



**2010 - 2011
Final Report**

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**Don Prange Sr.
Foreman**

Ronald Bargones

Russ Campbell

Bernard Donnelly

Robert Garbutt

Carol Goldberg

Cecil Gordy

Lois Graham

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Barbara Henderson

Betty Knopf

Joe Koopman

Adrienne Leach

Arnold Maldonado

Jim Monteton

William Olmsted

Judith Parise

H. Joseph Perrin Sr.

Karen Richmond

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO
Grand Jury

June 30, 2011

Honorable Raymond M Cadei
Sacramento Superior Court
720 Ninth St.
Sacramento, California 95814

Dear Judge Cadei and the Citizens of Sacramento County:

The report that I submit today is the Final Report for the 2010-2011 Sacramento County Grand Jury. As many of you know, there have been two interim reports that were released during the year. This final report includes an extensive report on the Twin Rivers unification, with findings and recommendations.

It is the job of the grand jury to be the "watch dogs" for the county in which they serve. When filed complaints were reviewed by the new jury, several stood out regarding unification of four school districts into one. The unification was supposed to be for the good of the communities and the betterment of all the children living in those districts. Harmony in the new district was fleeting. Even before the board members of this new district called Twin Rivers were sworn in, squabbles began and arguments ensued. Plans for the betterment of the children's education were lost due to fighting and lawsuits.

A state of the art educational complex known as ENEC was funded in part by Measure G passed by voters in the Grant district. Although construction was already begun on the complex before unification of the districts occurred, the Twin Rivers School Board stopped construction of ENEC, thus our reference to "Lost Opportunities." The grand jury was saddened to hear testimony regarding problems that have occurred in the community following unification from community leaders, past and present school board members, attorneys, teachers and parents. Members of the grand jury attended school board meetings and witnessed the hostility among board members.

We learned of incidents of mismanagement and favoritism. During this investigation, more than 1000 documents were reviewed. Money was squandered on lawsuits filed by Twin Rivers and lawsuits in which Twin Rivers was the defendant, money which should have been used for the children's education.

Throughout this year, we relied upon County Counsel Robert Ryan Jr., the District Attorney's office, and our Advisor Judge Raymond Cadei for legal advice. They assisted in preparing the subpoenas and having them ready for service in short order. A special thanks to Judge Russell Hom, who helped the grand jury in matters when our advisor judge was in trial or off the bench. This year we handled several indictments and special investigations brought by the Sacramento County District Attorney.

I would like to take this opportunity to publicly acknowledge the dedication and professionalism displayed by each member of the grand jury and to thank them for their support and teamwork throughout the year. We lost a few members along the way due to illness. They provided valuable insight while with us. The people of the community should be thankful that they have some citizens who will take on tough issues, bring them to light and stand by their report. These people are the Sacramento County Grand Jury. This work could not have been completed without the help and guidance of our coordinator Becky Castaneda. She balanced the 19 different personalities of the grand jury and helped us achieve our mission. She is a true professional.

Sincerely,



Donald W. Prange, Foreman
2010-2011 Sacramento County Grand Jury

DP/bc

2010-2011 Sacramento County Grand Jury



1st row, on stairs (left to right): Donald Prange (Foreperson), Judge Raymond Cadei, H. Joseph Perrin Sr.

2nd row, on stairs: Arnold Maldonado, Ronald Bargones, Cecil Gordy

3rd row, on stairs: Rebecca Castaneda (Grand Jury Coordinator), Judith Parise, Gordon Adelman

4th row: Carol Moon Goldberg, Russ Campbell, William Olmsted, Jim Monteton, LuAnne Hansen, Robert Garbutt, Adrienne Leach, Elizabeth Knopf, Barbara Henderson, Lois Graham, Karen Richmond, Bernard P. Donnelly

Absent: Joe Koopman

Sacramento County Grand Jury 2010-2011

Ronald Bargones	Pacific Bell Division Manager, Retired	Carmichael
Russ Campbell	GTE, Retired	Gold River
Bernard P. Donnelly	State Employee, Retired	Willhaggin
Robert Garbutt	Criminalist, Retired	Orangevale
Carol Moon Goldberg	Attorney, Retired	Elk Grove
Cecil Gordy	Realtor, Retired Sacramento County, Retired	Rancho Cordova
Lois Graham	School Administrator, Retired	Elk Grove
LuAnne Hansen	Program Analyst, Retired	East Sacramento
Barbara Henderson	Homemaker	Rancho Cordova
Joe Koopman	Structural Engineer, Retired	South County Delta
Elizabeth Knopf	Educator, Retired	Carmichael
Adrienne Leach	Bioanalyst	Fair Oaks
Arnold Maldonado	CA State IT Analyst	Sacramento
Jim Monteton	AT&T Marketing Manager, Retired	Citrus Heights
William Olmsted	Private Investigator, former FBI agent	Carmichael
Judith Parise	Employment Program Manager, Retired	Pocket Area Sacramento
H. Joseph Perrin, Sr.	Research Scientist	Pocket Area Sacramento
Donald Prange	Police Chief, Retired	Citrus Heights
Karen Richmond	Auditor	Elk Grove

Dedication

The 2010-2011 Sacramento County Grand Jury dedicates this final report to all who have served as grand jurors. Each year in Sacramento County a group of nineteen citizen volunteers is convened to form the grand jury. These citizens come from a variety of professions, careers, jobs, and life experiences. One thing they all have in common is this: they are thoughtful, dedicated, and honorable individuals who take their oath of office seriously.

Grand Jurors are an important component of the American heritage of justice under law dating back to English common law. Grand juries perform two primary roles. One is to hear any indictment proceedings brought before them. The other is to observe, and investigate if necessary, the operations of local government agencies and officials to ensure they are being run efficiently, honestly and fairly. The traditional secrecy of the Grand Jury's investigation and deliberation allows witnesses and jurors to explore governmental operations free from pressures that would otherwise keep witnesses from testifying for fear of losing jobs or suffering retaliation in some way. The traditional operation of the Grand Jury ensures independent and objective consideration of facts brought before it.

Jurors devote hours, days, evenings, and weekends to their tasks. They listen to hours of testimony and delve into mounds of documents, emails, and financial records. Each juror brings intellect, judgment and common sense to any matter being investigated. Hours upon hours are spent analyzing information, forming and sometimes debating the findings and recommendations. Only after at least 12 jurors agree with the results, a final report is presented to the citizenry.

The 2010-2011 Sacramento Grand Jury salutes the hard work and dedication of all who have served on grand juries.

Sacramento County Grand Jury Formation and Organization

Each California county is required by the state constitution to have at least one grand jury impaneled at all times. The Sacramento Grand Jury is an independent body whose task is to review and comment on the services provided by public agencies and inquire into or investigate civil matters within the county. These matters may be presented to the grand jury through the citizen's complaint process or by juror interests. Almost any entity that receives public funds may be examined by the grand jury. Complaints filed by the public are kept confidential. Grand juries are not subject to the Brown Act. As an extension of the county's judicial system, the grand jury has subpoena and interview powers. In addition, the grand jury may be asked by the Sacramento County District Attorney or the California Attorney General to review allegations of criminal activities in order to obtain a possible felony indictment.

The grand jury is composed of 19 Sacramento County citizens. Interested citizens are encouraged to apply to serve. Following submission and receipt of the application, each applicant must agree to and pass a background check to be placed in the group from which Superior Court judges nominate 30 citizens. The 19 jurors that comprise the final grand jury panel, and the 11 alternates to the grand jury, are chosen by lottery from these nominees. The court appoints a foreperson from the selected final grand jury panel. The grand jury is impaneled and sworn in by the Advisory Judge to the Grand Jury. The grand jury's term of service begins July 1st and ends June 30th of the following year.

Each grand jury panel selects the topics that it wishes to examine each year. Committees formed by this year's grand jury included the following: Administrative and Municipal Affairs, Criminal and Juvenile Justice, Continuity, Edit, Education, Environment/Public Works/Special Districts, and Health and Human Services. This year two *ad hoc* committees were established to support complex investigations chosen by the panel. Each grand juror served on a minimum of three committees. Each committee was directed by a chairperson who, in turn, was responsible to the grand jury foreperson.

Every grand jury is a distinct entity and establishes its own organization and rules of procedure. By law, all actions by a grand jury require a super majority vote (a minimum vote of 12 of a 19 juror panel). The grand jury, by law, is forbidden to disclose evidence obtained or to reveal the names of individuals who were interviewed. Witnesses, as well, are prohibited from disclosing any proceedings of the grand jury.

If you are a resident of Sacramento County and are interested in serving on the grand jury, applications are available at www.sacgrandjury.org. Any individual may file a complaint with the Sacramento County Grand Jury. A complaint form is available at www.sacgrandjury.org or may be obtained by calling the Grand Jury office at (916) 874-7578.

The Grand Jury Final Report

The published reports of the grand jury are the only public record of the grand jury's work. The final report is the summary of the grand jury's work and is issued on June 30th of each year. The grand jury is required to publish a minimum of one report containing at least one finding and one recommendation. Continuous preservation of grand jury work is mandated. Penal Code section 933(b) directs the county clerk to maintain a file of all past grand jury reports and responses in perpetuity and to immediately forward a true copy of each to the State Archives in Sacramento every year.

Each committee within the grand jury reviews complaints or self-generated ideas and determines whether or not investigation of an issue is justified. If it is decided that an investigation should be initiated, the committee presents a request to the full grand jury to open an investigation; this request must be approved by a super majority vote of the full grand jury. If the full grand jury approves the request, the committee is responsible for gathering documentary and testimonial evidence sufficient to support a report on the investigation. Investigative reports are not based on conjecture or opinion – they are based on factual evidence. At a minimum, witnesses may be interviewed in the presence of two jurors. However, interviewing a witness in the presence of the full grand jury is preferred.

The investigating committee drafts a report stating the facts, findings and recommendations for corrective action. The committee approved draft is then sent to the Edit committee for review. Upon approval by the full grand jury, reports are forwarded to the Grand Jury's Advisor Judge for jurisdictional review and to County Counsel for review as to compliance with legal requirements. Informational reports provide information to the public concerning the outcomes of tours of public facilities and/or briefings from specific individuals in public agencies within Sacramento County. These reports are processed in the same manner as the investigative reports.

Reports may be released to the public prior to June 30th and are also included in the final report. Each published report includes a list of those public entities that are required or requested to respond. The format of these responses is dictated by law, as is the time frame in which they must respond. Copies of the final report are available at www.sacgrandjury.org, and may be accessed through the Sacramento Public Library.

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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO
Grand Jury

January 12, 2011

To the Citizens of Sacramento County

The grand jury's job is to observe and investigate government agencies to ensure they are being run efficiently, honestly and fairly. When the grand jury convened last summer, jury members expressed an interest in having an overview of many agencies within the county. Members had heard about budget cuts and the resulting problems. It was our intention to observe what has occurred in our county.

We found many county agencies and departments, while understaffed, have made modifications to try to perform with efficient responses along with keeping employees motivated and focused. This has been accomplished with changing work schedules, moving staff and consolidating jobs.

The Interim County Executive has been studying several agencies and is working on plans to consolidate and streamline operations. It was the intention of the grand jury to collect important factual information about county agencies and in no way enter into any political areas. In addition, we are not making comments on or suggestions regarding the budget adopted earlier this year.

Once again, the members of the grand jury want to thank all of the hardworking county government employees we interviewed for their help in providing the information incorporated in this report. There are no findings or recommendations offered as this is simply a report to let citizens know what we learned on our tours to various agencies. We hope this report will promote a better future for all county employees and for the citizens of Sacramento County.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald Prange Sr.", is written over a horizontal line.

DONALD PRANGE SR., Foreperson
2010-2011 Sacramento County Grand Jury
DP/bc

Don Prange Sr.
Foreman

Gordon Adelman

Ronald Bargones

Russ Campbell

Bernard Donnelly

Robert Garbutt

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Arnold Maldonado

Jim Monteton

Judith Parise

Karen Richmond

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Sacramento County Under Duress: Problems and Opportunities

Summary

Sacramento County and its cities are suffering tremendous budget reductions, putting their operations under great duress. This report is intended to inform residents of Sacramento County about the state of public services within the county, the extent to which those services have changed in recent months, and the impact which those changes may have on Sacramento County's citizens.

Background

Every year each California county convenes a grand jury, as State law requires. Nineteen Sacramento County residents volunteer to serve from July 1 to June 30 of the following year under the guidance of the California Superior Court of Sacramento County. The grand jury's task is to review and comment on the services provided by public agencies within Sacramento County, and to bring to bear a citizen's perspective on problems it may encounter.

During July through September 2010, this grand jury met with managers of many, but not all, public agencies within the county, was briefed on current operations, and toured public facilities. Through this process, the grand jury learned of the severe fiscal constraints under which local government is currently operating. This report describes the jury's initial observations and passes on information provided by public agency representatives.

Introduction

The Sacramento County Grand Jury was impressed with the manner in which city and county agencies are approaching the recent reductions in staffing and operations caused by budget limitations. Some agencies have made, or are making, changes which might not have been possible or desirable under different circumstances. Other agencies are thinking creatively and are searching for new ways to carry out their responsibilities. Our cities, county and special districts have been forward thinking over the years in matters of consolidation, as witnessed by the Sacramento Metropolitan Fire District and the Regional County Sanitation District. More innovation is required. The grand jury was especially encouraged by the Sacramento County Executive's broad agenda for potential changes. These include consolidation both within and between agencies, contracting out when legally possible and economically viable, and strengthening both fiscal management and employee relations, while tackling the pension and health care promises of the past.

Even under, or perhaps because of, current circumstances, opportunities for constructive changes are many and varied. However, in many respects the impact on county residents is severe and unlikely to be alleviated without significant changes in spending, service delivery or increased funding. Large portions of the county budget are spent on public safety functions for all residents and services for our most vulnerable residents. Public safety has been compromised and the safety net is in tatters.

The following sections provide more specific examples of the grand jury's observations.

Sacramento County Executive

The Sacramento County Executive plans, organizes, directs, controls and coordinates activities of Sacramento County agencies. With a management team, the executive exercises fiscal oversight of county operations and is responsible for preparation of the county budget. The incumbent was hired in early 2010 on an interim basis and has agreed to serve through the current fiscal year.

County General Fund revenue comes primarily from property taxes and county sales taxes. Fees collected from water, liquid and solid waste management, and airports are earmarked for the specific agencies that impose them. In Fiscal Year 2009–2010, Sacramento County revenue was \$3.4 billion. Expected revenue for Fiscal Year 2010–2011 is \$3.2 billion, a reduction of about \$200 million.

Since Fiscal Year 2008–2009 to the present, the county reduced full time equivalent positions from 14,124 to 11,600. Even with these staffing cuts and attendant service reductions, the county budget for Fiscal Year 2010–2011 was about \$181 million out of balance.

The county executive has directed agency managers to be creative in seeking ideas for changes in, and improvements to, the county's service delivery system. A list of projects in various stages of study and implementation focuses on strengthening the budget and finances of the county (see appendix: New Efficiencies List). One of the first of these projects to be implemented was the Reserve and Reinvestment Policy. This policy established a minimum reserve amount using Fiscal Year 2007 as the high point and Fiscal Year 2010 as the low point. One half of all revenue exceeding the 2010 mark will go into a reserve fund until the Fiscal Year 2007 level is reached. The other half will be invested to find new ways to provide services to the public.

The county executive will be negotiating contracts with 18 existing labor unions. Additional labor organizations may be formed in the coming months. Previously, almost all labor contracts had been set for a five-year period and came up for renegotiation at the same time. This practice is changing and contracts are being negotiated for one, two, or three-year periods. Changes are also being negotiated in pension formulas, retiree health stipends and salary schedules.

Other studies on the New Efficiencies List will examine county operations to identify ways to deliver services more efficiently without increasing the work force. The Carryover Incentive Plan encourages departments to save money with the reward being retention of those savings for use the following year. The retained money can be used for such purposes as equipment or training, but not for staffing. The possibility of reorganizing county departments or creating joint powers authorities is also under discussion. Potential examples are consolidation of the county, city and SPCA animal shelters or the communication centers operated by the Sheriff and Sacramento City Police.

The county executive's plan for debt management involves the conversion of debt from variable rate financing to fixed rates. The goal is to lower interest payments over time,

giving the county more predictability in budgeting for debt management and improving the county's credit rating.

The grand jury considers the Sacramento County Executive's agenda to be commendable. In fact, items on that agenda are sufficiently important to have deserved serious attention even without the impetus of a recession.

Sacramento County Main Jail

The Sacramento Main Jail is a stand-alone downtown tower completed in 1989. It was originally designed for single cell occupancy for 1,250 inmates. It currently uses double cell configuration and houses approximately 2,400 inmates. A planned second tower was not built due to budget restrictions. The jail operates in conjunction with the Rio Cosumnes Correctional Facility to house city and county offenders.

Budget cuts have had a severe impact. In the past two years, 139 full-time staff positions were eliminated, including 122 deputy positions. Currently, only 38 deputies are available per shift; this is a ratio of 1 deputy for 63 inmates. Staff shortages and deputy reassignments back to the jail cause safety issues and low morale, along with the increased use of sick leave.

Staff shortages also adversely affect the booking process. For example, nursing staff assigned to the booking area was cut from three to one. During times of high intake volume, the booking process can take up to eight hours, partly due to the lack of available nurses. Also, since the intake and booking process requires an arresting officer to be present, intake processing can keep an officer tied up for hours.

Budget limitations have led to several undesirable outcomes. Since most felony prisoners must be incarcerated, only thirty to forty misdemeanor inmates can be accommodated. Inmates only get the required minimum of three hours per week out of their cells due to the limited staff. This presents a potential “boil over” situation. Assaults among inmates are increasing. Cuts of 50 percent to the medical staff result in a three to four day wait before some non-critical cases are seen by a doctor.

The building exterior and lobby are clean and well maintained. The interior, however, is in disrepair; some areas are poorly lit and others are not clean. The grand jury observed falling ceiling tiles, faulty electrical outlets, areas in need of paint and broken door locks. Elevators need repair and maintenance. The limited maintenance staff cannot keep up with maintenance needs and necessary repairs.

The primary functions of the Main Jail are being performed as efficiently as possible considering the drastic budget reductions. On September 30, 2010 the Sacramento County Sheriff's Department received \$21 million in federal funds for 50 sworn patrol deputies. This may alleviate some of the problems.

Rio Cosumnes Correctional Center

Rio Cosumnes Correctional Center (RCCC), located in rural southern Sacramento County, operates in conjunction with the Main Jail. This 70 acre double-fenced facility currently houses 1,700–1,900 inmates and is separated into maximum, medium and

minimum security areas. When the Main Jail is full, inmates are sent to RCCC. About 500 overcapacity pre-trial inmates are housed at RCCC.

RCCC is also the central transportation point for all individuals sentenced to state prisons. The Larson Women's Facility located on the site was closed in July due to budget cuts. Incarcerated women are now housed only at the Main Jail.

Staffing cuts have affected all areas of RCCC. The grand jury noted that some deputies have taken a reduction in rank and reassignment to the Main Jail and RCCC in order to preserve jobs. Staffing in the maximum security area has been cut to one control deputy and two floor deputies who work 12 hour shifts. Staffing previously was four to five deputies. All maximum security inmates must be escorted to medical, dental and other services thereby removing a deputy from the secured area. Before budget cuts such services were provided in special areas within the cell blocks.

The RCCC roving response team, which is trained to handle inmate disturbances, is no longer funded. Currently responses to incidents are delayed because deputies must assemble from various sites within RCCC.

Additional burdens in the minimum security units are caused by the growing number of incarcerated gang members, who require segregation from each other. The minimum security areas designed for petty criminals and non-violent offenders are being elevated to medium security requiring additional personnel.

The medical facilities at RCCC are old. Medical staff reductions as high as 50 percent result in inmates waiting up to seven days for non urgent care. About one in five inmates require psychiatric medications.

Deputies are required to accompany inmates being transported to and from the Mail Jail. About 3,000 inmates are transported each month for various court appearances. Unlike the Main Jail, RCCC does not have court facilities.

Due to budget cuts, vocational training opportunities are limited. Vocational training, such as graphics instruction, and cooking apprenticeships can only accommodate a small number of inmates. A sign shop which gives inmates job skill training is self-supporting. It can provide signs for 20 to 30 percent less than private shops.

Conditions for the inmates, with more yard time and space, are better than those at the Main Jail. The water and sewer systems are at full capacity, and moreover, are old and in need of repair.

Sacramento City Police Department

The Sacramento City Police Department (SPD) budget has suffered a \$5 million cut over the last two years. The SPD now has 1.40 sworn officers and 0.62 civilian staff for every 1,000 residents. The ratio for comparable cities is 2.37 sworn officers and 1.31 civilian staff. This does not take into account that Sacramento is a capital city which requires more staff due to visiting dignitaries and demonstrations. According to the Chief of Police, comparing similarly sized capital cities, Sacramento is 800 positions short of meeting program goals.

The department's new budget policy departs from the previous practice of imposing the same or similar percentage cuts across all areas of services. The SPD now concentrates on responding to and reducing Part 1 crimes and to providing greater customer service. Part 1 crimes are violent crimes, crimes in progress, and serious property crimes, such as robbery and burglary. The chief states that Sacramento is number two in California, only behind Oakland, in the number of these major crimes.

The department believes it is a leader in using technology resources to promote customer services. SPD uses town hall meetings to encourage public awareness, to learn what the citizens want and expect of their police force and to inform the citizens what is going on in their neighborhoods. Residents can use the internet to monitor neighborhood crime patterns. Crime reports can be prepared on-line. The SPD has a program on local radio station KFBK as part of engaging the public.

The Chief of Police states that serious violent crime is up 20 percent in the city and believes this is the product of the poor economy and the early release of prisoners. The latter is exacerbated by the devastating budget cuts to the parole and probation systems. The Chief of Police believes that the California State Legislature's decision to enact the early release program shifted the problem from the state to the local level.

Sacramento Metropolitan Fire District

The Sacramento Metropolitan Fire District (SMFD) was established in the year 2000 with the merger of several adjacent fire districts. The SMFD is the seventh largest fire district in the state. It provides services for an area of 417 square miles and serves roughly 640,000 residents. The SMFD has 42 stations and approximately 750 personnel.

SMFD has suffered a \$12.5 million reduction in the budget since Fiscal Year 2008–2009. To compensate for this budget reduction, SMFD decreased staff by reorganizing shifts, and downsizing some “non-safety” divisions. Also, the district negotiated with labor groups to forego planned increases and reduce incentive pay. Fourteen employees were reassigned to a lower classification. SMFD closed two stations and moved the helicopter pad to a centrally located site.

SMFD receives some revenue by charging residents for some services such as transport to hospitals and hazardous materials cleanup. A proposal is pending to recover costs for responses to auto accidents caused by out of county drivers.

Over the last three years 130 employees retired or left for other reasons, and were not replaced. No pensions were “bought out.” The administrative staff was cut in half and the remaining staff reorganized by function. A time clock is used to increase accountability and efficiency. For the past two years, SMFD has followed a new sick leave policy for fire suppression personnel resulting in lower use of sick leave.

