

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

**1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458**

November 5, 2014

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer *PB*
RE: Herald Fire Protection District Status Update (L AFC 06-14)

RECOMMENDATION:

Receive and File the status report on the Herald Fire Protection District.

DISCUSSION:

The Herald Fire Protection District has prepared the attached response regarding financial and management issues identified by the Sacramento Grand Jury.

In addition, the County of Sacramento has responded to the Sacramento Grand Jury regarding financial auditing procedures. The County of Sacramento has also requested that the Sacramento Grand Jury perform a management audit of the Herald Fire Protection District.

On October 28, 2014, LAFCo staff met with Jim Templeton, Interim Fire Chief for the Herald Fire Protection District. This report briefly summarizes the issues and progress that Herald Fire Protection District is pursuing to resolve the issues identified by the Sacramento Grand Jury.

It appears that efforts are being made to improve the fire district operations. Also, based on articles from the "Galt Herald", the community is engaged and the Board appears to be responsive to issues and concerns raised by the community during public meetings.

Staffing

The Herald Fire Protection District has hired an Interim Fire Chief as a retired annuitant. The Interim Fire Chief was formerly with Galt Fire Protection District and is familiar with the Herald community and fire district operations within this community. This position is part-time and is limited to 960 hours per year.

In addition, the fire chief has hired an assistant fire chief who has 29 years of experience and who is certified to train firefighters as required. They are in the process of establishing a training schedule.

Currently, the management staff of the District appears to be stabilized and they are attempting to correct the financial and operational deficiencies that have been identified.

Public Accountability

District Staff realize that they need to correct the deficiencies identified by the Sacramento Grand Jury and improve communication with the Herald Community. They are improving the District's web site and procedures for the use of its facilities by the community.

District staff has indicated that they will be changing the accounting practices for leasing its facilities so that funds are properly accounted for. In addition, the District is no longer accepting cash or credit card payments for the use of its facilities. The District is developing a tracking mechanism to document usage. Finally, the District is standardizing fees and incorporating an appeals process.

Governance

The Herald Fire Protection District is governed by five (5) Board of Directors. Currently, four (4) seats are filled. Five (5) candidates are running in the November election to fill two (2) seats.

Jim Templeton has indicated that he will be asking all of the Board Members after the election to participate in training for Board Members.

Financial Audit and Accounting Procedures

The District has hired Richardson and Company to conduct a financial audit of the District. The audit is in progress, however, at this time the date of completion has not been determined. District staff recognizes the need to complete the audit and implement appropriate accounting practices, policies, and procedures related to expenditure control and internal control procedures.

Budget

The District has adopted a Final Budget for FY 2014-15 as required by State law.

District Policies and Procedures

The current management staff has indicated that they will be addressing all of the issues identified by the Sacramento Grand Jury in order to reach compliance. They will be examining personnel policies, operational policies, and the Fire Fighter Bill of Rights. The Fire Chief has also indicated that they will be incorporating a citizen's group to review the proposed policies and recommendations to the Board of Directors prior to a Public Hearing.

Training

The Fire Chief has indicated that they will be working on establishing appropriate training for all staff and volunteers.

PERS

The District is working with PERS to resolve contribution issues to the California Public Retirement System. The District has the funds to eliminate all past and current indebtedness to PERS.

Reserves and Cash Flow

The District is using excess fund balance to eliminate past debt and establish a reserve for emergencies.

While the reserves have decreased, District staff has indicated that there should be sufficient cash flow for this year's current operation and maintenance budget.

Conclusion

District staff realizes that it may take a while to make all the necessary changes and improvements. However, it appears that they have been willing to acknowledge and also identify the issues in order to evaluate the appropriate course of action to be taken.

District staff will be working with the Board of Directors to establish the priority actions to address both concerns raised by the community and the Sacramento Grand Jury.

The Board of Directors appear to be listening to the communities concerns.

LAFCo staff will continue to monitor the status of District compliance with these issues and will provide any assistance that we can.



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September 29, 2014

Honorable Robert C. Hight
Presiding Judge
Sacramento County Superior Court
720 Ninth Street, Department 47
Sacramento, CA 95814

RE: Response of the Board of Directors of the Herald Fire Protection District to the Final Report of the Sacramento County Grand Jury 2013-2014, pp. 20-31

To Judge Hight:

Pursuant to California Penal Code sections 933 and 933.05, the Governing Board ("Board") of the Herald Fire Protection District ("District") hereby submits its formal Response to the 2013-2014 Sacramento County Grand Jury Final Report ("Grand Jury Report") pertaining to various financial and operation matters of the District.

