



**SAN MATEO COUNTY SPECIAL DISTRICTS:
WHO IS REALLY IN CHARGE OF THE TAXPAYER'S MONEY?
The Mosquito District Embezzlement: Is it the Tip of the Iceberg?**

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SUMMARY

San Mateo County (County) has 22 independent special districts. Common in counties throughout California, independent special districts are local governmental entities that are legally separate from counties and cities.¹ They deliver special public services such as mosquito abatement, water management, and health care, to name a few. Special districts receive a significant amount of their operating funds from their portion of countywide property taxes and/or special assessments. They wield considerable influence with little oversight other than their own board of directors. In many cases, these boards are responsible for multi-million dollar budgets.

The recent embezzlement case in the Mosquito and Vector Control Abatement District (District) involving hundreds of thousands of dollars prompted the 2012-2013 San Mateo County Civil Grand Jury (Grand Jury) to investigate what led to the embezzlement. Two employees, who oversaw financial matters for the District pleaded no contest to embezzlement charges and will be sentenced in the latter part of 2013.

The Grand Jury finds that the Board of Trustees (collectively, Board, and individually, Trustee) and the District's District Manager (Manager) share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur. The Grand Jury finds that the Manager and the Board's finance committee did not recognize red flags in financial reports that should have revealed the embezzlement far sooner.

The Grand Jury also finds that the insurance company's denial of the District's embezzlement loss claim is further evidence that there were inadequate management practices, insufficient accountability, and oversight of the District.

The Grand Jury finds that the District's internal financial controls were inadequate and that important policies and procedures were not followed. The Grand Jury also finds that the Board did an inadequate job of overseeing operations and that there were significant differences of opinion regarding the Manager's ability to manage the District.

The Grand Jury finds that Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feeling they have more oversight responsibilities. The Grand Jury also finds that the issue of the dissolution of the District and transfer of its services to the County Environmental Health Department (CEHD) because of the

¹ For purposes of this report, the term "cities" includes "towns" and County government where the context so requires.

District's poor management and the need for more operational efficiency and cost savings, merits further study even though the County's Local Agency Formation Commission (LAFCo) recently rejected the recommendation of its executive officer to do so. The Grand Jury further finds that Cities do not give priority to having representation on the Board, which representation is an important component to the oversight of the District operations

The Grand Jury recommends that the Board require its Manager to follow the Policies and Procedures manual at all times and provide monthly financial reports to the Board.

The Grand Jury recommends that the Board emphasize the importance of its finance committee's role in ensuring that internal financial controls and policies are in place and are being followed. The Grand Jury recommends that the District hire a consultant to redesign the Manager's evaluation process to better assess job performance and to provide clarity and goal setting. The Grand Jury also recommends that the Board evaluate its policies and procedures on an annual basis and study a restructuring of the Board to better fulfill its oversight role.

The Grand Jury recommends that LAFCo continue to study the possible dissolution of the District and transfer of its services to the CEHD.

The Grand Jury recommends that cities give priority to having representation on the Board and, if unsuccessful in recruiting appointees, comply with Health & Safety Code section 2021 and appoint a council member in the interim. In addition, the Grand Jury recommends that cities require representatives to give their city councils regular updates on District's operations.

BACKGROUND

The District's budget is approximately \$6 million. It has an accumulated reserve of about \$5 million. Its funding comes from property taxes, parcel assessments, and a benefit assessment. It is governed by a Board composed of one member from each of the County's 20 cities plus County government. It employs a Manager to oversee its daily operations. Despite all of these "overseers," only one Trustee recognized a problem with an overage in operational expenses in 2011, thereby leading to the discovery of the embezzlement. After the discovery, only one city asked for a Grand Jury investigation.

The Grand Jury learned during interviews that the Manager did not follow normal employment vetting procedures when hiring the finance director accused of the embezzlement.

The LAFCo executive officer performed a Municipal Service Review and Sphere of Influence Review (Service Review) pursuant to Government Code Sections 56425 and 56430 following the alleged embezzlement. The report addressed public accountability and broadly examined district operations, fiscal health, opportunities for sharing resources, and governance alternatives. The study was not a financial audit and only identified measures the District has taken or could take to prevent such embezzlement events.²

Subsequent to the Service Review, the LAFCo executive officer recommended that the District be dissolved and incorporated into the CEHD, which might result in a cost savings. However, the LAFCo commissioners rejected the recommendation and deferred any further decision on the

² June 12, 2012, LAFCo Municipal Service Review.

subject to a later review after the Manager completed a Performance Improvement Plan as required by the District Board. However, LAFCo has taken no further action on the District matter.

It is important for County taxpayers to understand special district governance structure and the responsibility of special district boards with regard to such issues as embezzlement.

Concerns about special district management practices, accountability, and oversight were the impetus for a Grand Jury investigation.

METHODOLOGY

Documents

The Grand Jury reviewed the following documents:

- The LAFCo Service Review of the District, dated June 12, 2012
- The District's certified financial audits for fiscal years ending June 30, 2009, 2010, and 2011
- Letter of concern from a member city
- Documents from three former senior District employees including timelines of management judgments, financial invoices, and grievance letters to Trustees
- Personnel files of certain District employees
- Forensic audit performed in 2011 by C.G. Ulenberg, the District's regular auditor
- Correspondence regarding the Hartford Insurance claim
- Report issued by Dr. Peter Hughes, CPA, a consultant retained by the District to review its accounting policies.

Survey

- The Grand Jury sent a survey to all County independent special districts

Site Tours

- The Grand Jury toured the District's headquarters and laboratory located at 1351 Rollins Road, Burlingame.

Interviews

- The Grand Jury interviewed 13 individuals. Interviewees included representatives from the District and its Board; representatives from LAFCo and its Commission; former key District employees; auditors; and County Counsel attorneys who have represented the District.

Subpoenas

- The Grand Jury's presiding judge issued five subpoenas in order to obtain information. (Relatedly, it is noted that the Board declined to waive its attorney client privilege with the County Counsel when the Grand Jury requested it to do so.)

DISCUSSION

District Embezzlement

The noticing by one Trustee in early 2011 of discrepancies between budgeted and actual expenditures led to the discovery of the embezzlement. This Trustee brought the information to the attention of the Manager and the other Trustees. In addition, annual certified audits by the District's outside accounting firm for fiscal years 2009 and 2010 identified significant deficiencies that went unresolved during the period of time in which the embezzlement took place. Examples of such deficiencies included the failure properly to record accounting transactions and petty cash management.

The District embezzlement was unique according to one qualified interviewee, because it involved the entire finance department, consisting of two employees. These two employees are no longer with the District, and the County District Attorney has charged them with embezzlement. The employees have pleaded no contest and are awaiting sentencing.

Prosecutors alleged that District funds were embezzled between 2009 and 2011 when the finance director and her assistant placed themselves at a higher pay rate, fraudulently took time off, contributed excessively to their deferred compensation funds, used credit cards for personal purchases, and electronically transferred money into personal accounts. The forensic audit (described below) showed more than \$635,000 missing but prosecutors charged them with embezzling only \$400,000 because they could not prove an actual loss of the greater amount³ The District's forensic auditor calculated the total loss resulting from the embezzlement to be \$796,781. (Appendix A.) This is the amount the District reported to its insurance company.

The annual certified audits of the District for fiscal years 2009 and 2010 suggested that there was a lack of sound management and fiscal responsibility. A subsequent forensic audit of the District listed "ten distinct loss activities that were executed against the District by 2 former employees..."⁴ These loss activities included incorrect pay calculations to employees, unauthorized and personal use of credit cards, and fraudulent reporting of time off for Family Medical Leave Act (FMLA). While taking FMLA, one employee served jail time for a previous embezzlement.

After the allegations of embezzlement, some of the Trustees determined the Manager's skills were inadequate for the position.⁵ The Board hired an outside consultant to perform a review of the internal financial controls. Notwithstanding this state of affairs, the Trustees voted to extend

³ *End in sight for mosquito district case: Former finance chief expected to plead guilty on 10 charges related to embezzlement of public money*, March 22, 2013, Heather Murtagh - Daily Journal Staff.

⁴ See Appendix B.

⁵ Board Evaluations of the District Manager.

the Manager's contract and paid the outside consultant to prepare a Performance Improvement Plan for the Manager to complete in an effort to avoid any further incidents.

The District's insurance company has declined to pay on its loss claim given the circumstances surrounding the embezzlement, The insurance company's outside legal counsel stated that the District "misrepresented" its computer controls and should have had systems in place to detect unusual activity. The District disputes this.⁶ The District has retained additional counsel to negotiate this matter.

The District indicated in its insurance application that no employee could control a process from the beginning to the end, e.g., request a check, approve a voucher, and sign the check. The District's internal controls required the Manager and a Board officer to approve requests for payment and to sign on checks.⁷ However, the finance department used signature stamps that seemed to by-pass this control. Attorneys for the District argue that "the insurance company was already aware of the lack of controls designed to prevent an embezzlement of this nature".⁸ It should be noted that insurance for these special districts frequently does not cover the costs for attorneys, audits, or other costs associated with embezzlement.

Embezzlement may be more prevalent in districts than has been revealed to date. For example, in addition to the District, employee fraud cases in the following County special or school districts have come to light in the last two years alone. Although three of the cases do not relate to special districts, the underlying problems, inadequate controls and oversight, are the same:

- Woodside Elementary School District
- Portola Valley School District
- Mid-Peninsula Water District (It should be noted that LAFCO's executive officer has also recommended that this district be dissolved.)
- San Mateo County Community College District

The District embezzlement case may be the *tip of the iceberg*. As one interviewee stated, with so many special districts in this county and counties throughout the Bay area and state, "embezzlements are not unusual," which is no comfort to the taxpayers. However, with sound internal financial controls and good management practices, the risk of embezzlement can be minimized.

District Operations

After extensive investigation, the Grand Jury learned of oversight shortcomings and management issues that include the following:

⁶ Letter dated April 11, 2012, from Meredith, Weinstein & Numbers, LLP pg 3 (See Appendix C).

⁷ *Ibid.*

⁸ *Ibid.*

- Standard business practices, such as performing detailed background checks, were not followed in the hiring of the finance director accused of embezzling. As a result, the District hired an individual who was already under indictment in another embezzlement case.
- The Manager and the Board's finance committee did not recognize red flags in financial reports that could have revealed the embezzlement far sooner. Examples include the budget overage (ultimately noticed by a Trustee), lack of complete monthly financial packages as provided by the previous finance director, and discrepancies revealed in two years' annual audits. Board complaints to the Manager concerning financial reports were answered with the excuse that a new accounting system had been installed and that there were issues with the County Controllers staff.
- The Trustees' written evaluations of the Manager's performance revealed significant differences of opinion. Some Trustees gave the Manager high ratings while others expressed little confidence in the Manager's ability to manage the District. Others indicated they did not trust the Manager and felt the Manager was excessively controlling information provided to the Board.
- Internal financial controls in place at the time of the embezzlement were inadequately implemented. For example, controls required that both the Manager and a Board officer to sign checks issued by the finance department for payments. However, the finance department used signature stamps that seemed to by-pass this control.
- The Manager hired unlicensed and uninsured contractors to work on District facilities, a violation of District policies.
- Surplus vehicles were sold to employees and friends, a practice that the Grand Jury was informed has been discontinued.
- The issuance of Visa cards to employees for the purchase of materials led to abuse. The Visa cards had high limits and there was little oversight of their use. The finance director used a Visa card to pay her attorneys for a previous embezzlement case. Neither the Manager nor the Board's finance committee caught improper charges of up to \$15,000 placed on the card.
- There was an amendment to the District Policies and Procedures manual in 2007 that stated, "dismissal of the current District manager would require 90% of the Trustees' approval." The Grand Jury requested and received an updated version of the manual. The entire section 2160 titled "Separation from District Employment" is no longer in the current manual. It has been replaced by a new section 2160 titled "Salary and Benefit Survey." No further information was provided as to the reasons for this change.

The embezzlement incident was costly, with additional losses still being discovered. The loss submitted to the insurance company was over \$790,000 but does not include related costs such as attorney fees, consultants, and financial training.⁹ Some of the loss may be covered by insurance, but as of May 1, 2013, the insurance company has denied the claim citing misrepresentation of

⁹ See Appendix A.

facts in the District's insurance application and the failure of the District to perform appropriate background checks.

Following the embezzlement and subsequent evaluation of the Manager, the Board chose to implement a Performance Improvement Plan in order to improve the Manager's financial management skills. The Board also extended the Manger's employment contract and increased the Manager's compensation.

Also after the embezzlement, a new consultant prepared eight recommendations to improve the district's internal financial controls. (See Appendix D, an excerpt of the consultant's report). The Grand Jury has been advised that these recommendations have been implemented. As a result, the financial system was rebuilt. An interviewee familiar with the consultant's review opined that the Manager had program skills but lacked the fiscal skills necessary for overseeing financial operations.

District Board

A 21-member Board governs the District. The voters elect other San Mateo County special district governing bodies, which differentiates them from the Board, whose members are selected by city councils. The District began covering the entire County in 2005. In this circumstance, the Health & Safety Code provides that cities may appoint a Trustee to the Board. The Trustees' direct responsibility is to the city councils that appointed them, not directly to the voters. The Health & Safety Code also states that the legislative intent is that members have experience, training, and education in fields that will assist in governing the district.¹⁰

One question raised during the investigation was whether a Board of 21 members could be effective. The Board president appoints members to the following standing committees: Finance, Policy, Strategic Planning, Environmental, and Manager Evaluation. One interviewee stated, "Authority may be dissipated when responsibility gets diffused over a large group." With a large board it can be difficult to have accountability for decisions made. A few Trustees expressed interest in studying another governance model that would reduce the size of the Board. Through document review and interviews, the Grand Jury learned that there are varying opinions regarding what Trustees believe to be their roles and responsibilities. Some Trustees feel their only role is to make policy, while others feel they have more oversight responsibility.

When a number of employees tried to approach Trustees to express concerns about the Manager, they were turned away for not following the chain of command. Relatedly, there was confusion about communications between staff and Trustees. In light of these communication issues, the Peninsula Vector Workers Association requested that the Trustees review and revise the District policies governing communication between staff and Trustees.

The Grand Jury learned that Trustees requested financial information from the Manager during the embezzlement period but the request was not honored. The Trustees did not heed warnings from senior District employees about financial irregularities. The Trustees put total trust in the Manager to fulfill the mission of the District and seemed oblivious to the business operations and its problems.¹¹ Statements by Trustees in earlier reviews of the Manager showed confusion

¹⁰ State Health Code section 2021.

¹¹ Grand Jury interview and evaluation document.

among the Trustees regarding the Manager’s general performance capabilities. One Trustee told the Grand Jury that the evaluation process was inadequate and should be reviewed by a qualified human resources consultant.

LAFCo

Local agency formation commissions were established by the State of California in 1963 to oversee the formation, expansion, dissolution, and reorganization of all special districts. LAFCo is an independent seven-member commission with jurisdiction over the boundaries of the County’s 20 cities, 22 independent special districts, and many of the 35 County-governed special districts. LAFCo is composed of two members of the County Board of Supervisors, two members of city councils, two board members of independent special districts, a public member, and four alternate members (County, city, special district, and public).

Local agency formation commissions oversee districts but have limited powers. The Cortese-Knox-Hertzberg Act of 2000 requires that they conduct Service Reviews every five years.¹² LAFCo’s executive officer, with the help of a part-time administrative assistant, conducts the Service Reviews. LAFCo’s current staffing level makes it difficult to conduct Service Reviews in a timely manner as required by law. The 2002-2003 Grand Jury recommended that the Board of Supervisors provide additional resources to LAFCo, but the recommendation has not been implemented.

Service Reviews provide the public with information about the special district including “[a]ccountability for community service needs, including governmental structure and operational efficiencies.”¹³ They can also recommend whether a special district should be merged with another district or dissolved and services transferred to another agency. If LAFCo recommends that a district be dissolved or merged with another district, generally speaking, the approval of 75% of the voters in the special district is required. LAFCo’s authority is thus limited. Recommendations made by LAFCo are usually the result of a Service Review.

Subsequent to the Service Review of the District, the LAFCo executive officer recommended that the District be dissolved and incorporated into the CEHD, which might result in a cost savings, from the sharing financial services, laboratories, and other facilities. It should also be noted that LAFCo’s executive officer recommended dissolution of both special districts where embezzlements occurred, but the LAFCo Commissioners did not approve these recommendations.

Cities’ Responsibilities to the District

The District encompasses the entire County. Health & Safety Code Section 2021 states that the Board of Supervisors may appoint one person to the Board and the city councils of each city located in whole or in part within the District may appoint one person to the Board. Health & Safety Code Sections 2022(c) and (d), states:

- Applicants should be qualified in fields that will assist in governance of the district.

¹² LAFCo website.

¹³ Government Code Section 56430.

- Cities may appoint a councilmember to the Board if they are unable to find a qualified candidate.

The Board of Supervisors and city councils often suffer from a lack of applicants from which to select a representative. At the time of this report, the Town of Colma had no representation on the Board. This might be due in part to unsuccessful recruitment efforts. Although applicants may be conscientious and well meaning, they may not have the necessary skills or experience to sit on the Board. While all cities should have representation on the Board, it appears that providing representation is not a city priority.

During interviews, the Grand Jury learned that most cities do not mention the District on their websites, nor do they require their representatives to give regular updates to the city councils about the District's operations.

Survey of Independent Special Districts

The Grand Jury distributed a survey to all independent special districts to better understand the compensation for their board members and the amount of public funds for which they are responsible. The survey yielded the following information:

- Most districts have a 5 member elected board; a few have a 3 member elected board, while the District has a 21-member non-elected board.
- More than half of the board members are compensated from \$100 per month to \$600 per month. The District Board is paid \$100 per month
- More than half of the boards compensate members for workshop or conference events and some have medical and life insurance benefits. A few boards are not compensated at all. The District Board is also compensated for workshops or conferences events.
- The reserves of districts range from \$775,000 to \$47 million dollars. The District's reserves are \$5 million.

It should be noted that not all districts responded to the survey request.¹⁴

FINDINGS

- F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.
- F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.
- F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

¹⁴ San Mateo County Grand Jury Special Districts Survey 2013.

- F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.
- F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.
- F6. Trustees and senior District staff should receive monthly financial reports.
- F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.
- F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.
- F9. The District would benefit from a redesigned Manager evaluation process.
- F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.
- F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.
- F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.
- F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.
- F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

RECOMMENDATIONS

The Grand Jury recommends that the *Board* do the following:

- R1. Instruct the Manager to follow the Policies and Procedures manual at all times.
- R2. Instruct the Manager to provide complete financial reports to the Board on a monthly basis.
- R3. Improve its oversight of the District through an improved governance structure and hold the Manager accountable for its operations.
- R4. Evaluate its Policies and Procedures manual on an annual basis and make the manual available to employees and the public.
- R5. Emphasize the importance of the finance committee's role in ensuring that internal controls and policies are in place and are being followed.
- R6. Hire a human resources consultant to redesign the Manager's evaluation process in order to better assess the Manager's job performance.
- R7. Clarify Trustees' roles and reinforce and discuss expectations of the position at an annual meeting.

The Grand Jury recommends that the *County Board of Supervisors* do the following:

R8. Provide increased resources to LAFCo so it can meet state mandates with regard to Service Reviews.

The Grand Jury recommends that *LAFCo* do the following:

R9. Further study the dissolution of the District and evaluate the cost savings that might result from transferring the function to the County Environmental Health Department.