Sacramento City Fire Department

The Sacramento City Fire Department (SCFD) provides services over an area of 146 square miles which includes some non-city contracted areas. The department responds to over 70,000 calls per year. Approximately 68 percent of calls are for ambulance services. SCFD operates a fee-based ambulance service that costs the General Fund nothing and has, in some years, produced a small surplus that goes into the General Fund. SCFD

provides hazardous materials clean-up and water rescue services. The hazardous materials clean-up is a fee-based service. Collection of fees is handled by a private company that recovers about 80 percent of assessed fees. SCFD has 23 stations and 32 companies. Currently 13 of their companies respond to more than 3,400 calls each per year which is considered the maximum for safe operation.

SCFD's current budget is \$98 million. In recent years the department has responded to budget cuts by trying to protect operational staff as much as possible and making cuts to administration and other services. The number of firefighters was reduced from 554 to 511. The department has not hired new staff in three years. The administrative staff participates in a furlough program. SCFD has closed fire houses and reduced the number of fire companies. In a process called "brown-out," the department reduces two companies a day on a revolving basis. In browned-out districts the response time goes up about two minutes. To gain perspective on what this means, consider the fact that a fire doubles in size every minute it burns.

SCFD reduced its administrative staff to a level below generally accepted fire department standards. The department has also reduced fire safety inspections and investigative staff. The loss of safety inspections may cost the public in the long run. Currently, the Sacramento City Council is discussing levying of accident recovery fees from negligent drivers.

SCFD has improved coordination with neighboring fire safety agencies. The agency continues to strengthen communications and shorten response times with other agencies including local police and fire districts.

Budget restrictions caused the department to cut back on recruitment and training. SCFD thoroughly reviewed its operations and procedures and is applying innovation to keep operations as complete as possible. There is a cost to public safety because of the reductions. Additional reductions may result in increased response times, putting the public in further jeopardy.

Communication and Dispatch Services

The police and sheriff departments receive 911 calls in their respective jurisdictions. Emergencies are handled within the appropriate law enforcement service areas, while fire and medical emergency calls are forwarded to the Sacramento Regional Fire and Emergency Communications Center.

Call center personnel evaluate incoming calls, entering relevant information into Computer Assisted Dispatch (CAD) systems that help prioritize the calls. The information is forwarded to dispatchers who route the calls to field units for the appropriate response. Calls are re-evaluated as emergency personnel arrive at the scene. Dispatchers continue to monitor calls and help coordinate responses by other agencies. All the centers use translation services for non-English speaking callers.

The California Highway Patrol receives cellular 911 calls. The calls are forwarded to the appropriate police or fire agency. Operators must first determine the location of the emergency before forwarding the call. This may slow response time, especially when the caller is unsure of the emergency location.

The **Sacramento Sheriff Call and Dispatch Center (SCC)** is shoe-horned into the Sheriff's downtown office, an older building not specifically designed for modern communications equipment. While the CAD system and hardware are new, the facility will not easily accommodate expansion of systems or staff. SCC receives land line 911 calls directly. The SCC processes approximately 600,000 calls per year on an out-dated analog phone system. The SCC has about 75 personnel who provide round-the-clock service.

Sacramento City Police Department Communication Center (PCC) is housed in a new (2006) spacious facility designed specifically as a regional communications center. The department has state-of-the-art security, including fenced perimeter and surveillance cameras. There is additional space for ancillary functions including support and training. This building was designed with growth and consolidation in mind. The PCC has about 89 personnel and processes approximately 340,000 calls per year.

The **Sacramento Regional Fire and Emergency Services Communication Center (FESCC)** dispatches for all Sacramento County fire departments and ambulance services. Its jurisdiction covers almost 1,000 square miles and 1.4 million residents. Calls cover fire, medical, hazardous spills, aircraft, water (floods), law enforcement, public assistance, helicopter and special rescues. It is operated under a joint powers agreement, with contributions proportional to the number of calls received by the member agencies. FESCC is housed in a building constructed in 1985 equipped with backup generators and an uninterruptible power source system and has been seismically upgraded. The building has a perimeter electrical grounding system and a computer floor has been installed. The building is monitored by external cameras, but is not security hardened. It has ample floor space for its function. The CAD system is based on COBOL, a software language that is no longer generally used or supported. Budget constraints prohibit upgrading to more modern CAD system software.

All three agencies (SCC, PCC, and FESCC) suffered budget cuts impacting staff size and have taken steps to minimize effects on their levels of service. Because 911 communication and dispatch are essential to the functioning of these agencies, budget cuts have been minimal. However, modernization has been stalled.

Training programs vary among these agencies. All programs require substantial classroom instruction and simulated call training. It may take over one year for a trainee to become proficient. The hiring and training cycle is ongoing. Vacancies occur regularly, in part due to job stress.

The PCC complex was designed as a regional communication center and has ample room to house law enforcement centers. Combining the SCC and PCC centers into one facility may provide potential budget savings for the city and county. However, there are concerns that this is not possible because the need for back up facilities.

Sacramento District Attorney's Laboratory of Forensic Services

The Sacramento District Attorney's Laboratory of Forensic Services (Crime Lab) provides scientific examination of physical evidence for police, sheriff, fire and district attorney investigations. Even though the Crime Lab is funded through the Sacramento County District Attorney's budget, it operates independently. No fee is charged for

services to agencies within Sacramento County's jurisdiction. The Crime Lab is organized by function: (1) biology, (2) criminalistics (comparative evidence, ballistics, trace hair, fibers, and arson), (3) chemistry (controlled substances), (4) toxicology, and (5) quality assurance. There are 12 special purpose labs constructed to provide specialized facilities for the various types of evidence and to prevent cross-contamination. The Crime Lab is accredited by ASCLAD-LAB, and is among the first in the state to be accredited to ISO (International Standards Organization) standards. Staff scientists are college graduates, who complete competency and proficiency tests regularly, as required by accreditation. They are also all trained to testify in court.

The total budget for the Crime Lab is \$9.2 million; this is \$1 million less than last year. The lab also receives grants, but this source of funding has also been reduced.

The Crime Lab has 45 employees, a reduction of six positions from a year ago. The loss has reduced the ability to complete case examinations. The toxicology lab had seven scientists, but three have been lost to layoffs. The evidence lab is down to one custodian. The result of staff cuts is an increase in the backlog of cases which is defined as cases not worked within 30 days of submission. The Integrated Ballistics Identification System, a database used to determine linkage among firearm-related evidence, has had its staff position eliminated, and is shut down.

Drug analysis turnaround time has increased. The ability is decreasing to meet the goals of an expedited drug analysis program. This is a program to provide results within a 48 hour turnaround to meet court appearance needs. The unit providing blood and urine alcohol analysis is reduced to one person. This unit is behind more than 300 cases. The delay in analysis, especially of drug and toxicology cases, affects adjudication of cases upon the first court appearance, and may result in substantial additional court and law enforcement costs.

The Crime Lab has successfully integrated into its operations the relatively new field of DNA-related evidence. The newer staff members who provide the core of this technical expertise may be more vulnerable to layoffs due to their low seniority.

The bottom line for the Sacramento Crime Lab is that workloads are increasing and staffing is decreasing, resulting in backlogs and missed deadlines. When laboratory examinations are not completed in a timely manner, additional costs are incurred by police, sheriff, and fire departments, the district attorney's office and the courts.

Sacramento County Department of the Coroner

The county coroner must determine the cause and manner of all unexpected, traumatic and violent deaths. This includes all cases of infant death, work-related deaths where Cal OSHA requests an investigation, and jail or prison deaths. Deaths where a doctor can specify a cause of death are not routinely investigated. The coroner works with a team of law enforcement, social services, and child protective service (CPS) representatives to review the deaths of children and elders. The office also handles all indigent cremations and prepares bodies donated for medical research. Additionally, the coroner's office takes possession of and stores the belongings of the deceased until claimed.

Each day there are about 17 deaths among Sacramento County's 1.4 million people. The coroner conducts about 1,400 autopsies each year (three or four per day). The office

received \$3.6 million from the general fund last year, down \$900,000 from the previous year. It generated \$1.2 million, mostly from transporting bodies.

The staff includes 34 full-time equivalent employees; this is fewer than in 1964. Administrative staff was cut from 4 to 2.5 positions. The public window is open only four hours per day. The doctor and investigative deputy coroner positions have both been cut from four to two. Deputy coroners were reduced from 15 to 11. Eleven autopsy technicians now retrieve bodies, a function previously contracted to a private mortuary company.

Despite severe budgetary reductions the coroner's office is still meeting all minimum legal requirements. By reducing public window hours to afternoons only, administrative staff can use morning hours more productively. The coroner is considering an assembly line autopsy process that Los Angeles has been using for many years. By allowing autopsy technicians to do routine parts of the autopsy, forensic pathologists' time and skills could be used more productively.

Sacramento County has an autonomous coroner appointed by the Sacramento County Board of Supervisors. Most counties combine their medical examiner functions with the sheriff's department. The county executive's office is studying such a reorganization.

Sacramento County Probation Department

The Sacramento County Probation Department has a current year budget of \$105.5 million; 56 percent is funded from the county General Fund and 44 percent by state and federal grants. Reductions of almost 30 percent since Fiscal Year 2008–2009 have resulted in a loss of 349 positions, almost 40 percent of the staff. Sworn positions have been reduced from 760 to 480. Non-sworn positions are down to 126. As a result of these staff reductions, the Background Investigations Unit and the Community Protection Unit have been eliminated. There has been a massive reduction to adult field services. Fiscal constraints have also forced the closure of the Boy's Ranch, the Neighborhood Alternative Center, and the Thornton Youth Center, along with the elimination of many youth-oriented programs.

As a consequence of these cuts, 96 percent of the 27,000 adult probationers and 86 percent of juvenile offenders are now unsupervised by a probation officer. In addition, the staff focused on gang members and registered sexual offenders was drastically reduced, resulting in only 20 percent of each group receiving attention from a probation officer.

One bright spot is the Adult Reporting Center, a pilot program for high-risk male offenders 18 to 25 years old. The program is aimed at channeling at-risk probationers into classes, mental health counseling and other services to keep them from re-offending. The average cost from time of arrest through conviction and sentencing is \$15,500 per offender. This cost escalates to \$50,000 if the offender commits a new crime and goes to state prison. Substantial amounts of court and prison costs could be avoided if this program were successful. In addition, the recidivism rate could decline if this program prevents its participants from re-offending. Lack of funding permits staff to handle only 50–75 of these probationers although there are nearly 5,000 in Sacramento County who could benefit from this program.

County budget cuts have devastated the probation department. It cannot provide the basic services needed to protect the public. The lack of probation supervision impacts city police, county sheriff, district attorney and court departments to the extent that the safety of the public is at risk.

Sacramento County Juvenile Hall

The Sacramento County Juvenile Hall, referred to as the Hall, is part of the probation department. It was expanded and remodeled extensively over ten years, with all activity completed in 2007 at a cost of \$43 million. This is a modern facility designed specifically to house juvenile offenders up to 18 years of age. At full capacity it can hold 445. It now holds 325 juveniles. The facility currently has a staff of 220.

The Hall has 15 housing units. Most juvenile detainees are subject to the juvenile court. However, one unit houses maximum security detainees accused of major crimes who are being treated as adults by the courts.

The Hall has a complete clinic including dental services. It has laundry facilities and a modern kitchen where all meals are prepared. There is extensive camera monitoring of almost all spaces. Electronic doors throughout the facility are controlled by a central monitoring station. Each detention unit holds up to 30 detainees and has a staff of 12. The units have mainly single cell rooms and a core area where staff is based that contains tables for eating. The kitchen delivers the meals on carts to each unit. Off this core area are a recreation yard, two classrooms and rooms for medical staff where prescription drugs are dispensed.

At intake, each inmate receives a physical, psychological and literacy evaluation. Within 72 hours of intake a Detention Risk Assessment (DRA) is completed. The DRA is a tool that predicts behavior. It helps in determining inmate placement; that is, whether they should be placed in a group home, a foster home or released to the family. The average stay is 17 days, but many are released after 72 hours.

By law juveniles are required to attend school while in detention. A school within the facility is run by the Sacramento County Office of Education. The director of the Hall believes that many of the detainees get the best care they have had in their lives while in detention, including medical, psychological, dental, educational and nutritional services.

An influx of detainees has occurred due to the closure of other youth programs and facilities. Recurring budget cuts, which reduce monitoring of detainees after they leave the Hall, are likely to result in more repeat offenders recycling through the system. The only positive results from these cuts may be that more experienced staff who worked in the field are now returning to work in the Hall.

Children's Receiving Home of Sacramento

The Children's Receiving Home of Sacramento (CRH) is a 501(c)(3) charitable organization under contract with Sacramento County. It serves as an emergency care shelter to provide short-term care to children ages 1 through 17 who are removed from their homes due to abuse or neglect.

CRH has 98 beds and serves about 1,000 children each year. The facility provides early intervention and placement assessment of the child's immediate and extended families in order to prevent future problems. The CRH also has medical care, counseling and education available for the children in its care.

The staff ratio is 1:3 for children one to six years old and 1:10 for older children. Younger children cannot remain in the facility for longer than 30 days; older children can remain for a longer period. The CRH has “shelter children,” i.e., girls 13–17 who are on site for 6–9 months for intense rehabilitation and follow-up upon release.

There is an “independent living” facility of 20 beds for teens who are about to age out of the system and need training in time management, cooking and job hunting. Children one to six years of age are housed in cottages designed to accommodate them in a home-like setting.

All children have access to a health clinic with two licensed vocational nurses (LVNs) on site to treat immediate needs. A doctor evaluates the children's health care needs once a week. Food is prepared on the premises. There are four classrooms; CRH has a contract with the San Juan Unified School District to provide educational courses.

CRH receives money from several sources. It has a long-term contract with Sacramento County via Child Protective Services (CPS) and a small contract with the County Department of Mental Health. CRH is paid at state foster care rates. There is no fund development staff on the payroll. CRH benefits from fundraising by community groups and CRH's Board of Directors.

The county proposed a ten percent decrease in funding. The CPS contract has been reduced by \$250,000. Since CPS no longer responds to “borderline cases” and only removes children in cases of obvious physical abuse in accordance with federal guidelines, fewer children are sent to the facility. The staff has been reduced from 150 to 100 employees.

CRH emphasizes early, comprehensive intervention in children's lives with a goal of preventing them from re-entering the system. They would like to have more impact on the ultimate placement of the children and more time to ease transition to foster care to help the children adjust more easily. By regulation the California Community Care Licensing Board (CCL) has imposed a limit of 30 days at CRH for children under six. The previously available option of seeking waivers from the 30 day rule in certain cases was eliminated this year by CCL.

Sacramento County Child Protective Services

Sacramento County Child Protective Services (CPS) investigates child abuse and neglect and provides services to keep children safe while strengthening families. CPS also trains foster parents, acts as an adoption agency, and licenses family daycare homes.

Changes were made at Child Protective Services (CPS) that implement most recommendations of the 2008–2009 Sacramento County Grand Jury and a study by a consulting firm. A major change in CPS procedure comes from assigning one social worker to a child's case who remains with that child until resolution of the case. Another change is the full use of an interactive computer program, Structured Decision Making

(SDM), a tool used at various points during a case investigation to guide decision making, to standardize report writing at all levels of CPS intervention, and to provide information for quality assessment.

Child-related emergency calls are received at one of four Intake Hotline Units. Each unit has one supervisor and six staff. Staff answering the calls evaluate them, classify them and enter the information into the SDM system, assigning them to one of three classifications:

1. Immediate response is required in cases of physical abuse, sexual abuse or hospitalization and can be initiated with a protective custody warrant or, if necessary, with law enforcement.
2. The ten day call list requires investigation because of truancy, neglect or environmental concerns. These generally stem from mandated reporters, i.e., staffs of schools, hospitals, doctors or police who are required by law to report possible abuse.
3. No response necessary.

All calls are recorded and supervisors can override the classification.

Sacramento County's fiscal constraints adversely affected the agency's emergency responses. Previously, the average number of such responses to calls was 1,500 per month. This was reduced to 1,300 per month because some "border line" cases no longer receive emergency response treatment. These cases include teen-parent conflicts, protracted truancy and some types of neglect. Lack of responses to "border line" cases also results in an overall decrease in the number of children sent to emergency shelters or to foster care. There is a concerted effort to place children with their family members. Unfortunately, many parenting classes and preventative intervention tools were cut due to budget constraints. As staff is reduced and personnel shifted from section to section, report writing is slowed, and assessments are compromised.

Upon removal of a child from the family home, CPS staff provides all necessary transportation. Medical and mental health assessments can be done at the Children's Receiving Home or in the family home, if appropriate. Two public health nurses are available to conduct 30 day developmental assessments. If the child becomes a dependent of the court, CPS, in cooperation with the court, investigates the case.

CPS monitors approximately 400 licensed foster care homes in Sacramento County. Approximately 60 percent of children removed from the family home are eventually reunited with their families; about 20 percent are adopted. The remaining children stay in the system for an extended period of time either in group homes or foster care, where they receive services and support from CPS. Approximately 1,300 to 1,500 children up to age 22 are in an Independent Living Program staffed by 4 social workers and a supervisor. This program provides transitional housing, job skills and "community partners" for help with food, household items, and other necessities.

CPS made many changes to their internal operations including an annual employee evaluation program put into place March 2010. Supervisors and program managers are trained to evaluate the work of employees and also to conduct quality assurance

evaluations. CPS increased efficiency in handling staff disciplinary cases, attempting to resolve such cases within 90 days.

Sacramento Regional County Sanitation District – Wastewater Treatment Facility

The Clean Water Act (CWA) of 1973 encouraged communities to combine sewage treatment facilities wherever possible and was the impetus for the formation of regional treatment facilities. In response, Sacramento County and the cities of Sacramento and Folsom formed the Sacramento Regional County Sanitation District (SRCSD), and a \$460 million regional program was developed. Federal funds from the CWA provided 75 percent of the funding for this project, state grants provided 12.5 percent and the remainder was provided by local bond funds.

The SRCSD initiated construction of the Sacramento Regional Wastewater Treatment Plant (SRWTP), and the plant began operation in November 1982. The treatment plant uses 900 acres of a 3,550 acre site in southwest Sacramento County. The remaining acreage provides a buffer. The large treatment plant replaces 22 smaller, less efficient treatment plants. It now collects and treats wastewater from an area greater than 250 square miles and serves 1.3 million area residents.

The SRWTP processes on average 150 million gallons of wastewater a day and operates 24 hours a day, seven days a week. SRWTP provides secondary treatment of the wastewater, releasing the effluent into the Sacramento River below the Freeport Bridge. Numerous by-products of the treatment process are recycled. Each year the SRWTP processes about 25,000 dry tons of bio-solids and about 7,300 dry tons of “Class A” organic fertilizer pellets that are sold for use on lawns and gardens. Methane gas is another by-product and is collected, cleaned, and sent to a cogeneration plant which produces up to 100 megawatts of electricity and steam that is used in the plant. SRCSD’s Water Recycling Program has provided a safe water supply for non-potable purposes such as landscape irrigation. In 2009, approximately 312 million gallons of recycled water were used in the Elk Grove area.

The SRCSD Environmental Laboratory has been in operation at the SRWTP site since 1982. Five years ago a new state-of-the-art facility was built there. The full-service environmental laboratory is certified by the California Department of Public Health to analyze and report analytical results for regulatory purposes. It also provides laboratory services to several federal, state and local agencies.

The California Regional Water Quality Control Board is scheduled to issue a new five year permit for the regional sewage treatment system in December 2010. The last five year permit was issued in 2000 with annual extensions beginning in 2005. About ten million pounds of ammonia are in the effluent discharged into the Sacramento River each year. Some people are concerned that the ammonia discharge is disrupting the food web of the Sacramento-San Joaquin River Delta. The district’s position is that there is no proven scientific evidence that the amount of ammonia being discharged hurts the downstream environment. The SRCSD estimates it could cost \$2 billion to remove ammonia by adding tertiary treatment of the wastewater. Customers could face major rate increases; some estimates suggest monthly bills could double or triple.

The revenue of the SRCSD was reduced because the economic slowdown and the reduction in new home construction caused sewer impact fees to decline. However, the monthly rate revenue has remained fairly constant. The SRCSD Board of Directors made a number of financial adjustments to reduce expenses. These included eliminating or delaying projects, paying off some existing debt early, and using the rate stabilization fund to cover shortfalls.

Sacramento Animal Services

The **Sacramento County Animal Shelter** is a state-of-the-art facility on 8 acres with accommodations for dogs, cats, horses and other animals. The budget this year is \$3.5 million. The latest budget reduced staffing by 49 percent. The director of the shelter position has not been filled; the duties of this position have been assumed by the director of code enforcement. There are 26 employees, including ten animal control officers and five administrative personnel. Only one animal control officer is available at any time. The county has only one veterinarian.

Due to budget limitations, the shelter is open to the public only Wednesday through Sunday. The facility is open from noon into the evening hours to allow public contact which promotes adoption and other services. The facility must reserve time in the morning for care of the animals and facilities, because there is not sufficient staff to handle both animal care and public contact. The limited hours impinge on the efforts to promote animal adoption.

Animal control officers are required to respond to all reports of abuse or abandonment, and must take all unwanted, sick, injured and aged animals. This contrasts to private agencies that can refuse costly or hard to place animals. Unfortunately, about 65 percent of the animals the shelter receives must be euthanized. This downside of public shelters makes a difficult task of attracting and retaining volunteer staff, and obtaining grants which may exclude facilities that must euthanize some animals. Volunteer supporters have been hosting flea markets, silent auctions, wine tasting, and other events to offset the budget reductions.

The **Sacramento Society for the Prevention of Cruelty to Animals (SSPCA)** is a private organization funded by donations and staffed mainly by about 1,500 volunteers. Its budget is \$5–6 million. The SSPCA is housed in a fairly new facility and its surgery suite costs \$100,000 per year to run. The agency has a higher placement percentage than the other animal shelters. The SSPCA only takes animals it considers adoptable and sends other animals to the city and county shelters.

The County Executive is starting a discourse with representatives of the three animal shelters, including the City of Sacramento Animal Shelter, to consider consolidation to increase efficiency and to reduce costs.

Sacramento County Registrar of Voters and Elections

In Sacramento County the Registrar of Voters is appointed by the Board of Supervisors. The registrar is responsible for registering voters, maintaining voter files, conducting local elections, certifying that petitions qualify, and administering provisions of campaign reporting and financing laws.

In the November 2010 General Election there were 501 polling places with 2,505 precinct officials and 43 field coordinators in Sacramento County. The county has 69 districts and elections took place in 67 of these districts this year. There were 177 different ballot types printed in two languages for a cost of \$3.5 to 4 million dollars. The registrar employs 38 permanent office staff and 30–40 temporary staff. The office expands to around 200 at election time.

The registrar streamlined operations to achieve a reduction of \$2 million from last year's budget of \$12 million. There has been a substantial shift toward Vote-by-Mail ballots. Present day elections are like running two elections: one by Vote-by-Mail and another by direct polling. Vote-by-Mail ballots are used by 60 percent of registered voters with a 46 percent rate of return. This is a higher voting percentage than polling place voters. Voting machines cost \$5,000 each. Maintenance of the machines costs \$500,000 per election and another \$85,000 is spent for drayage. Additional polling place costs include ballot boxes, tables, chairs, and other equipment. Polling place voting also requires staff training before every election.

