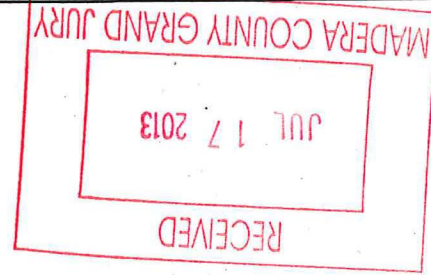




**COUNTY OF MADERA**  
**OFFICE OF THE TREASURER/TAX COLLECTOR**  
**TRACY KENNEDY**  
200 W. 4<sup>th</sup> Street, 2<sup>nd</sup> Floor, Madera, CA 93637  
Telephone: (559) 675-7713 Fax: (559) 673-0262  
e-mail: treasurer@madera-county.com

July 12, 2013

The Honorable D. Lynn Jones  
Superior Court Judge of Madera County  
209 West Yosemite Avenue  
Madera, CA 93637



SUBJECT: Pursuant to Penal Code 933.05 (a) and (b), hereby is presented the Treasurer-Tax Collector response to Grand Jury Report, dated, May 15, 2013.

Responses to Findings and Recommendations are as follows:

FINDINGS:

***Finding 3.a: The Madera County Treasurer-Tax Collector was inaccurately and unfairly blamed for delaying the Single Audit by the CAO and the Auditor Controller.***

**Response:** The Madera County Treasurer-Tax Collector agrees with finding.

The Treasurer Tax Collector was advised by the external audit firm Gallina that the amount of difference in reconciling was immaterial, and should not hold up the Single Audit.

***Finding 3.b: The Madera County Treasurer-Tax Collector maintains the County's cash accounts using a standard system employed by many other counties.***

**Response:** The Madera County Treasurer-Tax Collector agrees with this finding. Further, the recording system of investments used by the Treasurer's office is recognized state-wide as a reliable system for maintaining investment records. This system has been employed in Madera County since 2001.

In addition the Treasurer-Tax Collector is responsible for establishing a primary bank account for the deposit and safekeeping of all funds due the County including the establishment of several sub accounts such as County Schools, Cemetery Districts, Welfare and the Auditor Controller's warrant and county payroll accounts.

***Finding 3.c: The Madera County Treasurer-Tax Collector does not participate as a member of the County finance and administrative team due to the open hostility of the CAO.***

**Response:** The Madera County Treasurer-Tax Collector partially disagrees with this finding.

As the County Wide Elected Treasurer-Tax Collector, it is incumbent upon this office to participate in financial and administrative matters to the degree necessary in order to properly discharge her duties. Furthermore, the County Board of Supervisors, by minute order on September 7, 1993, established the County's Debt Advisory Committee with the responsibilities of evaluating current and proposed debt activity and recommends to the Board any and all risk factors, good or bad.

Moreover, in 2011, the Treasurer-Tax Collector as the Debt Advisory Committee Chairman and in conjunction with other County staff was tasked with drafting a Resolution that would expand the roles and responsibilities of the Debt Advisory Committee to a more comprehensive committee. That proposal was rejected on May 31, 2011 by the CAO, stating the item would be delayed.

In February 2012, the CAO stated that due to their involvement, that the debt advisory committee usage would be limited and minimized.

There was one meeting held after that, in April 2012, and since that time the formal committee has been idle.

Although the formal structure of a committee has not existed for some time, given the opportunity, I have continued to participate with County agencies addressing risk factors or assisting them in documentation or review, when they are proposing County debt such as MD 41, MD 42 and MD 43 or CSA 2A to which I am responsible for budgeting sufficient cash flow for the payment of inherited debt.

***Finding 3.d:*** *The Madera County Treasurer-Tax Collector has not exercised best practices in the cash handling procedures, exposing the office to liability, criticism and suspicion.*

**Response:** The Treasurer-Tax Collector partially disagrees with this finding.

The Treasurer Tax Collector agrees that there is always room for improvement regarding procedures and internal controls and has already made improvements to our current practices. However, experience and institutional knowledge of the various county functions must not be overlooked in the proper management and obligations of the numerous offices involved. That breakdown of communication and lack of California Government Code knowledge has and can, in my opinion, lead to misinterpretations, criticisms and suspicion when, in fact, there is little or no basis for such.

In 2001 the Treasurer-Tax Collector prepared and submitted to the Administrative office a comprehensive Uniform Cash Handling Policy which is still in print and a copy of which exists on the county's website. Last year, at a meeting of the Audit Advisory Committee the Auditor Controller presented a revised policy and to date has not been reviewed, discussed nor has it been implemented.

The Treasurer Tax Collector asserts and maintains, that as the senior member of the County's financial team, perhaps a more efficient and detailed approach when questions

on procedures arise, is to better communicate those concerns so as to circumvent future criticisms.