The Grand Jury recommends that the *City/Town Councils* do the following:

R10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants.

R11. Require regular reporting about the District's operations by their representative at a scheduled council meeting.

REQUEST FOR RESPONSES

Pursuant to Penal code section 933.05, the Grand Jury requests the following to respond to the foregoing Findings and Recommendations referring in each instance to the number thereof:

- District Board of Trustees
- County Board of Supervisors
- LAFCo
- City/Town Councils

The governing bodies indicated above should be aware that the comment or response of the governing body must be conducted subject to the notice, agenda and open meeting requirements of the Brown Act.

Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Civil Grand Jury.
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DISCLAIMER

This report is issued by the Grand Jury with the exception of one member who sits on the District Board. This individual was excluded from all parts of the Grand Jury's investigation and the making and acceptance of this report. This report is based on information from outside sources with none of the information being obtained from the excluded Grand Juror.

APPENDIX A



C. G. UHLENBERG LLP
 CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 17, 2011

Robert Gay
 District Manager
 San Mateo County Mosquito and Vector Control District
 1351 Rollins Road
 Burlingame, CA 94010

As described in our letter dated October 26, 2011, we were engaged by the San Mateo County Mosquito and Vector Control District (the "District") to perform a forensic accounting investigation. The nature of our procedures were limited, therefore, additional fraud not identified may exist. In that letter and in the report accompanying that letter, *Results of Forensic Investigation by C.G. Uhlenberg LLP*, we identified ten loss activities that were executed against the District by 2 former employees. The loss activities identified and the amount of loss calculated by our firm are as follows:

Description of Loss	Amount
1. Unauthorized Pay to Vika and Jo Ann	\$ 55,451.87
2. Incorrect pay calculation to employees	\$ 30,995.32
3. Fraudulent Deferred Compensation	\$ 15,480.00
4. Unauthorized and personal use of credit cards	\$ 335,432.00
5. Unauthorized and personal use of electronic fund transfers	\$ 183,364.62
6. 2 trucks removed from property	\$ 4,500.00
7. Unsupported checks cashed	\$ 1,149.33
8. Unsupported checks written to 3rd parties	\$ 8,591.14
9. Rebuild of the 2010/2011 Books	\$ 153,067.00
10. Fraudulent reporting of time off for FMLA	\$ 8,750.00
Total Loss Identified	\$ 796,781.28

This summary should be read in conjunction with our letter dated October 26, 2011 and the report accompanying that letter, *Results of Forensic Investigation by C.G. Uhlenberg LLP*.

Sincerely,

Jeffrey J. Ira, CPA

Attachment: Letter to District from C.G. Uhlenberg dated October 26, 2011

APPENDIX B



C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

October 26, 2011

Robert Gay
District Manager
San Mateo County Mosquito and Vector Control District
1351 Rollins Road
Burlingame, CA 94010

We were engaged by the San Mateo County Mosquito and Vector Control District (the "District") to perform a forensic accounting investigation. The nature of our procedures are limited, therefore, additional fraud not identified in this report may exist. As a result of our investigation we identified ten distinct loss activities that were executed against the District by 2 former employees Jo Ann Dearman ("Jo Ann"), former Finance Director and Vika Sinipata ("Vika"), Accounting Supervisor. A "loss activity" is defined as a deliberate action by Jo Ann and/or Vika that resulted in monetary loss to the District.

The report describes each of loss activities identified by our firm during its investigation. They are listed as follows:

1. Unauthorized and excessive pay to Vika and Jo Ann – extra payments and incorrect pay rate
2. Incorrect pay calculation to employees
3. Fraudulent Deferred Compensation contributions – Vika and Jo Ann
4. Unauthorized and personal use of credit cards – Vika and Jo Ann
5. Unauthorized and personal use of electronic fund transfers (ACH) – Vika and Jo Ann
6. 2 Trucks removed from property (2/2011) – Jo Ann
7. Unsupported checks cashed - Jo Ann
8. Unsupported checks written to 3rd Parties for personal benefit
9. Rebuild of the 2010/2011 Books
10. Fraudulent reporting of time off for FMLA – Jo Ann

The dollar value and description of their actions that created these losses are described in attachment *Results of Forensic Accounting Investigation by C.G. Uhlenberg LLP*. We have prepared two copies of supporting documentation of the losses in two binders, which have already been provided to you. The descriptions of what is contained in those binders are included in the *Results of Forensic Accounting Investigation by C.G. Uhlenberg LLP*.

Per your request, we have provided some of the information contained in this report to the District Attorney's office. If you have any questions, please do not hesitate to contact me or Jennifer Derron.

Sincerely,

Jeffrey J. Ira, CPA

Attachments: *Results of Forensic Accounting Investigation by C.G. Uhlenberg LLP*

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APPENDIX C

Meredith, Weinstein & Numbers, LLP

Attorneys at Law
115 Ward Street
Larkspur, California 94939

Telephone (415) 927-6920

Facsimile (415) 927-6929

April 11, 2013

Via E-mail and USPS

Gary J. Valeriano
Anderson, McPharlin & Connors LLP
444 South Flower Street, 31st Floor
Los Angeles, CA 90071-2901
Email: gjv@amclaw.com

Re: San Mateo County Mosquito and Vector Control District Employee Theft
Hartford Claim No.: 11392634
Your File No.: 0022-638

Dear Mr. Valeriano:

This will respond preliminarily to your letter dated March 5, 2013, in which you advise that Hartford has denied coverage in this matter. The District is both surprised and offended that after dragging this matter on for nearly two years, Hartford has chosen to avoid its responsibilities by denying coverage for the very misconduct that Hartford agreed to insure under policies for which Hartford received at least 6 years of premium! Hartford's "investigation" of this claim, including repeated requests for the same information it had already received, plainly demonstrates that Hartford has spent considerable resources looking for ways to avoid honoring its obligations, rather than assisting its insured in responding to this catastrophic loss. I will not review the chronology of events in this letter, but the correspondence over the past two years speaks for itself.

The District timely reported discovery of the scheme involving Seeney and Sinipata in June of 2011. There is no dispute that the loss is a covered loss under Section A.1.A of the Hartford policy. Seeney and Sinipata were "employees" who embezzled money from the District, causing a covered loss.

Hartford asserts that if the District had looked into Seeney's background prior to hiring her it would have discovered her criminal past. However, whether or not this is true, it is irrelevant. There was no requirement that the District check for past criminal activity. In fact, Section C of the application asks several questions about whether the District conducted pre-employment background checks, and the District answered "no" to each of them. Accordingly, the District's failure to conduct background checks does not support a denial of the claim, and Hartford's reference to background checks demonstrates Hartford's attempt to manufacture reasons for its denial.

Hartford also relies on Section F of the Policy, v void in any case of fraud by you as it relates to this Policy at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning ... This Policy" The terms "You or any other insured" clearly refer to the named insureds only; here, the District is the named insured. The term is not defined to include misrepresentations by employees or agents of the District, and there is no evidence that the District intentionally concealed or misrepresented a material fact concerning the Policy. Any ambiguities as to who must engage in the misrepresentations will be construed against Hartford. "[A]n insurer who wishes to condition its contractual liability upon the insured's conformance with certain conduct must do so in clear, unambiguous language." *Holz Rubber Co., Inc. v. Am. Star Ins. Co.*, 14 Cal. 3d 45, 59 (1975).

In addition, the policy also provides coverage for the failure of an employee to faithfully perform his or her duties as prescribed by law, which results in loss of money or other property. *Endorsement 3*. If Sinipata's failure to faithfully and accurately complete the application for insurance resulted in loss for which the District would otherwise be entitled to coverage under this policy, then this loss itself would be covered under the Policy.

The 2010 policy was renewed for the same premium as the previous years. Hartford received its full premiums to insure against this very risk. Hartford has earned its premium for continuous coverage, and it would be inequitable to allow Hartford to forfeit the coverage because of the very theft it agreed to cover, simply because the perpetrator happened to be the same person that was assigned the administrative task of filling out the renewal application. See *Root v. American Equity Specialty Ins. Co.*, 130 Cal.App.4th 926 (2005).

As far as the District was concerned, the answers on the application for 2010 were correct. The District concealed nothing. If anyone else had filled out the application instead of Seeney or Sinipata, the answers undoubtedly would have been the same and there would be no issue as to misrepresentation or concealment. Furthermore, the answers on the 2010 renewal application were virtually the same as on the prior application; nothing material in the District's procedures had changed.

Neither Seeney nor Sinipata was authorized to access the signature plates without prior approval. The fact that they improperly accessed the plates, unbeknownst to anyone else in the District, was part of how they perpetrated their embezzlement scheme. Moreover, in Section E.2 of the 2010 application the District states that facsimile plates are used for signatures, but does not respond to the question of who can use them or how they are safeguarded. Hartford did not even follow up on this question and, accordingly, the information clearly was not material to Hartford's underwriting.

Hartford argues that the District misrepresented the computer controls, and or should have had systems in place to detect unusual activity. However, on both the 2010

and the prior application, the District answered "no" to the question at Section E.5, "are internal control systems designed so that no employee can control a process from beginning to end (e.g. request a check, approve a voucher and sign the check)?" Hartford did not follow up on this, either. Hartford was aware of the District's lack of control systems designed to prevent the exact type of scheme that Seeney and Sinipata were able to perpetrate. Accordingly, Hartford cannot prove that the District misrepresented the safeguards in place, or that this was material to the decision to issue the policy.

Hartford argues that Seeney's and Sinipata's knowledge of their own wrongdoing should be imputed to the District, based on principles of agency, and therefore it should be absolved from any coverage responsibility. However, knowledge is not imputed where the agent is acting on his own behalf and adversely to the interests of the principal. "While in general the knowledge of an agent which he is under a duty to disclose is to be imputed to the principal, it is well established that where the agent acts in his own interest or where the interest of the agent is adverse to his principal, the knowledge of the agent will not be imputed to the principal." *People v. Park*, 87 Cal. App. 3d 550, 566 (Cal. Ct. App. 1978) (citations omitted); see also *River Colony Estates Gen. P'ship v. Bayview Fin. Trading Group, Inc.*, 287 F. Supp. 2d 1213, 1227 (S.D. Cal. 2003) ("Courts, furthermore, will not impute an agent's actions to his or her principal when the agent's action is adverse to the principal.").

Hartford relies on *In re Payroll Express Corp.*, 186 F.3d 196 (2nd Cir. 1999), for the proposition that the insured, rather than the insurer, should bear the risk in such a situation. *Payroll Express* relies on New Jersey law for this finding, and is not in accordance with other jurisdictions that have addressed this issue. See, e.g., *Maryland Cas. Co. v. Tulsa Indus. Loan & Inv. Co.*, 83 F.2d 14, 16-17 (10th Cir. 1936); *Puget Sound Nat'l Bank v. St. Paul Fire & Marine Ins. Co.*, 32 Wash.App. 32, 645 P.2d 1122, 1126-28 (Wash.App.1982); *BancInsure, Inc. v. U.K. Bancorporation Inc./United Kentucky Bank of Pendleton County, Inc.*, 830 F. Supp. 2d 294, 301 (E.D. Ky. 2011); *Federal Deposit Ins. Corp. v. Lott*, 460 F.2d 82, 88 (5th Cir.1972). But more importantly, *Payroll Express* is clearly distinguishable on the facts. There, the founder, President and CEO and his wife, who jointly owned 100% of the interest in the company were engaged in a long-standing embezzlement scheme prior to initially applying for the policies at issue. *Payroll Express Corp.*, 186 F.3d at 200.

Likewise, in *West American Finance Co. v. Pacific Indemnity Co.*, 17 Cal. App.2d 225 (1936), the individuals involved in the fraudulent scheme included the president and three other officers who jointly made up a majority of the board of directors and owned all the stock of the insured company. In effect, they were "taking out indemnity bonds insuring their own fidelity." *Id.* at 229. The Court made this a central focus of its decision to deny the company the benefits of the policy:

while this group of men were thus proceeding to fasten these losses on the corporation's shoulders they were at the same time, as the governing board of directors of the corporation, obtaining from the [insurer] fidelity

bonds insuring their own honesty for the very purpose of placing the corporation, and incidentally themselves as the owners of the majority of the vote controlling stock therein, in a position to recoup from the surety the losses which they were bringing about by their own wrongful acts.

Id. at 235. On these facts, the Court determined that the knowledge of the majority shareholders was imputed to the company. The Court refused to apply the adverse interest exception because it found that the officers were acting for the corporation in the transaction, even though they had an opposing personal interest. *Id.* at 236. The reason for this exception is obvious; where the officers control the corporation itself, their actions are deemed to be the actions of the corporation.

These cases are best explained by the "sole actor" exception to the adverse interests doctrine. "California courts have recognized a limited exception to the rule that the acts of an officer acting adversely to a company will not be attributed to it." *In re California TD Investments LLC*, 1:07-BK-13003-GM, 2013 WL 827718 (Bankr. C.D. Cal. Mar. 6, 2013); see also *Federal Deposit Ins. Corp. v. Lott*, 460 F.2d 82, 88 (5th Cir.1972). This doctrine is used to impute the "fraudulent conduct of an officer and sole-shareholder to the corporation in spite of the fact that his actions were adverse to it." *Id.* (citing *Peregrine Funding, Inc. v. Sheppard Mullin Richter & Hampton LLP*, 133 Cal. App. 4th 658, 679 (2005)); see also *Coit Drapery Cleaners, Incl. v. Sequoia Ins. Co.*, 14 Cal.App.4th 1595 (1993). This exception does not apply in the present case, however, because Seeney and Sinipata were not the District's decision makers: "Courts have declined to impute this exception, however, where it has not been established that all relevant decision makers for the corporation were engaged in the fraud." *Id.* (citing *Casey v. U.S. Bank Nat'l Ass'n*, 127 Cal.App.4th 1138, 1143 (2005)).

Here, the District decided to obtain insurance from Hartford long before hiring Seeney and Sinipata. Neither Seeney nor Sinipata were members of the board, let alone owners and/or sole representatives of the District. Seeney and Sinipata were in no position to directly benefit from the policy, and the District obtained no benefit from their alleged misrepresentations. If Seeney or Sinipata had not filled out the application, some other employee would have, with the same answers. The failure to disclose losses due to their own fraud on the application for insurance only prevented the District from discovering it sooner and timely reporting the loss under the prior policy, which neither Seeney nor Sinipata was involved in procuring.

Hartford has cited no cases dealing with an innocent corporation where an officer who did not have sole control of the company lied on a renewal application. On the other hand, in *BancInsure, Inc. v. U.K. Bancorporation Inc./United Kentucky Bank of Pendleton County, Inc.*, 830 F. Supp. 2d 294 (E.D. Ky. 2011), the court was faced with this very scenario. The court reviewed the state of the law nationally, and found that "the few jurisdictions that have addressed this particular issue have handed down opposite results." *Id.* at 301. The court disagreed with *Payroll Express*, and held that the actions of a dishonest officer who lied on a renewal application to cover up her own misdeeds was not imputed to the insured, and therefore the policy was not rescindable. *Id.* The

court found Wood "was acting adverse to [the insured's] interests when she lied on the renewal application. Had she been honest in completing the applications, [the insured] would have been able to submit a timely claim under the FIB [financial institution bond]. Thus, by lying on the application, [the insured] did not benefit in any way." *Id.* at 302. As in the current case, "had any other officer or director filled out the application, there would be no question that Wood's knowledge would not be imputed to [the insured] and the ... Policy would remain in effect. It would be unjust to rescind the policies now, simply because the [employee] happened to be the one who filled out the application." *Id.* at 305.

The same result was reached in *Puget Sound Nat'l Bank v. St. Paul Fire & Marine Ins. Co.*, 32 Wash. App. 32, 645 P.2d 1122 (Wash.Ct.App.1982). There the court held that the adverse interest exception applied, and even though the defalcating officer was a Director, he was not the "sole representative." The insured had a board of directors, at whose behest he filled out the application, and who had no knowledge of the director's wrongdoing. The Court found that concealment of his wrongdoing on the application "was not in the best interests" of the insured, and therefore their interests was adverse. *Id.* at 43; see also *Maryland Cas. Co. v. Tulsa Indust. Loan & Investment Co.*, 83 F.2d 14 (10th Cir.1936). In the present case, Seeney and Sinipata were not acting in the interest of the District and therefore their knowledge will not be imputed to defeat coverage.

Regardless of whether Hartford is able to convince a court that coverage under the 2010 policy was forfeited by the very fraud Hartford had agreed to insure, Hartford ignores the fact that when the fraud was committed, Hartford afforded coverage under its 2007 policy. Although the insured may not have "discovered" the theft during that policy period, because Hartford asserts that it would not have issued the 2010 policy but for the statements in the application, then a court certainly will find coverage under Hartford's earlier policy to avoid a forfeiture. "Forfeitures . . . are not favored; hence a contract, and conditions in a contract, will if possible be construed to avoid forfeiture. This is particularly true of insurance contracts." *O'Morrow v. Borad*, 27 Cal. 2d 794, 800-801 (1946) (citations omitted); see also *Root v. Am. Equity Specialty Ins. Co.*, 130 Cal. App. 4th 926, 948 (2005).

We appreciate Hartford's expressed willingness to continue discussing this matter. The District would be happy to meet for further discussion.

Very truly yours,



Barron L. Weinstein

BLW:cdy

APPENDIX D

June 15, 2012

Mr. Robert Gay
District Manager
San Mateo County
Mosquito and Vector Control District
(SMCMVCD)
1351 Rollins Rd
Burlingame CA 94010

Re: Assessment of SMCMVCD System of Internal Financial Controls and
Recommendations for Improvements

Dear Mr. Gay,

At your request I have conducted an assessment of SMCMVCD's system of financial internal controls for payroll, cash disbursements, equipment disposal, petty cash and credit card usage. Included are eight findings and recommendations for your consideration regarding potential control concerns along with additional procedures that address the concerns identified, that if implemented, would enhance your controls.

Background

In response to an embezzlement scheme that was discovered in June 2011, the District contracted for and obtained an extensive forensic audit by C. G. Uhlenberg for the period February 2009 through June 2011. In addition to the audit, C. G. Uhlenberg rebuilt the District's financial records for the Fiscal Year July 2010 through June 2011 and recommended several internal financial control improvements.

In addition, the San Mateo County Counsel's Office performed an investigation of the position of District Manager's financial oversight during the period the fraud was perpetrated and recommended performance measures for the District Manager.

Based upon C. G. Uhlenberg's audit, it was assessed that the embezzlement scheme was a complex fraud that *"included elaborate efforts to cover up the embezzlement using falsified records presented to the District Manager and the Board of Trustees."*

In addition, it was assessed that the *"conspiracy between the alleged perpetrators was so elaborated and well concealed that it also was not detected in the District's annual audit processes."*

Findings and Recommendations

Finding No.1

The blank check stock while maintained in an office that is locked when no one is in attendance, is kept in an unlocked drawer.

Recommendation No.1

Secure the blank check stock in a locked draw or safe. Unless immediately being used, the blank check stock should always be locked.

Finding No. 2

The blank check stock is not subject to periodic inventory counts to assure the entire supply is properly accounted for and tracked.

Currently the stock is enough for several months' worth of check writing. This fact presents an opportunity for an individual with access to blank check stock to steal blank checks that would not be used and therefore missed for months.

Recommendation No.2

The District Manager along with the Financial Manager should periodically inventory the blank check stock and document their count for the record.

Finding No. 3

The Financial Manager and the Accounting Technician can individually access the blank check stock in the absence of the other.