Potential savings, estimated at \$1 million per election, could be achieved if voting were changed to Vote-by-Mail only. This would require a change in state voting law.

Staff reductions were avoided this year by instituting innovative cost cutting measures. Staff reviewed procedures and made reductions while maintaining the intent of the law. Not publishing polling places in newspapers and printing sample ballots in small type resulted in savings of \$200,000.

Sacramento City Unified School District (SCUSD)

Public education is widely recognized as one of the most important services government can provide. Within Sacramento County, public education is delivered by a number of school districts. During our initial orientation visits, the grand jury chose to meet with the Superintendent of SCUSD. The following information derives from that meeting, and is not necessarily reflective of current conditions in other districts.

The Superintendent of SCUSD is relatively new, having been appointed in 2009. The superintendent is not a professional educator, but is using experiences in other fields to steer the district towards a more collaborative, flexible and effective educational program.

That daunting task is made more difficult by a budget reduction of \$30 million, bringing the district's current fiscal year budget to \$350 million. Since 90 percent of the district's budget is for personnel, staffing costs became an early issue. The positions of chief financial officer and all associate superintendents have been eliminated. The central office staff has been reduced and the superintendent is seeking further concessions from the teachers' union.

To help work towards a more effective educational model, the superintendent has established a strategic plan, drawing from all segments of the community: teachers and principals, maintenance and support staff, parents and community leaders. Task forces are providing continual input. Schools have been ranked according to their current level of performance. Special attention is being given to the six lowest performing schools. Teachers and principals from some of the better performing schools have been transferred

to those six, while the district has taken care to preserve performance at the better schools. District wide changes include establishing full-time kindergartens. Maintenance needs have been addressed to insure that schools are clean, freshly painted and free of graffiti, thus providing attractive surroundings conducive to learning.

A district concern is the link between low achievement and poverty. About 70 percent of district parents live at or below the poverty level and many are not actively involved in their children's education. Moreover, about 40 percent of the district's students read below the state's average reading level. The district has initiated programs to help parents of low achieving students. Teachers and staff make home visits.

State regulations allow students to transfer from lower achieving to higher achieving schools. However, annual standardized test results, upon which decisions could be made, are often not available until after classes have started. The district has achieved some success in making this enrollment option available on a more timely basis.

Another problem the district is addressing relates to special needs students. Segregating such students into special classes is quite expensive. Furthermore, it separates those students from other children with whom they will come in contact outside of school. Task forces are working to place more special needs students into regular classrooms.

Attention is also being given to evaluating results as changes are made. The superintendent has initiated quality reviews of individual schools using peer groups from other schools in the district. Community reviews by non-school groups are also beginning.

Appendix: "Efficiencies List FY 2010-11," <<http://www.ceo.saccounty.net/CostSaving-Measures/default.htm>>

County of Sacramento, California	
New Efficiency List - FY 2010-11	
Description	Status
Policies	
Reserve and Reinvestment Policy	Adopted 2/9/10
Carryover Incentive Plan	Adopted 3/23/10
Alternative Service Provision/Departmental Consolidation Opportunities	
County Jail System Staffing Study	Report in July 2010
Provision of Jail and Juvenile Facility Food Services	Start July 2010
Coroner Department Reorganization Study	Start August 2010
Communication and Media Reorganization Study	Started in May 2010
Development Services Consolidation Study	Started in May 2010
Reorganization of Environmental Management & Agriculture Commission	Start July 2010
Study Feasibility of Remote Inspections	Start July 2010
Information Technology Systems Future Study	ITBP Meeting in July 2010
Law Library Reorganization Study (Including space)	To be completed by Sept 2010
Contract Administration Practices	
Mental Health Services Collaborations	Started June 2010
Options for providing Indigent and Conflict Criminal Defense	Started June 2010
Regional Parks Governance Study	Start September 2010
Non-profit outsourcing:	
Mather Community Campus	Completed
Senior Nutrition Program	Completed
Effie Yeaw Program	RFP issued in June 2010, effective mid July 2010
Therapeutic Recreation Services (TRS) Program Reorganization	Start September 2010
County Boards & Commissions Study	Start October 2010
Contracting Opportunities	
County Parking Operations	BofA parking completed
Federal and State Use of Local Correctional Facilities	Started June 2010
Golf Operations	Start October 2010
Environmental Review	
County Services Contracting Opportunities Study	
Charter Review Process Study	Start July 2010
Fiscal/Operational Studies	
Asset Management Study and Report	To be completed by September
Review Accounts Receivables procedures , and Financial Accounting functions	Start July 2010
Assessor Staffing Project	Started in June 2010
County Cost Allocation and Overhead Study	Started in June 2010
County Revenue Opportunities Study	On Going
Child Welfare System Peer County Program Analysis	Start July 2010
State/Federal Legislative Reorganization	Start October 2010
Reassessment of County Executive's administrative support staff	Start July 2010
Indigent Defense Financial Evaluation	Start July 2010
Probation - Adult Field Services Peer County Analysis	Start July 2010

County of Sacramento, California	
New Efficiency List - FY 2010-11	
Description	Status
Veterans Meeting Space Fund Raiser	Completed May 2010, next one May 2011
Regional Parks - "Small" maintenance construction Fund	Start June 2010
American River Parkway Operations Study	Start July 2010
Employee Involvement	
Direct Connection to the County Executive	Operational 1/4/2010
County Employee Suggestion Program	Start July 2010
County Whistle Blower Procedure and Policy	Start July 2010
Human Resources	
Flexible Hour Plans Effectiveness Study	Start October 2010
Evaluation of Modified Work Approval Process: Department Efficiency and Employee benefit	Start July 2010
County Payroll System:	
Online Automated Timesheet System	Start July 2010
Payroll Timing Correction Plan	Start July 2010
Countywide Employee Performance Evaluation System	Start October 2010
Functional Service Consolidation with Other Governments:	
Animal Care Collaborative	Started in May 2010
Building Inspection	
Environmental Review	
Emergency Operations Center	
Planning and Zoning	
Code Enforcement	
Waste Management	
Utilities Billing	
Transportation	
Parks Operations & Maintenance	
Golf Courses	
Facility Maintenance & Custodial Services	
Vehicle Maintenance	
Parking	
Law Enforcement - 911 Center	Start September 2010
Economic Development	
County Green/Technology Opportunities Study	



Don Prange Sr.
Foreman

Ronald Bargones

Russ Campbell

Bernard Donnelly

Robert Garbutt

Carol Goldberg

Cecil Gordy

Lois Graham

LuAnne Hansen

Barbara Henderson

Betty Knopf

Joe Koopman

Adrienne Leach

Arnold Maldonado

Jim Monteton

William Olmsted

Judith Parise

H. Joseph Perrin Sr.

Karen Richmond

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO
Grand Jury

April 15, 2011

To: Judge Cadei and the Residents of the County of Sacramento

By law, a grand jury issues a report at the end of its term in June covering the issues investigated during its tenure. This year the Sacramento County Grand Jury is issuing this report early to call public attention to the circumstances leading to Sacramento County owing a \$20M debt to the federal government. This debt arose when a county contractor, Ingentra, failed to pay the Internal Revenue Service all money due from the payrolls of special districts within the county.

The grand jury's investigation involved an extensive review of documents and interviews with county employees. It was soon apparent the county's contract with Ingentra was not a routine transaction. While county employees followed the usual policies and procedures, this contract was the first of its kind for Sacramento County and materially significant because of the amount of money involved. Safeguards were available that might have reduced the county's risk, but they were not recognized.

This report recommends a number of actions that should be taken by Sacramento County as soon possible for special and unique contracts such as this contract due to the amount of money involved and the complex tasks required. As Sacramento County considers outsourcing services in the future, it is hoped these recommendations can turn the story of Ingentra's fraud into a process by which county contracts are awarded with safeguards against such potential damage.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donald W. Prange Sr.", written over a horizontal line.

Donald W. Prange Sr., Foreman
2010-2011 Sacramento County Grand Jury

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Sacramento County and Ingentra: A Cautionary Tale

Summary

The grand jury investigated the circumstances leading to Sacramento County owing a \$20M debt to the federal government. This debt arose when a county contractor failed to remit to the Internal Revenue Service (IRS) all money due from the payrolls of special districts within the county. Albert Cipoletti, Chief Executive Officer (CEO) of Ingentra HR Solutions, pled guilty to federal charges of wire fraud, along with the controller of the company. A sentencing hearing was scheduled for April 15, 2011.

Sacramento County is required to process the payrolls for special districts within its boundaries. This function was performed by county employees until 2004. At that time the county's Department of Finance concluded that the computer system used by the county for these payrolls was “obsolete, cumbersome and very costly to maintain” (language from the Sacramento County Board of Supervisors Resolution) and concluded that it could be cheaper to have a private contractor handle the payroll. A Request for Proposal (RFP) was issued, two bidders responded and the contract was awarded to the higher bidder, Ingentra HR Solutions, (at that time called Humanic Solutions). Based primarily on a county-designed demonstration, Ingentra showed it could best fulfill the terms of the contract. The contract was renewed four times after 2004. In the spring of 2010, an IRS agent met with county representatives to point out a discrepancy between the funds due and the funds received from Ingentra. After payment of \$3M, the county still owes \$17M.

The grand jury's investigation involved extensive review of emails and other documents, and interviews with many county employees, both past and present. It was soon apparent that the Ingentra contract was not a routine transaction. It required the processing of payrolls for 47 special districts which varied widely in size, functions, policies and conditions of employment. Moreover, the county had never before contracted for payroll services. While the grand jury found that county employees had followed the usual policies and procedures for contracting out, this was not a usual contract. Safeguards were available that might have reduced the county's risk, but they were not recognized and put in place.

The jury determined that practices that may work quite well for purchasing some goods and services are inadequate for special and unique contracts such as the one involved here. The grand jury recommends alterations to the RFP process that will enable the county to assess risks to the county early in the process, to perform credit and litigation checks on bidders, to require different types of insurance, if needed, and to follow the same processes before renewing a contract. This is particularly important because the county owes the IRS primarily because it failed to employ an effective contract renewal review process. If a check of litigation filed against Ingentra were performed, the county would have learned that Ingentra was being sued for breach of similar contracts.

The grand jury's recommendations apply to “special” contracts. The jury defines a “special” contract as the first of its kind for Sacramento County, a materially significant contract because of the amount of money involved, or a complex contract. While there

are never any safeguards to guarantee that no contractor will embezzle or steal from the county, the grand jury's recommendations will help weed out and deter potential wrongdoing by a contractor. By instituting these recommendations, Sacramento County can turn the tale of Ingentra's fraud from a sad one into a cautionary one from which valuable lessons can be learned.

Foreword

The Ingentra contract was with Sacramento County and is therefore under the jurisdiction of the Sacramento County Grand Jury. The major focus for this investigation was the standard boilerplate process used by the county in purchasing goods and services, the contract process and the lack of review during the contract renewal process. There is no real risk management review of RFPs, contracts and the contract renewal process. The grand jury concluded that this process should be reviewed due to the county's increased outsourcing of services.

Issues

Does the RFP process provide Sacramento County with opportunities to adequately assess risk and to allow the county to learn enough about the potential contractors?

Did the contract with Ingentra contain enough safeguards to protect Sacramento County in the event that Ingentra failed to perform?

Is the contract renewal process adequate to ensure that Sacramento County will be protected against a contractor's failure to perform?

Reason for Investigation

The grand jury undertook an investigation upon the discovery that Sacramento County owes \$17 million to the IRS for payroll taxes. Initially, there was concern as to whether county employees were complicit in the criminal activity engaged in by Ingentra. The jury's investigation revealed no criminal activity on the part of Sacramento County employees. The jury also wanted to ensure that the process by which contracts are awarded adequately safeguards the county against potential damage. The jury seeks to assist the county in determining whether the purchasing process adequately allows the county to assess the risks posed by special contracts.

Method of Investigation

Interviews were held with personnel from the Department of Finance, Department of General Services and persons on the evaluation team. The following items were reviewed:

- The Sacramento County Contracts Manual
- The RFP for special district payroll services
- The two submitted bids
- The contract extensions

- Numerous emails among evaluation team members and Sacramento County personnel.

Background and Facts

Contract Development--the Request for Proposal Process

This is the first time Sacramento County outsourced payroll processing for the special districts. While it is not unusual for a company or governmental agency to outsource payroll processing, this particular situation was unique. The 47 special districts served by the Ingentra contract varied in type from fire districts to park districts to water districts to cemetery districts. The payroll processing for these districts is very complicated because each of the districts is a separate entity operating under its own policies and procedures. They had differing pay dates, differing retirement systems, differing health and/or dental care plans, and differing policies on vacation, sick leave, and personal time. The districts had as few as two employees to as many as several hundred. Some of the districts hired temporary and seasonal help requiring payroll processing to be flexible. The payroll processing contractor would be receiving payroll information from 47 different sources in a variety of formats. One of the districts did not use computers.

The contract was awarded to Ingentra through the use of Sacramento County's standard purchasing procedures. The Contracts and Purchasing Services Division administered the RFP process in which potential contractors were invited to bid for the contract based on specifications contained within the RFP. The Purchasing Division provided the standard boilerplate specifications, including required insurance policies, which have been used for years. The numerous and complicated technical specifications for the RFP were created by a committee of people with expertise in the various aspects of payroll processing. The committee was appointed and headed up by Department of Finance personnel.

The RFP was sent to numerous payroll providers and published on Sacramento County's website. Only two companies responded. Ingentra was a small company operating from a New York office. The other bidder was a large, nationally known firm.

The bids were analyzed by an evaluation team made up of people who were part of the committee that created the technical specifications for the RFP. The team developed an evaluation form which gave varying weights to the different aspects of the proposal and the required demonstration of services. The specifications of the RFP were compared with the contents of the bids. An important provision of this RFP process required the bidders to come to Sacramento to demonstrate their services by following a script created by the evaluation team. The script required the bidders to produce a sample payroll run, showing that they could accurately calculate all payments and deductions. During the evaluation the bidders were also required to show that they could adapt to unanticipated changes in the payroll process and that the various special districts could easily transmit information to the successful bidder.

Finally, the evaluation team contacted references identified by the bidders. The references responded to a list of questions prepared by the evaluation team. Beyond

asking for the opinions of Ingentra customers, there were no checks on the past or current performance of the bidders.

Ultimately, the higher of two bidders, Ingentra, was selected by the evaluation team. The award was based on the strength of the company's performance during a demonstration of its services. The other bidder, in the unanimous determination of the team that evaluated the bids, did not perform nearly as well. The Sacramento County Board of Supervisors approved the award of the contract to Ingentra for an initial term of 20 months and included a provision for up to four 15 month extensions. The contract was renewed four times. The final extension was for more than the allowed 15 months without board review or reauthorization.

Problems with the Request for Proposal Process

The grand jury observed several problems with the RFP process followed in this case, all resulting from a singular focus on the mechanics of the payroll and not recognizing the larger question of contractor accountability. In the effort to handle the intricacies of this particular payroll situation, no one identified a fundamental problem, the potential theft of money entrusted to the contractor. The purchasing department and evaluation team were doing their jobs in performing the functions of purchasing. Too often the people who conceive and execute an idea are short sighted because they are caught up in the details of the idea and because they already believe it is an idea worth pursuing. That appears to be what happened here.

First, no part of the RFP process requires a county official or department to look at a potential contract and ask, "What is the worst thing that can go wrong? What steps can be taken to prevent this? Is there insurance or another form of protection that can compensate the county? Is outsourcing this service the best solution for the county?" In this case, both payroll worth millions of dollars and the payment of state and federal taxes were turned over to a contractor. Although the county purchasing agency should be able to address such issues, the agency got caught up in performing the routine functions of purchasing, rather than shopping and evaluation. Raising such questions should be done by an official or department that is not and will not be directly involved in the resulting contract.

Another problem with this process arose from a lack of flexibility in analyzing bids. The people evaluating the bids seemed to have no mechanism to use to amend the specifications. During the evaluation process bidders may file "exceptions" to the specifications in the RFP. The bidder files an exception if a provision varies from the specifications requested. Exceptions can be the inclusion of extras not required, as it was in this case. In this RFP, the losing bidder filed exceptions. One of the exceptions was the inclusion of insurance for employee dishonesty and computer crime coverage for losses arising out of or in connection with any fraudulent or dishonest acts committed by employees. Another exception included errors and omissions coverage. These types of insurance were not required under the RFP which contained standard specifications for general comprehensive liability, auto liability, and workers' compensation coverage. No one on the evaluation team or in the purchasing services department remarked on this exception. The words "dishonesty" and "crime" were not noticed as red flags signaling a potential problem. The insurance mentioned in the exception offered a possible source of

protection. When asked about this exception, one interviewee's only response was to note that the insurances were beyond the scope of the RFP and could not be used in the evaluation for awarding the contract to the one who carried that insurance. Other interviewees simply did not notice this red flag.

It is true that in Ingentra's case, where the CEO of the company was engaged in fraud, the employee dishonesty insurance would not apply. However, had only Ingentra's employees engaged in the fraud, the insurance might apply. The county should require that it be named as an additional insured in such a policy.

Reference checking consisted only of asking a series of questions to clients identified by the bidders. A section of the RFP asks the bidders if they have been sued for breach of a contract with a public entity. This was a cursory check, at best. The RFP should ask about suits for breach of any similar type contract with both public and private parties. There should be a litigation search to determine if the bidders, or its principals, are named in lawsuits in any jurisdiction in which the company does business.

Further, the RFP process should require closer examination of potential contractors. Credit checks of the bidders, both the company itself and, if the company is essentially a sole proprietorship as Ingentra was, the principals of the company. A credit check can reveal a company in financial distress, a sign that the company is not a good candidate for handling the contract. The same is true of an asset check. A company with few assets would not be a good candidate. Should a company with few or no assets fail to perform, any lawsuit filed by the county for breach of contract or indemnification would be futile because the company could lack assets or be indebted enough to seek bankruptcy. These checks must be done to give the county a clear view of the potential contractors.

There was no referral to risk management until after the contract was awarded. That, in itself, was a problem. There was no input into possible types of insurance to require in the RFP. The only provision examined by risk management after the award was an indemnity clause proposed by Ingentra which purported to indemnify Sacramento County in the event of gross negligence on the part of Ingentra. This clause was changed at the request of risk management to require indemnification for ordinary negligence. Risk management questioned whether the standard insurances (workers' compensation, auto and comprehensive liability) were in place. It appears that risk management's job is only to review and suggest appropriate insurance. Risk management should always be consulted before an RFP is sent out for bid.

Contract Administration

There was a significant problem with the way this contract was monitored. There was no follow up with the IRS or any California taxing authority to determine if payment was actually made by Ingentra. The contract required use of the Electronic Federal Tax Payment System (EFTPS) for payment of all federal tax. Witnesses testified they were under the impression that only the entity transmitting money in this way was entitled to view the information. That entity was Ingentra. At the time nobody challenged this assumption; in fact Sacramento County could have checked these payments electronically. County personnel saw the quarterly returns prepared by Ingentra and sent to Sacramento County, but did not see the quarterly returns Ingentra actually filed with

the IRS. This is significant because the lack of verification permitted Ingentra to understate and underpay the employee withholding tax to the IRS without the county knowing that it occurred.

The contract with Ingentra did not require any audits. Witnesses testified that they assumed and/or knew that SAS 70 computer audits would be performed. A SAS 70 audit examines the controls over information technology and related processes. It does not include an audit of the financial statements, an examination of the internal controls over financial reporting, or any tests of payments to third parties such as the IRS. The county never asked for, and did not receive, copies of financial statement audits from Ingentra nor did the county determine whether audits were performed. Furthermore, the performance of the contract was never subject to a pre-award, interim, or post-award audit. An audit based on information provided by the contractor would not necessarily find embezzlement like that committed by Ingentra, but it could deter a casual embezzler in the way that a locked car door deters a not very serious car thief.

Money was wire transferred to an Ingentra bank account each month to be used for the payroll and employee withholding taxes, but apparently the county had no way to monitor what went into and out of the account. The contract contained no provisions to permit Sacramento County to monitor transactions conducted by Ingentra on the county's behalf.

Contract Renewal Process

The Ingentra contract offered a potential of four 15 month contract renewals. There were two problems with the way the contract renewal was handled. First, there was no effective process for determining if the contract should be renewed. Second, the final renewal was for a time period in excess of the 15 month term allotted by the Board of Supervisors' authorizing resolution.

It appears that there is no effective process for renewal established or followed. The decision to renew is usually up to the "using agency", in this case the Department of Finance. The decision to renew was based on lack of complaints about the contractor. No one was upset about anything Ingentra did. Payrolls were met. There was a problem reported by one special district when its laid off employees were not listed as employees for the purpose of claiming unemployment benefits from the Employment Development Department. This problem was corrected. The county lost no money as a result, though unfortunately, the employees did not receive benefits as quickly as they should have. Aside from that, no one reported any problems with the operation and administration of the contract. The payroll processing simply went on as before through four contract renewals.

Unfortunately, Sacramento County missed vital opportunities to learn about Ingentra and its principal Albert Cipoletti's business conduct. No formal audit was performed. No searching for litigation occurred. The terms and price of the contract were not reviewed. Because no litigation check was performed before the July 2007 renewal, Sacramento County did not learn that Mr. Cipoletti and Ingentra were sued by a law firm in federal court in New York in 2006. The lawsuit alleged that Ingentra did not pay the IRS and

other taxing authorities as it promised to do in a payroll processing service contract.¹ Also, because there was no litigation check, Sacramento County did not learn that Ingentra, Mr. Cipoletti, or Ingentra's predecessor company Total Times Solutions were named as defendants in lawsuits in New York, New Jersey, and Pennsylvania during 2006-2007.

Had someone entered Albert Cipoletti's name in an Internet search engine, it is likely that a *Newsday* article written in September 2006 would have turned up. It describes the bankruptcy proceedings of a company called Total Time Solutions which was owned by Mr. Cipoletti. The creditors claimed that Total Time deducted money from their accounts but failed to pay federal and state taxes.

Litigation searches must check for all litigation involving contracts like that in which Sacramento County was involved, not just for litigation arising from contracts with public agencies. The search should examine all the jurisdictions in which the company operates. When the contract is with a small business, like Ingentra, it is equally important to look for litigation involving the conduct of the company's principals.

Conclusion

After investigating the award and renewal of the special district payroll processing contract to Ingentra, the grand jury concludes that current Sacramento County contracting practices must be improved, both before a contract is initiated and before any contract is renewed. The county must amend purchasing practices to enable it to assess risks to the county early in the process, to perform credit checks, asset checks, and litigation searches on bidders, and to be flexible in the types of insurance required.

Of utmost importance is the need for reforming the way in which contracts are renewed. Before contracts are renewed, the contractor must undergo a litigation check, credit check and performance audit, if appropriate. These changes cannot guarantee that a contractor will not embezzle or steal from the county, but they will help weed out potential contractors that are at risk of failing to perform and deter potential wrongdoing.

