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2010-2011 GRAND JURY RELEASES REPORT ON WOODBIDGE SANITARY DISTRICT

The San Joaquin County 2010-2011 Civil Grand Jury today released its report investigating alleged improprieties by Woodbridge Sanitary District (WSD), which include payroll fraud and fiscal mismanagement, falsifying State Water Resources Control Board (SWRCB) records, harassment of employees, nepotism/favoritism, lack of training for employees, and lack of Board policies and procedures to the detriment of the District.

More specifically, some of the complaints lodged include: the WSD General Manager directed payment of compensatory time off to a part-time WSD employee through another co-worker, as not to interfere with the part-time employee's Social Security Disability benefit payment; theft of district property, such as small and large power tools by employees; misuse of district issued credit cards by employees; falsification of water quality readings and unlicensed employees performing water tests without the presence of the General Manager; failure to accurately report spills to the SWRCB; an employee felt harassed by certain Board and staff members after bringing concerns to the Board about WSD irregularities; relatives were hired at higher rates of pay than employees without familial ties; laborers were hired and performed work with minimal training and guidance; complaints by citizens and employees about WSD were not acted upon by the Board; and mismanagement by the General Manager.

The Grand Jury's investigation included conducting interviews with all Woodbridge District Board of Trustees, the WSD General Manager, employees, and former employees, the Complainant, and SWRCB Investigators. The Grand Jury reviewed documents such as, "*Board agendas, minutes,*

timesheets, purchase orders, credit card statements, and audit findings. Various SWRCB regulations were reviewed. The Grand Jury also attended numerous Board meetings” and made a site visit to the WSD.

Through its investigation, the Grand Jury confirmed all allegations, except those relating to the harassment of employees. Overall, *“the Grand Jury found a lack of policies, procedures, Board oversight and mismanagement, including payroll fraud and fiscal mismanagement of WSD. The Grand Jury additionally found SWRCB records for plant operation and reporting purposes were falsified based on testimony and SWRCB observation.”* Based on these findings, numerous recommendations were made with the purpose of strengthening oversight and management of WSD to enhance and maintain the public’s safety.

The Grand Jury concluded that *“the poor management and Board oversight [of WSD] does not merit the public’s trust. The Board is doing a disservice to constituents by the lack of policy and procedures, which limits transparency of policy, and fiscal decisions. Board Members are poorly informed, or do not take seriously, their policy and fiduciary responsibilities, prudent fiscal stewardship and accountability, planning responsibilities, or oversight of effective management. It is vitally important for the continued and safe operation of WSD and the community, for citizens to become more involved in the decisions made on their behalf by their elected officials.”*

The report further indicates that *“during the initiation of the Grand Jury Investigation, the Board corrected the following issues: employees no longer accumulate compensatory time, approval of a time clock; development of credit card policies; development of job descriptions; and development of Personnel Manual”*

The Woodbridge Sanitary District Board of Directors is required to respond in writing to the Presiding Judge of the Superior Court by September 20, 2011 as to each finding and recommendation.

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(Copy of report attached)

San Joaquin County Grand Jury



WOODBRIIDGE SANITARY DISTRICT

2010/2011 San Joaquin County Grand Jury Case No. 1110

Summary

The Grand Jury investigated Woodbridge Sanitary District (District) due to complaints received alleging various improprieties that included:

- Payroll fraud and fiscal mismanagement
- Falsifying State Water Resources Control Board records
- Harassment of employees
- Nepotism/Favoritism
- Lack of training for employees
- Lack of Board policies and procedures to the detriment of the District

Glossary

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|-----------------|--|
| WSD | Woodbridge Sanitary District |
| Board | The elected body of Trustees of Woodbridge Sanitary District |
| Director | An individual elected Board member |
| GM | General Manager of the Woodbridge Sanitary District |
| SWRCB | State Water Resources Control Board |
| Operator | State licensed to operate wastewater treatment plants with varying classifications of license |
| OIT | A state licensed Operator-in-Training trainee accumulating 2080 hours of experience under reasonable oversight of a Certified Operator |

Background

Woodbridge Sanitary District (WSD) in Woodbridge is a public district charged with maintaining the sewage and wastewater systems in the unincorporated Woodbridge area. The District has annual revenues of approximately \$376,000 and a staff of five to ten part-time employees. The sitting Board of Directors at the time of this investigation was: Harold Rohrbach, P. Richard Best, Glenda Wall, Dwight Langhoff and Douglas Colucci.

