

**1. 2012-13 San Bernardino County Grand
Jury Report**

**c. Newberry CSD Updated Responses
dated March 10, 2014**

Attachment 1c



Newberry Community Services District

March 10, 2014

Established 1958

TO:

The County of San Bernardino Grand Jury
Honorable Marsha G. Slough, Presiding Judge, Superior Court of California
351 North Arrowhead Ave.
San Bernardino, Calif. 92415

Robert Springer
President/Director

Paula Deel
Vice President/Director

Robert Royalty
Director

Robert Shaw
Director

Robert Vasseur
Director

Le Hayes
General Manager

Jodi Howard
Board Secretary
Office Administrator

Kerri Zurcher
Treasurer

Robert Rogers
Fire Chief

Daphne Lanier
Assistant Fire Chief
Fire Dept. Admin.

FROM:

Newberry Community Services District
PO Box 206
30884 Newberry Road
Newberry Springs, Calif. 92365

SUBJECT:

Updated response to the recommendations provided by the Grand Jury in its 2012-2013 Final Report.

RECEIVED
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LAFCO
San Bernardino County

Please note that subsequent to the 2012-2013 Grand Jury report the citizens of Newberry Springs and some members of the Board of Directors saw the pressing need for substantial changes. Three new Board Members were elected to serve on the Board and they took office in December, 2013.

Our Board of Directors:

President Robert Springer, Vice President Paula Deel, Director Robert Royalty, Director Robert Shaw, and Director Robert Vasseur. Each member of our Board has lived many years in Newberry Springs and they are determined to create an effective CSD which will serve the needs of our community while adhering to best practices and procedures.

Our Current Staff members are:

Le Hayes, General Manager. Mr. Hayes was hired on January 14th, 2014 and has 22 years of experience as the General Manager for Baker CSD. He retired from Baker CSD and moved to Newberry Springs in August of 2013.

Jodi Howard is our Office Secretary and Secretary to the Board. She has excellent secretarial skills and meets the public well.

Kerri Zurcher is our Treasurer. Kerri works full time for a major Real Estate firm as their Bookkeeper and has excellent financial accounting/budgeting skills.

Robert Rogers is our Fire Chief. Roger has 22 years of Firefighting and medical aid experience.

Daphne Lanier is our Assistant Chief and Fire Department Administrator. She has been in the administrator position for several years and has an excellent understanding of policy and procedures.

Additionally we have 22 well trained and dedicated volunteer firefighters.



Due to budget constraints, all of our staff members are part time. Our office hours are Wednesday, Thursday and Friday from noon until 4pm.

Following are our updated responses to the Grand Jury Recommendations:

Recommendation 1.

The Grand Jury recommended the Board of Directors should: "The NCSA Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on *Roberts Rules of Order* and other accepted standards for parliamentary procedure.

Response:

The By Laws and Policy Handbook of the Newberry CSD are currently being revised. Our policy will then substantially adhere to the California Special Districts Association "Board Meeting Conduct" policy recommendations.

Recommendation 2.

The Grand Jury recommended: "Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings."

Response:

Directors Deel and Shaw have attended Board Member training provided by CSDA in Fountain Valley on January 23rd, 2014. The remainder of our Directors, our General Manager and our Treasurer will attend the training titled "Governance Training" provided by SDRMA, and funded by LAFCO, on Tuesday March 25 at the Mojave Water Agency in Apple Valley, California. Most of our Directors have completed the AB1234 ethics training and all have filed their Conflict of Interest form 700.

Recommendation 3.

The Grand Jury recommended: "Direct the General Manager to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the districts current policy."

Response:

Our policy is being amended, noting that Board Minutes drafts prepared by the General Manager or the Secretary to the Board may contain mistakes or omissions. The Board Minutes drafts are not official until they have been reviewed and approved by the Board of Directors. They are then posted on the NCSA website, stored and backed up electronically in a secure password protected pdf format as well as file secured hard-copy.

Recommendation 4.

The Grand Jury recommended: "Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement."

Response:

We are currently using such a system formulated in cooperation with our auditing firm, David Whitmore located in Riverside, California. Our enclosed Budget uses the recommended system.

Recommendation 5.

The Grand Jury recommended: "Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual."

Response:

Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future.

Recommendation 8: Revise its purchase card policies to:

(a) Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards, subsequently relinquish any purchase cards currently issued to Board members, and

(b) Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payments, such as:

- (iv) Spending and transaction limits for each cardholder;
- (v) Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders;
- (vi) A process for handling disputes and unauthorized purchases; and,
- (vii) A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation.

