



Municipal Service Review  
and Sphere of Influence Review  
San Mateo County Mosquito and Vector Control District  
June 12, 2012

Introduction

This Municipal Service Review and Sphere of Influence Update for the San Mateo County Mosquito Abatement and Vector Control District is being prepared as required by Government Code Sections 56425 and 56430 and in response to concerns following an incident of alleged embezzlement by the District's terminated finance personnel. This review focuses on the areas of determination set forth in Section 56430 detailed below and sphere of influence determinations required by Section 56425 found in Part 2 of this Report. The Report addresses among other determinations, public accountability in response to the event of alleged embezzlement but more broadly examines district operations, fiscal health, opportunities for sharing resources and governance alternatives. It should be noted that this study is not a financial audit and does not examine the alleged embezzlement beyond identifying measures the District has taken or could take to prevent such events. The on-going investigation by the San Mateo County District Attorney's Office is addressing the alleged embezzlement of District funds. As noted below in this report, the District has caused the 2010-11 Financials to be "re-built" and has received an unaudited financial report. The District has also contracted with a new auditing firm for audits for Fiscal years ending June 2011, 2012 and 2013.

This version of the Municipal Service Review and Sphere update includes changes, new or updated information and draft recommended determinations in 'bold' and underline. It incorporates the April 18, 2012 circulation draft. The Commission will consider acceptance of the June 12 report, adoption of determinations and update of the District's sphere of influence at the July 16, 2012 LAFCo meeting. Comments on this report should be submitted to LAFCo by mail, e-mail or fax by July 9, 2012.

Section 56430 requires that in order to prepare and update spheres of influence in accordance with Section 56425, the Local Agency Formation Commission shall conduct a service review of the municipal services provided in the county or other appropriate area. A municipal service review is an analysis of public services in which determinations are made in the following areas:

- (1) Growth and population projections for the affected area.

- (2) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
- (3) Financial ability of agencies to provide services.
- (4) Status of, and opportunities for, shared facilities.
- (5) Accountability for community service needs, including governmental structure and operational efficiencies.
- (6) Any other matter related to effective or efficient service delivery, as required by commission policy.

This Report includes observations about various areas including District services, finances, opportunities for resource sharing, accountability and solicits comments from the District, affected agencies and the community, updated information following circulation of a draft report and recommended determinations based on comments received from the District and interested parties. Information in the service review including determinations are used in updating or amending a sphere of influence. The sphere of influence is a regulatory determination about the boundaries and governance of the agency under study.

The municipal service review and sphere of influence review are not proposals for organizational change; rather they are state-mandated studies that identify strengths, weaknesses, opportunities for efficiencies and resource sharing and potential organizational alternatives. Also, as noted in discussion of District finances, observations about budget policy and practice, internal controls, etc. are not intended to minimize the dedication of the Board of Trustees and employees to the District's mission of protecting the public from vector borne diseases. Please note that comments should be submitted to LAFCo by May 7, 2012.

#### Local Agency Formation Commission (LAFCo)

Created by the State legislature in 1963, the Local Agency Formation Commission (LAFCo) is a State-mandated, independent commission with countywide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, consolidations and dissolutions. LAFCo adopts spheres of influence as plans for probable boundaries and governance of cities and special districts. LAFCo operates pursuant to the Cortese Knox Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 and 57000 et seq.) LAFCo has two members of the Board of Supervisors, two city council members of the cities in the county, two directors of independent special districts in the county, a public member, and four alternate members (county, city, special district and public). LAFCo adopts its own budget and contracts with the County of San Mateo for staff, facilities and legal counsel. Its Executive Officer serves in administrative capacity, which includes staff review of proposals, municipal service reviews and sphere of influence studies and providing assistance to local agencies and the public. LAFCo's net operating budget is apportioned in thirds to the County of San Mateo, the 20 cities and 22 of

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the 23 independent special districts.<sup>1</sup> For additional information on LAFCo, please visit [www.sanmateolafco.org](http://www.sanmateolafco.org).

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<sup>1</sup> Midpeninsula Regional Open Space District is a multi-county district with majority assessed value in Santa Clara County and not eligible for membership on San Mateo LAFCo nor is the district subject to the funding requirement.

## **Part 1: Municipal Service Review**

### **San Mateo County Mosquito and Vector Control District**

In 1915, the California legislature passed the Mosquito Abatement Act,<sup>2</sup> which gave local governments the power to obtain revenues and form special districts to control mosquitoes to prevent mosquito-borne diseases. Subsequently that year, the Three Cities Mosquito Abatement District, which encompassed San Mateo, Burlingame, and Hillsborough, was formed and the following year, the Pulgas Mosquito Abatement District was formed in southern San Mateo County. In 1953, these two districts were consolidated into San Mateo County Mosquito Abatement District, encompassing southern San Mateo County from the Santa Clara County boundary on the south, the San Francisco Bay on east, the Skyline area on the west and Millbrae to the north. LAFCos were created in 1964. Because the district was assessing a tax prior to implementation of Proposition 13, it receives a share of the 1% property tax and also assesses a \$3.74 parcel tax on parcels in the original boundaries of the District. In 2003, in response to the threat of West Nile Virus in California, the boundaries of the district were expanded through the LAFCo process to include all of San Mateo County. Annexation was conditioned upon passage of a benefit assessment in the newly annexed area that approximated the average property tax and \$3.74 parcel tax within the original boundaries of the district. In amending the sphere of influence and approving the 2003 annexation, the Commission adopted a status quo sphere of influence for the District.

In 2008, the San Mateo County Board of Supervisors passed a resolution to transfer specific vector control operations to the District and the District changed its name to San Mateo County Mosquito and Vector Control District. In 2011 after recognizing the savings to the County by transferring limited vector control responsibilities, the Board broadened the transfer of vector control responsibilities to the District to include all preventive vector control responsibilities.

Please see District profile, roster of trustees and map on the following pages.

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<sup>2</sup> In 2001 through 2002, a working group sought to revise the old law, updating and streamlining the state statutes. In 2003, the Senate Local Government Committee authored SB 1588, based on the recommendations of the working group. The bill passed in 2002 and went into effect in 2003.

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

1351 Rollins Road  
Burlingame, CA 94010

Contact Person: Robert Gay, General Manager  
344-8592 FAX 344-3843  
www.smcmad.org

**Date of Formation:** January 6, 1953 (consolidation)

**Enabling Legislation:** Section 2000 et seq. State Health and Safety Code

**Governing Board:** 21-member Board of Trustees appointed to two or four-year terms (see next page)

**Compensation:** \$100.00 per month maximum (for attendance at 1 regular meeting and any committee meetings. Secretary receives \$100 additional per meeting for preparation of minutes of Board of Trustees meeting)

**Public Meetings:** Second Wednesday of the month at 6:00 pm  
1351 Rollins Road, Burlingame

**Services Provided:** Mosquito and Vector Control

As defined In Health and Safety Code Section 2002 (k) "Vector" means any animal capable of transmitting the causative agent of human disease or capable of producing human discomfort or injury, including, but not limited to, mosquitoes, flies, mites, ticks, other arthropods, and rodents and other vertebrates. District services include: Conduct surveillance programs/ studies of vectors and vector borne diseases, perform necessary or proper actions to prevent, abate, or control the occurrence of vectors and vector borne diseases. On occasion and as needed in conjunction with other agencies, build, repair, and maintain on any land the dikes, levees, cuts, canals, or ditches that may be necessary to prevent, abate, or control the occurrence of vectors and vector borne diseases.

**Area Served:** San Mateo County     **Population:** 718,451 (as of Census 2010)

**Contractual Arrangements:** Cooperative agreement with the California Department of Health Services for pesticide use and reporting, and an abatement service agreement for specialized mosquito control problems. Individual agreements with San Francisco Public Utilities Commission and other local agencies for mosquito abatement and contracts with the County and various cities for inspection of rodent bait stations and utility vaults and to oversee and maintain contracts between pest control operators and the County and cities.

**Number of Personnel:** 18 Full Time: 8 Vector Control Technicians, 1 Management, 1 Operations Director, 1 Laboratory Director, 1 Finance Director, 1 Operations Supervisor, 3 Vector Ecologists, 1 Accountant, 1 Office Assistant; 11 Seasonal Workers

**Sphere of Influence:** Status quo (expanded countywide boundaries approved in 2003)



**Budget:** See attached budget data or the District's website

By statute, the District is governed by a 21-member board of directors, consisting of voters/residents of each city appointed by the city councils of the twenty cities and one voter/resident appointed by the Board of Supervisors.<sup>3</sup> **Health & Safety Code Section 2200, Paragraph D states the legislative intent that board members have experience, training and education in fields that will assist in governance of the District.** The following roster represents current membership. Please see district map on next page.

Appointing Agency	Trustee	Term Exp.
Atherton	Dr. Samuel Lerner, President	12/31/13
Belmont	Donelle O'Connor	12/31/12
Brisbane	Robert Maynard	12/31/14
Burlingame	Barry Melnerth , Asst. Secretary	02/16/14
Colma	Vacant - Contact City Clerk to apply	Not known
Daly City	Christine Fuller	12/31/12
E. Palo Alto	Donna Rutherford, Vice President	12/07/14
Foster City	Rick Wykoff	12/31/13
Half Moon Bay	Vacant - Contact City Clerk to apply	Not known
Hillsborough	Dr. D. Scott Smith	02/28/14
Menlo Park	Valentina Cogoni	12/30/13
Millbrae	Leon Nickolas, Secretary	01/01/16
Pacifica	John Curtis	11/22/13
Portola Valley	Joseph Fil	12/07/14
Redwood City	Maria Martinucci	01/24/14
San Bruno	Robert Riechel	11/23/13
San Carlos	Betsey Schneider	12/30/12
San Mateo	Dr. James Ridgeway	12/31/12
San Mateo County - at Large	James Metz	12/31/11
South San Francisco	Raymond Honan	12/31/13
Woodside	Richard Tagg	12/13/15

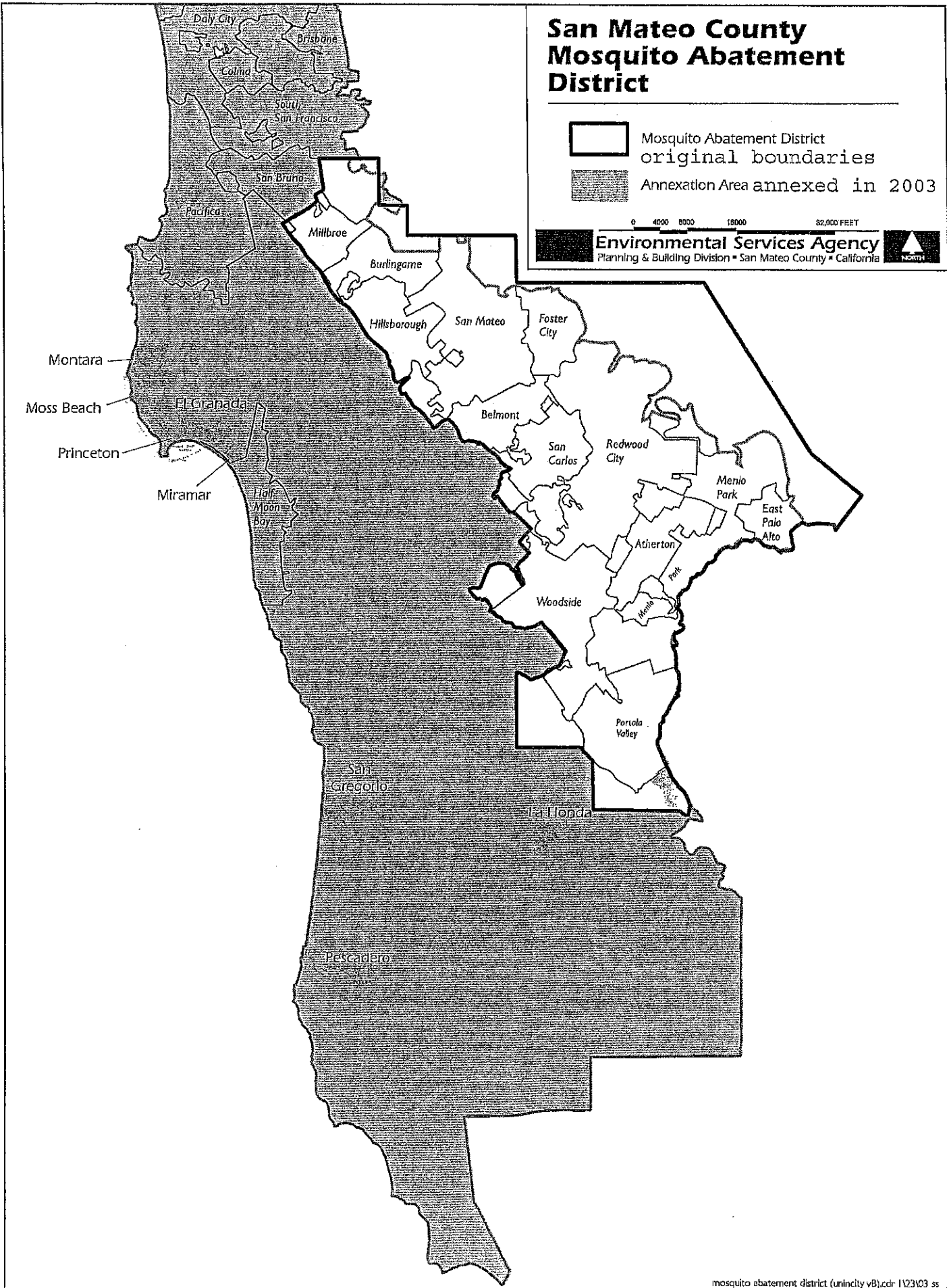
<sup>3</sup> 2024. (a) Except as provided in Section 2023, the term of office for a member of the board of trustees shall be for a term of two or four years, at the discretion of the appointing authority. Terms of office commence at noon on the first Monday in January. (b) Any vacancy in the office of a member appointed to a board of trustees shall be filled pursuant to Section 1779 of the Government Code. Any person appointed to fill a vacant office shall fill the balance of the unexpired term. In addition, Gov. Code 1779 provides that if there is no appointment within 90 days, the Board of Supervisors shall have appointing authority.

# San Mateo County Mosquito Abatement District

-  Mosquito Abatement District original boundaries
-  Annexation Area annexed in 2003

0 4000 8000 12000 16000 20000 FEET

**Environmental Services Agency**  
Planning & Building Division • San Mateo County • California



Municipal Service Review Areas of Determination

The following section examines the State mandated service review criteria as set forth in Government Code Section 56430. LAFCO's goal is to perform this service review and sphere update for San Mateo County Mosquito and Vector Control District (SMCMVCD) in a manner that is consistent with and complies with Government Code Section 56430. LAFCo has used available information provided by the District with a focus on pending issues concerning the District. Because District budget documents do not include revenue sources and because audits in some cases do not reflect budget amendments that took place in the audited year, the report references and includes these documents to avoid misrepresenting them. While the Report provides substantial information on district services, it speaks primarily to issues related to fiscal stewardship, governance and accountability. Due to challenges in interpreting fiscal documents, lack of specificity does not compromise the adequacy of the service review because the review identifies budgetary trends and areas in which the District can improve fiscal practices. It should also be emphasized that observations about budget policy and practice, internal controls, etc. are not intended to minimize the dedication of the Board of Trustees and employees to the District's mission of protecting the public from vector borne diseases.

(1) Growth and population projections for the affected area

The SMCMVCD territory is coterminous with County boundaries with a census 2010 population of 718,451 persons. Land uses include Agriculture, Open Space, Commercial, Industrial, Residential and Institutional. The County's land area is 452 square miles and water area (bay) is 99.95 square miles. San Mateo County contains approximately 5,000 acres of salt marsh along the shores of San Francisco Bay and the coastline.

The following table represents projected growth for San Mateo County based on Association of Bay Area Governments (ABAG) 2009 Projections for Years 2015 thru 2035. Note that ABAG 2009 Projections overstated the 2010 population by 14,849. Projections for 2015 through 2030 are similarly overstated and do not appear to reflect economic factors and were adopted prior to the recent dissolution of Redevelopment Agencies (RDAs) which have been the vehicle for much of the new housing in the 13 cities with redevelopment agencies.

Total Population	Census 2010	ABAG 2015	ABAG 2020	ABAG 2025	ABAG 2030	ABAG 2035
County of San Mateo	718,451	766,900	801,300	832,400	862,800	893,000



Census populations for San Mateo County for 1990, 2000 and 2010 are 649,623, 707,163 and 718,451, respectively reflecting growth of 8.8% from 1990 to 2000 and growth of 1.6% from 2000 to 2010. Given the economy and elimination of RDA's, it is reasonable to expect significantly less growth than projected by ABAG. However, regardless of the rate of population growth, demand for mosquito and vector control services will continue in both urban and rural areas.

**Recommended Determination regarding Population and Growth Projections:**

**Regardless of the rate of population growth, demand for mosquito and vector control services will continue in both urban and rural areas.**

(2) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

District headquarters are located at 1351 Rollins Road, Burlingame. Constructed in 2002, facilities include administration office, laboratory, operational spaces, vehicle and equipment repair facilities, fish pond building, pesticide storage and parking garage. The Redwood City substation includes a newly built corporation yard with parking garage and education center. District vehicle inventory includes 23 vehicles including eight right hand drive Jeeps and eight watercraft. District staff repair and maintain much of the District's vehicles and specialized equipment.