¹ Spear Wilderman, PC v. TTS Payrolls, Inc (individually and/or as a wholly owned subsidiary of Ingentra), Ingentra HR Services, Inc. & Albert Cipoletti, US District Court, Eastern District New York

Findings and Recommendations

Finding 1.1 There was no evidence of criminal activity by Sacramento County employees or undue influence held by Ingentra over Sacramento County employees.

Finding 2.1 There was no comprehensive assessment or worst case analysis of the financial risk the county could incur with the proposed contract during the Request for Proposal (RFP) process.

Recommendation 2.1 Involve risk management and the County Counsel while developing the RFP specifications for “special” contracts. A “special” contract is one that is the first of its kind for Sacramento County, a materially significant contract because of the amount of money involved in the transaction, or a complex contract.

Recommendation 2.2 In the case of “special” contracts, before an RFP is finalized and sent to potential bidders, assign responsibility to an appropriate individual or committee to perform a comprehensive risk assessment and to determine the advisability of the county entering into such a contract.

Finding 3.1 There was no mechanism for recognizing the significance of exceptions to or from the specifications offered by bidders.

Recommendation 3.1 Bid evaluators should be instructed to bring any exception or variance from the established specifications to the attention of the purchasing department. The “purchasing department” refers to the purchasing department in whichever county agency originates the RFP process, not just the Purchasing Department contained within the Department of General Services.

Recommendation 3.2 The purchasing department should examine the exception or variance and determine if the RFP should be amended or if a new RFP should be created.

Finding 4.1 The RFP process did not adequately check the backgrounds and reliability of bidders in special contracts, as defined in Recommendation 2.1, or when the bidder is a small corporation or business like Ingentra.

Recommendation 4.1 Reference checking should include credit and asset checks of the bidders plus litigation searches to look for lawsuits against the bidder and/or bidders’ principals in jurisdictions in which the bidder has done or is doing business.

Finding 5.1 There was no requirement that the bidders carry employee dishonesty and computer fraud insurance.

Recommendation 5.1 Require employee dishonesty and computer fraud insurance in all cases in which the contractor handles public funds and makes payments to third parties. Require Sacramento County to be named an additional insured in the policies.

Finding 6.1 Sacramento County used no mechanism to determine if the IRS or the California taxing agencies actually received the proper amount of withheld payroll taxes.

Recommendation 6.1 For any payroll services contract, or any contract involving a third party payee, the user departments or agencies should verify receipt of payment directly from any applicable third party payee.

Finding 7.1 The contract with Ingentra did not require any financial or performance audit.

Recommendation 7.1 Special contracts should be subject to performance audits and the contractor should be required to have a financial statement audit in addition to standard computer audits.

Finding 8.1 The contract renewal process was inadequate.

Recommendation 8.1 Before any “special” contract, as defined in Recommendation 2.1, is renewed, Sacramento County should assess the contractor’s performance and pursue credit, asset and litigation searches to make sure that the contractor remains a reliable provider of services.

Finding 9.1 The final Ingentra contract renewal was for a term longer than that authorized by the Sacramento County Board of Supervisors.

Recommendation 9.1 Any proposed extension of a contract that exceeds the term authorized by the Sacramento County Board of Supervisors must be specifically approved by the Board.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to indicated findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento County Superior Court by August 1, 2011, from:

- The Sacramento County Board of Supervisors
- The Sacramento County Executive
- The Sacramento County Director of Internal Services Agency
- The Sacramento County Director of General Services
- The Sacramento County Office of County Counsel
- The Sacramento County Department of Personnel, Risk Management Office
- The Sacramento County Department of Finance

Mail or hand-deliver a hard copy of the response to:

**Hon. Steve White, Presiding Judge
Sacramento County Superior Court
720 9th Street, Dept. 47
Sacramento, CA 95814**

In addition, email the response to Becky Castaneda, Grand Jury Coordinator, at castanb@saccourt.com

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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SACRAMENTO
Grand Jury

Don Prange Sr.
Foreman

Ronald Bargones

Russ Campbell

Bernard Donnelly

Robert Garbutt

Carol Goldberg

Cecil Gordy

Lois Graham

LuAnne Hansen

Barbara Henderson

Betty Knopf

Joe Koopman

Adrienne Leach

Arnold Maldonado

Jim Monteton

William Olmsted

Judith Parise

H. Joseph Perrin Sr.

Karen Richmond

May 16, 2011

Honorable Raymond M Cadei
Sacramento Superior Court
720 Ninth St.
Sacramento, California 95814

Dear Judge Cadei and the Citizens of Sacramento County:

The Sacramento County Grand Jury began their term on July 1, 2010. We reviewed the final report by the previous grand jury which included a report on the Rio Linda/Elverta Community Water District with findings and recommendations. The water district was to answer the findings and recommendations in the manner required by law. While the district responded in a timely manner, this grand jury believed the responses did not adequately address the issues.

The current grand jury received several complaints about the sitting water board. The infighting we witnessed while attending board meetings reminded some of us of the "Hatfields and McCoys." Complaints were hurled back and forth during the meetings, and members of the grand jury witnessed this sideshow several times. After careful review of these complaints about this district, the grand jury voted to open an investigation into the allegations and problems. The complainants were subpoenaed and interviewed. Complaints ranged from interference by the board members with the general manager, who they fired before year end, and meddling and trying to micro manage the employees on a daily and weekly basis. Some board members decided to spend many hours during the week in the office for one reason or another. The board fired the general manager just before the November election, and then hired a new general manager with no water district credentials after the election. His contract was so structured that he would receive thousands of dollars if fired by the new board.

Naturally, when the new board was sworn in they did fire the newly hired manager. The grand jury subpoenaed the old board, the new board, old and new general managers, and the district's legal counsel, who became the interim general manager every time a general manager was fired. This altered the legal counsel's salary depending on which hat he was wearing at the time. The grand jury met with the California Department of Public Health, LAFCO and the Sacramento Metro Fire Department. Metro Fire stated that when they received a call in Rio Linda, they had to bring a water truck, as most of the time the water pressure was too low to do any good, or there was little or no water in the hydrant. The district was to drill new wells, however financing was a problem. The grand jury reviewed hundred of documents, invoices, and credit card receipts in an attempt to find out why things are so bad in the water district.

A new general manager with experience has been hired and will start June 1, 2011. This may improve the situation. The first order of business should be to stop the hostility displayed by the board members. Next, there should be an attempt to accomplish something for the district without being negative, bring some sanity to the meetings, and attempt to be civil toward one another.

Sincerely,



Donald W. Prange, Sr.
Foreman 2010-2011
Sacramento County Grand Jury

DP/bc

Rio Linda/Elverta Community Water District

Legacy of Dysfunction

Summary

Numerous citizen complaints about the Rio Linda/Elverta Community Water District (RLECWD or the District) have been brought to the attention of the Sacramento County Grand Jury. This grand jury found mismanagement of the District, its personnel, and finances. Dating back to 2007, the District failed to fulfill the California Department of Public Health (CDPH) compliance orders to provide adequate water supply and pressure. In the last year, CDPH issued two citations. A review of the financial documentation suggests the District may be in financial jeopardy, and leaves its continued financial viability in doubt. Ultimately, the direction and management of the District is the responsibility of the board of directors. The grand jury found grave concerns about the performance of the board of directors (the Old Board) that held office until December 2010. Whether the board that took office in December (the New Board) will be able to overcome the legacy of dysfunction and improve the District is uncertain.

Foreword

The Rio Linda/Elverta Community Water District (RLECWD) is an independent special district formed to deliver the essential and desirable public service of providing water to its geographic area. It is formed under and enabled by state law. It is governed by a five member board of directors whose members are elected by voters residing within the district. The District is a local government agency and is within Sacramento County. It is, therefore, subject to review by the Sacramento County Grand Jury.

Issues and Reasons for Investigation

One year after the 2009–2010 Sacramento County Grand Jury issued its report on the Rio Linda/Elverta Community Water District that stated it faces an “uncertain future,” that future is still in doubt. Most of the recommendations made in that report have not been implemented because the District’s board of directors has not taken the required actions.

The major issues for this year’s investigation are as follows:

- The continued mismanagement by the RLECWD Board of Directors
- The inability of a parade of general managers and interim general managers to manage the District’s operations
- The internal conflicts among staff, the general manager and the board of directors which interfere with the operation of the District
- The uncertain financial viability of the District.

Citizen complaints are still being received by the Sacramento County Grand Jury. Their main concerns are with the management’s inability to alleviate the volume and pressure inadequacies of the water system. Further concerns are with the mismanagement and

contentious atmosphere exhibited by the District's board of directors, the general managers, and the field and office staff.

The grand jury will also comment on how the regulatory agencies, the California Department of Public Health (CDPH) and the Sacramento Local Agency Formation Commission (LAFCo), are trying to help the District overcome its problems.

Method of Investigation

The grand jury interviewed RLECWD ratepayers, past general managers, past and present board members, the District's legal counsel, financial auditors and former employees. The grand jury also met with representatives of CDPH and the Sacramento LAFCo, and subpoenaed and reviewed relevant documents from the District and other agencies. Grand jury members attended many District board meetings, LAFCo hearings and meetings of an adjacent water district.

Background and Facts

The Rio Linda Water District was formed in 1948 to provide water services to citizens in the unincorporated community of Rio Linda. In 1988, the water district annexed Elverta, and in 1998 changed its name to the Rio Linda/Elverta Community Water District. A new development was proposed under the Elverta Specific Plan and approved in 2007. If this development were to be completed, it has the potential to double the number of service connections.

The water supply is entirely groundwater. The nine active wells are connected to 16.2 miles of pipeline, much of which is over 50 years old. There are about 4,600 connections to the system, most being residential. The population of the area is almost 15,000. Unlike most other water districts in the county, in this District there are a substantial number of residents who rely on their own private wells. These non-ratepayers are allowed to vote for, as well as to serve on, the board of directors.

The area served by the District covers 17.8 square miles. Adjacent water suppliers include the Placer County Water Agency to the north, the City of Sacramento to the south, the Sacramento Suburban Water District (SSWD) to the southeast and the California American Water Company (CalAm) to the northeast. The Sacramento County Water Authority provides water in a nearby area. The District maintains an inter-connection with SSWD that can be opened in emergency situations.

In 2006, when two RLECWD wells were taken off-line for exceeding new federal arsenic standards, the District fell short of being able to supply adequate water for periods of peak demand. Since 2007, CDPH issued two compliance orders and two citations against the District. On November 19, 2007, CDPH filed a compliance orderⁱ against the District for "...inadequate source capacity and inadequate water pressure in its distribution system." This order imposed a moratorium on all new connections within the system. A second compliance orderⁱⁱ, issued on December 28, 2009, incorporated the outstanding directives of the first order, cited two ensuing years of violations, specified that the District install three new wells, and set a timetable for compliance.

On May 6, 2010, CDPH issued a citationⁱⁱⁱ to the District. This citation required immediate reporting of several routine tests and the test results for about 500 backflow

prevention devices in the district. In this citation CDPH also requested an analysis of the adequacy of the District's staff/operator levels for the water system and an updated Operations and Maintenance (O&M) Plan. On March 30, 2011, CDPH cited^{IV} the District for not meeting the deadlines imposed in the previous citation. The District failed to meet deadlines for two important elements in the District's O & M Plan: schedules and procedures for flushing dead end mains and schedules and procedures for routine exercising of water main valves. This citation could result in fines of up to \$100 per day per issue unless the District complies.

The District needs to construct three wells to satisfy CDPH compliance orders. The new wells will provide increased water supply and pressure to meet peak water demands and fire safety concerns. Drilling of the first well (#15) commenced in April 2011.

The District is eligible to obtain a \$7.5M loan from the Safe Drinking Water State Revolving Fund (SRF), but only if it can show that it can afford to pay off the loan and to keep an amount in reserve to ensure loan repayment. In May 2009, the Old Board implemented a surcharge on all ratepayers. Based on the District's own financial records, which show several years of deficits, CDPH determined that the amount of the surcharge was inadequate to provide for loan repayment. CDPH stated that the District would need to collect an additional average of \$5.46 per connection per month to secure the SRF loan. The Board commissioned a rate study as prescribed by Proposition 218. The rate study recommended an average rate increase of \$8.90 per connection per month to adequately repay the loan and finance long delayed capital improvements.

The situation at the district remains in flux. After the required public hearing in March 2011, the Board agreed to a rate increase that is enough to satisfy the minimum requirements of the loan, but not enough to pay for capital improvements. Citizens are challenging the amount of the rate increase as well as the legality of the procedures used to establish the rate increase.

The Board of Directors

The grand jury found that many problems of the District, reported last year, have existed for many years and continue to exist. The Old Board failed to provide clear, short term and long term vision and directions, even in the face of compliance orders and citations. Not enough was done to correct the problems identified by CDPH and the 2009–2010 Sacramento County Grand Jury report. The problems and bickering that consumed the Old Board is a legacy that continues to interfere with the conduct of District business.

A successful board of directors provides direction and oversight by selection of a competent general manager, scrutiny of budget and expenditures, and establishment of policies. In contrast, the Old Board has not been successful in doing any of these things. In the last 12 months the District had multiple short term general managers. Also, the Board lacked a thorough understanding of its financial situation and did not follow its own policy manual.

The continual turnover in general managers documented in the previous grand jury report persisted in the past twelve months. In the last year, two general managers were fired: one an interim manager who was hired and fired by the Old Board, and the other a manager hired by the Old Board just after the November 2010 election and fired just six

weeks later by the New Board. During the times when no general manager is on staff, the District's legal counsel assumed the duties of the general manager at an hourly rate of over \$150. On April 18, the board hired a new general manager who will assume duties on June 1, 2011.

Under the District's Policy Manual, a general manager is to have "...full charge and control of administration, maintenance, operation, and construction of the water works system of the district." The short tenures of the various general managers created a host of problems that interfered with running the District. It was difficult for short term general managers to establish a rapport or working relationship with the employees. Most of the employees worked for the District for many years, had their own way of doing their jobs and were disinclined to take direction from a short term manager. The constant turnover allowed employees to run operations in the way they chose, a situation that opened the door to abuse and inefficiency. The lack of a working relationship hampered the effectiveness of the general manager in controlling the District's operations. In addition, the managers had little time during their short tenures to establish operational and financial systems to effectively manage the District.

Further, the Old Board failed to hire general managers who could handle the entire job as described in the policy manual. One interim general manager had water experience, but no experience in the financial aspects of running a water district. The general manager hired in November 2010, completely lacked experience in running any sort of water district or public agency, but did have experience in running a business. The District's legal counsel, who serves as interim general manager, has no experience in running a water district.

The attitudes of some board members towards the staff poison the relationship between general managers and the staff. Board members have said, in public, that the staff was overpaid and lazy. Protracted and unresolved labor negotiations with the Old Board produced an impasse that has persisted since July 2009. Initially, the Old Board had proposed eliminating full time positions and replacing them with part-time positions. The Old Board imposed a Last, Best and Final Offer (LBFO) that acts as the basis for reduced compensation and reductions in employee status. General managers testified that staff expected to be fired upon the beginning of a new general manager's tenure. Former general managers reported problems in communicating with staff that seemed hostile to, or at least wary of, the intentions of the managers. The New Board inherited this state of employee affairs.

The Old Board lacked adequate financial information and did not appropriately exercise fiscal oversight. Board members complained that they did not know where the District stood financially, and seemed unable to direct the general manager to correct the situation. Financial information was not kept current. Audits have regularly been late. Board members did not routinely receive a comparison of expenditures versus budgeted amounts, making it difficult for directors to understand the financial status of the District at any given time. No district can properly plan or make decisions if it lacks reliable financial information. Regardless of who is at fault for the lack of audits and financial data, it is a board's responsibility to find a way to get the information it needs. Hiring a competent general manager can help the board get that information.

The lack of valid financial information prevented the Old and New Boards from making sound, long and short-range financial decisions. For example, the Old Board exhibited difficulty in addressing the financial components of obtaining the State Revolving Fund loan. The Board's imposition of a surcharge insufficient to raise enough money to qualify was the result of a misunderstanding of the District's financial status. The Board finally commissioned a Proposition 218 rate study after the November 2010 election. The New Board struggled to determine the appropriate amount to raise rates.

The actions of the Old Board remain an impediment to the effective running of the District. The Old Board committed to two three-year contracts that contain severance clauses that entitled the general legal counsel and general manager to receive money if terminated before the end of the contract. The general manager's contract was made just after the November election, following LAFCo's recommendations against entering into long term contracts, and before the swearing in of the New Board. The Old Board hired a general manager after a cursory search and interview process. The person hired, as mentioned before, had no experience with operating a water district. The Old Board testified that these contracts were done in an attempt to show "stability" in the management of the District. In reality, the contracts set the District up for paying out large sums of money if it decides to terminate either of these individuals. With the firing of the general manager, the severance clause will be the subject of controversy and potential litigation. Either a payout or litigation over the severance clauses will drain finances from the already stressed District.

The Old Board failed to keep the public informed of its decisions. Under the Brown Act, decisions of elected boards must be made available to citizens. Most modern agencies rely heavily on their websites to provide information. RLECWD has a website. Unfortunately, the current website does not contain updated information. While meeting notices and the agendas appear within the Brown Act required time frames, minutes of the board meetings have not been updated for the six months prior to the writing of this report. The way the website is organized makes it difficult to even locate the minutes that are available. The history of the District and its work is contained in a section called "Resolutions and Ordinances." It contains detailed information of the past, but very little is posted after December 2008 leaving a curious citizen to wonder if any decisions were made. The "Labor Negotiations" page of the website said it is "under construction." If the District intends to use the website to provide information to citizens, it should keep that site current.

A large portion of the Old Board's dysfunctional legacy lies in the patterns of behavior among board members, staff, and even the general public. The relationships of the Old Board were marked with arguing, acrimony, and rudeness involving board members, staff and the public. Despite the District's policy manual providing a guide in conducting dignified and functional meetings, the New Board seems to follow the same old patterns. Board meetings were, and continue to be, conducted in a non-orderly and dysfunctional manner with spontaneous outbursts from the audience and Board members. Board members bicker among themselves in full view of the public, in a local newspaper, and in on-line blogs. Board bickering usually breaks down into arguments between the remaining Old Board members and some of the New Board members. Board meetings have unproductive agenda items such as cross censure motions filed by board members

against other board members. The short relationship between the New Board and the six week general manager was less than cordial. A New Board member spends time in the District office trying to “micromanage,” much as former board members did. The New Board president is trying to change this behavior, but the pattern of years of such behavior makes this a difficult thing to accomplish.

It appears to this grand jury that the Old Board’s goal to keep rates low overshadowed their duty to operate the District in a sound manner. Both Old and New Board members are mired in controversy with each other and are unable to find consensus on how to do the District’s business. The board’s legacy of dysfunction distracts it from accomplishing the mission of providing safe and adequate water to the ratepayers.

Staff

The District has generally employed a small staff of six to ten: three to four in the office and the remainder in the field. In 2005, the employees formed an employee association and later became affiliated with the Teamsters.

The Old Board had a desire to cut District costs to keep from raising rates. Their targets were employee salaries and benefits. They talked of hiring only part-time employees, and using volunteers or recruiting high school interns to perform typical staff duties. Members of this board published staff wages in printed flyers and in one member’s newspaper. The board members believed that a small district such as theirs did not need to provide wages and benefits comparable to larger districts.

In 2006, the District signed a Memorandum of Understanding (MOU) with the employee association. When the MOU’s June 30, 2009 expiration date approached, negotiations began in earnest with the Teamsters who were representing the employees. The Board wanted to make cuts in wages and eliminate or severely restrict benefits; the employees wanted raises and continued benefits. Negotiations were protracted and costly for the District. No accord was reached and an impasse resulted. The Board imposed a “Last, Best, and Final Offer” (LBFO) effective July 1, 2009 through June 30, 2010. District employees are still working under this LBFO because no new contract has been agreed upon.

The LBFO eliminated two supervisory positions and created two new job titles to replace the eliminated supervisory titles. The LBFO states that the “District agrees to furnish Union with one (1) copy of each job description presently established and of such up-to-date job description as it may prepare in the future.” The District’s current policy manual contains job descriptions for the old job titles, but job descriptions for the new titles have not been agreed upon. In addition to changing some job titles, the LBFO eliminated three steps in the salary schedule for all employees, thereby lowering staff wages by 15-20%.

The grand jury heard testimony that job performance decreased following imposition of the Last, Best, and Final Offer. There developed a pattern of behavior where the employees were reluctant to perform the duties they previously performed, in part claiming that the duties were not in their current job descriptions. The work environment became contentious. The imposed LBFO and disputed job descriptions caused disruption of normal staff operations, and damaged the working relationship between management

and staff. When attempting to direct or discipline staff, general managers were often met with grievances filed by employees.

A critical example of mismanagement and lack of staff direction occurred when tasks were dropped after the imposition of the LBFO. The board adopted new job titles and a wage schedule without corresponding job descriptions. When the field supervisor job title was eliminated, confusion arose over who was responsible for reporting test results to the state. When directed by the general manager, employees responded in effect, “that is not my job.” As a consequence of this confusion, CDPH cited the District for not reporting test results. New job descriptions still have not been ratified.

Other instances of staff duties no longer being done have occurred. Testing of backflow prevention devices was not done for approximately two years. As a result, a general manager authorized a refund of about \$30,000 charged for this testing. General managers hired additional staff and employed an engineering contractor to perform some of these duties, resulting in increased costs to the District.

Numerous witnesses testified that many confrontations with the staff occurred, specifically with the lead water utility operator. Confrontations ranged from an outright refusal to work to intimidating behavior on the employee’s part. To resolve issues of critical tasks being completed, the lead water utility operator’s rate of pay, but not benefits, was restored. The employee has resumed the testing and reporting required by CDPH.

Newly hired general managers have heard from staff members that they believed the general manager was hired specifically to fire staff. General managers in return reported being harassed by the staff, board members and the public. Several witnesses reported instances of yelling and disruptions in the office.

The frequent turnover of general managers has led to inconsistent application of policies. Staff often interpreted policies to their own best interest. For example, over several years employees received payment of vacation and sick leave in violation of District policy, whereas payout was only available on termination. Further, with managerial consent, vacation hours were accrued in excess of policy, an employee on workers compensation leave accrued vacation/sick leave hours, and a temporary employee accrued vacation/sick leave hours. In 2008, there were allegations that employees sold retired water meters and kept the cash. One employee was fired for this.

Another example of an employee taking advantage of the lax oversight by a general manager was the use of the District business credit card for personal expenses. The bookkeeper, over a period of time, charged thousands of dollars of personal expenses on this card. The bookkeeper claimed to have reimbursed the district for personal charges. Some of the charges were covered by applying points accumulated on the card. This bookkeeper was fired. The grand jury recommends that the Sacramento County District Attorney pursue the investigation of these credit charges.