I. INTRODUCTION

The primary responsibility of the Herald Fire Protection District (including its Board of Directors) is to act in the best interests of the public as it conducts its fire suppression, fire safety, and other emergency response and public safety activities.

The Board acknowledges and appreciates the Grand Jury's in-depth investigation of the history of, and recent challenges facing, the Herald Fire Protection District. The Board is particularly gratified by, and fully agrees with, the Grand Jury's recognition of the critical role that the District serves in the Herald community. The Board, like the Grand Jury, is deeply concerned that recent developments in the District may have eroded public confidence in the ability of the District to meet its obligations. Accordingly, notwithstanding substantial recent administrative challenges, in the form of recent administrative staff turnover and multiple Board member resignations, the Board is taking vigorous action to implement reforms that it fully believes will position the District to renew its capacity to effectively serve the community and promote increased public confidence in the District.

With those principles in mind, the Board sets forth its Response, as requested, to the Findings and Recommendations of the 2013-2014 Sacramento County Grand Jury Final Report, as follows:

II. REQUESTED RESPONSES TO FINDINGS AND RECOMMENDATIONS¹

A. Finding 1:

The District lacks adequate internal accounting controls sufficient to ensure against misappropriation.

Response to Finding 1:

The Grand Jury has identified a number of areas in which the District's internal accounting controls appear deficient to ensure against misappropriation of funds. Notably, the Grand Jury has not identified any actual misappropriation and, to date, actual instances of misappropriation of funds or resources have not been demonstrated to the Board.

Based on circumstances unforeseen at the time that the Grand Jury Report issued, it has been exceedingly difficult for the Board to conduct an in-depth inquiry and develop a full understanding of the nature of the District's internal accounting controls. In the period following the issuance of the Grand Jury Report, the Board accepted the resignations of its full-time Fire Chief, its full-time administrative assistant, and three sitting Board members.² Examination of the records of the District finds them to be in substantial disarray, and in the period since receipt of the Grand Jury Report, the District has lacked qualified staff to take on the laborious task of comprehensively reviewing, sorting, and analyzing the District's records.

Notwithstanding the above, it is clear to the Board, if only based on the deficiencies in recordkeeping, that the Grand Jury has raised appropriate serious concerns regarding the level and nature of the District's internal controls.

¹ The Grand Jury has requested that the Board respond to Findings 1, 2, 3, and 4, and to their related recommendations, and that the District's Fire Chief respond to Findings 1 and 3, and their recommendations. Because the Fire Chief has resigned, the Board is not able to compel his response to the Grand Jury Report; therefore this Response contains only the position of the Board.

² The Board has since appointed Board members to two vacant positions, and will await the November election to fill the third vacant position. A sitting Director's seat is also before the electorate for the November 4th election.

Accordingly, since the issuance of the Grand Jury Report, the Board has taken the following actions:

1. The Board, dissatisfied with the level of service being received by its long-time auditor, has engaged the services of a nationally-recognized accounting firm, Richardson & Company,³ to guide the Board in identifying all records that may exist that will allow the District to understand and address its internal control issues. Richardson & Company is in the process of performing a comprehensive audit of all aspects of the District's finances. This audit will include, but will not be limited to, a full audit of, and recommendations pertaining to, the Herald Community Barn and the Hendrickson Hall. Given the acknowledged likely deficiencies in past audits, and the challenges in locating and organizing necessary records, this in-depth audit has proven to be quite challenging and is not complete at this time.
2. Following the Board's acceptance of the resignation of the Fire Chief, the District has labored through a period in which it was required to operate without the leadership of an experienced executive manager. While the Assistant Fire Chief of the District graciously agreed to serve as interim Fire Chief during this challenging period, his background and experience are primarily in fire suppression operations, not administration. Most recently, the Board has entered into an agreement for interim services with a very experienced retired former fire chief, retired annuitant James Templeton, who served for many years as the Fire Chief of the Galt Fire Protection District, prior to that district's merger with the Cosumnes Community Services District. Interim Fire Chief Templeton has taken vigorous action to educate himself on the history and challenges of the District and has taken the lead in developing strategies to bring the District into line with accepted, industry-standard administrative practices. Interim Fire Chief Templeton has signaled his determination, in concert with the Board, to cooperate with the newly engaged accounting firm for the District and the Sacramento County ("County") Finance Department, in both identifying and rectifying all accounting control deficiencies of the District. With the leadership of Interim Fire Chief Templeton and the assistance and advice of Richardson & Company and the County, the Board is confident that past deficiencies can and will be corrected.

