

# 2003-04 Grand Jury Reports

## Shasta County

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## **CRYSTAL CREEK REGIONAL BOYS' CAMP**

### **REASON FOR INQUIRY:**

California Penal Code Section 919 mandates that the Grand Jury inquire into the condition and management of all public prisons located within the County.

**Crystal Creek Regional Boys'  
Camp**  
P.O. Box 578  
Shasta, Ca 96087

### **BACKGROUND:**

The Crystal Creek Regional Boys' Camp is a minimum-security work facility for male juveniles ages 13 to 18 and is licensed by the State Board of Corrections (BOC). It is located approximately 20 miles west of Redding and encompasses 50 acres, which are leased from the Federal Government. The camp was built in the 1950's and was previously used by the U.S. Forest Service and the California Conservation Corps. The facility was opened as a juvenile camp in June 1995 and is administered by the Shasta County Probation Department.

The camp serves 17 counties for the detention and treatment of youthful offenders, referred to as cadets. Emphasis is placed upon education, work ethics, and counseling to facilitate personal awareness, self-esteem and employment skills. The facility is considered an honor camp and does not admit juveniles who have a history of violent crime or mental health problems requiring medication. Most of the cadets have had multiple commitments to Juvenile Hall and did not respond to that intervention. The goal of the Crystal Creek Regional Boys' Camp is to return every cadet to the community as a responsible, drug free, productive individual.

The Crystal Creek Regional Boys' Camp budget for the fiscal year 2003/2004 is \$1,524,590.

The staff includes the following authorized employee positions:

- Division Director
- Two Supervising TAC (Teach-Advise-Counsel) Officers
- Eleven TAC Officers
- Three Cooks
- Three Teachers
- Three Teacher Aides
- Two Deputy Probation Officers
- One "Success Program" Deputy Probation Officer
- One Secretary
- One Nurse (20 hours per week)
- One Drug and Alcohol Counselor (24 hours per week)
- One Mental Health Counselor

### **METHOD OF INQUIRY:**

The Grand Jury visited the Crystal Creek Regional Boys' Camp on October 20, 2003. The Division Director provided informational handouts, conducted the facility tour and arranged interviews with staff and cadets.

The Grand Jury reviewed the following documents:

- Cadet Orientation Manual and Test
- Crystal Creek Regional Boys' Camp Budget 2003/2004
- Crystal Creek Regional Boys' Camp General Information Handout for 2003
- Cadet Performance Reviews
- BOC Inspection Reports and Responses

The Grand Jury interviewed:

- Crystal Creek Regional Boys Camp Division Director
- One TAC Officer
- One Teacher
- Three Cadets at the camp

### **FINDINGS:**

1. The Grand Jury had lunch prepared by the cadets. The kitchen/dining hall, barracks, workshops and campgrounds were clean and well maintained. During the tour, the Grand Jury looked for signs of graffiti; none was found.

2. The BOC Inspection Report of June 2003 states that funds available for staffing are only enough to license 45 of the possible 60-bed capacity.

3. The average number of cadets at the camp is 42 and the average length of their stay is 90-120 days.

4. Vocational programs such as learning work skills in construction, computer assembly and repair and food preparation are available. The cadets gain practical experience while working on various projects in the community. These team activities help to promote a good work ethic and responsibility. The cadets are also provided the opportunity to obtain their General Education Diploma. School attendance is required three days a week, six hours per day.

The following special programs are available to the cadets for readjustment into the community:

- Anger Management
- Construction Trades
- Culinary Arts
- Domestic Violence
- Drug and Alcohol
- First-Aid and CPR
- Gang Awareness
- Job Skills
- Leadership Skills
- Life Skills
- Victim Awareness

5. One of the three Crystal Creek Regional Boys' Camp classrooms is not being used due to lack of funding for a teacher and an aide. The position of Mental Health Counselor is unfilled, due to lack of funding. Other counties pay Shasta County for the cadets that they assign to the camp. The rate varies from \$58 to \$76 per day with 65% of the counties paying the higher rate. To meet the budgetary goals, the camp needs an average of 26 cadets per day from other counties. At the time of the Grand Jury visit the number of cadets from other counties was 21, which has been the average since June 2003.

**RECOMMENDATIONS:**

None

**RESPONSES REQUIRED:**

None

**COMMENDATIONS:**

The Grand Jury commends the Division Director and the staff for their dedication and professionalism.

## **FALL RIVER MILLS COMMUNITY SERVICES DISTRICT**

### **REASON FOR INQUIRY:**

California Penal Code Section 933.5 empowers the Grand Jury to investigate and report on the operations of any special purpose assessing or taxing district in the county. During the year, the Grand Jury received two citizens' complaints regarding the Fall River Mills Community Services District.

**Fall River Mills Community Services District**  
24850 3<sup>rd</sup> Street  
Fall River Mills, CA. 96028  
(530) 336-5263

### **BACKGROUND:**

The Fall River Mills Community Services District (District) was created in 1904. It services the area from the Fall River Golf Course to Mayers Memorial Hospital along California Highway 299 East. The District has 469 customers and provides water and sewer services to residences and businesses. The District employs one full time District Manager, one full time Utility Worker, and one part time Account Clerk. A board of five directors governs the District; one of them serves as President of the Board.

In 1973, the District issued Revenue Bonds in the original amount of \$450,000 for water system construction. In 1979, Revenue Bonds in the original amount of \$275,000 were issued for a sewer system. In 1977, the District obtained a Drought Relief Loan in the original amount of \$77,000 from the Farmers Home Administration for water system construction.

The District has three large storage tanks and two wells: the Knoch well and the McArthur well.

### **METHOD OF INQUIRY:**

The Grand Jury interviewed:

- The District Manager
- The Account Clerk
- The President of the Board of Directors
- A local newspaper editor
- A local resident

The Grand Jury reviewed the following documents:

- Certified audits for fiscal years 1999/2000, 2000/2001, 2001/2002 and 2002/2003
- Minutes from board meetings held January 2000 through December 2003
- District budget for fiscal year 2003/ 2004
- Two citizens' complaints
- Newspaper articles pertaining to the District published in October 2003 and December 2003

## **FINDINGS:**

1. During the Grand Jury investigation the District Manager submitted his verbal resignation to the Board of Directors, and left his position on March 22, 2004. The Board of Directors has employed a new District Manager.
2. During the Grand Jury investigation it was reported that several board meetings were cancelled due to a lack of a quorum. The Grand Jury reviewed the minutes for January through December 2003 and determined that three meetings out of twelve were cancelled due to lack of a quorum. To encourage attendance the board changed its monthly meeting time and day to accommodate one of its members.
3. The District does not have a Policy and Procedures Manual. At the time of the investigation, the District staff were reviewing a Policy and Procedures Manual from another water district. After personalizing the manual to the District, it will be presented to the board for adoption.
4. The former District Manager had never received a performance appraisal during his 25 years of employment with the District.
5. The former District Manager reported he used his personal vehicle to conduct District business for approximately one year, due to a lack of funding for District vehicle repairs. During this time, the former District Manager used the District's gas card to fuel his vehicle in lieu of claiming reimbursement for mileage. The former District Manager used the District vehicle for the remainder of his employment.
6. The District continues to maintain accounts that are significantly past due. In the fiscal year 2001/2002 annual audit of the District, it was recommended that old accounts be aggressively collected or "written off" as bad debt. The District has not implemented this recommendation.
7. In the 2000/2001, 2001/2002 and 2002/2003 annual audits, the auditing firm noted that the District's bond agreements require that certain amounts be maintained by the District as reserve or restricted cash to meet current interest and principal requirements. The audit report reviewed by the Grand Jury recommended accounts for note funds, reserve funds, operation and maintenance funds, and a surplus fund. The District has not implemented this recommendation.
8. During the interviews, employees and board members told the Grand Jury that payroll advances were seldom used. However, the auditing firm provided a ledger prepared by the District showing 39 payroll advances during fiscal year 2002/2003. In all of the annual audits reviewed by the Grand Jury, the auditing firm recommended discontinuing the practice of payroll advances. The District has not implemented this recommendation.
9. The District has no formal policy for purchasing those items needed for the District's use. The District maintains several open charge accounts at various local businesses.
10. The District uses two cellular phones for general communication. The Grand Jury reviewed three months of cellular phone bills and found that they were in excess of \$300 per month.

11. The District has no long-term Master Water Plan. A Master Water Plan is an engineering study of the water system that includes preliminary plans with scheduling and cost estimates for future system maintenance, repairs, equipment replacements, and major capital improvements. A plan helps ensure that the community's present and future water quality and supply needs are met in an efficient and economical matter. This practice allows the District to properly prepare and budget for its future needs.
12. The District does not maintain an accurate subsidiary ledger of customer deposits. This list shows customer deposits since the 1970's. All annual audits reviewed by the Grand Jury recommended that the District update the customer deposit ledger. The District has not implemented this recommendation.
13. The District does not maintain an accurate subsidiary ledger of inventory and does not have a process in place for an annual inventory. The fiscal year 2002/2003 audit recommended the District keep a year-end fiscal inventory and maintains an inventory subsidiary ledger. The District has not implemented this recommendation.
14. The District has had to sell off a portion of its investments each year to service the District's operating expenses. This is depleting the cash balance of the District. The District does not generate sufficient revenue to cover debt service on the 1973 and 1979 bonds and the 1973 Drought Relief loan. The debt service for fiscal year 2003/2004 is \$42,782.00. Annual audits reviewed by the Grand Jury recommended that the District take the steps necessary to generate sufficient revenue to cover debt service and operating expenses without depleting cash reserves. The District increased water and sewer rates by 15% in August 2001 and by 20% in November 2003. The former District Manager and the Auditors stated that the rate increases would be insufficient to cover the District's expenses.
15. For the fiscal years ended June 30, 2001, 2002 and 2003, the District had an excess of expenses over revenue of \$84,912, \$70,034 and \$82,041 respectively.

**RECOMMENDATIONS:**

1. The District should immediately adopt a Policy and Procedures Manual that meets the needs of the District. Included in the manual should be procedures for financial management and the yearly performance appraisal of employees.
2. The District should immediately implement all recommendations contained in the certified audit for fiscal year 2002/2003. These include:
  - a. Take the steps necessary to generate sufficient revenue without depleting cash reserves.
  - b. Discontinue the practice of payroll advances.
  - c. Update the customer deposit ledger.
  - d. Aggressively collect funds owed or write off old accounts.
  - e. Conduct a fiscal year-end inventory and maintain an inventory subsidiary ledger.
  - f. Provide documentation on all purchases.
  - g. Set up separate accounting funds for note funds, reserve funds, operation and maintenance funds and surplus funds.

3. The District should adopt a formal policy for purchasing items needed for the District's use.
4. The District should adopt a bi-weekly payroll system to eliminate the need for routine payroll advances.
5. The District should consider purchasing radios with at least a five-mile range to eliminate excessive cellular phone bills.
6. The District should engage the services of a qualified engineer to prepare a Master Water Plan for future budget requirements.
7. The District should immediately seek professional advice regarding the District's rate structure and accounting practices in order to avoid further depletion of its cash balance.

**RESPONSE REQUIRED:**

Fall River Mills Community Services District Board of Directors

Fall River Mills  
**Community  
Services  
District**



P.O. BOX 427, 24350 Third ST.  
Fall River Mills, CA 96028  
Telephone (530) 633-5263

Mike Pena  
District Manager

October 12, 2004

The Honorable Monica Marlow, Presiding Judge  
Shasta County Courthouse, Room 205  
1500 Court Street  
Redding, CA 96001

In complying with Penal Code Section 933(C), the Fall River Mills Community Services District Board of Directors would like to submit this response on the recommendations, as to the findings concerning our agency in the March 2004 Grand Jury Final Report.

Concerning Penal Code Section 933.05 (a):

For purposes of subdivision (b) of Section 933:

The Board of Directors of the Fall River Mills Community Services District, in the spirit of proceeding in a positive direction, shall agree to the March 2004 Grand Jury Report, as reported in findings one (1) through fifteen (15) pertaining to our agency.

As to Penal Code Section 933.05 (b):

For purposes of subdivision (b) of section 933:

The Board of Directors in regards to recommendations one (1) through seven (7) of the March 2004 Grand Jury Report, has addressed all said recommendations. The District Management has initialized the implementation of many of the recommendations as well as restructuring its operational procedures to insure future compliance with all standard business practices.

Although it is the Districts intention to progress daily in its compliance, the small staff and limited resources, understandably, will not allow for the immediate implementation of all recommendations. However, with the overlapping nature of many of the issues, the progressive nature of the present management and monthly progress reports, the Board of Directors expects full compliance with this and any future report.

Sincerely,  
Fall River Mills CSD Board of Directors

  
R. Paul Ashe  
Board President

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SHASTA COUNTY CLERK

cc: Board of Supervisors

**Directors:**

President- Paul Ashe, Steve Barnett, Keith Carpenter, Page Halvarson, Terry O'Neill



Superior Court of California  
County of Shasta

MONICA MARLOW  
Presiding Judge

WILLIAM D. GALLAGHER  
Asst. Presiding Judge

October 18, 2004

R. Paul Ashe, Board President  
Fall River Mills Community Services District  
P.O. Box 427  
Fall River Mills, California 96023

Re: Response to Grand Jury Final Report re Fall River Mills Community Services District (FY 2003/2004)

Dear Mr. Ashe:

This is to acknowledge receipt of the Fall River Mills Community Services District's response to the 2003/2004 Grand Jury Final Report, sent under your cover letter dated October 12, 2004.

Pursuant to the provisions of Penal Code §933, I shall transmit the response to the Office of the County Clerk to be maintained on file in those offices. An additional copy shall be provided to the Clerk of the Court also to be maintained on file.

Thank you for the response.

Sincerely,

Monica Marlow  
Presiding Judge

cc: Cathy Darling, County Clerk (original response)  
Susan Null, Clerk of the Court (for Admin file)  
James Patten (Foreperson, 2003/2004 Grand Jury)  
Harry Tully (Foreperson, 2004/2005 Grand Jury)

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## GRANT ELEMENTARY SCHOOL DISTRICT

### **REASON FOR INQUIRY:**

California Penal Code Section 933.5 provides that the Grand Jury may investigate and report on the operations of any special purpose assessing or taxing district located wholly or partly within the county. The Grand Jury investigated one citizen complaint regarding Grant Elementary School District.

**Grant Elementary School District**

8835 Swasey Dr.  
Redding, CA 96001  
(530) 243-0561

### **BACKGROUND**

The Centerville School District, comprised of schools in Horsetown, Texas Springs and Middletown, served the educational needs of the Clear Creek Mining District in the 1850's. With the decline of gold mining, the need for three separate schools diminished and they were consolidated into one school, the Centerville School, located at Texas Springs and Placer Roads. In 1885 land at Swasey Dr. and Placer Rd. was donated for a new school, to be named Grant. In 1946, Centerville School had declining enrollment while Grant School was increasing. The schools were combined at the Grant site making Grant School a two-room schoolhouse. By 1958, Grant School had 68 students and had outgrown its facilities. A new school was built on site, which consisted of four rooms.

The Grant Elementary School District (GESD) provides education at Grant school in accordance with the California Education Code for students from kindergarten through eighth grades. Current enrollment is approximately 535 average daily attendance (ADA). GESD facilities are both permanent and temporary classrooms, offices, a gymnasium, a bus garage and an outdoor physical education field.

In the early 1990's the GESD Board of Trustees determined there was a need to construct additional education facilities to replace the existing and aging temporary portables, expand the educational opportunities for its students and provide for growth in the district. The GESD Board received input from a committee of parents, teachers, students and administrators in planning the new facilities, which for the most part would be used for junior high school purposes.

Ballot measures were voted on three times between 1995 and 1999 for bonds to finance improvements and additions to existing school buildings and grounds. These measures were proposed to provide state mandated matching school construction grants. These measures failed to pass.

The GESD received plan approval for its proposed project from the California Department of Education in October 2000. The GESD applied for a hardship grant from the State Allocation Board in November 2000. The State Allocation Board approved the GESD application for a new construction hardship grant and placed it in unfunded status for \$4.1 million in January 2001. The GESD received funding approval on December 18, 2002 under state Proposition 47. The State School Construction Program provides for hardship grants whereby a school district demonstrates it is unable to pass a school construction bond and there is a documented need to house students in permanent facilities and accommodate anticipated growth of student enrollment. A hardship grant relieves the district from any required matching funding.

## **METHOD OF INQUIRY:**

The Grand Jury interviewed:

- The GESD Superintendent
- Two GESD Board members
- The Shasta County Office of Education Superintendent
- The Shasta County Office of Education Assistant Superintendent

The Grand Jury attended five GESD Board of Trustees meetings from October 2003 through February 2004.

The Grand Jury reviewed the following documents:

- GESD Policy and Procedure Manual
- GESD Monthly Board of Trustees meeting minutes and agenda packages of September 2003 through February 2004
- Shasta County Registrar of Voters School Bond ballot measures from 1995 through 2003

## **FINDINGS:**

1. Before the March 2, 2004 election, there are no school bond assessments in the district.
2. In November 2002, state voters passed Proposition 47, the State Schools Facility Funding Act. GESD received \$4.6 million funding approval in December 2002, which was insufficient to complete the project, which consists of permanent classrooms and new athletic field facilities.

The GESD Board determined they had three options:

- Return the funding to the state.
- Spend an estimated \$250,000 for an architectural redesign to downsize the project.
- Propose changes to the project to reduce its cost.

The GESD Board held several meetings to discuss the options, surveyed Grant's parent community and gathered input from school employees. Overwhelmingly, it was the opinion of the GESD Board of Trustees, parent community and school employees not to send these funds back or to redraw and downsize the plans but to construct what had been drawn with the understanding that it would be likely that it would take a bond measure to finish the job.

The GESD published a request for proposals in December 2002 which included four construction alternatives to be bid in case the lowest bid exceeded the \$4.6 million. Mandated oversight, inspections, engineering, architect, excavation costs and a percentage for reserves reduced available construction funding to \$3.9 million.

The low contractor bid included proposed changes that if accepted would delete \$822,000 from the original bid and reduce it to the \$3.9 million available. The GESD Board decided to accept the bid with the proposed changes and proceed with construction.

3. The Grand Jury did not find that the GESD Board violated any laws or regulations in its decisions concerning construction of the Junior High School.
4. Fundraisers are held in the GESD throughout the year for various school projects:

- The Parent Teacher Organization raises funds that are deposited with the Centerville Education Foundation for teacher mini-grants.
  - Students for Classrooms Funds hold a Jog-A-Thon.
  - Sport Boosters Club for sports related activities
  - Music Boosters Club for music related activities
  - Sod Busters, a one-time committee, was established by volunteers to raise money for athletic field construction to be done by volunteers. The committee raised \$40,000. These funds were insufficient to complete the project. The school administration determined that the project was not feasible for volunteers to undertake the work. The money was placed in trust with the Centerville Education Foundation to be used for the same purpose when additional funding was available.
5. The GESD borrowed \$100,000 from its school bus replacement fund to complete Junior High School construction to the point where it could obtain a certificate of completion. This certificate is required to use the facilities.
  6. If the GESD proposed and passed a construction bond measure prior to completion of the current project, the State School Construction Office would have required that money to be returned to the state as matching funds. The GESD Board decided to wait until a notice of completion was obtained before submitting the bond proposal to voters.
  7. The Grand Jury found the Junior High School classrooms are finished and usable, including the science, math and computer labs. The unfinished facilities are the gymnasium, performing arts stage, shower and locker rooms and athletic fields. The home economics room, staff lounge and library are finished except for furnishings and are partially usable.
  8. The GESD placed a bond measure for \$1.7 million on the March 2004 ballot to obtain the revenue required to complete the improvements needed to utilize all the new facilities, as well as \$300,000 for bond costs, interest and to pay back the bus replacement fund.
  9. On March 2, 2004 the district voters passed a \$1.7 million bond to fund completion of the GESD Junior High School.

**RECOMMENDATION:**

None

**RESPONSE REQUIRED:**

None

**MANAGEMENT AUDIT OF THE SHASTA COUNTY  
AUDITOR-CONTROLLER'S OFFICE**

**REASON FOR INQUIRY:**

California Penal Code Section 925 authorizes the Grand Jury to investigate and report on operations, accounts, and records of the officers, departments, or functions of the county. California Penal Code Section 928 authorizes the Grand Jury to investigate and report upon the needs of all county officers in the county, including the abolition or creation of offices and the method or system of performing the duties thereof.

**Shasta County Auditor-Controller**  
Shasta County Courthouse, Room 104  
1500 Court St  
Redding, CA 96001  
(530) 225-5771

**BACKGROUND:**

The Shasta County Auditor-Controller (Auditor-Controller) is the chief accounting officer of the county. The Auditor-Controller is entrusted by the citizens of this county to prescribe and exercise general supervision over the accounting process and the method of keeping the accounts of all county offices, departments and institutions under the control of the Shasta County Board of Supervisors (the Board) and of all districts whose funds are kept in the county treasury.

The Auditor-Controller, an elected official, is ultimately answerable to the voters. However, the Board has authority to supervise the official conduct of county officers such as the Auditor-Controller.

In response to the 2001-2002 Grand Jury recommendation, the Board authorized a qualified outside contract auditor to conduct a management audit of the Auditor-Controller's Office. The Board initiated the recommended audit process in the year 2003.

**METHOD OF INQUIRY:**

The Grand Jury interviewed:

- Two members of the Shasta County Board of Supervisors
- The Shasta County Administrative Officer

The Grand Jury met with:

- The Auditor-Controller
- The Assistant Auditor-Controller
- The County Budget Officer

The Grand Jury reviewed:

- The Limited Scope Management Audit of County of Shasta Office of the Auditor-Controller, February 13, 2004
- The Review of Limited Scope Management Audit of County of Shasta Office of the Auditor-Controller, March 23, 2004

**FINDINGS:**

A. The recommendations contained in the Limited Scope Management Audit of County of Shasta Office of the Auditor-Controller, February 13, 2004, prepared and presented by Harvey M. Rose Accountancy Corporation, are as follows:

1. Financial Oversight. The Auditor-Controller should:

- 1.1. Conduct a survey of County departments to assess their financial management needs, and enhance the Auditor-Controller's training programs and Accounting Procedures Manual to better meet the needs of County departments.
- 1.2. Prepare written policies and procedures for the Auditor-Controller's Office regarding oversight of the County-wide fee setting process, including assistance to departments in relation to the establishment, review and updating of rates and charges.
- 1.3. Assess and review training provided to accounts Payable staff to increase consistency in claims processing.
- 1.4. Increase analytical support provided by the Auditor-Controller's Office to the County departments and to the Board of Supervisors.
2. The Purchasing and Accounts Payable Processes. The Auditor-Controller should:
  - 2.1 Tighten and expand existing internal controls over the Accounts Payable process, including ensuring that:
    - (a) Supporting documentation is submitted with all claims;
    - (b) A County employee cannot provide more than one authorizing signature on each purchasing or payment document;
    - (c) The same person in the Auditor-Controller's Office does not authorize the claim as a department designee and as a Deputy Auditor-Controller; and
    - (d) Explanations on the claim form are sufficient for a third party to ascertain the nature of the expenditure.
  - 2.2 Evaluate, in coordination with the Purchasing Agent, the purchase order process to determine why purchase orders are being issued after invoice dates, develop an action plan to rectify the situation, and report back to the Board of Supervisors on that plan by June 30, 2004.
  - 2.3 Develop procedures, in coordination with Purchasing Agent, to identify and resolve instances of non-compliance with purchasing policies and procedures, including enforcement provisions, and submit such procedures to the Board of Supervisors for review by June 30, 2004.
  - 2.4 Enforce purchasing policies and procedures through the procedures developed pursuant to Recommendation 2.3 above.
  - 2.5 Work with the Purchasing Agent to develop a procedural or system solution to the duplicate review of purchase orders by the Auditor-Controller's Office and report back to the Board of Supervisors of that solution by June 30, 2004.
  - 2.6 Survey departments on issue areas, develop and implement an action plan for addressing these areas, update policies and procedures and internal training manuals, and report back to the Board of Supervisors on the survey findings and the Auditor-Controller's Office action plan by June 30, 2004.

2.7 Train staff in Accounts Payable to process all types of claims and assign work based on departments rather than claim type so that departments and Auditor-Controller staff can develop a more constant and productive relationship.

3. Board Claims.

The Board of Supervisors should:

3.1 Eliminate use of the Board Claims listing and delegate authority to pay all normal and customary claims to the Auditor-Controller.

3.2 Delegate appropriate staff to clearly define exceptions to the normal and customary criteria and to develop written policies for approval or review of these exceptions by the Board.

The Controller should:

3.3 a) Analyze recent Board Claims to identify areas of non-compliance with the County's purchasing policies and procedures or sound business practices,

b) Work with the Purchasing Agent to develop procedures to enforce compliance with the County's purchasing policies and procedures, and

c) Report back to the Board of Supervisors on those procedures by June 30, 2004.

3.4 Refocus the attention of Accounts Payable staff on enforcing the County's purchasing policies and procedures.

4. Cost Allocation Plan. The Auditor-Controller should:

4.1 Work with the County Administrator's Office to identify possible midyear budget reductions, resulting in actual FY 2003-2004 costs that are less than estimated FY 2003-2004 costs included in the cost allocation plan; work with County departments to reduce remaining quarterly reimbursement claims for the remaining quarters of FY 2003-2004, as necessary; and report adjustments to the Board of Supervisors.

4.2 Report to the Board of Supervisors the status of implementing systems to increase County Departments' direct billing of central support services, the total amount of direct billing of support services for the prior fiscal year, and the anticipated effect on the estimated cost allocation plan, as part of the annual budget review.

4.3 Convert to the single cost allocation plan in FY 2005-2006 and report to the Board of Supervisors prior to December 31, 2004, on the conversion to the single cost allocation plan.

4.4 Reassign responsibility for developing the county-wide cost allocation plan to staff assigned to the Financial Reporting and Audit Division.

5. Employee Retention.

The Auditor-Controller should:

- 5.1 Develop a training program and protocol, in conjunction with Human Resources, for working with new employees to ensure that they have the greatest probability of success and report back to the Board of Supervisors on that program and protocol by June 30, 2004.
- 5.2 Develop biweekly training checklists that detail new employees' areas of competency, areas that have improved, and areas that continue to need improvement.
- 5.3 Institute quarterly department-wide staff meetings that include discussion between employees and management regarding the Auditor-Controller's Office policies and practices.
- 5.4 Re-institute the pilot program for alternative work schedules, including working with employees regarding coverage problems, and differences between divisions on the application of alternative work schedules.
- 5.5 Develop and communicate policies regarding incremental leave without pay, reduced workweek, and job sharing.
- 5.6 Along with the Assistant Auditor-Controller and all management and supervisory staff, take a training class on the principles of good management and supervision by June 30, 2004.

The Human Resources Department should:

- 5.7 Develop a training program and protocol, in conjunction with the Auditor-Controller's Office, for working with new employees to ensure that they have the greatest probability of success and report back to the Board of Supervisors on that program and protocol by June 30, 2004.
- 5.8 Conduct a compensation and classification study for all managerial and staff positions in the Auditor-Controller's Office and report back to the Board of Supervisors by June 30, 2004 with recommendations.

B. In the Review of Limited Scope Management Audit of County of Shasta Office of the Auditor-Controller prepared by the Auditor-Controller, Assistant-Auditor, and the County Budget Officer, the recommendations as presented in the audit were classified into three categories:

1. Recommendations supported by County Administration are:

- Enhance Auditor-Controller (A/C) training programs and Accounting Procedures Manual to better meet the needs of County departments.
- Expand existing internal controls over the Accounts Payable process to ensure that explanations, supporting documentation, authorizations and purchasing policies and procedures are understood and complied with.
- Board Authorization to eliminate the Board Claims listing for customary claims to the A/C and develop written policies and procedures for review and approval of exceptions.
- Work with the County Administrative Office (CAO) and County General Fund departments to identify possible midyear spending reductions/increases and present adjustments to the Board for approval.