The Board of Trustees appoints a General Manager who is responsible for District Administration and Operations including staff of 18 full time employees and 11 seasonal employees including (based on 2011-12 budget):

- General Manager
- Operations Director<sup>4</sup>
- Operations Supervisor
- 8 Vector Control Technicians
- 9 Summer Hires
- Finance Director
- Accountant
- Office Administrator
- 1 Summer Hire
- Laboratory Director
- 3 Vector Ecologists

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<sup>4</sup> This position is proposed to be eliminated and replaced with an Assistant General Manager to assume operations and administrative management duties.

- 1 Summer Hire  
18 Full Time, 9 Part Time

Please see organizational chart on page 5 of the District's 2011 Annual Report. Note that staffing level above is based on 2011-12 budget.

For general comparison purposes, included below is budget and staffing level information for Santa Clara County Vector Control District and Contra Costa Mosquito and Vector Control District. Comparison is provided to give a general sense of industry practice in staffing. Size of service area and unique local conditions including volume of marshland and waterways, etc. should be taken into consideration in comparing any two agencies.

#### Santa Clara County Vector Control District

Santa Clara County Vector Control District, administered by the County of Santa Clara<sup>5</sup> and operating as a County department is a countywide benefit assessment district. The District's service area is 1,290 square miles (compared to San Mateo County's 452 square miles). The District has fulltime staff of 37.5 that include:

- 1 Vector Control Program Manager
  - 1 Assistant Manager
  - 2 Vector Control Operations Supervisor
  - 6 Vector Control Technician III
  - 17 Vector Control Technician II
  - 2.5 Vector Control Trainee
  - 1 Vector Control Community Resource Specialist
  - 1 Vector Control Science-Technology Serv. Mgr.
  - 2 Office Specialist III
  - 1 Accountant Assistant
  - 1 Information Systems Analyst
  - 1 Health Education Associate
  - 1 Vector Control Ecology Education Specialist
- 37.5 total

#### Approved 2011-12 Budget

Revenues \$7,100,688  
Expenditures \$6,608,002

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<sup>5</sup> Santa Clara Vector Control was created in 1988 and is an assessment district governed by the Board of Supervisors. The 2003 update of enabling legislation "grandfathered" existing districts and governance models. Current enabling legislation does not permit establishing the Board of Supervisors as the governing body of a mosquito and vector control district.

### Contra Costa Mosquito Abatement District

The Contra Costa Mosquito Abatement District was formed in 1926, expanded to become countywide in 1986 and assumed vector control services previously provided by the County in 1993. The District is funded by property tax and benefit assessment revenue. The District's service area is 790 square miles. Staffing level is 33 as follows:

1	General Manager
1	Operations Manager
1	Administrative Secretary
1	Administrative/Finance Manager
1	Accounting Benefits Specialist
1	Receptionist/Clerk
1	Information Technology Clerk
1	Public Affairs Manager
2	Community Affairs Representative
1	Scientific Program Manager
3	Program Supervisor
9	Vector Control Inspector
5	Vector Control Technician
3	Vector Ecologist
1	Biologist
1	Mechanic
33	Total

#### Actual 2010-11 Budget:

Revenues \$5,869,468

Expenditures \$5,930,639

### SMCMVCD Services

District services include abatement and control of mosquitoes, ground nesting yellowjackets, rodents and ticks and community education. As noted above the District's service area includes 452 square miles of land area and 99.95 of bay.

#### Mosquito Abatement and Control

Mosquito abatement includes surveillance including West Nile Virus surveillance, physical control, vegetation management (referred to as brushing in the Annual Report), biological and chemical control<sup>6</sup> and community education. Services include inspection and control measures

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<sup>6</sup> Control Products include Bacteria that kill larval mosquitoes, Methoprene (a growth regulator), Surface Film (oils) and Pyrethroids (adulticide), which the 2011 Annual Report states is used sparingly. The District is regulated by the California Department of Health Services and the San Mateo County Agricultural Commissioner and is required to

for water sources including fishponds, fountains, containers, neglected swimming pools, water under buildings, catch basins, utility vaults, ditches, drain lines, creeks, marshes and impounds.

The District's service area is divided into the following zones, each assigned to a vector control technician:

- Zone 1: Daly City, Brisbane, Colma, South San Francisco, San Bruno
- Zone 2: Millbrae, Burlingame, Hillsborough
- Zone 3: San Mateo
- Zone 4: Belmont, San Carlos, Foster City, Redwood Shores
- Zone 5: Redwood City
- Zone 6: Woodside, Portola Valley, Ladera
- Zone 7: Atherton, Menlo Park, East Palo Alto
- Zone 8: Pacifica, Montara, Moss Beach, El Granada, Princeton, Half Moon Bay, Pescadero, La Honda

Within the zones, the District has identified water sources by type.

The following from the District's website details the District's control measures: *The District controls mosquitoes through a program of integrated mosquito management (IMM). This program focuses on controlling mosquitoes in their larval stage and preventing problems before they occur. Larval control has many benefits:*

- *Lower toxicity. The pesticides used to control the larval stage are much less toxic to the environment and are highly specific to mosquitoes.*
- *Less pesticides. The pesticides are applied to a smaller area than would be required for treatment of adult mosquitoes.*
- *Less disease. Targeting immature mosquitoes kills them before they are capable of transmitting disease.*

*The District mainly uses three different types of larvicides:*

- *Golden Bear 1111: A refined petroleum distillate that breaks down in a few days. It is applied to the surface of standing water and causes mosquito larvae to drown.*
- *Methoprene: A juvenile growth hormone that is target specific to mosquito larvae. It mimics the growth hormone produced in a developing larva. They stop producing the hormone when they pupate. When methoprene is applied to the water, it keeps the larvae in a juvenile stage.*
- *Bacillus thuringiensis israelis (Bti): A bacteria that is toxic to mosquito larvae. The bacteria cause the stomach lining of mosquito larvae to rupture and ultimately killing the mosquito larvae.*

- *Mosquito fish (Gambusia affinis): We give out these fish at no additional charge to residents with backyard fishponds or stagnant swimming pools. These fish love to eat mosquito larvae and are a great biological control method.*

#### Ground Nesting Yellowjackets, Rodents and Ticks

Control of ground nesting yellow jackets is typically conducted by using insecticidal dust to the entrance of the nest and may require digging up nests to apply insecticides to the entire colony. The District is responsible for overseeing contracts between cities and pest control companies for control of rats in sewer systems and inspects bait traps and maintains a database on rat populations in urbanized areas. District technicians will conduct inspections and offer advice on management of rodents, raccoons, pigeons, skunks and other urban wildlife in residential dwellings of three units or less. Further detail is provided in the attached Annual Report (Attachment A). The District also conducts surveillance and identification of ticks in parks, trails and other locations frequented by the public and tests and monitors for diseases carried and transmitted by ticks such as Lyme disease.

#### Community Education

The District conducts outreach at a variety of festivals and fairs, school presentations, and other local and regional venues and events. The District's website has a variety of educational brochures available.

#### Other:

In addition, as detailed in the District's Assessment District's Engineer's Report, the District:

- deploys sentinel chicken flocks, virus tested mosquito pools and blood analytical studies for State and local agencies;
- tests new insecticide materials and investigation of their efficacy;
- tests for Hanta Virus, Arena Virus, Plague and other diseases carried by small mammal populations and monitoring of new and emerging vectors such as Asian Tiger Mosquito at entry points.<sup>7</sup>

#### **District Operations**

Mosquito control operations (inspections and larviciding) comprise 55% of field work hours. The balance of operational personnel hours are expended in the following areas: Equipment Maintenance 8%, Service Requests 8%, Miscellaneous 20%, Cordgrass control 6%, Yellowjacket control, 2% and Brush Removal 1%. Please see the attached 2011 Annual Report for details of district programs and operations.

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<sup>7</sup> The District's Burlingame facility includes a highly specialized laboratory that allows for testing of specimen vectors,

Most vector populations are influenced by seasons and weather and have peaks and lows. In general, mosquitos peak from May through November.<sup>8</sup> The District responded to 1,469 service requests in 2011 including 42% mosquito related, 42% stinging insects (yellowjacket nest removal) and 11% rodent related. Details on service requests may be found on page 10 of the attached Annual Report.

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<sup>8</sup> See 2011 SMCVCD 2010 Annual Report "Seasonal Density of Adult Mosquitos"

**Comments from Interested Persons and Agencies related to this determination:**

**Environmental Health Director Dean Peterson comments on the decades-long working relationship between SMCMVCD and the SMC Health System noting that the Health System has found District staff to be professional, responsive and focused on providing excellent service to the public and to the Health System and staff are extremely knowledgeable in vector control and capable of problem solving in a multi-jurisdictional environment. SMC Health System urges that actions by LAFCo or others in response to financial issues not diminish the District's excellent vector control services. The letter cautions that fiscal analysis of potential savings in the Circulation Draft are premature and that fiscal impacts related to dissolution and transfer of district services to the County should be determined in a detailed review of administrative and operational costs and areas of overlap of responsibilities.**

**Mosquito and Vector Control Association of California**

The Mosquito and Vector Control Association of California (Association) represents 63 mosquito and vector control districts in the state. The Association summarizes the vital role of these districts in protecting public health from vector borne diseases and urges LAFCo not to pursue dissolution of the District and transfer of services to the County of San Mateo. The Association states that the Community should not abandon the District as a result of the alleged embezzlement. The Association cites the possibility of revenues that would be transferred to the County not being segregated for the purpose of vector control and the possibility of vector control programs competing for funding with other County programs. The Association cites the District's practice of maintaining prudent reserves earmarked for a vector-related public health emergency and the possibility that these reserves would not be maintained for this purpose if the District were dissolved.

**San Mateo County Mosquito and Vector Control District**

The District submitted a complete agenda packet for their Board of Trustees meeting at 6:00 on May 9. A transmittal memo summarizes measures they have taken to respond to the alleged embezzlement.(Attachment ). At the May 16 Commission Hearing, the District's Board President and Legal Counsel summarized the many ways the District provides a service to protect the health and safety of San Mateo County residents and detailed the actions the District has taken to respond to the alleged embezzlement (Attachments & ).

**Recommended Determinations- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies**

- a. The District's Burlingame and Redwood City facilities are newly constructed and the District no debt for these facilities.
- b. Opportunities may exist for the District to partner with other agencies on the Coastside or North Peninsula to share facilities that would allow the District to respond more quickly to mosquito and vector control specific emergencies.

(3) Financial Ability of Agencies to Provide Services

In reviewing agency fiscal condition, LAFCo reviews adopted budgets, audits, capital plans, fiscal policies and other agency documents. In the case of the SMCMVCD, there are limitations in the analysis for recent years due to budget adoption practices and format as described below, work in progress by the district to update and refine policies including internal control policies, lack of audited financial statements for the Fiscal Year ending June 2011 and confidentiality of some fiscal data due to the pending criminal investigation of two former finance personnel. These circumstances put LAFCo at a disadvantage in assessing the District's finances, but do not preclude adopting determinations regarding the District's financial ability to provide services. Furthermore, due to the high level of on-going scrutiny of the District's finances for Fiscal Years 2010-11 and 2009-10 as summarized below, this section of the municipal service review focuses on District revenue and expenditure *trends* and ability to fund service, as well as budgeting practices and not the actual fiscal results for these fiscal years. Recommendations are included in this version of the service review to provide for better documentation of the Board of Trustees' budget adoption and implementation in a budget format that is informative to the average citizen.

Alleged Embezzlement

As explained in the attached March 19 letter from the District (Attachment B), the District's former Finance Director (hired February 1, 2009) and former Accounting Supervisor (hired July 27, 2009) are under criminal investigation for embezzlement of District funds. The District Attorney's Office was contacted on or about June 10, 2011 regarding the suspected embezzlement at which time the Finance Director was on unpaid leave. The District Attorney Investigator contacted the District on June 15, 2011. The Accounting Supervisor resigned on June 20, 2011. The Finance Director was terminated July 5, 2011.

When the District discovered accounting irregularities and referred the matter to the District Attorney's Office, they also contracted with the District's auditing firm to reconstruct the financial records for the 2010-11 Fiscal Year. The District also contacted their insurer to submit claims for damages and was informed that the complexity of the case required the insurer to



hire an outside forensic expert to be able to understand the highly complex methods of alleged embezzlement. Separately, related to the District Attorney's investigation, a forensic audit is examining accounting records from the period the former finance director was employed at the District.

Note 10 of the 2010-11 Unaudited Financial Statements states: "In June, the District began an investigation to determine the extent of employee theft committed against the District. The amount of theft attributed to the fiscal year ended was approximately \$340,581. The total amount of theft is estimated to be at least \$650,000. The District will be making a claim against its insurance policy to recover the amount lost."<sup>9</sup>

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<sup>9</sup> \$309,419 is attributable to the 2009-10 Fiscal Year. For 2011-12, year to date cost in auditing and legal related to alleged embezzlement is \$278,000.

District Budget:

Mosquito and Vector Control District enabling legislation requires the Board of Trustees to adopt a final budget prior to August 1 each year. (As noted in the District's July 13, 2011 minutes, the District Manager recommended that the budget be adopted in June in the future in order to have new fiscal year appropriations available for spending on July 1 each year). Each year a general fund budget and capital fund budget are prepared by the Finance Director and General Manager based in part on projected revenues and expenditures contained in the District's 2010-18 Strategic Plan. The Strategic Plan, developed by the Trustee Strategic Planning Committee, includes a long range plan for District programs and projections of revenues and expenditures through 2018. The District's budget adoption process includes review of the budget by the Finance Committee prior to consideration by the Board of Trustees at three public meetings. Prior to the end of the fiscal year, typically in June, the Board of Trustees approves transfers or amendment to the expenditures budget transferring funds from reserves/contingencies to various accounts in the general fund budget and the capital fund budget if necessary.

Attached for Fiscal Year 2010-11 and 2011-12 are approved budget documents and resolutions authorizing transfers from Reserves and Contingencies to various General Fund Accounts, the Capital Account and Vector Control JPA fund for the 2010-11 Fiscal year (Attachment C). Also attached are financial statements for the years ending June 2011 (unaudited) and June 2010 (Attachments D & E).

Because the District's adopted budgets do not include Proposed Revenues, LAFCo must rely on the annual audits, the Strategic Plan and the "Five Year Revenue Comparison" for actual and projected revenues. Please see Revenue Projection (Attachment F).

The Draft Municipal Service Review recommended that the District's budget adoption procedures include adoption of a budget format that includes appropriations for operations and capital expenditures, revenues and fund balance in one document to assure that the District is adopting a balanced budget and to provide detail on the source of revenues, how they are used and impact of the budget to the District's fund balance. In addition, it is recommended that the budget document be accompanied by a narrative report explaining revenues, expenditure accounts and key fiscal issues and assumptions on which the budget is based so that it can be independently read and understood by members of the public. As written in Government Finance Officers Association Government Finance-An Elected Official Guide: "The budget document should be prepared so that it facilitates public understanding and analysis while effectively communicating key economic issues and fiscal policies. Revenue sources and assumptions should be explained as clearly as the spending plan."

**Following circulation of the Draft Municipal Service Review, the District selected a new auditing firm to prepare audits for Fiscal Years 2010-11, 2011-12 and 2012-13 and is in the process of budget adoption for the 2012-13 Fiscal Year. In response to LAFCo Comments, the**

**District's Proposed Budget includes a revised format that includes both revenues and expenditures and a narrative explaining revenues and expenditure accounts.**

**Budgetary Trends:**

Primary revenues for SMCMVCD include property tax, benefit assessment and parcel tax revenues representing approximately 85% of total revenues in the 2011-12 Adopted Budget. As a district formed prior to implementation of Proposition 13, the District receives a share of the 1% property tax in the original boundaries as well as a voter approved \$3.74 parcel tax. In the balance of District boundaries annexed in 2003, the District receives a \$17.26 per parcel benefit assessment. Each year the District causes to be prepared an Engineer's Report pursuant to Health and Safety Code and Proposition 218. The assessment is subject to an annual adjustment tied to the Consumer Price Index for the San Francisco Bay Area with a maximum adjustment not to exceed 3%. The assessment may be levied annually and may be adjusted by the maximum annual adjustment without any additional assessment ballot proceeding. For 2011-12 the assessments have been adjusted by the actual CPI increase of 1.52% to the rate of \$17.26. **The Engineer's Report for 2012-13 Fiscal Year maintains the rate of \$17.26 and the Proposed Budget assumes benefit assessment revenue based maintaining the \$17.26 assessment.**

The tables on the following three pages are extracted from the 2011-12 Budget document and the June 30, 2010 Audit. **(Attached is the Proposed 2012-13 Budget under consideration at the June 13, 2012 Board of Trustees Meeting).** The first table from the 2011-12 Budget document details the Adopted 2011-12 Adopted General Fund Budget comprised of \$3,473,505 Operations Budget, 10% Contingencies of \$347,351 and General Reserves of \$2,084,103 or 60% of Operational Budget for a total Budget of \$5,904,959. The next table labeled "Two Year Budget Summary" includes the District's 2009-10, 2010-11 and 2011-12 General Fund and Capital Expenditure Budget data extracted from the 2011-12 budget. The third table is "Schedule 1" extracted from the June 2011 Unaudited Financial Statement showing Adopted and Actual Budget expenditures. Note that the 2010-11 Actual Expenditures of \$3,031,669 found in column 3 of the Two Year Budget Comparison is superseded by the June 2011 Unaudited Financial Statement actual of \$3,635, 678 (Schedule 1).