This provides an opportunity for one to steal blank check stock in the absence of the other and thereby avoid detection. In the event of theft of this stock and the subsequent fraudulent use of it, this situation increases the difficulty of identifying the fraudster and potentially blemishes all individuals who would have access to the blank check stock.

Recommendation No. 3

Limit access to the locked blank check stock to the District Manager or no more than him and the Financial Manager.

Finding No. 4

There is no established limit to the amount a District check can be cashed for with the bank. This situation enables a fraudster to steal a sizable amount of money in one theft and immediately flee, thereby effectively thwarting the extensive internal controls established to detect a theft.

Recommendation No. 4

Establish an upper threshold with the bank for cashing any checks without direct confirmation or advanced clearance.

Finding No. 5

While the bank statement is reconciled monthly, this control typically takes place five to six weeks after the first of the former month thereby potentially giving a fraudster that interval to abscond with the proceeds.

Recommendation No. 5

The Financial Manager should review the online banking statement weekly as an added precaution.

Finding No. 6

There does not appear to be an upper limit to the credit card usage. If accurate, this situation increases the potential of a large theft or misuse.

Recommendation No. 6

Review the thresholds of the credit cards and seek to limit its upper limit to fall within a range of the typical transactions.

June 15, 2012

Mr. Robert Gay

Re: Assessment of SMCMVCD System of Internal Financial Controls and Recommendations for Improvements

Finding No. 7

The current practice is to issue a credit card to most staff. This situation increases the potential of misuse or fraud.

Recommendation No. 7

Evaluate the cost/vulnerabilities and business benefits of the issuance of credit cards and consider limiting their distribution. If the business needs justify the wide issuance of them the issue of upper limits and timely reconciliation's become even more important.

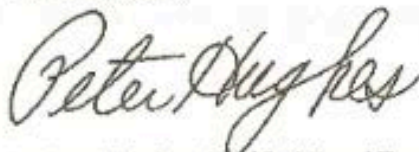
Finding No. 8

The District's new Internal Control Manual while a useful document, still remains a work in progress. It is important to have detailed desk procedures and clear and current policies readily available to management and staff. Well written and current polices and procedures serve as an essential quality assurance and check and balance internal control for any organization. They greatly facilitate the ability of management as well as the external auditors to conduct meaningful reviews and monitoring of the day-to-day business transactions.

Recommendation No. 8

Consider contracting with a firm that specializes in the preparation of business policies and procedures to ensure a timely, thorough and user/reviewer friendly manual.

Very truly yours,

A handwritten signature in cursive script that reads "Peter Hughes". The signature is written in black ink and is positioned above the typed name.

Dr. Peter Hughes, Certified Fraud Examiner

ABOUT ORANGE COUNTY'S

Director of Internal Audit

Dr. Peter Hughes, CPA

CIA, CFE, CITP, CFF, CCEP

Dr. Hughes is a graduate of the highly selective UCLA Anderson Graduate School of Management's Corporate Board of Directors Oversight Program which qualifies him to serve as a board member on both a corporate or governmental entity. He also possesses a Ph.D., from Oregon State University, an MBA with an emphasis in Statistics from the University of California, Riverside, and a BA in Philosophy in Ethics and Political Philosophy from Pomona College in Claremont, California. Additionally, he is a Certified Public Accountant, Certified Corporate Compliance and Ethics Professional, an AICPA Certified Information Technology Professional, Certified Internal Auditor, a Certified Financial Forensic expert, an Institute of Internal Auditors' Accredited Peer Reviewer, a Certified Fraud Examiner and is trained in *Lateral and Creative Thinking techniques and methods*.

Along with his County internal auditing experience, Dr. Hughes has served as the Director of Internal Audit for three world-class organizations including the California Institute of Technology (Caltech), NASA's Jet Propulsion Laboratory (JPL) and the Oregon University System of Higher Education. Additionally, Dr. Hughes served as Acting Controller for Caltech and was a divisional Director of General Accounting and Finance for a major subsidiary of Columbia Broadcasting System (CBS).

Dr. Hughes is recognized as a leading authority in improving the cost effectiveness and efficiencies of local governmental entities having designed and conducted over 100 Control Self Assessment and Process Improvement workshops involving 1500 participations that identified and implemented over 2000 improvements in County business processes. Dr. Hughes' use of *Lateral and Creative Thinking techniques* in combination with his business sense and humor made these workshops the most popular and effective in recent County history.

He also led in the design and implement of Strategic Business Plans having served as the co-lead for the first Strategic Plan for Orange County. In addition, he is also recognized as a leading authority in the development of investment guidelines for municipal and county investment pools having conducted over 50 compliance and financial audits of Orange County's \$7 billion investment pool and in the design of "Best Practice" Audit Oversight Committees (AOC) having been instrumental in the creation of Orange County's AOC which is considered as one of the most successful oversight committees of its kind in local government.

Under the direction of Dr. Hughes, the County of Orange Internal Audit Department was the recipient of the prestigious Institute of Internal Auditors ROC, the Recognition of Commitment to Professional Excellence, Quality Service and Outreach Award. In addition, his department web page received the Bronze Medal for its utility and transparency from the international Association of Local Governmental Auditors (ALGA). Dr. Hughes has led his internal audit department successfully through four Peer Reviews and has developed the department into a world class audit function, with each of his 15 auditors possessing a CPA and at least one other internationally recognized certification; a standard of excellence no other comparably sized county or city has achieved.

Dr. Hughes is a noted speaker at international conferences and is an Adjunct Professor of Accounting at California State University at Fullerton's renowned and accredited School of Accounting where he teaches an advance course in internal controls, audit and risk assessment.



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: October 1, 2013
Board Meeting Date: October 8, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: 2012-13 Grand Jury Response - San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?

RECOMMENDATION:

Approve the Board of Supervisor's response to the 2012-13 Grand Jury report entitled: San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?

BACKGROUND:

On July 18, 2013, the Grand Jury filed a report titled: San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?. The Board of Supervisors is required to submit comments on the findings and recommendations pertaining to the matters under control of the County of San Mateo within ninety days. The County's response to the report is due to Hon. Richard C. Livermore no later than October 16, 2013.

Acceptance of this report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury findings and recommendations are thoroughly reviewed by the appropriate County departments and that, when appropriate, process improvements are made to improve the quality and efficiency of services provided to the public and other agencies.

DISCUSSION:

Findings:

F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response: Not applicable as this is a District, not a County issue.

F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

Response: Not applicable as this is a District, not a County issue.

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response: Not applicable as this is a District, not a County issue.

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response: Not applicable as this is a District, not a County issue.

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response: Not applicable as this is a District, not a County issue.

F6. Trustees and senior District staff should receive monthly financial reports.

Response: Not applicable as this is a District, not a County issue.

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

Response: Not applicable as this is a District, not a County issue.

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

Response: Not applicable as this is a District, not a County issue.

F9. The District would benefit from a redesigned Manager evaluation process.

Response: Not applicable as this is a District, not a County issue.

F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

Response: Not applicable as this is a District, not a County issue.

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

Response: Not applicable as this is a LAFCo issue and LAFCo is an independent of the County. .

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

Response: Assuming that CEHD stands for the County Environmental Health Department, the County cannot comment on the relative cost of District versus County provision of the current District functions without first conducting a detailed analysis.

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

Response: Not applicable as LAFCo is an independent County Commission that sets their own budget and then bills the cities, County and special districts. While the County agrees that additional resources could increase the number of service reviews completed by San Mateo County LAFCo, the County has no jurisdiction over the LAFCo budget.

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

Response: Not applicable as this is directed at cities and not the County.

Recommendations:

The Grand Jury recommends that the County Board of Supervisors do the following:

R8. Provide increased resources to LAFCo so it can meet state mandates with regard to Service Reviews:

Response: LAFCo is an independent County Commission that sets their own budget which is apportioned to the County, cities and special districts based on a state mandated formula. Thus, the County Board of Supervisors has no jurisdiction over the LAFCO budget.

FISCAL IMPACT:

There is no Net County Cost associated with approving this report.



September 16, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
C/O Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063

Re: Civil Grand Jury Report: 2012-13: "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?"

Honorable Judge Livermore:

The Commission appreciates the time and effort expended by the Grand Jury in gaining an understanding of San Mateo County Mosquito and Vector Control District and LAFCo municipal service reviews and welcomes the additional opportunity for public education about these important topics. On September 11, 2013, the Commission reviewed a draft response to the Grand Jury, provided input and directed LAFCo staff to submit a response by the October 18, 2013 deadline.

With the exception of Findings F11 and F13 and Recommendations R8 and R9, the findings and recommendations are not relevant to the Commission's statutory role. LAFCo offers clarification regarding R8 and recommended responses to F11, F13 and R8 and R9. While the remaining subject matter could be covered in a future LAFCo study of the District, it is outside LAFCo's control and therefore LAFCo does not offer responses to these findings and recommendations.

We hereby submit the response below which addresses Findings F11 and F13 and Recommendations R8 and R9 contained in the Civil Grand Jury Report titled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: is it the Tip of the Iceberg?"

Findings:

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to CEHD, this issue needs further evaluation.

Response: *San Mateo LAFCo agrees with the finding and offers additional information. The LAFCo Municipal Service Review identified economies of scale, efficiencies and improvements in*

transparency and accountability related to transfer of mosquito and vector control services to a larger organization such as the County of San Mateo Environmental Health Division. The Municipal Service Review and recommendations acknowledged the changes that have taken place since the District's boundaries were expanded to be countywide in 2003 and the outdated formula for the composition of the District's board which requires that the county and each of the twenty cities appoint a member to the Board of Trustees. This composition results in a board of trustees of 21 members for an organization with approximately 18 full time employees. The report also identified the challenges of establishing segregation of accounting and finance duties in a small organization, a situation that could be remedied by being part of a larger organization such as San Mateo County's Environmental Hhealth Division and the report included information on Santa Clara County Mosquito and Vector Control which is administered by the County of Santa Clara. (Please see June 12 report and July 11, 2012 addendum at www.sanmateolafco.org).

The Municipal Service Review and Sphere of Influence update contained the areas of determination required by State law and lay the foundation for a feasibility study that can best be conducted by the San Mateo County Environmental Health Division in collaboration with the Mosquito and Vector Control District. It is the Environmental Health Division, and not LAFCo, that has the internal organizational knowledge and expertise to evaluate transfer of District employees and organization structure to best meet service delivery needs and maintain service levels.

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by State law, are performed in a timely fashion.

Response: *San Mateo LAFCo agrees with the finding and offers additional information. The Cortese Knox Hertzberg Act (Act) sets forth budget adoption process and the funding formula for LAFCos. The Act sets forth that each LAFCo shall adopt a budget as an independent agency. Once adopted the Act stipulates that the budget shall be apportioned in thirds to the County, cities and independent special districts. Pursuant to the formula, the city and independent special district shares are determined proportionally based general fund revenues as reported to the State Controller. The Board of Supervisors does not have exclusive authority to increase the LAFCo budget.*

As noted in the Grand Jury Report, LAFCo composition consists of two members of the board of supervisors, two members of city councils, two independent special district board members and a public member. This composition gives each funding entity representation in determining the LAFCo budget. In the current fiscal year, the Commission augmented the budget by \$50,000 to fund consultant prepared reports to expedite completion of municipal service reviews. The Commission has the discretion in future years to adopt a budget that includes resources to complete municipal service reviews.

Recommendations:

R8. That the County Board of Supervisors provide increased resources to LAFCo so it can meet state mandates with regard to Service Reviews.

Response: As noted above, the Cortese Knox Hertzberg Act gives LAFCo authority to adopt a budget as an independent Commission. The Board of Supervisors does not have exclusive authority to increase the LAFCo budget.

R9. That LAFCo further study the dissolution of the District and evaluate the cost savings that might result from transferring the function to the County Environmental Health Department.

Response: This recommendation will not be implemented at this time for the reasons stated above. LAFCo believes it is the County Environmental Health Division that has the knowledge and expertise to determine the organizational and fiscal feasibility, improved accountability and transparency and cost savings that might be achieved in transferring mosquito and vector control functions as well as San Mateo County Mosquito and Vector Control District personnel, assets, etc. to the County. LAFCo will send a request to the San Mateo County Environmental Health Division that the Division study the feasibility of transferring mosquito and vector control services to the County. The request for the study will include a request for information such as recommended organizational structure that would include absorbing appropriate personnel of the District, a recommended budget for operation, administration and capital improvements and provisions to assure maintaining level of service while providing for accountability and transparency. Once more detailed fiscal evaluation is complete, LAFCo will have the opportunity to reconsider transfer of mosquito and vector control service to the County of San Mateo.

Please contact the LAFCO office if you have any questions or if we can be of further assistance.

Sincerely,



Don Horsley
Chair, San Mateo LAFCO



San Mateo County
Mosquito and Vector Control District
1351 Rollins Rd
Burlingame CA 94010
(650) 344-8592 Fax (650) 344-3843
www.smcmad.org

Hon. Richard C. Livermore
Judge of the Superior Court
Hall of Justice
400 County Center
Redwood City, CA 94063-1655

Date: **September 11, 2013**

Re: 2012-2013 Grand Jury Report – San Mateo County Special Districts:
Who is Really in Charge of the Taxpayer’s Money? The Mosquito
District Embezzlement: Is it the Tip of the Iceberg?”

Dear Judge Livermore,

On Behalf of the San Mateo County Mosquito and Vector Control District, I am submitting this response to the 2012-2013 Grand Jury Report titled: “ San Mateo County Special Districts: Who is Really in Charge of the Taxpayer’s Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?” This response was presented to and approved by the District Board of Trustees at its regular meeting on September 11, 2013.

We believe that the findings regarding “Mosquito District Embezzlement” relate to events that occurred prior June 2011.

Findings:

F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response to F1: Agree

F2. The Manager and the Board’s finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

Response to F2: Agree

- (i) The Board’s finance committee was not tasked with or expected to serve that function – the Board acted as a whole in reviewing monthly financial statements and expenditures at the monthly Board meetings.

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response to F3: Disagree

- (i) As with any claim on an insurance policy, the fact that the insurance company initially denies the insured's claim does not reinforce any conclusion – it merely indicates that the insurance company, based on its then-current analysis of the information before it, has decided that the language of the policy in question does not require the insurance company to agree to provide coverage at that time.
- (ii) In this particular instance, the insurance company has stated that “This denial of coverage is based upon the fact that the application for coverage contained material misstatements which, if answered differently and truthfully, would have had an effect on Hartford's underwriting of the risk in question.” There is no mention or reference to inadequate management practices, insufficient accountability, or inadequate oversight of the District, in the insurance company's letter denying coverage.
- (iii) In addition, the insurance company has indicated that it remains “willing and open to discuss this matter.” District efforts with regard to insurance coverage continue.

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response to F4: Agree

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response to F5: Agree

F6. Trustees and senior District staff should receive monthly financial reports.

Response to F6: Agree

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

Response to F7: Agree

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

Response to F8: Agree

F9. The District would benefit from a redesigned Manager Evaluation process.

Response to F9: Agree

F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

Response to F10: Disagree in part.

- (i) Some trustee may be confused about their responsibilities, but it is inappropriate to say or imply that all trustees are similarly confused.

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

Response to F11: Disagree

- (i) The discussion and determinations regarding the recommendation to dissolve the District and transfer its functions to the County's Environmental Health Department have been fully discussed, evaluated and vetted. It is time to move past the past and focus on the business of mosquito and vector control. The basis for any such "further evaluation" is unclear.

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

Response to F12: Disagree

- (i) No specific overall costs savings have been identified in connection with the transfer of all of the Districts functions to the County Environmental Health Department.

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

Response to F13: Agree

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

Response to F14: Disagree in part.

- (i) Timeliness in the appointment of trustees is a subjective and fact specific measure. Whether an appointment is “timely” will depend on any number of factors, which could include: the length of any advance notice provided to the appointing council; the schedule of appointing council’s meetings; the availability of candidates; or the District’s needs and schedule.
- (ii) The only statutory qualifications for appointment as a District trustee are found in Health and Safety Code section 2022 and they are that the person be a voter and resident of the jurisdiction from which he/she is appointed.
- (iii) The statutes do provide that it is the “intent of the Legislature” that persons appointed as trustees have experience, training and education in fields that will assist in the governance of the district. The District does not choose the trustees; the individual councils serve that function.

RECOMMENDATIONS:

Detailed responses to each of the recommendations are provided below.

R1. Instruct the Manager to follow the Policies and Procedures manual at all times.

Response to R1: The recommendation has been implemented.

- i. As part of the Manager’s Performance review, the District Manager is now evaluated according to his ability to follow the policies and procedures established by the Board at all times.
- ii. The District policies and procedures have been consolidated into a single manual (District Policy Manual) and all policies are approved and periodically reviewed and revised by the Board.

R2. Instruct the Manager to provide complete financial reports to the Board on a monthly basis.

Response to R2: The recommendation has been implemented.

- i. Since July 2011, the District Manager and Finance Director have provided a complete Financial Report to the Board at each monthly Board meeting.

R3. Improve its oversight of the District through an improved governance structure and hold the Manager accountable for its operations.

Response to R3: The recommendation has been implemented.

- i. A new committee system has been in effect for over one year and the Bylaws were revised earlier this year. Board standing committees now include: Finance,

Environmental and Public Outreach, Policy, Strategic Planning, Legislature, and Manager's Evaluation

- ii. The Board holds the Manager accountable for District operations and evaluates the Manager accordingly.

R4. Evaluate its Policies and Procedures manual on an annual basis and make the manual available to employees and the public.

Response to R4: The recommendation will be implemented.

- i. The District Trustee Policy Committee meets throughout the year drafting, analyzing, and making recommendations concerning District policies for Board of Trustees' approval.
- ii. The Policy Committee is reviewing options for increasing the evaluation process for all District policies and procedures manuals on an annual basis.
- iii. The new policies and procedures are distributed to each new employee, posted in the District's principle offices in Burlingame. Every member of the public has access to the policies and procedures on request.

R5. Emphasize the importance of the finance committee's role in ensuring that internal controls and policies are in place and are being followed.

Response to R5: The recommendation has been implemented.

- i. District Board policies provide that the Finance Committee is to consider and make recommendations regarding the financial management of the District. The Finance Committee is tasked with making recommendations for the selection of an auditor by the Board of Trustees and verifying the completion of an annual audit.

R6. Hire a human resources consultant to redesign the Manager's evaluation process in order to better assess the Manager's job performance.

Response to R6: The recommendation requires further analysis.

- i. The District has entered into a contract with human resources consulting firm. That consulting firm has not recommended a redesign of the Manager's evaluation process. Whether or not that consulting firm will be assigned such a task has not yet been decided by the Board or its Manager Evaluation committee, but that decision should be made before the end of this calendar year.

R7. Clarify Trustees' roles and reinforce and discuss expectations of the position at an annual meeting.

Response to R7: The recommendation will be implemented.

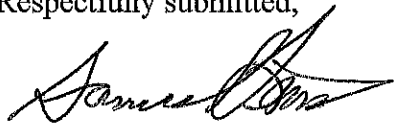
- i. A Trustee "Field Day" is scheduled for December 2013, with the intent of including presentations and discussions regarding District governance and rules and roles of service as part of the activities.

In summary, the District since July 2011 has instituted all internal controls recommended by auditors, financial internal control specialists, LAFCo Commissioners, and other public agencies. The District continues to mediate the insurance claim at this time and has completed the audit for June 2012, noting no issues.