³ Richardson & Company is well-recognized and respected in the Sacramento County region and has performed auditing services for numerous municipalities and special districts, large and small, including, by way of illustration and not limitation: Sacramento Metro Fire Department, Sacramento Regional Fire/EMS Communication Center, American Canyon Fire Protection District, Wilton Fire Protection District, Courtland Fire Protection District, and many others.

B. Recommendation 1:

The District should establish adequate internal accounting controls, as identified in this report, to ensure verification of the District's finances against waste or misappropriation of District assets.

Response to Recommendation 1:

The Board agrees with Recommendation 1 and, as described above, is moving toward implementation. Upon receipt of the audit and recommendations of Richardson & Company, the Board will provide a comprehensive update to the Grand Jury.

C. Finding 2:

Since 2008, the District's finances have not been audited in accordance with generally accepted auditing standards, as required by law.

Response to Finding 2:

The Board shares the Grand Jury's concern relating to the thoroughness and quality of past audits of the District's finances. The Board does not, itself, possess the necessary financial expertise to determine whether the audits that it has received since 2008 have met generally accepted auditing standards, but based on interactions that the Board has had with its prior auditing firm since the issuance of the Grand Jury Report, the Board is deeply concerned that prior audits may not have met the requisite standards.

D. Recommendation 2:

The county auditor should conduct an immediate audit of the District's financial statements and conduct all future annual audits of the District's finances, as required by law.

Response to Recommendation 2:

The District would welcome an immediate audit, and future audits, by the County. However, the District has received conflicting information regarding the prospect that the County will perform a financial audit. Immediately after issuance of the Grand Jury Report, the District contacted the County Finance Department regarding whether it was willing and able to conduct such an audit, and was advised that this is not a service that the County was able to provide at this time. The County advised the District that it would be necessary for the District to continue to procure its audits independently. Most recently, however, at its

meeting on September 23, 2014, the County Board of Supervisors ordered its staff to conduct a limited financial review of the District “as soon as possible.” As noted, the District welcomes such a review or audit. Meanwhile, the District has sought out, and contracted for, auditing services from a highly respected accounting firm, Richardson & Company. Given its obligation to obtain independent audits of its finances, and noting that it may take several months for the County to complete any review or audit, the District is continuing to move forward through the independent auditing process with all due haste.

E. Finding 3:

The District has not adopted or implemented personnel policies compliant with the Firefighters Procedural Bill of Rights with respect to punitive actions against full-time firefighter employees, and District staff lacks knowledge of the Act’s requirements.

Response to Finding 3:

The Board shares the Grand Jury’s concern that its policies and procedures, including personnel policies and procedures, are not fully up-to-date and may be vague or deficient in clearly setting forth how the District will comply with all State and federal personnel laws and regulations. The Board concurs that its prior (now resigned) administrative staff may have lacked knowledge of important personnel laws and regulations. The Board also acknowledges the District’s obligation to comply, in appropriate circumstances, with the Firefighter’s Bill of Procedural Rights. The Board is determined to develop and implement updated personnel policies that are fully consistent with the rights of the District’s staff.

F. Recommendation 3:

The District should adopt policies and practices compliant with the Firefighters Procedural Bill of Rights and provide training to all staff regarding the Act’s requirements.

Response to Recommendation 3:

Shortly after the issuance of the Grand Jury Report, the Board formally instructed its administrative staff to form a committee to develop a comprehensive set of updated and legally compliant policies and procedures. Unfortunately, before this important committee was impaneled, the administrative staff resigned. Now that the Board has a qualified interim Fire Chief in place and is in the process of seeking and hiring an administrative assistant, it is a first order of business for the Board that the District proceed with the impaneling of its policy committee. The Board intends to direct staff to support the Committee in its work, in order for a

comprehensive set of proposed updated policies and procedures to be presented to the Board for consideration at the soonest practicable date.