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

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BUDGET FOR FY 2011-12 - FUND NO. 02706  
07/01/11

Acct No.		
	<b><u>SALARIES &amp; EMPLOYEE BENEFITS</u></b>	
4111	Regular Full-Time Positions	1,500,000
4161	Regular Part-Time Positions	104,000
4311	Social Security	8,000
4321	County Retirement Plan	400,000
4412	Health Insurance	265,000
4415	Medicare Insurance	24,000
4422	Dental Insurance	29,000
4431	Vision Insurance Plan	4,000
4442	Long Term Disability	8,000
4451	Unemployment Insurance	18,000
4621	AFLAC	5,000
	Sub Total	2,366,000
	<b><u>SERVICES &amp; SUPPLIES</u></b>	
5111	Agricultural (insecticides)	250,000
5121	Clothing	22,850
5156	Household	3,500
5171	Medical/Laboratory	4,100
5199	Office	21,080
5233	Special Tools/Instruments	12,500
5331	Membership (Association fees)	18,075
5416	Gasoline/Oil/Grease	62,000
5428	Miscel. Repairs - Maintenance Equipment	64,500
5472	General Maintenance	7,900
5631	Electric/Gas	23,000
5635	Water/Sewage Disposal	6,000
5724	Meetings/Conferences	76,700
5856	Services/Consultations	317,300
5956	District Special Expense	41,300
6712	Telephone	37,000
6725	Insurance	58,000
6731	Workers' Compensation	81,700
	Sub Total	1,107,505
	<b><u>FIXED ASSETS</u></b>	
7211	Structures & Improvements	0
7311	Equipment	0
	Sub Total	0
	<b><u>TOTAL OPERATIONAL BUDGET</u></b>	<b>3,473,505</b>
	<b><u>CONTINGENCIES</u></b>	
8611	10% of Operational Budget/Fixed Assets Budget	347,351
	<b><u>GENERAL RESERVES</u></b>	
8612	60% of Operational Budget/Fixed Assets Budget	2,084,103
	<b><u>TOTAL BUDGET</u></b>	<b>5,904,959</b>

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
Two Year Budget Comparison

		Previous Fiscal Year		Current Fiscal Year		Upcoming Fiscal Year	% Change	% Change
		Expended	Budgeted	Expended	Budgeted	PROPOSED	From 09/10	From 10/11
		July/June 09	09/10	July/June 10	10/11	11/12	to 10/11	to 11/12
<b>Salary &amp; Benefits</b>								
4111	Regular Full Time	1,349,162.50	1,350,000.00	1,305,424.97	1,600,000.00	1,600,000.00	18.52%	-6.25%
4161	Regular Part Time	62,426.17	122,800.00	82,404.36	104,000.00	104,000.00	-15.31%	0.00%
4311	Social Security	5,239.03	7,600.00	11,890.12	14,000.00	8,000.00	84.21%	-42.86%
4321	Retirement	202,477.63	209,000.00	322,442.42	450,000.00	400,000.00	116.31%	-11.11%
4412	Health Insurance	235,161.26	243,000.00	215,192.43	277,814.00	285,000.00	14.33%	-4.61%
4415	Medicare Insurance	19,813.24	20,900.00	19,386.06	24,811.00	24,000.00	18.71%	-3.27%
4422	Dental Insurance	26,928.09	29,000.00	26,760.85	39,694.00	29,000.00	36.88%	-26.94%
4431	Vision Insurance Plan	3,754.70	3,800.00	4,034.15	4,803.00	4,000.00	26.39%	-16.72%
4442	Long Term Disability	9,778.84	9,800.00	9,054.85	10,494.00	9,000.00	7.08%	-14.24%
4451	Unemployment Insurance	11,077.52	7,200.00	14,717.02	15,014.00	18,000.00	108.53%	19.88%
4621	AFLAC Insurance	7,118.10	6,400.00	7,338.85	10,476.00	5,000.00	0.00%	-52.27%
	sub total	1,932,937.08	2,009,500.00	2,018,646.08	2,551,106.00	2,366,000.00	21.23%	-7.82%
<b>Services &amp; Supplies</b>								
5111	Agricultural	268,786.93	280,000.00	361,024.81	230,000.00	250,000.00	-17.86%	8.70%
5121	Clothing	17,445.39	27,750.00	13,578.47	22,550.00	22,850.00	-18.74%	1.33%
5156	Household	4,196.66	4,300.00	407.87	3,500.00	3,500.00	-18.60%	0.00%
5171	Medical/Laboratory	2,931.71	3,850.00	403.59	4,100.00	4,100.00	6.49%	0.00%
5199	Office	19,219.67	27,085.00	19,389.61	24,230.00	21,080.00	-10.54%	-13.00%
5233	Special Tools	17,021.05	21,500.00	15,355.07	17,000.00	12,500.00	-20.93%	-26.47%
5331	Memberships	17,017.99	17,855.00	16,932.79	19,025.00	18,075.00	6.55%	-4.99%
5416	Gasoline/Oil	43,203.20	56,500.00	49,782.68	67,000.00	62,000.00	18.58%	-7.46%
5428	Miscellaneous Repair	57,365.17	65,400.00	49,492.65	64,500.00	64,500.00	-1.38%	0.00%
5472	General Maintenance	7,996.49	9,300.00	5,160.59	7,900.00	7,900.00	-18.05%	0.00%
5631	Electric/Gas	18,655.00	24,000.00	12,246.39	23,000.00	23,000.00	-4.17%	0.00%
5635	Water/Sewer Disposal	2,776.95	6,000.00	5,196.15	8,000.00	6,000.00	33.33%	-25.00%
5721	Meetings/Conferences	54,363.19	76,900.00	72,175.31	102,300.00	76,700.00	33.09%	-25.02%
5856	Services/Consultation	356,760.21	358,300.00	199,720.22	244,300.00	317,000.00	-81.82%	29.76%
	Special Expenses	101,766.01	177,200.00	20,525.49	43,000.00	41,300.00	-75.73%	-3.95%
6712	Telephone	14,860.69	14,900.00	33,930.06	45,000.00	37,000.00	202.01%	-17.76%
6725	Liability Insurance	44,394.00	45,000.00	56,613.00	58,203.00	58,000.00	29.34%	-0.35%
6731	Workers' Compensation	61,894.00	62,000.00	81,089.00	87,487.00	81,700.00	41.11%	-6.61%
	sub total	1,108,654.21	1,277,840.00	1,013,023.75	1,071,095.00	1,107,205.00	-16.18%	3.37%
<b>Fixed Assets</b>								
7211	Structures/Improvements	1,050.00	0.00	0.00	0.00	0.00	0.00%	0.00%
7311	Equipment	0.00	0.00	0.00	0.00	0.00	0.00%	-100.00%
	sub total	1,050.00	0.00	0.00	0.00	0.00		
	<b>Budget Total</b>	<b>3,042,641.29</b>	<b>3,287,340.00</b>	<b>3,031,689.83</b>	<b>3,622,201.00</b>	<b>3,473,205.00</b>		<b>-4.11%</b>
<b>Contingencies Reserves</b>								
<b>Capital Project Fund</b>								
5186-05	Other Misc Exp (C.O.P. Pymt)	270,970.76	291,000.00	6,258.25	144,000.00	0.00	-50.52%	-100.00%
5233-05	Special Tools	14,823.41	24,500.00	75,116.33	56,700.00	2,700.00	0.00%	-95.24%
5426-05	Misc Repair	11,959.80	21,500.00	21,922.71	67,000.00	141,000.00	211.63%	110.45%
5834-05	Legal/Admin Fees	0.00	2,500.00	3,059.17	2,500.00	0.00	0.00%	-100.00%
5856-05	Services/Consultations	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
5966-05	Special District Expense	0.00	0.00	0.00	25,000.00	19,100.00	0.00%	0.00%
7211-05	Structures/Improvements	732,824.89	789,800.00	0.00	0.00	0.00	-100.00%	0.00%
7311-05	Equipment	0.00	64,060.00	94,042.30	138,700.00	205,500.00	116.52%	48.16%
	Appropriate Contingencies	50,000.00	50,000.00	0.00	100,000.00	30,000.00		
	sub total	1,080,578.86	1,243,360.00	200,396.76	533,900.00	398,300.00	-132.88%	2.42%

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

SCHEDULE OF GENERAL FUND EXPENDITURES  
ACTUAL (NON-GAAP) VS. BUDGET  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>SALARIES AND EMPLOYEE BENEFITS:</b>			
Full time regular positions	1,600,000	1,526,718	73,282
Part time regular positions	104,000	100,510	3,490
Retirement plan	450,000	482,440	(32,440)
Dental insurance	39,694	30,896	8,798
Health insurance	277,814	323,724	(45,910)
Vision insurance plan	4,803	4,304	499
Medicare insurance	24,811	23,547	1,264
Long-term disability	10,494	10,331	163
Social Security	14,000	7,609	6,391
Unemployment insurance	15,014	14,532	482
AFLAC Insurance	10,476	9,635	841
Total Salaries and Employee Benefits	<u>2,551,106</u>	<u>2,534,246</u>	<u>16,860</u>
<b>SERVICES AND SUPPLIES:</b>			
Agricultural supplies	230,000	240,555	(10,555)
Clothing	22,550	16,592	5,958
Electricity and gas	23,000	11,603	11,397
Gas, oil and grease	67,000	66,671	329
General maintenance	7,900	5,479	2,421
Household	3,500	1,999	1,501
Liability insurance	58,203	46,580	11,623
Worker's Compensation	87,487	90,128	(2,641)
Medical and laboratory	4,100	3,265	835
Meetings and conferences	102,300	86,985	15,315
Memberships	19,025	9,110	9,915
Miscellaneous repair	64,500	55,743	8,757
Office	24,230	17,516	6,714
Service and consultation	244,300	271,386	(27,086)
Special Expense	43,000	37,845	5,155
Telephone	45,000	41,242	3,758
Tools and instruments	17,000	10,746	6,254
Water and sewer disposal	8,000	7,046	954
Equipment	--	80,942	(80,942)
Total Services and Supplies	<u>1,071,095</u>	<u>1,101,432</u>	<u>(30,337)</u>
TOTAL EXPENDITURES	<u>\$ 3,622,201</u>	<u>\$ 3,635,678</u>	<u>\$ (13,477)</u>

\* Employee theft, in the amount of \$340,581, is not included in the schedule above.

Schedule 1  
See accountant's compilation report.

The table below based on Schedule D of the June 2010 Audit and Page 6 of the June 2011 Unaudited Financial Statement illustrates General Fund Revenues and Expenditure Trends for Fiscal Years ending June 2008 through 2011.

	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11
Revenues	4,090,693	4,194,040	4,220,644	4,128,619
Expenditures	2,719,086	3,369,491	3,334,331	3,635,678
Excess of Revenues				492,941
Transfers In				65,008
Transfers Out	(1,200,000)	-	-	(12,296)
Employee Theft <sup>10</sup>				(300,219)
Investment loss	-	(94,334)	-	-
Change in Fund Balance	171,067	730,215	886,313	245,434
Beginning Unrestricted FB	2,592,869	2,764,476	3,494,691	4,394,875
Prior Adjustment	-	-	-	
Fund balance as restated	2,592,869	2,764,476	3,494,691	
Ending Fund balance	\$2,764,457	\$3,494,691	\$4,381,004	\$4,640,309

As illustrated, District General Fund revenues consistently exceed expenditures for Fiscal Years 2006 through 2010 by a range of \$1,279,919 in Fiscal Year 2005-06 to \$886,313 in Fiscal Year 2009-10. This allowed the District to transfer \$1.2 million in Fiscal Year 2006, \$1 million in Fiscal Year 2007 and \$1.2 million in 2008 to the Capital Fund for construction of the Redwood City Corporation Yard.

General Fund Expenditures grew by \$916,592 or 33% from \$2,719,086 in Fiscal Year 2007-08 to \$3,635,678 in 2010-11 while General Fund Revenues grew by \$37,926 or less than 1%.

Long Term Debt:

In April 2001, the District issued Certificates of Participation in the amount of \$2,275,000 for the construction of the District's office building. This loan was retired in the 2010-11 Fiscal Year. As of June 30, 2011, the District's accrued vacation and sick liability included in Long Term Debt was \$222,551 as of June 30, 2010. The District's Redwood City Corporation Yard was constructed with capital fund balance.

<sup>10</sup> See 2010-11 Unaudited Statement for Notes and for data on Capital Budget including Employee Theft of (40,362)

Other Postemployment Benefits (OPEB)

As noted in Note No. 9 in the Notes Section of the Audit for the Fiscal Year ending June 2010, the Government Accounting Standards Board issued Statement No. 45 (GASB 45) regarding accounting and reporting by employers for other postemployment benefits (OPEB) other than pensions. Prior to GASB 45, typically public agencies reported the cost of retiree health care and other non-pension benefits on a pay-as-you go basis without reporting the accumulating costs of future benefits of current employees. Effective the fiscal year after December 15, 2008, GASB 45 required the district financial statement to report on the cost of providing retiree health coverage over the working life of the employee, rather than only at the time premiums are paid. GASB 45 became effective for the year ending June 30, 2010 however at the time of the 2010 Audit the District had not yet obtained the necessary actuarial calculation to be able to disclose OPEB liability. Since that time the District obtained an actuarial report for the period ending June 2010. The report contained the following calculations:

GASB 45 Actuarial Accrued Liability	\$1,217,712
Annual Required Contribution (ARC)	141,198
Contributions Fiscal Year June 2010	29,645
Estimated Net OPEB obligation for FY 2010	111,553

The actuarial report further states that if the District continues funding on a “pay-as-you-go” basis for the Fiscal Year ending June 2011, the unfunded actuarial liability is projected to increase to \$1,340,186 and the ARC to \$150,575 and that if the District’s only OPEB contributions continue to be the amount paid for current retirees (estimated at \$35,974), the net OPEB obligation is projected to increase to \$226,441 as of June 30, 2011.

It is not required that agencies budget and pre-fund for OPEB. However, it is financially prudent for agencies to do so if resources allow, or to develop a plan that would address the funding shortfall over time. This would require the District to establish a separate account for this purpose. **The District’s 2012-13 Proposed Budget appropriates (\$150,000) for this purpose and the District is pursuing establishing an account for this purpose.**

Fund Balance and Reserves:

The District’s Unrestricted Fund Balance grew from \$2,206,787 in Fiscal Year 2006-07 to \$4,381,004 in Fiscal Year 2009-10. The unaudited financial statements for 2010-11 (which reflect employee theft) show ending fund balances of \$4,640,309 for the General Fund and \$165,711 for the Capital Fund.



The following table reflects fund balances as shown in the District's Financial Statements:<sup>11</sup>

	2007-08	2008-09	2009-10	2010-11
General Fund	2,764,476	3,494,691	4,381,004	4,640,309
Capital Projects	2,420,429	1,207,933	674,980	165,711

The District Board does not have adopted policies for Fund Balance, Reserves or Contingencies. Prudent fiscal practice includes establishing a fund balance policy for the general and other funds at adequate levels to absorb unanticipated events or shortfalls and ensure sufficient cash flow, in particular if the agency relies on property tax revenue that is distributed three times per year. Reduced capital projects fund balance reflects funding construction of Redwood City Corporation Yard. If agency revenues consistently exceed expenditures the agency can establish policies that commit surplus funds to restricted funds such as capital equipment or facilities replacement or other postemployment benefits (OPEB).

Net Assets

Total net assets for Fiscal Years June 2009, June 2010 and June 2011 were \$8,752,947, \$9,109,563 and \$9,175,953 with June 2011 reflecting a loss due to theft of \$340,581 and net increase in assets of \$70,098.

Self-Insurance Joint Powers Agency

SMCMVCD participates with other districts in a self-insurance joint powers agreement establishing the Vector Control Joint Powers Agency (VCJPA). The District is covered for the first \$1 million of each general liability claim and \$350,000 of each worker's compensation claim through the VCJPA. The District contributes approximately \$126,990 annually to the VCJPA. As of June, 2011 the District's share of the VCJPA Members Trust Fund and Property Contingency Fund were \$37,765 and \$248,789, respectively. Additional information is found in Note 6 of the June 2011 financial statements.

**Recommended Determinations Regarding Financial Ability of Agency to Provide Services:**

- a. **The District's revenue sources of property tax, special tax and benefit assessment allow the District to meet mosquito and vectrol control needs of the County while building a general fund balance and retiring debt.**

<sup>11</sup> Annual Financial Statements are available for Fiscal Years ending June 2003 through June 2010. June 2011 is unaudited. Observations about the audits in general include that audits for Fiscal Years ending June 2009 and June 2010 lack management's discussion and analysis that are determined to be a necessary supplement but not a required part of the financial statements according to generally accepted accounting principles. These audits also both contain findings of significant deficiency regarding financial reporting and petty cash management. In addition comparison in several audits of adopted budget, final budget and actual expenditures does not reflect budget amendments in stating the "final budget" which may not have been made available to the auditors.

- b. General Fund Expenditures grew by \$916,592 or 33% from \$2,719,086 in Fiscal Year 2007-08 to \$3,635,678 in 2010-11 while General Fund Revenues grew by \$37,926 or less than 1%, indicating a need to focus on cost containment.
- c. Establishing policies for fund balance, reserves or contingencies will assure sufficient cash flow and provide for unanticipated events or shortfalls.
- d. The Board is taking appropriate action regarding budgeting for Other Post Retirement Benefits.

(4) Status of, and opportunities for, shared facilities and cost avoidance

While the District does not duplicate services provided by the cities or the County of San Mateo, the District shares a common service area with the cities and the County. In particular, District services are aligned with services provided by the County of San Mateo Department of Public Health and the San Mateo County Agricultural Commissioner.

Opportunities exist for the District to collaborate with the County and cities to examine areas in which both agencies may be able to share resources and cut costs in areas such as website maintenance, fleet maintenance, personnel or finance. In addition, many of the District's educational materials could be of benefit in municipal and county offices to raise awareness of District programs and expand potential for distribution of self-help educational brochures.