Response:

No Board member currently holds or will be issued a Newberry CSD credit card. Our Treasurer tracks available funds and she and the General Manager, assisted by our Office Secretary closely examine each purchase to ensure its validity and that it serves a valid CSD purpose. Purchases by the Treasurer, General Manager or other staff members now require approval by another staff member. No staff member may approve their own purchase. Each purchase requires that receipts be attached to a form documenting the purchaser, the date, and justification for the purchase.

If a purchaser does not submit the required documentation validating the purchase in a timely manner or if the purchase does not clearly meet district needs, the purchaser is personally responsible for the expenses. Misuse of a credit card is grounds for immediate dismissal.

Recommendation 9.

The Grand Jury recommended: "Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and (a) discuss questionable

disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.”

Response:

We no longer use a consent agenda item. Alternatively we are using an agenda item entitled “Pay Bills and Approve the Bills already Paid.” Included in the meeting packets provided to the Directors and the Public is a list of the bills which have been paid since the last meeting and a list of the bills to be paid at the current meeting, ensuring that every Board Member and every member of the Public can see every bill which has been paid and can avail themselves of the opportunity to question any bill. Checks are prepared to pay the current bills and once those bills are reviewed and approved the checks are presented to the Board for signatures. Each check requires the signature of two Board Members. This procedure also helps to ensure that bills are paid in a timely manner.

Recommendation 10.

The Grand Jury recommended: “Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards.”

Response:

Currently there are four credit card holders. Jodi Howard, our District Secretary and Secretary to the Board is our purchasing card Administrator. She has verified that board members and staff are aware of the new procedures. Additionally, all of our credit card holders are senior staff members well aware of problems we’ve had in the past and who are determined that those problems will not recur.

Recommendation 11.

The Grand Jury recommended: “Review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook.”

Response:

Currently only our Auditor and Legal Counsel have submitted invoices which meet this criterion. Those expenses have been authorized by the Board. We are currently working on our revised Policy Manual adopting CSDA standards entitled “Expense Authorization- Policy #3040” and “Employment of Outside Contractors and Consultants. Policy #3042”

Recommendation 12.

The Grand Jury recommended: “Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval.”

Response:

Currently our General Manager, Board Secretary and Treasurer all review any request for reimbursements. When our revised Policy Manual is completed and approved we will adopt

CSDA standards for Expenditure Reimbursement – Policy #4025 which reads in part: “Whenever District employees or directors desire to be reimbursed for out-of-pocket expenses for item(s) or service (s) appropriately relating to District business, they shall submit their requests on a reimbursement form approved by the General Manager. Included on the reimbursement form will be an explanation of the District-related purpose for the expenditure(s), and receipts evidencing each expense shall be attached.” Subsections of that policy further specify who may approve these expenses, prohibiting staff or Board Members from approving their own expenditures, and specifying that all expenditures must be reasonable and necessary. We are working diligently to completely revise our policy manual and see no reason to reinvent the wheel. We will substantially adopt the policy model recommended by CSDA.

Recommendation 13.

The Grand Jury recommended: “Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls:

- (a) District Legal Counsel Log;
- (b) Policy Handbook for the Fire Department; and,
- (c) Catalog of all retained District Records.

Response:

- (a) We are now creating the Legal Counsel Log having received a portion of that information from legal counsel.
- (b) A Fire Department Policy Handbook has been created by Daphne Lanier, Assistant Fire Chief and Fire Department Administrator. The document will be submitted to the Board of Directors for revision and approval.
- (c) At the time we were working with the Auditor to bring our required annual audits up to date, our Board Secretary and Treasurer were searching records locate necessary supporting documents that were placed in separate file boxes with labels specifying the contents. Additionally, in moving our offices from one location to another we are examining files to ascertain which files will be resident in the new office and which will be placed into archival storage. Those boxes will also be labeled to indicate content.

Recommendation 14.

The Grand Jury recommended: “Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.”

Response:

We have very little property, buildings, vehicles or machinery that meets this requirement. Our land was acquired in the 1950’s and is classified as *older infrastructure* exempt from capital assets management. We do have a minor amount of Fire Department equipment meeting the requirement and will establish a system for capitalizing that equipment in the future.

Recommendation 15.

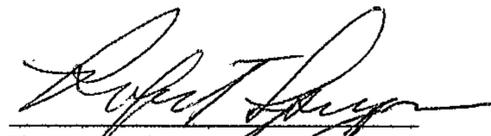
Recommendation by the grand jury to direct Local Agency Formation Committee (LAFCO) to conduct an immediate Municipals Services Review (MSR) for review.

Response:

We are working closely with Michael Tuerpe from LAFCO on our next MSR and fully expect to meet/exceed their expectations. This process is currently active and we are participating to the fullest extent.

Should you have questions please contact us by mail.

On Behalf of the Board and Staff of Newberry CSD



Robert Springer
Board President

Enclosures:

Current Budget

Current Agenda

Current Board Minutes