- Improve employee retention through training and support of new employees, increase communication between employees and management, establishing a more professional work environment and implementing more flexible working conditions.
2. Recommendations that may have merit, but are too costly to adopt:
    - Convert to a single cost allocation plan and reassign responsibility for developing the countywide cost allocation plan to the Financial Reporting and Audit Division.
  3. Recommendations that are not applicable to Shasta County:
    - Conduct a compensation and classification study for all A/C managerial staff positions.
    - By policy, Shasta County should “expand the current role of the Auditor-Controller to serve as an independent chief financial officer, including providing independent budget projections to the Board of Supervisors.”
    - Prepare written policies and procedures regarding oversight of the County-wide fee setting process.
- C. The Grand Jury has determined that the recommendations set forth in Finding B1, above, adequately address the findings made by the Harvey M. Rose Accountancy Corporation in its management audit of the Auditor-Controller’s Office.

**RECOMMENDATION:**

The Auditor-Controller should place into action the recommendations listed in Finding B.1. The Auditor-Controller should report back to the Board of Supervisors by December 1, 2004, that these recommendations have been implemented.

**RESPONSES REQUIRED:**

The Shasta County Auditor-Controller  
The Shasta County Board of Supervisors



# SHASTA COUNTY

## OFFICE OF THE AUDITOR-CONTROLLER

1500 Court Street, Room 104  
Redding, California 96001  
Phone (530) 225-5771

RICK GRAHAM  
AUDITOR-CONTROLLER

CONNIE REGNELL  
ASST. AUDITOR-CONTROLLER

August 26, 2004

Honorable Monica Marlow, Presiding Judge  
Shasta County Superior Court  
Shasta County Courthouse, Room 205  
1500 Court Street  
Redding, CA 96001

Presiding Judge Marlow:

Penal Code Section 933 requires elected officers to respond to Grand Jury findings and recommendations that pertain to matters under their control. The response to the 2003/2004 Grand Jury Report is filed in compliance with that requirement.

Respectfully,

Rick Graham  
Auditor-Controller

**FILED**

AUG 31 2004

ANN REED, CLERK

Deputy Clerk

RECEIVED

AUG 31 2004

SHASTA COUNTY CLERK

The Auditor-Controller's responses to the findings and recommendation of the 2003/2004 Shasta County Grand Jury Report are as follows:

**Response to Findings:**

**Finding A**

The Auditor-Controller agrees with the Grand Jury's finding that the Harvey M. Rose Accountancy Corporation made the recommendations set forth in Finding A. In light of the Grand Jury's Finding C, that the recommendations supported by County Administration in finding B1 "adequately address the findings made by the Harvey M. Rose Accountancy Corporation in its management audit," the Auditor-Controller will not address each subparagraph of Finding A.

**Finding B**

The Auditor-Controller agrees with Finding B.

**Finding C**

The Auditor-Controller agrees with Finding C.

**Response to Recommendation:**

**Recommendation has been implemented:**

- Enhance Auditor-Controller training programs and Accounting Procedures Manual to better meet the needs of County departments.
  - Auditor-Controller has implemented direct deposit for vendor payments and employee travel reimbursements; and on-line access for budgeting capability and special district accounting.
  - Auditor-Controller provided all county employees with current and readily available access to the Accounting Procedures Manual via the County Intranet, most recently updated May '04.
  - Auditor-Controller has conducted Supervisory Trainings on Payroll and Budgeting Preparation including on-line access utilizing Click, Drag and Drill technology.
  - Auditor-Controller provides annual Year-End trainings regarding fund balance designations and the accrual process, most recent training May '04.
  
- Expand existing internal controls over the Accounts Payable process to ensure that explanations, supporting documentation, authorizations and purchasing policies and procedures are understood and complied with.
  - To assist with procurement education, the Auditor-Controller will present a Supervisory Training session, this fall, in conjunction with the Purchasing Division on the purchasing and invoicing process including pre-authorization, budgeting, purchase orders and payment of claims.

- Board Authorization to eliminate the Board Claims listing for customary claims to the Auditor-Controller and develop written policies and procedures for review and approval of exceptions.
  - The Administrative Manual, 2-201, has been amended to delegate additional claims approval authority to the Auditor-Controller. This has eliminated the need for the normal and customary weekly Board Claims list.
  
- Work with the CAO and County General Fund departments to identify possible midyear spending reductions/increases and present adjustments to the Board for approval.
  - The Auditor-Controller continues to assist in the analysis of the level of County General Fund support provided to County departments for potential "over-match" and "under-match" situations. This exercise is critical to preserving shrinking General Fund resources.
  
- Improve employee retention through training and support of new employees, increasing communication between employees and management, establishing a more professional work environment and implementing more flexible working conditions...
  - Interviews conducted by Harvey Rose with current Auditor-Controller employees indicate "58 percent of current employees reported that they were satisfied with their work environment and 42 percent reported that they were very satisfied."
  - Co-location of the four Auditor-Controller Divisions into one new Administration Center office will improve and increase communication between employees and management.
  - The Auditor-Controller currently provides an alternate work schedule that is somewhat limited due to coverage issues with the four offices. The Auditor-Controller will re-evaluate the new flexible schedule program after the office is relocated to the new facility.
  - The Auditor-Controller has modified internal office policies and procedures improving customer service. Policies including same-day response, voice mail messaging and customer assistance telephone numbers have been instituted.
  - The Auditor-Controller has reorganized the office to match available skill sets with appropriate job classifications to provide a better quality work product.
  
- Under separate letter, a copy of this response will be sent to the Board of Supervisors, prior to December 1, 2004, informing them that the recommendations in Finding B1 have been implemented.



# SHASTA COUNTY

## BOARD OF SUPERVISORS

1815 Yuba Street, Suite 1  
Redding, California 96001  
(530) 225-5557  
(800) 479-8009  
(530) 225-5189-FAX

FILED

SEP 24 2004

CATHY DARLING, COUNTY CLERK  
BY: S. GREENHAW *S. Greenhaw*  
DEPUTY CLERK

DAVID A. KEHOE, DISTRICT 1  
IRWIN FUST, DISTRICT 2  
GLENN HAWES, DISTRICT 3  
MOLLY WILSON, DISTRICT 4  
PATRICIA A. "TRISH" CLARKE, DISTRICT 5

September 7, 2004

The Honorable Monica Marlow  
Presiding Judge, Shasta County Courts  
1500 Court Street, Room 205  
Redding, CA 96001

**Re: Response of Board of Supervisors to 2003/2004 Grand Jury Report**

Dear Judge Marlow:

The Shasta County Board of Supervisors appreciates the dedication and efforts of the FY 2003-2004 Grand Jurors. The Board of Supervisors responses to the findings and recommendations of the 2003/2004 Shasta County Grand Jury Report are as follows:

### **Responses to Findings & Recommendations**

#### **A. Management Audit of the Shasta County Auditor-Controller's Office**

The Board of Supervisors concurs with the Grand Jury's findings of the recommendations contained in the Limited Scope Audit of County of Shasta Office of the Auditor-Controller, February 13, 2004, prepared and presented by the Harvey M. Rose Accountancy Corporation as set forth in Finding A. A review of the 27 recommendations included within Finding A was conducted by the Auditor-Controller, Assistant Auditor-Controller and County Budget Officer and presented to the Board of Supervisors on April 6, 2004. These recommendations were classified into three categories as delineated in Finding B. In Finding C, the Grand Jury determined that the recommendations supported by County Administration set forth in Finding B1 "adequately address the findings made by the Harvey M. Rose Accountancy Corporation in its management audit of the Auditor-Controller's Office." The Board of Supervisors concurs with Findings B and C of the Grand Jury Report and the implementation of Finding B1.

### **Recommendation**

**The Auditor-Controller should put into action the recommendations listed in Finding B1. The Auditor-Controller should report back to the Board of Supervisors by December 1, 2004, that these recommendations have been implemented.**

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SEP 24 2004

SHASTA COUNTY CLERK

## **Response to Recommendation**

There are five recommendations supported by County Administration delineated in Finding B1. These recommendations include enhancement of Auditor-Controller training programs; expansion of existing internal controls over the Accounts Payable process; Board authorization to eliminate the Board Claims listing or customary claims; identification of possible midyear spending adjustments in conjunction with the County Administrative Office and General Fund departments; and expansion of employee retention efforts.

The Auditor-Controller's Office has implemented a number of training programs to better meet the needs of County departments including direct deposit and on-line access for budgeting and accounting procedures as well as supervisory trainings on payroll and the accrual process. The department will be presenting a Supervisory Training session this fall in conjunction with the Purchasing Division encompassing the purchasing and invoicing process including pre-authorization, budgeting, purchase orders and payment of claims.

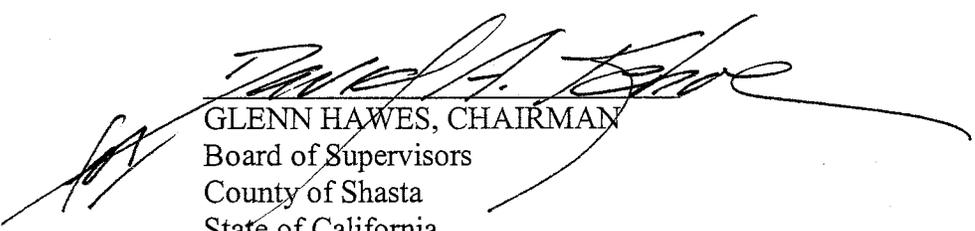
The County Administrative Office continues to work with the Auditor-Controller's Office and General Fund departments to identify the need for and utilization of County General Fund resources. The County Administrative Office works closely with the Auditor-Controller's Office during the budget process to ensure that the budget submitted to the Board for approval is accurate and reasonable.

In an effort to improve employee retention, increase communication between employees and management, and establish a more professional work environment, the Auditor-Controller's Office has instituted voice mail messaging, same-day response policies and a limited alternate work schedule. It is anticipated that once the department relocates to the new Administration Center in January 2005, the co-location of the four Auditor-Controller Divisions into one office will increase communication and offer more flexibility within the alternate work schedule.

The Board adopted an amendment to Administrative Policy 2-201 on July 27, 2004 that eliminated a large portion of the listing of customary claims that required Board approval prior to release of payment. The Special Claims List including such items as payment for personal services without a personal services agreement, purchases of \$500 or more without a purchase order and items purchased utilizing back dated purchase orders will still be brought before the Board for approval. The County Administrative Office is working with the Auditor-Controller, Purchasing, County Counsel and County departments to develop written policies that provide the authorization needed by the Auditor-Controller to process a number of unique, but appropriate claims that currently reside on the Special Claims List. The Board has requested that the written policies be adopted by the Board and implemented by November 2004.

This concludes the response of the Shasta County Board of Supervisors to the FY 2003/2004 Grand Jury Report.

Sincerely,



GLENN HAWES, CHAIRMAN  
Board of Supervisors  
County of Shasta  
State of California

Copy:  
Members, Grand Jury  
Rick Graham, Auditor-Controller

## SHASTA AREA SAFETY COMMUNICATIONS AGENCY

### **REASON FOR INQUIRY:**

California Penal Code section 925a empowers the Grand Jury to investigate and report on the operations and records of any joint powers agency within the County

Shasta Area Safety Communications Agency  
3101 South Street  
Redding, Ca. 96001  
(530) 225-6505

### **BACKGROUND:**

The Shasta Area Safety Communications Agency (SHASCOM), a joint powers agency, was created in 1990 by way of a Joint Powers Agreement (JPA) between Shasta County and the cities of Anderson and Redding. Under the JPA, the public entities assigned SHASCOM the responsibility for dispatch and communication for public safety and emergencies in all incorporated and unincorporated areas of Shasta County under the jurisdiction of any of the participating entities.

SHASCOM was initially funded by a grant of \$750,000 from Leah McConnell. The Redding Joint Powers Financing Authority Lease Revenue Bonds of 1993 generated an additional \$1,825,000, which was used for construction of the facility. Currently, SHASCOM's operations are funded by \$1.5 million from the City of Redding, \$750,000 from Shasta County, \$401,000 from emergency medical services companies and \$9,000 from the City of Anderson.

The City of Anderson withdrew its dispatch operations from SHASCOM in July 1996. The reasons given were: the expense per call, slow 911-response time and the lack of voice recognition between Anderson Police officers and dispatchers. The City of Anderson still makes an annual contribution to fulfill its commitment under the JPA. This money is for maintenance of the building, of which the City of Anderson is part owner.

The original JPA provided for a board of "elected officials" and a Management Council of law enforcement officials. In 1995 an Executive Committee was added to include executive staff from Shasta County and the Cities of Anderson and Redding. The 1995/96 Grand Jury recommendation that the general manager of SHASCOM be directly responsible to only one administrative body was implemented on December 9, 1996. Currently, the General Manager reports to the Board of Directors (Redding City Manager, Shasta County Administrative officer, Shasta County Sheriff or Undersheriff, and the Redding Police Chief or Redding Fire Chief).

The SHASCOM staff includes:

- The General Manager
- The Operations Manager
- The Training Manager
- The Systems Manager
- Five Supervisors
- Thirty four Dispatchers
- Four Call Takers
- An Administrative Assistant

## **METHOD OF INQUIRY:**

The Grand Jury interviewed:

- The General Manager
- The Operations Manager
- The Training Manager
- The Systems Manager
- Several Dispatchers and Call Takers
- The Shasta County Administrative Officer
- The Redding City Manager
- The Shasta County Undersheriff
- The Anderson Police Chief
- The Redding Police Chief
- One Redding Police Captain
- Two Redding Police Officers

The Grand Jury reviewed:

- Budget for fiscal years 2003/2005 (one budget covering two years)
- Hiring contract between the General Manager and SHASCOM
- Memoranda from the General Manager to the SHASCOM Board of Directors
- Memorandum of Understanding between SHASCOM and Shasta Interagency Communications Employees Association, dated November 9, 2003
- Memoranda from the General Manager to dispatchers
- Minutes from eight SHASCOM Board of Directors meetings
- Overtime bidding forms
- Personnel evaluation forms

The Grand Jury attended the January 12, 2004, SHASCOM Board Meeting.

## **FINDINGS:**

1. The Ralph M. Brown Act is California's open meeting law for local governmental bodies. The Act is found in sections 54950, et seq., of the Government Code and requires, in general terms, that governing bodies of local public entities, including joint powers agencies, must maximize public access to and involvement in the governing bodies' meetings by posting their agendas and holding their meetings in locations freely accessible to the public. The Brown Act further prohibits the governing body from placing conditions on attendance at the board's meetings, including a prohibition against requiring attendees to register.

The Grand Jury attended the January 12, 2004 meeting of the SHASCOM Board of Directors. This meeting was held in SHASCOM's facility, which is surrounded by gated security fencing. In order to enter the facility, the public must request permission to enter the locked parking lot by speaker box. Access to the building itself is gained by requesting the door be unlocked. In order to attend the meeting, a visitor is required to sign a visitor's log. The SHASCOM Board of Director's posts its agendas inside its facility, a location that is not freely accessible to the general public.

As part of its investigation, the Grand Jury confirmed by interviews that since 2002, SHASCOM's Board of Directors meetings have been held in the secured building, that their agendas were posted inside the building and that persons were required to sign a visitor's log. These practices are still on going.

2. SHASCOM has implemented Reverse 911 as recommended by the 2000/2001 Grand Jury. Reverse 911 allows SHASCOM to notify citizens by telephone in a specific geographic area of an existing or impending emergency.
3. There are only 19 active dispatchers out of the 34 allocated positions. The reasons for this shortage are an inability to obtain qualified trainees, stress, mandatory overtime, on-call requirements and salaries that are not high enough to attract lateral transfers from other 911 dispatch centers.
4. Mandatory overtime is a condition of employment.
5. SHASCOM has a budget surplus of approximately \$280,000 for the 2003/2004 fiscal year and an estimated \$80,000 surplus for the 2004/2005 fiscal year. These surpluses are scheduled to be refunded to the user agencies at the end of each fiscal year.
6. SHASCOM uses five radio channels: Redding Police, Shasta County Sheriff, Services Channel, Fire and Emergency Medical Services. All dispatchers are required to be proficient on either the Redding Police or Shasta County Sheriff Office channel, plus the Services Channel, the Fire Channel and the Emergency Medical Services Channel. Six dispatchers are cross-trained on both RPD and SCSO Channels and receive a 5 % pay increase for being proficient on both.
7. SHASCOM Board of Directors has four voting members. This means there is no tie-breaking vote.
8. SHASCOM offers a \$500 hiring bonus to potential lateral transfers.

### **RECOMMENDATIONS:**

1. Post SHASCOM Board meeting agendas in a freely accessible public location. Hold the SHASCOM Board meetings at a location which is freely accessible to the public and which does not require attendees to sign in.
2. Use part of the budget surplus to offer at least a \$5,000 signing bonus to attract lateral transfers.
3. Amend the JPA to permit a fifth voting SHASCOM Board position selected by the SHASCOM Board from the general public. This will avoid the possibility of a tie vote.

### **RESPONSES REQUIRED:**

The SHASCOM Board of Directors

# SHASCOM

SHASTA AREA SAFETY COMMUNICATIONS AGENCY

3101 South Street, Redding, CA 96001-2379

(530) 245-6500 FAX (530) 245-6530

September 14, 2004

The Honorable Monica Marlow, Presiding Judge  
Shasta County Superior Court  
Shasta County Courthouse, Room 205  
1500 Court St.  
Redding, CA 96001

**FILED**

SEP 22 2004

CATHY DARLING, COUNTY CLERK  
BY: S. GREENHAW, *S. Greenhaw*  
DEPUTY CLERK

Dear Judge Marlow:

The SHASCOM Board of Directors wants to thank the recent Grand Jury for its professional review of SHASCOM's current policies and procedures. We have reviewed each of the recommendations and have prepared the following response:

1. **Post SHASCOM Board of Directors meeting agendas in a freely accessible public location. Hold the SHASCOM Board meeting at a location which is freely accessible to the public and which does not require attendees to sign in.**

The Board of Directors agrees with all agenda and location recommendations. It is SHASCOM's intent to follow all aspects of the Brown Act. Posting requirements had already been implemented. The SHASCOM agenda is currently posted on the exterior gate/fence area, as well as inside the entry door of the facility. Each user agency is provided an agenda copy which they may post in the public areas of their facilities. This was a suggestion from County Counsel's office. Agendas are currently sent to local media via fax. All agendas are posted well in advance of the required 72-hour requirement. SHASCOM is placing the agenda on our new website, [www.shascom911.com](http://www.shascom911.com).

Since 9/11, SHASCOM has been a highly secured facility due to it being a critical public safety communications facility. The public has attended past meetings but SHASCOM understands the need to promote a more receptive meeting environment. Shasta County and the City of Redding have offered to hold future SHASCOM Board of Directors meetings in their facilities. Initially, Board meetings will be held at City Hall.

2. **Use part of the budget surplus to offer at least a \$5,000 signing bonus to attract lateral transfers.**

The recommendation will not be implemented as proposed because it is not warranted at this time as recruitment has been stabilized. During the last labor negotiations, conducted during this Grand Jury review, the SHASCOM Board of Directors indicated they wanted a contract that helped attract new employees, whether they were "laterals" or not. Starting pay was increased and a signing bonus system was devised. We also initiated a redesigned recruiting program that included much of northern California. We have seen a dramatic increase in the number of quality applicants since enacting these changes. The Board of Directors has committed itself to a qualified professional staff at SHASCOM. The recently enacted changes will be monitored for their impact. Should further recruitment incentives be needed, the Board will act accordingly.

3. **Amend the JPA to permit a fifth voting SHASCOM Board position selected by the SHASCOM Board from the general public. This will avoid the possibility of a tie vote.**

This recommendation will not be implemented at this time. The SHASCOM Board of Directors disagrees with this recommendation because in the history of SHASCOM there has never been a tie vote.

The recommendation is based on the common perception that a "tie breaker" is inherently needed. A fifth board member would create an imbalance that would work against our history of mutual equity. Having equal votes, the City and County Board members are now required to design a common solution that meets the requirements of their respective agencies. Under the current system different sides of each issue realize positive results.

Thank you for your professional services.

Respectively Submitted

A handwritten signature in black ink that reads "LARRY SCHALLER". The signature is stylized with a large, sweeping initial "L" and "S".

Larry Schaller, Chairman  
SHASCOM Board of Directors

## **SHASTA COMMUNITY SERVICES DISTRICT**

### **REASONS FOR INQUIRY:**

California Penal Code Section 933.5 provides that the Grand Jury may investigate and report on the operations of any special purpose assessing or taxing Districts located wholly or partly within the county.

The 2003/2004 Grand Jury investigated one citizen's complaint carried over from the 2002/2003 Grand Jury.

### **Shasta Community Services District**

10711 French Alley  
Shasta, CA 96087  
(530) 241-6264

### **BACKGROUND:**

The Shasta Community Services District (SCSD) was formed in 1959 for the purpose of "supplying the inhabitants with water for domestic use, irrigation, sanitation, industrial use, fire protection and recreation." SCSD covers the area generally referred to as Old Shasta and encompasses about 7360 acres. SCSD purchases the majority of its water supply from the United States Bureau of Reclamation with supplemental amounts from the McConnell Foundation. SCSD serves approximately 680 active and 80 inactive connections.

Special districts are formed to provide a limited range of public functions rather than to provide the full range of governmental services. Community services districts are governed by Section 61000 of the California Government Code, also known and cited as the Community Service District law.

The Staff includes:

- General Manager
- Water Treatment Officer
- Fire Chief
- Administrative Assistant

### **METHOD OF INQUIRY:**

1. The Grand Jury interviewed:
  - President of the Board of Directors
  - Three board members
  - General Manager
  - Two employees
  - Independent auditor
  - Two employees of the Regional Water Quality Control Board
  - Director of Shasta County Environmental Health Department
2. The Grand Jury attended five regularly scheduled Shasta Community Service District board meetings.
3. The Grand Jury toured the following facilities:
  - Spring Creek booster pump station
  - District office and storage areas
  - Water treatment plant and backwash ponds

- Storage reservoirs: Main, Grand Forks and Highland Park II and III
  - Pump stations: Highland Park West II and III, Highland Park East and Record Heights
  - Fire department station
  - Pressure reducing vault in Record Heights
4. The Grand Jury reviewed the following SCSD documents:
- Budget for fiscal year 2003/2004
  - Financial audits for fiscal years 1999/2000, 2000/2001, 2001/2002, and 2002/2003
  - Master Water Plan dated November 2003
  - Various Written Policies and Procedures
  - Draft Policies and Procedures Manual (undated)
  - Board meeting agendas and minutes from 2001, 2002, 2003 and 2004
  - Local Agency Formation Commission (LAFCO) draft Municipal Services Review of SCSD, July 2003
  - Shasta Community Services District Customer Survey, 2003
  - Job descriptions
  - Statements of Economic Interest
  - Water Treatment Operator certification and continuing education records
  - California Department of Health Services Report, November 2002
  - Developer water service construction package
  - Investment portfolio statement, November 2003
  - Worker's Compensation Loss Report, November 2003
  - Quarterly Safety Review of District Facilities, October 1, 2003
  - Material Safety Data Sheets
  - Emergency Notification Procedures
  - Hand written employee lists (full-time, part-time, temporary, seasonal)
  - Injury Report, May 1997
  - Special District Worker's Compensation Association Occupational and Health Program Review, June 2001
  - Tailgate Safety Meeting Reports, 2003
  - PACE Civil, Inc. contracts signed in 2003 and 2004
  - General Manager Time Reports, June 2003 through November 2003
5. The Grand Jury reviewed the following documents:
- Shasta County District Attorney's Office Investigation report, 2003
  - California Special Districts Association Governance Academy booklet
  - Insurance Services Office (ISO) Report, November 1985
  - Redding Basin Water Resources Management Plan, August 2003
  - Brown Act (government code sections 54950-54959)

**FINDINGS:**

1. The Grand Jury's review of the independent audit reports for fiscal years 1999/2000, 2000/2001, 2001/2002 and 2002/2003 revealed the following deficiencies in the independent auditor's report:

- a. The Schedule of Funded Status (retirement funds for employees) for SCSD states "Information Not Available" in each report since 1998. This information has been available from the California Public Employees Retirement System.
  - b. The Government National Mortgage Association (GNMA) investment as listed on the June 30, 2003 audit showed a cost basis of \$30,832 and a market value of \$769. The independent auditor stated that SCSD has received principal payments over the years of \$30,099, reducing the current cost basis to \$733 versus a current market value of \$769.
  - c. The Management Letters did not show, how and when the prior years' recommendations were implemented.
2. The SCSD Board was advised during audit presentations in 2002 and 2003 that under Government Accounting Standards Board Statement 34 (GASB 34) requirements the district's financial statements would have to follow a new format to reflect physical inventory and valuation by June 30, 2004.
  3. On December 18, 2003, the SCSD Board approved payment of a bill for \$142.89 from a business in which one of the members of the SCSD Board is a co-partner. All five members of the Board voted to approve payment of that bill, which was among a slate of several bills submitted to the SCSD Board for its consideration.

Section 1090 of the California Government Code prohibits a public official, such as a member of the board of directors of a community services district, from having a financial interest in any contract entered into by the board of which he/she is a member, even if the official does not vote on the contract. It also prohibits the board from entering into such a contract.

The payment of the bill from the business in which a member of the SCSD was a co-partner constituted a contract in which the board member has a financial interest. The action taken by the SCSD Board on December 18, 2003 was improper.

A contract made in violation of section 1090 is void. Any payments made to the contracting party must be returned to the public entity and the entity is entitled to retain any benefits it had received.

4. On December 13, 2000, four of the five members of the SCSD Board of Directors voted to appoint a new fire chief, a paid position. The person who was appointed is the spouse of the board member who was not present at this meeting.

As noted above, section 1090 of the Government Code prohibits public officers from being financially interested in contracts made by them in their official capacity, or made by boards of which they are members. Hiring of an employee constitutes a contract covered by the provisions of section 1090. Moreover, even if the board member did not vote on the appointment, the SCSD Board should not have appointed the fire chief as long as his/her spouse serves on the Board.

In addition to the prohibition against public officials making contracts in which they have a financial interest, a contract made in violation of section 1090 of the Government Code is void. Any payments made to the contracting party pursuant to a contract made in violation of section 1090 must be returned and no claim for future payment under the contract may be made.

5. SCSD employees get paid once a month, but frequently make a mid-month draw on their wages.

6. A new draft Policy and Procedures manual is under development to update existing policies and procedures. The Grand Jury found that:
  - Many current practices do not follow existing policies and procedures
  - Laws have changed and some existing policies need revision
  - Existing policies and files are stored in various locations
  - The district needs to have written policies and procedures where none exists (i.e. appraisal of personnel, personnel grievances, pre-employment physical and drug testing, maintaining list of employees and contractors, reporting on-the-job injuries, taking disciplinary action, and cash handling and deposits).
7. The bills presented to the SCSD Board for approval have a minimal description, requiring the Board to spend too much time asking for clarification during the bill approval process.
8. The purchasing of materials is not done in an orderly, cost-effective manner. Rather than planning for bulk purchases, staff makes frequent shopping trips.
9. The SCSD does not have a credit card policy and has cards for companies no longer in business.
10. The Investment Performance Report is not submitted to the SCSD Board on a quarterly basis as required by the General Manager's job description.
11. The SCSD is not in compliance with three regulations contained in the California Code of Regulations (CCR), at Title 8, General Industry Safety Orders. Specifically:
  - a. Confined Spaces (sections 5156 through 5158): This article prescribes minimum standards for preventing employee exposure to confined space hazards within such spaces as silos and tanks. During the SCSD facility tour, the Grand Jury observed numerous water storage tanks which are covered by the article because each tank:
    - Is large enough and so configured that an employee can bodily enter and perform assigned work, and
    - has limited or restricted means for entry or exit and
    - is not designed for continuous employee occupancy.

SCSD employees told the Grand Jury that they do enter these storage tanks. The article requires the employer to inform employees performing work in the area, by posting danger signs or by any other equally effective means, of the existence, location of and the danger posed by the confined spaces. If the employer decides that its employees should not enter a confined space the employer must take effective measures to prevent entrance. If the employer decides that its employees will enter a confined space, the employer must develop and implement a written program that complies with the article.

The Grand Jury did not observe any posted warning signs as required by the code. The Grand Jury requested SCSD provide a copy of its written program, but it was not provided and the Grand Jury did not find any evidence that this document exists.

- b. Excavations (sections 1540 and 1541): These sections apply to trenches, which are defined as an excavation where the depth is greater than the width but less than fifteen feet. The Grand Jury was shown pictures of an excavation done by SCSD where the depth was obviously over 5 feet because a man was standing in it and the sides were higher than he was

tall. The regulations require employee protection from cave-ins, unless excavations are made in entirely stable rock, or are less than five feet in depth and examination of the ground by a competent person provides no indication of potential cave-in. The Grand Jury was not provided any evidence in interviews with SCSD employees that these protections were provided nor do the pictures provide such evidence.