Recommended Determinations regarding status of, and opportunities for, shared facilities,

- a. Based on the small size of District administration and the need to have internal controls made possible by segregation of duties, opportunities may exist for the District to receive payroll or other accounting services from the county or another agency, or in the alternative increase staffing levels to facilitate segregation of duties.
- b. The District has identified the challenge of maintaining the District's website and updating it in a timely manner, indicating a potential need for contracting website maintenance with another agency.

(5) Accountability for community service needs, including governmental structure and operational efficiencies

Accountability:

In regard to accountability to the public, as a special district, the District is subject to the Ralph M. Brown Act governing public meetings. As noted above, District enabling legislation

establishes that the District has a twenty-one member board of trustees appointed by the twenty city councils and the Board of Supervisors. Vacancies exist from time to time due to delays in appointing new trustees. Current vacancies include Town of Colma and City of Half Moon Bay. In addition, the term of Board of Supervisors appointed trustee expired in December 2011. District meetings are held on the second Wednesday of the month 6:00 p.m. at the District Office at 1351 Rollins Road, Burlingame. The agenda is prepared and circulated one week prior to the meeting with posting at District offices and on the District's website. The District website includes information on the board of directors, service, financial data, and other information. Board of Trustee committees include: Strategic Planning, Manager's Evaluation, Policy, Financial and Environmental/Public Outreach. In spite of these committees, given the large size of the Board of Trustees and the legislative requirement that trustees be appointed by city councils and not directly elected by the voters, the District's accountability, visibility and responsiveness to the public is constrained compared to that of a the County Board of Supervisors, city councils or directly elected special district boards.

The District adopts a budget annually and publishes monthly surveillance reports and an annual report. Beginning this year, the Board of Trustees receives a detailed monthly financial report. The District's budget format and budget adoption process has been amended to better document the District's action to adopt a balanced budget in a format that documents revenue sources, expenditures and impact to fund balance and that is easily understandable to the public and communicates the District's fiscal policies and program priorities.

In regard to regulatory oversight, the District is subject to California Department of Public Health, Agricultural Commissioner and the State Water Resources Control Board and requires a National Pollutant Discharge Elimination System (NPDES) permit and oversight regarding pesticide use. The District is currently in the process of contracting for environmental consulting services to comply with the California Environmental Quality Act (CEQA). Mosquito Control technicians require certification by the California Department of Public Health.

#### Fiscal Stewardship:

The recent incident of alleged embezzlement underscores the responsibilities and vulnerability of public agencies as stewards of public funds and the need for responsiveness to warning signs. In response to alleged embezzlement by the former District Finance Director and Accounting Supervisor, the District has undertaken a review and update of District financial policies including implementation of criminal background checks and updated internal financial controls.<sup>12</sup>

Best practice in internal controls includes a system of controls that include segregation of accounting duties or responsibilities to assure that errors or irregularities are prevented or detected in a timely manner. Segregation of duties means that no single individual has control over two or more phases of a transaction or operation and duties are assigned in a manner that

<sup>12</sup> See Institute for Local Government Publication "Financial Management for Elected Officials"  
<http://www.ca-ilg.org/taxonomy/term/272>

provides for crosscheck of accounting duties. Segregation of duties makes it more likely that innocent errors will be found and makes deliberate fraud more difficult because it requires collusion of two or more persons.

As a small, independent special district, implementation of financial controls can be more challenging because it is difficult to implement segregation of duties with a limited accounting staff of two plus a General Manager. Limited staffing levels require vigilance by administration and the District Board to be able to implement financial controls, or in the alternative increasing staffing or contracting for some accounting services to assure internal accounting controls can be implemented. Investigating best practices by other public agencies of similar staff size may assist the District how to best meet their internal control needs. The District has also been provided the Institute for Local Government publication "Financial Management for Elected Officials: Questions to Ask."

Comments related to this area of determination:

Trustee Betsy Schneider comments on events leading up to notification of alleged fraud to the District Attorney's Office including her investigation of misleading invoices that she forwarded to County Counsel representing the District, which was then forwarded to the District Attorney's Office. She comments on failure to follow District hiring policies and procedures when the previous finance director was hired and lack of financial reports to the Board of Trustees during the prior finance director's tenure. Trustee Schneider states that the District is out of control and cites concern about how the District is processing a claim to the Vector Control Joint Powers Risk Pool regarding repair of a boat. Ms. Schneider acknowledges the District's conscientious staff and notes her concerns about the current structure of the District.

James Counts, Retired SMCMVCD Operations Director

Mr. Counts summarizes his inquiries about operational accounts prior to the District reporting the alleged embezzlement, his concerns that the General Manager and Board Officers failed to follow up on accounting discrepancies and his disagreement with statements in the March 19, 2012 SMCMVCD letter to the appointing authorities regarding events concerning the alleged embezzlement. Mr. Counts also cites failure to follow District hiring procedures and lack of oversight by the Board of Trustees and the District Manager. (Attachment

On May 29, 2012, Mr. Counts submitted additional comments concerning the timing and process in the hiring of former Finance Director JoAnn Dearman and hiring by Ms. Dearman of several Accounting Assistants leading up to the hiring of the former accounting supervisor also implicated in the alleged embezzlement. Mr. Counts provided detailed documentation regarding credit card use by Ms. Dearman that Mr. Counts states should have been detected by the General Manager and the Board of Trustees. Mr. Counts also cites personnel matters preceding appointment of Ms. Dearman as Finance Director. (Attachment )

**San Mateo County Mosquito and Vector Control District**

As noted above, the District submitted a complete agenda packet for their Board of Trustees meeting at 6:00 on May 9 and June 13. A transmittal memo and memo from Attorney Joan Cassman in the June Agenda Packet summarize measures the district has taken to respond to the alleged embezzlement. At the May 16 Commission Hearing, the District's Board President and Legal Counsel summarized the many ways the District provides services to protect the health and safety of San Mateo County residents and detailed the actions the District has taken to respond to the alleged embezzlement.

Operational Efficiencies:

SMCMVCD is a single purpose special district providing a specialized, labor intensive health and safety function to protect residents from vector borne diseases. The District's enabling legislation requires that it be governed by trustees appointed by the 20 cities and one by the Board of Supervisors. The members of the Board of Trustees receive \$100 per month compensation as reimbursement for travel and attendance at meetings and also are reimbursed for conference attendance. The Trustees hire and oversee the General Manager, who manages three Department Directors responsible for operations, laboratory and finance.

District Technicians are certified by the California Department of Health Services in mosquito and vector control operations and in addition to vector control activities, also work on repairing and maintaining district vehicles, boats and other customized equipment. The Annual Reports include the monthly inspection and treatment data for 2011 for a total of 41,813 mosquito inspections and 401,734 treatments applied to:

Fishponds & Fountains	15,125
Containers	8,824
Neglected Swimming Pools	933
Water under Buildings	214
Catch Basins	364,803
Utility Vaults	6,302
Ditches and Drainlines	2,106
Creeks	454
Marshes & Impounds	2,459
Other	504
Total	401,734

The five year average volume is reported at 326,029. The District received 1,469 service requests in 2011 and reports a five year average of 1,418 service calls per year.

Governmental Structure Alternatives

For the purpose of this report, discussion of government structure relates to alternative forms of government for service delivery that would promote efficiencies and accountability in service delivery. This discussion takes into consideration the existing sphere of influence designation for the agency as well as other possible governance models. Identifying governance structure options does not suggest that an agency under study is not effective in service delivery nor does it represent a proposal for reorganization.

The District's boundaries are coterminous with the County of San Mateo and the District's sphere designation adopted by the Commission in 2003 is status quo. Mosquito and Vector Control District enabling legislation as re-written in 2003 grandfathered districts that were governed by Boards of Supervisors and set forth that the governing body of districts shall be appointed by cities and the County. In addition to continued operation as an independent special district, a governmental structure alternative includes dissolution of the District and transfer of service responsibilities to the County of San Mateo. This could take the form of a County Service Area governed by the Board of Supervisors, similar to establishing the district as a subsidiary of the County with service responsibility to be provided as a departmental function or transfer to the County as a department function and creation of a fund similar to the County Library Fund or Fire Fund.<sup>13</sup>

#### Status Quo

Continued existence of the District as it exists offers opportunities for improvement in areas of fiscal oversight, budgeting practices and internal controls and continued focus on the single purpose of mosquito and vector control services. Opportunities also exist for the District to collaborate with other agencies in San Mateo County for service sharing in areas of website maintenance, fleet maintenance or perhaps a corporation yard on the coastside since District headquarters and corporation yard are both on the bayside. Absent changes in enabling legislation regarding method of trustee appointment by the twenty cities and the County, the district would continue to operate with a twenty-one member board of trustees.

#### Dissolution and Transfer to the County of San Mateo

**Of the 65 mosquito and vector control agencies that are members of Mosquito & Vector Control Association of California, about 20 percent (13 members) of those are county governments and about 80 percent (52) are independent special districts. It is therefore not unprecedented that a County would be the provider of mosquito and vector control services.** The effect of dissolution whether it results in formation of a county service area or a county department, would be to transfer all service responsibility, revenues, liabilities and assets to the County of San Mateo **in a manner that results in fund balances and revenues being segregated for the purpose of mosquito and vector control.** The County Board of Supervisors would be the governing body and services

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<sup>13</sup> The County Library Fund and Fire Fund resulted from implementation of Proposition 13 because the County was assessing for these services before Proposition 13, thereby receiving a proportional share of the 1% property tax. Each Fund receives base property tax and growth in property tax revenues and these revenues are segregated for the purpose of library services and structural fire protection.

could be provided as a departmental function of the County, most likely within the Environmental Health Division of the San Mateo County Health System. The Environmental Health Division provides countywide services to ensure a safe and healthy environment in San Mateo County including restaurant and housing inspection, household hazardous waste and medical waste disposal, water protection and water quality monitoring, pollution prevention, and other regulatory activities and services. As written above, San Mateo County Environmental Health transferred rodent responsibilities to SMCMVCD and therefore has experience in vector control services. The transfer was driven by budget constraints and lack of adequate funding to provide the service. If as a result of dissolution, SMCMVCD responsibilities and revenues for the purpose of mosquito and vector control were transferred to the County, the Environmental Health Division has the administrative capacity and experience to manage operations assuming transfer of mosquito and vector control technicians and other appropriate staff.

Disadvantages of dissolution and transfer of service to a general purpose government are typically cited as potential loss of focus on single-purpose function in the face of competing service demands, bureaucratic systems, or loss of local control. However, in the instance of transfer of service responsibility along with associated segregated revenues, the Environmental Health Division is already structured in a way to provide for specific segregated services such as restaurant and housing inspection, household hazardous waste and medical waste disposal, water protection and water quality monitoring as detailed above.

**Advantages of dissolution and transfer of segregated revenues to the County of San Mateo include streamlining governance and decision making under the model of a Department or Agency Director and five-member Board of Supervisors compared to a twenty-one member board of trustees. Decision making and responses to emergencies would be streamlined under one entity compared to coordinating efforts of the County Environmental Health Department and the separate Mosquito & Vector Control District. As commented by the Director of Environmental Health, until a reorganization transferring service to the county can be studied, estimates cannot be made of what potential savings, if any, would be achieved.**

Process:

The enabling legislation for mosquito and vector control districts does not contemplate districts governed by the Board of Supervisors. Therefore dissolution and transfer of service responsibilities and segregated revenues require that a public agency apply to LAFCo for dissolution of the District and either formation of a County Service Area with the mosquito and vector control authority<sup>14</sup> so that the County Service area would become successor to SMCMVCD in property tax, benefit assessment and parcel tax revenues as well as assets and liabilities. In the alternative, if the dissolution involves dissolution and establishing the County as successor without forming a County Service Area, LAFCo conditions of approval would include establishing the County as successor, establishing a Mosquito and Vector Control Fund similar to the existing County Fire Fund or Free Library Fund so that property tax and other revenues would be **segregated for the purpose of funding mosquito and vector control programs**. Consideration would also be given to transfer of employees and transitional costs and costs **to be borne by the Successor Agency for costs** associated with District long term obligation for current and retired employees.

Basic Process

- 1 Resolution of Application by the any of the following: SMCMVCD, County of San Mateo, any affected city, district or school district
- 2 LAFCo consideration at a noticed public hearing at which LAFCo may approve, approve with conditions or deny application.
- 3 If the application is consistent with the Commission's adopted sphere for the district and if the proposal is approved, LAFCo must hold a protest hearing. If at the end of the protest hearing less than 25% of the registered voters of the District submit protest, LAFCo orders the dissolution and transfer to the County complete.<sup>15</sup>

Effects of Dissolution

A dissolution that involves long term transfer of service responsibility to the County would transfer all powers, duties, revenues, assets and liabilities to the County as successor. In preparing an application for dissolution a plan for providing service would include a proposed revenue and expenditure budget. The budget would include assumption of long term liabilities of the District including OPEB. Consideration would also need to be given to transfer of appropriate personnel for continued operations of mosquito and vector control services. **The attached June 4 memorandum from LAFCo Legal Counsel Rebecca Archer, provides application sections of the Cortese Knox Hertzberg Act that permit LAFCo to set such**

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<sup>14</sup> County Services Areas are county-governed districts that have a broad set of powers including mosquito abatement and vector control. Formation of a County Service Area would require an election.

<sup>15</sup> If the proposal involves dissolution of the District and formation of a county service area an election is required for formation of a county service area. Also, if the Commission approves the proposal with conditions, the conditions must be met before LAFCo can record the dissolution.



conditions that would establish the County as successor agency and establish segregated revenue streams that would be dedicated to mosquito and vector control programs.

Recommended Determinations regarding accountability for community service needs, including governmental structure and operational efficiencies:

- a. The record in the municipal service review indicates the District is effectively providing mosquito and vector control services to best meet the public health and safety needs of County residents.
- b. The size of the Board of Trustees and the method of appointment as required by enabling legislation constrain accountability, visibility and responsiveness to the public compared to that of a the County Board of Supervisors, city councils or directly elected special district boards.
- c. The District's administration and governing board duplicate administration and governance that could be provided by the County of San Mateo in the same manner the County provides services such as County environmental health programs.

## Part 2: Sphere of Influence Determinations:

Section 56425 requires the Commission to make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. The current sphere of influence of the District is status quo. The following section discusses these areas of determination.

### The present and planned land uses in the area, including agricultural and open-space lands:

Encompassing the whole of San Mateo County, land uses include open space, agriculture, residential, commercial, and institutional land use designations. While some areas are projected to experience more development and growth than others, the need for mosquito abatement service will not diminish.

### The present and probable need for public facilities and services in the area:

The need for mosquito and vector control service within the District's boundaries is necessary in order to protect residents from mosquito and vector borne diseases now and in the future.

### The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide:

The District provides a full range of vector control services to the area within district boundaries at levels necessary to protect the residents.

### The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency:

There is a countywide community of interest in protecting public health through mosquito and vector control services. District Administration and Governance by a twenty-one member board of trustees duplicates administration and governance already provided by the County of San Mateo and District operations could be transferred to the County along with segregated revenues for that purpose.

### Recommended Sphere of Influence:

Based on the foregoing it is recommended that the District's sphere of influence be amended to that of dissolution and transfer of service responsibility, assets, liabilities and revenues to

**the County of San Mateo. It is recommended that if the Commission amends the District's status quo sphere of influence to that of "dissolution and transfer to the County of San Mateo as Successor Agency" that it be conditioned upon said proposal resulting in transfer of all assets, liabilities and revenues in segregated funds separate and distinct from other county funds and to be used solely for the purposes of services authorized by health safety code to be provided by Mosquito and Vector Control Districts. Said sphere designation does not constitute a proposal to dissolve the District. Implementation would require initiation by LAFCo or by resolution of application by the District, the County of San Mateo, affected cities or by petition of 10% of the voters or landowners within District boundaries.**

Comments on this draft report are requested by July 9, 2012 and may be submitted to:

Martha Poyatos, Executive Officer  
San Mateo Local Agency Formation Commission  
455 County Center  
Redwood City, CA 94063  
650-363-4224 phone  
650-363-4849 fax  
[mpoyatos@smcgov.org](mailto:mpoyatos@smcgov.org) e-mail

LAFCo will consider the updated report at the July 18, 2012 LAFCo meeting that will take place at 2:30 p.m. in the Board of Supervisors Chambers, Hall of Justice, Redwood City, CA

Attachments:

District Budget Document (Hard copy to Commission, e-version on line)  
Legal Opinion, June 4, 2012  
May 16, 2012 Commentary President Sam Lerner  
May 16, 2012 Commentary Attorney Joan Cassman  
James Count's Submittal received 5/29/2012



## COUNTY OF SAN MATEO

**To:** Martha Poyatos – LAFCo  
**From:** Rebecca Archer *RMA*  
**Subject:** Dissolution of Mosquito & Vector Control District  
**Date:** June 4, 2012

You have requested a legal opinion as to how revenues might transfer in the event of the dissolution of the San Mateo County Mosquito & Vector Control District (“SMCMVCD”) and establishing the County as a successor agency, without forming a County service area or County dependent district.

Government Code section 56886 provides broad powers for LAFCo to condition the dissolution of the SMCMVCD upon the transfer of revenues. Among other things, LAFCo may, by resolution, condition “[a]ny change of organization<sup>1</sup> or reorganization” upon:

- The levying or fixing of taxes, assessments, or service charges (Gov. Code §56886(b).)
- Transfer or apportionment of any part of principal or interest from bonds or other obligations of the district including taxes or assessments or service charges. (Gov. Code §56886(c).)
- The disposition or transfer of any moneys or funds, including cash on hand and moneys due. (Gov. Code §56886(i).)
- The employment, transfer or discharge of employees. (Gov. Code §56886(l).)
- The designation of a County as successor agency. (Gov. Code §56886(m).)
- The continuation of any services provided or previously authorized by official act of the local agency. (Gov. Code §56886(r).)
- The levying of assessments, including imposition of a fee, or the approval by the voters of general or special taxes. (Gov. Code §56886(s).)
- The extension or continuation of any previously authorized charge, fee, assessment, or tax by the local agency or a successor agency in the affected territory. (Gov. Code §56886(t).)

