



## **MEMORANDUM REPORT**

**Meeting Date:** September 17, 2019

**TO:** Board of Commissioners of the Los Altos Hills County Fire District

**FROM:** J. Logan, General Manager

**SUBJECT:** **Create and Appoint a Commission Ad-Hoc Management Audit Subcommittee to Participate in the Santa Clara County Management Audit Report Process**

### **RECOMMENDATION:**

The Board of Commissioners of the Los Altos Hills County Fire District create and appoint a Commission Ad-Hoc Management Audit Subcommittee, effective September 17, 2019, to participate in the Santa Clara County Management Audit Report Process

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### **BACKGROUND**

On August 24, 2018, a meeting with the President and a Commissioner of the Los Altos Hills County Fire District (District), District contract staff and the Santa Clara County (County) retained firm of Harvey M. Rose Associates, LLC Management Audit Team (Team) commenced with an entrance conference. The entrance conference was followed by a meeting on Sept. 5, 2018 with County Supervisor Simitian to review and discuss the management audit purpose and process. Subsequent meetings followed on September 14, 2018 with the Team and various Commissioners, contract staff and District vendors who were interviewed during the concluding months of 2018 and in 2019.

It was recommended that the District's participation in the management audit would be essential in demonstrating that the District's practices and programs comply with good management and delivery of essential services and programs to its constituents. Topics to be explored during the management audit interviews were delegation of authority to the Fire District, hiring of a part-time general manager, consolidation of Fire Districts, engagement of contract legal counsel and administrative support, use of property tax money and benefits to District constituents related to District programs and services.

Discussion of the management audit process was also reviewed with Commissioners. The Commissioners understood, due to the nature and impact of the questions raised and results of the findings and recommendations in the final audit report and subsequent proceedings, that the Commissioners would be involved in the confidential draft report reviews, responses and exit conference and subsequent proceedings. The final draft and its findings would then be sent to the

Finance and Government Operations Committee and to the Santa Clara County Board of Supervisors (BOS).

District President Tyson was provided a memorandum titled, *Management Audit of the Los Altos Hills Fire District, August 20, 2018*, (Attachment 1) that detailed explanation and history of the audit program in the County, and the purpose, approach, and process used to conduct management audits.

## **DISCUSSION**

Clarification of the management audit report process for receipt of the confidential draft report, response to the draft report findings and participation in the exit conference have been determined. The District Board of Commissioners (Board) can duly create and appoint a Commission Ad-Hoc Management Audit Subcommittee (Subcommittee) to receive the confidential draft report, provide responses and participate in the exit conference and subsequent proceedings.

The Board may wish to consider the creation and appointment of three or fewer Commission members to the Subcommittee to be effective September 17, 2019. The Board may also wish to consider appointment of President Mark Warren, Former President George Tyson, who was President at the time of the entrance conference and Commissioner Duffy Price, who participated in the entrance conference and at the initial meetings with the Team. This Subcommittee composition would provide continuity from the initial discussions and informational exchanges with the Team and would also include the current Commission President. However, after discussion of these matters to create and to appoint, the Commission is encouraged to formulate its decisions and appointments to the Subcommittee in accordance to how it wishes to proceed.

The duties of the Subcommittee include, working with staff to review the confidential draft audit, meet with the Team, discuss and prepare written responses to the draft audit and participate in the exit conference and subsequent meetings as delineated by County policy.

As a resource to the Subcommittee, General Manager J. Logan, Interim District Clerk Cori Vargas and District Legal Counsel Dan Siegel will be available to support the Subcommittee during the proceedings that include the confidential draft review, response and exit conference process and subsequent meetings.

As noted in Attachment 1, *“it is important that the District and other affected departments make every effort to ensure the confidentiality of the draft report. The confidential draft report is a controlled document that is not to be distributed to anyone outside the department or to departmental staff who are not involved in the report review process.... The final report is a public document.”* In addition, information exchanged during the release of the confidential draft report, responses and exit conference cannot be disclosed to anyone outside of the auditors. The County advises this will maintain the confidentiality of the document and that the document and associated document are not disclosable public records. Once the final report is made public, the full Commission will receive the final report and be able to have a discussion of its contents at a public meeting, but that will not occur until the County makes the final report public. Please note that to date the confidential draft audit report has not been released and no one associated with the District has seen it nor has the contents been discussed. Only the process for release of the confidential draft audit report and the subsequent processes have been discussed and reviewed.

A BOS's adopted audit process schedule, to ensure timely completion of audits, is outlined in Attachment 1, page 3. Also attached are the Administration and General Government audit policies of the BOS.

It is the District's intention to provide staff resources and efforts to ensure a successful audit process that fully complies with the County and the Team's requirements and adheres to the strict requirement for confidentiality of the process. The ultimate result will be to achieve a more efficient, effective and responsive District, exchange of information between the District and the Team, and to participate in that spirit with the management auditors.

Much progress and many achievements were accomplished through the history of the District and specifically in 2018 and 2019. The Commission and District staff are encouraged by its progress and looks forward to sharing these facts with the Team as well as learning from the Team's findings.

### **RECOMMENDATION**

The Board of Commissioners of the Los Altos Hills County Fire District create and appoint a Commission Ad-Hoc Management Audit Subcommittee, effective September 17, 2019, to participate in the Santa Clara County Management Audit Report Process

### **Attachment:**

1. *Management Audit of the Los Altos Hills Fire District, August 20, 2018*