- c. Fall protection (section 3210): Guard rails must be provided on all open sides of unenclosed work locations more than 30 inches above the floor or ground. There is an exception, if employees use the elevated location infrequently and are protected by an authorized fall restraint/fall arrest system. The Grand Jury observed that access ladders were attached to most storage tanks but in only one case was a guardrail installed on the top of the tank. Only one of the other tanks had a locked restriction on the ladder to prevent its use. SCSD did not provide evidence of a fall protection plan, training or equipment.
12. The Grand Jury observed that the containers in which hazardous materials were being stored were not labeled. Those containers included:
  - A fire department waste oil tank
  - Chlorine liquid containers at various locations
  - Water treatment facility polymer storage containers
13. Effective January 1, 2004, SCSD was required to file a Business Plan with the Shasta County Environmental Health Department (California Health and Safety Code Section 25503), relating to the handling of hazardous materials. SCSD has not filed the required plan. Guidelines for preparation of a plan are available from the Environmental Health Department's Hazardous Materials Management division.
14. During the tour of SCSD facilities the Grand Jury observed that wastewater is discharged from the filter plant into backwash ponds. The SCSD has not filed an Application/Report of Waste Discharge (ROWD) with the Regional Water Quality Control Board (RWQCB). California Water Code Section 13260 states that persons discharging waste that could affect the quality of the waters of the State, other than into a community sewer system, must file a ROWD providing information which may be required by the appropriate RWQCB. The necessary forms are available upon request from the RWQCB.
15. The access to the pressure-reducing vault located in Records Heights is not secure.
16. Chlorine gas supplies are not adequately secured at the water treatment facility to prevent theft, vandalism or terrorist acts.
17. In 2003, the SCSD Board and Water Department employees participated in only one of many available seminars, workshops, conferences and professional organization meetings.
18. The last Insurance Services Office (ISO) report was issued November 1, 1985. SCSD received a 57.93% credit, earning a Public Protection Class 5 rating. Premiums charged to homeowners and businesses for fire protection insurance are lower if the credit is higher (60-100%).
19. The SCSD Board approved and adopted on November 20, 2003 a Master Water Plan prepared by Pace Civil Inc. The plan gives the SCSD Board direction on providing water service to the district's customers for the next 20 years.

## **RECOMMENDATIONS:**

1. The SCSD Board of Directors should request its independent auditor to submit an amended report to correct deficiencies outlined in finding number 1 of this report.
2. The SCSD Board of Directors should promptly schedule an agendaized “workshop” to receive training from its legal counsel on conflicts of interest. The Board should adopt a policy requiring periodic training of members of the Board on issues pertaining to conflicts of interest. The policy should also require training of new members of the Board on these issues.

In addition, the SCSD Board of Directors should seek legal counsel’s advice regarding:

- (1) The Board’s legal duty to recoup funds paid under any contracts (for services or wages) which are void pursuant to section 1090 of the Government Code and
  - (2) whether to continue the employment of the fire chief or whether the fire chief’s spouse should resign from the Board.
3. The SCSD Board should consider making bi-monthly, rather than monthly, salary payments to its employees.
  4. The SCSD Board should review, modify if necessary, and adopt the proposed Policy and Procedures Manual, making sure that it includes the following:
    - a. Guidelines for Personnel, Operations, the Board of Directors, Construction Standards, Board Meetings, and Facilities Development
    - b. A method for maintaining a standardized and orderly filing system
    - c. A policy that allows employee grievance appeals with the SCSD Board
    - d. An inventory control system as required by GASB 34
    - e. Procedures and deadlines for conducting employee job appraisals
    - f. A new hire medical evaluation and drug testing policy
    - g. A requirement that all employee and contractor records be kept on a permanent, retrievable system (computer or other)
    - h. A Purchase Order process
    - i. A credit card policy
  5. The SCSD Board should request its Independent Auditor to recommend petty cash procedure.
  6. The SCSD Board should direct staff to devise a better format for bill paying to speed up the approval process.
  7. The SCSD Board should review the need for credit cards.
  8. The SCSD Board should review safety compliance findings 11, 12, 13, 15 and 16 in this report and direct staff to take corrective action. The Board should request its Worker’s Compensation carrier to conduct an annual safe working condition analysis to keep SCSD’s exposure to claims to a minimum. The Board should insist on-the-job safety be emphasized and that safety reports are provided to the Board on a regular basis.
  9. The security of all facilities should be reviewed and adequately protected against all unauthorized entry.
  10. The Developer Water Service Construction package should be updated to reflect current practices, fees, and recently approved Master Water Plan recommendations.

11. The SCSD Board should take immediate action regarding implementing the Master Water Plan to upgrade District facilities, rates and infrastructure and to correct deficiencies.
12. The SCSD Board and employees should attend training sessions offered by the California Special Districts Association. They should also send representatives to appropriate seminars, workshops, conferences, and professional organization meeting when offered.

**RESPONSE REQUIRED:**

The Shasta Community Services District Board of Directors

**RECOGNITION:**

1. SCSD is recognized for the recently completed and adopted Master Water Plan.
2. SCSD is recognized for participating in the Redding Area Water Council, an organization set up to manage and plan for the Redding Basin water resources.
3. The Grand Jury recognizes that during its investigation, issues of interest were made known to SCSD Board and management. Actions were then initiated by the SCSD Board to address some of these concerns. Progress is occurring on correcting some of the problems described in the Grand Jury's findings.

# Shasta Community Service District

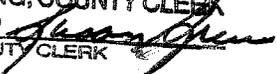
10711 FRENCH ALLEY • PHONE: 530-241-6264 • FAX: 530-241-9028  
P.O. BOX 2520 • SHASTA, CALIFORNIA 96087-2520 • E-MAIL: SCSD@SNOWCREST.NET

October 1, 2004

The Honorable Judge Monica Marlow  
Superior Court  
1500 Court Street  
Redding, Ca. 96001

**FILED**

**OCT 13 2004**

CATHY DARLING, COUNTY CLERK  
BY: S. GREENHAW   
DEPUTY CLERK

Dear Judge Marlow:

This letter represents the Shasta Community Services District (District) Board of Directors' (Board) response to the 2004 Grand Jury investigation of the District. In this letter we respond to each of the Grand Jury's findings and recommendations; the numbering follows that of the Grand Jury report. We briefly summarize our understanding of each finding or recommendation (in italicized type) before presenting our response (in regular type).

## Grand Jury Findings

1. a. *The Schedule of Funded Status presented in the annual audits stated "Information Not Available"; the Grand Jury stated that it was available from the California Public Employees Retirement System.*
- b. *In the 2003 audit, the Government National Mortgage Association (GNMA) investment showed a current market value of \$769; the Grand Jury calculated that the current market value should have been \$733.*
- c. *The Management Letters did not show how and when the prior years' recommendations were implemented.*

See attached letter from Hathaway & Ksenzulak, LLP. These items will be included in the 2003/2004 fiscal-year audit report.

2. *The Grand Jury stated that the District was advised during audit presentations in 2002 and 2003 that Government Accounting Standards Board Statement 34 (GASB 34) requires the District's financial statements to follow a new format by June 30, 2004.*

We agree with this finding, but are unclear as to the Grand Jury's conclusion, if any. Because the District was advised of the upcoming requirement, it instituted a control system to implement the GASB 34 requirements. The District will meet the deadline, with the fiscal year 2003/2004 financial statements in the GASB 34 format.

**RECEIVED**

**OCT 13 2004**

**SHASTA COUNTY CLERK**

3. *This item contains findings related to a small business transaction between one of the Board members and the District. The Grand Jury asserted that the Board member involved voted on the transaction and that the transaction violated Government Code §1090. Based on those assertions, the Grand Jury stated that the transaction in question was void and that payments related to the transaction should be returned to the District.*

The first finding in item number three, that all five Board members voted on the payment, is incorrect. Only four of the Board members voted to approve payment of the bill for \$142.89 owed to the business of one of the Board members; the Board member owning the business being paid abstained from the vote.

The second finding, citing §1090 of the California Government Code, which prohibits a public official from entering into contracts with the public entity of which the official is a member, is discussed in the attached letter from Mr. David Edwards, attorney for the SCSD. As Mr. Edwards discusses in his letter, §1090 is an old statute, the provisions of which have been superseded by Government Code §87103 which allows such transactions involving small dollar amounts (less than \$500).

Because the findings in this item are incorrect and the actions of the Board are allowed under relevant government codes, the actions of the Board were not improper. Because the actions were not improper, there is no requirement for the business in question to return the payment to the District.

4. *This item contains findings related to the relationship between one of the Board members and the Fire Chief. The Grand Jury asserted that the District should not have ratified the employment of the current Fire Chief, who is married to a Board member, because that constituted a violation of Government Code §1090. Based on those assertions, the Grand Jury stated that payments made to the Fire Chief be returned to the District, and that not further claims for payment may be made.*

The matter of the relationship of the fire chief to a Board member (husband and wife, respectively) is discussed in the attached letter from Mr. David Edwards, attorney for the SCSD. As Mr. Edwards points out, the fire chief position is relatively autonomous and the Board member did not vote to ratify the fire chief's hiring (nor does the Board member participate in actions relating to compensation for the fire chief). Additionally, Mr. Edwards found that §1090 had never been construed to apply to this situation. For these, and other reasons discussed by Mr. Edwards, there is no violation in this situation, and the Board does not agree with the finding by the Grand Jury that payments made to the fire chief should be returned. The Board believes that the District is extremely fortunate that these individuals donate so much of their time and effort to our small community. While the volunteer fire departments in Shasta County have experienced a severe decline in recent years, the District has maintained its force and has acquired important fire fighting equipment, including an additional fire truck, a medical rescue truck, and a water tender, all under the guidance of the existing fire chief. The fire chief has also developed outstanding mutual aid relationships with CDF and the Shasta

County Fire Department. We believe that the public safety in the District has greatly benefited by the participation of these individuals in our community.

5. *This item relates to the payroll schedule for District employees, who are on a monthly payroll, but often take mid-month draws on their wages.*

Employees take a mid-month draw on their wages, with the draw amount never exceeding the amount earned during the period between the last payroll and the draw date. This draw is accounted for in the final paycheck of the month, and payroll taxes are properly withheld. While there are other methods for payroll accounting, the current system has worked for many years at the District. The current system is in compliance with labor and tax laws, and the District is of the opinion that it is a satisfactory arrangement.

6. *This item relates to the District's Policy and Procedures Manual. The Grand Jury asserted that (a) many current practices do not follow existing policies and procedures, (b) laws have changed and some existing policies need revising, (c) existing policies and files are stored in various places, and (d) the District needs to add certain policies.*

The District acknowledges that its Policy and Procedures Manual needed to be revised. Beginning in 2003, the District started the process of updating its Policy and Procedures Manual to conform to current laws and to have written procedures for situations not covered in the current Manual. The updated Manual should be completed by early 2005.

7. *The Grand Jury stated that the bills presented for payment were not well described leading to excessive discussion among the Board members.*

The SCSD Board is satisfied with the present form in which the bills are displayed.

8. *The Grand Jury stated that purchasing was not done in an orderly manner, and that staff makes frequent shopping trips.*

Appropriate materials are, and have been, purchased in bulk (polymer, meters, Costco supplies, etc.). Materials most frequently used are kept in stock in quantities.

9. *The Grand Jury stated that the District does not have a credit card policy and has cards for companies no longer in business.*

The District currently does not utilize any major credit card. The need for a major credit card policy will be reviewed/established during the updating of the District's Policy & Procedure Manual.

10. *The Grand Jury stated that the Investment Performance Report is not submitted to the Board on a quarterly basis, as required in the General Manager's job description.*

Performance of investments as well as new investment opportunities are reviewed by the District's Investment Committee, of which the General Manager is a member. Policy changes regarding reporting of investment income will be included in the updated Policy

Manual, and the General Manager's job description will be revised to reflect such changes.

11. *The Grand Jury stated that the District was not in compliance with three regulations in the California Code of Regulations, Title 8, General Industrial Safety Orders. These included regulations for confined-space entry, excavations, and fall protection.*

The Grand Jury Report failed to note that deficiencies in the District's safety program were brought to light as a result of an OSHA inspection requested by the SCSD. As a result of the OSHA inspection, the district has taken actions to correct identified problems. These include the following:

- a. The District adopted a policy that no District staff will enter a confined space. Appropriate contractors will be hired by the District when confined-space entry is required. Appropriate notices will be posted at all confined-space locations in the District.
  - b. District personnel have taken a competent person training course in trenching and shoring and the District is developing a trenching and shoring safety program for inclusion in the Policy and Procedures Manual.
  - c. District personnel have taken a competent person training course in fall protection. Fall protection, in the form of guard rails and/or covered ladders, has been installed on all District tanks.
12. *The Grand Jury asserted three instances in which containers in which hazardous materials were stored were not labeled; these were a waste-oil tank at the Fire Department, liquid chlorine containers, and polymer storage containers.*

The Fire Department waste-oil tank was not labeled; it has been appropriately labeled. The chlorine containers located at the filtration plant and at the pumping stations are all properly labeled with onsite Material Safety Data Sheets for reference purposes. The polymer solution located at the filtration plant is not considered a hazardous material; it is now labeled, however.

13. *The Grand Jury stated that the District had not filed a required hazardous materials business plan with Shasta County Environmental Health Department by January 1, 2004.*

The District filed a hazardous materials business plan with Shasta County Environmental Health Department on June 1, 2004.

14. *The Grand Jury noted that discharge from the treatment plant backwash ponds was not properly permitted through the Regional Water Quality Control Board (RWQCB).*

Prior to the Grand Jury investigation, the Regional Water Quality Control Board was notified by the District that we were working toward a solution, with the assistance of

the District's engineering consultant. Capitol Improvement Funds have been designated in the District's 2004/2005 budget to address the filtration-plant discharge.

15. *The Grand Jury noted that the access to the Record Heights pressure-reducing valve vault was not secure.*

The Record Heights pressure-reducing valve vault has been properly secured.

16. *The Grand Jury asserted that the chlorine gas supplies at the treatment plant were not adequately secured against theft, vandalism, or terrorist acts.*

Chlorine gas supplies are, and have historically been, properly secured at the treatment plant. They are within a locked, secure concrete-block building with a thick metal door, within a compound surrounded by a chain-link fence topped with three strands of barbed wire, and a gated access that is securely locked. Additionally, they are secured to the wall using a large chain. The building is protected by security alarms, with automatic response to the alarms provided by the Shasta County Sheriff's Department.

17. *The Grand Jury noted that in 2003, the District's Board and employees participated in only one seminar, workshop, conference, or professional organization meeting.*

The District acknowledges that in 2003, employees and Board members did not participate in many outside training opportunities. So far in 2004, however, District field staff have participated in a total of 236 hours of continuing education.

18. *The Grand Jury noted that the last Insurance Services Office (ISO) report was issued November 1, 1985.*

Since the last ISO inspection, the District's fire-suppression capabilities have improved, through both Water District infrastructure improvements and Fire Department equipment upgrades. Therefore, the District will request an ISO evaluation.

19. *The Grand Jury noted that the District adopted a Master Water Plan in November 2003.*

The District notes that it is now implementing the improvements recommended by the Master Water Plan, within the recommended schedules or sooner.

#### Grand Jury Recommendations

1. *The Board should request its auditor to submit an amended report relating to Finding 1, above.*

See attached letter from Hathaway & Ksenzulak, LLP. These items will be included in the 2003/2004 fiscal-year audit report

2. *The Board should receive training on conflict-of-interest issues, and seek legal counsel on (a) recouping funds which are void pursuant to §1090 and (b) whether to terminate the fire chief's employment or request that the fire chief's spouse resign from the Board.*

The Board routinely consults with its legal counsel regarding conflict-of-interest issues. As discussed in finding number three, above, and in Mr. Edwards attached letter, the Board is confident that there has not been a conflict of interest related to (a) the very

small payment made to a Board member's business or (b) the employment of the fire chief, whose spouse is on the Board.

Thus, the Board does not feel it necessary, nor has it been advised by legal counsel, to recoup funds paid to either the business in question or for the fire chief's salary.

Likewise, the Board does not feel it necessary or prudent to terminate the fire chief's employment or request his spouse to resign from the Board. The Board member has been elected twice to the board of directors and has been instrumental in establishing a harmonious, productive board, after several years of ill will and destructive litigation experienced by previous boards. Again, the Board believes that the public safety is enhanced and the District is extremely fortunate that these individuals donate so much of their time and effort to our small community, with little or no compensation.

3. *The Board should consider a bi-monthly payroll schedule.*

As discussed above, the Board feels that the current payroll system has worked for many years. It is in compliance with labor and tax laws. Thus, the District is of the opinion that it is a satisfactory arrangement, and has no plans to change it.

4. *The Board should review, modify if necessary, and adopt the proposed Policy and Procedures Manual, including several items listed by the Grand Jury.*

The recommended procedures listed will be reviewed and evaluated by the Board prior to possible inclusion into the updated Policy and Procedures Manual. This process is ongoing.

5. *The Board should request its Independent Auditor to recommend petty cash procedures.*

A policy is currently in place that is administered by the General Manager.

6. *The Board should direct staff to devise a better format for bill paying.*

The present format is considered adequate by the Board, and there are no plans to change it.

7. *The Board should review the need for credit cards.*

As discussed above under Finding 9, the District does not maintain a major credit card. The Fire Department has a credit card with a relatively low limit, for use in emergencies. There are currently no plans to issue credit cards to other employees. When and if the Board feels the need to issue major credit cards, a policy will be adopted and included in the Policy Manual.

8. *The Board should review safety-compliance findings 11, 12, 13, 15, and 16, and direct staff to take corrective action.*

These actions have already taken place or are currently in progress. Safety inspections have already been performed at the request of the District by CAL OSHA, as well as the

District's worker's-compensation carrier and liability-insurance provider. The Board is currently receiving monthly safety reports from the designated District Safety Officer.

9. *The security of the District's facilities should be reviewed, and the facilities protected against all unauthorized entry.*

District facilities are continually reviewed for adequate protection against unauthorized entry. As discussed above under Finding 16, the major District facility (the water-treatment plant) is protected by several layers of security.

10. *The Developer Water Service Construction Package should be updated to reflect current practices, fees, and recently approved Master Water Plan recommendations.*

The Developer Water Service Construction Package is being reviewed and updated in conjunction with updating the Policy and Procedure Manual.

11. *The Board should take immediate action regarding implementing the Master Water Plan.*

As noted in the response to Finding 19, the District is now implementing the improvements recommended by the Master Water Plan, within the recommended schedules or sooner.

12. *The Board and District employees should attend training sessions offered by the California Special Districts Association. They should also send representatives to appropriate seminars, conferences, etc.*

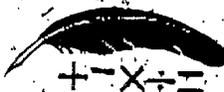
The Board notes this recommendation. The Board also notes, however, that we are a very small District, and the District does not have funding to pay for seminars out of the area, where most of the Special Districts Association training courses are held. This limits our ability to send Board members or staff to these types of sessions.

Employees have already attended a wide variety of training sessions, seminars, and workshops this year as part of continuing education requirements, as well as keeping abreast of new technologies related to the duties performed.



William Hunter, Board President

Shasta Community Services District



Hathaway &  
Ksenzulak, LLP  
Certified Public  
Accountants

1681 East  
Cypress Avenue  
Redding, California  
96002  
530.222.2898  
Fax 530.222.2980

July 14, 2004

Board of Directors  
Shasta Community Services District  
10711 French Alley  
Shasta CA 96087

Dear Board Members:

I wish to indicate to you our response to the findings of the 2003/2004 Shasta County Grand Jury:

Recommendations:

Brent Hathaway, CPA  
Karina G. Lapp, CPA  
John Ksenzulak, CPA  
Neil Byzick, CPA  
Lark Goynes, CPA  
William R. Moore, CPA  
James Viola Jr., CPA  
David L. Wallace, CPA

Item 1. We will submit to the Board reissued financial statements which will contain the following:

- a. The PERS information (after you have obtained it).
- b. The adjusted cost of the GNMA investment.
- c. A notation as to what year a prior year recommendation first appeared on a management letter.

Items 2a to 4a concern the District only.

Item 4d. You have a control system in place to implement GASB 34.

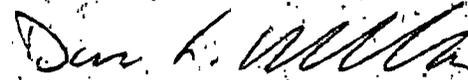
Items 4e to 4i concern the District only.

Item 5. You have petty cash procedures.

Items 6 to 12 concern the District only.

Please call should you have any questions.

Sincerely,

  
David L. Wallace, CPA



CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CONFIDENTIAL

EMPLOYER REPORT OF 2002-2003 MEMBER STATEMENTS -- DATA AS OF JUNE 30, 2003

REPORT-A RUN DATE 10/20/2003  
PAGE 1 OF 1

EMPLR CODE	UNIT CODE	LAST NAME	FIRST NAME	M I	SSA NUMBER	CONTRIBUTIONS NORMAL + DEFERRED + INTEREST =	TOTAL	SVC	DATE YEAR	
0858	000	KAUFMAN PO BOX 151 SHASTA CA 96087	WALTER		549-27-1436	\$39,894.70 \$3,221.23 \$43,115.93	\$33,465.44 \$4,490.02 \$37,955.46	\$73,360.14 \$7,711.25 \$81,071.39	21.600 1.000 22.600	02 CY 03
0858	000	KUHN 3925 CHURN CREEK ROAD REDDING CA 96002	BRUCE	L	562-96-7233	\$8,045.44 \$1,971.21 \$10,016.65	\$1,224.98 \$610.14 \$1,835.12	\$9,270.42 \$2,581.35 \$11,851.77	5.200 1.000 6.200	02 CY 03

"DATA YEAR": 02 = BALANCES AS OF 6-30-2002; CY = CURRENT YEAR; 03 = BALANCES AS OF 6-30-2003  
 \*\* ADDRESS NOT PROVIDED FOR SECURITY REASONS (FIRE, POLICE, SAFETY, CORRECTIONAL OFFICERS, ETC.).  
 \*\* NO ADDRESS FOR MEMBER IN CALPERS DATA.

**SHASTA COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2003**



Hathaway & Ksenzulak, LLP

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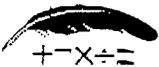
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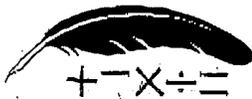
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**Hathaway &  
Ksenzulak, LLP**

Certified Public  
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Brent Hathaway, CPA  
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Lori Goyne, CPA  
William R. Moore, CPA  
James Viola Jr., CPA  
David L. Wallace, CPA

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Shasta Community Services District  
Shasta, California

We have audited the accompanying financial statements of the Shasta Community Services District as of and for the year ended June 30, 2003 as listed in the table of contents. These financial statements are the responsibility of the Shasta Community Services District's management. Our responsibility is to express an opinion on the financial statements based on the audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's *Minimum Audit Requirements for California Special Districts* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shasta Community Services District as of June 30, 2003 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2003 on our considerations of the Shasta Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Hathaway & Ksenzulak, LLP*

September 16, 2003, except for Notes 2 and 4, for which the date is August 31, 2004

SHASTA COMMUNITY SERVICES DISTRICT  
 COMBINED BALANCE SHEET - ALL FUND  
 TYPES AND ACCOUNT GROUPS  
 June 30, 2003

	Governmental Fund Types General Fund	Proprietary Fund Types Water Fund	General Fixed Assets Account Group	General Long-Term Debt Account Group	Totals (Memo Only)
<b>ASSETS AND OTHER DEBITS:</b>					
Cash and Investments	\$ 98,180	\$ 431,774	\$ —	\$ —	\$ 529,954
Accounts Receivable	2,999	34,000	—	—	36,999
Inventory	—	6,837	—	—	6,837
Property and Equipment, net	—	1,312,979	493,244	—	1,806,223
Prepaid Expenses	3,949	1,525	—	—	5,474
Due from Other Fund	—	4,281	—	—	4,281
Amount to be Provided for Long-Term Debt	—	—	—	54,500	54,500
Restricted Assets:					
Cash - Customer Deposits	—	8,096	—	—	8,096
<b>TOTAL ASSETS</b>	<b><u>\$ 105,128</u></b>	<b><u>\$ 1,799,492</u></b>	<b><u>\$ 493,244</u></b>	<b><u>\$ 54,500</u></b>	<b><u>\$ 2,452,364</u></b>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 967	\$ 18,140	\$ —	\$ —	\$ 19,107
Compensated Absences	—	2,328	—	—	2,328
Customer Deposits	—	34,690	—	—	34,690
Due to Other Fund	4,281	—	—	—	4,281
Due to BOR	—	15,021	—	—	15,021
Note Payable	—	—	—	54,500	54,500
<b>TOTAL LIABILITIES</b>	<b><u>5,248</u></b>	<b><u>70,179</u></b>	<b><u>—</u></b>	<b><u>54,500</u></b>	<b><u>129,927</u></b>
<b>FUND EQUITY AND OTHER CREDITS:</b>					
Investment in General Fixed Assets	—	—	493,244	—	493,244
Contributed Capital	—	543,414	—	—	543,414
Fund Balances:					
Reserved	—	—	—	—	—
Unreserved	99,880	—	—	—	99,880
Retained Earnings:					
Designated	—	122,807	—	—	122,807
Undesignated	—	1,063,092	—	—	1,063,092
<b>TOTAL FUND EQUITY AND OTHER CREDITS</b>	<b><u>99,880</u></b>	<b><u>1,729,313</u></b>	<b><u>493,244</u></b>	<b><u>—</u></b>	<b><u>2,322,437</u></b>
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<b><u>\$ 105,128</u></b>	<b><u>\$ 1,799,492</u></b>	<b><u>\$ 493,244</u></b>	<b><u>\$ 54,500</u></b>	<b><u>\$ 2,452,364</u></b>

See accompanying notes to financial statements.

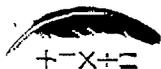
Hathaway & Ksenzulak, LLP

SHASTA COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE, ALL GOVERNMENTAL FUND TYPES  
(FIRE DEPARTMENT)  
For the Year Ended June 30, 2003

	<u>General Fund</u>
<b>REVENUES</b>	
County Taxes	\$ 109,230
Interest Income	960
Other	<u>18,424</u>
<b>TOTAL REVENUES</b>	<u>128,614</u>
<b>EXPENDITURES</b>	
Salaries, Payroll Taxes and Employee Benefits	30,512
Maintenance, Repairs and Replacements	12,549
Training, Per Diem and Other	4,919
Occupancy	3,331
Supplies	1,162
Fuel	1,064
Other	8,600
Insurance	4,358
Worker's Compensation	13,359
Capital Outlay	31,889
Amador Contract	12,000
Debt Retirement	<u>7,660</u>
<b>TOTAL EXPENDITURES</b>	<u>131,403</u>
Excess of Revenues over Expenditures	4,871
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from Sale of Assets	<u>8,284</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>8,284</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	5,495
FUND BALANCE, July 1, 2002	<u>94,385</u>
FUND BALANCE, June 30, 2003	<u>\$ 99,880</u>

See accompanying notes to financial statements.

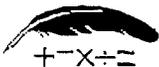
Hathaway & Ksenzulak, LLP



SHASTA COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
(FIRE DEPARTMENT)  
For the Year Ended June 30, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Taxes	\$ 97,600	\$ 109,230	\$ 11,630
Interest	2,000	960	(1,040)
Other Revenue	<u>15,000</u>	<u>18,424</u>	<u>3,424</u>
<b>TOTAL REVENUES</b>	<u>114,600</u>	<u>128,614</u>	<u>14,014</u>
<b>EXPENDITURES</b>			
Salaries, Payroll Taxes and Employee Benefits	42,400	30,512	11,888
Maintenance, Repairs and Replacements	8,980	12,549	(3,569)
Training, Per Diem and Other	5,000	4,919	81
Occupancy	3,830	3,331	499
Supplies	1,400	1,162	238
Fuel	1,700	1,064	636
Other	7,307	8,600	(1,293)
Insurance	4,400	4,358	42
Worker's Compensation	6,000	13,359	(7,359)
Capital Outlay	10,315	31,889	(21,574)
CDF Contract - Winter Operations	<u>13,000</u>	<u>12,000</u>	<u>1,000</u>
<b>TOTAL EXPENDITURES</b>	<u>104,332</u>	<u>123,743</u>	<u>(19,411)</u>
Excess of Revenues over Expenditures	<u>10,268</u>	<u>4,871</u>	<u>(5,397)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Assets	—	8,284	8,284
Debt Retirement	<u>(10,700)</u>	<u>(7,660)</u>	<u>3,040</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(10,700)</u>	<u>624</u>	<u>11,324</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>(432)</u>	<u>5,495</u>	<u>5,927</u>
FUND BALANCE July 1, 2002	<u>94,385</u>	<u>94,385</u>	<u>—</u>
FUND BALANCE June 30, 2003	<u>\$ 93,953</u>	<u>\$ 99,880</u>	<u>\$ 5,927</u>

See accompanying notes to the financial statements.