The responsibility of a public agency that uncovers embezzlement is to support the District Attorney's Office to prosecute the individuals, investigate the loss and institute appropriate internal controls to prevent future embezzlements. The District has completed all of the above and will continue to provide the highest level of services and complete transparency of all financial programs to the residents of San Mateo County. In addition, monthly information on the District services and finances will continue to be provided to all cities and county appointing agencies.

We understand the difficulties public agencies have with preventing embezzlement within their financial programs and this is most notable with the recent embezzlements within the County. All public agencies must remain vigilant and constantly review and improve internal controls to stay a step ahead of those willing to commit crimes against the public's trust.

Respectfully submitted,



Samuel Lerner, DVM
Board President



Town of Atherton
Office of the Mayor
91 Ashfield Road
Atherton, California 94027
Phone: (650) 752-0500
Fax: (650) 614-1212

September 6, 2013

Grand Jury Foreperson
c/o Court Executive Office
400 County Center
Redwood City, CA 94063-1655

**SUBJECT: GRAND JURY REPORT
SAN MATEO COUNTY SPECIAL DISTRICTS: WHO IS REALLY IN
CHARGE OF THE TAXPAYER'S MONEY? THE MOSQUITO DISTRICT
EMBEZZLEMENT: IS IT THE TIP OF THE ICEBERG?**

Attention Jury Foreperson:

Attached please find the Town of Atherton's response to the above noted Grand Jury Report. Pursuant to California Penal Code Section 933.05, the response was considered by the City Council at a public meeting on August 21, 2013.

Should you have any questions concerning this response, please contact City Manager George Rodericks at (650) 752-0504.

Sincerely,

TOWN OF ATHERTON


Elizabeth Lewis
Mayor

RESPONSE TO GRAND JURY REPORT

Report Title: *San Mateo County Special Districts: Who is really in charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?*

Report Date: August 21, 2013

Response by: Town of Atherton

By: Elizabeth Lewis, Mayor

FINDINGS:

- I (we) agree with the findings numbered: F1, F6, F13, F14

These findings are general in nature and the Town can reasonably agree to their assertions without verification of the data and investigation behind them.

- I (we) disagree wholly or partially with the findings numbered: F5, F7-12

The Town has insufficient information to evaluate the specificity of these findings.

RECOMMENDATIONS:

- Recommendations numbered R10 & R11 have been implemented.

(Attach a summary describing implemented actions.)

- Recommendations numbered n/a have not yet been implemented, but will be implemented in the future.

(Attach a timeframe for implementation.)

- Recommendations numbered n/a require further analysis.

(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)

- Recommendations numbered n/a will not be implemented because they are not warranted or are not reasonable.

(Attach an explanation.)

Date: 9/4/13

Signed: Elizabeth Lewis

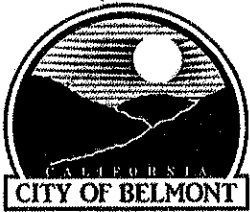
RECOMMENDATIONS

R10: Appoint a council member to the District Board if a representative cannot be found after vetting applicants.

The Town has a well-qualified resident appointee that serves on the District Board of Directors.

R11: Require regular reporting about the District's operations by their representative at a scheduled council meeting.

The Town's resident appointee reports to the City Council on a regular basis at a public meeting.



CITY OF BELMONT

One Twin Pines Lane, Suite 340, Belmont, CA 94002
(650) 595-7408 • Fax (650) 637-2982
www.belmont.gov

City Manager
Greg Scoles

September 25, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re:

Response to Grand Jury Report entitled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip if the Iceberg?"

Dear Judge Livermore:

At its regular meeting on September 24, 2013, the City Council of the City of Belmont approved the following response to the Grand Jury Report "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip if the Iceberg?"

Grand Jury Findings and Belmont's Responses:

Grand Jury Finding F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

The City of Belmont agrees with this finding.

Grand Jury Finding F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

The City of Belmont agrees with this finding.

Grand Jury Finding F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

The City of Belmont does not have sufficient information to affirm or deny this finding.

Grand Jury Finding F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

The City of Belmont agrees with this finding.

Grand Jury Finding F5. The Districts did not have adequate internal finance controls in place to prevent the embezzlement or lead to its early discovery.

The City of Belmont agrees with this finding.

Grand Jury Finding F6. Trustees and senior District staff should receive monthly financial reports.

The City of Belmont agrees with this finding.

Grand Jury Finding F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

The City of Belmont does not have sufficient information to affirm or deny this finding.

Grand Jury Finding F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

The City of Belmont does not have sufficient information to affirm or deny this finding.

Grand Jury Finding F9. The District would benefit from a redesigned Manager evaluation process.

The City of Belmont does not have sufficient information to affirm or deny this finding.

Grand Jury Finding F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

The City of Belmont does not have sufficient information to affirm or deny this finding.

Grand Jury Finding F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the district and transfer its functions to the CEHD, this issue needs further evaluation.

The City of Belmont agrees with this finding.

Grand Jury Finding F12. Cost savings could possibly be achieved with a transfer of the Districts functions to the CEHD.

The City of Belmont agrees with this finding.

Grand Jury Finding F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are preferred in a timely fashion.

The City of Belmont does not have sufficient information to affirm or deny this finding.

Grand Jury Finding F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code,

The City of Belmont does not have sufficient information to affirm or deny this finding.

Grand Jury Recommendations to City and Town Councils and Belmont's Responses:

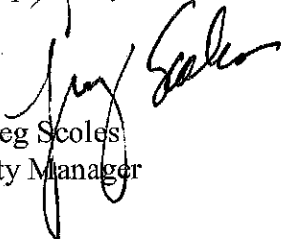
Grand Jury Recommendation R10. Appoint a council member to the District Board if a representative cannot be found after vetting applications.

The City of Belmont agrees with this finding and has done a good job of making sure that there is an appointed representative.

Grand and Jury Recommendations R11. Require regular reporting about the District's operations by their representatives at a scheduled council meeting

The City of Belmont agrees with this finding and encourages reports from the appointed representative.

Respectfully Submitted,



Greg Scoles
City Manager



CITY OF BRISBANE

50 Park Place
Brisbane, California 94005-1310
(415) 508-2100
Fax (415) 467-4989

August 16, 2013

Honorable Richard C. Livermore
Superior Court Judge, County of San Mateo
c/o Charlene Kresevich
400 County Center, 8th Floor
Redwood City, California 94063-1665

RE: Grand Jury Report "San Mateo County Special Districts – The Mosquito District Report dated July, 2013

Dear Judge Livermore:

Please accept this letter in response to the 2013 San Mateo County Grand Jury Report filed July 18, 2013 entitled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?". This response was presented and approved by the Brisbane City Council at its regular meeting of August 19, 2013.

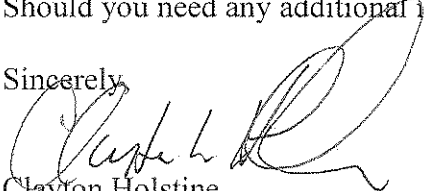
The following are the responses to the recommendations contained with the report that Cities are being asked to respond to:

Recommendation R10. – Appoint a council member to the District Board if a representative cannot be found after vetting applicants. The City of Brisbane has a Council appointed resident/representative, Robert Maynard, who has been actively participating for many years.

Recommendation R11. – Require regular reporting about the District's operations by their representative at a scheduled council meeting. Brisbane's representative has been regularly reporting to the Council at scheduled City Council meetings and there are no plans to change that.

Should you need any additional information or have any questions please contact me.

Sincerely,


Clayton Holstine
City Manager





ANN KEIGHRAN, MAYOR
MICHAEL BROWNRIGG, VICE MAYOR
CATHY BAYLOCK
TERRY NAGEL
JERRY DEAL

The City of Burlingame

CITY HALL c 501 PRIMROSE ROAD
BURLINGAME, CALIFORNIA 94010-3997

TEL: (650) 558-7200
FAX: (650) 566-9282
www.burlingame.org

September 17, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Response to Civil Grand Jury Report: San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?

Dear Judge Livermore:

As per your request, the City of Burlingame hereby addresses each of the findings presented by the 2012-2013 Civil Grand Jury of San Mateo County in its 2013 report entitled, "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

Findings:

1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

6. Trustees and senior District staff should receive monthly financial reports.

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

9. The District would benefit from a redesigned Manager evaluation process.

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility

City Response: The City of Burlingame agrees with this Finding based on the information presented in the report.

11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation

City Response: The City of Burlingame agrees with this Finding, particularly in light of LAFCo's response to the Grand Jury, which notes that the matter should be further analyzed.

12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD

City Response: The City of Burlingame does not have enough information to either agree or disagree with this Finding.

13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are

performed in a timely fashion.

City Response 13: The City of Burlingame agrees with this Finding.

14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

City Response: The City of Burlingame does not have enough information to agree or disagree with this Finding. The City of Burlingame is not aware of the practices followed in other cities.

Recommendations

The Grand Jury made two recommendations for cities. Those recommendations, and the City's response, are detailed below:

10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants

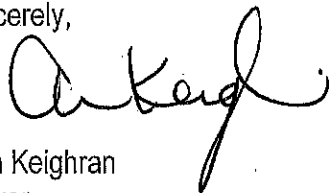
City Response: The City of Burlingame will implement this recommendation if it becomes necessary.

11. Require regular reporting about the District's operations by their representative at a scheduled City Council meeting.

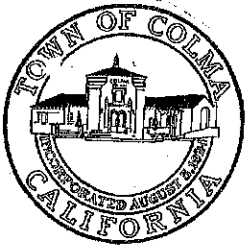
City Response: The representative for the City of Burlingame has presented information about the District's operations to the City Council at least once thus far. The City Manager has already spoken with the representative about reporting to the City Council on an annual basis, or more often should the need arise.

This letter represents the City of Burlingame's responses to the Civil Grand Jury's findings and recommendations. The letter was reviewed and approved by the City Council on Monday, September 16, 2013. If you have any questions about this report, please contact City Manager Lisa K. Goldman at lgoldman@burlingame.org or 650-558-7204.

Sincerely,



Ann Keighran
Mayor



TOWN OF COLMA

1198 El Camino Real • Colma, California • 94014-3212
Tel 650-997-8300 • Fax 650-997-8308

City Council

Joanne F. del Rosario
Mayor

Joseph Silva
Vice Mayor

Diana Colvin
Council Member

Helen Fisicaro
Council Member

Raquel Gonzalez
Council Member

City Treasurer

Laura Walsh

City Officials

William C. Norton
Interim City Manager

Jon Read
Chief of Police

Roger Peters
City Attorney

Cyrus Kianpour
City Engineer

Brad Donohue
Public Works Director

Michael Laughlin, AICP
City Planner

Brian Dossey
Director of Recreation
Services

Lori Burns
Human Resources Manager

September 12, 2013

Hon. Richard Livermore
Attn: Charlene Kresevich
400 County Center, 2nd Floor
Redwood City, CA 94063

RE: Response to Grand Jury Report: Who is really in charge of the taxpayer's money? The Mosquito District Embezzlement: Is it the tip of the Iceberg?

Dear Judge Livermore,

Thank you for the opportunity to review and comment on the findings of the Grand Jury. This letter serves as the Town of Colma's response to the recommendations found therein.

Findings:

The Town agrees with the findings as stated on page 9 and 10 of the report

Recommendation:

The Grand Jury's recommendations that apply to the Town are as follows:

R10. *The Grand Jury recommends that the City Council appoint a council member to the District Board if a representative cannot be found after vetting applicants.*

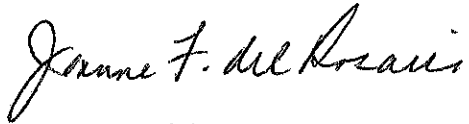
R11. *The Grand Jury recommends that the City Council require regular reporting about the District's operations by their representative at a scheduled council meeting.*

Response to R10 & R11: The City Council will actively search for a Board representative and look to appoint a qualified candidate in the near future; however at this time the Town cannot appoint a Council member for the District meetings are held on the same night (second Wednesday of the month) as the City Council meetings.

Once a Board representative is appointed by the City Council, the representative will regularly report the District's operations to the City Council.

The City Council of the Town of Colma approved this response to the Grand Jury at its regularly scheduled public meeting on September 11, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Joanne F. del Rosario". The signature is written in black ink and is positioned above the printed name.

Joanne F. del Rosario
Mayor
Town of Colma



CITY OF DALY CITY

333-90TH STREET

DALY CITY, CA 94015-1895

PHONE: (650) 991-8000

October 15, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

RE: Response to the 2012-2013 Civil Grand Jury Report Titled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

Dear Judge Livermore:

On behalf of the City Council of Daly City, I have been directed to submit the following City response to the Civil Grand Jury findings and recommendations pertaining to the above-referenced report:

Findings:

F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response: Concur with the finding.

F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

Response: Neither agree or disagree with the finding.

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response: Neither agree or disagree with the finding.

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response: Neither agree or disagree with the finding.

RE: Response to the 2012-2013 Civil Grand Jury Report Titled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

Page 2 of 4

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response: Neither agree or disagree with the finding.

F6. Trustees and senior District staff should receive monthly financial reports.

Response: Concur with the finding.

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

Response: Concur with the finding.

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

Response: Neither agree or disagree with the finding.

F9. The District would benefit from a redesigned Manager evaluation process.

Response: Neither agree or disagree with the finding.

F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

Response: Neither agree or disagree with the finding.

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

Response: Neither agree or disagree with the finding.

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

Response: Neither agree or disagree with the finding.

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

Response: Neither agree or disagree with the finding.

RE: Response to the 2012-2013 Civil Grand Jury Report Titled “San Mateo County Special Districts: Who is Really in Charge of the Taxpayer’s Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?”

Page 3 of 4

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

Response: Neither agree or disagree with the finding.

Recommendations:

R1. Instruct the Manager to follow the Policies and Procedures manual at all times.

Response: Neither agree or disagree, recommendation is directed to the Board of Trustees of the District.

R2. Instruct the Manager to provide complete financial reports to the Board on a monthly basis.

Response: Neither agree or disagree, recommendation is directed to the Board of Trustees of the District.

R3. Improve its oversight of the District through an improved governance structure and hold the Manager accountable for its operations.

Response: Neither agree or disagree, recommendation is directed to the Board of Trustees of the District.

R4. Evaluate its Policies and Procedures manual on an annual basis and make the manual available to employees and the public.

Response: Neither agree or disagree, recommendation is directed to the Board of Trustees of the District.

R5. Emphasize the importance of the finance committee’s role in ensuring that internal controls and policies are in place and are being followed.

Response: Neither agree or disagree, recommendation is directed to the Board of Trustees of the District.

R6. Hire a human resources consultant to redesign the Manager’s evaluation process in order to better assess the Manager’s job performance.

Response: Neither agree or disagree, recommendation is directed to the Board of Trustees of the District.

RE: Response to the 2012-2013 Civil Grand Jury Report Titled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

Page 4 of 4

R7. Clarify Trustees' roles and reinforce and discuss expectations of the position at an annual meeting.

Response: Neither agree or disagree, recommendation is directed to the Board of Trustees of the District.

R8. Provide increased resources to LAFCo so it can meet state mandates with regard to Service Reviews.

Response: Neither agree or disagree, recommendation is directed to the County Board of Supervisors.

R9. Further Study the dissolution of the District and evaluate the cost savings that might result from transferring the function to the County Environmental Health Department.

Response: Neither agree or disagree, recommendation is directed to the County Board of Supervisors.

R10. Appoint a Council member to the District Board if a representative cannot be found after vetting applicants.

Response: Concur with recommendation.

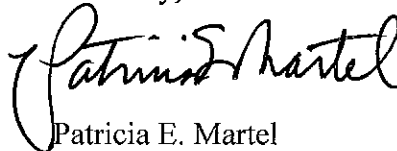
R11. Require regular reporting about the District's operations by their representative at a scheduled council meeting.

Response: Concur with recommendation.

In conclusion, the City of Daly City appreciates the opportunity to provide written responses to the Civil Grand Jury's Report on the San Mateo County Mosquito and Vector Control District. The City Council approved the responses contained herein at a public meeting on October 14, 2013.

Should you or the Grand Jury require additional information or clarification concerning the response provided, please contact me directly at (650) 991-8127.

Cordially,



Patricia E. Martel
City Manager



CITY OF EAST PALO ALTO

Ruben Abrica, Mayor
David Woods, Vice Mayor

Council Members
Lisa Gauthier
Laura Martinez
Larry Moody

City Manager
Magda A. González

September 4, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
Hall of Justice
400 County Center, 8th Floor
Redwood City, CA 94063-1655

also: grandjury@sanmateocourt.org

Re: July 18, 2013 San Mateo County Civil Grand Jury Report on Mosquito Abatement District

Honorable Judge Livermore:

On September 3, 2013, at its duly noticed regular meeting, the City Council of the City of East Palo Alto considered its formal response to the July 18, 2013 San Mateo County Civil Grand Jury Report entitled “San Mateo County Special Districts: Who is Really in Charge of the Taxpayer’s Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?” The following represents the City’s formal response to that Civil Grand Jury Report.

Findings

F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response 1: *East Palo Alto agrees with this Finding.*

F2. The Manager and the Board’s finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner

Response 2: *East Palo Alto agrees with this Finding.*

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response 3: *East Palo Alto agrees with this Finding.*

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response 4: *East Palo Alto agrees with this Finding.*

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response 5: *East Palo Alto agrees with this Finding.*

F6. Trustees and senior District staff should receive monthly financial reports.

Response 6: *East Palo Alto agrees with this Finding.*

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations

Response 7: *East Palo Alto agrees with this Finding.*

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District

Response 8: *East Palo Alto agrees with this Finding.*

F9. The District would benefit from a redesigned Manager evaluation process.

Response 9: *East Palo Alto agrees with this Finding.*

F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility

Response 10: *East Palo Alto agrees with this Finding.*

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation

Response 11: *East Palo Alto agrees with this Finding.*

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD

Response 12: *East Palo Alto does not have enough information to either agree or disagree with this Finding.*

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion

Response 13: *East Palo Alto agrees with this Finding.*

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code

Response 14: *East Palo Alto neither agrees nor disagrees with this Finding since the statutory provisions state a city "may" but is not required to appoint a person to the Board.*

Recommendations

Only two Recommendations apply to cities, including the City of East Palo Alto.

The Grand Jury recommends that the City of East Palo Alto do the following:

R10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants

Response R6: *The City of East Palo Alto will implement this recommendation if it becomes necessary. The current East Palo Alto trustee is a former City Council member.*

R11. Require regular reporting about the District's operations by their representative at a scheduled City Council meeting

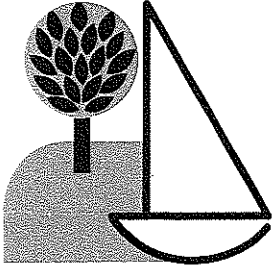
Response R7: *The City of East Palo Alto thinks this is a reasonable and appropriate recommendation and will implement it this year.*

Should you have any additional questions or require clarification, please do not hesitate to contact me or our City Manager, Magda Gonzalez.

Sincerely,



Ruben Abrica
Mayor



City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222

October 7, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Subject: RESPONSE TO GRAND JURY REPORT "SAN MATEO COUNTY SPECIAL DISTRICTS: WHO IS REALLY IN CHARGE OF THE TAXPAYER'S MONEY? THE MOSQUITO DISTRICT EMBEZZLEMENT: IS IT THE TIP OF THE ICEBERG?"