Financial Concerns

The financial status of RLECWD is unclear. What is clear is that the District has significantly reduced its cash and has not issued comprehensive financial reports since the 2007/08 fiscal year. Sound financial management has been hindered by a lack of

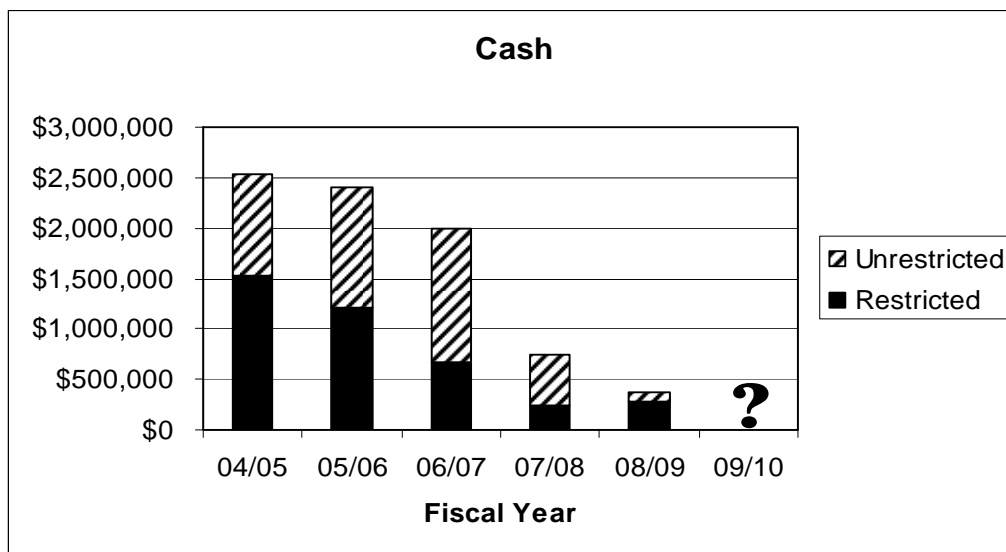
adequate and timely financial information, by insufficient accounting policies and procedures, and by budget reports, when prepared, that are not updated sufficiently. Taken together, these deficiencies open the door for abuse. The District's financial viability is uncertain.

Reduced Cash

For financial reporting purposes, deposits held at various financial institutions or invested in the state investment pool are combined and reported as "cash and investments". For purposes of this grand jury report, "cash and investments" are collectively referred to as cash. The District designates its cash as either restricted or unrestricted. Unrestricted cash is used for current operations including payroll. The use of restricted cash is limited by legal requirements and/or board policy. Generally, cash is restricted for:

- bond debt service
- customer deposits
- capital projects
- long-term maintenance and improvements
- contractual obligations
- post employment benefits
- emergencies.

The following chart illustrates the decrease in restricted and unrestricted cash. This information was obtained from the District's financial statements.^v



The District has been depleting both its restricted and unrestricted cash from a total of \$2,537,000 in 2004/05 to \$ 377,000 in 2008/09. Cash balances for 2009/10 have not been published as of this writing. The reduction in cash could be attributed to legal expenses, installation of system monitoring equipment and electronic meters, and drilling a well that is unsuitable as a drinking water source due to its high levels of arsenic (well #14). Testimony revealed that the District is not confident it knows where the cash actually went.

The District is struggling to manage its cash flow. The March 16, 2011 Accounts Payable Summary shows more than \$150,000 in unpaid bills that are over 90 days past due. The legal counsel, acting as general manager, has been trying to negotiate payment terms with the creditors. Previous general managers testified of their efforts to negotiate payments on delinquent bills. Additionally, the grand jury heard testimony that water bills were sent out early in hopes that some customers would pay promptly and bring needed cash into the District.

Comprehensive Financial Statements & Audits

Public agencies generally have an annual audit of their financial statements. The time between the close of the fiscal year (June 30) and the issuance of an audit report for RLECWD has been increasing. An auditor testified they would expect audit reports to be completed by October. The following table illustrates the delays since 2006/07.

Fiscal Year	Audit Report Date	Time since end of fiscal year
2006/07	December 2007	6 months
2007/08	July 2009	13 months
2008/09	March 2010	9 months
2009/10	not started as of March 2011	greater than 9 months

Governmental accounting standards identify a Comprehensive Annual Financial Report (CAFR) as including an audit report, basic financial statements, management's analysis and discussion, and required supplementary information. The CAFR is designed to provide a more complete financial picture of an organization and is a governmental agency reporting standard. The last CAFR prepared by the District was for the 2006/07 fiscal year. While the financial statements for 2007/08 and 2008/09 were audited, the financial reports lacked the required supplemental information to be considered a CAFR. No CAFR has been prepared for the fiscal years 2007/08, 2008/09, and 2009/10.

These annual audit delays coupled with the absence of CAFRs are weaknesses that significantly hinder the Board and public from knowing the status of operations and where the District stands financially.

Financial Management and Oversight

The general manager functions as both the chief fiscal officer and the chief executive officer. Several general managers interviewed by the grand jury did not appear to have the training and skills necessary to perform the function of the chief financial officer. The Board must ensure that a properly qualified individual is selected to be general manager, and that individual fulfills the "Fiscal Officer" responsibilities described in the District's policy manual. Additionally, a competent bookkeeper knowledgeable in accounting principles is essential to the operation of the District.

A good accounting system provides management with sufficient financial information to make informed decisions. The grand jury heard testimony from several current and

former board members about the lack of clear and comprehensive financial information. The grand jury reviewed a variety of financial documents dating back to 2001. Up until about 2008, the board regularly received financial packets that contained detailed expenditures, budget information, and comparisons of actual costs to budgeted costs. Since 2008, these financial reports to the board have been sporadic at best.

This lack of financial information prevents the Board from making informed decisions. For example, in early 2011, the Board considered increasing rates to cover the cost of needed capital improvements such as drilling new wells and improving existing infrastructure. A consultant prepared a draft of a Proposition 218 rate study using historic financial information and estimates. This historic information included audited costs through fiscal year 2007/08. Unfortunately, estimates were used for fiscal years 2008/09 and 2009/10 because actual information was not available. The board approved the full amount proposed in the rate study, however, only imposed a rate increase of about 70% of the proposed rate. While the higher rate would have provided much needed cash, the Board was reluctant to impose a higher rate without reliable financial information. The amount and legality of this increase is being challenged.

Budgets are a plan of operations that identify anticipated expenditures and sources of revenue to pay for those expenditures. Auditors expressed concerns that these budgets were not updated at least quarterly for operational changes. They were concerned that variances between budgeted and actual figures were not analyzed for errors, erroneous assumptions, or changes in business or economic factors. The lack of budget control may have allowed for substantial expenditures beyond current income and led to the subsequent reduction in cash reserves.

The District's accounting policies, as described in its policy manual, are very limited. The District does not have a formal accounting procedures manual. The separation of duties needs to be clearly defined and documented to ensure accountability. Establishing adequate separation of duties to provide checks and balances is essential, even though it is a challenge for a small organization. Auditors reported that having an up to date accounting policies and procedures manual could provide for efficient training of new staff, more effective and timely financial reporting, and consistency within the administrative department.

The District has not established adequate procedures to ensure the timely recording of liabilities (unpaid bills). When invoices are received, they are given to the general manager for approval. They are not entered into the system until they are paid. When a new general manager was hired in November 2010, numerous unpaid bills totaling over \$300,000 were found. Prior to finding these invoices, the Board was not aware of these outstanding liabilities. These invoices had not been recorded so they were not reflected in the accounting system. They were not tracked and no accounts payable aging schedule was prepared. An aging schedule, a list of unpaid bills, is very helpful in managing cash flow.

Financial System Weaknesses

The District has significant weaknesses in its financial management including:

- poor financial records

- no audit since 2008/09
- lack of accounting policies and procedures
- weaknesses in budgeting
- weaknesses in financial oversight
- high turnover of general managers.

Collectively, these weaknesses put the District at risk for fraud and abuse and several witnesses testified that they believe it has occurred. The District contacted an accounting firm to perform a forensic audit of bank statement records and transfers for the past six years. The District Attorney has been contacted and may proceed if any illegal activity is found.

Both the 2007/08 and 2008/09 audit reports stated that "...the District has expended the majority of its operating reserves and continues to run deficit budgets. These conditions raise substantial doubt about its ability to continue as a going concern." This means the auditors were concerned about the District's ability to pay its bills timely and maintain operations sufficiently to remain in business. In other words, the financial security of the District may be in jeopardy.

California Department of Public Health

CDPH monitors water providers for compliance with state and federal regulations concerning water quality and sufficiency. The department issued two compliance orders and two citations against the District. CDPH has been active in trying to help the District update its procedures and operations to bring it into compliance. It has defined specific actions the District must take including drilling three new wells at an estimated cost of \$7.5M. The deadlines for compliance have been extended repeatedly because the District has not met any of the dates. Until the latest citation, CDPH has not fined the District, even though it has the authority to do so.

CDPH administers a loan program, the Safe Drinking Water State Revolving Fund (SRF), to help communities finance costly water system improvements. The SRF rates are very favorable, especially compared to private bank financing. Through a Notice of Acceptance of Application (NOAA), CDPH has reserved SRF funds for the District. This was done with the understanding that up to date financial reports will verify the District's financial viability. The NOAA can be withdrawn if the above conditions are not satisfied. The District needs to demonstrate that it can repay the loan while still maintaining operations, including long and short-term maintenance. Even though the District instituted a surcharge (\$19 per connection per billing period) in 2008, CDPH required an additional rate increase to ensure repayment of the loan. The water district completed a rate study and approved a rate hike that is scheduled to begin in May 2011.

CDPH staff has spent many hours discussing the District's needs and future plans with several contractors, as well as a parade of general managers and board members. The state agency routinely bills water districts for this type of assistance. RLECWD has paid thousands of dollars for this service, and several of the CDPH invoices remain unpaid. Board members seemed to be surprised that they were billed for these meetings, emails,

and phone conversations even though they have signed checks to pay these invoices in prior years.

Many questions have been raised about RLECWD's ability to provide adequate and safe water to its customers. While CDPH is concerned about the District's lagging progress, it continues to support the District in its efforts to remain an independent water district. That department believes the District's slow process would still be preferable to take over of the District by another entity. The one tool the department could use to take over district operations is receivership authorized by the court system. CDPH says the standards for receivership are extremely high because a district has to be "unable or unwilling to adequately serve their users" or is "unresponsive to the rules or orders of the department." Under receivership the operator is usually replaced, but not the board of directors. CDPH feels the District has been trying, but the question still remains, are they able to maintain operations responsibly?

Local Agency Formation Commission

A Local Agency Formation Commission (LAFCo) is required in each California county. It governs formation, consolidation and reorganization of special districts. In May 2010, the Sacramento County Grand Jury recommended that LAFCo "should immediately initiate a reorganization proceeding which includes completion of a Municipal Service Review (MSR), and a study of feasibility and alternatives for reorganization of RLECWD." LAFCo began the MSR process soon thereafter.

Much of the responsibility for assembling data for an MSR lies with the special district being examined. At the November commission meeting (one day after the November 2010 election), LAFCo staff confirmed that they still did not have an approved MSR. The LAFCo Commission recommended that RLECWD:

- move quickly to hire a qualified general manager
- immediately initiate the Proposition 218 process for rate adjustments
- provide missing information to LAFCo for the MSR
- not enter into any new contracts that would obligate the incoming Board.

At the November LAFCo meeting, the commissioners directed its staff to immediately explore consolidation options rather than wait for completion of the MSR. LAFCo initially identified three potential consolidation candidates: the Sacramento County Water Agency (CWA), Sacramento Suburban Water District (SSWD) and California American Water Company (CalAm). LAFCo staff contacted CWA and SSWD to determine their interest in consolidating with RLECWD. LAFCo staff found it difficult to convince either agency to consider consolidation with the District. A comprehensive analysis would be necessary to sort out the uncertain condition of the infrastructure, finances and outstanding obligations at the District. SSWD estimated an adequate study would cost at least \$40,000. LAFCo cannot fund this study.

SSWD indicated a qualified interest in consolidation with RLECWD. However, it would need outside funding for the necessary comprehensive study. SSWD wants to protect their ratepayers from assuming liabilities and costs that might come from consolidation.

Having been formed by a merger, SSWD has experience with consolidation. One of the districts merged into SSWD, Northridge, had a failed joint project with RLECWD.

The Sacramento County Water Agency indicated they were unable to even consider consolidation during this period of severe budget restrictions. The CWA operates water systems in several non-contiguous areas of the county. The board that guides these operations is composed of members of the county board of supervisors. While the chances for this reorganization seem remote, it presents an interesting potential solution.

LAFCo dismissed the idea of approaching CalAm to assess their interest in taking on RLECWD, saying they preferred to keep the District in public operation rather than having it turned over to a private company. CalAm, however, has written to the RLECWD Board to indicate their interest in buying the District. Because water rates are such an issue in Rio Linda, the grand jury believes that ratepayers would not readily consider this option.

LAFCo strongly suggested that the Board consider entering voluntary receivership, or seeking management and operational oversight from other water districts. The New Board has accepted the assistance of outside agencies and individuals to help complete initial interviews and evaluations to fill the vacant general manager position. LAFCo has encouraged other regional water agencies to assist RLECWD by providing peer review and evaluation of the District's operations and management. The Board will discuss this opportunity after a new general manager is in place.

ⁱ Compliance Order 01-09-07-CO-004

ⁱⁱ Compliance Order 01-09-09-CO-004

ⁱⁱⁱ Citation No. 01-09-10-CIT-003

^{iv} Citation No. 01-09-11-CIT-001

^vDistrict's cash balance extracted from financial statements.

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
Unrestricted	\$1,001,940	\$1,191,744	\$1,309,482	\$488,276	\$90,235	Not Available
Restricted	1,535,086	1,210,026	676,239	248,608	287,207	Not Available
Totals	\$2,537,026	\$2,401,770	\$1,985,721	\$736,884	\$377,442	Not Available

Findings and Recommendations

Finding 1.0 The Board of Directors lacks vision and does not exercise appropriate oversight of the District.

Recommendation 1.1 The Board of Directors should undergo formalized management training.

Recommendation 1.2 The Board of Directors should coordinate with LAFCo to seek peer reviews by other water agencies.

Recommendation 1.3 The Board of Directors should work with the general manager to assure that the District policy manual is complete and up to date.

Finding 2.0 Decisions of the Board of Directors are not adequately documented.

Recommendation 2.1 Minutes of the board meetings should be finalized in a timely fashion. At a minimum, minutes should be available for approval at the next scheduled board meeting.

Recommendations 2.2 Minutes and resolutions should be posted on the District's website in a timely fashion.

Finding 3.0 The Board has repeatedly failed to hire and retain a qualified general manager.

Recommendation 3.1 The Board should create a supportive climate within the District so that the general manager can function effectively.

Finding 4.0 Protracted labor negotiations and disputed job descriptions cause disruption of normal staff operations and damage the working relationship between management and staff.

Recommendation 4.1 The District should conduct a survey of water districts to determine appropriate staffing requirements and fair wages and benefits for comparable work.

Recommendation 4.2 The District must resolve the long-standing labor dispute and ensure all parties understand the agreement.

Recommendation 4.3 The general manager should establish and update job duties, qualifications, and titles.

Recommendation 4.4 The District should implement and enforce a policy of annual performance reviews of all employees.

Finding 5.0 The general work environment at the District is contentious and unpleasant. Staff members have not always worked in the best interest of the District. Trust and respect among staff, management, and Board of Directors is lacking.

Recommendation 5.1 The Board, general manager and staff should make it a priority to restore mutual respect, trust and confidence.

Recommendation 5.2 The Board must refrain from interfering with the authority of the general manager. The Board must refrain from micro-managing.

Finding 6.0 The financial status of the District is unclear.

Recommendation 6.1 The District should hire and retain an experienced qualified bookkeeper.

Recommendation 6.2 The District should update all accounting records and complete the audit for 2009/2010.

Finding 7.0 The Board is not receiving up to date financial information that will permit informed decisions.

Recommendation 7.1 The District should prepare realistic budgets and update them at least quarterly.

Recommendation 7.2 The District should provide monthly comparisons of actual expenses and income to budget projections.

Recommendation 7.3 The District should monitor accounts payable by preparing aging schedules.

Recommendation 7.4 The District should resume the preparation of Comprehensive Annual Financial Reports (CAFRs).

Finding 8.0 The District does not have an accounting policies and procedures manual.

Recommendation 8.1 The District should prepare and follow a comprehensive manual. The manual should be kept current.

Finding 9.0 Oversight of the district's finances was so lax that the door was open for fraud and abuse.

Recommendation 9.1 The district should conduct a forensic audit of its bank records.

Recommendation 9.2 The District Attorney should investigate the personal use of the district's business credit card.

Finding 10.0 Both CDPH and LAFCo are actively trying to help RLECWD solve its problems and properly serve the ratepayers.

Recommendation 10.1 CDPH and LAFCo should continue to use their combined influence and authority to assist the RLECWD to become a financially sound and capable provider of safe and adequate water.

Recommendation 10.2 CDPH should continue to aggressively monitor and enforce compliance of RLECWD with water quality and quantity standards.

Finding 11.0 The District is clearly operating in a substandard manner that impedes success in attaining the stated mission of "...supplying water to existing and future customers in a cost effective manner while operating the District in a financially sound manner."

Recommendation 11.1 If District operations do not show substantial signs of improvement by December 31, 2011, the Board should institute voluntary receivership proceedings, undertake to reorganize into a neighboring water district, or allow itself to be sold.

Recommendation 11.2 Both CDPH and LAFCo must use their influence and authority to assist the District and force reorganization or receivership, if the District does not show substantial signs of improvement by December 31, 2011.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to indicated findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento County Superior Court by August 14, 2011, from:

- **The Rio Linda/Elverta Community Water District (Findings 1.0 thru 9.0 and 11.0)**
- **Sacramento County Local Agency Formation Commission (Findings 10.0 and 11.0)**
- **The Sacramento County District Attorney (Finding 9.0)**

The Grand Jury requests the following entities respond to this report:

- **California Department of Public Health (Findings 10.0 and 11.0)**

Mail or hand-deliver a hard copy of the response to:

**Hon. Steve White, Presiding Judge
Sacramento County Superior Court
720 9th Street, Dept. 47
Sacramento, CA 95814**

In addition, email the response to Rebecca Castaneda, Grand Jury Coordinator, at castanb@saccourt.com

Twin Rivers Unified School District

Lack of Trust + Lost Opportunities = Children's Loss

Introduction

The Sacramento County Grand Jury, responding to complaints against the Twin Rivers Unified School District (TRUSD or Twin Rivers), voted to conduct an investigation of the district. The investigation included gathering historical information on the unification process, studying the content of Measure B (the unification ballot measure), and reviewing the actions of the new district over the last three years.

The concept of unification brought high hopes and expectations to the residents of the four districts to be merged. These hopes included overcoming hostilities among the districts, especially towards Grant Joint Union High School District (GJUHSD or Grant). The expectations included the promises to have a streamlined administration, more funds in classrooms, articulated pre K–12 curriculum and additional state funds coming to the district. The students and families of the new district looked forward to benefiting from the unification.

The grand jury interviewed many witnesses involved in the unification process, including current and former administrators and staff from the four unifying districts and all members of the Twin Rivers Board of Trustees. Also interviewed were community leaders and parents. The grand jury reviewed a wide variety of documents including contracts, board minutes, correspondence and emails. Financial records and reports were also analyzed. Some witnesses and documents were subpoenaed.

The results of the grand jury investigation gave its members cause to consider the time-consuming process to unify school districts, and the requirements of leadership skills and mind-set to promote this process. These conditions, combined with the historical economic downturn of our state, dashed the hopes and expectations raised by the unification of the four school districts.

The investigation of Twin Rivers brought to light the fact that the unification process described in Measure B provided for a physical unification of four school districts, but not for the unification in spirit, overall goals, commitments or keeping the primary focus on the children. The community did not unite as anticipated.

Issues

1. Has TRUSD lived up to the promises made for unification in Measure B?
2. Have past conflicts clouded decisions made by the current administration and the board of trustees?
3. Has TRUSD shown fiscal responsibility?
4. Has TRUSD delivered the benefits anticipated in the passage of Measure B to the community and the children?

Reason for Investigation

Complaints from citizens triggered the investigation of Twin Rivers. Throughout the investigation, the grand jury learned of the disappointing outcomes of the unification process. There have been incidents of misplaced inventory and a stopped school building project previously approved by voters. There are lawsuits that cost more than they are worth, unfunded liability growth and spending that appears out of control. Animosity and dissension continue to plague the Twin Rivers school district.

Method of Investigation

1. The grand jury conducted interviews with all of the current TRUSD board members, former school district board members, past and present superintendents, various educational consultants, community leaders and parents.
2. Documents reviewed and analyzed included board meeting minutes, contracts, bond measures, copies of court records, budgets, financial statements, expense reports and emails.
3. On site visits to some district properties were made.
4. DVD's of board meetings were viewed.
5. Internet research was conducted.

Background and Facts

Measure B

After seven failed attempts in the last 65 years to unify various school districts in the north area of Sacramento County, Measure B qualified to be on the ballot. Past unification attempts point to deep and longstanding community divisions, perceptions, experiences and historical events. Many comments and concerns have been expressed regarding racial issues in the community. The unification measure proposed in 2004, before Measure B was offered, was seen as dividing the community in half both racially and economically. It was not accepted by the California Department of Education and never became a ballot measure. Past unification attempts point to the problematic history of the Grant district and the continuing negativity towards Grant.

There were two parts to Measure B. One part was to decide if four school districts would unify into one new pre K–12 district. The second part of Measure B was to elect one trustee for each of seven areas for a new board if Measure B passed. If Measure B was passed by the voters, the unification would be effective on July 1, 2008. In the November 2007 election, Measure B passed with 60 percent of voter approval.

Measure B created a new pre K–12 school district through the unification of four school districts. Three of the districts were elementary districts: the Del Paso Heights Elementary School District (grades K–6), the North Sacramento Elementary School District (grades K–7), and the Rio Linda Union School District (grades K–8). The fourth school district to be part of the unification was the Grant Joint Union High School District with grades 7–12.

Two small elementary districts in the area, Elverta Joint Elementary School District (grades K–8) and Robla Elementary School District (grades K–6), voted to remain independent school districts and not to be included in the unification proposal. Measure B allowed for students from these two districts to send their students to secondary schools in the newly unified district. Registered voters in these two districts were eligible to vote on Measure B.

Measure B stated the new district would be called North Area K–12. The new governing board was to determine its name and select the first superintendent. The Superintendent of the Sacramento County Office of Education (SCOE) was to serve as a temporary, interim superintendent. Boundaries would remain the same as the Grant district. Further, no students would be required to change schools.

If the measure passed, employees from the four districts were to become employees of the new district. The Education Code has provisions for unification not to impact employee rights, job classifications, salaries or benefits of employees.

Voters who lived in the Measure B area were encouraged to be informed and to vote in this election. Community leaders formed a committee to support the measure and held fund raising events to support their activities. Various civic organizations held forums to inform voters.

Arguments in favor of Measure B included reducing bureaucracy, lowering administrative costs, and putting the savings into classrooms. Another argument in favor stated passage of the measure would create one streamlined administration, one district superintendent and one school board with seven elected members. Students were to benefit from the measure by having a coordinated pre K–12 curriculum along with educational programs to better prepare them for college and careers.

There were also arguments opposing Measure B, but no organized opposition committee. One argument against the measure was the risk of creating a very large school district of approximately 30,000 students. A second argument against the measure was concern the creation of one massive bureaucracy would take away local control from communities. Another argument claimed Measure B was not the reform sought for the public schools in this area.