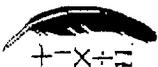


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SHASTA COMMUNITY SERVICES DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY  
 FUND TYPES ( WATER DEPARTMENT)  
 For the Year Ended June 30, 2003

	<u>Proprietary Fund Type</u>
<b>OPERATING REVENUES</b>	
Water Fees	\$ 284,814
Water Services	<u>79,231</u>
<b>TOTAL OPERATING REVENUES</b>	<u>364,045</u>
<b>OPERATING EXPENSES</b>	
Source of Supply	26,456
Pumping	8,799
Water Treatment	7,585
Transmission and Distribution	11,431
Depreciation	35,556
Administration and General	<u>211,778</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>301,605</u>
<b>OPERATING INCOME</b>	<u>62,440</u>
<b>NON OPERATING REVENUES</b>	
Rental Income	2,845
Interest Income	13,821
Other Miscellaneous Income	<u>2,769</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>19,435</u>
<b>Net Income</b>	81,875
<b>RETAINED EARNINGS - July 1, 2002</b>	<u>1,104,024</u>
<b>RETAINED EARNINGS - June 30, 2003</b>	<u>\$ 1,185,899</u>

See accompanying notes to financial statements.



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SHASTA COMMUNITY SERVICES DISTRICT  
STATEMENT OF CASH FLOWS - ALL PROPRIETARY  
FUND TYPES (WATER DEPARTMENT)  
For the Year Ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ 62,440
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	35,556
(Increase) in Accounts Receivable	(3,278)
(Increase) in Inventory	(1,976)
(Increase) in Prepaid Expenses	(791)
(Increase) in Due from Other Fund	(3,903)
(Increase) in Accounts Payable	5,782
(Decrease) in Accrued Payroll Taxes	(3,215)
(Decrease) in Compensated Absences	(4,557)
Increase in Customer Deposits	26,784
(Decrease) in Other Accrued Liabilities	(13,424)
(Decrease) in Due to Other Funds	<u>(1,087)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

98,331

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Rental Income	2,845
Miscellaneous Income	<u>2,769</u>

NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES

5,614

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of Property and Equipment	(68,269)
Developer's Contributions	<u>40,000</u>

NET CASH (USED) BY CAPITAL AND FINANCING ACTIVITIES

(28,269)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	13,821
Sale of Investments	<u>76,603</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES

90,424

NET INCREASE IN CASH

166,100

CASH BALANCE July 1, 2002

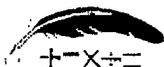
152,501

CASH BALANCE June 30, 2003

\$ 318,601

See accompanying notes to financial statements.

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SHASTA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Reporting Entity

The District provides water and fire protection services to approximately 720 customers in an unincorporated area west of the City of Redding.

Fund Accounting

The District uses fund accounting to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories; governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The Fire Department activities of Shasta Community Services District are classified as a governmental fund type. The Water Fund activities of the District, accounting for most of the operations of the District, are accounted for as a proprietary fund type. The District uses account groups to account for its general fixed assets and long-term debt.

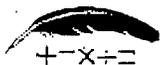
Measurement Focus, Basis of Accounting and Basis of Presentation

Measurement focus refers to what is being measured; basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds use the modified accrual basis of accounting. Revenues are recognized when they are measurable and available and expenditures are recognized when the corresponding liability is incurred. Revenues susceptible to accrual are property taxes, interest and charges for services. Governmental fund-types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities associated with the operation of these funds are included on the balance sheet. Fund balance (i.e., net total assets) is considered to be a measure of "available spendable resources". The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary Funds utilize the accrual basis of accounting. Revenues are recognized in the period in which they are earned and measurable and expenses are recognized in the period in which the related liability is incurred. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Total fund equity is separated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

The District has elected to follow Governmental Accounting Standards Board (GASB) pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.



Hathaway & Ksenzulak, LLP

SHASTA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash And Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of three months or less at the date acquired by the District.

Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools (State of California LAIF and other government sponsored investments pools), investments purchased with maturities greater than one year, mutual funds and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. The District does not present realized and unrealized gains or losses on separate items on the face of its financial statements or in its note disclosures.

Methods and Assumptions Used to Estimate Fair Value

The District adjusts its investment accounting records to "fair value" at fiscal year end. The District's investment custodian provides market values on each investment instrument on a monthly basis. The investments held by the District are widely traded and trading values are readily available from numerous published sources. Unrealized gains and losses are recorded at fiscal year end and the carrying values of its investments at fiscal year end are considered "fair value."

Inventory

The District values inventory at the most recent invoice price, which approximates lower of cost or market on a first-in, first-out (FIFO) basis.

Property and Equipment

In accordance with generally accepted accounting principles for governmental entities, no depreciation has been provided on general property, plant and equipment. Water fund property and equipment are depreciated using the straight line method over the following estimated useful lives:

Filtration Plant	50 Years
Transmission and Distribution	10 to 50 Years
Furniture and Equipment	10 Years
Buildings	15 Years
Other Equipment	10 Years

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District and are accrued when incurred.



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SHASTA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Revenues

The County of Shasta assesses, bills and collects property taxes for the District. The County property tax is levied each November 1<sup>st</sup> on the assessed valuation of property location in the County as of the preceding lien date (March 1<sup>st</sup>). Taxes are receivable in two equal installments which become delinquent the first working day after December 10<sup>th</sup> and April 10<sup>th</sup>.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Total Columns and Combined Statements

Total Columns on the combined statement are captioned "Memo Only," to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Budget

The District is required by State law to adopt a budget for its governmental activities by August 20<sup>th</sup> of the fiscal year. The District must hold public hearings regarding the budget prior to its final approval.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments of the District are recorded in the various funds at June 30, 2003 as follows:

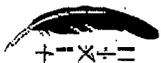
General Fund	\$ 98,180
Water Fund	<u>439,870</u>
Total Cash and Investments at June 30, 2003	<u>\$ 538,050</u>

The District's cash and investments are categorized in the following manner:

Category 1 - Investments that are insured, registered, or for which the securities are held by the District or its agent in the District's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the bank's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the bank or its trust department or agent but not in the District's name.



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SHASTA COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003

NOTE 2 - CASH AND INVESTMENTS - (Continued)

Cash and investments were comprised of the following at June 30, 2003:

	Category	Cost	Market Value
Imprest Cash	N/A	\$ 250	\$ 250
Deposits	1	416,531	416,531
Investments:			
CD	1	46,000	47,484
GNMA	2	733	769
Bonds	2	71,292	73,016
<b>Total Cash and Investments</b>		<b><u>\$ 534,806</u></b>	<b><u>\$ 538,050</u></b>

At June 30, 2003, the District reflected \$8,096 as restricted cash held for customer deposits.

Deposits

At year end, the bank's and broker's balances of the District's cash deposits (including amounts in checking and non-negotiable certificates of deposit with a maturity of less than 90 days) was \$408,685, of which only \$200,000 was entirely insured or collateralized. The carrying amount of the District's investments was \$121,268, of which \$47,484 was insured.

Investments

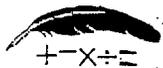
In accordance with Government Code Section 53601, the District may invest in the following types of investments:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>Bonds issued by the State of California and/or any Local agency within the State of California</li> <li>Certificates of Deposit (or Time Deposit) placed with Commercial banks and/or savings and loan companies</li> <li>Local Agency Investment Fund (State Pool) Demand Deposits</li> <li>Reverse Repurchase Agreements</li> <li>Mutual Funds holding the above allowable investments</li> </ul> | <ul style="list-style-type: none"> <li>Securities of the US Government, or its agencies</li> <li>Negotiable Certificates of Deposit</li> <li>Bankers Acceptances</li> <li>Commercial Acceptance</li> <li>Repurchase Agreements (Repos)</li> <li>Passbook Savings Account Demand Deposits</li> <li>Medium Term Corporate Notes</li> </ul> |
|--|--|

NOTE 3 - PROPERTY AND EQUIPMENT

The following is a summary of the changes in the District's Property and Equipment during the fiscal year:

	Balance <u>July 1, 2002</u>	<u>Acquisitions</u>	<u>Dispositions</u>	Balance <u>June 30, 2003</u>
Water Department	\$ 1,894,699	\$ 68,269	\$ —	\$ 1,962,968
Fire Department	469,639	31,889	8,284	493,244
<b>Totals</b>	<b><u>\$ 2,364,338</u></b>	<b><u>\$ 100,158</u></b>	<b><u>\$ 8,284</u></b>	<b><u>\$ 2,456,212</u></b>



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SHASTA COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003

NOTE 3 - PROPERTY AND EQUIPMENT - (Continued)

Changes in Allowance for Depreciation:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Water System	\$ 614,433	\$ 35,556	\$ —	\$ 649,989

The following is a breakdown of the Property and Equipment at June 30, 2003:

	<u>General Fund</u>	<u>Water Fund</u>
Land	\$ 2,847	\$ 158,882
Buildings	25,635	—
Improvements Other than Building	—	1,681,156
Equipment	<u>464,762</u>	<u>122,930</u>
Total Property and Equipment	493,244	1,962,968
Accumulated Depreciation	<u>—</u>	<u>649,989</u>
Net Property and Equipment	<u>\$ 493,244</u>	<u>\$ 1,312,979</u>

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. The District's payroll for employees covered by PERS for the year ended June 30, 2003 was \$53,133.

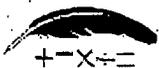
All full-time employees of the District are eligible to participate in PERS. PERS is a defined benefit plan based on the member's age at retirement, service, and final compensation. Benefits vest after five years of service. The minimum retirement age is 50 years. PERS also provides disability, death, and health benefits. The benefit provisions and all other requirements are established by state statutes. California Government Code, Part 3, sections 20000 - 21600 governs PERS.

Funding Policy

The rate of employee contribution is established by statute at 7% of employee compensation. The District is required to contribute the remaining amounts necessary to fund the benefits for its members, using the accrual basis adopted by the PERS Board of Administration. The rate for the District was determined to be -0-% for the fiscal year ended June 30, 2003.

Annual Pension Cost

Employer contributions are calculated in conformance with the provisions of GASB Statements No. 27 as a percentage of covered payroll. Therefore, the contributions transmitted to the System are equal to the Annual Required Contribution (ARC), and there is no Net Pension Obligation (NPO) required.



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SHASTA COMMUNITY SERVICES DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2003

NOTE 4 - DEFINED BENEFIT PENSION PLAN - (Continued)

Annual Pension Cost - (Continued)

For the fiscal year ended June 30, 2003, the District's annual pension cost of \$-0- was equal to the required and actual contributions of the District. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) an actuarially assumed investment return of 8.25% per annum, (b) salary increases based on a scale that assumes salary increases vary by length of service, (c) as assumed inflation rate of 3.5% in future years and (d) a 3.75% across the board increase and merit increases that vary by length of service.

**THREE-YEAR TREND INFORMATION**

Three-year trend information for the District is as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
06/30/01	\$ -0-	100%	\$ -0-
06/30/02	-0-	100%	-0-
06/30/03	-0-	100%	-0-

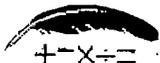
**REQUIRED SUPPLEMENTARY INFORMATION**

The Schedule of Funded Status for the District is as follows:

<u>Valuation</u> <u>Date</u>	<u>Entry Age</u> <u>Normal</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Value</u> <u>of Assets</u>	<u>Unfunded</u> <u>Liability/</u> <u>(Excess)</u> <u>Assets</u>	<u>Funded</u> <u>Status</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
06/30/98	\$267,707	\$392,333	\$(124,623)	146.6%	\$ 57,310	(217.455%)
06/30/99	284,242	436,496	(152,254)	153.6%	97,769	(155.7%)
06/30/00	315,369	484,513	(169,144)	153.6%	107,233	(157.7%)
06/30/01	341,150	504,359	(163,209)	147.8%	111,518	(146.4%)
06/30/02	345,619	478,790	(133,171)	138.5%	85,559	(155.6%)

NOTE 5 - CONTINGENT LIABILITIES

In the natural course of events, the District can be named in lawsuits regarding water, facilities usage, and water rights. There are other events that occur that can result in legal action against the District from normal operations. As of the balance sheet date the District was involved in two lawsuits. However, it is the opinion of District's counsel that the probability of an adverse monetary outcome is low. The District is not aware of or involved in any pending other litigation and no amounts are provided in the accompanying financial statements for such other contingencies.



Hathaway & Ksenzulak, LLP

SHASTA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE 6 - RESTRICTED CASH AND PAYABLE FOR BUREAU OF RECLAMATION DEFICIT

Payable to the Bureau of Reclamation represents money that is being set aside to pay a potential deficit the Bureau of Reclamation (BOR) may be passing onto the District during negotiations of a new water service contract or in the year 2005 when the current water service contract is due to expire. At this time, it is uncertain exactly how much of this deficit, if any, will be passed to the District when the water supply contract with BOR is renewed.

While the District is entitled to prepay any or all of the deficits, prepayment would only serve to reduce the water payments charged at contract renewal in the future. In the event that the entire deficit is passed onto the District, it is contemplated that the District would apply this restricted cash to the deficit. Any remaining portion of deficit would be amortized over the length of the future water contract. At this time, there are a number of issues regarding the deficit from the BOR which remain unresolved.

NOTE 7 - DESIGNATED FUND BALANCE

The District has designated \$122,807 of the fund balance for the following purposes:

Capacity Expense	\$ 118,369
Line Agreements	702
Construction Deposits	<u>3,736</u>
	<u>\$ 122,807</u>

NOTE 8 - CAPITAL LEASES

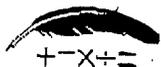
Capital leases consists of the following:

Capital lease agreement to Federal Signal Corporation. The agreement calls for annual payments of \$10,699, including an interest of 4.9%. The agreement is secured by equipment, and is due April 2009.

	<u>\$ 54,500</u>
Less Current Portion	<u>8,035</u>
Total Capital Lease	<u>\$ 46,465</u>

Changes in capital leases are as follows:

Balance - June 30, 2002	\$ 62,160
Additions	—
Retirements	<u>7,660</u>
Balance - June 30, 2003	<u>\$ 54,500</u>



Hathaway & Ksenzulak, LLP

SHASTA COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE 8 - CAPITAL LEASES - (Continued)

Schedule of minimum lease payments on capital leases:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 8,035	\$ 2,664	\$ 10,699
2005	8,428	2,271	10,699
2006	8,840	1,859	10,699
2007	9,272	1,427	10,699
2008	9,725	974	10,699
2009	<u>10,200</u>	<u>499</u>	<u>10,699</u>
Total	<u>\$ 54,500</u>	<u>\$ 9,694</u>	<u>\$ 64,194</u>

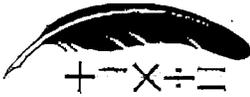
The fair market value of the notes approximate the carrying value.

NOTE 9 - DUE TO/DUE FROM

Due to/Due from consists of the General Fund's portion of various expenses such as payroll taxes and audit fees that were paid by the Water Fund on behalf of the General Fund in the amount of \$4,281.



Hathaway & Ksenzulak, LLP



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Shasta Community Services District

We have audited the financial statements of the Shasta Community Services District, as of and for the year ended June 30, 2003, and have issued our report thereon dated September 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Shasta Community Services District's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of the laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

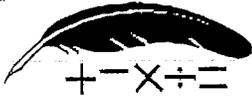
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shasta Community Services District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated September 16, 2003.

This report is intended solely for the information and use of the Board of Directors, management, others within the District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hathaway & Ksenzulak, LLP*

September 16, 2003



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## MANAGEMENT LETTER

To the Senior Management and  
Board of Directors  
Shasta Community Services District

In planning and performing our audit of the financial statements of Shasta Community Services District for the year ended June 30, 2003, we considered the District's internal control structure for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control structure.

During our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### PRIOR YEAR RECOMMENDATIONS

#### Significant Audit Adjustments

For the fiscal year 2002, we recommended that all equipment purchases and disposals be recorded in a timely matter. This recommendation has been implemented.

### CURRENT YEAR RECOMMENDATIONS

#### None

This letter is intended solely for the information and use of the Board of Directors, management, others within the District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hathaway & Ksenzulak, LLP*

September 16, 2003

*DAVID L. EDWARDS*

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July 21, 2004

Honorable Monica Marlow  
Judge of the Shasta County Superior Court  
1500 Court Street  
Redding, CA 96001

Re: Asserted conflict of interest by Carole Todd, elected member of Shasta  
Community Services District Board of Directors

Dear Judge Marlow:

I represent the Shasta Community Services District. The Board of Directors of the SCSD has asked me to respond on behalf of the District to assertions that have been made by the Shasta County Grand Jury that Carole Todd, an elected member of the District's board, has engaged in acts that create an irreconcilable conflict of interest. These assertions of a conflict of interest are two-fold, namely that Carole's Lock and Key, a business in which Carole Todd has an ownership interest, from time to time provides locksmith services to the District for which Carol's Lock and Key is paid, and, secondly, the assertion that Carole Todd has an irreconcilable conflict of interest in serving on the Districts' Board of Directors because her husband, Mark Todd, is the District's fire chief. Let me respond to each of these two assertions.

A. Carol's Lock And Key

The Shasta Community Services District from time to time uses the services of Carol's Lock and Key, a business in which Carole Todd has an ownership interest. The total amount paid by the District to Carol's Lock and Key for any twelve-month period has been less than \$160.

The Legislature has set out the general rule prohibiting public officials from using their office for financial gain. That general principle of law is codified at Government Code Section 87100 which provides, in full, that:

"No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to

influence a governmental decision in which he knows or has reason to know he has a financial interest."

At first blush, then, it would appear that no elected official can earn any income whatsoever from a contract entered between the public entity which the official serves and the public official's business interest. However, recognizing that a blanket prohibition such as that would substantially interfere with businesses operated in areas served by small public entities, the Legislature modified the general rule of Government Code Section 87100 by defining "financial interest" in Government Code Section 87103. Government Code Section 87103 provides, in pertinent part:

"An official has a financial interest in a decision within the meaning of Section 87100 if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official or on a member of his or her immediate family or on :

"C" any source of income..., aggregating two hundred-fifty dollars (\$250.00) or more in value provided to, received by or promised to the public official within 12 months prior to the time when the decision is made."

Government Code § 87103 was amended in the year 2000 to increase the permissible threshold to \$500.

Here, where the Shasta Community Services District has paid Carol's Lock and Key a *de minimus* amount, less than one hundred and sixty dollars, that income to Carol's Lock and Key would not represent a "financial interest" by Ms. Carole Todd so as disqualify her from serving as a member of the District's Board of Directors.

#### B. Mark Todd's Service as Fire Chief

Mark Todd worked as a volunteer firefighter for the Shasta Fire Protection District prior to his appointment as a training officer. He served as training officer for approximately three years. In June 1998, he was appointed as the assistant fire chief. The appointment as assistant fire chief was made by vote of the general membership of the fire department. The Board of Directors of the Shasta Community Services District was not involved in either the vote for selection of the assistant fire chief nor did the Board of Directors ratify the decision of the membership of the fire department.

Upon the resignation of the individual who served as fire chief, Mr. Todd then worked as the acting fire chief, again upon a vote of a membership of the fire department. Mr. Todd's selection as the fire chief by the membership of the fire

Judge Monica Marlow

July 21, 2004

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department was then ratified by the SCSD Board of Directors of September 13, 2002. Carole Todd did not attend that meeting and took no part in that ratification.

The Shasta Fire Protection District where Mark Todd serves as fire chief is an autonomous entity and operates separately from the Shasta Community Services District. The Fire Protection District hires the fire department employees. Mr. Todd interviews and selects employees for the Fire Protection District. The Board of Directors at the Shasta Community Services District is then simply informed that the fire department has hired employees. The SCSD Board of Directors takes no action to ratify the employees hired by the fire department.

The fire department conducts its own membership meetings which occur on the 1<sup>st</sup>, 3<sup>rd</sup>, 5<sup>th</sup> Tuesdays of each month. Members of the SCSD Board of Directors do not participate in those meetings, nor does the general manager of the Shasta Community Services District.

The Fire Protection District has its own checking account, which is separate and apart from the accounts maintained by the Shasta Community Services District. The Shasta Fire Protection District receives revenues which are based on percentages of the property taxes paid by parcels of property located within the District. The Shasta Fire Protection District also holds a number of fund-raisers throughout the year and receives donations which go into its separate checking account. This last year, the Shasta Fire Protection District purchased Engine No. 556 solely with funds from its own checking account.

The Shasta County Grand Jury report cites Government Code § 1090 as standing for the proposition that it is an irreconcilable conflict of interest for Carole Todd to serve as a member of the Board of Directors to whom Mark Todd reports as the Chief of the Shasta Fire Protection district. The Grand Jury report does not cite any Attorney General's opinions or other authority construing Government Code § 1090. I have reviewed the Attorney General opinions that have interpreted Government Code § 1090 and do not believe that any of those opinions arise from factual situations that are present here, where the employed spouse has a nearly autonomous and independent relationship with the board on which the elected spouse serves.

Further, Government Code § 87105 provides that a public official may have a financial interest in a decision that comes before the board in which a public official serves, providing that the public official shall identify that financial interest, recuse herself from discussing and voting on the matter and leaves the room until after the discussion, vote and disposition of the matter on the agenda. Ms. Todd has performed all of those acts.

Judge Monica Marlow

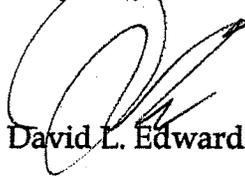
July 21, 2004

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The general rule of statutory construction is that when the Legislature has promulgated more than one statute which generally covers the same issue, then the more recent enactment will control over the earlier and the more specific enactment will control over the more general. Here, Government Code § 1090 was originally passed in 1943 and was most recently amended in 1970. However, Government Code § 87100 *et. seq.*, referred to as the Political Reform Act of 1974, was adopted by the public as an initiative measure on June 4, 1974 and made operative on January 7, 1975. I believe that the Political Reform Act of 1974 therefore controls over statutes cited by the Grand Jury.

Given the autonomous nature of the fire protection district, as outlined above, and the fact that Carole Todd took no part in the ministerial action by the Board to ratify Mark Todd's selection by the fire department as its fire chief, no conflict of interest has existed which would disqualify Carole Todd from service as an elected member of the Board of Directors of the Shasta Community Services District.

Very truly yours,

A handwritten signature in black ink, appearing to read "David L. Edwards", written over a circular stamp or seal.

David L. Edwards

DLE/kp

## SHASTA COUNTY CLERK/REGISTRAR OF VOTERS

### **REASON FOR INQUIRY:**

The Grand Jury's authority to investigate and report on the Office of the Shasta County Clerk/Register of Voters can be found in Section 925 of the California Penal Code.

### **Shasta County Clerk/Registrar of Voters**

1643 Market St.  
Redding, CA 96001  
(530) 225-5730

### **BACKGROUND:**

It is the responsibility of the Shasta County Clerk/Registrar of Voters to maintain a current listing of registered and eligible voters and manage all elections within the county. In addition, the office accepts passport applications; issues marriage licenses; registers persons to act as legal document or unlawful detainee assistants; and provides other similar services.

The office employs nine full time persons, including the elected Shasta County Clerk/Registrar of Voters.

The Office of the Shasta County Clerk/Registrar of Voters recently implemented major changes in the county's voting procedures. The county's old punch card system was decertified by the Secretary of State in 2001. Installation of electronic voting machines is required by the Federal Help America Vote Act of 2002 to be operational by the November 2004 election.

When the recall petition of the Governor qualified as a ballot measure for the October 7, 2003 statewide special election, the Clerk/Registrar of Voters decided to accelerate the installation of the new electronic voting machines ahead of the November 2004 deadline so that the new system could be used at both the special (recall) election and the regular election scheduled for November 4, 2003. Prior to those elections, the Clerk/Registrar of Voter's office arranged for the training of staff and temporary precinct workers. The use of the new electronic system shortened the time required by the Registrar of Voters to count the ballots that had been cast in each of those two elections. Grand Jury Members observed those two elections in 2003. The new touch-screen voting units were used at all the precincts and electronic ballot cartridge readers were used at the Office of Registrar of Voters to count the votes that had been cast. The election process was observed by the Grand Jury beginning with delivery of electronic voting data at the Office of the Registrar of Voters, to the counting of electronic and absentee ballots, and sending of voting results to the Office of the California Secretary of State. The voting process took place without major problems.

### **METHOD OF INQUIRY:**

The Grand Jury interviewed the following persons:

- Shasta County Clerk/Registrar of Voters
- Two employees of the Shasta County Clerk/Registrar of Voter's Office
- Shasta County Director of Support Services

- Shasta County Information Systems Chief Technical Officer
- Human Resource Directors in six other counties
- Shasta County Budget Officer

The Grand Jury reviewed the following documents, reports and contracts:

- Local and major newspapers in Bay Area and Sacramento
- National Associations of Newspaper "County Newspaper"
- Resolution No. 2003-212 dated October 28, 2003 by the Board of Supervisors for application for funds under the "Help American Voters Act of 2002"
- Reports from Shasta County Clerk/Registrar to County Board of Supervisors dated May 20, 2003 and October 28, 2003
- Agreement between County of Shasta and Sequoia Voting Systems for Electronic and Optical Scan Voting Systems and Related Work dated May 20, 2003
- State of California Modernization Board Memo to all County Clerks/Registrars of Voters dated October 28 and 29, 2003
- Federal "Help American Vote Act of 2002"
- State "Voting Modernization Bond Act of 2002"

#### **FINDINGS:**

1. The office of the Shasta County Clerk/Registrar of Voters is managed and operated in a professional and efficient manner.
2. The combined efforts of the Shasta County Information Systems Department and the Shasta County Clerk/Registrar of Voters' office proved successful in selecting the appropriate electronic voting equipment and software provider.
3. The cost of the new voting system, amounting to \$1,719,066 was in large part paid for by the State and Federal governments. Shasta County's General Fund share amounted to \$45,850.
4. The electronic voting machines were utilized during two elections in 2003, a year earlier than required by the "Help America Vote Act of 2002."
5. The news media and the statewide Association for Voter Registrars noted the successful implementation of the "Help America Vote Act of 2002" in Shasta County.
6. The Shasta County Clerk/Registrar of Voters is paid 10.5 percent below that of the next lowest paid elected Shasta County Official. The County Clerk/Registrar of Voters is paid 10 percent less than the average salary of this position in six other counties of similar size in California.

#### **RESPONSE REQUIRED:**

None

#### **COMMENDATION:**

The Grand Jury commends the Shasta County Clerk/Registrar of Voters and staff for their management and operation of the office in a professional and efficient manner.

## **SHASTA COUNTY DEPARTMENT OF PUBLIC HEALTH ACTIVITIES ON WATER FLUORIDATION BALLOT MEASURE**

### **REASON FOR INQUIRY:**

California Penal Code Section 925 requires the Grand Jury to investigate and report on the operations, accounts, and records of the officers, departments or functions of the County. Section 925 permits such investigations to be on a selective basis each year. The Grand Jury received one citizen's complaint regarding the Shasta County Department of Public Health.

**Shasta County Department of  
Public Health**

2650 Breslauer Way  
Redding, CA 96001  
(530) 225-5653

### **BACKGROUND:**

The Shasta County Department of Public Health (SCDPH) was established in 1953 to work with the community to promote the health of people in Shasta County.

The core of what SCDPH does is as follows:

- Prevent disease and injury and their associated human and economic costs.
- Help our communities access personal and community health services.
- Gather and distribute health information to our communities.
- Work with local leaders to affect health related community action.

SCDPH's position on fluoridation of drinking water to prevent tooth decay is a public health issue.

SCDPH and Shasta Community Health Center, a private, nonprofit primary health care system, agreed to co-chair the Shasta Oral Health Task Force prevention subcommittee in its effort to improve the oral health of Shasta County's residents.