Government Code section 58861(m) allows the Commission to establish the County as a successor agency as a condition of dissolution. The Commission further has the power to condition the dissolution upon transfer of the revenue sources already held by the dissolving agency, or conditioning the dissolution upon the approval by voters of new or

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<sup>1</sup> Government Code section 56021(h) defines Change of Organization as “a district dissolution.”

Martha Poyatos - LAFCo

June 4, 2012

Page 2

continuing revenue sources. The Commission may also structure its resolution to include conditions as to the employment or discharge of SMCMVCD employees. These broad powers to condition dissolution allows the Commission to ensure that any revenue sources will transfer to the successor agency.

Please let me know if you have any further questions.

RMA

**Remarks for LAFCO Hearing**  
**May 16, 2012**

I am Samuel Lerner, a Doctor of Veterinary Medicine and Board President of the San Mateo County Mosquito and Vector Control District. I know that you have been provided with a copy of my letter of March 19th to your Executive Director that outlines the history of the District and the background regarding the embezzlement scheme that was perpetrated upon the District by two employees working in concert. My letter outlined a summary of the actions the District has taken in response to the theft. You have also received a letter from Joan Cassman of Hanson Bridgett, the attorney for the District in this proceeding, that provides a more recent summary of the internal control measures we have implemented and requests that this Commission retain the District's Status Quo Sphere of Influence.

My purpose in addressing you today is three-fold. First, I want to personally acknowledge in this forum the District's embarrassment and deep disappointment that this terrible incident occurred. This incident has reflected adversely on an agency devoted to its mission and on many dedicated individuals who made the mistake of trusting others to do their jobs in an honest and forthright manner without all of the proper internal controls in place. We have learned a great deal and we recognize that many people share in the responsibility to the public to maintain effective systems and procedures to protect public funds. We are very thankful that the District maintained sufficient insurance coverage to cover the magnitude of this theft.

Second, as Ms. Cassman's letter and the other materials you have been provided show, the District has aggressively undertaken a remedial program to institute strong fiscal and management controls, some at

the suggestion of your staff and others drawn from the experts we have retained and from the training and educational programs we have attended. We believe that we have done an excellent job in instituting measures that we admittedly should have had in place before. We also note that all of the best practices in the world will make it more difficult for individuals to find ways to skirt the system for their own gain, but they will not eradicate this risk altogether. We are now much more mindful of the need to follow these systems and to be watchful of those who handle our funds. We view this process as one of continuous improvement. We are very open to hearing from the Commission any other suggestions as to how we can do our job better.

Third, I want to emphasize to you how important the District's function is in protecting the health and safety of the residents of our County. While we recognize the understandable concern that LAFCo and other public officials have expressed regarding this matter, we also need to keep the District focused on its job of controlling mosquitos, rats and other vermin in our community. We hope the Commission will determine to maintain the District's Status Quo Sphere of Influence. Let the District apply and use these new control measures and focus on its mission of protecting the citizens of San Mateo County.

Finally, in closing, I draw your attention to one letter that has been submitted in the record of this proceeding. It is from a Trustee on the District's Board, Betsy Schneider. Please understand that this letter does not represent the position of the Board or speak for the District.

We appreciate your concern and input and look forward to your support of the District's continued good work to control vectors and eradicate diseases they cause in this County.

Thank you.

## **JLC's Remarks for LAFCO Hearing**

**May 16, 2012**

I am Joan Cassman from the Hanson Bridgett law firm and represent the San Mateo County Mosquito and Vector Control District in this proceeding. Our engagement came about because the Office of the County Counsel, which normally represents the District, also represents this Commission. To guard against potential conflicts, the decision was made to seek outside counsel and we are honored to be here.

I see many familiar faces at the dais. I know many of you from other public bodies on which you sit. I have seen you all in action and I value your commitment as public servants. I think we all care deeply about the delivery of effective government to the citizens of San Mateo County in an honest and efficient manner. The Mosquito and Vector Control District and its Board members share this same desire. I have had the privilege thus far of attending a District Board meeting and getting to know the District Manager. I am impressed by the engagement, interest and passion of this large Board and its management in carrying out their duties as public servants and implementing the District's mission to protect the public health through the control of vectors.

As Dr. Lerner, the Board President, has indicated, the embezzlement that occurred at the District was a terrible incident that tarnished the reputation of an agency that, by all accounts, has done an excellent job in protecting the public from mosquitos, rats, and other disease-carrying vectors. In the wake of this crime, the District immediately conducted a comprehensive examination of its management, administrative, employment and fiscal practices. That inquiry has revealed a need to adopt new policies and procedures, to strengthen



confidence the County has in the manner in which the District achieves its mission. Nothing has changed in this regard as evidenced by the April 30, 2012 letter from Dean Peterson, Director of the County's Office of Environmental Health. The County continues to hold in high regard the District's services – and I quote from Mr. Petersen's letter the description of these services as "professional, responsive, focused and excellent."

The only other development of particular note since 2003, is the embezzlement incident. We do not minimize the significance of this incident, but as described in our letters and reflected in this record, the District has faced with openness and earnestness the challenge to tighten, improve and adopt policies and practices to minimize the risk of fraud going forward. We are committed to ensuring that our management, financial and administrative practices meet the same standard of excellence as our technical and mission-related programs, services and operations.

So where do we go from here? Let me recount what the record demonstrates:

- The District has vigorously addressed and will continue to attend to the issues that contributed to the embezzlement incident that gave rise to this review by LAFCO. In addition to all the other changes, the District has already implemented suggestions contained in the Draft MSR to enhance our financial practices. Board and staff members will be very vigilant about these new effective policies and practices.
- The District continues to provide excellent service to the public and carries out its mission in an efficacious manner. The District

Thank you for your concern, suggestions and the opportunity to showcase how the District has become a stronger agency in all respects. The record supports maintaining a Status Quo Sphere of Influence for the District. We urge the Commission to reach this determination and conclude this proceeding at the earliest possible time .

Thank you.

**Karen's Termination from District Service was not Immediate or Unpredictable**

JoAnn Dearman was hired without following the district's policy on hiring procedures already in place at that time. One of the explanations put forward by the district manager has been that Karen Williams (the previous Finance Administrator) left the district suddenly and unexpectedly. This is not true. Karen was under disciplinary action for several months with the goal of terminating her. This was told to me and other staff members. JoAnn was hired specifically to replace Karen when her employment was ultimately ended. JoAnn was initially hired as an assistant to Karen, but the intent was to move her into Karen's job when Karen left. This is why the position was not advertised and no hiring committee was formed to screen applicants. This can be verified by looking at the following portions of the Board Meeting Minutes which are available on the district's website:

October 2008 -- Closed session on Existing Litigation and Personnel Matters. The personnel matter may have been about Karen Williams. Minutes state that Payroll service will be discussed at next Board meeting. This was related to difficulties around Karen Williams. The real reason for the payroll service was to alleviate any problems with continuing payroll if Karen was terminated. At the time she was the one doing payroll. The manager had discussed this with us.

November 2008 -- in Board meeting minutes there is extensive discussion of researching a payroll service.

December 2008 -- There is a closed session regarding an Appeal Hearing that had been held for Karen Williams. Karen was not present this month as Clerk of the Board and no action was reported out of closed session. I believe she was on administrative leave pending the appeal.

January 2009 -- Karen is present again as Clerk of the Board. ADP payroll service has been implemented.

February 2009- Closed session on Performance Improvement Plan for Karen Williams. Karen is present as Finance Administrator and Clerk of Board. JoAnn Dearman is introduced on page M4 of minutes as new Administrative Accounting Assistant. JoAnn was hired to replace Karen. She was aware of this fact and said she felt awkward. Karen told staff members she suspected JoAnn was there to replace her.

March 2009 -- JoAnn is listed on agenda and minutes as the Finance Administrator and Clerk of Board. Karen is not present at the meeting because she is on administrative leave.

April 2009 -- Board Meeting Minutes show three closed sessions including one on Karen Williams' Performance Improvement Plan. Karen is not present. JoAnn presents the Finances and is listed as Clerk of the Board. There is an announcement of JoAnn as Finance Administrator. At this or a prior meeting JoAnn's resume was given to the board. We are told she has a degree in finance and accounting and experience in Human Resources management.

May 2009- Minutes include a closed session on the Final Disciplinary Process and Report From Appeal Hearing for Karen Williams (pg M8). Report from closed session states Karen's case was closed when agreements were signed on May 1 (bottom of page).

The point here is that JoAnn should have been properly screened before hiring her, no matter what the reason for bringing her on was. Because of the secrecy surrounding her introduction to the district, she was never

Submitted to LAFCo by James Counts 5/29/12 (credit card account and resume personal info redacted by LAFCo (page 2 of 31)

properly checked. Both of the companies she had defrauded in the past were on the resume and should have been contacted.

**Misuse of the district credit cards started almost immediately after Karen left:**

Karen was on Administrative leave in March, April, May and part of February. Her visa card was used in Pacifica on February 24 and 28. Karen lived in San Leandro, JoAnn lived in Pacifica. This appears to have been use of Karen's card by JoAnn for personal use. Had anyone reviewed the Visa bill it would have raised questions.

Ed Li worked under Karen. The July 2009 Minutes state that he has left the district. At the time I remember Bob Gay saying that JoAnn reported that he was sabotaging her work. At one time, Ed was in charge of checking the Visa bills, I believe. The visa bill shows charges at the Safeway in Pacifica on Ed's visa card on July 23, 2009. Ed lived in San Francisco, JoAnn lived in Pacifica. Someone should have questioned this charge and interviewed Ed Li.

In June 2009, there is a card in Jo Ann's name. There are charges for \$5,000 and 10,000 for "Summit Defense" on JoAnn Dearman's visa card bill. Summit Defense is a criminal defense law firm (see attached advertisement). Had anyone looked at the Visa bill, this should have raised an immediate alarm. The manager and board president were supposed to be signing checks, they should have reviewed the bills before signing the checks. The argument has been made that JoAnn could have removed the bill in her name. But it would be natural to assume that JoAnn had a card since Karen had a card and JoAnn was taking her place. Furthermore, there is a cover sheet to all the bills that gives a total amount owed on all cards. If one bill was missing it would have shown in the total. JoAnn's visa bill is under the name Jo Ann Dearman Seeney.

**Following JoAnn's employment at the district we went through a number of Accounting Assistants.** The rapid turnover in staff should also have led to questions from the manager. But this appears to have been left entirely up to JoAnn, with little oversight from the manager. The first person hired (Randall Grilli) was hired according to standard procedures. But the rest were left entirely up to JoAnn.

According to the Board Meeting Minutes for 2009-2010:

Ed Li left in July, 2009

Radall Grilli was announced in the September 2009 minutes to replace him.

In the January 2010 Minutes Randall has been terminated and Sandra Ky has been hired.

In the April 2010 Minutes Sandra Ky has been terminated and Devina Walker has been hired.

Devina was a friend of JoAnn's son and lived with JoAnn for a while. The staff learned this while her son was working for the district as a summer hire in 2010.

JoAnn's resume was in the name of Dearman, her past arrest under the name of Seeney. The fact that she had sometimes used the name Seeney was not hidden from us. Her son went by the name Seeney, which was JoAnn's last name while she was married, she was getting divorced that year. Both these names were on JoAnn's section of the visa bill and some of the correspondence with the county contained both names. During the entire investigation, no one ever interviewed the staff. Much of this kind of information would have been available if anyone had bothered to talk to them.



## Arrested: Joann Seeney

08/27/08

By: Staff Report | 08/22/08 12:00 AM

The 57-year-old Pacifica woman, who allegedly made personal purchases on a company American Express card that totaled \$568,000, pleaded not guilty in court Wednesday. Seeny, according to the District Attorney's Office, charged items such as personal vacation trips, home improvement projects and beauty products on the card during a four-year period while working as the head of human resources for a Foster City medical imaging company. Her jury trial has been set for Jan. 5.

URL: <http://www.sfexaminer.com/local/crime/arrested-joann-seeney>

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**Jo Ann Dearman**

### Executive Office Administrator/Bookkeeper/Notary

- o Accomplished and dedicated executive office administrative and bookkeeping professional, offers solid experience performing daily executive office administrative functions and bookkeeping requirements.
- o Invaluable expertise gained from working in a high tech startup business environment, as well as personal business entrepreneurship.
- o Excellent relationship builder with success in forming strong, sustainable relationships and securing consensus among cross-functional executives, team members and clientele. Ability to deal effectively with a diversity of individuals at all organizational levels.
- o Ability to analyze problems, set priorities and implement multiple projects from conception to completion.
- o Versatility, flexibility, and a willingness to work within constantly changing priorities with enthusiasm.
- o Certified and Bonded Notary Public, providing notary services for a wide range of requirements.

#### KEY SKILLS

Bookkeeping (QuickBooks Premier)  
Licensed California Notary  
Primavera Construction Project Software  
Payroll Administration (ADP, Paychex)  
Facilities Management  
Contract Management  
Strategic Planning  
Travel Coordinator (Domestic, International)

Business/Office Management  
Human Resources  
Sales & Marketing  
Sales & Marketing  
Lease Negotiation  
Database Management  
Data Analysis  
Event Planning

Executive Support  
Budgeting  
Retail Sales  
Retail Sales  
Purchasing  
Team Building  
Small Business Ownership  
Income Tax Preparation

#### PROFESSIONAL EXPERIENCE

**Ryan & De Bibo & Co**  
**Construction General Contractor**  
Project Manager/Bookkeeper

Part-time

- \* Review, edit, and processing of company subcontract and vendor purchase order records, electronically and manually.
- \* Electronic logging, data entry, tracking, of contract documents in company database.
- \* Manual photo copying, label making, hole punching, records filing, and record binding.
- \* Data entry of company contract records in client's software.
- \* Working closely with Project Managers as directed.
- \* Maintain and report on the project plan.
- \* Develop project status reports and issues logs on a weekly basis.
- \* Track Project Budget.
- \* Answer and direct incoming calls.
- \* Establish and maintain job project files.
- \* Order materials and schedule deliveries for the various jobsites.
- \* Create Estimates, Invoices and Progress Billings.

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**AAA Business Services**  
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Office Manager/Bookkeeper

2/2005 - 7/2008

Performed daily executive office management tasks along with providing bookkeeping services for a wide variety of corporations, small business owners and individuals.

- \* Managed and organized office operational procedures and company business requirements.
- \* Interviewed new clientele and set up bookkeeping and income tax requirements.
- \* Prepared, organized and maintained all clientele databases and files, including archives and vendor files.
- \* Data entry and preparation of clientele Financial Statements.
- \* Performed general ledger analysis, month end closings, journal entries, inventory control, accounts payable and receivable tasks, prepared depreciation and amortization schedules. Performed bank and credit card reconciliations, and provided a variety of customized business related financial reports.

De Bibo is the company that she stole from and took the medical insurance money. The owner didn't know he had no health insurance until his daughter got really sick and was hospitalized. He had to pay medical bills over 40,000 dollars. They were interviewed in one of the earlier newspaper articles. She infected five computers with a virus so they would not be able to find her tracks. They had to recreate their bookkeeping after that. This was before

personal contact  
info on resume  
redacted)

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- Performed a variety of bookkeeping/accounting duties including, reviewing accounts payable coding for accuracy, providing daily cash flow reports, month end accruals which includes - Insurance, Prepaid Property Tax, Payroll and various expenses.
- Calculated monthly inventory and asset acquisition for depreciation expense.
- Prepared and process client payrolls and prepare related reports (ADP, Paychex, Intuit Payroll Services).
- Created customized financial reports and spreadsheet applications to generate internal and external reports for a variety of special projects.
- Provided recommendations for more effective financial management solutions, including forecasts and financial analysis of business strategies.
- Prepared client financial data for income tax preparation.
- Provided Notary services.
- Software Programs Utilized: QuickBooks Premier 2007, Peachtree, Excel, MS Word & HITS Inventory Data Base Network, Lacerte, Pro Tax.

### **RTImage Inc, San Bruno, CA**

1998 - 01/2005

High Tech startup Medical Technology backed by venture capital, the company developed software technology to provide the medical industry with Medical Imaging capabilities along with Graphics Design software development.

#### **Executive Office Administrator/Bookkeeper**

Created the startup business infrastructure for office administrative procedures and implemented Human Resources practices and procedures. Provided executive administrative support for CEO, SVP, CFO in addition to global executives.

#### **Executive:**

- Represented and served CEO, SVP and CFO professionally and proactively in all telephone and written correspondence. Interfaced with high-level contacts, using considerable professionalism, diplomacy, discretion and good judgment.
- Calendaring both time and actions.
- Provided project and event support. Responsibilities included logistics coordination and vendor management as necessary.
- Organized and managed corporate board meetings including catering and logistics.
- Organized and coordinated Sales & Marketing meetings, coordinated company events and trade shows.
- Liaison for external legal counsel requiring utmost discretion and confidentiality.