G. Finding 4:

The District has failed to timely review and update, as appropriate, District governance policies.

Response to Finding 4:

As set forth in the above Response to Finding 3, the Board shares the Grand Jury's concern that its governance policies are outdated and may be deficient. The Board has a critical interest in assuring that it conducts its affairs, in all respects, in a manner that is consistent with applicable laws and regulations. The Board desires to improve relations with the public and to promote public confidence by enacting and implementing effective and compliant governance policies.

H. Recommendation 4:

The District should comprehensively review and update as appropriate all District governance policies, including the District's Master Plan.

Response to Recommendation 4:

With competent administrative staff in place to support the Board's development of updated governance policies, the Board fully intends to comply with this Recommendation of the Grand Jury. The Board also agrees that, given the recent history of the District, it is an appropriate juncture at which to revisit the District's Master Plan to ascertain where the Plan requires updating so it can support the Board in setting a course for the long term effectiveness of the District in meeting the needs of the community it serves.

III. CONCLUSION

The past several years have presented profound challenges to the Herald Fire Protection District. Those challenges have strained public confidence in the District and have justifiably opened the District and its Board to criticism based on the poor recordkeeping by District staff, a lack of transparency in accounting practices, and delays in the development and implementation of updated and effective administrative and governance policies and procedures.

To the extent that the challenges for the District, acknowledged in this Response, have sparked a "firestorm" in the District, the Board of Directors submits to the Grand Jury that it has now undertaken appropriate steps to contain, and ultimately put out, that "fire," thereby positioning the District and its Board to promote and retain the full trust and confidence of the public it serves.

Respectfully submitted,



Lance Newhall
Chairman of the Board of Directors

cc: James Templeton, Interim Fire Chief
Michael Arkelian, Foreperson

By email: Becky Castaneda, Grand Jury Coordinator
castan@saccourt.com

COUNTY OF SACRAMENTO

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September 23, 2014

The Honorable Robert C. Hight, Presiding Judge
Sacramento County Superior Court
720 9th Street, Room 611
Sacramento, CA 95814

RE: Sacramento County Grand Jury Consolidated Final Report 2013-14

Dear Judge Hight:

Enclosed is a copy of the Sacramento County response to the 2014 recommendations contained in the 2013-14 Grand Jury Final Report. The Board of Supervisors at their meeting of September 23, 2014 approved this report as submitted with the following recommendations as highlighted on the enclosed Board letter.

If you have any questions, please contact my office at 874-5451.

Respectfully,


for Cyndi Lee, Clerk
Board of Supervisors

Cc: Becky Castaneda, Grand Jury Coordinator

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 23, 2014
Timed: 11:30 a.m.

To: Board of Supervisors

From: County Executive

Subject: Response To The 2013-14 Grand Jury Final Report

Supervisory
District(s): All

Contact: Navdeep S. Gill, Assistant County Executive, 874-5510
Ute Lavorico, Management Analyst II, 874-6112

Overview

This is the response to the investigation findings and recommendations contained in the 2013-14 Grand Jury Report issued June 28, 2014. County responses were requested for two investigative reports pertaining directly to the County and one involving the Herald Fire District. Staff from the Environmental Management Department, Probation, the Department of Finance, the Department of General Services and the County Executive Cabinet contributed to this report.

Recommendation

1. Adopt this report as Sacramento County's response to findings and recommendations contained in the 2013-14 Grand Jury Final Report.
2. Direct the Clerk of the Board to forward a copy of this report to the Presiding Judge of the Superior Court no later than September 26, 2014.

Measures/Evaluation

Not applicable.

Fiscal Impact

Departments contributing to this report absorbed incurred costs within their respective budgets.

BACKGROUND

Each year the Sacramento County Grand Jury concludes its work and releases its Final Report, typically the last week in June. The report, which can address a variety of activities, functions, and responsibilities of government, typically contains findings and recommendations with a response specifically directed to the Presiding Judge of the Superior Court.

The form of the County's responses as required by Penal Code section 933.05 is as follows:

As to each Grand Jury finding, the responding person or entity shall indicate one of the following:

1. The respondent agrees with the finding.
2. The respondent disagrees wholly or partially with the finding in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons.

As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:

1. The recommendation has been implemented, with a summary regarding the implemented action.
2. The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of the publication of the Grand Jury report.
4. The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation.