The SCDPH budget for fiscal year 2001/2002 included a \$100,000 line item to contribute to the initial costs associated with fluoridation of Redding's water supply. Funding for this budget item was predominately made up of state funds with significant federal matching funds. Of the \$100,000 budgeted for fluoridation efforts, SCDPH expended \$8,000 to conduct a public opinion poll and approximately \$7,000 was expended to develop an educational program on fluoridation with public access television. Also, an additional \$25,000 provided contract funding with the City of Redding for conducting preliminary engineering and cost estimates regarding the fluoridation of the city's water system.

Prior to the April 16, 2002 the Shasta County Board of Supervisors (the Board) meeting, a group later known as Citizens for Safe Drinking Water, was collecting signatures in order to place an initiative on the ballot against the City of Redding's water fluoridation plan.

At the Board meeting on April 16, 2002, groups for and against the water fluoridation issue gave presentations. The Board then discussed with County Counsel the extent to which county funds could be expended on the fluoridation issue in light of the efforts to place a measure on the ballot.

On July 2, 2002, the Redding City Council determined that the ballot initiative, Measure A, qualified for the November 2002 election. Measure A proposed to restrict

the City's ability to add compounds to the drinking water not approved by the Federal Drug Administration. In the November 2002 election, Measure A passed.

**METHOD OF INQUIRY:**

The Grand Jury interviewed the following:

- A Shasta County Supervisor
- The Shasta County Administrative Officer
- The Director of SCDPH
- The Director of Shasta County Department of Support Services
- The Executive Director of First 5 Shasta
- The Chairperson of Shasta Oral Health Task Force
- The Chairman of Citizens for Safe Drinking Water
- The County Budget Officer

The Grand Jury reviewed the following:

- City of Redding Measure A on general election ballot of November 5, 2002
- Local newspaper articles
- Letters from groups and citizens to the County and City for and against fluoridation
- Agreement between County of Shasta and City of Redding for the Purpose of Cost Estimation, Preliminary Engineering, and Design for Fluoridation of the City's Water Supply, dated October 16, 2001
- Reports and memoranda to the Board and County Administrative Office from the SCDPH on fluoridation
- Agenda Package of the Board meeting dated April 16, 2002
- Minutes and video of the April 16, 2002 Board meeting
- Government Code Section 8314
- SCDPH Policies & Procedure Manual
- Shasta County Employees Handbook, March 1996, Rev. July 2003
- Reports to the Board dated July 10, and 15, 2002
- Review of disclosure and financial statements, California Form 410 statement of organization Recipient Committee, prepared by Measure A campaign committees both for and against and submitted to the California Secretary of State
- Office of the County Counsel, Client Legal Guide, July 2003

**FINDINGS:**

1. SCDPH used flyers, office signs, radio and television ads to educate the public on the fluoridation of drinking water.
2. Subdivision (a) of Government Code Section 8314 provides:  
"It shall be unlawful for any elected state or local officer, including any state or local appointee, employee, or consultant, to use or permit others to use public resources for a campaign activity, or personal or other purposed which are not authorized by law."

Subdivision (d) of Government Code Section 8314 provides:

"Nothing in this section shall prohibit the use of public resources for providing information to the public about the possible effects of any bond issue or other ballot measure on state activities, operations, or policies, provided that (1) the informational activities are otherwise authorized by the constitution or laws of this state, and (2) the information provided constitutes a fair and impartial presentation of relevant facts to aid the electorate in reaching an informed judgment regarding the bond issue or ballot measure."

3. The Shasta County Employee Handbook, dated July 2003, in the section entitled "Political Activities" notes that there are state and federal laws, which place restrictions on the political activities of public employees.

As a matter of County policy, the handbook provides that employees and officers may participate in management of a candidate for public office, may contribute money to political campaigns or organizations, may attend political fund raising functions, may actively campaign for candidates and may otherwise participate in the political process, all on their own time. However, officers and employees may not engage in these or any other political activities during working hours, on County premises or using County facilities or equipment.

However, employees and officers who perform duties in connection with activities funded by the Federal Government are subject to the Hatch Act. The Hatch Act provides, among other things, that an officer or employee may not:

- a. Use his or her official authority or influence for the purpose of interfering with or affecting the results of an election or a nomination for office:
  - b. directly or indirectly coerce, attempt to coerce, command, or advise a state or local officer or employee to pay, lend or contribute anything of value to a party, committee, organization, agency, or person for political purposes.
4. Several private action groups such as Shasta Oral Health Task Force, Shasta Community Health Center, and Redding Citizens for Healthy Smiles promoted water fluoridation during 2001/2002.
  5. Shasta Oral Health Task Force and Shasta Community Health Center work very closely with SCDPH to make the best use of public and private resources for the health care of Shasta county citizens.
  6. The Grand Jury's investigation into the involvement of county employees use of public funds in the fluoridation campaign did not find unauthorized use of public funds.

**RECOMMENDATIONS:**

NONE

**REQUIRED RESPONSES:**

NONE

## **SHASTA COUNTY JUVENILE HALL**

### **REASON FOR INQUIRY:**

California Penal Code section 919 mandates that the Grand Jury inquire into the condition and management of all public prisons located within the County.

**Shasta County Juvenile Hall**  
2680 Radio Lane  
Redding, CA 96001  
(530) 225-5728

### **BACKGROUND:**

The Shasta County Juvenile Hall (SCJH) was built in 1958 to detain juveniles between the ages of ten and eighteen.

SCJH provides space for the Juvenile Probation Office, Juvenile Court and three housing units. Unit A houses male and female maximum-security juveniles and contains eight, single occupancy "wet" cells. These cells contain a toilet, sink and drinking fountain. Units B and C, comprising 6,000 square feet, were added in 1988. These housing unit cells are double occupancy, medium security, "dry" cells with three centrally located rest rooms per unit. There is a dayroom in each unit for general population dining, daily orientation and recreation. There is an area outside the housing units, which is used for recreation such as basketball, volleyball, softball, gardening and animal husbandry. When weather prohibits outdoor activities, the juveniles spend time in the dayrooms.

Housing units B and C are designed for 24 juveniles each. Housing unit B is designated for females and C is designated for males. There are often more male than female juveniles. When the male population exceeds 24, carefully screened males are housed in the female unit. If the total number of juveniles exceeds 52, selected juveniles are given an early release.

School is held five hours per day, five days per week for the juveniles housed in units B and C. The classrooms are in three modular buildings on the campus. The juveniles housed in unit A attend school in one of the dayrooms.

California Forensic Medical Group provides medical care. There is an on-site nurse five days per week and a physician visits twice a week. A nurse is always on call and must respond within two hours. In the event of a medical emergency, 911 is called and the injured person is taken to a local hospital.

The Shasta County Juvenile Hall staffing includes:

- The Division Director
- Four Supervising Group Counselors
- Twenty-six full time Group Counselors
- Eight to ten extra-help Group Counselors
- A Food Service Supervisor
- Two fulltime cooks
- A Legal Process Clerk
- Two Teachers
- A Nurse

### **METHOD OF INQUIRY:**

The Grand Jury toured the Shasta County Juvenile Hall on August 19, 2003 and again on January 22, 2004.

The Grand Jury interviewed:

- The Division Director
- A Food Service Supervisor
- One Cook
- One Teacher
- A Nurse

The Grand Jury reviewed the following documents:

- Board of Corrections (BOC) Inspection Report dated April, 2003
- Responses from the County Administrative Officer and Division Director to the BOC Inspection Report
- BOC Inspection Report dated February 5, 2004
- Booking Forms
- Inmate Census and Tracking Forms
- Orientation Pamphlet
- Procedure Manual
- Report from independent consultants
- Response from the Shasta County Administrative Officer to the report from the independent consultants
- Special Incident Reports randomly selected by the Division Director
- Staff Organization Chart
- State Fire Marshal's Inspection Report of September 8, 2003
- Use of Force Reports covering a three month period during 2003
- Various logs for Shasta County Juvenile Hall: Juvenile Count Log, Shift to Shift Unit Message Log and Facility Status Log

## **FINDINGS:**

1. During the initial visit, the Grand Jury found the juvenile intake door/sally port area had two security issues. The Division Director told the Grand Jury that some vegetation and latticework required removal so staff would have better visualization of the area. The second issue was the absence of a true sally port entry for juvenile intake. A sally port is a system of entry and exit with a secured door at each end, which cannot be opened simultaneously. Having a sally port reduces the risk of escape at the time of intake. These issues had been addressed by the time of the second Grand Jury visit. There is a plan to remove the remnants of the vegetation and latticework and to build a true sally port later this fiscal year. The estimated cost for this is between \$80,000 and \$100,000.

2. The surveillance system is outdated and needs replacing. It does not cover the building interior, only partially on the perimeter along the fence, has no taping system and the console occasionally heats up and shuts down.

3. A suicide and a pregnancy on the campus in 2002 resulted in the Shasta County Board of Supervisors hiring independent consultants to inspect SCJH. The independent consultants recommended, in their January, 2003 report, that of the following be installed:

- Razor wire atop the chain link fence
- Privacy slats in the chain link
- Breakaway sprinkler heads
- Windowed bathroom doors.

The consultants further recommended addition of eight group counselors and a rewrite of the Policy and Procedure Manual.

4. The Board of Corrections (BOC) performed its biannual inspection of SCJH on April 10 and 11, 2003. That inspection reinforced the independent consultants' recommendations and added a few more escape risk concerns. The inspectors also reduced the number of licensed beds from 60 to 56 because of inadequate toilet facilities.

5. All recommendations of the BOC and Independent Consultants have been implemented.

6. The fiscal year 2003/2004 budget is \$2,391,000. This is an increase of over \$600,000 from the preceding year. The reasons for this increase are the expenses to fund the recommendations made by the BOC.

7. The February 5, 2004 BOC Inspection Report reviewed by the Grand Jury revealed SCJH to be compliant with Titles 15 and 24 of the California Code of Regulations Minimum Standards for Juvenile Facilities and an improvement in living conditions, schooling, safety and staff morale since April, 2003.

**RECOMMENDATIONS:**

None

**RESPONSE REQUIRED:**

None

**COMMENDATION:**

The Grand Jury commends the Division Director and the Staff for their dedication to improving the conditions, morale and operations at the Shasta County Juvenile Hall.

## SHASTA COUNTY MAIN JAIL

### **REASON FOR INQUIRY:**

California Penal Code section 919 mandates that the Grand Jury annually inquire into the condition and management of all public prisons located within the County.

#### **Shasta County Main Jail**

1655 West Street  
Redding, CA 96001  
(530) 245-6100

### **BACKGROUND:**

The Shasta County Main Jail opened in August 1984 for the detention of adult males and females. The jail was designed to house a maximum of 237 inmates. During the next ten years, most of the cells were double-bunked to increase the jail's capacity. In April of 1993, the Sheriff obtained a court order to allow the early release of inmates when the jail population gets within ten percent of the rated capacity of 381 inmates. The Sheriff's Office provides a quarterly report of early releases to the Shasta County Superior Court.

The Detention Annex was closed in January of 2003. It was previously used to house inmates convicted of less serious crimes.

Currently, the available programs that provide alternatives to incarceration are:

- Community Parole (Probation Department)
- Drug Rehabilitation Program
- Home Electronic Confinement
- Shasta County Sheriff's Work Release Program
- Supervised Own Recognizance (Probation Department)

Inmates sentenced to state prison are housed at the jail awaiting transportation. The facility also holds pre-trial defendants and persons who are serving a sentence of less than one year.

### **METHOD OF INQUIRY:**

The Grand Jury toured the facility on September 16, 2003 and visited on four other occasions.

The Grand Jury interviewed:

- The Shasta County Undersheriff
- One Captain
- One Lieutenant
- One Sergeant
- Two Deputies
- Two Correctional Officers
- A Nurse
- A Kitchen Supervisor
- The Shasta County Administrative Officer
- One Inmate

The Grand Jury reviewed the following documents:

- Budget for fiscal year 2003/2004
- Jail Inmate Orientation Pamphlet
- Medical Forms used by the California Forensic Medical Group (CFMG)
- Menu for one week
- Numerous complaints received by the Grand Jury from inmates in the jail
- Quarterly Capacity Release Reports
- Schedules for Alcoholics Anonymous and Narcotics Anonymous Meetings

- Jail Fact Sheet prepared by the Sheriff for the Grand Jury
- Various forms for booking, evaluating an inmate's medical condition and population control

### **FINDINGS:**

1. From July 7, 2003 through March 23, 2004 there was one suicide, one attempted suicide, and one death from natural causes in the jail. In addition, there was one death from natural causes within 13 hours of the inmate's release from jail.
2. The Shasta County Main Jail staffing includes:
  - One Captain
  - One Lieutenant
  - Five Sergeants
  - 24 Deputy Sheriffs
  - 21 Correctional Officers (appointed, not peace officers)
  - 25 Service Officers (appointed, no inmate contact, no peace officer powers)
  - One Administrative Secretary
  - Eight Cooks/Laundry Officers
  - One Support Services Manager
3. The jail's budget for the fiscal year 2003/2004 is \$9,808,153. This is scheduled to be reduced by \$179,000 due to a funding reduction by the State.
4. The current contract with CFMG for medical and psychiatric services for inmates is for \$1,159,575 annually.
5. CFMG has incorporated Tele-Psychiatry into its mental health program. This allows an inmate to be evaluated by a psychiatrist utilizing closed circuit television.
6. The Booking Fee is currently \$128. This is the fee that a city pays to have a suspect arrested by city police booked into the jail. State and federal law enforcement agencies (such as the CHP) are exempt from this fee.
7. Currently, it costs \$63 per day to house an inmate.
8. The jail received a two year accreditation in March of 2003 from the American Medical Association's institutional medical quality review board.
9. In April 2003, the facility passed the bi-annual Board of Corrections Inspection.
10. In August 2003, the facility passed the annual Health and Nutrition Inspection done by the Shasta County Public Health Department.

### **RECOMMENDATION:**

None

### **RESPONSE REQUIRED:**

None

## SHASTA COUNTY PUBLIC ENTITIES' POLICIES GOVERNING USE OF CREDIT CARDS

### **REASON FOR INQUIRY:**

California Penal Code Section 933.5 provides that the Grand Jury may investigate and report on the operations of any special purpose assessing or taxing district located wholly or partly within the County.

### **BACKGROUND:**

Possible misuse of credit cards by public employees is a matter of obvious and ongoing concern. Therefore, the 1996/1997 Grand Jury determined that policies governing the use of credit cards could be helpful in deterring possible abuse. The 2003/2004 Grand Jury, after reviewing the 1996/1997 report, determined there was a need to follow-up on the earlier investigation.

### **METHOD OF INQUIRY:**

The Grand Jury initiated a survey to determine if there had been any changes of credit card use since the 1996/1997 report and whether adequate governing policies exist. Questionnaires were sent to 33 agencies. The criteria for selection to receive a questionnaire from the 2003/2004 Grand Jury were:

- Any agency not responding or providing an incomplete response to the 1996/1997 Grand Jury inquiries.
- Any agency that in 1996/1997 had established a credit card policy, but the policy did not meet the 1996/1997 Grand Jury policies and procedures recommendations.
- Any agency using credit cards that does not have a written credit card policy.

### **FINDINGS:**

1. Fifteen agencies reported that no cards have been issued or used since 1999.
2. Twelve agencies issued credit cards and submitted a credit card policy for the Grand Jury's review. The Grand Jury found that the written policies, for nine of the agencies, to be adequate.
3. Two of the twelve agencies issued credit cards but their policies were missing elements recommended by the 1996/1997 Grand Jury, and are therefore inadequate.
4. Six agencies did not respond to the Grand Jury's request.

SHASTA COUNTY GRAND JURY	
QUESTIONNAIRE	
Public Entity:	_____
Name, position and telephone number of person completing this form:	_____ _____
Date:	_____
Has your public entity issued any credit cards to officers or employees?	____ yes ____ no
If so:	Number of cards issued since 1999 _____
Does your public entity have a written policy regarding:	
The issuance of credit cards?	____ yes ____ no
The authorized use of credit cards?	____ yes ____ no
The auditing of the usage of credit cards by officers and employees?	____ yes ____ no
<b>If your public entity has a written policy dealing with the usage of credit cards by officers or employees, please, attach a copy of your policy to this questionnaire.</b>	
Please, return your completed questionnaire to:	
Jim Patten Foreperson, Shasta Grand Jury PO Box 992086 Redding, CA 96099-2086	

5. The 1996/1997 Grand Jury credit card policy recommendations were reviewed. The 2003/2004 Grand Jury is in agreement with these recommendations.

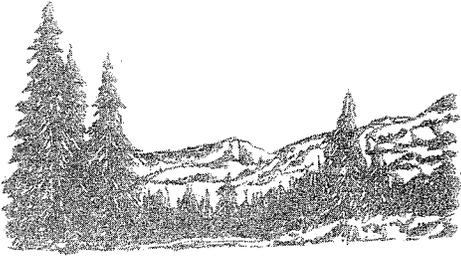
**RECOMMENDATIONS:**

1. Agencies that use credit cards or which anticipate using them in the future should have a written governing policy.
2. The credit card policy should include the recommendations of the 1996/1997 Grand Jury including the following elements:
  - Credit cards are to be issued in the name of the agency only, never in the name of an individual employed in that agency.
  - Specific personnel within the agency should be authorized to use the credit cards.
  - Credit cards should be used in only those circumstances described in the policy.
  - Credit cards must be kept in a secure place.
  - Credit cards must be logged in and out by the individual responsible for the card.
  - Credit card receipts must be kept whenever a credit card is used.
  - Credit card receipts must be itemized with each purchase listed and priced and total tax and delivery charges included if applicable.
  - Each credit card purchase should be limited to a maximum amount specified in the policy.
  - The agency manager or supervisor must review and approve all credit card charges monthly.
  - Credit card accounts are to be maintained in a manner that facilitates a clear audit trail.
  - Credit card balances should be paid before any interest accrues.
  - The policy should prohibit personal use of credit cards.
  - Credit cards issued by chain stores or retailers should not be used.

**RESPONSE REQUIRED:**

The governing board of each of these agencies must respond to the indicated finding or recommendation.

1. Finding #4 (agencies which did not respond):
  - Anderson Union High School District
  - Enterprise School District
  - French Gulch-Whiskeytown School District
  - North Cow Creek School District
  - Oak Run Elementary School District
  - Shasta Lake Fire Protection District
2. Recommendation #2 (inadequate policies):
  - Burney Water District:
  - Igo-Ono-Platina School District



# Anderson Union High School District

1469 Ferry St., Anderson, CA 96007 • (530) 378-0568 • FAX (530) 378-0834

Dennis J. Boyle, Superintendent

**FILED**

**OCT 01 2004**

CATHY DARLING, COUNTY CLERK

BY: S. GREENHAW *S. Greenhaw*  
DEPUTY CLERK

September 27, 2004

The Honorable Judge Monica Marlow  
of the Superior Court  
1500 Court Street  
Redding, CA 96001

Dear Judge Marlow:

This letter is in response to the 2003/04 Grand Jury's Final Report requesting information from Shasta County Public Entities on the use of credit cards. Enclosed is a copy of our proposed Board policy which addresses credit card usage. The policy was presented for review to the Anderson Union High School District Board at the September 21, 2004, Board of Trustees meeting and will be presented for adoption at the October 19 meeting. If there are any changes to the policy on October 19, we will send you a revised copy.

Please call me with any questions regarding this policy. My telephone number is 378-0568 ext. 1652.

Sincerely,

*Dennis J. Boyle*

Dennis J. Boyle  
Superintendent

DJB/gm  
Enclosure

RECEIVED  
OCT 01 2004

SHASTA COUNTY CLERK

**Business and Noninstructional Operations**

**Travel Expenses**

The Governing Board shall authorize payment for actual and necessary expenses, including travel, incurred by any employee performing authorized services for the district.

The Superintendent or designee may approve employee requests to attend meetings in accordance with the adopted budget.

- (cf. 4131 - Staff Development)
- (cf. 4131.5 - Professional Growth)
- (cf. 4231 - Staff Development)
- (cf. 4331 - Staff Development)

Expenses shall be reimbursed within limits approved by the Board. The Superintendent or designee shall establish procedures for the submission and verification of expense claims. He/she may authorize an advance of funds to cover necessary expenses.

The Board may establish an allowance on either a mileage or monthly basis to reimburse authorized employees for the use of their own vehicles in the performance of assigned duties.

All out-of-state travel for which reimbursement will be claimed shall have Board approval. Travel expenses not previously budgeted also shall be approved on an individual basis by the Board.

Authorized employees may use District credit cards while attending to District business. Under no circumstances may personal expenses be charged on District credit cards.

- (cf. 9240 - Board Development)
- (cf. 9250 - Remuneration, Reimbursement, and Other Benefits)

Legal Reference:

- EDUCATION CODE
- 44016 Travel expense
- 44032 Travel expense payment
- 44033 Automobile allowance
- 44802 Student teacher's travel expense

Policy  
Adopted:

ANDERSON UNION HIGH SCHOOL DISTRICT  
Anderson, California



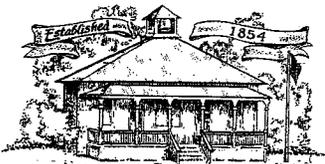
# REDDING SCHOOL DISTRICT

Academic Excellence Since 1873



Tradition of Excellence Since 1853

# SHASTA UNION ELEMENTARY SCHOOL DISTRICT



# FRENCH GULCH- WHISKEYTOWN SCHOOL DISTRICT



# IGO-ONO- PLATINA UNION SCHOOL DISTRICT

## EDUCATION CENTER

5885 East Bonnyview Road

P.O. Box 992418

Redding, CA 96099-2418

(530) 225-0011

(530) 225-0015 Fax

[www.shastalink.k12.ca.us/rsd/](http://www.shastalink.k12.ca.us/rsd/)

RENAE DREIER, Ed.D.  
Superintendent

# FILED

AUG 30 2004

ANN REED, CLERK  
BY C. Ashcraft  
Deputy Clerk

August 11, 2004

Honorable Judge Monica Marlow  
Superior Court  
1500 Court Street  
Redding, CA 96001

Dear Judge Monica Marlow:

The French Gulch-Whiskeytown School District is responding to the 2003/2004 Grand Jury Final Report: "The governing board of each of these agencies must respond to the indicated finding or recommendation".

1. Finding #4 (agencies which did not respond):  
French Gulch-Whiskeytown School District

The response is that we do not use credit cards in this district and we do not anticipate using them in the future. We hope this meets your request.

Sincerely,

Renaë Dreier, Superintendent  
The New Millennium Partnership

RECEIVED

AUG 30 2004

SHASTA COUNTY CLERK

The New Millennium Partnership



# SHASTA COUNTY

## GRAND JURY

October 27, 2004

P. O. BOX 992086  
REDDING, CA 96099-2086  
VOICE MAIL: (530) 225-5098

North Cow Creek Elementary School District  
10619 Swede Creek Road  
Palo Cedro, CA 96073

Regarding: Reply to 2003/2004 Grand Jury - Regarding Use of Credit Cards

Attention: Biff Barnes,  
Superintendent/Principal

Dear Mr. Barnes:

As of this date, your district has yet to respond to the 2003/2004 Shasta Country Grand Jury's request for a copy of your policies governing use of credit cards and completion of the questionnaire. You were among the districts selected to complete the Shasta Country Grand Jury Questionnaire because inadequate information was given to the 1996/1997 Grand Jury in follow up to its investigation of inappropriate or inadequate accounting of credit card usage.

California Penal Code Section 933.5 provides that the Grand Jury may investigate and report on the operations of any special purpose assessing or taxing district located wholly or partly within the Country. With this authority, the 2003/2004 Grand Jury requested you respond to the recommendations of the 1996/1997 Grand Jury regarding use of credit cards by your district.

Enclosed is a copy of the 2003/2004 Shasta Country Grand Jury's recommendations. When can the 2004/2005 Grand Jury expect a reply to this request?

Sincerely,

Harry Tully, Foreperson  
2004/2005 Shasta Country Grand Jury

HT/lee

Enclosure: Shasta County Public Entities' Policies Governing Use of Credit Cards

RECEIVED

JUN 07 2005

SHASTA COUNTY CLERK

# SHASTA COUNTY PUBLIC UTILITIES POLICIES GOVERNING USE OF CREDIT CARDS

## REASON FOR INQUIRY:

California Penal Code Section 933.5 provides that the Grand Jury may investigate and report on the operations of any special purpose assessing or taxing district located wholly or partly within the County.

## BACKGROUND:

Possible misuse of credit cards by public employees is a matter of obvious and ongoing concern. Therefore, the 1996/1997 Grand Jury determined that policies governing the use of credit cards could be helpful in deterring possible abuse. The 2003/2004 Grand Jury, after reviewing the 1996/1997 report, determined there was a need to follow-up on the earlier investigation.

## METHOD OF INQUIRY:

The Grand Jury initiated a survey to determine if there had been any changes of credit card use since the 1996/1997 report and whether adequate governing policies exist. Questionnaires were sent to 33 agencies. The criteria for selection to receive a questionnaire from the 2003/2004 Grand Jury were:

- Any agency not responding or providing an incomplete response to the 1996/1997 Grand Jury inquiries.
- Any agency that in 1996/1997 had established an credit card policy, but the policy did not meet the 1996/1997 Grand Jury policies and procedure recommendations.
- Any agency using credit cards that does not have a written credit card policy.

## FINDINGS:

1. Fifteen agencies reported that no cards have been issued or used since 1999.
2. Twelve agencies issued credit cards and submitted a credit card policy for the Grand Jury's review. The Grand Jury found that the written policies, for nine of the agencies, to be adequate.
3. Two of the 12 agencies issued credit cards but their

policies were missing elements recommended by the 1996/1997 Grand Jury, and are therefore inadequate.

4. Six agencies did not respond to the Grand Jury's request.
5. The 1996/1997 Grand Jury credit card policy recommendations were reviewed. The 2003/2004 Grand Jury is in agreement with these recommendations.

## RECOMMENDATIONS:

1. Agencies that use credit cards or which anticipate using them in the future should have a written governing policy.
2. The credit card policy should include the recommendations of the 1996/1997 Grand Jury including the following elements:

- Credit cards are to be issued in the name of the agency only, never in the name of an individual employed in that agency.
- Specific personnel within the agency should be authorized to use the credit cards.
- Credit cards should be used in only those circumstances described in the policy.
- Credit cards must be kept in a secure place.
- Credit cards must be logged in and out by the individual responsible for the card.
- Credit card receipts must be kept when a credit card is used.
- Credit card receipts must be furnished with each purchase based on price and total tax and delivery charges included if applicable.
- Each credit card purchase should be limited to a maximum amount specified in the policy.
- The agency manager or supervisor must review and approve all credit card charges monthly.
- Credit card accounts are to be maintained in a manner that facilitates a clear audit trail.
- Credit card balances should be paid before any interest accrues.
- The policy should prohibit personal use of credit cards.

SHASTA COUNTY GRAND JURY

## QUESTIONNAIRE

Public Entity: North-Crest Creek Elementary School District  
Name, position and telephone number of person completing this form: Biff Barnes

Principal/ Superintendent  
Date: 11-2-04

Has your public entity issued any credit cards to officers or employees? no

If no: Number of cards issued since 1999: 0

Does your public entity have a written policy regarding:

The issuance of credit cards? yes X no

The authorized use of credit cards? yes X no

The auditing of the usage of credit cards by officers and employees? yes X no

If your public entity has a written policy dealing with the usage of credit cards by officers or employees, please, attach a copy of your policy to this questionnaire.

Please, return your completed questionnaire to:

Jim Polien  
Foreperson, Shasta Grand Jury  
PO Box 97206  
Redding, CA 96099-2065

- Credit cards issued by chain stores or retailers should not be used.

## RESPONSE REQUIRED:

The governing board of each of these agencies is requested to the indicated budgeting or accounting authority, if funding for agencies which did not respond:

- Anderson Union High School District
- Enterprise School District
- French Gulch-Whiskeytown School District
- North-Crest Creek School District
- Oak Run Elementary School District
- Shasta Lake Fire Protection District
- Recommendation #2 (inadequate policies):
- Burney Water District
- Igo-Ono-Platina School District

JUN 07 2005

SHASTA COUNTY CLERK



# SHASTA COUNTY

---

## GRAND JURY

P. O. BOX 992086  
REDDING, CA 96099-2086  
VOICE MAIL: (530) 225-5098

October 27, 2004

Oak Run Elementary School District  
P. O. Box 48  
Oak Run, CA 96069

Regarding: Reply to 2003/2004 Grand Jury - Regarding Use of Credit Cards

Attention: Patrick Bloom  
Superintendent/Principal

Dear Mr. Bloom:

As of this date, your district has yet to respond to the 2003/2004 Shasta Country Grand Jury's request for a copy of your policies governing use of credit cards and completion of the questionnaire. You were among the districts selected to complete the Shasta Country Grand Jury Questionnaire because inadequate information was given to the 1996/1997 Grand Jury in follow up to its investigation of inappropriate or inadequate accounting of credit card usage.