#### **Administrative:**

- Supervised office staff.
- Created and implemented office administrative business operating procedures and policies.
- Researched and booked foreign and domestic travel arrangements, preparation of itineraries and provided a point of contact for traveling staff in compliance with travel policies.
- Managed corporate office relocation and coordinated physical move.
- Planned office space utilization and office build-out requirements; purchased all office furnishings and scheduled installations; negotiated contract and installation requirements for office internet telecommunications lines, Centrex telephone system and office PC's; managed office voicemail system; managed lease negotiations and tenant relations.
- Administered Human Resources functions including recruitment and new hire orientation.
- Prepared and processed semi-monthly multi-state payroll for salaried and non-salaried employees, taxes and reporting requirements (ADP).
- Researched, implemented and administered employee benefits programs, compensation, 401K and ESOP.
- A/P complete cycle, A/R, G/L, check disbursements, monthly financial reports, cash flow monitoring, bank deposits and reconciliation, petty cash administration, obtained and managed corporate credit cards, prepared tax forms and reports.
- Secured corporate business licenses, permits and software license agreements.
- Created client billings; maintained client and vendor relationships; created and maintained sales contracts and agreements; installed and maintained office administrative databases.
- Administered corporate Purchase Order System, issued Purchase Order's; tracked open Purchase Order's and resolved/expedited vendor discrepancies.
- Managed On-Line Internet Employee Expense Reporting and Disbursements system (GELCO);
- Approved and processed payments for all employee expense reports.
- Secured and managed Merchant Credit Card system to process customer credit card transactions.
- Maintained compliance for all federal, state, and local laws and statutes governing employment policies and procedures.

### **Femme Fancy, S.F., CA**

1991 - 1998

Women's retail clothing, owned and operated multiple retail locations. Created a special division focused on Bridal Consulting and Bridal Fashions available in-house and by catalog. Managed all day-to-day store operations, administered all management and business functions. The business was featured in "Starling and Succeeding In Business", published by the State of California featuring Small, Minority and Women-Owned Businesses.

#### **Owner/Manager**

- Designed and presented company business plans to the SBA and obtained partial SBA funding.
- Performed all company bookkeeping, financial planning, tax preparation and reporting requirements.
- Managed retail store operations, hired and trained Sales Associates and Bridal Consultants.
- Administered specialized Bridal Consulting customer service program.



**Jo Ann Dearman**

**Page 3**

- Buying, Inventory Control and Management.
- Performed sales and provided specialized customer service.
- Extensive travel and Trade Show attendance.
- Developed and managed Marketing and Sales campaigns:  
Administered vendor promotion programs; coordinated fashion presentations and trunk shows; managed customer mailings, sales and advertising campaigns.
- Researched and selected retail locations:  
Negotiated leases for retail store locations; managed tenant relations and retail build-out space requirements.

## **EDUCATION**

### **BS, Business Administration**

San Francisco State University, S.F. CA

**Certified and Licensed Notary Public, State of California, Commission #1696905**

Member National Notary of Signing Agents

**H&R Block Financial Management**

**Canada College, International & Domestic Travel**

Note on the Visa Bills for 2009

Mr. Gay claims that he had no way of knowing that Jo Ann Dearman was misusing District Visa cards because he was not the Administrator on the cards and there were extra cards he did not know about. He also claims he knew nothing of her other last name - Seeney.

However:

- 1) First and foremost he was the manager, and the Finance Administrator was under his direct supervision. He could have asked for the Visa bills and, if she did not give them to him voluntarily, he could have demanded that she produce them and discipline her when she did not let him see them. There is no evidence that he even asked for them. On page M2 of the March 2009 Board Meeting Minutes (available on the district's website), it states (under the Finance Administrator's report) that is quoted here

Finance Administrator will make available all checks with all documentation for the Boards approval prior to approval being authorized. The goal is to go forward and streamline the financial reporting process and produce all financial documents directly from our accounting system. The trustees will review financial documents that reconcile the General Fund with revenues and expenditures.

Finance Administrator and District Manager will meet with the District Finance Committee on March 30, 2009 to review all finance documents within the QuickBooks Accounting Program and all budgetary documents and after review decide appropriate reports for the April Board Meeting.

- 2) As can be seen in Exhibit 1, the Visa bill has a cover sheet which gives the total owed for all cards. If a card was missing, the total calculated by adding up all the individual cards would not have added up to the total on the cover page.
- 3) There was a card in Karen William's name, Mr Gay was fully aware of this card. When Karen left, her card was terminated and a new card was instituted in Jo Ann's name to replace it. It would have been a logical assumption to look for this card. A quick review of the Visa bill would have revealed the end of Karen's card and the beginning of Jo Ann's.
- 4) On the March 23, 2009 statement, there were charges that should have raised questions:
  - a. 2/27/2009 Safeway in Pacifica \$48.31 (this could have been for food for a board meeting) (Karen lived in San Leandro, Jo Ann lived in Pacifica)
  - b. 3/1/2009 Safeway in Pacifica \$233.80 (why such a big charge so soon after the one above?)
  - c. State Farm Insurance \$1,363.49 (the district is self-insured through the VCJPA, as far as I know we do not have any insurance through State Farm, this should have raised a red flag)
- 5) Jo Ann's card begins on March 6, 2009. On the March 23 Visa bill there is a charge on Jo Ann's card for \$839.68 for imported tires. The district's Operations department is responsible for all tire purchases. As Operations Director, I had negotiated a special price for tires with Goodyear Tires in Burlingame and all of our tires were purchased from them. Prior to that all tires were purchased from America's Tires, again through a negotiated price. Both companies gave us the lowest prices available locally for tires we needed for district vehicles. We had never purchased tires from the company listed on this Visa bill.
- 6) On June 10, there were two charges on Jo Ann's visa card to "Summit Defense" one for \$10,000 another for \$5,000. A quick search for this name on the internet reveals that Summit Defense is "Northern California's Premier Criminal Defense Attorneys". This charge alone should have raised a red flag if it had been looked at.
- 7) Ed Li also had a visa card. He was an accounting assistant under Karen Williams and then under Jo Ann. His card was generally used for ordering office supplies at Office Depot and for ordering food for Board meetings and Committee meetings. Ed Li left the district on June 10 (see board meeting minutes from June board meeting). But on July 23, Ed's card was used at Safeway in Pacifica. Ed lived in San Francisco, Jo Ann lived in

Submitted to LAFCo by James Counts on 5/29/12 (credit card account info and personal contact info on resume redacted by LAFCo) page 9 of 31

Pacifica. This should have raised questions. We were all (including Bob Gay) aware of Ed having a Visa card to purchase supplies.

- 8) The invoice for Jo Ann's Visa card reads "Jo Ann Dearman-Seeney". Her second last name was not a secret and was readily available to anyone reviewing the checks, invoices, and Visa statements of the district. The name Seeney is the one in which her record of past embezzlements was recorded. The claim that it was a secret alias no one would have known about is false. We also employed her son during the summer of 2009 and he went by the last name Seeney.



PURCHASING CARD PROGRAM  
PO BOX 6343  
FARGO ND 58125-6343

2/7/12

ACCOUNT NUMBER [REDACTED]  
STATEMENT DATE 01-23-2009  
AMOUNT DUE \$7,530.49  
NEW BALANCE \$7,530.49  
PAYMENT DUE ON RECEIPT



SMCMAD  
KAREN WILLIAMS  
1351 ROLLINS RD  
BURLINGAME CA 94010-2409

AMOUNT ENCLOSED  
\$  
Please make check payable to U.S. Bank

U.S. BANK CORPORATE PAYMENT SYSTEMS  
P.O. BOX 790428  
ST. LOUIS, MO 63179-0428

Please tear payment coupon at perforation.

CORPORATE ACCOUNT SUMMARY									
SMCMAD	Previous Balance	Purchases And Other Charges	Cash Advances	Cash Advance Fees	Late Payment Charges	Credits	Payments	New Balance	
Company Total	\$50,802.84	\$7,817.83	\$0.00	\$0.00	\$0.00	\$286.84	\$50,802.84	\$7,530.49	

CORPORATE ACCOUNT ACTIVITY					TOTAL CORPORATE ACTIVITY
Post Date	Tran Date	Reference Number	Transaction Description	Amount	
12-29	12-27	747982683640000000152	PAYMENT - THANK YOU 00000 C	50,802.84 PY	\$50,802.84 CR

NEW ACTIVITY				
Post Date	Tran Date	Reference Number	Transaction Description	Amount
12-24	12-23	24323018359507358010125	SEE'S CANDIES #522 BURLINGAME CA	
12-29	12-28	24610438363004031020891	HOSTWAY.COM WEBHOSTING 312-894-1	
12-29	12-28	24692188383000828895952	UPS #12XVDB424390710252 800-811-1648	
12-29	12-27	24792628383444000167208	PARTY CITY #635 SAN LORENZO CA	
01-06	01-05	24882168005000837600548	DISPOSAL.COM ALLIED WASTE 866-578-55	
01-06	01-05	24692189005000837680761	DISPOSAL.COM ALLIED WASTE 866-578-5548 AZ	176.84

Visa Bills for 2009  
Jan 2009  
Karen has a card

There is a total for all cards on page 1  
Missing cards would show here

<b>CUSTOMER SERVICE CALL</b>  800-344-5696	ACCOUNT NUMBER	ACCOUNT SUMMARY	
	[REDACTED]	PREVIOUS BALANCE	50,802.84
	STATEMENT DATE	PURCHASES & OTHER CHARGES	7,817.83
	01/22/09	CASH ADVANCES	.00
	DISPUTED AMOUNT	CASH ADVANCE FEES	.00
	.00	LATE PAYMENT CHARGES	.00
	AMOUNT DUE	CREDITS	286.84
	7,530.49	PAYMENTS	50,802.84
		ACCOUNT BALANCE	7,530.49

SEND BILLING INQUIRIES TO:  
U.S. Bank National Association NO  
C/O U.S. Bancorp Purchasing Card Program  
P.O. Box 6335  
Fargo, ND 58125-6335

P.O. BOX 5343  
FARGO ND 58125-0343

2400H12

ACCOUNT NUMBER [REDACTED]  
STATEMENT DATE 03-23-2009  
AMOUNT DUE \$20,498.01  
NEW BALANCE \$20,498.01  
PAYMENT DUE ON RECEIPT



SMCMAD  
JO ANN DEARMAN  
1351 ROLLINS RD  
BURLINGAME CA 94010-2409

AMOUNT ENCLOSED  
\$

Please make check payable to "U.S. Bank"

U.S. BANK CORPORATE PAYMENT SYSTEMS  
P.O. BOX 790428  
ST. LOUIS, MO 63179-0428

Please tear payment coupon at perforation.

CORPORATE ACCOUNT SUMMARY								
Previous Balance	Purchases And Other Charges	Cash Advances	Cash Advance Fees	Late Payment Charges	Credits	Payments	New Balance	
\$30,553.22	\$20,498.01	\$0.00	\$0.00	\$0.00	\$0.00	\$30,553.22	\$20,498.01	

CORPORATE ACCOUNT ACTIVITY				TOTAL CORPORATE ACTIVITY
Post Date	Tran Date	Reference Number	Transaction Description	
03-09	03-09	74758269088000000000019	PAYMENT - THANK YOU 00000 L	
03-09	03-09	74758269068000000000068	PAYMENT - THANK YOU 00000 L	

March 2009  
Karen on Admin leave charges on her card include state Farm + Pacifica stores

NEW ACTIVITY				
KAREN WILLIAMS	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY
	\$0.00	\$3,391.39	\$0.00	\$3,391.39

Post Date	Tran Date	Reference Number	Transaction Description	Amount
02-25	02-24	24717059055150557053391	REDWOOD PLUMBING CO INC 650-3691793 CA	118.00
02-25	02-24	24717059056120560767781	CSDA 016-4427887 CA	490.00
02-26	02-24	24388849056230181260929	PACIFIC MANOR HARDWARE PACIFICA CA	14.02
03-02	02-28	24188079000221015831352	SAFEWAY STORE00030080 PACIFICA CA	46.31
03-02	02-27	24387759059004082242112	STATE FARM INSURANCE 800-958-6310 IL	1,963.49

Pacifica Hardware  
Pacifica Safeway  
State Farm Ins

<b>CUSTOMER SERVICE CALL</b>  800-344-5696  SEND BILLING INQUIRIES TO: U.S. Bank National Association ND C/O U.S. Bancorp Purchasing Card Program P.O. Box 5339 Fargo, ND 58125-0335	ACCOUNT NUMBER [REDACTED]	ACCOUNT SUMMARY PREVIOUS BALANCE 30,553.22 PURCHASES & OTHER CHARGES 20,498.01 CASH ADVANCES .00 CASH ADVANCE FEES .00 LATE PAYMENT CHARGES .00 CREDITS .00 PAYMENTS 30,553.22 ACCOUNT BALANCE 20,498.01
	STATEMENT DATE 03/23/09 DISPUTED AMOUNT .00 <b>AMOUNT DUE</b>  20,498.01	



Company Name: BMCMD
Corporate Account Number: [REDACTED]
Statement Date: 03-23-2009

NEW ACTIVITY					
Post Date	Tran Date	Reference Number	Transaction Description	Amount	
03-08	03-08	24387758005004057031476	ORCHARD SUPPLY #210 MILLBRAE CA	35.04	
ED LI			CREDITS	PURCHASES	TOTAL ACTIVITY
			\$0.00	\$1,386.96	\$1,386.96
Post Date	Tran Date	Reference Number	Transaction Description	Amount	
02-25	02-23	24233379056004023048383	HP HOME STORE 888-889-4747 CD	410.29	
02-26	02-25	24233379056004089223020	HP HOME STORE 888-889-4747 CD	542.30	
03-18	03-13	24184079073221018270340	SAFEWAY STORE00006189 MILLBRAE CA	22.62	
03-17	03-13	24387758076004048036853	ORCHARD SUPPLY #210 MILLBRAE CA	34.83	
03-20	03-18	24427338078710020899219	PANERA BREAD #4473 MILBRAE CA	98.88	
03-23	03-18	24445748080890788825267	OFFICE DEPOT #933 DALY CITY CA	288.30	
CHERYL SEBAY			CREDITS	PURCHASES	TOTAL ACTIVITY
			\$0.00	\$175.11	\$175.11
Post Date	Tran Date	Reference Number	Transaction Description	Amount	
03-13	03-11	24387758071004057041285	ORCHARD SUPPLY #220 REDWOOD CITY CA	87.84	
03-23	03-20	244071040081987340000258	SAN MATEO ELECTRONIC S SAN MATEO CA	87.27	
JO ANN DEARMAN SEENEY			CREDITS	PURCHASES	TOTAL ACTIVITY
			\$0.00	\$889.86	\$889.86
Post Date	Tran Date	Reference Number	Transaction Description	Amount	
03-09	03-08	242707480879079610000085	TIRES IMPORT 850-3420473 CA	639.88	
03-09	03-08	24316059086548266011780	SHELL OIL 2740180001 BURLINGAME CA	50.18	

Department: 00000 Total: \$20,498.01  
 Division: 00000 Total: \$20,498.01

JoAnn has both her last names on here card. The name Seeneey is not secret

Jo Ann also has a card. she buys tires for her car and gas

Company Name: SMCAD
Corporate Account Number: [REDACTED]
Statement Date: 07-22-2009

July 2009  
 - San Mateo County  
 - Summit Defense  
 - Garage Master, SF  
 - Dollar Rent-A-Car  
 - State Farm

Post Date	Tran Date	Reference Number	Transaction Description	Amount										
07-06	07-02	24445009184823196159009	OFFICE MAX REDWOOD CITY CA	7.08										
<table border="1"> <tr> <td>JO ANN DEARMAN-SEENEY</td> <td>CREDITS</td> <td>PURCHASES</td> <td>CASH ADV</td> <td>TOTAL ACTIVITY</td> </tr> <tr> <td>[REDACTED]</td> <td>\$0.00</td> <td>\$16,861.91</td> <td>\$0.00</td> <td>\$16,861.91</td> </tr> </table>					JO ANN DEARMAN-SEENEY	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY	[REDACTED]	\$0.00	\$16,861.91	\$0.00	\$16,861.91
JO ANN DEARMAN-SEENEY	CREDITS	PURCHASES	CASH ADV	TOTAL ACTIVITY										
[REDACTED]	\$0.00	\$16,861.91	\$0.00	\$16,861.91										
Post Date	Tran Date	Reference Number	Transaction Description	Amount										
06-26	06-24	24472888175185108038752	OPAY SAN MATEO CO PTX 800-4874567 CA	31.88										
06-26	06-24	24472888176185105207159	SAN MATEO COUNTY 800-4874567 CA	1,275.59										
06-30	06-28	24508019180980015213220	SUMMIT DEFENSE RICHMOND CA	5,000.00										
06-30	06-28	24610439180004081108510	HOSTWAY.COM-WEBHOSTING-888-467-8929 IL	88.95										
07-01	06-29	24013399181008193850809	GARAGE MASTER INC SAN FRANCISCO CA	165.00										
07-01	06-30	24610439181004040313203	HOSTWAY.COM-WEBHOSTING 888-467-8929 IL	21.95										
07-01	06-30	24717059182121823230275	A AND D AUTOMATIC GATE CO 650-3858828 CA	450.00										
07-03	07-02	24717059184121840762852	CSDA 816-4427867 CA	4,725.00										
07-06	07-03	24164079185221017080529	SAFEWAY STORE00030080 PACIFICA CA	34.40										
07-08	07-07	24108388188642857819329	DOLLAR RAC SFO SAN FRANCISCO CA QX5820865	400.62										
07-08	07-06	24427339188710034775085	PANERA BREAD #4473 MILLBRAE CA	23.17										
07-13	07-08	241640791821221017130110	SAFEWAY STORE00030080 PACIFICA CA	32.58										
07-13	07-10	24164079182221017151743	SAFEWAY STORE00030080 PACIFICA CA	42.16										
07-15	07-13	24164079185221017490478	SAFEWAY STORE0006189 MILLBRAE CA	35.81										
07-15	07-13	24387759185094092121289	STATE FARM INSURANCE 800-956-8310 IL	543.89										
07-17	07-15	24427339187710037560839	PANERA BREAD #4473 MILLBRAE CA	105.56										
07-26	07-17	24445749189841878511858	OFFICE DEPOT #579 MILLBRAE CA	314.22										
07-20	07-17	24492789188118000177402	GRAIGSLIST ORG 416-5868394 CA	76.00										
07-20	07-17	24692169188000407785961	WWW.COSTCO.COM 800-955-2292 WA	100.00										
07-20	07-17	24717059189841982388027	COPENHAGEN BAKERY AND CAF BURLINGAME CA	51.90										
07-21	07-18	24164079201221017231213	SAFEWAY STORE00030080 PACIFICA CA	31.18										
07-21	07-21	24692169202000937282351	SPRINT WIRELESS 800-639-8111 VA	827.59										
07-22	07-20	24254779202481905880011	AUTO TECH CENTER BURLINGAME CA	125.38										
07-22	07-20	24387759202004090236177	STATE FARM INSURANCE 800-956-8310 IL	574.00										
07-22	07-20	24387759202004090240294	STATE FARM INSURANCE 800-956-8310 IL	1,347.12										
07-22	07-20	24387759202004091165573	STATE FARM INSURANCE 800-956-8310 IL	664.64										