If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

County Counsel was consulted regarding the response requirements and confirmed that there are no additional requirements beyond those specified above. The level of detail to include in the responses is at the discretion of the Board.

DISCUSSION

The 2013-14 Grand Jury Final Report contained two investigative reports on issues pertaining directly to the County and one involving the Herald Fire District. The reports, "Abandoned Well ... Abandoned Program", "Millions are wasted on closed juvenile facilities while the county has no long-term residential treatment programs" and "A Firestorm Raging in Herald" required county responses from the Director of the Environmental Management Department, the Chief Probation Officer, the Department of Finance, the Director of the Department of General Services, the Sacramento County Board of Supervisors, and the County Executive. The Grand Jury Report requested a response by October 1, 2014 which is actually past the 90 day deadline

prescribed in the code. Therefore it is recommended that a response be sent by September 26, 2014.

1. Abandoned Well ... Abandoned Program

***Finding 1** The director of the Environmental Management Department suspended the Abandoned Wells Program in response to pressure from recalcitrant landowners, not for valid enforcement, personnel management, or discretionary budgetary reasons.*

Director, Environmental Management Department Response:

We disagree with this finding. The Abandoned Wells Program was not suspended. While the inspection approach was modified, time sheet reporting verifies the Abandoned Wells Program has remained staffed and operating since implementation in 2010.

The Abandoned Wells Program is a discretionary program that allows the Environmental Management Department to adjust its staffing resources as they are available. The full funding of the program from the statewide underground fuel tank lawsuits was received sporadically over a four- year period as cases were settled. Staffing changes – reductions or increases - in this program are affected by higher priority state mandates and budgetary considerations. Changes in the economy resulted in some Abandoned Wells Program staff being returned to their previous assignments in state mandated programs. The combination of higher priority mandated programs and normal personnel attrition due to transfers, retirements and hiring freezes are valid factors considered by the Director when making these staffing changes.

***Finding 2** The voluntary reporting and public awareness campaign which replaced the enforcement program has been ineffective in addressing the environmental threat to the county groundwater from abandoned wells.*

Director, Environmental Management Department Response:

We disagree with this finding. The new approach has been effective and sustainable. The revised approach is more consistent with other successful regulatory programs administered by the Environmental Management Department. To achieve success and positive outcomes, any regulatory program must start with effective public outreach and education, followed by inspection and then enforcement. Initially, the Abandoned Wells Program did not adequately employ an education and outreach component causing a negative reaction from impacted citizens. The approach was then changed to incorporate outreach and education, using media, community meetings, direct mailings, and personal contact, as well as to work with cooperative abandoned well owners first. The plan has always been to close any cases not yet resolved with dedicated staffing. To date, with the implementation of the revised approach, 285 abandoned wells have been closed or decommissioned.

The success of this program has been acknowledged by several outside entities. The Abandoned Wells Program has received state and national award recognition from the National Association of Counties (NACO), Ground Water Resources Association of California, and the California State Assembly.

Recommendation 1 Given the environmental threat to Sacramento County citizens' water supply resulting from the hundreds of abandoned wells in the county, the Sacramento Grand Jury recommends that the Environmental Management Department revive and fully staff the Abandoned Wells Program and implement the aggressive enforcement program mandated by law, using all available statutory and technical tools to identify and decommission abandoned wells in Sacramento County.

Director, Environmental Management Department Response:

The recommendation has been implemented. The County recognizes the value and importance of the Abandoned Wells Program and remains committed to its goals. The Department is in the process of filling 5.0 limited term, full-time-equivalent positions to complete the program, with continued emphasis on outreach, education, and compliance, and appropriate enforcement when necessary, which has thus far closed or decommissioned nearly 300 wells.

2. Millions are wasted on closed juvenile facilities while the county has no long-term residential treatment programs

Finding 1 Millions of dollars are being wasted to maintain unused facilities previously used as long-term residential treatment centers for juveniles.

Director of General Services Response:

I disagree with this finding.