Issues

Payroll Fraud and Fiscal Management

According to documents and testimony, a WSD part time employee, on Social Security Disability, accumulated 36 hours of work, which if paid to him, could have impacted his benefit payment. These hours were recorded as compensatory time off (comp time) on his payroll records. In order to compensate this employee, the General Manager (GM) directed a check in the amount of \$1,260 be issued to another employee for 36 hours with the understanding that the money would be turned over to the original employee so that his benefits would not be adversely impacted. A witness brought this to the attention of the Board and no action was taken. The Board has not addressed the fraudulent payment.

Falsifying time records was an allegation in the complaint. In the review of time sheets it is impossible to verify anyone's time records. Every employee was asked to write in the time worked and turn in the sheet to the secretary for the payroll records. It was alleged that management is seldom on site to regulate or check the employee's actual time worked or to verify hours reported. There is no formal work schedule for employees. Employees are allowed to set their own schedule based on their individual needs.

The initial citizen complaint included an allegation of theft of district property by employees. Small and large power tools were continually missing from the storage trailer used by the district. In reviewing records kept by the secretary and credit card receipts, some of the same tools were purchased continually. There is no inventory system or sign out sheet to regulate the tools in the storage trailer, and every employee has access to the central storage trailer.

No purchasing control is alleged in the complaint. In the review of purchasing done by employees, it was found that most employees have a district issued credit card to purchase whatever they need to complete their job assignments. All purchases are approved after the fact as long as the cost is within the limit of the credit cards. Credit card purchases averaged \$2883 per month. Tools and equipment purchases averaged \$1595 per month.

The 2009 year-end audit, released in October 2010, performed according to Generally Accepted Accounting Principles by Croce & Company, Accountancy Corporation identified the following significant deficiencies in internal controls:

1. "The District does not have controls in place to monitor and authorize hours worked by District employees. Timecards should be reviewed and hours approved by management. Such approval should be evidenced by initialing the timecard."
2. "The District does not have controls in place over purchases with District credit card. Credit card purchases should be subjected to the same approval process as expenses paid by warrants. Credit limits should be evaluated and set annually by the Board of Trustees."

Falsifying State Water Resources Control Board Records

Falsification of State Water Resources Control Board (SWRCB) records was alleged in the complaint. The Grand Jury received testimony by employees regarding the falsification of water quality readings at the plant. Unlicensed employees performed specific water tests in the absence of the GM. The GM then signed off on all the reports that were sent to the SWRCB. Testimony indicated that readings were “adjusted” to be within the legal limits, when in fact, they exceeded the legal limits. Additional testimony uncovered that three spills were reported to the SWRCB and documentation in the WSD office indicated at least a dozen spills had been reported within the district by rate payers. Based on testimony from the SWRCB investigator and the definition of spills by their guidelines, these spills appear to fit the parameters of reportable occurrences.

The SWRCB cited the district for several violations: inadequate staffing, no equipment repair tracking and no maintenance and water sampling procedures. In addition a recommendation was made that the GM be on site 16 hours a week strictly for operator duties. Additional hours would be required for administrative duties and District management.

Harassment of Employees

The complainant felt harassed by certain Board and staff members when cameras were installed and directed at the desk and work area. The complainant also alleged being stripped of keys to all filing cabinets, computer passwords were changed and desk drawers were searched. The complainant feels that this was retaliatory action for bringing concerns to the Board about irregularities.

Nepotism/Favoritism

In a review of employment records, nepotism was a common form of filling positions. This led to favoritism of certain employees. Many employees at the district are or were related to other employees. In reviewing pay records and invoices authorized for payment, higher rates of pay were found for relatives over employees. As an example, a relative was hired to cut weeds at \$35 an hour when an existing employee was paid \$10 to \$15 per hour.