Dear Judge Livermore:

The City of Foster City is in receipt of the Grand Jury's Report entitled, "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?" The City is provided mosquito and vector abatement services from the Mosquito and Vector Control Abatement District ("MVCAD"). Pursuant to your July 18, 2013 directive to respond, the City held a public meeting on October 7, 2013 and approved this letter.

The Grand Jury report reiterates the fact that employees of the MVCAD embezzled funds from the District between 2009 and 2011. The report further states that there were red flags that should have been noticed by the District Manager and Trustees. The City of Foster City is aware that the two employees have pleaded no contest to the embezzlement charges.

In response to the listed "Findings and Recommendations", the City is not in a position to verify the research conducted by the Grand Jury; therefore, our responses should not be interpreted as unconditional agreement on the accuracy of the report, but rather specific only to the information contained in the Grand Jury's report and their stated research.

That being said, EMID generally agrees with the content and conclusions of the report. Our specific responses to the Grand Jury's "Findings" and "Recommendations" are as follows:

FINDINGS

Based on the research presented in the Grand Jury's Report, the City generally agrees with findings F1, F2, F4 - F9, F12, and F13 as stated below. The City is in disagreement with the Grand Jury's findings F3, F10, F11 and F14 as indicated below.

F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

➤ The City disagrees partially with this finding as the insurance company's denial of the claim in and of itself does not necessarily reinforce this conclusion.

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

F6. Trustees and senior District staff should receive monthly financial reports.

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

F9. The District would benefit from a redesigned Manager evaluation process.

F10. Trustees are confused about their responsibilities, some feeling their role is to make district policy, while others feel they have more oversight responsibility.

➤ The City disagrees with this finding. As written, the Grand Jury appears to be making a blanket statement that **all** trustees are confused about their

responsibilities in this matter. We believe that statement to be speculative in nature. The Grand Jury Report does not provide enough specific detail to determine the nature and extent of any, some or all of the Trustees in regards to their understanding of their roles in oversight of the District's affairs.

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

- The City disagrees partially with this finding. While the City supports the general governance concept of shared services, we also support effective and efficient methods and governance models of performing those services that achieve the purpose and the overall public good in the provision of those services. The LAFCo Commissioners presumably vetted the concept at their Board meeting with the information provided by their Executive Director and did not see sufficient benefit to recommend that the District be absorbed into CEHD. LAFCo, CEHD, or even MVCAD itself may in the future determine to evaluate sharing service up to an including absorption of MVCAD into another agency, however this issue appears to have been evaluated by the LAFCo Commissioners sufficiently to have warranted their decision to not pursue dissolution of MVCAD at this time.

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

- The City of Foster City does not know the circumstances of other cities regarding this finding, but we have continually provided a representative appointed by the City Council to the District Board and in a timely manner as required by MVCAD.

RECOMMENDATIONS

The Grand Jury recommends that the City Council of Foster City do the following on or before June 30, 2014:

R10. Appoint a Council member to the District Board if a representative cannot be found after vetting applicants.

- The City of Foster City has not yet implemented this recommendation but will consider it if a suitable representative from the City's applicant pool cannot be found.

R11. Require regular reporting about the District's operations by their representative at a scheduled Council meeting.

- The City of Foster City has previously implemented this recommendation as the Council representative presents an oral report on MVCAD's operations to the Council in April each year during the proclamation of Mosquito and Vector Control Awareness Week. The bi-monthly District Report is shared by the representative with the City Manager and Council via email.

The City of Foster City is committed to excellent management practices and supports the Grand Jury's efforts to improve management and oversight of the MVCAD.

Sincerely,

A handwritten signature in black ink that reads "Pam Frisella". The signature is written in a cursive, flowing style.

Pam Frisella
Mayor

MINUTE ORDER

No. 1336

OFFICE OF THE CITY CLERK
FOSTER CITY, CALIFORNIA

Date: October 8, 2013

Attention: City Council
James C. Hardy, City Manager
Brad Underwood, Public Works Director
Honorable Richard C. Livermore, Judge of the Superior Court

City Council/EMID Board of Directors Meeting Date: October 7, 2013

Subject: Response Letter to the 2012-2013 Grand Jury Report Entitled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money - The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

Motion by Councilmember Kiesel, seconded by Vice Mayor Bronitsky, and carried unanimously, 5-0-0, IT WAS ORDERED approving the response letter to the Honorable Richard C. Livermore, Judge of the Superior Court, regarding the Grand Jury Report entitled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money - The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"



CITY CLERK/DISTRICT SECRETARY

City of Half Moon Bay



501 Main Street
Half Moon Bay, CA 94019
650-726-8270

September 17, 2013

Hon. Richard C. Livermore
Judge of the Superior Court
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

SUBJECT: Grand Jury Report: San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

Dear Judge Livermore:

At its regular meeting of September 17, 2013, the City Council of the City of Half Moon Bay approved the following response, based on the information contained in the Grand Jury report.

FINDINGS:

F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

The City of Half Moon Bay agrees with this finding.

F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

The City of Half Moon Bay agrees with this finding.

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

The City of Half Moon Bay disagrees with this finding. The issue of insurance coverage is complex, with multiple legal issues. It is not possible to take a position without an in-depth understanding of the District's insurance policies.

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

The City of Half Moon Bay agrees with this finding.

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

The City of Half Moon Bay agrees with this finding.

F6. Trustees and senior District staff should receive monthly financial reports.

The City of Half Moon Bay agrees with this finding.

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

The City of Half Moon Bay agrees with this finding.

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

The City of Half Moon Bay agrees with this finding.

F9. The District would benefit from a redesigned Manager evaluation process.

The City of Half Moon Bay agrees with this finding.

F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

The City of Half Moon Bay agrees with this finding.

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

The City of Half Moon Bay agrees with this finding and would support further evaluation of the matter.

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

The City of Half Moon Bay agrees with this finding and would support further evaluation of the matter.

F13.LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

The City of Half Moon Bay agrees with this finding.

F14.Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

The City of Half Moon Bay agrees with this finding.

RECOMMENDATIONS:

1. Appoint a Council member to the District Board if a representative cannot be found after vetting applicants.

The City of Half Moon Bay will implement this recommendation should it have difficulty finding representatives in the future.

2. Require regular reported about the District's operations by their representative at a scheduled Council meeting.

The City of Half Moon Bay has already implemented this recommendation. Commencing with the October 15, 2013 City Council meeting, the City's representative will provide a report on an annual basis.

Sincerely,



Laura Snideman
City Manager

cc: Mayor and Council



TOWN OF HILLSBOROUGH

1600 FLORIBUNDA AVENUE

HILLSBOROUGH

CALIFORNIA

94010-6418

September 10, 2013

Hon. Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center 2nd Floor
Redwood City, CA 94063-1655

RE: July 18, 2013 Grand Jury Report: "San Mateo County Special Districts:
Who is Really in Charge of the Taxpayer's Money? The Mosquito District
Embezzlement: Is it the tip of the Iceberg?"

Dear Honorable Richard C. Livermore:

The Town of Hillsborough respectfully submits its responses to the findings and recommendations directed to the individual cities, contained in above report:

FINDINGS

F1 through F13

Findings 1 through 13 do not pertain to the Town of Hillsborough and the Town is not making any comments on the findings.

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

The Town cannot agree or disagree to this finding as it is not privy to the individual cities' actions. The Town of Hillsborough has appointed a representative to the Board in a timely manner and believes that it had always selected highly qualified individuals to represent the Town. Dr. D. Scott Smith, the Town's current representative (please see attached bio/resume) has considerable contributions to the district operations. He is a member of the Environmental and Public Outreach committee providing

oversight with the District's ongoing development and completion of the Programmatic Environmental Impact Report; the committee is currently reviewing the District's operational program as well as working on expanding the outreach programs. He has provided presentations to the Board - "Chronic Lyme Disease" in October 2012 and "Invasive Aedes Aegypti Mosquito Found in Madera and Clovis is the Vector of Dengue Fever and Yellow Fever Epidemics and How This Will Impact All of California Mosquito and Vector Control Districts" in July 2013. He is very active at the Board meetings by always providing thoughtful comments and constructive considerations.

RECOMMENDATIONS

- R10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants.

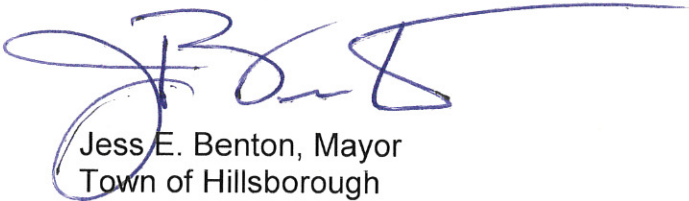
While the Town anticipates finding qualified representatives to the Board, it will be ready to appoint a council member to the District Board if needed.

- R11. Require regular reporting about the District's operations by their representative at a scheduled council meeting.

The Town's representative will be required to report to the City Council at a scheduled City Council meeting at least once a year and more often as needed based on current issues.

The above responses have been approved by the City Council of the Town of Hillsborough at its meeting held on September 9, 2013.

Respectfully submitted,



Jess E. Benton, Mayor
Town of Hillsborough

D. Scott Smith, MD, MSc, DTM&H

25 Bluebell Lane

Hillsborough, CA 94010

Tel. (650) 344-8181 or (650) 299-2742

darwin.s.smith@kp.org

www.permanente.net/doctor/scottsmith

EDUCATION

- 9/78-6/81 Boulder High School, Boulder, CO
9/81-6/85 Bowdoin College, Brunswick, ME—AB (Biochemistry, magna cum laude)
9/86-6/87 Harvard University, School of Public Health, Boston, MA—MSc (Tropical Health)
9/87-6/92 University of Colorado, Denver, Colorado—MD with Honors
8/88-7/89 Fulbright Scholar, CIDEIM, Cali, Colombia
6/92-6/93 Intern in Internal Medicine, University of Colorado, Denver, CO
7/93-6/95 Resident in Internal Medicine, Stanford University Hospital, Stanford, CA
7/96-6/98 Fellow in Infectious Disease and Geographic Medicine, Stanford University Hospital

POSITIONS HELD

- 7/98 – Present Chief, Infectious Disease and Geographic Medicine, Department of Internal Medicine, Kaiser Permanente Medical Group (KPMG), Redwood City, CA
1/02 – Present Adjunct Associate Clinical Professor, Dept. of Microbiology & Immunology, Stanford University Medical School, and Human Biology Dept., Stanford University
6/10 – Present Assistant Chief, Department of Employee Health, KPMG Redwood City, CA
5/95 – Present Sub-acute care physician, Palo Alto VA Hospital, Livermore Division, CA
11/08 – 11/10 President of the Medical Staff, KPMG Redwood City, CA
11/07 – 1/10 Chair of Research Committee, KPMG Redwood City, CA
7/00 – 1/03 Chief of Staff Education, KPMG Redwood City, CA
7/01 – 5/05 Assistant Chief of Medicine, KPMG Redwood City, CA

LICENSES, BOARD CERTIFICATIONS AND PROFESSIONAL MEMBERSHIPS

- Board Certified in Internal Medicine, August 1995
Board Certified in Infectious Diseases, November 1998
Board Certified in Tropical Medicine and Travel Medicine, November 1999
California Medical License through 2011
Certified in ACLS through September, 2011
Member of American Medical Association, 1987 to present
Member of Infectious Disease Society of America (IDSA) 1998 to present
Member of American Society of Tropical Medicine and Hygiene 1999 to present
Member International Society of Travel Medicine, 2000 to present

HONORS/AWARDS

- 1983 James Bowdoin Scholar
1988, 1990 Garcelon-Merritt Scholar
1988 Smith-Kline Beckman Award for Clinical Research, AIDS in Puerto Rico
1990 Bertakis Student Research Award for research on leishmaniasis, Western Medical Student Research Conference
1990 Award for Platform Presentation of Meritorious Research
1990 Chancellor's Award for Clinical Sciences, University of Colorado School of Medicine
1991 Adler Award for academic merit and creative contribution to medicine, onchocerciasis project
2000 Outstanding Service and Teaching Award, Arbor Free Clinic, Stanford University

- 2002 Flu Clinic Award, Kaiser Permanente Regional Flu Task Force,
- 2002 Community Service Award presented by State Senator Sher & Mayor of Redwood City
- 2005 Recognition Award for Tsunami Relief in Indonesia, Kaiser Permanente Northern California Region
- 2005 Everyday Heroes Award, Kaiser Permanente
- 2005 Sons in Retirement (SIRS) Recognition of Service
- 2005 Bloomfield Excellence in Clinical Teaching Award, Stanford Medical School
- 2006 David Lawrence Community Service Award (for collective work after the Indian Ocean Tsunami)
- 2006 Best in Northern California, Service Excellence Award, (“Top Dog Award”) for Infectious Disease, KPMG Redwood City Medicine Department
- 2007 Excellence in Faculty Advising Award in Human Biology, Stanford University
- 2008 Excellence in Teaching Acknowledgement by Course Directors and Medical Students, Stanford Medical School

PROFESSIONAL ACTIVITIES

- 2004 Editor and contributor, Boards Review Books 1&2, MedText Medical Publishing Co.
- 2004 – 2005 Reviewer, American Board of Internal Medicine Board Questions for Infectious Disease
- 2005 – Present Reviewer, Medline Plus Health Encyclopedia 30+ Chapters (related to Infectious diseases), National Medical Library and National Institutes of Health.

TEACHING ACTIVITIES

Course director, “Parasites & Pestilence”, Stanford University Department of Human Biology, 2001-present (<http://parasites.stanford.edu>, or example year: <http://www.stanford.edu/class/humbio103/>)
 Course director for “International Public Health”, Stanford University, winter 2007.

Lecturer, Parasite section of Core Medical Microbiology Class, “Infectious Basis of Disease”, Stanford Medical School, 2001-present (<http://wrinkle.stanford.edu:9000/frontpage/>)

Chair or Co-Chair of National Permanente Travel Medicine Conference, Oct. 2006, Nov. 2007, Nov 2008 (Emeryville CA), Nov 2009 (Anaheim, CA), Oct. 2010, (Walnut Creek, CA); Oct. 2011, (San Diego, CA).

Chair of the Regional Kaiser Permanente Travel Medicine Conference
 Walnut Creek, CA May 7-8th, 2004: Preparing Patients for International Travel, Berkeley CA, May 10-11, 2002.

STANFORD UNIVERSITY SERVICE

- 2001 – Present Faculty Advisor, Human Biology Department
- 2002 – Present Clinical Preceptor, Primary Care Continuity Clinic at Kaiser Redwood City
- 2007 – Present Faculty Sponsor Independent Study classes: e.g. International Health in Nicaragua, Vector Borne Disease in Haiti.
- 1999 – 2006 Volunteer Preceptor, Arbor Free Clinic

KAISER PERMANENTE SERVICE

- 1998 – Present Member, Pharmacy and Therapeutics Committee,
- 1999 – 2002 Member, Community Service Committee
- 2000 – 2006 Member, Kaiser Northern California Regional Flu Task Force
- 2001 – Present Chair, Bioterrorism Preparedness Task Force for Kaiser Redwood City Hospital
- 2010 - April Project Lead, KP CARES Haiti volunteer coordination for Vector Borne Disease Control with MENTOR

COMMUNITY SERVICE

INTERNATIONAL

- 1/05 – Present Medical Coordinator, MENTOR-Initiative (project based) in:
Banda Aceh, Indonesia 1/05; Yangon, Myanmar 7/08; Petionville Haiti, 4/10;
1/05 – Present Clinical Sector Lead for Malaria workshops, MENTOR Initiative in U.S. (New York,
California); Entebbe, Uganda; Mombasa, Kenya; Nairobi, Kenya

LOCAL

- 2008 – Present Chair, West Hillsborough School Emergency Preparedness Committee
2005 – 2008 Member, West Hillsborough School Emergency Preparedness Committee
2007 – 2009 Member, Board of Directors, AIDS Community Research Consortium (ACRC)
Redwood City, CA
1998 – 2009 Community Educator, Clinical Trials and HIV/AIDS Research, ACRC Redwood
City, CA,
1999 – Present Member, San Mateo County Beekeepers Guild, (1st place honey at 2001& 2007 San
Mateo County Fair!!)

TELEVISION, RADIO AND NEWSPAPER INTERVIEWS

Interview and expert commentary with Tyra Banks on the **Tyra Banks Show**, (Emmy Award for Daytime Documentary) New York, New York, on “Parasites and Weight Loss”, October, 2009.

Interviews on **Animal Planet & Discovery Channel** on Infectious Disease and Parasites including: Leishmania, Myiasis, Hookworm and autoimmunity (Crohns disease), Bee stings, Salmonellosis, Moose milk etc. featured on “Monsters Inside Me” May 2008 through Present.

Interview with Karen Oberman, **National Geographic** Channel, on Leprosy, Anthropology Dept, Berkeley CA, March 25, 2008. (45 min Documentary, Multiple repeat broadcasts on National Geographic, Taboo).

Interview with Suzanne Bohan, p. 1 of San Mateo County Times, “It’s back: Influenza season in flu swing” Jan 23, 2008.

Interview with Julie Sevrens Lyons, p. 1 of San Jose Mercury News, “Not yet through with colds, flu: Doctors advise that it’s not too late for a shot” Feb 22, 2007.

Interview with Ron Lieber, Wall Street Journal, “The Cheaper Pre-trip Check-up: Demand for Travel Medicine Grows: Insurance May Not Cover It”, p. B-1, May 27, 2006.

Interview with John Pegel, Senior Outlook, “Tips for Trips: Make your travel safer and more pleasant” pp. 6-7, spring 2006.

Interview for Kaiser Permanente Partners in Health, spring cover story “Your Health on the Go” spring 2006.

Interview with Julie Roux for “Navigating Your Health on the Road” in The Permanente Journal, November 18th, 2005.

NBC Broadcast with Marianne Favaro on Avian Flu and Surveillance at Kaiser with California Unexplained Pneumonia Project, and Rabbit Fever Sentinel alert, Channel 3 and 11, November 2, 2005

KNTV Live Q&A Broadcast interview with Cannon on “Avian Influenza”, at the San Jose Studio, October 26th, 2005

NBC Channel 11, interview with Marianne Favro, on “Bird Flu 101” October 18th, 2005

NBC Channel 11 & 3 Interview with Marianne Favro about “Dengue hemorrhagic fever”, July 8th, 2005

NBC 11/KNTV interview in Spanish “Dengue: la fiebre hemorragica” with Telemundo, cable channel 48, July 8th, 2005

Article “Tsunami Letters from Indonesia”, The WIHS Woman, Vol. 9, Issue 1, p. 6-7, spring 2005

Interview with San Mateo County Area Peninsula Currents, “Tsunami Update” April 2005

Interview with Kris Newby, “Sharing Tsunami Relief Lessons” Human Biology Newsletter, Stanford University, April 13th, 2005

Interview with AmeriCares News (<http://www.americares.org/news/?id=43>) Treating Malaria in Northern Sumatra, February, 2005

Press Conference and Interviews with Mercury News, p. 1B, “Doctors aid tsunami victims – Kaiser makes long-term commitment to send health teams to Asia”, by Glenda Chui, January 2005

Interview with The Independent p. 1, local newspaper for “Aiding tsunami survivors – Kaiser sending mission to Indonesia, Sri Lanka” by Kate Williamson, January 15th, 2005

Interview with San Mateo County Times, p. 1, by Rebecca Vesely, “Docs from local Kaiser off to Asia”, January 12, 2005

Interview with The Almanac, p. 8, anonymous, “Flu clinics in limbo due to vaccine shortage”, October 13th, 2004

Interview, The Daily Journal, “Hepatitis results positive – Kaiser re-testing for false positives after mishap”, by Dana Yates, p. 1, September 24, 2004

ABC TV Interview on Channel 7, “Endoscope Reprocessing Issues” Redwood City Kaiser, September 24, 2004

NBC TV Interview, Channel 3 and 11, “Endoscopy challenges and risks at Kaiser Redwood City”, September 24, 2004

Interview, The Kaiser Permanente Inside Connection, “Are you flu savvy?” September 2004.