California Penal Code Section 933.5 provides that the Grand Jury may investigate and report on the operations of any special purpose assessing or taxing district located wholly or partly within the Country. With this authority, the 2003/2004 Grand Jury requested you respond to the recommendations of the 1996/1997 Grand Jury regarding use of credit cards by your district.

Enclosed is a copy of the 2003/2004 Shasta Country Grand Jury's recommendations. When can the 2004/2005 Grand Jury expect a reply to this request?

Sincerely,

Harry Tully, Foreperson  
2004/2005 Shasta Country Grand Jury

HT/lee

Enclosure: Shasta County Public Entities' Policies Governing Use of Credit Cards

RECEIVED

JUN 07 2005

SHASTA COUNTY CLERK

# SHASTA COUNTY PUBLIC EMPLOYEES' POLICY ON GOVERNING USE OF CREDIT CARDS

## REASON FOR INQUIRY:

California Penal Code Section 933.5 provides that the Grand Jury may investigate and report on the operations of any special purpose assessing or taxing district located wholly or partly within the County.

## BACKGROUND:

Possible misuse of credit cards by public employees is a matter of obvious and ongoing concern. Therefore, the 1996/1997 Grand Jury determined that policies governing the use of credit cards could be helpful in deterring possible abuse. The 2003/2004 Grand Jury, after reviewing the 1996/1997 report, determined there was a need to follow-up on the earlier investigation.

## METHOD OF INQUIRY:

The Grand Jury initiated a survey to determine if there had been any changes of credit card use since the 1996/1997 report and whether adequate governing policies exist. Questionnaires were sent to 33 agencies. The criteria for selection to receive a questionnaire from the 2003/2004 Grand Jury were:

- Any agency not responding or providing an incomplete response to the 1996/1997 Grand Jury inquiry.
- Any agency that in 1996/1997 had established no credit card policy, but the policy did not meet the 1996/1997 Grand Jury policies and procedures recommendations.
- Any agency using credit cards that does not have a written credit card policy.

## FINDINGS:

1. Fifteen agencies reported that no cards have been issued or used since 1999.
2. Twelve agencies issued credit cards and submitted a credit card policy for the Grand Jury's review. The Grand Jury found that the written policies, for nine of the agencies, to be adequate.
3. Two of the 12 agencies issued credit cards but their

policies were missing elements recommended by the 1996/1997 Grand Jury, and are therefore inadequate.

4. Six agencies did not respond to the Grand Jury's request.
5. The 1996/1997 Grand Jury credit card policy recommendations were reviewed. The 2003/2004 Grand Jury is in agreement with these recommendations.

## RECOMMENDATIONS:

1. Agencies that use credit cards or which anticipate using them in the future should have a written governing policy.
2. The credit card policy should include the recommendations of the 1996/1997 Grand Jury including the following elements:
  - Credit cards are to be issued in the name of the agency only, never in the name of an individual employed in that agency.
  - Specific personnel within the agency should be authorized to use the credit cards.
  - Credit cards should be used in only those circumstances described in the policy.
  - Credit cards must be kept in a secure place.
  - Credit cards must be logged in and out by the individual responsible for the card.
  - Credit card receipts must be kept with every receipt issued.
  - Credit card receipts must be identified with each purchase listed and placed on card as part of delivery charges (when applicable).
  - Each credit card purchase should be limited to a maximum amount specified in the policy.
  - The agency manager or supervisor must review and approve all credit card charges monthly.
  - Credit card accounts are to be maintained in a manner that facilitates a clear audit trail.
  - Credit card balances should be paid before any interest accrues.
  - The policy should prohibit personal use of credit cards.

## SHASTA COUNTY GRAND JURY

### QUESTIONNAIRE

Public Entity: Oak Run E.S.D.

Name and telephone number of person completing this form: Patrick Gleason, Superintendent

Date: 11-17-04

Has your public entity issued any credit cards to officers or employees? yes  no

If not: \_\_\_\_\_

Number of cards issued since 1999: \_\_\_\_\_

Does your public entity have a written policy regarding: yes  no

The issuance of credit cards? yes  no

The authorized use of credit cards? yes  no

The method of the usage of credit cards by officers and employees? yes  no

If your public entity has a written policy dealing with the usage of credit cards by officers or employees, please, attach a copy of your policy to this questionnaire.

Please, return your completed questionnaire to:

Jim Pullen, Shasta Grand Jury  
PO Box 972086  
Redding, CA 96099-2086

• Credit cards issued by chain stores or retailers should not be used.

## RESPONSE REQUIRED:

The governing board of each of those agencies mentioned in the attached finding which did not respond to the finding is requested to respond to the following:

- Anderson-Emmon High School District
- Enterprise School District
- French Gulch-Whiskeytown School District
- North Cow Creek School District
- Oak Run Elementary School District
- Shasta Lake Fire Protection District

2. Recommendation #2 (inadequate policies):

- Burney Water District
- Igo-Ono-Platina School District

**BOARD POLICY**

~~AR 4133 (a)~~

~~4233~~

~~4333~~

**CREDIT CARD USAGE**

**Credit Card Expenditures**

**Oak Run Elementary School District employees may use district bank and gasoline credit cards while on official district business. Under no circumstances shall personal or unapproved expenditures be made on district bank or gasoline credit cards. Any unapproved charges incurred on a district bank credit card or gasoline credit card assigned to an individual shall be the sole fiscal responsibility of the individual to whom the card was issued and will be paid to the district office immediately upon demand.**

**Under no circumstances shall charges made on a district bank credit card or gasoline credit card exceed the authorized district expenditure limits for such item(s) or impose any additional fiscal or civil liability upon the district for use of said card by any district employee so issued a district bank credit card or gasoline credit card.**

**Bank credit card/s and gasoline credit card/s shall be kept in custodial care of the business office and shall be available for temporary issuance by the Superintendent/principal or his/her designee to an individual for approved district travel and conferences, and such individuals shall be held accountable for approved usage of such card/s.**

**Any receipts not received by the end of the month shall be the sole responsibility of the user, as will any interest charged or late charges due to no receipt of invoices.**

**BANK CREDIT CARD USAGE**

**District bank credit card/s, without exception, shall be used for room or flight reservation or material/supply orders that are not accepted by purchase orders as approved by the Superintendent or his/her designee. All receipts for expenditures and the credit card/s must be turned into the accounts payable officers upon return to the district office.**

RECEIVED

JUN 07 2005

SHASTA COUNTY CLERK

## **GASOLINE CREDIT CARD USAGE**

**District gasoline cards, without exception, shall only be used for refueling district vehicles. Use of a district gasoline credit card is limited to authorized out-of-town travel. District vehicles are to be fueled at local approved gas station/s prior to and following all trips. If a trip begins or ends outside of district office business hours, the user of the vehicle must make arrangements to fuel the vehicle before returning the vehicle to the district office at the local approved gas station/s. All receipts for gasoline credit cards and the card/s must be turned into the accounts payable officer upon return to the district office. This is not to exclude cases of an vehicle emergency while the employee is on the road.**

**Approved and adopted this 9<sup>th</sup> day of September 1997,  
by the Governing board of the Oak Run Elementary District.**

# SHASTA COUNTY GRAND JURY

## QUESTIONNAIRE

Public Entity: Shasta Lake Fire Protection District

Name, position and telephone number of person completing this form:

David V. Huscher, Esq.  
Legal Counsel  
Laughlin, Falbo, Levy & Moresi LLP  
P.O. Box 492617  
Redding, CA 96049-2617  
Phone: (530) 222-0268  
Fax: (530) 222-5705

Date: August 12, 2004

Has your public entity issued any credit cards to officers or employees?  yes  no

If so:

Number of cards issued since 1999 3

Does your public entity have a written policy regarding:

The issuance of cards?  yes  no

The authorized use of credit cards?  yes  no

The auditing of the usage of credit cards by officers and employees?  yes  no

If your public entity has a written policy dealing with the usage of credit cards by officers or employees, please attach a copy of your policy to this questionnaire.

Please return your completed questionnaire to:

Jim Patten  
Foreperson, Shasta County Grand Jury  
P.O. Box 992086  
Redding, CA 96099-2086

Enc: Copy of SLFPD Credit Card Policy Resolution 97-2  
Copy of SLFPD Certification and Receipt of Credit Card  
Copy of SLFPD Credit Card Check Out/In Form  
Copy of SLFPD Certification and Receipt of Credit Card Policy for Adrian Rogers, Fred  
J. Wyckoff, and Charles Dahlen

**RECEIVED**

JUN 07 2005

SHASTA COUNTY CLERK

# Shasta Lake Fire Protection District

## Credit Card Policy

### Resolution 97-2

#### Purpose

The Shasta Lake Fire Protection District's credit card program was established as a service to the District. This program allows the District the opportunity to use a District credit card to purchase certain goods and services. The District benefits from the use of a credit card by having certain goods and services. The District benefits from the use of a credit card by having a purchasing process which allows for the placement and payment of small dollar orders in a more efficient and cost effective manner.

#### Restrictions

- The personal use of a District credit card is strictly prohibited.
- All credit cards shall be issued in the name of Shasta Lake Fire Protection District.
- This policy shall apply to any and all credit card usage.

#### Procedure

The following information describes the process:

- Cardholders should first determine if the selected vendor accepts credit card transactions. If they do, the cardholder should then notify the vendor that an order is being placed on behalf of the Fire District to assure that all applicable discounts are extended.
- Orders may be placed with the vendor either by mail, phone, fax or in person.
- The vendor will complete a sales draft which includes the following information: a) imprint of your card, including card number, expiration date, and your name, b) date and amount of purchase, c) brief description of item(s) being purchased, imprint of merchant name and identification.
- Before you sign the sales draft, verify that the amount is correct and that sales tax has been added.
- If you are at the vendor's location, sign the sales draft and take the cardholder copy. This copy should be submitted to the Fire Chief as soon as possible after the transaction has been completed. Note the account number on receipt or sales draft.
- Monthly statements will be matched to receipts and account numbers for review by Fire Chief and final payment authorization by the Board of Directors.

RECEIVED

JUN 07 2005

### Use of Credit Cards

At the present time the Fire District has limited credit cards used in special circumstances only. All credit card usage must be approved and the card checked out from the Fire Chief. The following procedure shall be utilized.

- Contact the Fire Chief for authorization and card availability.
- Pick up and sign out the credit card.
- Return card as soon as possible after the delivery of service.

### Authorized Use of Card

The District will allow the use of credit cards for certain authorized activities, with the approval of the Fire Chief. The following is a list of activities that are authorized for credit card purchases:

- Purchases of small items at locations that will not accept purchase orders.
- Fuel purchases for District business.
- Purchase of training and informational manuals.
- Reservations for lodging and or registration charges for seminars.
- Approved luncheon charges (i.e. Interview panel, conferences use in the course of District business.
- Flight reservations for District business.
- Small orders of office supplies or equipment.

### Payment of the Credit Card Statement

Monthly statements will be matched to receipts and account numbers for review by Fire Chief and final payment authorization by the Board of Directors. Review of the statements shall be in a timely manner to insure that credit card balances are paid prior to incurring any interest charges.

### Lost or stolen Cards

The District credit cards are considered District property and shall be secured at all times. If a card is lost or stolen, the cardholder of record will immediately contact the Fire Chief to limit any liability the District may have. When cards are not in use the Fire Chief will secure the cards.

# SHASTA LAKE FIRE PROTECTION DISTRICT CERTIFICATION AND RECEIPT OF CREDIT CARD POLICY

I certify that I have read a copy of the Shasta Lake Fire Protection District credit card policy. I understand that I am limited as to the uses and availability of District credit cards.

I understand the restrictions of the use of credit cards. **I ACCEPT RESPONSIBILITY THAT PURCHASES MADE WITH THIS CREDIT CARD ARE FOR OFFICIAL BUSINESS FOR THE SHASTA LAKE FIRE PROTECTION DISTRICT.**

SIGNATURE \_\_\_\_\_

PRINTED NAME \_\_\_\_\_

DATE \_\_\_\_\_

# SHASTA LAKE FIRE PROTECTION DISTRICT CREDIT CARD CHECK OUT/IN FORM

## CHECK OUT

I certify that I have received a copy of the Shasta Lake Fire Protection District Credit Card Instructions and credit card as indicated below:

Type of credit card \_\_\_\_\_

Credit Card No. \_\_\_\_\_

Date of check-out \_\_\_\_\_

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

## CHECK IN

I certify that I have used the District Credit card in the course of District business.

Date of check-in \_\_\_\_\_

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

(A copy of this shall be retained by the Fire Chief and the District Employee.)

# SHASTA LAKE FIRE PROTECTION DISTRICT CERTIFICATION AND RECEIPT OF CREDIT CARD POLICY

I certify that I have read a copy of the Shasta Lake Fire Protection District credit card policy. I understand that I am limited as to the uses and availability of District credit cards.

I understand the restrictions of the use of credit cards. I **ACCEPT RESPONSIBILITY THAT PURCHASES MADE WITH THIS CREDIT CARD ARE FOR OFFICIAL BUSINESS FOR THE SHASTA LAKE FIRE PROTECTION DISTRICT.**

SIGNATURE

Adrian Rogers

PRINTED NAME

ADRIAN ROGERS

DATE

1/22/03

# SHASTA LAKE FIRE PROTECTION DISTRICT CERTIFICATION AND RECEIPT OF CREDIT CARD POLICY

I certify that I have read a copy of the Shasta Lake Fire Protection District credit card policy. I understand that I am limited as to the uses and availability of District credit cards.

I understand the restrictions of the use of credit cards. I **ACCEPT RESPONSIBILITY THAT PURCHASES MADE WITH THIS CREDIT CARD ARE FOR OFFICIAL BUSINESS FOR THE SHASTA LAKE FIRE PROTECTION DISTRICT.**

SIGNATURE

*Fred J. Wycikoff*

PRINTED NAME

FRED J. WYCIKOFF

DATE

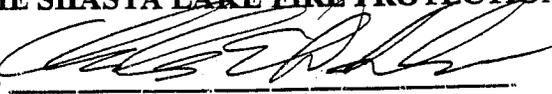
1/22/03

**SHASTA LAKE FIRE PROTECTION DISTRICT  
CERTIFICATION AND RECEIPT OF CREDIT  
CARD POLICY**

I certify that I have read a copy of the Shasta Lake Fire Protection District credit card policy. I understand that I am limited as to the uses and availability of District credit cards.

I understand the restrictions of the use of credit cards. **I ACCEPT RESPONSIBILITY THAT PURCHASES MADE WITH THIS CREDIT CARD ARE FOR OFFICIAL BUSINESS FOR THE SHASTA LAKE FIRE PROTECTION DISTRICT.**

SIGNATURE



PRINTED NAME

CHARLES DAHLEN

DATE

11/22/03

# Burney Water District



# FILED

JUL 28 2004

ANN REED, CLERK  
By S. Greenhaw *S. Greenhaw*  
Deputy Clerk

20222 HUDSON STREET, BURNEY, CA 96013 (530) 335-3582

BOARD OF DIRECTORS  
JACKIE YOUNG, PRESIDENT  
AILEEN HOVIS, VICE-PRESIDENT  
JOHN D. MEEKER  
ROWDY E. YATES  
ANDREW URLIE

WILLIAM R. SUPPA  
DISTRICT MANAGER

BETTY JACKMAN  
SECRETARY-TREASURER

July 22, 2004

The Honorable Judge Monica Marlow  
Shasta County Superior Court  
1500 Court Street  
Redding, CA 96001

Re: District credit card policy

Dear Judge Marlow:

As you may know, the 2003/2004 Shasta County Grand Jury notified this District in a letter dated July 13, 2004 that our policy governing the use of credit cards was inadequate.

The Board of Directors reviewed the existing policy and agreed that it does fall short of meeting the recommendations of the Grand Jury.

At the regular meeting of the Board of Directors on July 21, 2004, a new policy was adopted. A copy of the new policy (Resolution 2004-06) is enclosed for your review.

Sincerely,

William R. Suppa  
General Manager

RECEIVED

JUL 28 2004

SHASTA COUNTY CLERK

RECEIVED

JUL 23 2004

CLERK OF THE SHASTA COUNTY  
SUPERIOR COURT - CIVIL DIVISION

# Burney Water District



20222 HUDSON STREET, BURNEY, CA 96013 (530) 335-3582

BOARD OF DIRECTORS  
JACKIE YOUNG, PRESIDENT  
AILEEN HOVIS, VICE-PRESIDENT  
JOHN D. MEEKER  
ROWDY E. YATES  
ANDREW URLIE

WILLIAM R. SUPPA  
DISTRICT MANAGER

BETTY JACKMAN  
SECRETARY-TREASURER

## **RESOLUTION 2004-06**

### ***A RESOLUTION OF THE BOARD OF DIRECTORS OF THE BURNEY WATER DISTRICT ADOPTING A POLICY FOR THE USE OF DISTRICT CREDIT CARDS***

***Whereas***, the Board of Directors of the Burney Water District has reviewed the existing policy regarding the use of District credit cards, and;

***Whereas***, the Board of Directors desires to update its policy to comply with the recommendations of the 1996/1997 Shasta County Grand Jury and reaffirmed by the 2003/2004 Grand Jury.

***Therefore be it resolved***, by the Board of Directors of the Burney Water District that the policy regarding the use of District credit cards shall be as follows:

1. All credit cards obtained by the Burney Water District, or to be used in District business are to be issued solely in the name of the "Burney Water District" and never in the name of an individual employed by the District.
2. The only individuals who shall be authorized to use District credit cards shall be the General Manager, the Secretary to the Board, and members of the Board, provided however, that the General Manager shall have the authority to delegate to an employee of the District the right to make purchases on behalf of the District by using a District credit card.
3. District credit cards shall be kept in a secure place and must be logged in and out with the prior approval of the General Manager.
4. Credit card receipts must be obtained by the individual whenever using a District credit card. All such receipts must be itemized showing each item purchased, the price for each item, and any tax charged on such purchase. All receipts and credit cards must be returned to the District no later than the next business day following the use of the credit card.
5. Not less often than monthly, the District Treasurer will review all credit card charges and will reconcile the charges against the receipts to insure a clear audit trail. All credit card balances shall be paid prior to any interest accrual.
6. No one purchase shall exceed \$1000.00 unless prior approval has been granted by the General Manager.

Resolution 2004-06, page two

7. The Board of Directors, the General Manager, and all other District employees are prohibited from using District credit cards for personal use.
8. The District shall not make application for, or maintain any credit cards issued individually by retailers or chain stores and will utilize only credit cards issued by a bank, ie., Visa, MasterCard, or American Express.

***Be it further resolved that,*** this resolution shall become effective upon adoption and shall supercede Resolution 95-12.

Duly adopted this 21<sup>st</sup> day of July 2004 by the following vote of the Board of Directors.

***Ayes:*** JACKIE YOUNG, AILEEN HOVIS, ROWDY E. YATES AND JOHN MEEKER

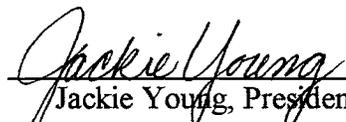
***Noes:*** ANDREW URLIE

***Abstain:*** NONE

***Absent:*** NONE

***Attest:***

  
Betty Jackman, Secretary to the Board

  
Jackie Young, President of the Board



# REDDING SCHOOL DISTRICT

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# FRENCH GULCH- WHISKEYTOWN SCHOOL DISTRICT



# IGO-ONO- PLATINA UNION SCHOOL DISTRICT

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(530) 225-0015 Fax

[www.shastalink.k12.ca.us/rsd/](http://www.shastalink.k12.ca.us/rsd/)

RENAE DREIER, Ed.D.  
Superintendent

**FILED**

AUG 30 2004

ANN REED, CLERK  
BY *C. Ashcraft*  
Deputy Clerk

August 11, 2004

Honorable Judge Monica Marlow  
Superior Court  
1500 Court Street  
Redding, CA 96001

Dear Judge Monica Marlow:

The Igo-Ono-Platina School District is responding to the 2003/2004 Grand Jury Final Report: "The governing board of each of these agencies must respond to the indicated finding or recommendation".

1. Finding #2 (inadequate policies):  
Igo-Ono-Platina School District

The response is that we do not use credit cards in this district and we do not anticipate using them in the future. We hope this meets your request.

Sincerely,

Renae Dreier, Superintendent  
The New Millennium Partnership

RECEIVED

AUG 30 2004

SHASTA COUNTY CLERK

The New Millennium Partnership

## **SHASTA COUNTY SHERIFF'S WORK RELEASE PROGRAM**

### **REASON FOR INQUIRY:**

California Penal Code section 919 mandates that the Grand Jury inquire into the condition and management of all public prisons located within the County.

**Shasta County Sheriff's  
Work Release Program**  
4560 Veteran's Lane  
Redding, CA 96001  
(530) 245-6086

### **BACKGROUND:**

The Shasta County Sheriff's Work Release Program is an alternative to the traditional penal system. It enables male and female inmates to serve their court imposed sentences by working eight to ten hours a day in lieu of spending 24 hours in jail. Violators of minor infractions may also work instead of paying fines.

Inmates are required to pay for this privilege, which saves the County normal daily incarceration costs. Inmates are screened before being allowed into the Work Release Program. They are financially evaluated to determine how much they will pay daily to participate in the program. The fee to utilize the program ranges from zero to twenty dollars per day per inmate. The majority of inmates pay one dollar per day to cover workers' compensation insurance.

The types of work performed by the inmates include bicycle repair, vegetable gardening, construction, firewood cutting and sales, brush cutting and clearing, and other odd jobs. There are provisions for lighter duty for those with a physical or mental handicap. Some inmates are assigned to and report directly to a specific work site.

The Work Release Program is not the only alternative to incarceration used by the County Sheriff. Also available is the Home Electronic Confinement Program for those who qualify as determined by the Sergeant and the Work Release Coordinator. Additional fees are paid by the inmate for participation in this program. Ankle transmitters are used to establish the inmate's whereabouts. Currently, there are seven inmates participating in this program.

Another option is the Sheriff's Community Corrections Program. There are currently four inmates in this program. Under this program, an inmate is allowed to enter into a locked, state licensed alcohol/drug rehabilitation facility. These inmates work eight to ten hours per day. The rest of their day is spent in the rehabilitation facility. All inmates in this program pay the rehabilitation facility fees.

The budget for the Work Release Program for fiscal year 2003/2004 is \$827,947. \$155,600 is scheduled to be returned to the Shasta County Sheriff's Office from monies collected from inmate fees and sales of firewood and vegetables. The Work Release Coordinator stated that savings to the county are derived from the inmate work force.

The objective of the Shasta County Sheriff's Work Release Program is to enable an inmate to satisfy his or her court imposed sentence without being jailed.

### **METHOD OF INQUIRY:**

The Grand Jury toured the Shasta County Sheriff's Work Release Program facility on January 12, 2004.

The Grand Jury interviewed:

- One Sergeant
- Work Release Coordinator
- Two Inmates

The Grand Jury reviewed the fiscal year 2003/2004 budget.

**FINDINGS:**

1. On the date of the Grand Jury tour, 305 inmates were in the Shasta County Sheriff's Work Release Program.
2. The Shasta County Sheriff's Work Release Program has had as many as 450 inmate participants.
3. Currently, the staff consists of:
  - One Sergeant
  - Three Deputies
  - Three Sheriff's Service Officers
  - One Secretary
4. One Deputy and one Sheriff's Service Officer had resigned the week prior to the Grand Jury's visit.
5. The Sergeant and Work Release Coordinator stated that more inmates could be accommodated with the addition of staff and/or trained volunteers.

**RECOMMENDATION:**

None

**RESPONSES REQUIRED:**

None

## SHASTA INTERAGENCY NARCOTICS TASK FORCE

### **REASON FOR INQUIRY:**

California Penal Code sections 925 and 925a authorizes the Grand Jury to investigate and report on the operations and records of any joint powers agency within the County. The Grand Jury received one citizen complaint regarding Shasta Interagency Narcotics Task Force (SINTF).

Shasta Interagency  
Narcotics Task Force  
P.O. Box 991832  
Redding, CA 96099  
530-224-4892

### **BACKGROUND:**

SINTF was formed by way of a memorandum of understanding in 1986 by the Anderson Police Department (APD), California Bureau of Narcotics Enforcement (BNE), California Department of Corrections-Parole, California Highway Patrol (CHP), Redding Police Department (RPD), Shasta County District Attorney's Office (DA), Shasta County Probation Department (SCPD) and the Shasta County Sheriff's Department (SCSO). SINTF's purpose is to work in conjunction with law enforcement agencies to endeavor to effectively enforce the controlled substance laws of the State of California as expressed in the Health and Safety Code and applicable federal laws relating to the trafficking of controlled substances. SINTF targets their investigations toward the apprehension of street level distributors. The mission of SINTF is to significantly diminish the availability and use of illegal drugs in Shasta County and apprehend the responsible offenders, thereby increasing public safety.

An advisory counsel, called a "Steering Committee", governs SINTF. The committee is comprised of a representative from each of the following:

- Anderson Police Department
- California Department of Corrections – Parole Division
- California Department of Justice – Bureau of Narcotics Enforcement (BNE)
- California Highway Patrol
- Redding Police Department
- Shasta County District Attorney
- Shasta County Drug and Alcohol Program
- Shasta County Probation Department
- Shasta County Sheriffs Department
- The SINTF Commander

### **METHOD OF INQUIRY:**

The Grand Jury interviewed:

- The SINTF Commander
- Two SINTF Agents
- A former SINTF Agent
- Two Steering Committee Members

The Grand Jury reviewed the following documents:

- 2002 Annual Report
- 2002/2003 SINTF Budget
- Arrest Activity Report
- Citizen Complaint Forms
- OCJP Grant Application
- OCJP Progress Report
- OCJP Site Visit Report
- Policy and Procedures Manual
- SINTF Site Visit Response
- Steering Committee Minutes

### **Findings:**

1. SINTF receives funding from forfeited assets and the State of California Office of Criminal Justice Planning (OCJP), which administers funds from the Byrne Memorial Grant (the grant). Assets seized by SINTF are liquidated and placed into an interest bearing account. The City of Anderson Finance Department manages the account. The SCSO is the implementing agency for the OCJP grant. The grant is applied for by the SCSO and then distributed to SINTF. As a requirement for accepting the grant, SINTF must comply with the California Department of Justice (DOJ) regulations. The DOJ sends a representative to SINTF annually to monitor how the grant funds are allocated. The DOJ representative performs an inspection of SINTF and fills out a Progress Report and a Site Visit Report. SINTF is required to respond to the DOJ reports.
2. Each of the participating agencies has agreed to provide the following staff positions:
  - APD: One Police Officer
  - BNE: A Special Agent Supervisor
  - CHP: A state Traffic Officer
  - RPD: Two Investigators
  - DA: An Assistant DA
  - SCPD: A Probation Officer
  - SCSO: Two Deputy Sheriffs' and a Secretary
3. Employees of the participating agencies volunteer for the assignment to SINTF. The SINTF Commander accepts or rejects the applicants. The individual's term averages three years; however the actual term is determined by the employing agency. It takes a year to eighteen months for an agent to be fully trained.
4. Proceeds from the assets seized by SINTF are distributed to the following agencies:
  - a. City of Anderson
  - b. District Attorneys Office
  - c. SINTF
  - d. State of California

5. SINTF's budget for the fiscal year 2003/2004 is \$405,000. Grants from the OCJP account for about \$295,000 of SINTF's annual budget, and the remainder is from SINTF's share of proceeds from seized assets.
6. An average of 30 arrests for narcotics violations are made by SINTF per month.

**RECOMMENDATIONS:**

None

**RESPONSES REQUIRED:**

None

## **SUGAR PINE CONSERVATION CAMP**

### **REASON FOR INQUIRY:**

California Penal Code Section 919 mandates that the Grand Jury inquire into the condition and management of all public prisons located within the County.