## **RECOMMENDATIONS RELATED TO THE TREASURER-TAX COLLECTOR DEPARTMENTS**

***Recommendation 1: The BOS meet with CAO to***

- a. Specifically delineate the extent of his authority;***
- b. Reduce the liability exposure of the County by directing the CAO to curtail his aggressive and intimidating management practices;***
- c. Direct the CAO to create an 'open' county management team promoting an exchange of ideas so that all department heads feel free to express their opinion without repercussions.***

**Response: No Comment**

***Recommendation 2: Board members encourage department heads to meet with them independently on important departmental issues allowing for a more direct exchange of information.***

**Response: The Treasurer-Tax Collector, as a department head, agrees with this recommendation.**

***Recommendation 3: The Treasurer-Tax Collector should request that the cash handling procedures be integrated with the County IFAS general ledger system as soon as possible to help alleviate confusion and misinterpretation of cash balancing problems.***

**Response: This recommendation will require further analysis before meaningful changes can or should be made. I don't believe that "cash handling procedures" encompasses all of the procedures relating to what functions are accomplished in the Treasurer's department.**

**While there is a considerable amount of actual cash [[currency and coin]] counting being performed, I believe that the confusion and a lack of information surrounds the reconciliation/balancing process performed by and between the Auditor Controller's office and the Treasurer's office. The lack of understanding of County functions and lack of technical experts who understand the current IFAS (Auditor Accounting Software) system together with the considerable amount of turnover in management auditor controller staff over the last four (4) years, I believe, has resulted in this misinterpretation and confusion.**

**The results and observations of the Hemming Morse Internal Control Audit have been reported. Our responses have been submitted and are attached to this Grand Jury Report for your review. (\*)**

**After reviewing the Hemming Morse Report, the County Treasurer's office has agreed to make additional improvements to current procedures in an effort to strengthen internal controls.**

**Recommendation 4: The BOS meet with the Auditor Controller and the Treasurer-Tax Collector to jointly develop:**

- a) ***A plan to eliminate the problem of cash handling and balancing in the treasurer-tax collector's office***
- b) ***A memorandum of understanding (MOU) stating goals, objectives, schedule of implementation and a commitment of cooperation.***

**Response:** The Treasurer Tax Collector (TTC) agrees that a “workshop type-meeting” with the auditor controller and auditor controller staff would be beneficial in order to outline and explain various county policies, and laws that governs each of our respective elected county offices and, in fact, since the releasing of this Grand Jury report and the Hemming Morse Review the Treasurer Tax Collector’s office has held several meetings with auditor controller staff. These meetings have been productive, but still a work in process. The TTC has implemented several changes in investment documentation as requested by the Auditor Controller, however, continued attendance and continued meetings is paramount to communicating how these changes will affect our daily/weekly/and monthly reconciliation process.

The Treasurer-Tax Collector’s office strives to accommodate the auditor controller’s office in order to assist them in monthly reconciling of the treasurer’s balance and will provide the necessary documentation as requested.

The Treasurer Tax Collector has already made several improvements to internal cash handling practices as it relates to currency and cash counting and strengthening internal controls. Such as creating a Change Request Form to be filled out by the department requesting change so that the change reviewed and counted and creating an audit trail and adhering to a new procedure (recommended by auditor controller) for cashing petty cash checks.

It is the treasurer’s belief and hope that as the county auditor becomes more familiar with county policies, procedures and state laws, that many of her misunderstandings will naturally be resolved. Admittedly she has stated, “I’m new, I don’t understand this stuff”

The Treasurer-Tax Collector routinely develops goals and objectives relative to the operation of both offices (Treasury and Tax). The Treasurer Tax Collector remains very committed to the county and the constituents I serve.

**Recommendation 5: The Auditor Controller expand personal knowledge of County Government organizational and fiscal practices.**

**Response:** Treasurer-Tax Collector agrees.

**Recommendation 6: As best practice, the Treasurer –Tax Collector relinquish all check writing authority to the Auditor Controller.**

**Response:** The T-TC, partially disagrees with this recommendation based on the following explanation:

In an effort to provide clarity and definition to this item, it is necessary to understand both State Government Code and the intent of the law. This finding was the result of an issue brought forward without proper knowledge of County practices, policies and the Government code that addresses it.

The County Treasurer does not issue or initiate auditor warrants, checks or electronic fund transfers for disbursements, without auditor controller authority. What needs to be understood is the difference between disbursements and investments.

*California Government Code Section 27005 States:*

***“The Treasurer shall disburse the county money and all other money placed in his or her custody by official authority only on county warrants, checks, or electronic fund transfers issued by the county auditor, except for the making of legal investments” (emphasis added)***

There is no doubt in my mind there needs to be collaboration to work out a new policy to accommodate future transactions of this type.