Interview on KPIX (Channel 5) television with Mike Sugarman on “The Influenza Epidemic”, December 16, 2003

Interview on NBC (Channel 11) television with M. Favaro on the use of FluMist® for the influenza epidemic, December 17, 2003

“The Professor of Parasites” an interview by Hank Pellissier, special to the San Francisco Chronicle, Monday October 27, 2003. www.sfgate.com/article.cgi?file=/g/archive/2003/10/27/urbananimal.DTL

“Advice about Antibiotics: They’re not always a cure for what ails you” an interview in Senior Outlook, fall 2003 pp. 6-7.

Interview and Panel Discussion on Peninsula TV on “Public Health Threats” with Bob Marks and Susan Ehrlich, August 19th, 2003

NBC TV Interview, Channel 11, with Marianne Favro, “Resistance and Antibiotics in the Feed of Animals and McDonalds”, June 20, 2003

NBC TV News, The Bay Area Channel 5, with Healthwatch reporter Marianne Favro, on “SARS, the Latest” San Jose, California, May 05, 2003

Interview with Cosmopolitan Magazine, for article: "Can I catch anything from a public toilet seat?"
September 2002, p. 160

Interview on Dr. Dean Edell's Health News, Channel 7 on: "Same day appointments and efficiencies for patient care at Kaiser", February 8th, 2002

RESEARCH

Centers for Disease Control/California Emerging Infections Program 12/1/03 – 11/30/06
California Unexplained Pneumonia Project.

The major goals of this project were to identify the infectious disease etiology in young healthy patients with severe unexplained pneumonia.

Role: Principal Investigator, Subcontract to Kaiser

PUBLICATIONS

Simpson JH, McLaughlin L, **Smith DS**, Christensen RL. Vibronic Coupling in polyenes: High resolution optical spectroscopy of all-trans-2,4,6,8,10,12,14-hexadecaheptaene. Journal of Chemical Physics. 1987; 87(6):3360-3365.

Labrada LA, **Smith DS**. Workshop for the evaluation of DNA probes for the diagnosis of American leishmaniasis. Parasitology Today. 1990; 6(2):30.

Escobar MA, Martinez F, **Smith DS**, Palma GI, American tegumentary leishmaniasis: A diagnostic challenge. Tropical Doctor. 1992; 22 (Suppl 1):69-78.

Petersen LR, Lackritz E, Lewis WF, **Smith DS**, Herrera G, Raimondi V, Aberle-Grasse J, Dodd RY. The effectiveness of the confidential unit exclusion option. Transfusion 1994; 34:865-869.

Abramson J, **Smith DS**. Case in Point – Histoplasmosis. Hospital Practice 1999; 89.

Smith DS, Lindholm-Levy P, Huitt GA, Heifets LB, Cook JL. *Mycobacterium terrae*: Case Reports, Literature Review and *In Vitro* Susceptibility Testing. Clinical Infectious Diseases 2000; 30:444-453.

Kemper CA, Witt MD, Keiser PH, Dube MP, Forthal DN, Leibowitz M, **Smith DS**, and the California Collaborative Treatment Group. Sequencing of protease inhibitor therapy: insights from an analysis of HIV phenotypic resistance in patients failing protease inhibitors. AIDS 2001, 15:609-615.

Passaro DJ, **Smith DS**, Hett EC, Reingold AL, Daily P, Van Beneden CA, Vugia DJ. Invasive Group A Streptococcal Infections in the San Francisco Bay Area, 1989–1999. Epidemiol Infect. 2002;129(3):471-478.

Leng T, **Smith DS**, Wiggling subcutaneous lumps, Clinical Infectious Disease 2003;37(4): 542, 591-592.

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Smith DS. Visceral leishmaniasis on a Colombian Indian reservation. In Reed, DW, Ed. Spirit of Enterprise, Bern Switzerland, Buri International, 1990, pp. 54-56.

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Smith DS, Relman D. Dermatophytes. In: Wilson & Sande, eds. Current Diagnosis and Treatment in Infectious Diseases. Lange Medical Books/McGraw-Hill Medical Publishing Division, 2001.

Smith DS, “Mycobacteria terrae” Chapter in textbook: Antimicrobial Therapy and Vaccines, Volume I: Microbes. Editors: VL Yu, R Weber, D Raoult, 2006.

Smith DS, Ramachandra T, “Leprosy” Chapter for eMedicine.com, Editors: FA Lopez, F Talavera, CV Sanders, E Mylonakis, BA Cunha, 2008. (<http://emedicine.medscape.com/article/220455-overview>)

Smith DS, Hoffman TA, Chan JL, “Meningococcal Infections” Chapter for eMedicine.com and Medscape.com. Editors: JR Masci, F Talavera, A Glatt, E Mylonakis, BA Cunha, March 12, 2009. (<http://emedicine.medscape.com/article/221321-overview>)

Elissa Meites, **Smith DS**, Editors: Mark H. Ebell, MD, Mindy Smith, “Leptospirosis”, Essential Evidence Plus, Last updated: 2009-10-29 © 2009 John Wiley & Sons, Inc. (<https://www.essentialevidenceplus.com/content/eee/319>)

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Shannon E, **Smith DS**, “Dengue: The Global Health Challenge”, Teaching Module for Global Health Education Consortium, June 9, 2010. (http://globalhealtheducation.org/Modules/Pages/117_Dengue_The_Global_Health_Challenge.aspx)

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Abiad H, **Smith DS**. Strategies for the prevention and control of antimicrobial resistance. The Resident Reporter: Interscience Conference on Antimicrobial Agents and Chemotherapy 36th Annual Meeting. December 1996; 1(6): 22-27.

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Tien PC, **Smith DS**. Generation of Change: A Glimpse of Chinese Adolescence. A Public Media Center occasional paper on social development in the People’s Republic of China. November 1999.

Yeganeh MA, **Smith DS**, Meningitis Update, Drug Bulletin, July-August 2001 pp 3-4.

“Physician shadowing: making the rounds” in Healing Journeys – Teaching Medicine, Nurturing Hope Preface and conclusion by Marilyn Winkleby, Ph.D. Text by Julia Steele, Photographs by Kathy Sloane Forward by David Satcher, MD, Ph.D., Palo Alto California, 2003, pp. 88-94.

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Smith DS, "Channel your pandemic panic", San Mateo County Times, Opinion Page, November 5, 2005.

Smith DS. Permanente and the Tsunami Relief Efforts – One Year Later – The Volunteers' Stories: A Journal - Strange Alliances. Permanente Journal 2005: 9(4): 76

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Smith DS, Travi BL, Velez ID. A new DNA probe method is a valuable tool for elucidation of epidemiology of visceral leishmaniasis in field epidemiology trials. Clinical Research. 38:216A, 1990.

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Palma GI, Travi BL, Satizabal JE, Martinez F, **Smith DS**. Onchocerciasis in Colombia? An update on the Lopez de Micay focus. Presented at the 40th Annual Meeting of the American Society of Tropical Medicine & Hygiene, Boston, December 1-5, 1991.

Powell A, **Smith DS**. Combination G-CSF and splenectomy in a patient with Felty's syndrome and life-threatening infection. American College of Physicians, Clinical vignettes, San Francisco, 1994.

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Park JY, **Smith DS**, Musen MA. Computer-based antiretroviral therapy planning of HIV-infected patients. Infectious Diseases Society of America, 36th Annual Meeting, November 1998, Denver Colorado.

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Fessel WJ, Rhee SY, Hurley L, Nguyen DP, Slome S, **Smith DS**, Klein D, Horberg M, Flamm J, Follansbee S, Gonzales MJ, Shafer RW. High-Level Dual and Triple Class Multidrug Resistance in a Large Health Maintenance Organization: Prevalence, Risk Factors, and Response to Salvage Therapy. ICAAC 2003 and CROI 2004.

Meites E, Jay MT, Deresinski S, Shieh W-J, Zaki SR, Tompkins L, **Smith DS**, Reemerging Leptospirosis, California, The Pediatric Infectious Disease Journal. June 2004, 23(6)

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Chan JL, **Smith DS**. Measles (Rubeola) from a Vaccinated American Traveler. American College of Physicians. Honorable Mention, All-California Scientific Meeting. Monterey, CA. November 2006.

Ho CS, Hacker J, Flori H, **Smith DS**, Reingold A, Fischer M, Louie J. Severe Pneumonia in Young Patients in Northern California, Infectious Disease Society of America, 44th Annual Meeting, Toronto, Canada, October 12-16, 2006.

Chan JL, **Smith DS**. Measles (Rubeola) in a Vaccinated American Traveller, National Meeting of American College of Physicians, San Diego, April 2007.

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LECTURES, WORKSHOPS AND PRESENTATIONS Last 5 Years

Vector Borne Disease Control in Haiti with the Kaiser MENTOR-Initiative, All Physician CME Talk, Kaiser Redwood City, May 2010.

Brain Abscess, Bay Area Neurosciences Conference, Redwood City, CA, May 5th, 2010.

Experiences Learned from the H1N1 Pandemic Influenza, CANP 33rd Annual Educational Conference, Disneyland Resort, Anaheim, CA, March 27th, 2010.

Vector Borne Disease in Zones of Conflict, for the “When the Shooting Stops” conference by Stanford Association for International Development, Feb 20, 2010.

Cases and Faces, for the Infectious Disease Symposium, Berkeley CA Feb 1, 2010 and Santa Clara CA Feb 2, 2010.

Pediatrics Grand Rounds, Travel Medicine Update, March 25, 2008, Kaiser Redwood City.

Google Tech Talk: “Disease Mapping for Patient Records and Publicly Reported Preventable Disease” (on YouTube), February 8th, 2008, Mountain View, CA.

International Public Health Class 129S: “The Neglected Diseases” Feb 12, 2008, and “Malaria”, Feb 14th, 2008.

Community Forum: Work Shop Sponsored by the 4Cs - the Child Care Coordinating Council of San Mateo County, “MRSA: what you need to know” January 22, 2008.

Gates Foundation Vaccine Initiative Support Advocacy through the Chlamydia Vaccine Initiative, the Office of Christopher J.L. Murray, MD, Institute Director, Institute for Health Metrics and Evaluation, Dec 19th, 2007, Seattle, WA.

Co-chair for Kaiser National Travel Medicine Conference, Lectures on “Culturally Sensitive Travel Medicine” and “Malaria”, Newport Beach, CA, November 3, 2007.

Congressional Hearing presentation on “Chlamydia Vaccine: the clinical rationale” Washington DC, November 2, 2007.

Lecture at Kaiser National NP Conference, “Vaccine update: Who needs shots”. Doubletree Hotel, Berkeley, CA, October 27th, 2008.

Workshop Leader and Discussant for “Clinical Malaria Management” and “Operational Research”, MENTOR (Malaria Emergency Technical Operational Response), Mill Valley, CA October 22-26, 2007.

Lecture to HBS Physicians on “Pneumonia and Cellulitis”, October 17th, 2007, Redwood City, CA.

Lectures to Stanford Medical Students: “Medical Parasitic Structure & Function”, October 2, 2007; “Parasitic Diseases of the GI Tract Part I & II & III” October 4, 2007, “Parasitic Arthropods”, October 19, 2007; Stanford, CA.

Lecture “Global HIV and Redwood City” to the All Physicians Conference, Redwood City Kaiser, July 13th, 2007.

Lecture “HIV care in the USA” to Mbarara Uganda Public Hospital Health Team, June 12, 2007

Journal Club Speaker, “MRSA” Kaiser Dept of Medicine, Mandaloun Restaurant, May 31, 2007.

Lecture “Medical Grand Rounds: ID Cases at Redwood City” Medicine Department, May 15, 2007.

Lecture “Travel Medicine” Vaden Health Clinic at Stanford, CA, May 4, 2007.

Lecture "Avian Influenza and Pandemic Preparedness", the Vita Insurance Consortium, San Jose, CA May 4, 2007.

Lecture "Regionalization of Travel Medicine Services" California Adult Immunization Summit, New Otani Hotel & Garden, Los Angeles, CA, April 30, 2007.

Workshop on Travel and Wilderness Medicine, with Eric A. Weiss at the Unite for Sight, 4th Annual International Health Conference, Stanford University School of Medicine, Palo Alto CA. April 15, 2007.

Lectures for 27th Annual Infectious Disease Symposium: "Travel Medicine: Going and Coming" and "Malaria: Prevention, Diagnosis and Treatment", Sacramento Hilton Hotel, Sacramento, CA, March 31, 2007.

Lecture "Avian Flu" National Association of Insurance Advisors, Crown Plaza Hotel, Foster City, CA, March 21, 2007.

Lecture "Typanosomes", to Infectious Disease Fellows, Stanford School of Medicine, Feb 27th, 2007.

Keynote for dinner at Stanford's Access and Delivery of Essential Medicines (ADEM) Seminar Series, "Control of Disease: Clinical Biology of Neglected Diseases", Beckman Center, Stanford University, CA, February 6th, 2007.

Lecture "Travel Medicine: Coming and Going" Santa Clara Kaiser, January 26th, 2007.

Lecture "Fever in the Returned Traveller" at San Mateo Medical Center, San Mateo, CA, December 13, 2006.

World AIDS Day Presentation for Kaiser Redwood City, Dec 1, 2006.

Lectures "MRSA (Methicillin Resistant *Staphylococcus aureus*)" & "Emerging infections and ID Updates" at the 10th National Symposium, Regional Advanced Practice Educational Programs, Newport Beach, CA, November 10th and 11th, 2006.

Discussion Workgroup Leading and Lecture "Pertussis and New Guidelines for Exposures" Infection Control Practitioners' Peer Group Meeting, October 31, 2006.

Conference Chair and Organizer for 4th Annual National Conference "Travel Medicine: Preparing the International Traveller", Walnut Creek, CA, October 20-21, 2006.

Lecture "Travel Medicine" All Physicians' Conference, Redwood City, CA, September 28th, 2006.

Lecture "Antibiotics and Infection Control" All Physicians' Talk, Sept 22, 2006.

Lecture "Travel Medicine" Milpitas CA August 31, 2006.

Lecture "Pertussis Guideline: Screening, Surveillance and Exposure Follow up" to Kaiser Regional Employee Health, Oakland, California, August 17th, 2006.

Lectures "Malaria Basics" & "Travel Medicine: Going and Coming" 15th Annual Kaiser Permanente Internal & Family Medicine Symposium, Kauai, Hawaii, July 21, 2006.

Lecture "Lunch with Parasites in Oakland" Kaiser Oakland All Physician Conference, July 7th, 2006.

Lecture on "Tsunami Medicine, Malaria & Public Health" for California Association for Medical Laboratory Technology (CAMLT) Summer Seminal North Series, Sparks, Nevada, June 18th, 2006.

Lecture "Bee and other Hymenoptera Stings" for the San Mateo County Beekeepers Guild, Belmont, CA, May 4th, 2006.

Lecture "Laboratory Diagnostics in Resource Poor and Disaster Settings: New Frontiers in Medical Technology", Walnut Creek, CA, April 29th, 2006.

Lecture for Stanford Medical School International Health Series, "Healthcare in Developing Countries (including the USA)" Stanford, CA, April 18th, 2006.

Lectures for CELP (Continuing Education for Laboratory Personnel) Kaiser Regional Laboratory, "Cases & Faces 2006", Double Tree Inn, Berkeley, CA and the Biltmore Hotel, Santa Clara, CA, March 6 and 7, 2006.

Lecture on "Evaluation and Management of Malaria" for KP Medical Group in San Francisco, February 24, 2006.

Lecture "The News about Pertussis" All Physicians Conference, Redwood City, January 13th, 2006.

Lecture on "Pertussis: Update on Prophylaxis, Diagnosis and Treatment", to All Physician Conference, Kaiser Redwood City, Dec 8th, 2005.

Keynote Address, "Public Health in the Tsunami: Malaria and the Kaiser Mission" for the 9th Interregional Educational Symposium Kaiser Permanente SCPMG and TPMG, Monterey, CA, November 12th, 2005.

Lecture, "Avian Flu, MRSA and Quantiferon" for the 9th Interregional Educational Symposium Kaiser Permanente SCPMG and TPMG Monterey, CA, November 11th, 2005

Lecture and Interactive Workshop Leader 7 day "Roll Back Malaria Workshop" for Clinical Section of the Malaria Emergency Technical Response (MENTOR-Initiative), at the International Rescue Corp (IRC), Manhattan, New York, November 11-12th, 2005

Plenary Session "Tsunami Response and Microbial Surprises", Addressing Global Microbial Challenges, for the 22nd Annual Northern California American Society of Microbiologists (NCASM) Meeting in San Ramon Marriott, CA, October 8th, 2005

Lecture, "Public Health in the Tsunami: Malaria and the Kaiser Mission" for UCSF Global Health Sciences, Institute for Global Health at UCSF, Parnassus Campus San Francisco, CA, October 7th, 2005

Lecture Series "Prevention of HIV/AIDS Complications" for the Living Now Class at AIDS Community Research Consortium (ACRC), Redwood City, CA, Aug 4th, 2005

Lecture, "Antibiotics and Infection Control at Redwood City" for All Physicians Conference, Redwood City, CA, September 23rd, 2005

Lecture on "Kaiser's Role in the Tsunami Relief" for The Infectious Disease Peer Group meeting, Oakland, CA, July 26th, 2005

Lecture, "Tsunami Medicine, Malaria and the Kaiser Mission" for the Center for Occupational and Environmental Health (COEH), Emerging Infectious Diseases Course in Oakland, CA, July 25th, 2005.

Lecture Series "Monitoring HIV/AIDS Complications" for the Living Now Class at AIDS Community Research Consortium (ACRC), Redwood City, CA, July 7th, 2005.

Lecture, "Tsunami Medicine, Malaria and the Kaiser Mission" to Fuller Seminary, International Health Conference, Pasadena CA, June 24th and 25th, 2005.

Lecture, "Unusual Dermatologic Parasites", Stanford Dermatology Residents, Stanford, CA June 17th, 2005.

Lecture, with Videocast to Sacramento "Tsunami Medicine, Malaria and the Kaiser Mission" to State of California Department of Health, Quarterly meeting of epidemiologists, Oakland CA, June 16th, 2005.

Lecture, "Laboratory aspects of Tsunami Relief, Malaria in Sumatra", to the California Department of Public Health Laboratory, Richmond, CA, June 10th, 2005.

Lecture, "Leishmania", Residents and Fellows, Stanford CA, May 31, 2005.

Lecture, "Rickettsia" Infectious Disease Grand Rounds, Stanford University School of Medicine, Stanford, CA, May 19th, 2005.

Lecture, "Tsunami Medicine: Malaria, and the Kaiser Mission" University California San Francisco Infectious Disease Grand Rounds, Parnassus Campus, San Francisco CA, May 16th, 2005.

Lecture "Tsunami Relief Efforts" 9th Annual Asian Pacific American Heritage Month Awards Banquet, Silver Dragon Restaurant, Oakland CA, May 13th, 2005.