**Sugar Pine Conservation Camp**  
15905 Sugar Pine Road  
Bella Vista, CA 96008  
(530) 472-3121

### **BACKGROUND:**

The Sugar Pine Conservation Camp opened in June of 1988. The California Department of Corrections (CDC) and the California Department of Forestry (CDF) jointly operate the camp. It is situated on 80 acres located 25 miles east of Redding in Shasta County. It is one of 41 conservation camps in the State.

The inmate population consists of approximately 127 low risk adult male felons, all of whom are screened at the California Correctional Center in Susanville. The average stay of an inmate at the camp is nine months. There has not been an inmate walkaway in the past two years.

The primary function of the Sugar Camp Conservation Camp is to provide a labor force for statewide fire suppression and to perform a variety of local public services such as highway cleanup and other community projects.

The staff at the Sugar Pine Conservation Camp includes:

- One CDF Battalion Chief
- One CDF Assistant Division Chief/Deputy Fire Warden
- One CDC Lieutenant
- Two CDC Sergeants
- Ten CDC Correctional Officers
- Twelve CDF Fire Captains
- One Mechanic
- One Water/Sewer Operator
- One Secretary

### **METHOD OF INQUIRY:**

The Grand Jury toured the Sugar Pine Conservation Camp on December 22, 2003. An interview with the CDF Division Chief and the CDC Camp Commander was conducted. The Grand Jury reviewed the following documents:

- Budget for fiscal year 2003/2004
- CDF/CDC Conservation Camp Management Survey dated March 5, 2003
- Corrective Action Plan Camp Management Review dated April 23, 2003
- Corrective Action Plan Environmental Health Survey dated May 21, 2003
- Work Hours for 2003 Report
- CDF Publication "Conservation Camp Program"

## **FINDINGS:**

1. The facilities include:
  - One, two story dormitory
  - Kitchen and dining building
  - Laundry building
  - Administration building
  - Guesthouse
  - Equipment storage building
  - Garage and Vehicle maintenance building
  - Inmate hobby shop
2. The grounds and buildings were in clean condition and well maintained.
3. Inmates on the fire crews receive extensive training (40 to 60 hours) at the California Correctional Center in Susanville before they are transferred to the camp. Upon release, this training aids the inmate in finding a professional fire-fighting job. The Sugar Pine Conservation Camp offers a program to obtain a General Education Diploma. Alcoholics Anonymous and Narcotics Anonymous meetings, Bible studies and hobby craft classes are available. Additional instructional training in fire fighting techniques and physical conditioning are also provided at the camp.
4. Visitations and phone calls are allowed and monitored. For those who qualify, weekend visitation is available at the guesthouse.
5. Immediate medical care is provided at one of the local hospitals.
6. The CDF/CDC Conservation Camp Management Survey represents a thorough inspection of all facets of camp operations and safety issues. The facility was in full compliance with the survey.
7. The Work Hours Report for 2003 lists a total of 96,510 project hours and 7,813 fire hours contributed by the inmates of Sugar Pine Conservation Camp. The CDF publication, "Conservation Camp Program" highlights the contributions by the California Conservation Program fire crews.

## **RECOMMENDATIONS:**

None

## **RESPONSE REQUIRED:**

None

## **COMMENDATIONS:**

The California Department of Corrections and the California Department of Forestry are commended for their cooperative efforts and team approach resulting in a successful joint agency program.

## **We Said, They Said: Reply to Responses from the 2004/2005 Grand Jury Report**

### **INTRODUCTION:**

California Penal Code Section 916 requires that problems identified in a grand jury report be accompanied by suggested recommendations for their resolution.

Official responses to grand jury recommendations are governed by California Penal Code sections 933 and 933.05. All responses are submitted to the presiding judge of the Superior Court. Elected officials are required to respond to the report's findings and recommendations within 60 days and governing bodies within 90 days. Responders must state whether they agree or disagree with each finding and recommendation and any disagreements must be explained. Moreover, each responder must state the extent to which the recommendation has been implemented, or when it will be implemented, or why it will not be implemented.

The 2004/2005 Shasta County Grand Jury Final Report was presented to the presiding judge of the Superior Court on June 25, 2005, as prescribed by California Penal Code Section 933.05. All entities investigated by that grand jury received copies of the report on the same date.

The present 2005/2006 Grand Jury believes that releasing a report presenting the responses to last year's report would be of public interest. What follows is a summary of each of the 2004/2005 reports, which contained recommendations for the resolution of problems identified by the Grand Jury. Recommendations are restated (*in italics*) followed by the corresponding responses for each recommendation and the current Grand Jury's evaluation of each response (**in boldface**). The full text of the reports can be accessed on the Grand Jury web site at [www.co.shasta.ca.us](http://www.co.shasta.ca.us).

### **RESPONSES TO REPORTS:**

#### ***Report No. 1: Memory Park Subdivision: Playing Monopoly with the City of Redding***

The Grand Jury investigated a citizen's complaint against the City of Redding regarding a proposed "planned, in-fill development" subdivision (Memory Park), which received Planning Department approval, but was eventually rejected by the City Council. Neighborhood opposition to the proposed subdivision was led by a former city employee who was, at the time, a McConnell Foundation board member.

The City of Redding responded to the three recommendations on July 20, 2005. Members of the current 2005/2006 Grand Jury (including carryover members from 2004/2005) were in attendance when the Redding City Council voted to accept the responses by a 3-0 vote (two abstentions). During his interview by a Grand Jury committee in 2004, one council member repeatedly recused himself from responding to most questions on the subdivision investigation because of a perceived "conflict of

interest.” Despite his previous recusal, this same council member voted in favor of the City Council response a year later.

*Recommendation 1: The City Council should not derail well designed Infill and Planned Developments.*

Response: Concur, if they meet the General Plan and other development policies as determined by the public’s elected representatives who are selected to make these decisions. The Grand Jury’s finding on this matter (No. 6) has substantial factual errors. The City Council determined that the project was not consistent with the General Plan. The design of the project contained aspects that did not comply with the General Plan policy.

**GJ Reply to the Response: The Grand Jury finds the City Council’s response unacceptable. The Grand Jury determined that the project was consistent with the General Plan. Furthermore, if “...the project was not consistent with the General Plan,” as stated above, then it should not have been approved by the Planning Department in the first place.**

*Recommendation 2: The Planning Department should attempt to expedite the permit approval process. The City’s Ombudsman report on recommended process changes should continue to be implemented.*

Response: Grand Jury Finding No. 9 states that “the City’s Ombudsman Report on Recommended Process Changes was presented to the City Council for consideration on October 25, 2004. ...Some of these recommendations are being implemented by the City’s Development Services Department.” In fact, all of these measures are being implemented with the exception of the permit tracking system. The tracking system is extremely expensive, which is why it has taken longer than the other points mentioned in the Grand Jury’s findings. However, the City Council will be discussing this issue as the City looks at planning and engineering fee increases in the next few months.

**GJ Reply to the Response: The Grand Jury finds the response acceptable and looks forward to the implementation of the permit tracking system.**

*Recommendation 3: Political influence should not override sound planning decisions.*

Response: Concur. Grand Jury Finding No. 8 states that, “strong political influence was exerted on the Planning Commission and City Council to disapprove this project.” This is obviously a statement of opinion. It would be equally valid to say that strong political pressure was exerted on the Planning Commission and City Council to approve the

project. Concerns for and against projects will very likely continue as the City entertains more infill projects.

**GJ Reply to the Response: The Grand Jury finds the response acceptable. However, it remains our “opinion” that the front-row presence of McConnell Foundation executives at the City Council meeting regarding opposition to this project represented undue “strong political influence” against the project’s approval.**

### ***Report No. 2: Haste Makes Waste***

In a lengthy report, the 2004/2005 Grand Jury investigated the closure of the Shasta County Psychiatric Hospital Facility (PHF) and its impact on inpatient care of the acutely mentally ill. The overall operation of the Shasta County Mental Health Department (SCMH) was also investigated. The required response from the Shasta County Board of Supervisors (BOS) was sent to the presiding judge of the superior court on September 27, 2005. The Director of SCMH was also invited to respond to certain recommendations; the response was received on August 29, 2005.

*Recommendation 1: The County Board of Supervisors (BOS), the Mental Health Advisory Board (MHAB) and SCMH should increase public education about mental impairment. This should concentrate on understanding the disease, reducing its stigma, procuring a diagnosis and accessing treatment. County Government and SCMH should focus on improving public education through grants, requesting volunteer media exposure and improvements in the ineffective SCMH Web site. SCMH and the BOS should support and promote Mental Health Awareness Week each October. The Grand Jury recommends the MHAB institute a regularly reporting, public education subcommittee.*

Response from the BOS: The BOS concurs with the Grand Jury’s findings that the BOS, MHA, and the SCMH Department should increase public education about mental impairment. Currently, the SCMH conducts and participates in many educational and public outreach activities. (The response lists 10 educational activities involving staff and other professionals as well as a 10-page proposed Mental Health Education and Outreach Plan).

The Board concurs with the Grand Jury recommendation to improve the quality of and expand the use of electronic communication through a web site. SCMH will be working with Trilogy Integrated Resources, a contractor selected by the State Department of Mental Health to develop a local web site titled “Network of Mental Health Care,” which will be funded by the State’s Mental Health Services Act funds. This web site will be of value to individual patients, families, and the community in general to provide a resource directory as well as other valuable features customized for Shasta County.

**GJ Reply to the Response: The Grand Jury accepts the response and eagerly awaits the implementation of a comprehensive web site. The 2005/2006 Grand Jury is concerned that the level of general public education about mental illness remains inadequate. We encourage further efforts by the BOS and SCMH to educate all the public, not only those with Internet access, about available services.**

*Recommendation 2: SCMH needs to improve its relationship with the local medical community by encouraging input from private-practice psychiatrists, emergency room physicians and primary care practitioners involved in treating the mentally impaired. A more collaborative interaction with local hospitals and area clinics is further recommended. We find that improved communication between SCMH and community physicians could be the foundation for future cooperation. The Grand Jury strongly suggests that, like other physician specialists, all psychiatrists employed by the County obtain clinical privileges at local hospitals and directly attend to patients in the emergency room. SCMH should reinstate 5150 authority to non-county psychiatrists and emergency room physicians. Accomplishing the above would promote the integration of mental health care into mainstream medicine.*

**Response from the SCMH Director: SCMH agrees that communication is the key to quality patient care. In conjunction with the North Valley Medical Association (NVMA), SCMH will continue to expand efforts in the area of training for physicians in order to bring together SCMH psychiatrists and medical practitioners in Shasta County. NVMA in conjunction with an attorney with knowledge of ...5150 authority, presented training on involuntary detention and treatment on July 20, 2005. The training, although well marketed by NVMA, was not well attended by area physicians. This training was intended to stimulate dialogue regarding the legal aspects of involuntary detention and treatment. (A list of in-service training for county hospital emergency department physicians was included).**

The SCMH Medical Chief currently has Medical Staff Privileges at all three hospitals in the county. The SCMH Medical Staff will continue to explore an expanded role with the community clinics and Mayers Memorial Hospital through telemedicine. SCMH Medical Staff are also pursuing hospital consultation privileges with Shasta Regional Medical Center and urgent consultation availability to community physicians.

**GJ Reply to the Response: The Grand Jury finds the response inadequate. It is not surprising that 5150 training would be poorly attended by emergency room physicians and private practice psychiatrists. These practitioners previously held, then were stripped of 5150 authority by the SCMH Director prior to the closure of the PHF. The confusion and delay in reinstating this privilege to a local private psychiatrist at the request of the BOS (September 2005), and the continued lack of 5150 privileges among emergency room physicians, is not an indication of a cooperative effort on the part of SCMH.**

**The Grand Jury further notes that integration at the physician level remains inadequate; we remain convinced that obtaining staff privileges is an essential step toward the integration of mental health care into mainstream medicine. As of October 10, 2005, only one SCMH psychiatrist, the Medical Chief, holds privileges at both major area hospitals. Indeed, at one hospital, no other SCMH psychiatrists have even begun the staff application process. This lack of participation underscores the ineffective leadership at SCMH.**

*Recommendation 3: SCMH should hire some primary care practitioners or physician assistants in lieu of more costly psychiatrists and incorporate these front-line providers into the SCMH structure. SCMH should focus on the critical role case managers play in maintaining continuity of care for out-of-county inpatients once their acute care is completed and they return to Shasta County.*

Response from the SCMH Director: SCMH is committed to maintaining the highest level of psychiatric services for its clients and, as a result, will continue to employ and contract with physicians who have completed an approved residency in psychiatry.

SCMH concurs with the recommendation regarding the critical role that case management plays in coordinating discharge planning for patients transitioning from acute care. In an effort to identify, treat, and provide psychosocial supports for frequent utilizers of the local emergency departments, SCMH is developing a coordinated case management plan in collaboration with the Shasta Community Health Center, NVMA, and other community providers. Connecting these patients with additional community supports and directs access to treatment through collaborative efforts will reduce emergency response costs by approximately 42 percent and provide stability to this vulnerable population.

**GJ Reply to the Response: The Grand Jury applauds the emphasis on case management by SCMH. However, the Grand Jury recommendation to augment the SCMH psychiatry staff with general practitioners represents another step to integrate mental impairment into general medicine. This would allow more attentive treatment of co-morbid conditions such as hypertension, diabetes and emphysema. Here is another missed opportunity to integrate the more common and easily treated mental illnesses such as depression, anxiety and stress disorders into general medical care.**

*Recommendation 4: The Shasta County BOS should consider privatizing, in part or in total, the delivery of mental health services to the citizens of the county. With proper oversight, this would offer a more efficient overall operation. Assurances that all patients requiring treatment actually receive treatment would be necessary. The Grand Jury feels an extensive and well-planned transition program, with input from the general public and all providers of mental healthcare delivery, must precede any transfer from public to private operation.*

Response from the BOS: Currently 54 percent of the SCMH budget is devoted to contract services, and this has consistently increased over the past 2-3 fiscal years. As a result, SCMH is more than half “privatized.” With each contract for services entered into by the BOS, SCMH must assure that services are delivered in accordance with State Department of Mental Health requirements, which govern target population, service delivery, and the receipt of State and federal funds.

SCMH provides mental health services to the residents of Shasta County in compliance with three State Department of Mental Health contracts. These contracts include very specific terms and conditions and are renewed annually with the approval of the BOS.

(A one-page description of the contracts accompanied the response).

The Grand Jury notes in its findings a number of perceptions regarding the role of SCMH in the delivery and authorization of inpatient mental health services that are not consistent with this contract and SCMH’s practice. The first and most important misperception is related to access to psychiatric hospitalization for all Medi-Cal eligible Shasta county residents. There are no pre-authorization requirements for emergency admissions to psychiatric inpatient hospitals for Shasta County Medi-Cal beneficiaries. SCMH provides post-admission review of written Treatment Authorization Requests submitted by hospitals as required by the State prior to payment by EDS (Electronic Data Systems).

Since SCMH is no longer a provider of psychiatric hospital services, independent practitioners affiliated with the private treating facilities now make the determination of the patient’s admission and continued stay.

**GJ Reply to the Response: The Grand Jury disagrees with the response. The intent of the recommendation was to consider privatizing the entire mental health delivery system in Shasta County, including its administration. The privatization discussed by the BOS was, in part, necessitated by the closure of the PHF; patients who require hospitalization for acute mental illness now need to be hospitalized out-of-county (i.e., “privatized”). SCMH does serve as the managed care provider and pre-authorizer for Medi-Cal beneficiaries in Shasta County. This was confirmed by the SCMH Director (on two occasions), Deputy Director, and by multiple psychiatrists during the investigation; the Director of the NVMA concurred during a public forum held by the BOS in April 2005.**

*Recommendation 5: The Grand Jury recommends the SCMH Director improve lines of communication to ensure that SCMH policies affecting the medical community and other public agencies are uniform and consistent. We encourage SCMH to continue to improve access to its crisis intervention teams to reduce emergency room transfer delays. Moreover, to improve the continuity of patient care, we suggest that SCMH expedite the transfer of medical information (history, diagnosis and prescriptions) along with patients requiring out-of-county care. Conversely, SCMH should demand that discharge summaries accompany its patients returning from out-of-county facilities. Additionally,*

*the Grand Jury discourages the indiscriminate delegation of 5150 authority by the SCMH Director.*

Response from the SCMH Director: SCMH concurs with the recommendation regarding communication with the medical community and out of county facilities. SCMH will promote collaborative efforts with the NVMA to provide education and training for area physicians regarding the treatment of psychiatric illness.

As stated in Response No. 3, another solution to the local emergency department congestion and transfer time delays is the implementation of a coordinated case management system that will provide wraparound medical and behavioral healthcare, and psychosocial supports to a population identified as frequent utilizers of the Mental Health emergency response system.

SCMH, in collaboration with North State counties, looks forward to the opening of the North Valley Behavioral Health and Sequoia Psychiatric Center PHF in Yuba City, both of which will exclusively treat our patients. This will greatly enhance the continuity of care and communication of critical patient care issues on admission and discharge for Shasta County patients.

**GJ Reply to the Response: The Grand Jury generally agrees with the response, however, the indiscriminate delegation of 5150 authority was not addressed.**

*Recommendation 6: SCMH should establish written cost-sharing policies with the County Jail, Juvenile Hall, Probation department and other agencies for inpatient care and transportation of their mentally impaired inmates or clients. SCMH should improve its service to county agencies affected by the PHF closure, e.g. attend to inmates at the Main Jail and Juvenile Hall.*

Response from the SCMH Director: The Shasta County Sheriff's Department and Probation Department maintain a contract with Prison Health Services for the provision of health and mental health services in the jail and juvenile hall. This contract is comprehensive in scope and specifies the responsibility of the provider in the provision of all planned and urgent medical services, including psychiatry. The contract includes the responsibility of the provider for reimbursement of hospital services for inmates and wards in custody, but excludes the contact provider from responsibility for reimbursement for psychiatric hospitalization. As a result, there is a serious gap in coverage for jail inmates in custody and juvenile wards in custody. SCMH works cooperatively with jail and juvenile hall staff to address this gap on a case-by-case basis, following written protocols that were developed collaboratively between the Sheriff's Department, Probation Department, and Mental Health. SCMH also provides the services of a psychologist in juvenile hall and SHIFT (Shasta Housing Intervention For Transition) Program services in the jail to assist Prison Health Services and the courts with inmate/ward mental health issues.

**GJ Reply to the Response: The above response is inadequate. It does not address transportation protocols and/or cost sharing between SCMH and incarceration facilities since the closure of the PHF. The problem of court ordered on-site psychiatric evaluations is also not addressed. Jail representatives were unable to produce written protocols for inmate evaluation and treatment.**

*Recommendation 7: The BOS and SCMH should closely monitor the costs (including all transportation costs) of out-of-county inpatient care. The Grand Jury offers the following options for reestablishing inpatient psychiatric services for which the County still holds State licensure:*

- *Reopen the 15-bed PHF at the previous site on Breslauer Way by deleting its Medicare designation and adopting strict admission criteria for adult inpatients. This would reduce the average daily cost of care by 50 percent (to \$2 million per year) and also minimize patient safety issues. Medicare inpatients requiring hospitalization would be cared for at other facilities.*

- *Open a 15-bed basic PHF on Breslauer way as a combined adult/child inpatient facility by designating 10 beds for adults and five for children.*

- *Open a 15-bed basic PHF on Breslauer as the only north state child inpatient facility. Costs would be more manageable and there is a very low risk of associated physical comorbidity in this age group.*

*The BOS should obtain sufficient information to determine whether or not to renew the SCMH \$1.3 million yearly contract for the Elpida Crisis Residential Center. Any option to reopen a PHF would necessitate either closing or relocating this center. The Grand jury recommends closure. In that event, inpatient psychiatric services could be funded using current SCMH revenues generated by increasing efficiency, reducing out-of-county inpatient care, substituting primary care practitioners for some psychiatrists and eliminating costly Medicare staffing. Moreover, additional funding may become available beginning in 2005/2006 through the Mental Health Services Act. The Grand Jury believes that County residents could, and should, have local access to both inpatient and outpatient mental health services.*

*Inpatient child psychiatric services have been identified as woefully inadequate for decades and the Grand Jury invites Shasta County to take the initiative and establish a child/adolescent inpatient facility. A north state regional, multi-county proposal for Mental Health Services Act funds (perhaps orchestrated by the SCMH Director) could establish a geographically centered, acute care facility for children with mental impairment. Benefits of such a facility to the overall mental health of children include earlier recognition and treatment of impairment and an improved continuity of care. Enhanced case management, better social rehabilitative services, access to intensive family psychotherapy and recruitment of more child psychiatrists could result from a successful program. This is an opportune time for Shasta County to address the psychiatric needs of north state children.*

Response from the BOS: SCMH has submitted the planned budget to the Shasta County Administrative Office including projected expenditures and revenues for fiscal year 2005/2006. In this budget, the SCMH department does not recommend that it operate a staff a psychiatric health facility during fiscal year 2005/2006. The BOS concurs that an involuntary mental health acute care inpatient unit is needed in Shasta County but realizes that patient safety is of the utmost importance. In an effort to meet the medical needs of all patients, the delivery of mental health treatment services (involuntary or voluntary) should be integrated with emergency and primary health care. The County PHF was not licensed to provide emergency medical or primary health care services, therefore, reopening the facility is not viable.

SCMH, in collaboration with the Shasta County Administrative Office and the North Valley Medical Association (NVMA), has facilitated contacts between interested providers of inpatient behavioral health services and the administrators of the local general hospitals. The goal of this collaboration is to integrate acute care psychiatry into mainstream primary health care so that those suffering from mental illness have the opportunity to receive treatment for all of their medical needs in an environment where they are not stigmatized or isolated from medical care.

The BOS agrees that a regional approach to specialty psychiatric care is viable for target populations. An example of the potential in this area is the soon to open North Valley Behavioral and Sequoia Psychiatric Center PHF. SCMH has taken a strong leadership role in this 4-year effort and the SCMH Director sits on the steering committee that has been responsible for the planning and implementation of these facilities.

Specifically regarding the viability of a regional facility for children, SCMH has promoted three regional options. The first option was the establishment of a regional locked community treatment facility, which was not supported at a regional level. The second option was the dedication of one of the new regional psychiatric facilities to children, which was also not regionally supported. The third option is the establishment of a regional interagency crisis assessment center for children. This option may be considered as a priority focus under the Mental Health Services Act.

**GJ Reply to the Response: The Grand Jury disagrees with the response. Adequate revenue exists for the reestablishment of a local, scaled-down (i.e., non-Medicare) PHF. Strict admission criteria would greatly reduce patient safety issues. The BOS talks of integrated care, but the SCMH Director's responses to recommendations 2, 3 and 5 above, do little to promote integration with primary health care. The BOS response claims the County PHF is not licensed for emergency medical or primary health care and therefore, reopening it is not a viable option. The Grand Jury notes that while none of the State PHFs are licensed for emergency medical or primary health care services, they continue to provide acute psychiatric inpatient care. The Grand Jury further notes that the North Valley Behavioral and Sequoia Psychiatric Center, to which Shasta County sends inpatients for treatment, is not a full-service hospital providing integrated health care. Moreover, the BOS response does not address the recommended closure of the Elpida Crisis Center.**

**The Grand Jury suggests that the BOS need only look as far as Butte County to consider a functioning non-Medicare designated PHF. The Butte County PHF exists because of support by both the general public and the Butte County Mental Health Director. The integration with mainstream medical care for their patients with co-morbidities is easily obtained because of a positive relationship with the medical community of that County.**

*Recommendation 8: Other inpatient psychiatric services could include:*

- *The reopening of inpatient services for Medicare patients at a local rehabilitation facility.*
- *A truly collaborative effort between SCMH and the local medical community too begin laying the groundwork for an inpatient psychiatric unit in one of the local full-service hospitals.*

**Response from the BOS:** The Shasta County BOS concurs with the recommendation that a local inpatient facility should be pursued. This facility should have the capacity to treat patients flexibly, which is best done in a licensed general hospital. SCMH, in conjunction with the Shasta County Administrative Office, has facilitated contracts with three corporations that are providers of behavioral health services that would like to develop a local inpatient facility. At a recent presentation, one provider made it clear that the provision of behavioral health services in a licensed general hospital with more than 100 beds is financially viable and of economic benefit to the hospital. NVMA representatives have made it contact with this provider and will facilitate meetings in an effort to promote the proposal, gain support from local hospitals, and encourage community involvement in this potential opportunity.

**GJ Reply to the Response: The Grand Jury accepts the response and awaits the outcome of this potential effort. The SCMH department is working with the NVMA to facilitate contacts between interested psychiatric providers and local hospitals. The Grand Jury applauds this portion of the response, but as noted in our report, the establishment of a psychiatric unit in a local full-service hospital is a three-year process.**

*Recommendation 10: The Grand Jury suggests that the BOS pay a site visit to the County-contracted Elpida Crisis Residential Center and closely evaluate the benefits of the contract's automatic renewal after fiscal year 2004/2005. Should Elpida remain open, the Grand Jury also recommends adoption of a formal lease between the County and Elpida's private sponsor and establishment of an Elpida Policies and Procedures Manual.*

Response from the BOS: Representatives from the BOS, County Administrative Office, and Mental Health Advisory Board participated in a tour of the Elpida Crisis Residential Center on September 7, 2005, as recommended by the Grand jury.

The Elpida crisis residential Center maintains a policy and procedures manual that addresses the areas required by State regulation.

**GJ Reply to the Response: The Grand Jury finds the response inadequate. Only two Supervisors participated in the Elpida tour and no evaluation of the benefit of extending the contract was made. The response did not address a lease between the County and Elpida’s private sponsor. The Grand Jury is still awaiting receipt of the Policy and Procedures Manual from Elpida.**

*Recommendation 11: The Grand Jury recommends the County BOS and SCMH consider both financial and staffing support of a proposed County Detoxification Center. This center would afford opportunity for an improved collaboration between SCMH and both the local medical community and city governments. Establishment of a detoxification center would reduce the congestion in local hospital emergency rooms. Mental Health Services Act (Proposition 63) funding could be an additional source of financial support.*

Response from the BOS: The BOS, SCMH, and the Shasta County Alcohol and Drug Programs (SCADP) are in complete support of expanding the social model detoxification program in Shasta County. This is consistent with the “Community Action Plan” developed by representatives of Mercy Medical Center, Shasta Regional Medical Center, Shasta Community Health Center, the Good News Rescue Mission, SCMH, and the SCADP. A memorandum of understanding (MOU) has been developed by SCADP and circulated to the participants and other recommended collaborative partners. To date, only the City of Shasta Lake and the Shasta County Administrative Office have responded with support.

The role of the Mental Health Services Act (Proposition 63) funding in this service expansion will be determined once the State Department of Mental Health guidelines for application for funding have been finalized and distributed. Additionally, the input received from stakeholders at more than 30 State required focus groups, conducted by SCMH, must be considered when prioritizing areas of need for mental health services expansion. This process targeted for completion in October to allow for a timely submission to the State Department of Mental Health.

**GJ Reply to the Response: The Grand Jury is satisfied with the response. We are also discouraged that only two collaborators have committed financially to a project that received unanimous support from all interviewees.**

*Recommendation 12: The Grand Jury recommends that County and City Government guarantee public safety at all times by ensuring law enforcement personnel attend to*

*5150-designated patients while they are treated in, and until they are transferred from, local “unlocked” emergency rooms.*

Response from the BOS: The process for transfer of law enforcement 5150 detentions is governed by an interagency agreement developed by local law enforcement agencies in collaboration with representatives of SCMH, Shasta regional Medical Center, Mercy Medical Center, and Mayers Memorial Hospital District. Less than half of the calls to the emergency departments are the result of this process.

More than half of the calls for SCMH crisis response are for patients who have presented to the emergency departments without law enforcement involvement. Thus, law enforcement personnel are not present in these cases while the emergency department examines the patient to determine if an emergency medical condition exists consistent with the federal requirements under the Emergency Medical Treatment and Labor Act. In these cases, SCMH determines the legal status of the patient if the emergency department physician decides that transfer or discharge to a specialty psychiatric facility is necessary.

Response from the City of Redding: The Grand Jury recommendation requires further analysis. The Police Chief cannot guarantee that law enforcement personnel attend to 5150-designated patients while they are “treated in, and until they are transferred from, local unlocked emergency rooms.” It would mean that police officers would need to be diverted from our neighborhoods and businesses to attend to individuals who should be at a detoxification center or at a mental health facility for as much as 24 to 30 hours.