I concur that further steps are necessary to reduce the financial liability the County incurs due to the vacant property at the Boys Ranch. However, in 2010 we faced exceedingly difficult financial reductions that cost more than 1,500 jobs in the organization, so it was a difficult but prudent decision to close the facility. The cost to mothball the facility since 2010 has been about \$2.44 million, while the savings have exceeded \$50 million. On its face, these costs seem like a large sum, but there are three very important factors that must be considered:

- \$944,000 of the mothball number is to maintain the facilities; that money remains in the County financial structure, funding staff, ensuring sustainability of the property, and contributing to the general fund. This figure also represents a savings of about \$700,000 per year in maintenance costs, or some \$3.5 million, just for facility upkeep.
- Less than half of the \$2.44 million is actual cost-to-maintain; the other \$1.5 million is debt service, which is the invested obligation in the property, not 'wasted' dollars.
- Mothball costs over five years, even including the debt service, is a vast savings over the staffing and maintenance necessary to keep the site functioning – operational costs (Probation staffing and operations budgets) were about \$10.2 million in Fiscal Year 2008-09 – considering normal inflation, the County saved well over \$51 million through last fiscal year by closing the facility.

In 2011, the County attempted to lease the Boys Ranch via a Request For Proposals (RFP) to repurpose the property, but the only feasible response was dependent on a 20+ year lease. The County rejected that concept with the mindset that the property may one day be reopened as a juvenile detention facility.

The Warren E. Thornton Youth Center (WETYC) has been in limited use since its closure in 2009. The Probation Department operated a Day Reporting Center (DRC) for approximately one year and currently uses the site to house its Juvenile Community Supervision division and conduct office visitation for youth under Court jurisdiction. Use of the facility in this manner has saved over \$1 million in facility costs, in addition to the \$35 million in operational costs, over the last 5 years.

Board of Supervisor's Response:

We concur with the response from the Director of General Services. The 2014-15 budgeted cost for the Boys Ranch and Warren E. Thornton facilities is \$1,978,555. The debt obligation portion of this cost is \$1,045,793. The County recognizes that it is unlikely the Boys Ranch facility will be reopened in its former capacity and is taking steps to repurpose the property and reduce costs incurred by the County.

County Executive Response:

I agree with the response from the Director of General Services.

Recommendation 1 *The County of Sacramento must take positive steps to stanch the negative cash flow associated with the Boys Ranch, whether by leasing or selling the property, and should do whatever is necessary to maximize the property's value.*

Director of General Services Response:

The recommendation is already being implemented. In 2014, current senior management at the Probation Department and County Executive levels recognized that it is unlikely the Boys Ranch would be reopened in its former capacity; therefore a revised RFP was issued on March 25, 2014 that expanded the options for repurposing the facility. We received two responses, and are currently in negotiations with the company that submitted the most viable proposal. There remains a lot of work to be done, including extensive community outreach, land use permits, facility renovations, contractual discussions, etc., but the County is optimistic that the resulting contract will create a valuable service for the local community, as well as relieve the County of virtually all of its current financial liabilities at the site.

Combined Board of Supervisors and County Executive Response:

The recommendation is already being implemented. Please see the response from the Director of General Services. The County will continue to take steps towards reducing this liability and finding alternative uses for the property, however the property is currently zoned for agriculture and it would likely not be appropriate to rezone the property for commercial activities.

Finding 2 Facilities and programs for youths in need of long-term treatment in Sacramento County are limited or non-existent

Chief Probation Officer Response:

I agree with the finding.

Board of Supervisor's Response:

We agree with the finding.

County Executive Response:

I agree with the finding.

Recommendation 2 The Sacramento County Board of Supervisors should appoint a task force to assess the viability of establishing a commitment program at the Youth Center, such as suggested above, and ensure that action is taken and oversight enforced without further delay.

Chief Probation Officer Response:

The recommendation will not be implemented. Because we are already well underway in assessing the viability of establishing a residential treatment program at the Youth Center, I do not agree that the formation of a task force is necessary.

The Probation Department has been working with the Sacramento Criminal Justice Cabinet – a group of key stakeholders in criminal justice including the Courts, the Sheriff's Department, the Sacramento Police Department, the District Attorney's Office, the Public Defender's Office, County Health and Human Services, and others – to guide an independent research effort to obtain accurate information about the service and program gaps in the county's juvenile justice system. The resulting report, which we recently received, provides precise information regarding unmet needs and is intended to act as a guide for future planning efforts to serve our at-risk youth population.