Lecture, "Trypanosomiasis" for Residents and Fellows, Stanford CA, May 10th, 2005.

Lecture, "Preparing for International Travel, TB, Vaccines and other Precautions" for International Health in Nepal & India, Independent Stanford Undergraduate Student Course, Stanford, CA, May 5th, 2005.

Lecture, "Tsunami Medicine, Malaria and the Kaiser Mission" to The Elks Club, Redwood City, CA, May 3rd, 2005.

Lecture, "Tsunami Medicine, Malaria and the Kaiser Mission" to International Health Interest Group (IHIG), Palo Alto, CA May 1st, 2005

Lecture, "Tsunami Medicine, Malaria and the Kaiser Mission" to All Physicians' Conference, South Sacramento, CA, April 28th, 2005

Lecture, "Tsunami Medicine, Malaria and the Kaiser Mission" to All Physicians' Conference, Santa Clara, CA, April 27th, 2005

Lecture, "Tsunami Medicine, Malaria and Public Health", to Fresno County Medical Society evening dinner program sponsored by Kaiser Permanente at the Piccadilly Inn Hotel, Fresno, CA, April 12th, 2005

Lecture, "Tsunami Medicine and Malaria" to the Infectious Disease Chief's Group, Oakland, CA, April 5th, 2005

Lecture, "Kaiser Permanente Redwood City's Participation in Tsunami Relief" All-Physician Conference, Redwood City, CA, March 31, 2005

Lecture, "Tuberculosis in Redwood City", All Physicians' Conference, Kaiser Redwood City, CA, March 18th, 2005

Lecture, "Tsunami Medicine and the Kaiser Mission" Infectious Disease Grand Rounds, Stanford University School of Medicine, Stanford, CA, March 17th, 2005

Lectures, "Laboratory aspects of Tsunami Medicine and the Kaiser Mission" Infectious Disease Symposium, CELP, Kaiser California Regional Laboratory Continuing Education Series, at Berkeley Radisson Hotel on February 28th, 2005 and at Sunnyvale Four Points Sheraton, March 1st, 2005

LANGUAGES

Native - English; Fluent - Spanish; Basic – Mandarin

HOBBIES

photography, mountaineering, skiing, gardening, beekeeping, scuba diving, travel

OTHER: Hillsborough School Foundation Board of Directors, Little League Coach AA baseball Hillsborough, spring 2011, Chair of Emergency Preparedness Committee, West School, Hillsborough Neighborhood Network (HNN) leader, 2011.

Tungiasis Article with Zack Wettstein,



Office of Mayor Peter I. Ohtaki

October 2, 2013

Hon. Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2 Fl
Redwood City, CA 94063-1655

Re: Response to Grand Jury Report: "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito Embezzlement: Is it the Tip of the Iceberg?"

Dear Judge Livermore:

As requested, the City of Menlo Park is providing responses to each of the fourteen findings presented by the Grand Jury in their report entitled, "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito Embezzlement: Is it the Tip of the Iceberg?" as well as the two recommendations pertaining to City/Town Councils.

FINDINGS:

F1. The Board and the Manager share responsibility for the lack of oversight that was instrumental in allowing embezzlement to occur.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F6. Trustees and senior District staff should receive monthly financial reports.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F9. The District would benefit from a redesigned Manager Evaluation process.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report.

F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

City Response: The City of Menlo Park agrees with this finding based on the information provided by the Grand Jury in its report and based upon LAFCo's response to the Grand Jury which calls for more analysis.

F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

City Response: The City of Menlo Park does not have enough information to agree or disagree with this finding based solely upon the information provided by the Grand Jury in its report.

F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

City Response: The City of Menlo Park does not have enough information to agree or disagree with this finding based solely upon the information provided by the Grand Jury in its report.

F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

City Response: The City does not have enough information about the practices of other cities as it pertains to this finding to agree or disagree, based on the information provided by the Grand Jury in its report. The City of Menlo Park has appointed a qualified resident to serve as its representative.

RECOMMENDATIONS:

R10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants.


City Response: The City of Menlo Park agrees with this recommendation and will implement it if it becomes necessary.

R11. Require regular reporting about the District's operations by their representative at a scheduled council meeting.

City Response: The City of Menlo Park agrees with this recommendation and has tentatively scheduled the City's representative to the District Board to make a presentation at a future Council meeting in November 2013. The City Council has also requested quarterly updates from its representative.

This letter of response to the Grand Jury report was reviewed and approved by the City Council at its regular meeting on Tuesday, October 1, 2013. Any questions about this response should be directed to Menlo Park City Manager, Alex McIntyre, at (650) 330-6610.

Sincerely,



Peter I. Ohtaki
Mayor

cc: Menlo Park City Council



City of Millbrae
621 Magnolia Avenue, Millbrae, CA 94030

GINA PAPAN
Mayor

WAYNE J. LEE
Vice Mayor

MARGE COLAPIETRO
Councilwoman

ROBERT G. GOTTSCHALK
Councilman

ANNE OLIVA
Councilwoman

September 24, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Honorable Judge Livermore:

Please accept this letter as the City of Millbrae's formal response to the July 18, 2013 letter from the San Mateo County Superior Court of California regarding the 2012-2013 Grand Jury report "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

The City Council, at its September 24, 2013 meeting, reviewed the Grand Jury's report and approved this letter of response as it pertains to the City of Millbrae.

The City Council understands that LAFCo, which exhaustively reviewed the Mosquito Abatement District last year, has decided to revisit this subject as a result of this Grand Jury Report. The Council believes that the findings and recommendations contained in this report, to the extent they require additional evaluation, are more appropriately considered by an agency such as LAFCo.

We appreciate the opportunity to respond to the Grand Jury's report.

Sincerely,

A handwritten signature in cursive script that reads "Gina Papan".

Gina Papan
Mayor

cc: San Mateo Grand Jury
City Clerk

City Council/City Manager/City Clerk
(650) 259-2334

Fire
(650) 259-2400

Building Division/Permits
(650) 259-2330

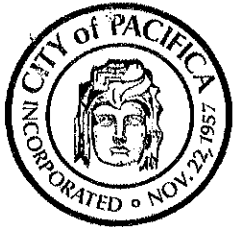
Police
(650) 259-2300

Community Development
(650) 259-2341

Public Works/Engineering
(650) 259-2339

Finance
(650) 259-2350

Recreation
(650) 259-2360



Scenic Pacifica

CITY HALL

170 Santa Maria Avenue • Pacifica, California 94044-2506

www.cityofpacifica.org

MAYOR
Len Stone

MAYOR PRO TEM
Mary Ann Nihart

COUNCIL
Sue Digre
Karen Ervin
Mike O'Neill

September 23, 2013

CITY MANAGER'S OFFICE

TEL. (650) 738-7301
FAX (650) 359-6038

CITY ATTORNEY

TEL. (650) 738-7409
FAX (650) 359-8947

CITY CLERK

TEL. (650) 738-7307
FAX (650) 359-6038

CITY COUNCIL

TEL. (650) 738-7301
FAX (650) 359-6038

FINANCE

TEL. (650) 738-7392
FAX (650) 738-7411

FIRE ADMINISTRATION

TEL. (650) 991-8138
FAX (650) 991-8090

HUMAN RESOURCES

TEL. (650) 738-7303
FAX (650) 359-6038

PARKS, BEACHES & RECREATION

TEL. (650) 738-7381
FAX (650) 738-2165

PLANNING

TEL. (650) 738-7341
FAX (650) 359-5807

• **Building**

TEL. (650) 738-7344

• **Code Enforcement**

TEL. (650) 738-7341

POLICE DEPARTMENT

TEL. (650) 738-7314
FAX (650) 355-1172

PUBLIC WORKS

TEL. (650) 738-3760
FAX (650) 738-9747

• **Engineering**

TEL. (650) 738-3767
FAX (650) 738-3003

• **Field Services**

TEL. (650) 738-3760
FAX (650) 738-9747

Hon. Richard C. Livermore
Judge of the Superior Court

% Ms. Charlene Kresevich

Hall of Justice
400 County Center, 2nd floor
Redwood City, CA 94063-1655

Dear Judge Livermore:
18, 2013 Grand Jury Report

Re: Response to July

Recommendations R10 and R11

Please accept this as the City of Pacifica's formal response to the recommendations referenced above:

R10 "Appoint a Council member to the (Mosquito and Vector Control) District Board if a representative cannot be found after vetting applicants."

R11 "Require regular reporting about the District's operations by their representative at a regular scheduled council meeting."

The City of Pacifica agrees with these recommendations. And we are pleased to add that our representative, a former Mayor and Council member, is well qualified and has been providing Council regular written updates.

Sincerely,

Len Stone
Mayor, City of Pacifica

TOWN of PORTOLA VALLEY



September 12, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 8th floor
Redwood City, CA 94063-1655

COUNCIL:
John Richards - Mayor
Ann Wengert - Vice Mayor
Jeff Aalfs - Councilmember
Maryann Derwin - Councilmember
Ted Driscoll - Councilmember

TOWN OFFICERS:
Nick Pegueros
Town Manager
Sandy Sloan
Town Attorney

**RE: Response to 2012-13 Grand Jury Report
"San Mateo County Special Districts: Who is Really in Charge of the
Taxpayer's Money? The Mosquito Abatement District Embezzlement: Is it
the Tip of the Iceberg?"**

Dear Judge Livermore:

The Town Council for the Town of Portola Valley ("Town") has reviewed the findings and the recommendations that affect the Town in the above-referenced Grand Jury Report. The Town Council approved the following responses to the findings and the two recommendations that were specific to the Town at a public meeting on September 11, 2013:

FINDINGS

1. – *The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.*

Response – The Town agrees that the District's Board and Manager have the responsibility to exercise appropriate oversight of internal controls designed to reduce the District's exposure to fraudulent activities, including embezzlement. This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding.

2. – *The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.*

Response – The Town agrees that if red flags were present in the financial reports and if those red flags were investigated that the embezzlement may have been revealed far sooner. It is important to note, however, that C. G. Uhlenberg's audit found that the embezzlement scheme was a complex fraud that "included elaborate efforts to cover up the embezzlement using falsified records presented to the District Manager and the Board of Trustees". This finding is based on a detailed factual investigation. Based on

the summary report the Town does not have enough information to agree or disagree with the finding.

3. – *The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.*

Response – The report does not contain sufficient information for the Town to determine the true reason for the insurer's denial of the claim. The District's attorney provided a reasonable argument that the insurance company was aware of the circumstances that were cited for the denial. This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding.

4. – *The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.*

Response – While background checks for employees with access to public funds is a best practice, the report does not confirm that the District had a policy in place that required a background check of the subject employees. This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding.

5. – *The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.*

Response – The Town agrees with this finding insofar as the internal financial controls were found deficient by the District's auditors.

6. – *Trustees and senior District staff should receive monthly financial reports.*

Response – The Town agrees with this finding to the extent that the Board and the Manager believe that that the information is an efficient manner to promote transparency and accountability.

7. – *The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.*

Response – This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding.

8. – *The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.*

Response – The Town defers to the decision of the Board with regard to the Manager's ability to perform the duties required of his position. Given that the report does not quantify the number or severity of the concerns expressed by Trustees regarding the Manager's performance and abilities, the Town does not have sufficient information to agree or disagree with this finding.

9. – *The District would benefit from a redesigned Manager evaluation process.*

Response – The Town encourages the Board to design an evaluation process that measures the competencies desired by the Board and no information was included in the report to suggest that evaluation process was inadequate. Given that the Board has pursued a performance improvement plan and renewed the Manager's contract, the Town does not have sufficient information to agree or disagree with this finding.

10. – *Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.*

Response – The Town disagrees, in part. The trustee appointed by the Town Council to represent Portola Valley is not confused about his responsibilities as a trustee. This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding.

11. – *Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.*

Response – The Town disagrees and defers to LAFCo's decision.

12. – *Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.*

Response – This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding. The Town encourages the District to evaluate opportunities to reduce costs through sensible operational efficiencies without compromising or otherwise diluting the service level provided by the District to the residents of San Mateo County.

13. – *LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.*

Response – This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding. The Town defers to LAFCo and the County Board of Supervisors on the issue of funding for Service Reviews.

14. – *Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.*

Response – The Town respects the decision by the governing bodies responsible for making appointments to the District Board and encourages each agency to appoint a representative. This finding is based on a detailed factual investigation. Based on the summary report the Town does not have enough information to agree or disagree with the finding.

RECOMMENDATIONS

10. – *Appoint a council member to the District Board if a representative cannot be found after vetting applicants.*

Response – The Town will implement this recommendation. In the event that a qualified citizen cannot be identified by the Town Council to represent the interests of Portola Valley on the District Board, a Council member will be appointed.

11. – *Require regular reporting about the District's operations by their representative at a scheduled council meeting.*

Response – The Town will implement this recommendation by scheduling an annual report to the Town Council at a regularly scheduled meeting. This policy will be implemented beginning October 2013.

The Town thanks the Grand Jury for its investigation into this complex issue and for bringing this matter to our attention in an informative and thorough manner. Please let me know if you require additional information.

Sincerely,



John Richards
Mayor

cc: Town Council
Town Manager
Town Attorney

Mayor Alicia C. Aguirre
Vice Mayor Jeffrey Gee
Council Members
Ian Bain
Rosanne S. Foust
Jeff Ira
Barbara Pierce
John D. Seybert



City Hall
1017 Middlefield Road
Redwood City, CA 94063
Voice: (650) 780-7220
fax: (650) 261-9102
mail@redwoodcity.org
www.redwoodcity.org

September 25, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655
(sent via email)

Dear Judge Livermore:

On behalf of the City Council of the City of Redwood City, thank you for the opportunity to respond to the San Mateo County Civil Grand Jury Report, dated July 18, 2013, titled "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

The City has reviewed the report and is supportive of improvements in the Mosquito and Vector Control Abatement District's (District) oversight and management practices in order to better safeguard the public's resources and trust in the District and the effectiveness of this important service to our community. The following responses to the Grand Jury's Findings and Recommendations were considered and approved by the City Council at its meeting of September 23, 2013. The City Council has authorized me to present the City's responses to the Court as set forth below.

The Grand Jury report contained the following 14 findings:

- F1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.*
- F2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.*
- F3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.*
- F4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.*
- F5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.*
- F6. Trustees and senior District staff should receive monthly financial reports.*
- F7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.*
- F8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.*
- F9. The District would benefit from a redesigned Manager evaluation process.*

- F10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.*
- F11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.*
- F12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.*
- F13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.*
- F14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.*

Council agrees with finding F6 – “Trustees and senior District staff should receive monthly financial reports” – as this reflects a standard best practice that is followed by the City of Redwood City regarding the City’s fiscal management.

The remainder of the Grand Jury’s findings (F1-F5 and F7-F14) relate to areas outside of the City of Redwood City’s areas of direct knowledge or responsibility and the City Council was not provided with enough information to come to a conclusion regarding these findings.

The report contains 11 recommendations, of which two are directed to city and town councils.

- R10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants.*

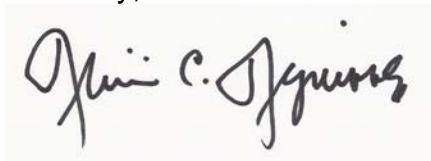
The City agrees with this recommendation. The City currently has a representative on the District Board. The recommendation will be implemented in future recruitments as necessary depending on the results of the recruitment process.

- R11. Require regular reporting about the District’s operations by their representative at a scheduled council meeting.*

The City agrees with this recommendation and will establish a regular reporting schedule before the end of 2013.

On behalf of the Redwood City Council, I appreciate the Grand Jury’s interest and work on this report. Thank you again for the opportunity to comment.

Sincerely,

A handwritten signature in black ink on a light-colored rectangular background. The signature is cursive and reads "Alicia C. Aguirre".

Alicia C. Aguirre, Mayor
City of Redwood City

C: City Council, Redwood City
Dr. Robert B. Bell, City Manager



October 7, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 8th Floor
Redwood City, CA 94063

RE: Civil Grand Jury Report – San Mateo County Mosquito and Vector Control District

Dear Judge Livermore:

I am writing to you on behalf of the San Mateo City Council. This will serve as the City of San Mateo's formal response to the letter from the Superior Court communicating comments made by the Civil Grand Jury about Special Districts in San Mateo County. The City Council has reviewed this letter at a public meeting of the Council and has authorized that it be sent.

In the report from the Civil Grand Jury, a number of Findings and Recommendations are made. San Mateo's response to the Civil Grand Jury report is provided below.

FINDINGS

1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response: The City agrees with this finding

The embezzlement occurred over a period of approximately two-years. It wasn't until 2011 that a discrepancy was noticed in the District's finances. Had the Board and District Manager been more aware of what to look for in financial documents, the embezzlement may have been caught much earlier.

2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

Response: The City agrees with this finding

In 2011 or during the time of the embezzlement, the members of the Finance Committee did not include anyone with experience in finance or accounting. It is the opinion of the City that while these individuals are technical in their respective areas of expertise, the Finance Committee should be comprised of individuals with financial and/or accounting expertise. The Finance Committee should have questioned the overages in expenses and established greater oversight of the financial operations of the Agency.

3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response: The City partially agrees with this finding

There is no dispute that the embezzlement occurred. The insurance company's denial and the District's subsequent response are between the insurance company and the District. It is not unusual for an insurance company to deny a claim. However, there is no additional information showing the outcome of the denial and the subsequent challenge to that denial. It is possible that the claim will ultimately be paid under the original guidelines of the policy.

4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response: The City agrees with this finding

5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response: The City agrees with this finding

6. Trustees and senior District staff should receive monthly financial reports.

Response: The City agrees with this finding

7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

Response: The City agrees with this finding

8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

Response: The City agrees with this finding

9. The District would benefit from a redesigned Manager evaluation process.

Response: The City agrees with this finding

10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

Response: The City agrees with this finding

The City believes the training recommended for the District should be implemented and orientation used to understand the responsibility of other positions.

11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the County Environmental Health Department (CEHD), this issue needs further evaluation.

Response: The City disagrees with this finding

Practices have been implemented to address prior deficiencies. Time is needed to evaluate whether these changes have been effectively implemented.

12. Costs savings could possibly be achieved with a transfer of the District's functions to the CEHD.

Response: The City disagrees with this finding

13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

Response: The City agrees with this finding

14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

Response: The City agrees with this finding

RECOMMENDATIONS

The Grand Jury recommends that the City/Town Council do the following:

10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants.

Response: The recommendation will not be implemented because it is not warranted

In December 2012, San Mateo City Council appointed Dr. Ridgeway to another four year term ending in December 2016. Dr. Ridgeway has done an adequate job representing the City's interests on the Board and provides Council with written quarterly reports.

11. Require regular reporting about the District's operations by their representative at a scheduled council meeting.

Response: The recommendation will not be implemented because it is not warranted due to the following:

The City's representative currently provides quarterly written reports to the City Council. It is recommended that a copy be provided to the City Manager as well. Regular reporting at a Council meeting is not recommended. After review of the reports Council members can determine whether an oral report is necessary.

Sincerely,



David Lim, Mayor

cc: City Council
City Manager
City Attorney

CITY OF SAN CARLOS

CITY COUNCIL

ROBERT GRASSILLI, MAYOR
MARK OLBERT, VICE MAYOR
KAREN CLAPPER
RON COLLINS
MATT GROCCOTT



CITY COUNCIL
600 ELM STREET
SAN CARLOS, CALIFORNIA 94070-3085

TELEPHONE: (650) 802-4219
FAX: (650) 595-6719

WEB: <http://www.cityofsancarlos.org>

September 9, 2013

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 8th floor
Redwood City, CA 94063-1655

Re: Civil Grand Jury Report – “San Mateo County Special Districts: Who is Really in Charge of the Taxpayer’s Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?”