Department: 0000 Total: \$99,839.29  
 Division: 0000 Total: \$99,839.29

- Auto Tech  
 - 3 more State Farm  
 total - \$16,000  
 - 5 grocery store charges

JoAnn Summit Defense  
 Garage Master  
 Dollar Rent-A-Car  
 State Farm - 4 entries



Company Name: SMCMD
Corporate Account Number: [REDACTED]
Statement Date: 08-24-2009

NEW ACTIVITIES						
Post Date	Tran Date	Reference Number	Transaction Description	Amount		
08-07	08-05	24013309218008404516723	HILLSDALE TRANSMISSION SAN MATEO CA	365.18		
08-07	08-05	24717059216692184411785	VW GRAINGER 077-2022594 CA	18.67		
08-12	08-11	2422443922401000097195	MR. STITCH UPHOLST SAN MATEO CA	125.00		
08-12	08-10	24254779223451065880018	AUTO TECH CENTER BURLINGAME CA	1,856.35		
08-13	08-11	24387759224004059308350	ORCHARD SUPPLY #220 REDWOOD CITY CA	34.92		
08-14	08-12	2444509225874930226254	CVS PHARMACY #9878 SAN MATEO CA	12.01		
08-18	08-17	24610439229072010003594	ALLIED WASTE SVCS-DIV T20 650-598-8450 CA	29.00		
		<b>ANGIE NAKANO</b>	<b>CREDITS</b>	<b>PURCHASES</b>	<b>CASH ADV</b>	<b>TOTAL ACTIVITY</b>
		[REDACTED]	\$0.00	\$41.83	\$0.00	\$41.83
Post Date	Tran Date	Reference Number	Transaction Description	Amount		
08-03	07-31	24592169212000268190894	PETSMART INC 1416 SAN MATEO CA	17.45		
08-05	08-04	24717059216182186824284	INDUSTRIAL HARDWARE SUPPL SAN CARLOS CA	7.19		
08-18	08-17	24164079229730130206094	PETCO 1320 63513204 SAN BRUNO CA	16.98		
		<b>ERIC SCHILZ</b>	<b>CREDITS</b>	<b>PURCHASES</b>	<b>CASH ADV</b>	<b>TOTAL ACTIVITY</b>
		[REDACTED]	\$0.00	\$195.08	\$0.00	\$195.08
Post Date	Tran Date	Reference Number	Transaction Description	Amount		
07-23	07-21	24810439209010175018595	THE HOME DEPOT 632 SAN MATEO CA	81.99		
07-31	07-29	24336499211400210010028	REDLINE MOTORSPORTS BURLINGAME CA	42.25		
08-03	07-30	24387759212004054106984	ORCHARD SUPPLY #210 MILLBRAE CA	14.37		
08-04	08-03	24610439215072010008173	ALLIED WASTE SVCS-DIV T20 650-598-8450 CA	43.50		
08-10	08-06	24071059219987102593741	SAN MATEO ELECTRONIC S SAN MATEO CA	12.95		
		<b>ED LI</b>	<b>CREDITS</b>	<b>PURCHASES</b>	<b>CASH ADV</b>	<b>TOTAL ACTIVITY</b>
		[REDACTED]	\$0.00	\$41.80	\$0.00	\$41.80
Post Date	Tran Date	Reference Number	Transaction Description	Amount		
07-23	07-21	24164079203221017280830	SAFEWAY STORE00030080 PACIFICA CA	41.80		
		<b>CHERYL SEBAY</b>	<b>CREDITS</b>	<b>PURCHASES</b>	<b>CASH ADV</b>	<b>TOTAL ACTIVITY</b>
		[REDACTED]	\$0.00	\$49.05	\$0.00	\$49.05
Post Date	Tran Date	Reference Number	Transaction Description	Amount		
08-19	08-17	24765019230010000211	RY CA	43.05		
		<b>THERESA SHELTON</b>	<b>CREDITS</b>	<b>PURCHASES</b>	<b>CASH ADV</b>	<b>TOTAL ACTIVITY</b>
		[REDACTED]	\$0.00	\$250.42	\$0.00	\$250.42

Aug 2009 bill ;  
 - Ed Li left  
 by June 10  
 change in Pacifica  
 on his card on  
 July 23





Company Name: SMCMA
Corporate Account Number: [REDACTED]
Statement Date: 06-22-2009

June 2009  
see JoAnn's  
card at bottom  
of page

NEW ACTIVITY					
Post Date	Tran Date	Reference Number	Transaction Description		Amount
05-25	05-22	24717059142161426284765	BIO QUIP PRODUCTS INC RNCHO DOMINGZ CA		139.35
05-29	05-27	24233379148004017006193	HP HOME STORE 666-999-4747 CO		937.22
06-05	06-03	24445749155785804496489	OFFICE DEPOT #979 MILLBRAE CA		20.52
06-05	06-04	24717059155161554279367	BIO QUIP PRODUCTS INC 210-6678900 CA		307.61
<b>ERIC SCHULZ</b>					
			CREDITS	PURCHASES	CASH ADV
			\$0.00	\$80.30	\$0.00
					TOTAL ACTIVITY
					\$80.30
Post Date	Tran Date	Reference Number	Transaction Description		Amount
05-25	05-22	244492789142118000171406	NORCAL RENTAL GROUP 650-3474660 CA		80.30
<b>ED LI</b>					
			CREDITS	PURCHASES	CASH ADV
			\$0.00	\$669.37	\$0.00
					TOTAL ACTIVITY
					\$669.37
Post Date	Tran Date	Reference Number	Transaction Description		Amount
06-08	06-04	24445749157788749238792	OFFICE DEPOT #979 MILLBRAE CA		388.66
06-22	06-19	24445749172807609856877	OFFICE DEPOT #979 MILLBRAE CA		470.69
<b>CHERYL SEBAY</b>					
			CREDITS	PURCHASES	CASH ADV
			\$0.00	\$98.98	\$0.00
					TOTAL ACTIVITY
					\$98.98
Post Date	Tran Date	Reference Number	Transaction Description		Amount
05-26	05-22	24987759145004062053253	ORCHARD SUPPLY #210 MILLBRAE CA		9.03
06-03	06-01	24987759163004053236485	ORCHARD SUPPLY #220 REDWOOD CITY CA		8.28
06-04	06-02	24987759164004055271954	ORCHARD SUPPLY #230 FOSTER CITY CA		20.70
06-08	06-05	24071059168887114602558	SAN MATEO ELECTRONIC S SAN MATEO CA		7.66
06-08	06-05	24785019158010000544431	DEAN'S ANIMAL FEEDS REDWOOD CITY CA		26.70
06-12	06-10	24071059162987168985991	SAN MATEO ELECTRONIC S SAN MATEO CA		24.59
<b>THERESA SHELTON</b>					
			CREDITS	PURCHASES	CASH ADV
			\$0.00	\$821.62	\$0.00
					TOTAL ACTIVITY
					\$821.62
Post Date	Tran Date	Reference Number	Transaction Description		Amount
06-04	06-03	24662189154000197257946	BENMEDS*1013553896 800-241-6401 WI		505.89
06-04	06-03	24782829154207517500148	CORNING INC.CREDIT SVCS 807-874-4149 NY		190.72
06-12	06-10	24987759162004018950312	MICHAELS #9516 SAN MATEO CA		77.84
06-12	06-10	24987759162004060325290	ORCHARD SUPPLY #210 MILLBRAE CA		47.17
<b>JO ANN DEARMAN SEENEY</b>					
			CREDITS	PURCHASES	CASH ADV
			\$0.00	\$15,798.35	\$0.00
					TOTAL ACTIVITY
					\$15,798.35

continued on next page



Company Name: SMCMD
Corporate Account Number: [REDACTED]
Statement Date: 06-22-2008

NEW ACTIVITY				
Post Date	Tran Date	Reference Number	Transaction Description	Amount
05-28	05-26	24127339147710033030021	PANERA BREAD #4473 MILBRAE CA	93.06
06-01	05-30	24164079161221016741198	SAFeway STORE00030080 PACIFICA CA	70.46
06-04	06-01	24164079161221016761357	SAFeway STORE00030080 PACIFICA CA	69.38
06-04	06-02	24445749164784511251538	OFFICE DEPOT #079 MILLBRAE CA	248.93
06-05	06-03	24164079165221018781222	SAFeway STORE00030080 PACIFICA CA	24.17
06-08	06-07	24164079159221018620547	SAFeway STORE00030080 PACIFICA CA	34.75
06-11	06-10	24492789161118000107430	CRAIGSLIST.ORG 415-5686394 CA	75.00
06-11	06-10	24508018161980015213280	SUMMIT DEFENSE RICHMOND CA	10,000.00
06-12	06-11	24508018162980016213222	SUMMIT DEFENSE RICHMOND CA	5,000.00
06-16	06-13	24445749165798568544684	OFFICE DEPOT #033 DALY CITY CA	67.67
06-18	06-16	24492789168118000115949	CRAIGSLIST.ORG 415-5686394 CA	75.00
06-22	06-20	24164079172221016950347	SAFeway STORE00030080 PACIFICA CA	38.81

Summit Defense  
is a criminal  
defense firm

Department: 00000 Total:  
Division: 00000 Total:

Pacific Safeway  
5/30, 6/1, 6/3, 6/7  
6/20

Jo Ann's card  
Summit Defense  
5 trips to Pacific Safeway

NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2011

the District and the covered employees made the required contributions totaling \$482,440 and \$101,717, respectively.

The table below presents three-year trend information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Fraud -
6/30/2009	\$ 208,147	100%	Total was 650,000
6/30/2010	229,678	100%	2010-11 - 340,000
6/30/2011	482,440	100%	2009-10 310,000

almost equally spread over 2 years

9. POSTEMPLOYMENT HEALTH CARE BENEFITS

The Government Accounting Standards Board has issued Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits other than Pensions. This pronouncement provides guidance for special districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement was effective for the year ending June 30, 2010. The District has not adopted the provisions of this statement.

Plan Description

Depending on the number of years of service and the circumstances surrounding retirement, employees may be eligible to received health care insurance cost reimbursement of between 25%-100% and prescription drug coverage reimbursement of \$500-\$1,000 per year.

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the District. For the year ended June 30, 2011, 7 employees received benefits at a cost to the District of \$31,130.

Although the District has agreed to provide retiree healthcare coverage, the amount of the total obligation as of June 30, 2011 is not known as the District has not completed the required actuarial study or internal calculations to calculate this amount.

10. LOSS DUE TO EMPLOYEE FRAUD

In June 2011, the District began an investigation to determine the extent of employee theft committed against the District. The amount of theft attributed to the fiscal year ended was

NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011

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approximately \$340,581. The total amount of theft is estimated to be at least \$650,000. The District will be making a claim against its insurance policy to recover the amount lost.

DRAFT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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2010-01

**Significant Deficiency - Financial Reporting**

CONDITION: Accounting transactions were not properly recorded in accordance with generally accepted accounting principles. Some examples include, lack of year end cutoff procedures and revenue recognition procedures.

CRITERIA: Accounting records should be maintained in accordance with generally accepted accounting principles.

CAUSE OF CONDITION: Significant improvement was made in the accounting function in the fiscal year. However, additional training was required.

EFFECT OF CONDITION: The account balances were not complete and accurate.

RECOMMENDATION: We recommend that the District should provide training regularly to employees for accounting theories.

*Deficiency in  
recording accruals*

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL**

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**2009-01**

**Significant Deficiency - Financial Reporting**

**CONDITION:** Accounting transactions were not properly recorded in accordance with generally accepted accounting principles. Some examples include, lack of proper accrual of expenditures and unrecorded interest income allocation.

**CRITERIA:** Accounting records should be maintained in accordance with generally accepted accounting principles.

**CAUSE OF CONDITION:** The accounting function was not adequately staffed during the fiscal year.

**EFFECT OF CONDITION:** The account balances were not complete and accurate.

**RECOMMENDATION:** We recommend that the District establishes procedures for accounting transactions. In addition, training should be provided to employees for accounting transactions according to general accepted accounting principles.

**Resolution & Implementation – District Response**

The condition was discovered after the previous staff left the district. The District has hired and restructured the Financial Department to include a Financial Director that is directly responsible for all daily financial accounting transactions with the responsibility for recording all financial data directly in accordance with generally accepted accounting principles, the District has also hired a Financial Supervisor working under the direction of the Financial Director, the Financial Supervisor is directly responsible for coding and tracking all of the District's expenditures and revenue in accordance with the District's yearly budget and correlating financial transactions with the County Controller and the County Treasurer's Office. The Financial Department has also hired an Office Manager whose function is to assist in the timely and accurate processing and filing of financial documents also in accordance with generally accepted accounting principles and practices. The Financial Department will also provide continuing education to all staff to ensure a knowledgeable and cross trained Financial Department.

**2009-02**

**Significant Deficiency - Petty Cash Management**

**CONDITION:** The District's accounting records showed the petty cash balances were negative. The amount recorded was not reconciled to actual petty cash.

**CRITERIA:** The petty cash fund must be reconcilable at all times. All receipts should be deposited intact.

**CAUSE OF CONDITION:** Lack of proper procedures for petty cash management.

Problem with  
Petty cash  
accounting

*Part of Audit Report June 30, 2008*



in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

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

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

*C. G. Uhlenberg LLP*

January 8, 2009  
Redwood City, California



# San Mateo County Mosquito Abatement District

1351 Rollins Rd  
Burlingame CA 94010  
(650) 344-8592 Fax (650) 344-3843  
[www.smcmad.org](http://www.smcmad.org)

REGULAR MEETING OF THE BOARD OF TRUSTEES  
7:00 P.M., January 13, 2010

## MANAGER'S REPORT

(Pre-packet Version)

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1-3. NO COMMENT SEE AGENDA.

### 5. SPECIAL PRESENTATIONS

- **Resolution M-008-10.** In appreciation of service by Mr. Robert Bury, who served over eleven years on the Board representing the City of Redwood City. Bob was unable to drive so his wife, June provides his transportation for all these years. And lately Bob had his daughter provide their transportation. Bob was always cheerful and a pleasure to have on the Board.

**RECOMMENDATION:** Approval of Resolution M-008-10.

- **Resolution M-009-10.** In appreciation of service by Mr. Dennis Preger, who served over fifteen years on the Board representing the City of Burlingame. Dennis was chair of our finance committee for years and helped considerably with the District's governance.

**RECOMMENDATION:** Approval of Resolution M-009-10.

- **Trustee Appointments.**

**RECOMMENDATION:** Approval of Trustee Appointments and taking of Oath.

- **Trustee Board Officers for 2010-2012.**

**RECOMMENDATION:** Approval of Trustee Officers and taking of Oath.



Jan 2010

A-5

- Check Registry provided for **December**. This document is from the QuickBooks accounting program. Jo Ann or I will review and answer any questions.

**RECOMMENDATION:** Motion to approve Capital Fund #02705 – Reconciliation for September, October, and November and Expenditures of December 2009.

New internal Controls January 2010

- **AUDIT REPORT FOR FISCAL YEAR 2008-2009.**

- *Jo Ann Dearman, Finance Director and Jeff Ira, Auditor.*

- Page 23 shows the health of our District's General Fund. I feel very proud of our accomplishments over the last 5 years and not to overshadow the accomplishments for the previous 7 years (1998-2005).

New internal Controls  
Bob Gray reviews every check + invoice  
A-5  
Jan 13 2010

After what has happened over the last few years, we have completely restructured the Administrative Department with Jo Ann; Vika, and Sandra. The significance of this restructure will cost the District \$100,000 but will carry the District into the next ten years.

Board officer reviews every check  
A-5  
Jan 13 2010

- ✦ We will review the changes to our administrative and financial programs. They include:
- ✦ Vika reviews all invoices and drafts all checks. I then review each check and then sign. A Board Officer then comes in and reviews each check and signs. Actually there are multiple checks and balances from the invoicing to the signing of checks that Jo Ann can review.
- ✦ Vika also reconciles the financial records month. Jo Ann reviews all reconciliation documents and the reconciliation process.
- ✦ Jo Ann will also review the additional changes that were implemented.

- Going back to 1997. Our revenues were \$1,160,000 and expenditures were \$1,060,000. An excess of only \$100,000 with a reserve of only \$970,000. The real story was the property tax revenues were only going up by \$20,000 a year and the expenditures by \$112,000. It was only a matter of a few years for the two lines (revenue vs. expenditures) intersect and we would be in the same position as the State is today.