The report is titled "Juvenile Case Processing and Program Intervention Gap Analysis," and we are currently reviewing it. It confirms the finding of the grand jury report that Sacramento County needs facilities and programs for youths in need of long-term treatment. We will continue our review of this report, share it with interested parties – including the Criminal Justice Cabinet – and utilize it to develop our ongoing plan to provide long-term treatment to at-risk youths in Sacramento County.

Our department is currently working with the County Executive to schedule a date to present a summary of this report and our responsive plan to the Board of Supervisors in the coming months. This presentation will focus on our plan to re-open the Youth Center.

Board of Supervisor's Response:

We agree with the Chief Probation Officer's response.

County Executive Response:

I agree with the response from the Chief Probation Officer.

3. A Firestorm Raging in Herald

(The County was asked to respond to Finding and Recommendation 2, only.)

***Finding 2** Since 2008 the District's finances have not been audited in accordance with generally accepted auditing standards, as required by law.*

Department of Finance Response:

The Department agrees with Finding 2.

***Recommendation 2** The county auditor should conduct an immediate audit of the District's financial statements and conduct all future annual audits of the District's finances, as required by law.*

Department of Finance Response:

The recommendation for finding 2 cannot be implemented as written.

Government Code 26909 requires Special Districts to have an audit. The Government Code allows a District to procure their own audit services or the County Auditor-Controller shall either make or contract with a certified public accountant (CPA) to make an audit of the accounts and records of a District for which an audit by a CPA is not otherwise provided. Finding 2 states that "since 2008 the District's finances have not been audited in accordance with Generally Accepted Auditing Standards, as required by law." Based on the finding the recommendation was to have the county auditor (Department of Finance) perform the audit rather than having Herald Fire Protection District procure their own audit services.

As required by various statutes within the California Government Code, the County Department of Finance, Auditor-Controller Division (DOF-A/C) is mandated to perform certain accounting functions and maintain accounting records for the Herald Fire Protection Fire District.

These activities, in themselves, necessarily impair the Sacramento County-Auditor's independence to perform an audit for the District because the DOF-A/C should not audit its own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

A recent change in Government Auditing Standards, issued by the Comptroller General of the United States, paragraph 3.25, states "*Certain conditions may lead to threats that are so significant that they cannot be eliminated or reduced to an acceptable level through the*

application of safeguards, resulting in impaired independence. Under such conditions, auditors should decline to perform a prospective audit or terminate an audit in progress.”

As a result of the recent change in the Government Auditing Standards, the DOF-A/C, Internal Audit Unit can no longer perform the financial audit of the District. The DOF-A/C intends to procure an outside CPA firm to perform the audit services for the District. DOF-A/C will either contract with its external auditor or will prepare a Request for Proposals for the audit services. Either way, due to timing conflicts the audit will not take place until early 2015. In addition, The DOF-A/C, Internal Audit Unit can assist the District in establishing proper internal controls prior to the start of the audit.

The Board of Supervisors was not asked to respond to this item; however they requested the following comments be included.

Although the financial audit is a good first step, it will not address all the issues identified by the Grand Jury. The financial audit will focus on the District's compliance with acceptable accounting policies and procedures however it will not assess the underlying financial stability or management practices of the District.

The Sacramento County Board of Supervisors, therefore respectfully requests that the Grand Jury perform a management audit of the District to fully address citizen concerns surrounding the Herald Fire District operations and long-term stability.

FINANCIAL ANALYSIS

Staff from the Environmental Management Department, Probation, the Department of Finance, Department of General Services and the County Executive Office contributed to this report. Costs incurred were absorbed within each department's budget.

Respectfully submitted,

APPROVED:
BRADLEY J. HUDSON
County Executive

NAVDEEP S. GILL
Assistant County Executive

The Galt Herald ONLINE

NEWS

Herald fire board hires new training officer ***Newhall refutes public accusations***

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By Bonnie Rodriguez - Managing Editor

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Herald Fire Protection District (HFPD) directors voted 4-0 to hire Herald resident Sandra Hendrickson as the new assistant fire chief and training officer at the regular fire district meeting on Wednesday, Oct. 15.

The decision was made with little discussion after newly appointed director Cheryl Sheldon made a motion to hire Hendrickson. Director De Carson seconded the motion. Director Steve Stigelmayer indicated that there were only two candidates to consider.

According to interim fire chief Jim Templeton, the fire district is required to have a full-time training officer on staff. That certificated position was previously held by former fire chief Chris McGranahan who was the presiding training officer for the district for over six years.

