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September 13, 2011

To: The Honorable D. Scott Daniels
Presiding Judge

From: Supervisor Michael J. Reagan
Chair, Board of Supervisors

Re: *Response to Grand Jury Report of June 23, 2011 – Dixon Veterans Memorial Hall Building*

The Honorable Judge Daniels:

Under Penal Code sections 933(c) and 933.05, the Solano County Board of Supervisors responds to the findings and recommendations contained in the 2010/11 Grand Jury Report of June 23, 2011 concerning the Dixon Veterans Memorial Hall Building.

Finding 1

Records provided by the Dixon Veterans Building Association do not contain methods to track income, expense or payroll.

Response to Finding 1

Board of Supervisors – The Board of Supervisors agrees with this finding. The Grand Jury's findings are consistent with findings established pursuant to a financial review and internal control assessment conducted by the Auditor-Controller in June of 2010.

Recommendation 1

Solano County should require the Dixon Veterans Building Association to use commonly-accepted accounting methods to establish a financial tracking system.

Response to Recommendation 1

Board of Supervisors – This recommendation has been partially implemented. On May 24, 2011, the Board approved the recommendations of the County Auditor-Controller to direct the Dixon Veterans Building Association (DVBA) to correct deficiencies in the Association's

financial recordkeeping as indicated in Section 1.c. of the Financial Review and Internal Control Assessment of the DVBA.

In an update to the Board on June 28, 2011, the Auditor Controller reported that the DVBA and the American Legion Post #208 have engaged a local Certified Public Accountant to assist them in implementing a system of controls and procedures in accordance with standard audit policies. To that end, the DVBA and American Legion have installed a QuickBooks Accounting System, which is being utilized by the Finance Officer to adequately support the propriety of all expenditures and revenues.

The Auditor-Controller conducted a formal follow-up review on September 1, 2011 to verify if the corrective actions undertaken by the DVBA have fully resolved the findings previously identified regarding its financial records. A report to the Board is tentatively scheduled in mid-October.

Finding 2

Financial responsibility has not been established. It cannot be determined which entity is responsible for paying what portion of the bills incurred by the Dixon Veterans Building Association.

Response to Finding 2

Board of Supervisors – The Board of Supervisors agrees with this finding. This finding is consistent with those included in the Auditor-Controller's Financial Review and Internal Control Assessment of the DVBA.

While the County holds both the American Legion Post #208 and the VFW Dixon Post 8151 jointly responsible for all the obligations of the DVBA under the operating and management agreement (OMA), there is a continuing internal disagreement between both associations on the responsibilities of each under the OMA. Partially due to this disagreement, a contested delinquent PG&E bill had been unpaid and unsettled, until recently when the American Legion signed a 24-month repayment plan with PG&E.

Recommendation 2

Solano County should require the Dixon Veterans Building Association to clearly define which entity is responsible for paying what portion of bills incurred by the Dixon Veterans Building Association.

Response to Recommendation 2

Board of Supervisors – This recommendation has been partially implemented.

On May 24, 2011, the Board directed County staff and the DVBA to identify the "responsible party(ies)" for the obligations outlined in the OMA, including the payment of bills. On June 28,

2011, staff reported to the Board that in spite of continuing discussions, the American Legion and the VFW continue to have major differences concerning the sharing of obligations. To facilitate an agreement, County Counsel has offered to mediate future discussions.

In the meantime, County staff is reviewing options to recommend to the Board in the event that the American Legion and the VFW fail to reach an understanding. These options include:

- a. Designation of a managing party by the County for the management and operation of the Dixon Veterans Memorial Hall.
- b. Take-over of the management and operations of the Dixon Veterans Memorial Hall by County staff.
- c. Revisions to the OMA to include fair and equitable allocation of the use of the facility, the establishment of a fee schedule for non-exempt activities, and reasonable internal controls to ensure appropriate administration and accounting.

County staff plans to provide an update, with appropriate recommendations, to the Board in mid-October.

Finding 3

Dixon Veterans Building Association management authority, duties, and responsibilities are not clearly defined.

Response to Finding 3

Board of Supervisors – The Board of Supervisors agrees with this finding.

Recommendation 3

Solano County should require the Dixon Veterans Building Association to clearly define management responsibilities, duties, and scope of authority.

Response to Recommendation 3

Board of Supervisors – This recommendation has been partially implemented.

On May 24, 2011, the Board directed County staff from the Office of the County Counsel and the Department of General Services to work with the DVBA in identifying the responsible party for the obligations of the DVBA under the operating and management agreement executed by the American Legion and the VFW. This requires an agreement on the assignment of management responsibilities, duties and scope of authority between both parties.

On June 28, 2011, County staff reported to the Board that in spite of ongoing discussions, there has been no progress towards securing an agreement. County Counsel has offered, and both parties have agreed to have a Deputy County Counsel mediate future discussions. A follow-up

report is scheduled in October 2011, at which time County staff will outline additional options for the Board to consider should both parties fail to reach an agreement.

Finding 4

The Auditor-Controller's report identifies areas of concern that should be addressed immediately.

Response to Finding 4

Board of Supervisors – The Board of Supervisors agrees with this finding.

Recommendation 4

Solano County should require the Dixon Veterans Building Association to work with the Auditor-Controller and other agencies to meet acceptable accounting methods and controls.

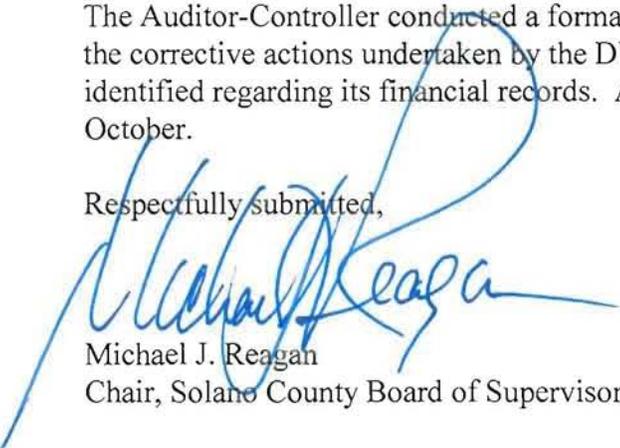
Response to Recommendation 4

Board of Supervisors – This recommendation has been partially implemented. At its May 24, 2011 Board Meeting, the Board directed the DVBA to take the necessary actions to correct the findings identified by the Auditor-Controller in the Financial Review and Internal Control Assessment of the DVBA.

In an update to the Board on June 28, 2011, the Auditor-Controller reported that the DVBA has hired an accountant to assist the Association in developing procedures to record accounting transactions, and prepare/maintain financial records in accordance with generally accepted accounting principles. Necessary internal controls will also be set up.

The Auditor-Controller conducted a formal follow-up review on September 1, 2011 to verify if the corrective actions undertaken by the DVBA have fully resolved the findings previously identified regarding its financial records. A report to the Board is tentatively scheduled in mid-October.

Respectfully submitted,



Michael J. Reagan
Chair, Solano County Board of Supervisors