- But we got proactive and tipped the scale in our favor.

- ✦ Increased revenue from service abatement agreements.
- ✦ Passed the benefit assessment.
- ✦ Invested in the invasive pest program.
- ✦ Instituted the Tulle Mosquito Control Program.
- ✦ Further increased the Service Abatement Program.
- ✦ Pursuing \$\$ from the State Fish and Game.
- ✦ Rodent- Baiting Sewer Program.

- Review workshops to see potential trustee interest.
  - “How to be an Effective Board Member”
  - “Understanding the Brown Act and Your Responsibilities”
- Review Webinars. Some we will present at the District others can be viewed at home by the Trustees and the district will reimburse them the \$59.

### Staff Announcements

- Jo Ann hired Sandra Ky as our new Office Administrator.

### General Announcements

- **GASB 45 Trust Program.**
  - We are looking at either the VCJPA or the Public Agency Retirement Services to assist the District with our actuarial valuation and then funding our actuarial obligations through a multiple-employer GASB-compliant trust. Union Bank serves as trustee providing protection.
  - Point of contact is Mitch Barker at PARS and Gerry Preciado at the VCJPA.
  - We would like to complete our study in February-March timeframe.
- **LAFCO Budget**
  - We received our notice of our portion of the LAFCO budget. \$2,391.
  - The LAFCO operating budget is \$238,917 and the special district portion is \$79,639.
- **California Conference of Local Health Officers**
  - I was selected as the MVCAC affiliate to the CCLHO.
  - The CCLHO has a Board of Directors meeting the first Thursday of each month held at the CDPH building in Sacramento. The meeting covers all the current medical issues going on around the State and I will provide a brief report on MVCAC activities.
  - I was also placed on the CCLHO Environmental Health Committee. This committee also meets almost monthly. I will also report MVCAC activities at that meeting if necessary.

Sandra Ky  
Replaces Randall Smith  
3.12 person in (year)  
in this position no.  
Hiring Committee  
#12  
Jan 13 2010

District Financial Committee

Chairman Nickolas reviewed the program from the April 24<sup>th</sup> meeting. The April meeting reviewed the first showing of the District's budget for the next fiscal year. Financial documents were reviewed in great detail and discussed for submitting in future Board pre-packets. In addition, Chairman Nickolas and President Honan at the April meeting met with Manager Gay and reviewed the District Manager's Contract. The recommended District Manager's Contract was prepared for submittal in the May Board meeting pre-packet for full Board discussion at the May Board meeting closed session. The District Manager's Contract is a significant improvement from the past document used outlining the District Manager's salary and benefits. The next scheduled meeting of the District Financial Committee is May 28<sup>th</sup> at noon.

San Mateo CSDA Meeting

Board President, Ray Honan attended the local San Mateo CSDA meeting in April. This is a meeting of our county special districts. Most of the discussion was over the LAFCo budget.

District Strategic Planning Committee

Manager Gay reviewed the April 14<sup>th</sup> meeting. The committee reviewed the Strategic Plan for 2000-2008 and started developing the Strategic Plan for 2009-2014. Documents from this meeting will be emailed to Trustee Fuller who was unable to attend the April 14<sup>th</sup> meeting. The next scheduled meeting is May 26<sup>th</sup> at noon.

District Environmental Committee

The committee meets prior to the Board meeting and discussed environmental issues around the county.

Board Meeting Re-Structure

This new format is based on format used by your cities. Because of time constraints it was decided to move these discussions till the June Board meeting.

Managers' Meetings

Listed were the meetings the District Manager will attend during May.

Closed Session

CONFERENCE WITH LEGAL COUNSEL- FINAL DISCIPLINARY PROCESS AND REPORT FROM APPEAL HEARING COMMITTEE - Named of case: Karen Williams.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION - CONFERENCE WITH DISTRICT MANAGER EVALUATION COMMITTEE (DMEC) ON THE REVIEW AND PROCESS (Gov. Code Sec. 54957)- Name of case: Robert B. Gay.

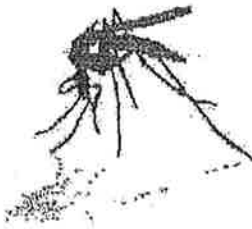
MOTION: To adjourn into closed session. Riechel/Ridgeway, carried unanimously.

MOTION: To come out of closed session. Nickolas/Preger, carried unanimously.

Item one (1): Ms. Williams's case is closed when agreements were signed on May 1, 2009.

Karen's case  
close may 1  
M-8  
May 13-2009

Discussion of  
Finance documents  
for Board Packets  
M-8  
May 13-2009



**San Mateo County**  
**Mosquito and Vector Control District**  
1351 Rollins Rd  
Burlingame CA 94010  
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www.smcvad.org

**MINUTES OF THE REGULAR BOARD MEETING  
OF THE BOARD OF TRUSTEES, MAY 13, 2009**

President Honan called the meeting to order at 7:00pm

**TRUSTEES PRESENT:**

Ronald Anderson	Leon Nickolas
John Curtis	Dennis Preger
Valentina Cogoni	James Ridgeway
Christine Fuller	Robert Riechel
Robert Blake	Robert Bury
Ray Honan	Betsy Schneider
Robert Maynard	Richard Tagg
Sam Lerner	Tim Frahm
	Lawrence Peterson

**TRUSTEES ABSENT:**

Cal Hinton	Joseph Fil
------------	------------

**STAFF PRESENT:**

Robert Gay, District Manager  
JoAnn Dearman, Finance Administrator and Clerk  
James Counts, Field Operations Supervisor  
Chindi Peavey, Vector Ecologist

**GUESTS/SPEAKERS PRESENT:**

John Bliss, SCI Consulting Group

**Pledge of Allegiance**

**Public Input on Non Agendized Items**

Jim Metz, Rocky Point LLC, and a resident of San Mateo is interested in Trustee Calvin Hinton's position as the at-large trustee. Mr. Metz gave an introduction and it was obvious he was interested in the District's mission and service.

**Engineers Report, Levy Assessments, and Notice of Public Hearing**

**MOTION:** To open public hearing. Curtis/Peterson, carried unanimously.

John Bliss, SCI Consulting Group gave a thorough overview of the Engineers Report and the benefit assessment process answering any questions by those present. Mr. Bliss also described the changes over the last twelve months to the Engineers Report that were a result of a court case earlier that year on a general assessment that was ruled inappropriate by the courts. There were no real similarities to our



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**MINUTES OF THE REGULAR BOARD MEETING  
OF THE BOARD OF TRUSTEES, MARCH 11, 2009**

President Honan called the meeting to order at 7:00pm

**TRUSTEES PRESENT:**

- |                  |                  |
|------------------|------------------|
| Ronald Anderson  | Leon Nickolas    |
| John Curtis      | Dennis Preger    |
| Valentina Cogoni | James Ridgeway   |
| Christine Fuller | Robert Riechel   |
| Joseph Fil       | Donna Rutherford |
| Ray Honan        | Betsey Schneider |
| Robert Maynard   | Richard Tagg     |
| Sam Lerner       |                  |

**TRUSTEES ABSENT:**

- |              |                   |
|--------------|-------------------|
| Robert Blake | Cal Hinton        |
| Robert Bury  | Lawrence Peterson |
| Tim Frahm    |                   |

**STAFF PRESENT:**

- Robert Gay, District Manager
- Jo Ann Dearman, Finance Administrator and Clerk of the Board
- James Counts, Field Operations Supervisor
- Chindi Peavey, Vector Ecologist

**GUESTS/SPEAKERS PRESENT:**

- W. George Wailes, Esq., Carr McClellan

**Pledge of Allegiance**

**Public Input on Non Agendized Items**

No one from the public was present to speak.

**Agenda Modification of Order**

**MOTION:** To approve moving the Closed Session before the Consent Calendar. Fil/Anderson, carried unanimously.

**Closed Session**

CONFERENCE WITH LEGAL COUNSEL AND/OR DISTRICT MANAGER - EXISTING LITIGATION (Subdivision (a) of Section 54956.9), Name of case: Jake Niebaum vs. San Mateo County Mosquito Abatement District, Case No. CIV 473503

M-1



## San Mateo County Mosquito Abatement District

1351 Rollins Rd  
Burlingame CA 94010  
(650) 344-8592 Fax (650) 344-3843  
[www.smcmad.org](http://www.smcmad.org)

### MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF TRUSTEES, OCT 10, 2007

President Nickolas called the meeting to order at 7:00pm

#### TRUSTEES PRESENT:

Ronald Anderson	Robert Maynard
Robert Bury	Leon Nickolas
Robert Blake	Lawrence Peterson
Valentina Cogoni	James Ridgeway
John Curtis	Robert Riechel
Tim Frahm	Donna Rutherford
Christine Fuller	Betsy Schneider
Ray Honan	Richard Tagg

#### TRUSTEES ABSENT:

Joseph Fil  
Cal Hinton  
Doris Kellett  
Dennis Preger

#### STAFF PRESENT:

Robert Gay, District Manager  
Karen Williams, Clerk of the Board  
James Counts, Field Operations Supervisor  
Chindi Peavey, Vector Ecologist

#### GUESTS/SPEAKERS PRESENT:

Jeff Ira, C.G. Uhlenberg LLP

#### Pledge of Allegiance

#### Public Input on Non Agendized Items

None

#### Consent Calendar

#### MOTION:

Approve the consent calendar, which consisted of the list of expenditures for September, revenue received for September, minutes of the September board meeting and two (2) fixed asset retirements. Curtis/Honan, carried unanimously.

March 11, 2009

M-2

CONFERENCE WITH LEGAL COUNSEL AND/OR DISTRICT MANAGER - EXISTING LITIGATION (Subdivision (a) of Section 54956.9), Name of case: Simser vs. San Mateo County Mosquito and Vector Control District

CONFERENCE WITH LEGAL COUNSEL AND/OR DISTRICT MANAGER - EXISTING LITIGATION (Subdivision (a) of Section 54956.9), Name of case: Vega/Fernandez vs. San Mateo County Mosquito Abatement District

PUBLIC EMPLOYEE PERFORMANCE EVALUATION - CONFERENCE WITH DISTRICT MANAGER EVALUATION REVIEW AND PROCESS (Gov. Code Sec. 54957) -- Name of case: Robert B. Gay.

**MOTION:** To adjourn into closed session. Tagg/Fil, carried unanimously.

**MOTION:** To come out of closed session. Riechel/Nickolas, carried unanimously.

Item one (1): The Board approve the Settlement Agreement and Mutual Release between the San Mateo County Mosquito and Vector Control District and Mr. Jacob Niebaum.

Item two (2): Information only. No action taken.

Item three (3): Information only. No action taken.

Item four (4): The Manager Evaluation Committee will tabulate the results and give to the Board President. Once this is done then the Board Officers and the Committee Chair of the Manager Evaluation Committee will find a date to give the District Manager his evaluation.

**Consent Calendar**

**MOTION:** No items to approve.

**General Fund #2706-- Revenue and Expenditure Statements**

Finance Administrator will transfer all financial documents from Microsoft Access and Peachtree to QuickBooks Accounting Program. All future financial documents will originate from the QuickBooks Accounting Program. Budgetary documents will also originate from the QuickBooks Accounting Program and associated accounting spreadsheets.

Finance Administrator will make available all checks with all documentation for the Boards approval prior to approval being authorized. The goal is to go forward and streamline the financial reporting process and produce all financial documents directly from our accounting system. The trustees will review financial documents that reconcile the General Fund with revenues and expenditures.

Finance Administrator and District Manager will meet with the District Finance Committee on March 30, 2009 to review all finance documents within the QuickBooks Accounting Program and all budgetary documents and after review decide appropriate reports for the April Board Meeting.

Education Relief Assistance Fund (ERAF) information is requested by Trustee Fuller, Trustee Fil, and Trustee Anderson.

**MOTION:** To approve the Expenditures for February 2009. Fuller/Curtis, carried unanimously.

Oct 10, 2007

M-2

District Annual Audit 2006-2007

Audit focused on internal controls Oct 10, 2007

Jeff Ira, C.G. Uhlenberg LLP, reported on the draft copy of the annual audit. This year's audit procedure was slightly different than in previous years due to changes in reporting rules. More of the audit was directed at controls rather than journal entries. This method required lots of question and answer sessions involving the Accounting department and step by step demonstrations of actual processes. The audit found no material weaknesses and the District is represented as financially sound.

Trustee Riechel requested some additional information regarding the percentage changes from last fiscal year to this fiscal year in the categories of depreciation expense, retirement and unemployment. Finance Administrator Williams replied by explaining the retirement account and the reasoning behind the increase in the budgeted amounts. The depreciation expense will increase as we continue to increase our capital expenditure inventory. As we embark on the new building project, the final costs of the Redwood City location will be added to fixed assets, thus raising the amount of what is depreciated each month. Until we reach a point in time that no new items are added or items reach their maximum life's value, this line item will continue to rise. For the retirement percentage increase, the Board of Retirement sets the employer contribution rates based on the amount of money needed to fund the members who are retired or will be retiring and also on how well the fund is doing during fluctuations of the stock market. These costs are not under our control. Unemployment costs can be managed by assisting exiting employees in locating other employment but when the District hires eight seasonal employees each year, they are entitled to apply for unemployment at the end of their term. Since the amount required to fund the unemployment pot of money is determined by salaries, as we grow in staff and in salary dollars, the rate used to calculate the amount due increases.

Manager Gay reported that this audit is the last audit under our current contract with C.G. Uhlenberg. He requested that we agendize a motion to enter into a new three year contract with the existing auditing firm at the November board meeting. He stated that the District has investigated the bidding on other firms, but during this investigation it was found that most Auditing firms who specialize in local government accounting were much more expensive than what our current contract with C.G. Uhlenberg is. It is important to maintain our existing relationship with C.G. Uhlenberg due to their knowledge of our District. With the rotation of auditing personnel each year, the District always gets a fresh set of eyes reviewing the financial records.

Finance Administrator Williams stated that finalization of any further adjusting entries will be completed during the coming month and a printed and bound final copy will be available for approval at the November 14, 2007 board meeting. She stated that she enjoyed working with the auditing personnel and that they were professional and very helpful.

**Vector Control Program**

Manager reported on the folder of information provided in the pre-packet regarding incorporating vector control services to our current list of programs. On August 16, 2007, Manager Gay received a phone call from Dean Peterson, Director of Environmental Health Services Division for San Mateo County. He stated that budget crunches have required them to cut positions in their division which would eliminate the vector control program. He requested that the District take over the program, though no funding would be given. Manager Gay conferred with President Nickolas, who stated that he would like to proceed slowly in this process and look into every avenue in regard to what would the program be, how would it impact our other programs, what would be the costs and needs associated with this additional program. Manager Gay stated that he was in the preliminary stages of acquiring information and most of the knowledge was incomplete. He would be scheduling a meeting with Brian Zamora, Director of Public Health Services Division and Dean Peterson to talk specifically about what the process will be to assume control.

Manager Gay directed Field Operations Supervisor Counts and Vector Ecologist Peavey to contact neighboring Districts to inquire how they handle their vector control program. After tonight's board update, they will also contact the existing employee for the San Mateo County vector control program to inquire exactly what they do and how they operate the current program. It will be at that point, that the District will be in a better position to answer detailed questions for the



### Internal Controls and Audits

Internal Controls have been reviewed and new ones implemented on several occasions as can be seen in board documents.

In the Board Meeting Minutes from October 2007, page M2 under "District Annual Audit" it states that the audit was directed more at controls rather than journal entries. Karen Williams discussed this at the time and initiated new procedures in response to the auditors.

In the Minutes from the March 2009 Board meeting (page M2) under the "Finance Administrator's Report" it states that the "Finance Administrator will make available all checks with documentation for the Boards approval prior to approval being authorized."

In the Minutes for the May 2009 Board meeting on page M8, under "District Financial Committee" it says that at the April 24<sup>th</sup> meeting of the Finance committee "Financial documents were reviewed in great detail and discussed for submitting in future board pre-packets".

In January of 2010 new internal controls were announced by the Finance Department and the Auditor. In the Manager's Report for the January 2010 Board Meeting, page A5, under the item about the Audit Report for 2008-09, the manager announced a complete restructuring of the Administrative Department and new internal controls. The procedure includes "multiple checks and balances" including that the manager and board officer will review each check before signing it.

Audits for the past 5 years are on the district's website. The last 2 pages of each review internal controls. For 2006-08, while Karen Williams was Finance Administrator, the auditors state that they "did not find any deficiencies in internal control over financial reporting that we consider to be material weaknesses". Karen had been praised at board meetings each year for having clean audits. In 2009, after Karen left and Jo Ann had become Finance Administrator, there were two significant deficiencies on the audit (page 28-29). The first was "accounting transactions not being properly recorded...lack of proper accrual of expenditures...". The second was that "...petty cash balances were negative...". This should have been a red flag at the time and should have caused the manager and the board to at least wonder if there were problems and keep an eye out for irregularities in accounting. Instead, both issues was blamed on the past finance Administrator and never given a second thought. In 2010, the lack of properly recording accruals was flagged in the audit again (page 30).

It has been stated in the news repeatedly that "much of the fraud was in the past year" or that the fraud was not as evident in the first year (2009). However, on the last page of the audit for 2011, it shows that the total amount of the theft was \$650,000 and the amount attributed to the 2010-11 was 340,000. This means that almost half the theft (\$310,000) was in 2009-10. Despite two consecutive audits showing significant deficiencies in accounting procedures when all previous audits had been spotless, neither the manager or board officers questioned whether there might be problems with the district's finance department and the department was given little oversight.