Templeton does not have the necessary training certificates to qualify as a training officer, thereby necessitating the district to employ an additional position.

Templeton had brought the matter before the board the previous month, submitting a job description that required the applicant to be a current HFPD employee. At the time, Hendrickson was the only HFPD employee qualified for the position. Board members directed Templeton to change the requirement to a "current fire district employee", thereby opening the position to outside fire personnel.

Templeton ran the employment ad in the paper twice.

Hendrickson has been with the district in several different positions, mostly volunteer, for over 20 years, most of those years under the direction of her father "Skip" Hendrickson.

The new position provides a salary of \$3,500 per month (\$42,000 annually) with annual incremental step raises of five percent, full medical coverage, California Public Employees' Retirement System (CalPERS) participation, \$150 a year clothing allowance, as well as paid sick and vacation leave.

Templeton's interim position has a maximum annual salary of \$32,640. The two annual salaries combined total more than the annual salary of the former chief at \$61,200 annually.

During board member comment, Chairman Lance Newhall took time to address accusations about his involvement with a former checking account the district shared with the firefighter association, an account that was spotlighted in a recent Grand Jury report.

"I always had an issue with the way that it [the checking account] was used," Newhall said to audience members. "And the comment in the newspaper coming from the concerned citizens that I had no issue with that account until people of the community found out about it - that is so false and so misleading."

Newhall also indicated that he did not know that the account was illegal. Newhall is halfway through his second four-year term on the HFPD board.

The account and other district management decisions drew a lot of attention after directors began considering raising fees for the two buildings owned by the fire district three years ago.

At the Oct. 15 meeting, board members:

- Directed administration to sell an unused boom truck

- Approved a \$400 clothing allowance for full-time employees and \$100 clothing allowance for volunteers
- Established a speaker sheet system to help organize meetings
- Approved paid claims and payroll

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NEWS

HFPD directors dotting I's, crossing T's

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By Bonnie Rodriguez - Managing Editor

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At a special meeting held on Monday, Oct. 27, Herald Fire Protection District (HFPD) directors approved a new job description for a part-time secretary and appointed two board members to form a subcommittee to screen applicants for the position.

Directors intended to complete this process at a special meeting held last Thursday, but audience members pointed out procedural errors, as well as agenda errors, forcing the board to table the decision until Monday.

The district has gone without its office staff after the full-time administrative assistant and two board members resigned in August. Those resignations came at the heels of three board members asking the former fire chief to resign or be terminated.

Interim Fire Chief Jim Templeton tried to hire a part-time office assistant after he took his temporary position, but was shot down by the board and audience members, citing a nepotism policy currently in place for the district. Templeton wanted to hire his niece who had prior experience working for a fire district.

Several meetings have taken place at which residents have questioned procedural efforts made by the four-person board. Making sure that all I's are dotted and all T's crossed, audience members have pointed out improper actions made by the directors, no matter how small.

The stumbling block at last Thursday's meeting involved the secretary position itself. The agenda listed an item to appoint a committee to review applicants for a "part-time secretary", a position that did not exist and had not been publicly posted.

Trying to bring peace and transparency to the board, director De Carson made an effort to answer the public's questions and address issues brought to the board's attention.

Carson spoke to his fellow directors and asked that the board hold back on decisions pertaining to the office position until they have dealt with the matter properly.

"I felt that we've made great strides listening to the community because I feel that our job up here is to do what you want us to do," Carson said at the Thursday evening meeting. "And I feel that you want us to be responsible and open to all of you, and I strive very diligently to do that."

Chairman of the board Lance Newhall agreed with Carson, "This is going to put us out there another three weeks but we need to do it right, and if you think we haven't done it right, then we need to back up and revisit it."

Board members then met Monday night where they, by a unanimous vote, approved the new job description and agreed to advertise the position in the paper, as well as name appointed directors Carson and Cheryl Sheldon to form a subcommittee to screen applicants. Directors then voted to allow Interim Fire Chief Jim Templeton to recommend a candidate for the position.

It will take one more meeting for the position to finally be filled, before the entire board will be able to vote on the recommended job candidate.

The position, labeled "Part Time Clerical", will not exceed 20 hours office work per week; the successful job candidate will also need to attend board meetings, as necessary. The job will pay \$15 an hour and

will not provide benefits.

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