Despite the promise to spend less money on administration, more than two years after the formation of Twin Rivers, the number of high level administrators, directors and supervisors employed by Twin Rivers is considerably higher than the number of similar positions in other large school districts in Sacramento County. The Twin Rivers organization plan, developed by a consultant, is to substantially reduce the number of administrative positions. This plan will take several years to implement and each change will be disruptive to staff and programs.

In March 2008, after unification Measure B was passed by voters, the Grant board offered severance packages to ten administrators in return for early termination of their contracts. This was presented as a way to avoid the perception of redundant administrative staff at the central office level. The severance packages included 18 to 24 months of the administrators' salaries. The superintendent of SCOE refused to accept this action. A lawsuit between SCOE and the Grant board resulted. A Sacramento

County Superior Court judge's ruling in favor of Grant's action was overturned by a state court of appeals ruling. It is unclear whether this decision will be appealed to the California Supreme Court. However, several of the former Grant administrators involved have filed additional lawsuits to get their job rights reinstated.

Vigorous concerns remain about the hiring process and practices used by Twin Rivers to hire administrators. Administrators were hired, both formally and informally, ahead of application deadlines and without job postings. These actions eliminated many Grant applicants. Several Grant administrators stated they were "not taken seriously" and personnel decisions were spiteful towards Grant employees, fueling an ongoing feud. The senior Grant district administrators who stayed on at Twin Rivers after unification under Education Code provisions, found it difficult to work in an atmosphere of being "forced out." Jobs assigned to these experienced administrators required skills far below their professional capabilities. These jobs included filing papers in a remote office and installing playground equipment.

According to the Twin Rivers organization chart dated August 19, 2008, seven of the top 12 administrators were from the Rio Linda district. The Education Code, such as sections 35555 and 55556(a), provides that unification will not affect the rights of both certificated and classified employees. Considerable time and effort have been spent to prepare accurate seniority lists. After two years, the accuracy of these lists continues to be challenged by employees and some employees continue to "float" on temporary assignments until their seniority status is determined. Meanwhile, the district has had difficulties merging equipment inventories from the computer systems of the four merged school districts. After being in operation for over two years and having experienced administrative help available, the district has not yet taken a complete physical inventory of all of its equipment. A physical inventory is scheduled for the summer of 2011.

As adjustments are made to reduce the number of administrators, and reassignments are made, concerns are ongoing regarding the perceived favoritism toward former Rio Linda administrators. According to testimony to the grand jury, there is a perception of racial bias affecting African American staff. Their reassignments, changes in job duties, and demotions are often viewed as "punitive" and racially motivated. Furthermore, some witnesses believe that African Americans are best equipped to "close the achievement gap" of their children.

The unification proposal included a provision that all the property, obligations, and bond indebtedness of the four existing districts would become part of the new unified school district. According to Measure B voter information, the reorganization would not raise local taxes. After the passage of Measure B, all of the taxpayers in the district received notices from the County of Sacramento that property taxes and bond repayments would be levied on all taxpayers for the bond debts from the two elementary school districts. The residents of the Del Paso District had not passed any general obligation bonds, yet were taxed for bonds from the North Sacramento and Rio Linda districts. These residents had property tax bills increase for the bonds approved by other school districts. A Del Paso Heights resident testified to the grand jury that his taxes increased \$80 per year.

As the issue was not resolved locally, both Sacramento County and Twin Rivers presented briefs to the Attorney General asking for an opinion on this matter. In late December 2010, the Attorney General's office issued an opinion concluding that under the Education Code, Sacramento County had the right to levy taxes on all taxpayers in the newly formed district and the state constitution allowed such levies. Whether or not the statements in the voter pamphlets distributed during the campaign which stated, "... the new district reorganization will not raise local taxes..." misinformed the voters of the "...ramifications of the creation of the district..." it is up to the aggrieved voters to decide whether they want to pursue other avenues of relief. The Attorney General stated that it is beyond the scope of his opinion in this case. (A complete copy of this decision can be found at ag.ca.gov/opinions search opinions 09-305.)

Measure B proposed the new school district would be comprised of 54 campuses that would cover 120 square miles and would be governed by a seven member board. Members would be elected at the same time as the unification vote. The proposed district was divided by officials from SCOE into seven areas to provide representation for every part of the district. One board member who resided in an area would be elected as its representative. The candidates were voted on by registered voters of the entire proposed school district. The initial term of the trustees for the proposed school district was stated in Measure B. The initial term was to be four years, unless the governing board consolidated the election of board members with the statewide general election. If this were to happen, the term of the board members would be three years. Board members elected at this next board election were to have two-year terms if they represented even-numbered district areas or four-year terms if they represented odd-numbered district areas.

As the election was held in November 2007, it was assumed the initial term for all seven board members would end in November 2011 unless the board voted to consolidate with the next statewide election in November 2010. A document with election options was presented to the Twin River Board of Trustees at the March 11, 2010, board meeting. This document was prepared by administrators, the attorney for Twin Rivers, and another legal firm. There were legal, financial and operational implications presented with each choice. Under the Education Code, there were three dates available for the next election. Costs for the election varied from \$70,000 to \$450,000 among those dates, as did the length of time the new board members would serve.

By a 5-2 vote, the board voted to hold the next election in November 2012, the most remote date available. This decision meant that board members would serve for four years and four months rather than the four years specified in Measure B. It also reflected the board's position that it had no operational authority until July 1, 2008, and that the previous four districts had full authority until that time. Yet the new board members were sworn into office in December 2007, met regularly up to July 1, 2008, and made many important decisions including hiring a new superintendent. Counting this time period meant the board would essentially serve for almost five years. Witnesses expressed their concerns that the decision to lengthen the time board members would serve was really no different from school board practices of the past which were often viewed as self-serving. Another concern was that each area in the district did not have

true representation, in that each board member was elected by all district residents, not just the residents of the area to be represented.

The Twin Rivers Board of Trustees, the high level administrators and the community are struggling to identify, refine and implement a multitude of unification visions, expectations, and decisions. A major impediment is lack of trust. There is great confusion in perceptions regarding the district's responsibility to provide equity (meaning meeting individual needs) compared to providing equality (meaning providing the same for everyone). Community members complain the needs of the groups they represent are not being heard, concerns are not sufficiently addressed, and board decisions are not focused on the needs of children and their families. Measure B promised more resources to be spent in the classrooms. Students were to have a single, articulated curriculum from preschool through 12th grade. After more than two years, the promised curriculum has not been provided.

No Twin Rivers school board member has experience in K–12 district leadership. Two members were elected to the Twin Rivers' board without any school board experience. Three board members were board members in elementary districts. Two board members, with many years of experience as board members in other elementary districts, are reported to dominate the Twin Rivers' board meetings and decisions. Testimony to the grand jury consistently shared strong perceptions that the two board members, with many years of experience, are “running the show” along with the attorney for the district. The other board members were described to the grand jury as “generally nice people” who are “followers” and have “no backbone.”

Ongoing dissention and negativity between members of the Twin Rivers board have been clearly documented. Witnesses testified to the grand jury that both open and closed sessions of the board are sometimes contentious. Board orientation and training sessions have been held. In addition, workshops were given to board members at no charge by a professional association. The purpose of these workshops was to develop a vision-led and cohesive community-spirited board, yet the dissention and negativity continue. Remarks and feelings of victimization by one board member interfere with the role and responsibilities of the school board. These actions occur frequently at board meetings in front of staff and the public. Board meetings are opened with a statement of expected protocol. In January 2011, after more than three years as a governing body, the board began a meeting with a presentation on the history of Robert's Rules of Order. This 20 minute presentation, given by a board member, included the benefits of adhering to the rules and the process used to make and adopt motions. Within minutes of this presentation another incident of dissention and negativity occurred. More training on Robert's Rules of Order is planned.

Members of the grand jury attended a Twin Rivers School Board meeting January 11, 2011. At the meeting, the superintendent submitted a redacted invoice for \$7,500 for personal legal expenses. The board approved this expenditure without comment. The superintendent indicated that his professional association paid an additional \$1,400. This divisive issue continues to be unresolved and it is expected that more legal fees will be requested by the superintendent in the future. The general fund is being used to pay these expenses.

Measure B was a historic unification project. The four superintendents of the unifying districts, and the succeeding interims in two of the unifying districts, had varying levels of involvement with the transition planning for the new district. The grand jury found the qualifications desired for a new superintendent were discussed by transition team members from the four districts, by community members, and by various consultants. The qualifications listed by transition team members, especially those from Grant, included a record of successful innovation, K–12 experience, new school construction experience, fresh approaches to educational leadership, and a neutral position in the area’s historical and current political tensions. To find the best candidates, a nationwide search would be common practice. Testimony to the grand jury from a consultant included that, at a minimum, the interim superintendent would have had previous experiences with unification, and, at best, the new superintendent would have such experiences.

The community also had a list of desirable qualifications for the new superintendent. According to testimony to the grand jury, this was especially true of minority communities. Testimony indicated these communities felt “assured,” or it was an “agreed on,” plan that an outside superintendent search would be done and there was no “in house” preference for a local superintendent. Testimony revealed a desire for a new superintendent that “looked like them” was a first choice but as a second choice, a desire for a superintendent that would not intimidate them. Community members were aware of local superintendents and were very aware of the new superintendent’s strong dislike for everything in and about the Grant district.

In strong contrast to these desirable qualifications for a new superintendent, the Twin Rivers board had a vastly different list of qualifications. The board was not interested in trying to interview candidates and taking a risk on a person who might interview well but not perform well and then need training. Testimony to the grand jury included the board wanting a superintendent they knew, they felt the community knew and was active in the community. Although the appointed superintendent was well known to the Rio Linda community, he had little or no contact with the other districts’ communities, which made it difficult to remain neutral in this unification. In addition, the board did not consider experience in the secondary level or with school construction to be important qualifications.

Without any nationwide search, or even a statewide search, the newly formed school board on December 4, 2007, quickly appointed the superintendent of the Rio Linda district, one of the four merged school districts, as interim superintendent and then superintendent. The superintendent’s career has been solely in elementary school districts. Repeatedly, the grand jury heard that leading a pre K–12 district requires a vastly different set of skills. The relationship between the new superintendent and the former superintendent of Grant has been described as a constant conflict and as being very unpleasant, at best. The new superintendent has no new school construction experience. The new district has enormous and complex issues with the halted construction of the East Natomas Education Complex (ENEC).

According to Measure B voter information, in 2006-2007 the combined enrollment of the four districts involved in Measure B was 30,713. The enrollment number was regarded as very stable since 2001-2002 when the combined number was 30,553. Little change in

enrollment was expected for the next few years. Using this enrollment information, it was anticipated with the passage of Measure B there would be about an eight percent increase of the revenue limit per pupil as calculated by the California Department of Education. This increase would add approximately \$12.5M in total revenue funding annually. The state's support of funding for the proposed new district was expected to continue at levels comparable to those provided to unified school districts of similar size and characteristics.

The state's recent and drastic economic downturn has resulted in budget cuts to state funds given to school districts and delayed payment of funds. Twin River's budget has been impacted by both of these changes. In addition, the new district continues to lose secondary students who choose charter schools or high schools outside the district. This continues a previous pattern resulting from community perceptions of the quality and quantity of educational programs provided by Grant high schools along with ongoing student safety concerns. The loss of these students impacts the district's budget. A coordinated effort is being made by district administrators to retain students using information on test score improvements and new program offerings.

Measure B promises and benefits included having a unified district wide pre K–12 curriculum. After almost three years of unification efforts, this has not happened. In the history of all these unifying districts, finger pointing between the elementary level and the secondary level was very common and focused mainly on student academic preparation and success. While curriculum alignment is being attempted using currently available materials from the four districts, new textbooks with articulated curriculum have not been purchased as anticipated. Inadequate funds have been given as the reason for this decision.

It was reported to the grand jury that in the elementary grades the teachers use scripted language arts and math materials. The focus of teaching is to raise state test scores. Elementary report cards heavily focus on reporting the content standards for these two areas while science and history are ignored in elementary schools and on report cards. Parents have dreams and expectations for their children to go to high school and to college and they know these two subjects are vital. On behalf of the parents and children of a unified school district, the grand jury must ask how the lack of science and history at the elementary grades prepares students for middle school curriculum, and then prepares students for high school curriculum and adopted high school graduation standards.

It was reported to the grand jury that currently the majority of teachers in grades 7–8 have Single Subject Teaching Credentials that allow them to teach in grades 7–12. Single Subject Credentials are used for subjects such as algebra, history, physical science, biology, foreign languages, and career/technical education. Should the district decide to use only teachers with the K–8 Multiple Subject Teaching Credentials, there is great concern about the quality and content of high school preparation classes in grades 7 and 8. This contemplated action has caused additional concern for the former Grant teachers who have single subject credentials. Adding to their stress is the uncertainty of our state budget and issuance of yearly pink slips.

East Natomas Education Complex

Anticipating student population growth within its district, Grant Joint Union High School District undertook an ambitious plan to develop a new, combined junior high and senior high school campus, later named East Natomas Education Complex. To support this new campus and renovation of existing facilities, voters approved Measure G in June 2006. In January 2007, Grant entered into a contract to design and build ENEC.

Circumstances changed. The Federal Emergency Management Agency (FEMA) re-designated the flood risk status of the Natomas basin, resulting in a building moratorium. The economy began to enter the current recession. The expected growth in student population did not occur.

As a result of the passage of Measure B in November 2007, Grant was combined with three elementary school districts to form the Twin Rivers Unified School District. Following unification of the new district July 1, 2008, Twin Rivers decided to slow construction and eventually shut down the ENEC project.

Grant, assisted and advised by California Financial Services (CFS), believed that its school district area would continue to develop and grow. Grant determined that a new, state of the art, combined junior high and senior high school would be needed. The district decided to construct the new school complex on property just outside the city limits of Sacramento and name it the East Natomas Educational Complex. This would be the first new high school to be built in that district in 50 years.

In mid-June 2004, Grant entered into two contracts for the purchase of approximately 69 acres of property in the Natomas basin for the ENEC project, for approximately \$13M. In September 2006, Grant approved purchase of an adjacent 7.5 acre parcel for the project, costing approximately \$3M. On June 6, 2006, district voters approved Measure G in the amount of \$230M of general obligation bonds to fund certain priority school modernization, improvement, expansion and new construction projects. Grant established a Measure G oversight committee (OC) and \$159M was earmarked for the construction of the new school complex.

In spite of having approval from county and state oversight agencies, having assurances for state construction funding, having a new phased building approach, having special legislation passed for limited site occupancy, and having a partially completed site, the Twin Rivers School Board decided to stop construction of ENEC. This decision appears to have had little public input or awareness. Testimony to the grand jury demonstrated many people have alternative ideas for the site, such as a medical center, community college campus or business office. The most common idea expressed was to use the site for the district office.

Grant anticipated that state matching funds were available to complete these projects. Based on assurances the required funding was available, Grant moved forward with construction plans and entered into a design/build contract with McCarthy Construction in January 2007 to build the new school complex. Site preparation was begun in December 2007. The project proceeded despite FEMA's planned re-designation of the flood risk status in the Natomas basin (this information was published in the *Sacramento Bee*, January 2007) and the passage of Measure B. The FEMA decision resulted in a

building moratorium which altered the expected growth and student population numbers in the area.

In November 2007, voters approved Measure B which established a new school district effective July 1, 2008, composed of three elementary school districts, Del Paso Heights, North Sacramento and Rio Linda, and Grant High School district. Grant school district proceeded with the ENEC construction as the project had already been started and signed contracts were in place. Former Grant administrators testified that extensive briefings had been given to Twin Rivers, including the interim superintendent, regarding the ENEC construction project.

After TRUSD was officially established July 1, 2008, the contract with McCarthy Construction was amended to allow implementation of a phased approach to the ENEC construction project. The district superintendent sought special legislation. California Assembly member Roger Niello introduced AB 916 which was passed in September 2008. This legislation allowed TRUSD to occupy a portion of the ENEC project without jeopardizing future eligibility of TRUSD for state facility funding for the purpose of constructing and completing ENEC. AB 916 included a 2016 sunset provision.

As time progressed and continued assessments of the ENEC project were made, the Twin Rivers Board of Trustees, on the recommendation of the district superintendent, chose to shut down construction of the ENEC project rather than continuing with the phased approach. Due to contractual obligations, the estimated cost to shut down the project was approximately \$60M. TRUSD subsequently filed a \$94M lawsuit against CFS, (the first lawsuit in its history against this firm as stated by the president of the firm), claiming that continuing the project resulted in TRUSD being faced with millions of dollars of unfunded debt obligations.

Decisions to plan and build ENEC were based on student population and area development projections. Conflicting estimates regarding the number of students that would attend the new high school existed. School Works Company provided a generation factor and projected the new school would be needed. CFS relied on this data projection in planning for ENEC. The CFS consultant has maintained that all of the projections were accurate, and estimated that approximately 600 students at Natomas High School, who resided in the Grant school district, might transfer back to Grant-ENEC. Twin Rivers' consultant, SAGE Institute, maintained that Grant inflated the estimates. The proposed ENEC project was approved by various county and state agencies, such as SCOE, CA State Architect and CA Department of Education. The Dolinka Group made development fee projections. McCarthy Construction and the architect provided design and estimates. CFS indicated that independent audits confirmed the available money. However, if the Twin Rivers accusation was correct that the projected student attendance was inflated, the state might have stopped the ENEC project.

A meeting was held May 15, 2008, by the OC to review expenditures and receive status updates for work authorized by voters to address the school facilities. Subsequently, the president of the OC advised the new school board that the OC wanted it on record that the committee supported the voters' decision and recommended TRUSD complete the full scope of the ENEC project.

While Twin Rivers decided to stop the construction of ENEC, the expenses to this project have not stopped. In addition to the enormous closure expenses and the ongoing legal fees, expenses are accumulating for large administrative costs, ongoing costs for security cameras and monitoring, lights, utilities and fencing. For example, security and utilities are reported to cost \$12,500 per month, almost half a million dollars over the last three years. These are continuing monthly costs expected to be borne by the district.

According to evidence presented to the grand jury, several months ago two employees from the school district contacted one of the ENEC subcontractors; however, no further contact has been made by the district with the subcontractor. This subcontractor claims the district has unpaid storage and insurance costs, as of April 1, 2011, of over \$132,000 and continuing monthly storage and insurance costs of over \$3,000.

According to evidence provided by a subcontractor, the ENEC project was to take three years to complete, with one year planned for the design of the project and two years for construction. Twin Rivers' decision to stop construction of ENEC caused legal and financial problems for many subcontractors. While some subcontractors were paid, other subcontractors were not paid. Evidence shared with the grand jury shows the district has been asked to proceed with a streamlined alternative dispute resolution process under the contract so claims can either be resolved or the litigation can proceed. The district has not agreed to this request but wants to have a multi-step dispute resolution process before litigation in court may move forward. The district has been delaying this multi-step resolution process.

Animosity, dissension, arguments and litigation took precedence over the vision of building an education complex for the future. There is no definitive plan by Twin Rivers regarding the outcome of the stopped, partially completed ENEC project. The funds spent to shut down ENEC and the ensuing lawsuit could have been more appropriately used for the benefit of the students. When interviewed, the Twin Rivers School Board members and superintendent all expressed opinions that the ENEC project would probably be completed sometime in the future, that future varying among them from a few to many years. What will the cost be to complete and open ENEC in the future?

Surplus Property

When property is no longer needed in a school district it is declared surplus. In its last year of existence, Grant ended two programs and much of the property associated with these programs became surplus. These programs were the Maritime Academy and the Disaster Preparedness Program. In an effort to dispose of this property prior to the July 1, 2008 unification date, Grant employees did not follow all procedures outlined in the Education Code. Upon unification, Twin Rivers chose to file a civil lawsuit seeking to reclaim the property.

Maritime Academy

In 2003, Grant established a maritime academy to allow high school and adult education students the opportunity for hands-on learning to supplement classroom instruction. To get this program up and running, the school district acquired two large vessels from the United States military: the *Phoenix* (a 65 foot pilot boat) and the *Brute* (a 50 foot work boat).

While these boats were donated, the program was by no means without cost. During a four year period, the Grant district poured large sums of money (some estimates are as high as \$600,000) into these boats for paint, repairs, and upgrades. At least one of these boats was docked on the Sacramento River. The dock was leased from the City of Sacramento for a nominal fee. In exchange, the school district was responsible for modifications and maintenance to the dock. Costs for this have been estimated to be in excess of \$250,000.

Every opportunity was given for this to be a state of the art vocational academy. Unfortunately, it could not attract enough students and the program was shut down.

Disaster Preparedness Program

During a disaster, it is common practice to house displaced residents in gymnasiums or multipurpose rooms of local schools. The superintendent of Grant felt strongly that the school district had a responsibility to be prepared in the event of an emergency and undertook many things beyond housing. The district contracted with a retired military person to search for items the district might use in its disaster preparedness program. This person brokered several items of surplus military property for Grant. The district paid anywhere between zero and ten percent of the value of the item. These items included generators, cranes, trucks, buses, ambulances, aluminum boats, portable laundry facilities, sleeping bags, and inflatable rafts. Some items were in usable condition but many had been cannibalized and were in need of significant repair. Some items may have been acquired for parts. The equipment acquired for the emergency preparedness program was housed at the Grant district warehouse on Winona Drive. The grand jury often heard testimony that this equipment was an “eyesore” and looked like “junk.”

Disposal of Surplus

In the summer of 2007, the Grant district began discussions to dispose of the *Brute*, the *Phoenix*, and the boat equipment. Shortly thereafter the superintendent of Grant was removed from office and an interim superintendent was appointed. The interim superintendent tried unsuccessfully to donate the boats to the California Maritime Academy in Vallejo. The task of disposing of the boats and boat equipment was assigned to a Grant employee. This assignment was not within the normal responsibilities of the employee.

Before any marketing, Grant obtained appraisals of the boats. The *Brute* was valued at approximately \$100,000 while the *Phoenix's* value ranged from \$150,000 to \$200,000. No appraisals were obtained for the boat equipment or the disaster preparedness equipment.

The Grant employee contacted a salvage broker from Surplus City in Oroville. The grand jury reviewed documents about selling the *Brute* and *Phoenix* in an arrangement whereby the broker would receive 50% of the selling price and Grant would receive the other 50% of the selling price. However, the grand jury did not see a signed contract and therefore could not determine whether this was an approved arrangement. The broker advertised the *Brute* and *Phoenix* in trade magazines with very little response. In early April 2008, a buyer for the *Brute* was finally found and it sold for \$84,000 plus tax and shipping. The grand jury saw a copy of the \$42,000 check paid to Grant for its 50% share. The

Phoenix, on the other hand, did not generate any interested buyers. The interim superintendent agreed to donate the *Phoenix* to the Military Museum of Butte County. All surplus boat equipment associated with the *Phoenix* was sold to the museum for \$5,000. This museum is owned by the same people who own Surplus City. The reason given by the interim superintendent for the donation was that the museum would provide educational opportunities for youth.