Currently, police officers remain at the hospital with a 5150-designated patient until the patient is stabilized and no longer believed to present a threat to themselves or anyone else. Since the closure of the County PHF, police time necessary to handle these calls has already increased 66%. Remaining at the hospital to await transportation would further tax resources by doubling the average amount of time spent by police with each patient.

We agree with the hospitals that the solution is not more police officers, but rather more and better health care. Specifically, patients need to be evaluated much quicker as to the cause of their illness (drugs, alcohol, or mental health) and the patients need to be transferred, where appropriate to a detoxification center or a mental health facility. Having patients come to a hospital emergency room, waiting much too long for evaluation, and having a police officer sit in an emergency room and spend time with that patient for hours and hours is a poor use of the public’s limited resources and is not a solution to the premature closure of the County’s Mental Health Facility.

Response from the City of Anderson (received August 18, 2005): Just like the Grand Jury, the City of Anderson, as well as our Chief of Police, are very concerned about public safety. As such, we cannot guarantee that Anderson Police Department (APD) officers can attend to 5150-designated patients “until they are transferred from local ‘unlocked’ emergency rooms.” To meet this recommendation, police officers would need to be diverted from our neighborhoods and businesses to attend to individuals who

should be at a detoxification center or at a mental health facility for a minimum of several hours and/or as much as twenty-four to thirty hours. Diverting officers from their patrol duties would not guarantee public safety, but instead would decrease public safety in our own neighborhoods by reducing the number of officers available for law enforcement.

Typically, ADP deploys two to three officers on each twelve-hour shift. These officers's primary responsibility is the safety and security of the Community of Anderson. Currently, when an arrest is made, or a 5150-designated patient is taken into civil arrest custody, the shift coverage is reduced to two officers, and too often to just one officer, remaining in the City. Obviously this represents not only an "officer safety" issue but a "community safety" issue as well.

Currently, an ADP officer will remain at the hospital with a 5150-designated patient until the patient is stabilized and no longer believed to present a threat to himself or herself or anyone else. Since the premature closure of the Shasta County Mental Psychiatric Facility, without adequate planning, the amount of time a police officer must spend at the hospitals handling 5150-designated patient calls has already increased. Remaining at the hospital to await transfer, as recommended by the Grand Jury, would further tax APD's resources, typically doubling the average amount of time spent by the officer with each 5150-designated patient.

The Anderson City Council appreciates the opportunity to respond to Grand Jury Recommendation Number 12 and hopes that our response is helpful.

Response from the City of Shasta Lake (received July 28, 2005): The City of Shasta Lake agrees with the recommendation. Law enforcement services for the City of Shasta Lake are provided by the Shasta County Sheriff's Department. The Sheriff has provided these services since the City's incorporation in 1993. It is currently the policy of the Shasta County Sheriff's department to provide law enforcement personnel to attend 5150-designated persons while they are treated in, and until they are transferred from local unlocked emergency rooms.

**GJ Reply to the Responses: The Grand Jury accepts the responses from the representatives of law enforcement in the County. We acknowledge the extra time and cost of attending to 5150-designated patients. We remain concerned that persons, who by definition are a risk to themselves or others, even when stabilized, are left unattended in area emergency rooms. A potential for harm within the hospital setting, or after a 5150 designee decides to leave against medical advice, remains a public safety issue.**

*Recommendation 13: The MHAB needs broader community representation. Private physician, local hospital and clinic, and law enforcement inclusion would strengthen the MHAB role as the community advocate for mental health issues. The Grand Jury encourages the BOS to improve the MHAB composition and strongly urges the MHAB to carefully review all major contracts entered into by SCMH.*

Response from the BOS: the BOS concurs with the Grand Jury's recommendation regarding the expansion of community representation on the Mental Health Board. The Chairperson will work with the Mental Health Board Membership Committee to recruit a broader cross-section of community members.

The MHAB will continue to review the State Department of Mental Health Performance Contract, which governs aspects of the operations of the SCMH Department before it is submitted to the BOS for approval.

**GJ Reply to the Response: The Grand Jury is satisfied with the response and again encourages MHAB input on all major contracts entered into by SCMH.**

*Recommendation 14: Citizens of Shasta County can take advantage of a new source of state funding for expanded mental health services through the Mental Health Services Act. Similar to new library construction funding a few years ago, this Act awards state tax revenues to individual or joint county proposals for services based on the merits of the plans submitted. Shasta County citizens rallied impressively to support the library and the Grand Jury strongly recommends the BOS encourage a similar community effort. This is an excellent opportunity for increasing access to local services that are both desperately needed and chronically under funded. Mental health services should be prioritized through the public input sessions sponsored by SCMH. The BOS and MHAB should incorporate this community input into any proposal being submitted.*

Response from the BOS: The BOS concurs with the Grand Jury recommendations regarding the Mental Health Services Act.

**GJ Reply to the Response: The Grand Jury appreciates the response. The Grand Jury is concerned that a broad community effort to mobilize for real change in local mental health service delivery is not a priority. The BOS consistently ignores community needs for access to local inpatient care by allowing SCMH to export inpatients to out-of-county facilities. While purporting to support the active integration of mental illness into mainstream medicine, BOS policies and SCMH decisions continue to impede this integration. If the BOS, SCMH and area providers cannot unite to address this problem, it is unlikely that cohesive community support will follow.**

*Recommendation 15: The BOS should not rely entirely on staff recommendations when considering future funding and direction of mental health policy in Shasta County. Assigning large, long-term, no-bid contracts for untried services (Elpida) and closing the super PHF against the recommendations of the MHAB and a citizen's Community Committee do not represent the best interests of County residents. Since the prior BOS (with the exception of one member) felt economic considerations superceded community recommendations to maintain an inpatient facility, the Grand jury encourages the current BOS (with two new members) to reexamine the issue. From the data presented in this*

*report, the Grand Jury recommends the BOS reconsider the economic factors that led to the decision to close the PHF. We fully appreciate the patient safety issues of the inpatient facility as it was configured prior to its closure. However, our investigation indicates that reopening a basic PHF (non-Medicare) with strict admission criteria is an economically viable and safe alternative to having no local locked inpatient facility at all. Establishing appropriate and affordable local inpatient hospital services would improve patient access and care and alleviate the problems generated by the closure of the PHF. In conclusion, the Shasta county Grand jury asks the BOS to examine all the facts and govern for its constituents, and not for what benefits SCMH.*

**Response from the BOS:** The BOS does not rely solely on the recommendations of staff when considering funding or policy changes. The Board follows an extensive process of review to include a departmental staff report, County Administrative Office review and concurrence, County Counsel review, and Risk Management review. In addition, the Board receives and considers constituent feedback, including Advisory Board input, and public input regarding all Shasta County issues.

The BOS voted 4-1 to close the PHF after considering all of the information and several factors including patient safety due to the lack of emergency medical care and the subsequent exposure to litigation. Continued operation of the PHF would require significant funding reductions in other areas of the Mental Health Department. Mental Health Outpatient services would have to be eliminated to ensure the ongoing financial viability of the inpatient unit. Discontinuing outpatient treatment programs would impact a larger population than the closure of the PHF. The loss of outpatient treatment services would impact approximately 87 percent of the total SCMH patient population receiving preventative services, case management, therapy, life management skills, medical management skills, counseling, and other specialty services that minimize or eliminate the need for emergency mental health treatment. Without outpatient treatment the need for emergency mental health treatment services would increase exponentially and exceed the capacity of the PHF. The legal, social, and fiscal impact on law enforcement, social support agencies, and the community in general would be significant.

The Grand jury recommendation states that the Elpida contract was a large, long-term, no-bid contract for untried services. The initial term for the Elpida Crisis Residential contract commenced July 1, 2004, and ended on June 30, 2005. The contract was renewed for the same term length for fiscal year 2005-2006 on July 1, 2005. The Elpida Crisis Recovery Center is a subsidiary organization of Crestwood behavioral Health, Inc. Shasta County has had many contractual agreements with Crestwood for similar residential psychiatric services.

The Elpida contract was approved by the Board in an amount not to exceed \$1,124,200. This amount represents a cost savings for inpatient services that were provided at the PHF.

**GJ Reply to the Response:** **The Grand Jury disagrees with the response. With the exception of this final recommendation, all the responses received from the BOS**

appear to have been provided solely by SCMH; they are taken almost verbatim from a set of responses received earlier from the SCMH Director. This is an indication of a continued over-reliance on staff recommendations.

We feel compelled to point out that the Elpida Center is not licensed as a locked inpatient acute care facility (i.e., a PHF) and is not similar to other Shasta County-Crestwood psychiatric ventures. And although some patients are transferred from local emergency rooms directly to Elpida, it remains our contention that expenditures for this facility do little to address the need of County residents for acute inpatient treatment.

The Grand Jury remains convinced that developing our own inpatient services is preferable to renting them. We contend that reopening a basic PHF is economically viable, as the yearly cost for a similar facility in Butte County is around \$2 million. This represents less than 10 percent of the total SCMH budget, and less than the County is now spending for Elpida and out-of-county inpatient facilities. It is our belief that this will not impact the delivery of outpatient mental health services as described in the response.

### Conclusion:

Prior to, and since the release of our report, public interest in the delivery of mental health services to County residents continues to make news.

In April 2005, the BOS held a workshop on mental health issues and listened to patient and provider complaints. In May, the BOS, in conjunction with local hospitals and the Shasta Community Health Center, agreed to seek funding for an outside consultant to review the operations of SCMH. The Grand Jury commends the review and hopes its findings will lead to an improved delivery of care.

In July, SCMH psychiatrists finally applied for privileges at one local hospital, but not at the other. A claimed “lack of collegiality” at the hospitals was offered as the reason SCMH physicians had not previously applied for privileges. An unfriendly response is not a reason to seek or deny privileges, nor has it prevented other specialists from attempting to do so.

This slow pace of psychiatrist integration into general medicine, and a similar disinterest of the medical community to “buy-in” to the public delivery of mental health care provided by SCMH, remains a significant obstacle to further progress. For example, the declining interest in establishing a joint-partnership, community-sponsored, detoxification center underscores the level of mistrust between providers, SCMH and local government. The integration of mental illness into mainstream medicine cannot occur without willing and effective leadership from all sides.

Over the summer months, anecdotal stories from citizens about their inability to access care at SCMH continued to be heard by the BOS. Claims by SCMH administrators that “payer source” is not a factor in the decision to treat patients have been contradicted by both community physicians and families. The Grand

**Jury remains concerned that there will be no resolution of SCMH bureaucracy and, therefore, gaps in coverage will continue.**

**On a positive note, SCMH will hold a Mental Health Services Act (Proposition 63) public hearing and release its community action plan for funding in October. The Grand Jury applauds the effort by SCMH in soliciting broad community involvement over the past year and looks forward to the presentation of the plan.**

**A major goal of our report was to expand the community discussion about mental health. We believe this has been accomplished. However, discussion is only the first step. Productive action by local government is still lacking. Even with re-opening an inpatient facility, the poor communication between SCMH and the medical community, the ongoing problems with patient access, and an overly bureaucratic mental health department, continue to stymie progress.**

### ***Report No. 3: Redding Land Purchases***

The Grand Jury reported on the increasing number of land purchases by the City of Redding, specifically the purchase of an 82-acre vacant parcel along Interstate 5. The parcel, ostensibly purchased as a buffer zone to the City's southern boundary, is situated mostly in a flood plain and lies outside the city limits. The \$1.5 million purchase was funded by a loan to the City's general fund from the Redding Electric Utility (REU) reserve fund. The report also focused on the use of Redevelopment funding for the purchase of two other properties.

The City of Redding responded to four recommendations by letter submitted to the presiding judge of the Superior Court by the Mayor of Redding on July 20, 2005.

*Recommendation 1: The City Council needs to be more forthright in letting the public know why it is accumulating property for development and/or speculation in competition with private parties.*

Response: The City of Redding is not accumulating property for speculation in competition with private parties. Furthermore, the City of Redding has an excellent record of fully complying with the Ralph M. Brown Act (i.e., California's "open meeting law"). The rationale for each decision that the City Council makes is contained in a written report that is made available to the public (via the City Clerk's Office and via the City of Redding's web site). In addition, the agenda for each City Council meeting is provided to the media in advance of each meeting.

For the reasons outlined above, the City of Redding respectfully disagrees with the Grand Jury's statement that the City of Redding needs to be more "forthright." The City of Redding already conducts business in a forthright and highly ethical manner.

**GJ Reply to the Response: The findings and recommendations in the report made no accusations of Brown Act noncompliance or violations. The 2004/2005 Grand Jury expressed concern about the apparently inflated purchase price, the appraisal process and the short escrow. “Speculation” was suspected after many interviewees agreed that a buffer zone was not the intended reason behind the purchase. Non-published staff documents obtained by the 2004/2005 Grand Jury described the parcel with a heading entitled “Riverside Auto Mall.”**

**The Grand Jury disagrees with the response and does not concur that “forthright” is an appropriate adjective when describing the City’s explanation of property acquisitions.**

*Recommendation 2: Redevelopment Funds should be used for redevelopment only, not for development.*

Response: The City of Redding disagrees with recommendation No. 2. The two redevelopment projects referenced in the Report fully comply with both the “letter” and “spirit” of Community Redevelopment Law. Redevelopment agencies throughout California undertake similar activities on a regular basis. Thus, the City of Redding does not intend to implement this recommendation.

**GJ Reply to the Response: The Grand Jury accepts the response with the understanding that redevelopment agencies and policies, when used appropriately, can be useful tools for revitalizing neighborhoods and business areas. However, we caution that redevelopment policy can also be subject to potential abuses.**

*Recommendation 3: Borrowing of REU reserve funds for speculative land acquisition is an unsound business practice. When used for such purposes, these funds are unavailable for use by the utility for years. The Grand Jury recommends that the City Council utilize excess funds to lower electric rates instead of making real estate purchases.*

Response: The City of Redding disagrees with Recommendation No. 3. The use of internal loans is a sound business and management practice. Such loans can save the taxpayers of the City of Redding a significant amount of money. It would be more expensive to the taxpayers if the City of Redding borrowed these funds from a bank or another financial institution.

As noted in the Report, the funds in question are being held in reserve, in part, for future capital projects and equipment purchases. Therefore, it would not be prudent to use these funds to “lower electric rates” at this time. This would simply result in higher electric rate increases in the future. Thus, the City of Redding does not intend to implement this recommendation.

**GJ Reply to the Response:** The Grand Jury is partially satisfied with the response. We note that, not only would it have been more expensive to borrow “...these funds from a bank or another financial institution,” under the circumstances, it would have been impossible. In the process of considering and granting loans, financial institutions require valid appraisals, collateral, appropriate loan documents, etc. – all of which the Grand Jury found incomplete or unavailable in support of this transaction.

The Grand Jury acknowledges that REU rates tend to be lower than state averages, but we anticipate that REU rates, along with energy prices statewide, will increase over time. Capital projects and equipment purchases will certainly be a factor in the future success of REU. However, depleting the REU reserve fund by diverting money to unrelated land purchases is inconsistent with the defined purpose of the fund and confirms that at least some portions of the fund are, indeed, surplus. Instead of utilizing these surplus funds for unrelated discretionary purposes, the 2005/2006 Grand Jury believes rate relief to REU customers is the preferred alternative.

*Recommendation 4: The City Council must ensure full and timely repayment of the loan to Redding Electric Utility. Fees charged by public entities may not exceed the cost of providing the service. If the debt is forgiven by City Council, then the ratepayers will have paid in excess of the cost of electricity.*

Response: The City of Redding concurs with Recommendation No. 4. It has always been the City of Redding’s intent to fully repay the loan described in the Report in a timely manner. Thus, this recommendation has already been implemented.

For the sake of accuracy, however, it should be noted that the second sentence in Recommendation No. 4 is not correct. The California Supreme Court has ruled that a municipal utility can generate a “profit” (*see Hansen v City of San Buenaventura*).

(Included in the response, the City of Redding objected to Finding No. 1 in the Report)

...the City of Redding has never indicated or implied that it intends to forgive the aforementioned loan at some point in the future. The City of Redding has made a number of loans between different City funds in the past. None of these loans have ever been forgiven.

**GJ Reply to the Response:** The Grand Jury is not satisfied with the response. We do not consider the recommendation implemented until after the loan is repaid in full. Our concern is based on the fact that the City Council has “forgiven” loans made from other funds in the past.

For example, the City Council recently forgave loans made to the Shasta County Women’s Refuge. The first loan of \$75,000 was made in 1983 and a second loan for \$74,459 was made in 1995. As stated by an Assistant City Manager in the minutes of the July 20, 2004, City Council meeting: “... the City Council has previously

forgiven a \$75,000 loan, but severe budget constraints are forcing the Refuge to ask forgiveness of the \$74,459 loan, as well.”

The Assistant City Manager recommended, and the Council agreed, to forgive the second loan. The Grand Jury is not commenting on the appropriateness or advisability of the Council’s action; we are simply documenting that loan forgiveness has occurred more than once.

#### ***Report No. 4: Safety First***

The Burney Fire Protection District (BFPD) report focused on ambulance fees and discussions involving turf issues/cross-coverage with the California Department of Forestry and Fire Protection (CDF).

**GJ Reply to the Response:** The Grand Jury finds the BFPD response particularly disjointed; therefore, we are unable to utilize the format used in our other replies. The BFPD Board objected to most of the report’s findings. The Board’s response rationalized the District’s behavior, claimed the report contained many factual inaccuracies, and made numerous accusations against the 2004/2005 Grand Jury. We emphasize that the alleged inaccuracies were based on data supplied by the interviewed BFPD representatives themselves.

The Grand Jury notes that there is increased community interest in the District Board elections.

Pertaining to the three Grand Jury recommendations, the District failed to state whether each recommendation would **be implemented, not yet implemented, required further analysis, or not be implemented** as required by Section 933.05 of the Penal Code.

#### ***Report No. 5: Water, Water, Everywhere***

The Anderson-Cottonwood Irrigation District (ACID) Report involved issues of subscriber dissatisfaction, possible Brown Act violations, and water delivery. In 2004 the ACID Board renewed a 40-year contract with U.S. Bureau of Reclamation that includes a reduction in water supply. The District responded to the Grand Jury recommendations on August 24, 2005.

***Recommendation 1:*** *The District and its Board should expediently and thoroughly research the facts surrounding subscriber’s expressed concerns, and announce solutions and/or decisions at the earliest possible board meeting.*

Response: The District agrees with this finding, and the General Manager and Board members will make themselves more aware and familiar with District policies, State water law and Constitution.

*Recommendation 2: ACID Board of Directors should review the Brown Act with regard to public participation. The public must be allowed to comment on agenda items as they are being considered prior to a vote; this is in addition to the Public Participation portion of the meeting reserved for discussion of non-agenda items.*

Response: This recommendation has been implemented, as each Board member has been provided with a copy of the Brown Act, and will make itself (sic) more familiar with open meeting laws along with comment periods during agenda items as well as the Public Participation portion of the meeting.

*Recommendation 3: All members of the Board of Directors should adopt and maintain a professional demeanor during public meetings. In addition, a review of the Decorum in Debate section of The New Robert's rules of Order could be helpful in establishing Board debate protocol.*

Response: The District agrees with this finding, and this recommendation has been implemented, as each Board member has been provided with a copy of The New Rules of Order.

*Recommendation 4: The District should publish via newsletter, billing insert, or website, explanations of issues about which subscribers express confusion. Such repeated education could result in less friction and time-consuming discussion during board meetings.*

Response: The District agrees with this finding. The District has, for several years, included a management letter in its annual application/agreement packet that is mailed to its customers each February. The District is developing a website, and will be adding additional information to it as time permits. The District will also consider the development of a newsletter.

**GJ Reply to the Responses: The Grand Jury acknowledges receipt of all the responses.**

## ***Report No. 6: Innovative Education***

The Grand Jury looked at three charter schools sponsored by a local school district. This increasingly popular alternative to traditional public education has both positive and negative characteristics. In exchange for curriculum flexibility, each charter school surrenders business and administrative fees to its sponsor for supervisory oversight.

*Recommendation 1: Each charter school should obtain financial/business training and expertise with regard to the operation of a charter school and its financial relationship with the sponsoring district. One form of training can be provided by the California Association of School Business Officials (CASBO). An outside consultant could also be considered.*

Response from Redding School of the Arts (RSA) (received August 24, 2005): (RSA Administrators)...have been proactive in increasing their knowledge of charter school finance through workshops and consultants. Both administrators attended a charter school finance workshop in Los Angeles in March 2005. Additional staff from RSA has attended CASBO and California Charter Schools Association workshops this past spring. To further strengthen the school's financial expertise a consulting firm has been retained by RSA for the 2005-06 school year to work with the charter school and the Shasta Union High School District (SUHSD).

Response from University Preparatory School (UPS) (received September 29, 2005): In response, our leadership intends to follow the recommendation of the Grand Jury and will obtain financial/business training and expertise with regard to the operation of UPS and its financial relationship to Shasta Union High School District. We intend to meet this goal by attending an appropriate training program and consulting outside experts in the areas of charter school finance and business as the need arises.

**GJ Reply to the Response: The Grand Jury acknowledges and appreciates the details of the responses.**

*Recommendation 2: The District and RSA need to improve communication. Total revenue, supervisory changes, and which specific funds the District should have access to, should be reviewed and fully understood by both parties.*

Response from RSA: RSA, its consulting firm, and the Chief Business Officer will continue to meet bi-monthly or as necessary to improve communication during the 2005-06 school year. RSA and SUHSD will be negotiating the Memorandum of Understanding this fall in hopes of clarifying which funds the district should have access to. It is hoped that the consulting firm can help clarify laws surrounding revenues, federal grants, district costs and supervision. RSA would very much appreciate the Superintendent and/or the Chief Business manager attending the regularly scheduled

board meetings. It would also be RSA's wish that the SUHSD board liaison to RSA resume regularly scheduled attendance at RSA Governing Board meetings.

Response from SUHSD (received on August 15, 2005): Beginning August 2004, the District's Chief Business Official and the Budget Analyst met regularly with the two RSA directors, special education psychologist, and a parent volunteer. The frequency of the meetings was an agreed upon attempt to improve communication and provide training in charter finance and budget.

The District's business staff will continue to offer regularly scheduled meetings for the RSA directors and other charter employees.

**GJ Reply to the Response: The Grand Jury is satisfied with the responses.**

*Recommendation 3: The Superintendent and/or Chief business Official of the District should attend board meetings of the charter schools at least two to three times per year.*

Response from SUHSD: Both the Superintendent and Chief Business Official have attended board meetings of the charter schools during 2004-05. When requested, they have presented information or training at both regular charter board meetings and at special charter study sessions. The District will continue to provide this service on an ongoing basis.

In summary, the Board will continue with the existing communication practices already in place. Specifically, Board members will continue to act as liaisons with the charter school boards. The liaisons sit on the charter boards as non-voting members. In addition, the Board will continue to encourage the charter schools to attend and present at District Board meetings. The Board and administration will also continue their open-door policy.

**GJ Reply to the Response: The Grand Jury acknowledges the response.**

### ***Report No. 7: West Nile Virus Reaches the North State***

The increasing spread of West Nile Virus across the western United States prompted this investigation of Shasta County's preparedness against this mosquito-borne illness. The Grand Jury was impressed by the readiness of the largest (and best financed) of the three Vector Control Districts in the County to meet this threat. In summary, the Grand Jury recommendations encouraged increased public education of the disease and prompted the two smaller districts to consider various avenues of funding for improved control of mosquitoes.

Responses from the Districts (received July 20, 2005, from the Burney Basin Mosquito Abatement District (BBMAD) and August 29, 2005, from the Shasta Mosquito and Vector Control District (SMVCD)):

In summary, the SMVCD outlined many of its ongoing public education and research programs. The BBMAD replied that “ the Board of Directors...chooses at this time, not to seek a Benefit Assessment Tax,...and is seeking additional funding from the State.”

**GJ Reply to the Responses: The Grand Jury accepts the responses and acknowledges the financial constraints of small districts. We applaud the districts for the low prevalence of West Nile cases in Shasta County compared to other north state counties.**

**The Pine Grove Mosquito Abatement District failed to respond to the Grand Jury’s recommendation. This non-response violates Penal Code section 933.05.**

### ***Report No. 8: Ready to Respond***

This Grand Jury Report identified some problems at the Cottonwood Fire Protection District (CFPD) including sloppy record keeping, deficient policies and procedures, lack of elections for Board positions, and the need for a formal planning process.

*Recommendation 1: The CFPD should make it a priority to find at least part-time clerical personnel, whether paid or volunteer. This would help mitigate the poor record keeping and general lack of organization found by the Grand Jury. More importantly, it would allow time for the Chief and Captain to focus on CFPD’s emergency response responsibilities while addressing matters discussed in Findings 2, 3 and 4.*

Response from the District (received September 20, 2005): Now as to the first recommendation, the Board and staff totally agree with the finding that the Department would greatly benefit by having clerical help to assist the Chief...such that he could better concentrate on operational duties and responsibilities. We will elaborate more on this issue in the fourth recommendation.

*Recommendation 2: Effective policies and procedures are needed to comply with legal mandates and to promote good practice generally. It is not enough to just have policies and procedures. “Effective” means well-defined policies (statements that provide managerial guidance) and procedures (operational reflections of those policies) that are written, well organized, crystal-clear, and well communicated. CFPD should begin the process of developing and writing its policies and procedures and set a date by which they will be completed.*

Response: As stated in the second recommendation, much of our policies and procedures are fragmented and in some cases vague. Our Department agrees that we can upgrade and update the documents from a Mission statement through Operational Policy and Procedures by no later than February of 2006.

**GJ Reply to the Response: The Grand Jury accepts the response.**

*Recommendation 3: Board elections are prescribed by state law and CFPD's by-laws. The Grand Jury finds that elections are preferable to appointments to ensure that the Board does not stagnate and become ineffective. Simply posting the required legal notices when a board seat becomes vacant is insufficient. CFPD should take steps necessary to generate publicity and enthusiasm for Board service.*

Response: Our Department agrees that elections are preferable to appointments, however, unless there are issues that adversely affect members of the community, people aren't interested in serving in a public position for no monetary compensation. Due to budget constraints over the years, our Board members have elected to remain non-paid, this savings being directed toward Department operations. There will be an election this year.

**GJ Reply to the Response: The Grand Jury accepts the response.**

*Recommendation 4: A formal strategic planning process should be created and then implemented. A planning team should be established and team members should be drawn from local business people, District Board, fire personnel, and especially, residents. A strategic plan would review all areas and issues necessary to set the future direction of CFPD. The results can be formulated into a clear vision, with mission and value statements, that would be a guide for many years. This collaborative effort would greatly improve CFPD's relationships and communications with the business community and residents. Public support for funding initiatives necessary to execute the plan would follow.*

Response: It has been this administrations goal to return to a compliment of three full time employees. By hiring the 3<sup>rd</sup> employee, this will reduce the operational burdens on the Chief and free up time for more administrative duties. Based on our recent review of the 2005/06 operating budget, this will strongly be considered to occur this fiscal year. The District is currently researching another project that will generate additionally sustained revenues such that part time clerical could follow as well.

Our Board recently met again with all members of the Department for a brainstorming session to compile a list of present and future needs for the Department and community. From this list, we intend to formulate our next ten year plan...the last ten year plan had

twenty-one items, twenty have been completed with the remaining item being the new main fire station.

In reference to our long term strategic planning, the new, main station is to not only house the Fire department, but it will have provision for an office for a Shasta County Sheriff sub-station, the Citizen's Patrol, and possibly an office to house an ambulance company.

At this point, we understand that the community needs to be involved and this administration will be advertising our approach to this project.

**GJ Reply to the Response: The Grand Jury accepts the response.**

***Report No. 9: And...***

This Report summarized several minor Grand Jury investigations and generated only a single recommendation concerning the installation of radio towers in the Jones Valley area and the use permit appeal process in Shasta County.

*Recommendation: That the Shasta County Board of Supervisors reduces the fee for appeal of use permits and lengthens its appeal period.*

Response from the Board of Supervisors: No response received.

**GJ Reply to the Response: The Board of Supervisors did not respond to the Grand Jury's recommendations regarding the \$400 fee and five-day window for appealing use permits. This non-response is in violation of Penal Code section 933.05.**