Dear Judge Livermore,

I am writing to you on behalf of the San Carlos City Council. This will serve as the City of San Carlos’ formal response to the letter from the Superior Court communicating comments made by the Civil Grand Jury about Special Districts in San Mateo County. The City Council has reviewed this letter at a public meeting of the Council and has authorized that it be sent.

In the report from the Civil Grand Jury, a number of Findings and Recommendations are made. Here is the City of San Carlos response to the Civil Grand Jury report on this matter:

Findings

1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response: The City partially disagrees with this finding.

As noted in the Grand Jury Report, “only one Trustee recognized a problem with an overage in operational expenses, thereby leading to the discovery of the embezzlement. After the discovery, only one city asked for a Grand Jury investigation.” The Trustee and City mentioned are from the City of San Carlos.

2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

Response: The City agrees with this finding.

In 2011, or during the time of the embezzlement, the Finance Committee consisted of the following: Leon Nickolas, San Mateo City Code Enforcement Supervisor; James Ridgeway, Retired Dentist appointed by the City of San Mateo; Samuel Lerner, Current Board President; and Robert Riechel, Retired Research Scientist.

It is the opinion of the City that while these individuals are technical in their respective areas of expertise, the Finance Committee should be comprised of individuals with financial and/or accounting expertise. The Finance Committee should have questioned the overages in expenses and established greater oversight of the financial operations of the Agency.

3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response: The City partially disagrees with this finding.

There is no dispute that the embezzlement occurred. The insurance company's denial and the District's subsequent response are between the insurance company and the District. It is not unusual for an insurance company to deny a claim. However, there is no additional information showing the outcome of the denial and the subsequent challenge to that denial. It is possible that the claim will ultimately be paid under the original guidelines of the policy.

4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response: The City agrees with this finding.

5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response: The City agrees with this finding.

Complicating the deficiencies in internal controls was the fact that there were two employees involved. Even with proper internal controls in place, it is difficult to find collusion when you have multiple employees with access involved.

6. Trustees and senior District staff should receive monthly financial reports.

Response: The City agrees with this finding.

In addition to the financial reports, the City encourages that the warrant lists are also provided on a monthly basis.

7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

Response: The City partially agrees with this finding.

As noted above, it was the Board Member from the City of San Carlos who recognized the problem and prompted the investigation that ultimately led to the discovery of the embezzlement.

8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

Response: The City agrees with this finding.

9. The District would benefit from a redesigned Manager evaluation process.

Response: The City agrees with this finding.

10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

Response: The City partially agrees with this finding.

The City's representative has and continues to be an active member of the District and as noted previously was the first to recognize the problem. While other trustee's may be unsure of their responsibilities, we have faith in our representative.

11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

Response: The City agrees with this finding.

The City Council discussed this matter at the February 13, 2012 Council meeting and was supportive of the original recommendation to dissolve the District and transfer the functions to the CEHD.

12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

Response: The City agrees with this finding.

13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

Response: The City agrees with this finding.

14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

Response: The City agrees with this finding.

As discussed at the February 13, 2012 Council meeting, the Council has received comments that some members of the Board have served for many years. There have also been suggestions that if more board members had strong backgrounds in Finance and Human Resources, some of the issues may have been addressed earlier.

Recommendations for the City/Town Councils

1. Recommendation #10: Appoint a council member to the District Board if a representative cannot be found after vetting applicants.

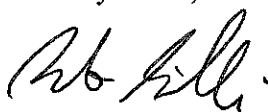
Response: The recommendation will not be implemented because it is not warranted.

The City of San Carlos has appointed Betsey Schneider to a two-year term ending on December 31, 2014. Ms. Schneider was instrumental in taking the alleged irregularities that she spotted as a Board Member to the management of the District and later to the County Counsel. Her efforts resulted in actions that were taken to review the events that occurred in the district including placing the District Manager on a Performance Improvement Plan. The City feels that Ms. Schneider has done an excellent job representing the City of San Carlos and does not feel the need to replace her with a Council member at this time.

2. Recommendation #11: Require regular reporting about the District's operations by their representative at a scheduled Council meeting.

Response: The recommendation is in the process of being implemented with the first update to be delivered by the District on September 9, 2013. The City Council will request that our representative provide at a minimum three reports per year at a scheduled Council meeting.

Sincerely Yours,



Bob Grassilli
Mayor

- cc: City Council
City Manager
City Attorney
Administrative Services Director



CITY COUNCIL 2013

PEDRO GONZALEZ, MAYOR
KARYL MATSUMOTO, MAYOR PRO TEM
MARK ADDIEGO, COUNCILMEMBER
RICHARD A. GARBARINO, COUNCILMEMBER
PRADEEP GUPTA, PH.D, COUNCILMEMBER

BARRY M. NAGEL, CITY MANAGER

September 30, 2013

OFFICE OF THE MAYOR

Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

Re: Grand Jury Report: "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

Dear Judge Livermore,

Pursuant to the letter we received dated July 18, 2013 from Mr. John Fitton, on behalf of the 2012-2013 Grand Jury of the County of San Mateo, the City of South San Francisco would like to take this opportunity to respond to the findings and recommendations of the Grand Jury with respect to the report titled, "San Mateo County Special Districts: Who is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?"

The City of South San Francisco thanks the Grand Jury for its work on this important issue. The South San Francisco City Council held a public meeting on September 11, 2013 and approved this response.

Our responses to the Grand Jury's recent findings and recommendations are as follows:

Finding No. 1 ~ The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

The City of South San Francisco agrees with this finding.

Finding No. 2 ~ The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

The City of South San Francisco agrees with this finding.

Finding No. 3 ~ The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

The City of South San Francisco agrees with this finding.

Honorable Richard C. Livermore
Grand Jury Response
September 30, 2013
Page 2 of 3

Finding No. 4 ~ The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

The City of South San Francisco agrees with this finding.

Finding No. 5 ~ The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

The City of South San Francisco agrees with this finding.

Finding No. 6 ~ The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

The City of South San Francisco agrees with this finding.

Finding No. 7 ~ The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

The City of South San Francisco agrees with this finding.

Finding No. 8 ~ The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

The City of South San Francisco agrees with this finding.

Finding No. 9 ~ The District would benefit from a redesigned Manager evaluation process.

The City of South San Francisco agrees with this finding.

Finding No. 10 ~ Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

The City of South San Francisco agrees with this finding.

Finding No. 11 ~ Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

The City of South San Francisco agrees with this finding.

Honorable Richard C. Livermore
Grand Jury Response
September 30, 2013
Page 3 of 3

Finding No. 12 ~ Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

The City of South San Francisco agrees with this finding.

Finding No. 13 ~ LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

The City of South San Francisco agrees with this finding.

Finding No. 14 ~ Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

The City of South San Francisco agrees with this finding.

Recommendation No. 10 ~ appoint a council member to the District Board if a representative cannot be found after vetting applicants.

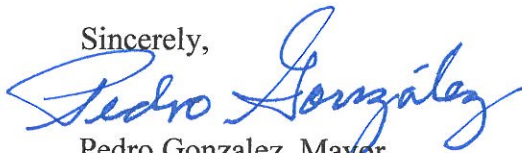
The City Council appointed Mr. Christopher Cairo to represent the City of South San Francisco on the Mosquito District Board effective July 31, 2013.

Recommendation No. 11 ~ Require regular reporting about the District's operation by their representative at a scheduled Council meeting.

The City Council will have Mr. Cairo report to them on a quarterly basis at a regularly scheduled City Council meeting starting in November of 2013.

Please feel free to contact me if you have any questions.

Sincerely,



Pedro Gonzalez, Mayor
City of South San Francisco

Attachment: Council Minutes of Action



AGENDA *ACTIONS TAKEN*

CITY COUNCIL

CITY OF SOUTH SAN FRANCISCO

REGULAR MEETING
MUNICIPAL SERVICES BUILDING
COUNCIL CHAMBERS
33 ARROYO DRIVE
SOUTH SAN FRANCISCO, CA

WEDNESDAY, SEPTEMBER 11, 2013
7:00 P.M.

PEOPLE OF SOUTH SAN FRANCISCO

You are invited to offer your suggestions. In order that you may know our method of conducting Council business, we proceed as follows:

The regular meetings of the City Council are held on the second and fourth Wednesday of each month at 7:00 p.m. in the Municipal Services Building, Council Chambers, 33 Arroyo Drive, South San Francisco, California.

Public Comment: For those wishing to address the City Council on any Agenda or non-Agenda item, please complete a Speaker Card located at the entrance to the Council Chamber's and submit it to the City Clerk. Please be sure to indicate the Agenda Item # you wish to address or the topic of your public comment. California law prevents the City Council from taking action on any item not on the Agenda (except in emergency circumstances). Your question or problem may be referred to staff for investigation and/or action where appropriate or the matter may be placed on a future Agenda for more comprehensive action or a report. When your name is called, please come to the podium, state your name and address (optional) for the Minutes. **COMMENTS ARE LIMITED TO THREE (3) MINUTES PER SPEAKER.** Thank you for your cooperation.

The City Clerk will read successively the items of business appearing on the Agenda. As she completes reading an item, it will be ready for Council action.

PEDRO GONZALEZ
Mayor

KARYL MATSUMOTO
Mayor Pro Tem

MARK N. ADDIEGO
Councilman

RICHARD A. GARBARINO
Councilman

PRADEEP GUPTA
Councilman

FRANK RISSO
City Treasurer

KRISTA MARTINELLI
City Clerk

BARRY M. NAGEL
City Manager

STEVEN T. MATTAS
City Attorney

PLEASE SILENCE CELL PHONES AND PAGERS

HEARING ASSISTANCE EQUIPMENT AVAILABLE FOR USE BY THE HEARING IMPAIRED AT CITY COUNCIL MEETINGS

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item, and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the City Clerk's Office located at City Hall. If, however, the document or writing is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting, as listed on this agenda. The address of City Hall is 400 Grand Avenue, South San Francisco, California 94080.

CALL TO ORDER
ROLL CALL
PLEDGE OF ALLEGIANCE

*7:15 p.m.
All present
Recited*

PRESENTATIONS

- Proclamation - October is National Cyber Security Awareness Month.
- Presentation by Team California about the upcoming BIO 2014 Convention in San Diego and other ongoing programs, trade shows, and activities.

*Presented
Presented*

AGENDA REVIEW

Item 12 removed

PUBLIC COMMENTS

Given

ITEMS FROM COUNCIL

- Announcements.
- Committee Reports.

*Given
Given*

CONSENT CALENDAR

1. Motion to approve the minutes of the meetings of July 17, 2013, July 31, 2013, August 14, 2013, August 26, 2013, August 28, 2013 and August 29, 2013. *Approved*
2. Motion confirming payment registers for September 11, 2013 in the amount of \$1,240,325.14. *Confirmed*
3. Motion to cancel the Regular Meeting of October 9, 2013. *Approved*
4. Resolution approving an amendment to the Lease Agreement with GTE Mobilnet of California Limited Partnership, a California Limited partnership d/b/a Verizon Wireless for the facility at 1121 South San Francisco Drive. *Resolution No. 87-2013
Unanimous*
5. Resolution approving an amendment to the Lease Agreement with Cingular Wireless PCS, LLC for the facility at 1151 South San Francisco Drive. *Resolution No. 88-2013
Unanimous*
6. Resolution approving a Loan Agreement in the amount of \$8546.00 with the Successor Agency to the Redevelopment Agency of the City of South San Francisco to allow the Successor Agency to make a payment for a Non-housing Recognized Obligation. *Resolution No. 89-2013
Unanimous*
7. Resolution approving a Loan Agreement in the amount of \$445,848.00 with the Successor Agency to the Redevelopment Agency of the City of South San Francisco to allow the Successor Agency to make a payment for a Non-housing Recognized Obligation. *Resolution No. 90-2013
Unanimous*

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| 8. | Resolution supporting the planning and project study report phase of the South Linden Avenue Grade Separation Project and authorizing submittal of an application for Measure A Grade Separation Program Funding for the South Linden Avenue Grade Separation Project. | <i>Resolution No. 91-2013
Unanimous</i> |
| 9. | Resolution awarding a Services Agreement to Peterson Power Systems of San Leandro, California for the repair of a Waukesha Generator in the amount not to exceed \$84,214. | <i>Resolution No. 92-2013
Unanimous</i> |
| 10. | Resolution 1) approving the use of up to \$50,000 from the Housing Fund to preserve the affordability of Below Market Rate (BMR) Units Citywide; 2) authorizing the City Manager to approve BMR Units for preservation and executed documents in connection with such preservation; and 3) authorizing a budget amendment setting aside \$50,000 from the Housing Fund for this purpose. | <i>Resolution No. 93-2013
Unanimous</i> |

PUBLIC HEARING

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| 11. | <p>“Centennial Village” Safeway Shopping Center
 Shamain Partnership/Owner
 WT Mitchell Group, Inc./Applicant
 180 El Camino Real (APN014-183-110) P11-0065: UP11-0006, DR11-0019, TDM13-0001, ND12-0004 and DA13-0002</p> <p>Resolutions recommending that the City Council adopt the Initial Study and Mitigated Negative Declaration (ND12-0004) and Approve Planning Project P11-0065:UP11-0006, DR11-0019, TDM13-0001 and DA13-0002 in accordance with the SSFMC Chapters 19, 20.090,20.300, 20.330, 20.350, 20.400, 20.440, 20.450, 20.460, 20.480 & 20.490.</p> | <p><i>Continued to
September 25, 2013</i></p> |
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ADMINISTRATIVE BUSINESS

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| 12. | Resolution approving an Employment Agreement between the City of South San Francisco and Jesús Armas for service as City Manager. | <i>Item not heard</i> |
| 13. | Resolution approving the San Mateo County Harbor District's Capital Improvement Plan and Management Plan pursuant to the Agreement between the City of South San Francisco, the Successor Agency and the San Mateo County Harbor District. | <i>Resolution No. 94-2013
Unanimous</i> |
| 14. | Resolution approving an Agreement with the California Public Employees' Retirement System (CalPERS) to join the California Employers' Retiree Benefit Trust Program (CERBT) and authorizing the execution of necessary documents with CalPERS to establish a Retiree Health Obligation Trust Fund. | <i>Resolution No. 95-2013
Unanimous</i> |

15. Motion approving the Response to the San Mateo County Grand Jury Report regarding “San Mateo County Special Districts: Who is really in charge of the Taxpayer’s Money?” *Approved*
16. Resolution making findings to certify the Initial Study/Mitigated Negative Declaration, prepared by Environmental Science Associates, entitled South San Francisco/San Bruno Water Quality Control Plant Capital Improvements Project (“Project”); and directing staff to begin implementation of the Project. *Resolution No. 96-2013
Unanimous*
17. Resolution approving the Funding Agreement with the San Mateo County Transportation Authority (TA) for the preparation of a Project Initiation Document (PID)/Project Study Report (PSR) for the US 101 Produce Avenue Interchange Project. *Resolution No. 97-2013
Unanimous*

COMMUNITY FORUM

None

ADJOURNMENT

10:41 p.m.



The Town of
Woodside

October 15, 2013

The Honorable Richard C. Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

**RE: 2012-13 GRAND JURY REPORT - SAN MATEO COUNTY SPECIAL DISTRICTS:
WHO IS REALLY IN CHARGE OF THE TAXPAYER'S MONEY? *The Mosquito District
Embezzlement: Is it the Tip of the Iceberg?***

Dear Judge Livermore:

The Town Council of the Town of Woodside wishes to thank the 2012-13 Grand Jury for its service. The Town Council has reviewed the report entitled *San Mateo County Special Districts: Who Is Really in Charge of the Taxpayer's Money? The Mosquito District Embezzlement: Is it the Tip of the Iceberg?* and reviewed the findings, conclusions and recommendations of the Grand Jury at its public meeting of September 24, 2013, and approved the following responses:

FINDINGS

1. The Board and the Manager share in responsibility for the lack of oversight that was instrumental in allowing the embezzlement to occur.

Response: The Town agrees that the District's Board and Manager share in the responsibility to exercise appropriate oversight of fiscal activities to reduce the District's exposure to fraudulent activities.

2. The Manager and the Board's finance committee did not recognize red flags in the financial reports that could have revealed the embezzlement far sooner.

Response: The Town agrees that an investigation into "red flags" in the financial reports may have revealed the embezzlement sooner.

3. The insurance company's denial of the District's embezzlement loss claim reinforces the conclusion that there were inadequate management practices, insufficient accountability, and inadequate oversight of the District.

Response: Based on the Grand Jury's report, the Town does not have enough information to agree or disagree with the finding.

4. The District's Manager did not follow policies and procedures in the hiring of one of the employees subsequently charged with embezzlement.

Response: Based on the Mosquito District's response, the Town agrees with this finding.

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Woodside CA 94062

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townhall@woodsidetown.org

5. The District did not have adequate internal financial controls in place to prevent the embezzlement or lead to its early discovery.

Response: The Town agrees with this finding as the embezzlement has occurred.

6. Trustees and senior District staff should receive monthly financial reports.

Response: The Town agrees with this finding.

7. The Board in general and its finance committee in particular did an inadequate job of overseeing the District's operations.

Response: Based on the Mosquito District's response, the Town agrees with this finding.

8. The Board's evaluation of the Manager revealed significant differences in the levels of confidence in the Manager's ability to manage the District.

Response: Based on the Mosquito District's response, the Town agrees with this finding.

9. The District would benefit from a redesigned Manager evaluation process.

Response: Based on the Mosquito District's response, the Town agrees with this finding.

10. Trustees are confused about their responsibilities, some feeling their only role is to make district policy, while others feel they have more oversight responsibility.

Response: The Town's representative has not indicated that he is confused about his responsibilities as a Trustee. The Town does not have enough information about other Trustees to agree or disagree with this finding.

11. Even though LAFCo Commissioners rejected the recommendation to dissolve the District and transfer its functions to the CEHD, this issue needs further evaluation.

Response: The Town defers to LAFCo on whether to further evaluate the dissolution of the District.

12. Cost savings could possibly be achieved with a transfer of the District's functions to the CEHD.

Response: The Town does not have enough information to agree or disagree with this finding.

13. LAFCo would benefit from additional resources to ensure Service Reviews, as mandated by state law, are performed in a timely fashion.

Response: The Town does not have enough information to agree or disagree with this finding.

14. Not all cities appoint a representative to the Board in a timely fashion or select a qualified individual as stipulated in the Health Code.

Response: The Town has appointed a representative to the Board, and does not have enough information regarding the other cities to agree or disagree with this finding.

RECOMMENDATIONS

The Grand Jury recommended that the Town Council:

- R10. Appoint a council member to the District Board if a representative cannot be found after vetting applicants.
- R11. Require regular reporting about the District's operations by their representative at a scheduled council meeting.

The Town will implement both of these recommendations. The Town currently has a non-Councilmember representing the Town on the Board, and in the event that a representative cannot be found, a Council member will be appointed. The Town will also schedule, at least annually, a report from the representative at a regularly scheduled Town Council meeting.

On behalf of the Town Council, I would like to extend our thanks for the opportunity to review and respond to the work of the 2012-13 Grand Jury.

Please do not hesitate to call Kevin Bryant, at (650) 851-6790, should you require any further information.

Sincerely,



Anne Kasten
Mayor