At the same time Grant was disposing of the maritime equipment, it was also moving forward with disposing of the emergency preparedness equipment. The TRUSD staff expressed interest in occupying the warehouse on Winona Drive before the July 1, 2008 unification date. In an effort to accommodate Twin Rivers, surplus equipment was removed from the Winona warehouse yard and taken to Surplus City.

Grant ran an advertisement for an auction of surplus property to be held on April 21, 2008. The advertisement did not identify the specific property but reported that the property was located in Oroville and gave an Oroville phone number. The grand jury heard testimony from a number of former Grant employees, none of whom could confirm that an auction was held. Subsequent to the auction date and prior to the unification date, Grant received three checks from Surplus City totaling \$65,000 related to the sale of numerous items.

The Twin River Unified School District has filed a lawsuit against Surplus City, the Military Museum of Butte County, and its owners. The complaint has been amended four times. The fourth amended complaint claims damages relating to conversion, misrepresentation, negligence, and recovery of property. Twin Rivers has spent over \$300,000 on this case so far and it has not been resolved.

Surplus City in turn has filed a lawsuit against Grant claiming that they should not be held responsible if Grant did not follow proper procedures. Because Twin Rivers absorbed Grant, Twin Rivers is the defendant and paying for the defense.

Laptops

Prior to unification, Grant District had an administrative rule allowing top management to purchase their laptop computers for \$100 when retiring or leaving the district. According to witnesses, these laptops were two or more years old. Six Grant managers took advantage of this perk while others did not. A similar perk was also provided in one other district in the unification process.

After unification, Twin Rivers decided the Grant employees should not have been allowed to purchase their laptops. According to testimony given to the grand jury, Twin Rivers alleged these were new or like new and therefore valued at more than \$100. In addition, Twin Rivers alleged there might be information on those laptops that could be important to Twin Rivers. The grand jury investigation was not able to determine what information was actually on the laptops. Testimony from witnesses who had purchased the laptops stated that Grant district information was on the laptops and the same information was also on the district's server.

Twin Rivers made legal demands for the former Grant employees to return the laptops. A lawsuit was filed against some former Grant employees by Twin Rivers. As of this writing, the Twin Rivers Board of Trustees has approved several settlement agreements

with the previous laptop owners. According to court records, the stipulated awarded amount to Twin Rivers is just under \$20,000. In addition, Twin Rivers legal costs in the amount of \$10,000 will be paid by the defendants. However, plaintiff and defendants shall each bear their own respective attorneys fees incurred in this action. In the case of Twin Rivers this amount exceeds \$450,000. It is interesting to note that the former Grant superintendent was never requested to return his computer and was not asked to pay for it.

TRUSD Properties

The Twin Rivers Unified School District was created from four school districts. Twin Rivers has 57 school sites with over 30,000 students. The unification, under Measure B, included properties from the former districts. The property list includes warehouses, district offices, leased properties, owned properties, undeveloped properties and school sites.

After Measure B was passed in 2007, and the four existing school districts unified into one district, the task to find appropriate housing for the new district's staff began. In the original transition plans drawn up by community leaders and administrators, one or more of the existing district offices within the four unifying districts could have been utilized with minimal cost and effort.

Measure G, a general obligation bond in the amount of \$230M, was approved in June 2006 by the former Grant district. Measure G was intended for upgrades, renovation, repairs, and construction of a new campus. Included in these projects was the renovation of Grant's building #7, located in McClellan Park. A district office was also on the list of items to be funded by Measure G bond funds. Grant had purchased property on Bell Avenue and a full set of architectural plans had been through the approval process. The proposed building was to house the district office and a demonstration school. Additional plans were included for expanding the district office when needed.

Despite Grant having property and existing plans for a new district office, the grand jury received information that the Twin Rivers interim superintendent was negotiating in April 2008, for lease of space at McClellan Park for the Twin Rivers district office. On July 15, 2008, the board approved a 99 year lease, with an option to buy, at McClellan Park. The newly rented building consisted of 3 bays. The cost of refurbishments to this site, located on Dudley Boulevard, was over \$14M.

This decision appeared ill advised, according to testimony given. Many questions were raised as to why ready-to-go district owned properties were not considered. Members from the community and the former districts have testified that this decision has had a negative impact. No longer would economically disadvantaged communities have localized access to the district office. Parents with limited resources and dependent on public transportation will now have to travel farther to the district office.

Expert testimony on the financial impact of the Twin Rivers district office also raises several issues. Could a school district that claims financial hardship justify the cost? Could that money, which was originally Measure G bond money, be spent on repairs to aging schools? Also, why spend these funds to lease buildings when there were buildings that were already owned by Twin Rivers? For a school district that has claimed financial

distress as its rationale for closing neighborhood schools, the explanation for a leased district office appears contrived.

The former school districts each had district offices in their respective districts. Under the new TRUSD, these buildings are now being utilized for educational purposes and other programs:

- The former Rio Linda Union School District office provides additional space for a full day kindergarten.
- The former Del Paso Heights Elementary School District office is now a classroom.
- The former Grant Joint Union High School District office is home to the Twin Rivers Police Department.
- The former North Sacramento Elementary School District office provides the Twin Rivers Student Services staff an office for the North Sacramento neighborhood.

Litigation and Twin Rivers

A number of witnesses testified that Twin Rivers Unified School District spends large amounts of time and money on legal matters. Twin Rivers personnel blame the high legal costs on issues “inherited” from Grant Joint Union High School District. This “inheritance” seems to include cases already in process, as well as any other legal work that is felt to be the result of something Grant did. Other witnesses blame the legal costs on too much unnecessary litigation instituted by Twin Rivers because of an aggressive Board of Trustees and aggressive legal counsel. Examination of court records and information on legal costs provided by Twin Rivers illuminate the situation.

Legal matters for the district are mostly handled by one law firm, designated as general counsel, though other law firms are employed at various times to handle specific tasks or lawsuits. Twin Rivers appointed its general counsel at its third meeting in December 2007. This law firm continues to be legal counsel. In February 2011, Twin Rivers agreed to a contract with the general counsel for a total payment of \$1,650,000 for September 2010 through the end of June 2012, to be paid monthly as a retainer of \$75,000. The general counsel is “outside” counsel, billing the district on an hourly basis, and not an “in house” counsel that would be a direct employee, paid a salary with benefits.

Legal Costs

Information from the Twin Rivers’ vendor history file at the Sacramento County Office of Education (SCOE) indicates that in the years since unification Twin Rivers paid the following amounts in legal fees:

- Fiscal year 08/09: \$3,020,000 of which \$2,641,000 is paid to general counsel
- Fiscal year 09/10: \$2,445,000 of which \$2,137,000 is paid to general counsel
- Fiscal year 10/11: \$313,446 of which \$264,000 is paid to general counsel (figures are as of December 2010 only).

In the school year of 2008-2009, the first year of Twin Rivers existence, the district incurred legal fees for a variety of issues and matters. Twin Rivers dealt with labor negotiations in trying to bring together the labor contracts of four separate districts, construction contract negotiations on various ongoing modernization and building projects in the district, and a variety of lawsuits commonly filed against school districts such as suits by students and their parents, employment issues, and claims of civil rights violations.

Review of Sacramento County Superior Court's online records show 12 active lawsuits during 2007 of the type described above against Grant and one suit filed by Grant against the Sacramento County Office of Education (SCOE). This figure is based on court files available online. Those files appear online in 2007 and are perhaps incomplete. This report is based on the information available online. Of those suits, seven ended by the end of December 2008, another five cases ended in 2009.

The lawsuit against SCOE stems from severance packages offered to Grant administrators before July 2008. A number of administrators accepted the packages, but SCOE blocked payment. Grant filed suit against SCOE claiming that it had no authority to block payments. The case ultimately went to the California Court of Appeals that decided in 2010 that SCOE had the authority to bar the payments.

According to documents provided by Twin Rivers, the district has approximately 27 active lawsuits at the present time. These suits fall into three categories: (a) five lawsuits filed by Twin Rivers which then prompted the filing of one countersuit, one suit over the Freedom of Information Act, and one interpleader; (b) six lawsuits resulting from the cancellation of the building of East Natomas Education Complex (ENEC); (c) lawsuits filed against Twin Rivers by students or employees that are commonly filed against a school district. Two of the lawsuits were filed against Twin Rivers by former Grant District administrators who were blocked from receiving the severance packages and now seek reinstatement to their old positions and back pay. The suits were served just as this report is being written.

Lawsuits Instituted by Twin Rivers

Since the unification, Twin Rivers has chosen to file five lawsuits. Those suits are against a variety of persons or companies that worked for or with Grant district. Those suits are:

1. Twin Rivers v. California Financial Services (CFS), *et al*, is filed against the consulting company hired in 1999 by Grant district to give advice on school district and state funding, financial planning, and administrative support. The relationship of CFS with the Grant district continued until the unification and included the time during which Measure G was approved by voters in 2006. Measure G allowed for the issuance of general obligation bonds. The lawsuit alleges ten causes of action including breach of contract, fraud, conversion, and negligence. It further alleges that the defendant and a Grant district administrator "conspired" to falsify information to create enough debt to "sabotage" Twin Rivers' financial status. The suit seeks documents that are said to be withheld

from Twin Rivers, recovery of \$94,700,000 (in the first amended complaint; later amended complaints do not specify an amount), and punitive damages.

2. Twin Rivers v. Gayle, *et al*, is filed against 17 former Grant district administrative personnel for recovery of electronic equipment, including laptop computers, and information allegedly contained on the hard drives of those laptops.
3. Twin Rivers v. Banks, *et al*, is filed against lawyers that represented Grant district in the suit against SCOE for documents related to the severance package case. The defendants in this case have filed a counter suit, placing files into the possession of the court system.
4. Twin Rivers v. Whitfield is filed against the in house counsel for Grant district for recovery of documents related to the severance package case and alleging the destruction of certain documents.
5. Twin Rivers v. Surplus City, *et al*, is filed against the salvage company that bought used boats and equipment from Grant district, alleging that proper salvage procedures were not followed and seeking to reclaim the property. Twin Rivers is on its fourth amended complaint. The company has filed a counter suit.

Sources of Funds for Twin Rivers' Legal Matters

General Fund. Usually, legal costs are paid from the general fund of a school district. That is apparently true for most of the legal matters in which Twin Rivers is involved. The district is part of the Schools Insurance Authority (SIA), a joint powers agency that is, in part, an insurance provider for the district. In lawsuits that fall within the insurance coverage, the district pays the first \$25,000 in legal fees and SIA is to pay any remaining fees. According to Twin Rivers, ten of the active suits, including the countersuit by the salvage company, fall within SIA coverage. In all those cases, Twin Rivers is the defendant, not the party filing the suit.

Lawsuits filed by Twin Rivers are not covered by the SIA. Legal fees and costs associated with those cases are paid for by the district's general fund. The lawsuit filed against CSF is not being paid from the general fund.

According to documents provided by Twin Rivers' general counsel, as of early March 2011, the district has invested \$997,000 in legal fees, and other costs in four lawsuits that it filed. The salvage material suit, along with its accompanying counter suit, has consumed \$318,000. The District amended its original complaint four times. The amended complaints that followed actions by the defendants challenging the complaints, argue that even if the facts alleged are true, there is no legal basis upon which to recover. The suit is ongoing, as are legal fees.

The suit related to the laptops is on its second amended complaint. Legal fees on that case total \$472,000 with supplemental costs of \$12,000. The two suits for recovery of information and documents from Grant's attorneys consumed \$174,000 in legal fees with costs of \$18,000. All three of these suits are ongoing at the time of this writing, so legal fees will increase.

The grand jury is not judging the merits of these suits, but it is questioning whether the litigation is efficient and wise use of general fund money. The litigation pursuing salvage

material, laptops and their contents, and documents and other material from attorneys is costing almost \$1M so far. Investment of money in litigation in an attempt to gain money at an uncertain date in the future guarantees that legal fees and costs will be incurred. Two of these suits have had their original complaints amended from one to four times. It is unclear why these complaints were amended.

Twin River's Board of Trustees should look closely and honestly at whether a potential victory in these cases at some undefined time in the future is worth the burden on the general fund to pay these costs. The board should also ask the following questions: How much money and how much time are spent pursuing these lawsuits when there is a school district to be run? Does any of this justify the present use of general fund money? Is any use of general fund money for litigation warranted in light of the reduced amount of money available from the State of California?

Measure G Fund 24. In general, proceeds from the sale of general obligation bonds approved by voters can only be used for projects identified in the bond measure. The projects in Measure G are building, modernization and renovation projects. The voter information on Measure G itself says that sale of such bonds "...would be for the sole purpose of constructing..." projects listed on the Bond Project List. It also says the costs of the project include "...all related and incidental costs, including...other professional services." The Education Code section 15100 (h) and Government Code section 16727 suggest that expenses should be for carrying out the projects and directly related to construction or acquisition.

According to Twin Rivers' general counsel, six suits related to the ENEC project have been filed by subcontractors against the general contractor and Twin Rivers. The cost to defend these suits is being paid from "Fund 24," which holds Measure G bond money. As of this writing, the total legal fees are \$13,000. The contracts that are at issue in these cases are contracts to provide materials and/or labor to a project listed in Measure G.

The legal fees resulting from the Twin Rivers lawsuit against CFS are also paid from the Measure G Fund 24. As of March 2011, the fees amount to \$294,000. This suit is on its second amended complaint. The grand jury questions whether funding this lawsuit is a legal use of Measure G Fund 24 bond money. This is a suit of choice against a company that provided financial and facilities planning starting from 1999 until the end of Grant's existence. Does the mere mention of Measure G or the ENEC project in a complaint make a suit eligible for the use of bond funds? This is money intended for construction projects as promised to the voters who passed Measure G.

Community Relations

Testimony and documentary evidence indicates deep-seated issues were present in the four unifying school districts before unification and are clearly present now. These issues include distrust by the communities of the school board members and employees of the new district. These issues continue in spite of claims from the new district having goals to become one unified system for the benefit of all children.

Considerable frustration was expressed by various African-Americans to the grand jury regarding a letter sent to parents of sixth grade students. It was the testimony of African-American parents, community members and Twin Rivers staff that not all parents got

the letter to encourage them to consider enrolling their sixth grade students in a specific charter school. According to testimony, the school does not send letters to all sixth grade parents but only to families with students having “proficient” or “advanced” test scores. Closing the much discussed “achievement gap” of African-American children is of great interest to those who testified. This charter school states it is a non-discriminatory public school and it has raised state test scores to earn recognition for student achievement.

When the grand jury asked the responsible district administrator specific questions about this letter to sixth grade parents, the response was that over many years the practice has been to send letters to all families of sixth grade students in three areas (North Highlands, Foothill Farms, and Rio Linda). The reason offered for this was these areas are “...in reasonable geographic proximity to the charter school...” It must be noted the district acknowledges “...there was a clerical error this year when the letters were accidentally sent to all 6th grade students throughout the district...” In this case, the letters were sent to too many students. In response, the grand jury must ask why a newly formed district trying to promote unification would limit opportunities for any children, and limit opportunities for those children who traditionally have not lived in those selected areas, namely African-American children. In addition, the grand jury must ask why a district that provides very limited school busing would not consider children living outside the current “geographic proximity.” The parents of these children might be interested in the charter school as many of them drive their children to school because safe walk zones may be many miles away from the “neighborhood” schools. Further, the grand jury must ask why the district feels “too many letters” were sent out if enrollment is done in a true lottery process.

The school district denies concerns expressed to the grand jury that the charter school has been “skimming” or soliciting students who have “proficient” or “advanced” test scores. Test score information is required on the application, and according to the district, students are entered into a blind lottery process for student selection. These responses are challenged by evidence from the district to the grand jury. For example, of the 432 students at this charter school, only five students are receiving special education services. This means 1% of the current charter school students are receiving special education. According to the district’s 2010 Report to the Community, 12% of students in the district receive special education services. This means there could be about 50 special education students in the charter school.

This grand jury also interviewed members of the Hmong community within Twin Rivers. The leaders of the Hmong community sponsored information meetings regarding unification, encouraged people to vote, and offered support to a board candidate. It is now the perception of these leaders that the board member they supported is no longer interested in them as phone calls are not returned and no follow up is provided to them about their suggestions and concerns. Telephone calls to various levels of school administrators and board members are not returned, emails go unanswered and follow up to suggestions and questions offered by the Hmong community go nowhere.

These community residents report that letters from the school are sent home with children. The letters are in English and in Hmong, but the majority of Hmong parents do not read either language. Often the Hmong translations are of poor quality or written in a confusing manner. According to testimony, there has been an effort to lay off the

district's only Hmong translator. This translator is primarily located at the elementary school with the largest population of Hmong children. Parents at the school signed a petition to stop this action but it is unclear as to the future status of the translator. According to Hmong representatives, the overwhelming majority of the Hmong community listens to radio station KJAY 1430 all day, every day. This is a Hmong language station and is a source of cultural information, music and community news. It was reported to the grand jury that Hmong representatives repeatedly have given information about this station to Twin Rivers administrators at advisory meetings and in personal meetings with the superintendent but there is no response, no follow-up and apparently no interest in the district using the station to communicate with the Hmong community.

The interviews with the Hmong representatives clearly showed they are interested in their children's education. They are concerned that while many Hmong parents do not read or speak English well, teachers make responses in English and both groups do not understand each other. In the past, a translator was provided for parent conferences only if the parent asked for one. The district does not make the offer to the parent. Parents are concerned the local elementary school attended by many Hmong children will become even more crowded with the district's plan to add 7th grade students next year and 8th grade students the following year. The parents are very concerned about even more limited outside space for activities.

Hmong parents do participate on school and district advisory committees but have found their voices are not heard. One Hmong representative expressed great frustration in that after two years of trying to work with the district on advisory committees and meeting with the superintendent to develop a Saturday School for Hmong children, there has been no response. The idea for the school is based on a Saturday School for Russian and Ukrainian children currently in the district. The Hmong parents see this as unequal treatment.

In 2004, when another wave of Hmong students came to this country and settled in the Grant district, a special refugee program for Hmong students was started at Grant High School. The program was focused on a Grant Hmong student mentoring a new Hmong high school student to promote academic and social skills. The Hmong students and community regarded this as a very important and helpful program. The program was seen as a way to promote academic success, prevent gang affiliations, and prevent high school drop outs. The program has now been reduced to a short-term summer camp. Further, it was stated Hmong students do not receive the recognition given to other groups as Hmong are "culturally quiet."

The grand jury interviewed various members of the Hispanic/Latino community. One person testified to great pride in "all the inheritance from Grant (district)" and how the Grant district was making many good changes especially in the high schools. A consistent response given to the grand jury was the need for Twin Rivers to focus on students. Frustrations were shared that the board does not listen to parent or community input and it does not listen to parent advisory committees. One example given to the grand jury was the board's decision to close two schools which had been recently rebuilt and were within walking distance for many Hispanic/Latino children. Board members are perceived by this group as having no compassion and holding board meetings that

only allow a limited time for public input. Board members are regarded as showing little respect to parents.

Testimony consistently indicated that the board was not interested in the parents' suggestions or needs. For example, when elementary schools have late start days on Wednesdays, parents feel their children are put in unsafe latchkey situations as parents must leave for work while children must be left home alone, and then the children must walk long distances to school. This issue has been repeatedly shared with the board. Testimony has also been shared that more after school programs are needed by all children. A popular and successful after school program offered in the area has been partly replaced by Twin Rivers with a less popular and less successful program.

A Hispanic leader and community volunteer developed a detailed plan to offer an after school program to students at Rio Linda High School. This individual believed that the school was being treated in a secondary manner, like a "stepchild." The program was to be called "Street Law" and was to be similar to a very successful program in the Sacramento City Unified School District. This proposed program would have been open to all students and given the students opportunities for career and leadership development. According to testimony, the proposal used volunteers from a professional organization in conjunction with a law university and asked for very little district funding. There was a tentative contract of agreement drafted but the response from the superintendent was that no budget funds were available.

Members of the Hispanic/Latino community testified the district is failing English language learners especially in the areas of English, history and social studies. This failure goes beyond academic achievement as students are not exposed to the opportunities of America, to colleges and to a sense of the future. The recent decision of the board to give the superintendent a \$5,000 raise was highly frustrating to these members. This community has been hard hit in the current job market. It did not see high level administrators being cut, but report many of the lower paid Twin Rivers employees such as custodians and food service workers, often from minority groups, are having their hours reduced or jobs eliminated and these employees are often district residents. Members of the Hispanic/Latino community remember the "controlling" reputation of the current attorney for the district when employed by a former district. Views shared by the witnesses were that the attorney and two board members are now dominating Twin Rivers and fueling the old grudges with the Grant district.

Findings and Recommendations

Finding 1.0 Measure B promised the voters the new district would have a streamlined administration and the cost savings would allow for more dollars for students in the classrooms. When compared to other large school districts in Sacramento County, the grand jury has found Twin Rivers has a higher number of administrators.

Recommendation 1.1 Twin Rivers must immediately reduce the number and expense of top level administrators and put the savings into classrooms.

Finding 2.0 Measure B promised the voters the district would have an articulated pre K–12 curriculum. After three years, some curriculum has been aligned using existing materials from the four districts and is fragmented at best, with little or no social studies or science being taught in elementary schools.

Recommendation 2.1 Twin Rivers must immediately develop, fund and implement a comprehensive pre K–12 articulated curriculum plan for all core subjects, including social studies and science.

Finding 3.0 The decision to hire a superintendent without unification experience, without secondary school leadership experience and without construction management experience has impeded the unification goals of Twin Rivers.

Recommendation 3.1 Prior to the contract expiration of the present superintendent, a nationwide search should be conducted for a superintendent with the qualifications that include experience in unification, secondary school leadership and construction management.

Recommendation 3.2 Representatives from various ethnic groups, representatives from the seven voting districts and community leaders must be on the search and selection committee for a new superintendent.

Finding 4.0 The history of unification attempts and testimony to the grand jury clearly shows animosity and negativity towards the former Grant district and its employees.

Recommendation 4.1 The Twin Rivers Board and superintendent must take responsibility for creating a more diverse group of key personnel from all four of the unifying districts, including Grant.

Recommendation 4.2 The Twin Rivers Board and superintendent must take every opportunity to have constructive relationship building activities with personnel and community alike.

Finding 5.0 The Board of Trustees has acquired additional property for its district office, in the form of a 99 year lease and at a cost of \$14M, despite the availability of existing district property.

Recommendation 5.1 The Board of Trustees must better utilize existing buildings, and be more judicious in the spending of scarce district funds.

Finding 6.0 The Board of Trustees voted to stop the ENEC project resulting in approximately a \$60M closure cost.

Recommendation 6.1 Twin Rivers must immediately develop and implement a short and long term plan for the use of ENEC, as well as a timeline and budget for the project.

Finding 7.0 As of April 1, 2011, the storage and insurance costs for some building materials is \$132,000 and continues at \$3,000 per month. The security and utility bill for the closed ENEC project is \$12,500 per month. This does not include unknown amounts for storage costs of building materials in Texas.

Recommendation 7.1 The Board of Trustees should be informed of the ongoing storage costs and must immediately work to resolve this financial drain on the district.

Finding 8.0 After almost three years as a unified school district, the district has not merged equipment inventories nor has it completed a physical inventory of the four unifying districts.

