



City of Encinitas
City Manager's Office

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SAN DIEGO
COUNTY GRAND JURY

June 23, 2010

The Honorable Kevin A. Enright
Presiding Judge, Superior Court
County of San Diego
Hall of Justice
330 W. Broadway, Suite 477
San Diego, CA 92101-3830

Re: **Response to 2009/2010 Grand Jury Report:**
"Ethics in Government – Code of Ethics, Internal Controls, Fraud Hotlines"

Dear Judge Enright:

The City of Encinitas ("City") is in receipt of the Grand Jury report entitled, "Ethics in Government; Code of Ethics, Internal Controls and Fraud Hotlines" released May 27, 2010. In accordance with California Penal Code §933(c) the City is responding to the following recommendations made by the Grand Jury Report:

Recommendation 10-70: Bring before the legislative body of each entity listed above for its consideration in a public meeting a proposal to adopt integrated comprehensive Code of Ethics defining and prohibiting fraud, waste, abuse and conflict of interest.

The City agrees with this recommendation and has adopted administrative policies regarding Code of Ethics (Administrative Policy P025) and Fraud and Misuse of City Assets Prevention (Administrative Policy F029). All City employees are subject to Administrative Policy F029 which prohibits fraud and abuse of City assets and establishes procedural actions for the reporting of suspected fraud or abuse.

Recommendation 10-71: Bring before the legislative body of each entity listed above for its consideration in a public meeting a proposal to adopt and apply internal controls compliant with Generally Accepted Government Auditing Standards and/or Generally Accepted Accounting Principals as applicable.

The City agrees with the recommendation. The City applies internal controls consistent with Generally Accepted Government Auditing Standards (GAGAS) and Generally Accepted Accounting Principals (GAAP). These internal controls are

evaluated annually by an independent audit firm for consistency with GAGAS and GAAP and findings of the investigation are presented to the City Council.

Conclusions, summaries and findings of an audited Comprehensive Annual Financial Report are presented at a publicly held meeting before the Encinitas City Council and the City elects to publish and post financial reports on the City's website: www.ci.encinitas.ca.us/Government/CityD/FinanceSDL.

Recommendation 10-72: Bring before the legislative body of each entity listed above for its consideration in a public meeting a proposal to adopt and implement fraud, waste, abuse and conflict of interest hotlines outsourced to third party providers assuring anonymity.

The City disagrees with the finding and it will not be implemented. Procedural actions for the reporting, investigation and confidentiality of individuals for reporting suspected fraud or abuse are established in Administrative Policy F029.

Should you have any questions regarding the City's response to the above recommendations, you may contact Richard Phillips, Deputy City Manager at (760) 633-2610.

Sincerely,



Phil Cotton
City Manager
City of Encinitas