**\*\*Please refer to Hemming Morse report responses on this item.**

***Recommendation 7: The Treasurer –Tax Collector actively participate in the finance and administrative management team.***

**Response:** The Treasurer Tax Collector agrees with this recommendation and is a part of the finance and management team, however the level of participation will rely primarily on the subject matter and whether or not I am included in the discussions from the beginning.

***Recommendation 8: The BOS direct the Auditor Controller brief them on details of 2009.....***

**Response:** Not applicable to Treasurer –Tax Collector

***Recommendation 9: The BOS focus its attention of resolving the recurring accounting issues....”***

**Response:** Not applicable to Treasurer-Tax Collector

***Recommendation 10: The BOS, the CAO, the Auditor Controller and the Treasurer-Tax Collector strive to develop an effective working relationship to better serve the taxpayers of Madera County.***

**Response:** The Treasurer-Tax Collector agrees with this recommendation and as an elected official has and always will have the best interest of the County and her constituency at heart.

Despite being characterized a “*non-team player*”, and ‘*At odds with the board of supervisors*’, the Treasurer- Tax Collector (T-TC) continues to do what is in the best interest of the County , her constituents and to county staff. Over the years, the T-TC has

**put into practice many innovations that increase efficiency for the taxpayers, county staff and various departments.**

**As a long time Madera County employee and Elected Official of this county, I have always strived to do what is in the best interest of the county and how to best serve the people I represent. It is my desire and conviction to always participate in the development and advancement of my department and this County as a whole.**

**I have prided myself in being participative, innovative and cooperative.**

**To put it into perspective, during my tenure as the County's Elected Treasurer-Tax Collector I have introduced and implemented several advances to improve workflow systems in the Treasury and Tax Collector offices by automating many manual tasks using today's electronic technologies and equipment.**

**Even though there may be room for further advancements, I am committed to staying an active participant in developing those tools without bias, prejudice, attitude or believing that the status quo is absolute.**

**The Treasurer-Tax Collector pursued and implemented an automated payment remittance processing system for processing of property tax payments. The equipment was purchased installed and became operational in 2004. It is currently used to not only post tax payments efficiently and quickly, it also serves a dual purpose for processing treasury deposits and has the potential and capability to process remote deposits including utility payments.**

**Treasury staff has provided on-site training to many county departments regarding cash receipting and cash management to assist them in understanding the depositing process; the Treasury has also established credit card service systems in five (5) county departments such as the Sheriffs' Bass Lake Boat facility, the Tax Collector department, Revenue Services (referred to as utility payments), and all Resource Management Agency departments to allow a convenient payment option for taxpayers and constituents.**

**Treasury staff along with auditor staff in 2005 facilitated an electronic delivery system with the County Schools business office and shortly thereafter a similar system with the County Welfare department to test and develop an on-line cash transfer procedure that has become a more efficient process than the traditional obsolete paper process.**

**The Treasury cooperatively implemented a bank ready depositing procedure with the previous Auditor-Controller to eliminate redundant (and time consuming) processing of over the counter deposits brought into the County Treasury. These bank ready bags are sent directly to our bank, via armored car, intact and ready for processing at a banking center located in Fresno, California.**

**(\* This item was also addressed in the Hemming Morse Report which is attached hereto for your review**

**The Treasurer also oversees and keeps detailed debt service records on all county, special district and school district issued debt. In addition the Treasurer became the**

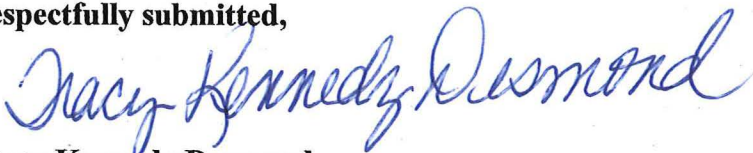
**administrator responsible for the collection and payment processing for the recently created Business Improvement District (BID, Oakhurst).**

**And finally, the Treasurer-Tax Collector has met and/or exceeded every target budget reduction proposed by the Administrative Office and has fully participated in the selective furlough program since its inception even though the treasury, in its entirety, is an absolute cost recovery offset to the general fund through the Treasury Administrative Fees authorized by the provisions set forth in Government Code 27013**

**We have survived the 2008-2009 reorganizations and early retirements by redistributing the demanding daily work among the remaining permanent staff and extra help (temporary) personnel. The Treasurer-Tax Collector has had a positive impact on the general fund by saving the County over \$118,000 due to reorganizations while at the same time increasing the unsecured tax collections well over and above the CAO's estimates by \$77,000 in the last 3 years.**

**Clearly I am and have always been a team player when I believed that what was proposed was best for the people that I serve, as they are my priority, while at the same time ensuring innovative changes that increase efficiency and that those changes will be a positive reflection of me and the County.**

**Respectfully submitted,**



**Tracy Kennedy Desmond  
Treasurer-Tax Collector**

**C: Hemming Morse Audit Report and responses dated 7/5/13**