Recommendation 8.1 The district must immediately complete a comprehensive physical inventory and merge equipment inventories from the four unifying districts.

Finding 9.0 In the opinion of the grand jury, the use of outside counsel hired by the Twin Rivers Board of Trustees has consumed too much general fund money.

Recommendation 9.1 The Board of Trustees must analyze and evaluate the costs of using outside counsel in comparison to the cost of hiring in-house legal staff.

Recommendation 9.2 If outside counsel is contracted to be general counsel, an annual cap or limit on legal fees must be imposed.

Finding 10.0 Twin Rivers Board of Trustees' decision to file four lawsuits against former Grant district personnel and companies that have done business with the Grant district, led to the spending of nearly \$1M of general fund money to date.

Recommendation 10.1 The Board of Trustees must conduct a monthly review of the status and costs of each lawsuit involving Twin Rivers.

Recommendation 10.2 To promote public disclosure, the Board of Trustees must direct the business services department to develop line items in the district budget to report legal fees and costs.

Recommendation 10.3 The Board of Trustees should direct its general counsel to explore submitting cases currently being litigated to binding arbitration or at least mediation for expedited resolution.

Recommendation 10.4 Before the Board of Trustees decides to initiate litigation, it must require legal counsel to submit a detailed, projected budget of legal fees and costs.

Finding 11.0 The Sacramento County Grand Jury questions whether it is illegal or, at best, ill-advised for Fund 24 bond money to be used in the litigation against a party that is not engaged in construction projects.

Recommendation 11.1 The Board of Trustees must stop using Fund 24 bond money as a source of funds for Twin Rivers v. CFS, *et al.*

Finding 12.0 According to witness testimony to the grand jury, geographic and ethnic communities are not being adequately represented by board members who are elected at large by the entire district.

Recommendation 12.1 A more equitable election process would provide that the trustees be elected directly from their individual districts rather than at large.

Finding 13.0 Many sixth grade students transitioning to middle school have not been afforded the opportunity to select from the various middle school options, because the district office has limited the invitations to special programs.

Recommendation 13.1 The Board of Trustees, using a wide variety of strategies and resources, must insure that parents of all students are made aware of all programs offered to students by the district, including those programs offered by dependent charter schools.

Recommendation 13.2 The Board of Trustees must insure all students receive fair access to all programs offered by Twin Rivers, including those programs offered by dependent charter schools.

Finding 14.0 Some community members from various ethnic groups do not believe they are respected by the Board of Trustees and the Twin Rivers Superintendent. These community members have stated that the needs and concerns they have repeatedly expressed continue to be disregarded.

Recommendation 14.1 The Board of Trustees and the Twin Rivers Superintendent should engage in active listening and consistent responsive communications, and encourage the involvement of all members of the Twin Rivers communities.

Recommendation 14.2 All parents should be informed that translators are available to parents. Teachers, administrators and other staff should use this service when scheduling appointments, meetings and conferences with non-English speaking or limited-English speaking parents.

Recommendation 14.3 Meetings, using translators, should be held throughout the district with non-English, limited-English and bilingual groups of parents to give information on how they share concerns, needs and suggestions with school personnel and board members.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to indicated findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento County Superior Court by September 30, 2011, from:

- **The Sacramento County Office of Education**
- **The Twin Rivers Board of Trustees**
- **The Twin Rivers Superintendent**

Mail or hand deliver a hard copy of the response to:

**Hon. Steve White, Presiding Judge
Sacramento County Superior Court
720 9th Street, Dept. 47
Sacramento, CA 95814**

In addition, email the response to Becky Castaneda, Grand Jury Coordinator, at castanb@saccourt.com

The Safely Surrendered Baby Program

Saving the Children

Summary

The Sacramento County Grand Jury received a complaint about the process of adopting an infant under the Safely Surrendered Baby program. A full investigation was not initiated because the case had already been decided in court. However, in reviewing the complaint, as well as pertinent laws and state guidelines, several areas of uncertainty emerged as to how the program is supposed to operate. This report identifies those areas requiring clarification by appropriate authorities.

Foreword

The complainant expressed great concern over the time, cost and emotional stress experienced over a period of 15 months. The grand jury, however, is not empowered to reprocess individual cases or to review judicial proceedings. It can identify and consider, as in this case, systemic issues which might recur in other cases and therefore deserve attention.

Issues

1. Are the statutory provisions and administrative guidelines for this program clear and complete?
2. Is there provision for oversight and evaluation of the program?

Method of Investigation

The grand jury reviewed the complaint and attachments thereto, pertinent sections of state law, and administrative guidelines from the California Department of Social Services (CDSS). The grand jury reviewed the websites of organizations that under state law may provide "safely surrendered baby" sites and also interviewed representatives from several county departments.

Background and Facts

The Safely Surrendered Baby law, passed by the legislature and signed by the governor in 2000, was to expire on January 1, 2006, but was made permanent by timely legislative action. It addresses the problem of newborn infants being abandoned by their birthmothers. The law allows anyone with legal custody to surrender an infant anonymously within 72 hours of birth at designated sites with no punitive consequences.

A safe surrender site is defined in the law as "a public or private hospital emergency room or any additional location designated by the county board of supervisors by resolution." (Penal Code sec. 271.5). The law also permits a local fire agency, subject to the approval of its governing board, to designate sites. (Health and Safety Code sec.

1255.7). Furthermore, each site "shall designate the classes of employees required to take custody of these children." The statute emphasizes physical custody as the key ingredient in a safe surrender. A designated employee at a safe surrender site "shall take physical custody" of an infant if a person with lawful custody of the child "voluntarily surrenders physical custody of the child to that person." Thus the clearest description of who actually effects a safe surrender is a designated employee on duty at a safe surrender site.

The legislature did provide an escape clause in case of a change of mind. Within 14 days of the birth, the safe surrender may be withdrawn and physical custody of the child returned to the surrendering individual.

The person accepting physical custody after a safe surrender is required to place a coded, confidential ankle bracelet on the child. The person must also offer a duplicate bracelet to the surrendering person, as well as a medical questionnaire to be mailed back to the site. The surrendering person has the right to refuse both. At this point the coded bracelet is the only means of identifying the child. To preserve confidentiality, a special certificate for an abandoned and surrendered baby is prepared, rather than a birth certificate.

Within 48 hours, the person taking custody must notify Child Protective Services (CPS) which takes temporary custody of the infant. CPS must then "immediately investigate the circumstances of the case and file a petition" of dependency with the juvenile court. The scope and purpose of the CPS investigation is not described in the law.

Considering the length of time since the law first passed, state guidelines for the program have been slow in coming. On November 2, 2010, the CDSS issued All County Information Notice 1-88-10, the title of which is *Safely Surrendered Baby Definition, Intake and Data Entry*. This notice gives considerable attention to whether the surrendering person must be familiar with the program and use the right words to effect a safe surrender. It points out that the statute simply requires that an infant be surrendered to the appropriate person at a safe surrender site and "does not indicate that this voluntary surrender must be stated verbally." In another passage related to hospital births (probably not the norm in safely surrendered baby cases), receiving staff are cautioned to be sure that "the birth mother, by word or action, indicates that she doesn't want to keep her baby."

Elsewhere, however, CDSS makes a distinction between "voluntary relinquishment" and "safe surrender" in the following passage: "If the birth mother chooses to voluntarily relinquish her baby and begins the adoption process, then subsequently chooses safe surrender within 72 hours of birth, the baby would be considered surrendered." This distinction seems to indicate that words do make a difference.

One other passage in Information Notice 1-88-10 deserves attention. It speculates that a safe surrender adoption "may be much quicker than standard adoption since the termination of parental rights is not an issue." This implies that the birth parents' rights are abrogated at the end of the 14 day grace period. A County Counsel's representative, however, believes the court would have to act to terminate those rights.

The event which led to the complaint occurred in June 2009, when a woman gave birth to a baby in a local hospital (a safe surrender site) and surrendered the infant to a hospital

staff member for adoption. The complainant believed the child was declared a safely surrendered baby. CPS was notified and assumed temporary custody. The required petition was submitted to and accepted by the juvenile court and, according to the complainant, the case proceeded as a Safely Surrendered Baby adoption for some months.

The complainant was the prospective adoptive mother of this infant who was given physical custody of the child 3 weeks after birth in June 2009 (after the 14 day grace period had expired). She cared for the child until it was taken from her in September 2010 and given to the birth father. The father had come forward to assert his rights during the adoption process. After his appearance, the process became confrontational and the complainant chose to obtain legal counsel.

About a year after the adoption process began, the complainant maintains that CPS recanted on the Safely Surrendered Baby determination in court, which converted the case to a standard adoption. That recantation could be partly explained by the allegation that the hospital to which the infant had been surrendered gave CPS the birth mother's name and address when referring the child to them, thus violating the confidentiality provisions of the law. It is unclear why it took so long for the recantation, if it occurred.

The complainant expressed deep distress at the outcome of the adoption process, dismay at the apparent termination of the Safely Surrendered Baby designation so late into the process, and the sizeable legal costs incurred.

Hoping to clarify some aspects of the Safely Surrendered Baby program, members of the grand jury met with representatives of CPS, the County Counsel and the Court Services Program. That hope was not realized, partly because of pending legal action. For that reason county officials would not talk about this specific case. However, it seemed to the grand jury that the county does not believe this was ever a Safely Surrendered Baby event. This position is difficult to reconcile with the details presented in the complaint to the grand jury.

There was general agreement among county representatives that there is considerable confusion about the program throughout the state. Several shortcomings in the program did emerge. First, the process for effecting a safe surrender is not clear. This is especially troubling since county representatives agreed that once a safe surrender has been declared it cannot be changed. Second, the rights of the birth parents are not fully addressed in the law, especially those of the birth father which are not mentioned. Third, the guidelines for safe surrender sites are ambiguous and provisions for program oversight are not evident.

There is not a large number of safely surrendered babies, at least locally. Sacramento County has had only 28 since 2003, when record-keeping began. To the principals in a safe surrender, however, each case is laden with emotional stress and potential tragedy.

Counties and fire departments may provide safely surrendered baby services subject to approval of their governing boards. A review of the websites of these agencies in Sacramento revealed scant information regarding the safely surrendered baby program. The grand jury believes that the lack of public information hinders the success of this program.

Conclusions

The grand jury's review of the Safely Surrendered Baby program was constrained by pending litigation and conflicting information that could not be reconciled. These circumstances prevented the development of specific recommendations. However, a review of statutory provisions and administrative guidelines and discussion with county representatives led to the grand jury's conclusion that the program is currently operating in an atmosphere of uncertainty and confusion.

It would be tragic if Sacramento County did not act aggressively to seek increased clarity and completeness in statutory provisions and state guidelines. Such changes at the state level are an essential precursor to needed improvements at the local level, including more staff training, program oversight, and public information.

Pending these changes, the Sacramento County Department of Health and Human Services should insure that correct and consistent procedures are being followed at safe surrender sites within the county and that more complete public information about the program is available on all relevant websites.

Absent improvements, the program will continue to be compromised. Our children deserve better.

Findings and Recommendations

Finding 1.0 The California Department of Social Services issued an "All County Information Notice" to clarify definition and procedures in the safely surrendered baby program on November 2, 2010.

Recommendation 1.1 Sacramento County Health and Human Services should review procedures of agencies that provide "Safely Surrender Baby "sites to check that their procedures conform to state law, and to ensure the integrity of the process, so that the rights of the child and surrendering parent are preserved.

Finding 2.0 None of the agencies in Sacramento County that are designated as safe surrender sites provide that information on their websites.

Recommendation 2.1 Sacramento County, Sacramento area fire departments and hospitals should prominently display information about the locations of their "safe surrender sites" on their websites, or provide referral information on their websites if they are not "safe surrender" program participants.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to indicated findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento County Superior Court by September 30, 2011, from:

- The Sacramento County Health and Human Services Director
- Sacramento County Chief Probation Officer
- The Sacramento County Board of Supervisors
- Chief of Sacramento Fire Department
- Chief of Sacramento Metro Fire Department
- Chief of Cosumnes Services District Fire Department

Mail or hand-deliver a hard copy of the response to:

**Hon. Steve White, Presiding Judge
Sacramento County Superior Court
720 9th Street, Dept. 47
Sacramento, CA 95814**

In addition, email the response to Becky Castaneda, Grand Jury Coordinator, at castanb@saccourt.com

The Children's Receiving Home

One Size Fits All?

Summary

One of the facilities the Sacramento County Grand Jury visited this year was the Children's Receiving Home (CRH or the Home). CRH is an emergency care shelter that provides temporary housing and services to children from 1-17 years of age who have been abused or neglected by their parents or other caregivers. During the visit, management expressed concern about a problem in their efforts to care for children under the age of six. Such children may stay at the Home for a maximum of thirty days. Should they stay longer, the Home would be subject to state regulations designed for non-emergency shelter facilities.

The thirty day limitation was not a problem until October 2009, because the California State Community Care Licensing Division (CCL) granted waivers of the thirty day limit in selected cases. Justification for a waiver was usually based on delays in court proceedings or home certification for placement, or on the need for more time to stabilize children who were traumatized. In 2009, however, the state ended the practice of granting waivers, but gave the Home no written explanation of the reasons for that action.

Representatives of the Home continue to believe that a rigid thirty day limitation prevents the best possible care for certain children. The State Health and Safety Code Section 1530.8 provides that placement in a temporary shelter care facility “shall not exceed sixty days” unless a documented plan has been approved requiring more time. Requests for waivers had been so documented in the past. The grand jury has asked CCL for a written explanation of their reasons for ending the waivers but has yet to receive a reply.

Foreword

CRH operates on the basis of a long term contract with Sacramento County. Funds flow through several county departments. The Home also receives funds from other sources, including private fund raising. As a facility receiving county funding which operates as an integral part of the county's child protective services system, the Home falls under the purview of the Sacramento County Grand Jury.

Method of Investigation

The grand jury toured CRH facilities. Some members discussed operations with CRH staff on several occasions, reviewed pertinent statutory and regulatory provisions, and discussed aspects of CRH with CCL personnel.

Issues

Why did CCL stop granting waivers of the thirty day limitation on CRH's care of children under six years of age?

Does the thirty day limitation always serve the best interests of the children?

Background and Facts

The Sacramento Children's Receiving Home is a 503(c)(3) organization that is under contract to Sacramento County to provide short-term care to children ages 1-17 who are removed from their homes by law enforcement or Child Protective Services due to neglect or abuse by their parents or guardians. Founded in 1944 by the Junior League and the Rotary Club, the Home has been in its present location since 1964 on land donated by the City and the County of Sacramento. The facility serves about 1000 children a year with its 98 bed capacity. The average length of stay by the children is 30 days.

The Home provides three services to its clients: 1) comprehensive care, including basic medical care, counseling and education, 2) assessment of the child's family, extended family and neighborhood with an eye toward early intervention and preventing future problems, and 3) placement assessment recommendations for the future of the child.

During the grand jury's tour of the facility, representatives of the Home called our attention to the state limitation of thirty days in serving children under six years of age. CRH believes that limitation in some cases is not in the best interest of the child, and gives the following arguments for some flexibility:

“The Court process, as well as the first time out-of-home placement, where proper information needs to be gathered, usually takes 45-60 days to complete.

The supporting of pre-placement visits, where a ‘fit’ with the children with their potential foster care providers and vice versa takes place, can take longer than 30 days. In cases such as this for the children of a family of siblings in our care, the children over age six can stay in the shelter, the children under six must be removed at 30 days, separating the family.

Children who have suffered abuse and neglect often need additional stabilization and trauma focused mental health services, which are provided at the Receiving Home and that children moved to a crisis nursery or foster home do not receive.

The families of the children often need additional time to prepare for the return of the child to their home, *i.e.*, completing drug treatment or parenting classes, securing housing, etc.”

Until October 2009, waivers to the thirty day rule had been granted by the state under circumstances like those cited above. At that time a foster care ombudsman, after reviewing a number of cases of children under six years of age, objected to the waivers. CRH was never informed in writing of the reasons for this action. Space for requesting a waiver is still included in forms CRH must send to the state but this section cannot be used. The grand jury's attempts to get a written statement from CCL on their reasons for terminating the waivers have so far been unsuccessful.

There are two provisions of state law and regulation most relevant to the thirty day limitation. The first is Welfare and Institutions Code Section 319.2, which governs the placement of children in a temporary shelter care facility like CRH. It states that "...the placement period shall not exceed 60 days unless a case plan has been developed and the need for additional time is documented in the case plan and has been approved by the supervisor of the caseworker's supervisor." The other provision is in the California Code of Regulations Section 84200, paragraph (c), which states that "...homes that operate solely as a county-operated or county-contracted emergency shelter care facility and retain children under the age of six years for no more than 30 days, shall be exempt from the licensing standards..." set forth in various specified code sections.

The grand jury recognizes the importance of moving abused and neglected children into a safe, stable and durable home situation as soon as possible, and that time limits on that process may be a necessary constraint. It also believes, however, that a rigid thirty day limit for children under six years of age to remain in emergency care shelters is neither realistic nor in the best interest of many of these children.

The legislature seems to agree that some flexibility is desirable. The governing statute not only prescribes a 60 day placement limit, but allows an extension of that limit under specified conditions. Moreover, regulatory requirements, which are more severe and rigid than those established by statute, should be more amenable to change (with adequate justification) than would statutory requirements.

Findings and Recommendations

Finding 1.0 The basis for the California State Community Care Licensing Division's refusal to continue granting waivers to the thirty day limit on the Children's Receiving Home's service to some children under six years of age has not been documented.

Recommendation 1.1 That the Children's Receiving Home continue to press the California State Community Care Licensing Division for a written statement of their reasons for terminating the approval of waivers in selected cases.

Finding 2.0 The current thirty day limit to the Children's Receiving Home's service to all children under six is not in the best interests of some of these children.

Recommendation 2.1 That once the California State Community Care Licensing Division's reasoning has been explained, the Children's Receiving Home develop its case for renewing waivers and, if necessary, seek any statutory and regulatory changes required to make that possible.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to indicated findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento County Superior Court by September 30, 2011, from:

Chief Executive Officer, Children's Receiving Home of Sacramento

The Grand Jury recognizes that investigations of State agencies are beyond its purview. Nevertheless, the Grand Jury respectfully requests the following entity respond to this report:

California State Community Care Licensing Division (CCL)

Mail or hand-deliver a hard copy of the response to:

**Hon. Steve White, Presiding Judge
Sacramento County Superior Court
720 9th Street, Dept. 47
Sacramento, CA 95814**

In addition, email the response to Becky Castaneda, Grand Jury Coordinator, at castanb@saccourt.com

Sometimes the System Works

Introduction

The Sacramento County Grand Jury received a complaint that a Program Manager for the Child Protective Services (CPS) Division of the Sacramento County Department of Health and Human Services embezzled thousands of dollars by forging signatures on county vouchers. Despite this fact, the manager was still employed, though on administrative leave, and no criminal charges had been filed.

The grand jury interviewed the complainant who testified that during another CPS employee's termination hearing, the manager's alleged embezzlement came to light. The complainant believed that the fact that the manager was still employed deserved investigation of the CPS voucher procedures.

Method of Investigation

The grand jury contacted CPS and, as requested, received the following materials:

- CPS Purchasing Reference Materials, Guidelines, Vendor List and Forms
- Agreement Between the Sacramento County Department of Health and Human Services and (Name Redacted)
- The Program Manager's Termination Master file.

We also interviewed the complainant, the Program Manager named in the complaint, and representatives of CPS.

Issues

1. Did the program manager named in the complaint forge signatures on vouchers as alleged by the complainant?
2. Did other CPS employees do the same thing?
3. Were CPS procedures at fault?

Background and Facts

The manager was hired by the Department of Health and Human Services in 1994 and was evaluated on a regular basis. As a result of competent performance the manager was promoted several times and at the time of termination was a Human Services Program Manager with CPS.

On February 17, 2010, an account clerk sent an email to a social worker regarding the use of a voucher for a \$250 purchase. The clerk questioned the purchase because the Form CS 1010 (CPS Purchase Receipt) was not included with the payment request as required. The social worker responded that there was no purchase because the client's case was closed a month earlier. The email was then forwarded, with a copy to this manager who responded that the issue had been resolved. An investigation of other purchase orders revealed that the manager was forging the workers' signatures. The first recorded

instance occurred January 7, 2010. The actions of the alert account clerk who spotted the discrepancy can be credited with revealing the fraud.

On March 5, 2010, the manager was interviewed by two human resources managers. At that time the manager was advised that an investigation was being conducted for violation of policies and procedures in the acquisition of purchase orders and the purchase of merchandise. The manager was then placed on paid administrative leave.

On completion of the investigation, the manager was confronted with the evidence. The total amount of the alleged embezzlement was \$2,017. A recommendation of dismissal was issued on June 24, 2010 and termination occurred August 5, 2010.

During testimony to the grand jury, the program manager admitted guilt and expressed regret. This individual said that when clients called and pressed for help, he pulled their cases from the closed file and issued vouchers. Their cases had been closed but due to backlogs the closure had not yet been entered into the computer system. The manager confirmed forging the authorizing signatures, but asserted that none of the purchases were for his personal use.

The manager testified to being unaware of other instances of violation of the voucher procedure. The witness does not know if CPS has changed procedures to prevent this kind of fraud. As of April 2011, criminal charges had not been filed.

It appears that CPS has a process in place to reconcile accounts. This is the reason the discrepancy caught the eye of the account clerk. However, questions remained: Was this an isolated instance or does CPS have other such cases? What actions had CPS taken to ensure this doesn't happen again? Were criminal charges filed against the manager?

The grand jury interviewed the CPS Deputy Director in an effort to answer these questions and subsequently received the following written response that confirms the information discovered in the grand jury's investigation.

"The CPS managers and administrative staff reviewed the current procedures in place to oversee CPS Purchasing. It was determined that the current controls in place did a good job of uncovering irregularities in process. The Administrative Unit has one team, a supervisor and an assistant, charged with the review and approval of all purchase order requests. They both review each request prior to approval. In the (name redacted) Program Manager's case they noted the behavior pattern and missing signature, which led to the discovery of the fraud."

The director also stated:

"We have expanded the requirement for the recipient signature to other types of purchases to ensure we have an accurate accounting of the distribution of goods and items. In addition to requiring a signature from the recipient, we have added the review and signature of the program manager. We will expand this oversight to include donated holiday gifts for foster children in November/December 2011."

Findings and Recommendations

Finding 1.0 The program manager did forge signatures on voucher purchases but there was no evidence of other Child Protective Services employees doing the same thing.

Recommendation 1.1 None, since the individual involved has already been discharged.

Finding 2.0 The CPS procedures allowed discovery of the forgeries in a reasonable period of time and those procedures are currently being expanded.

Recommendation 2.1 CPS should complete the expansion of control procedures and monitor future transactions continuously.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to indicated findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento County Superior Court by September 30, 2011, from:

- **Child Protective Services Division of the Sacramento County Department of Health and Human Services**

Mail or hand-deliver a hard copy of the response to:

**Hon. Steve White, Presiding Judge
Sacramento County Superior Court
720 9th Street, Dept. 47
Sacramento, CA 95814**

In addition, email the response to Becky Castaneda, Grand Jury Coordinator, at castanb@saccourt.com

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