Lack of Training for Employees

Lack of training for employees was alleged in the complaint. The GM hired several laborers to do general maintenance at WSD. With minimal instruction and without written policy and procedures to guide their activities, the laborers did the work at the WSD locations including water testing, skimming ponds, cleaning filters and repairing equipment. Based on the SWCRD guidelines and testimony, water testing can only be done by a licensed operator. These other jobs were done on a daily basis by the laborers and not reviewed or supervised by the GM unless there was an issue or warning alarm to indicate a problem.

Lack of Board Policies and Procedures

Failure of the Board to respond to complaints by citizens and employees was alleged in the complaint. In a review of emails, attendance at board meetings, and testimony from witnesses, the Board was non responsive to specific complaints. The complaints were submitted in written and verbal form to the Board and specifically to the current and former Presidents with supporting documentation.

Mismanagement in the form of lack of presence of the GM on site was alleged in the complaint. The GM is the state licensed Plant Operator, who trains and oversees OIT's. The Board has given the GM a contract for no more than 20 hours per week that does not require any specific time on site. The position's responsibilities include: Certified Operator, trainer and supervisor for OIT's, and Manager of the District. No specific schedule or hours was allocated for these various tasks of the GM.

Additionally uncovered in this investigation is a lack of Board oversight.

Method of Investigation

The Grand Jury conducted approximately a dozen interviews. The Grand Jury reviewed over 1000 pages of documentation including: Board agendas, minutes, timesheets, purchase orders, credit card statements, and audit findings. Various SWRCB regulations were reviewed. The Grand Jury also attended numerous Board meetings.

Interviews Conducted

- All Woodbridge District Board of Trustees
- General Manager, employees and former employees
- Complainant
- SWRCB Compliance Investigators

Site Visited

- Woodbridge Sanitary District

Discussion, Findings and Recommendations

The Grand Jury found a lack of policies, procedures, Board oversight and mismanagement, including payroll fraud and fiscal mismanagement of WSD. The Grand Jury additionally found SWRCB records for plant operation and reporting purposes were falsified based on testimony and SWRCB observation. The SWRCB identified a number of deficiencies in the operation of the District. The SWRCB asserted that the District needed an onsite Operator at least 16 hours per week performing licensed operator required activities, in addition to the training and reasonable oversight of OIT's. These hours did not include administrative duties.

1.0 Payroll Fraud and Fiscal Mismanagement

Finding 1.1

A check in the amount of \$1,260 was issued to an employee for 36 hours he did not work, with the understanding that the money would be turned over to another employee so that his eligibility and disability benefits would not be impacted.

Finding 1.2

There is no equipment inventory system. Every employee has access to the central storage trailer. Employees are frequently allowed by the GM to use District property for personal use off site.

Finding 1.3

After review of last year's credit card statements and warrants, suspicious charges were found including:

- Multiple gas charges on the same day
- Hundreds to several thousand dollars of tool purchases each month
- Inappropriate contract services to relatives of employees

Recommendation 1.1

The Board develop written policies and procedures to strengthen and assure financial accountability.

Recommendation 1.2

The Board immediately develop performance standards for the evaluation of the GM including disciplinary actions in the event of SWRCB violations and schedule regular reviews of GM performance.

Recommendation 1.2 A

The Board implement an inventory control system.

Recommendation 1.2 B

The Board develop strict policies forbidding employees/contractors personal use of District property, including tools and equipment.

Recommendation 1.3

The Board develop procedures for the prior authorization of expenditures to appropriate industry vendors via purchase orders/warrants.

Recommendation 1.3A

The Board define parameters of District credit card use, including no personal use and limit the number of cards in the District.

Recommendation 1.3B

The Board systematically verify and reviews all fiscal expenditures including itemized documentation.

Recommendation 1.3C

The Board subject credit card purchases to the same approval process as expenses paid by warrants.

2.0 Falsifying State Water Resources Control Board Records

The state mandated record keeping for water quality was allegedly falsified by the General Manager when sent into the SWRCB.

Finding 2

Original readings taken on water quality were revised when the reading were not within the legal limit.

Finding 2.1

Three spills of sewage were reported by the District to the SWRCB and records within the district office indicated at least a dozen spills had been reported by ratepayers.

Recommendation 2

The Board create a policy for review of water readings assuring they are reported to the SWRCB accurately and that public safety is not compromised.

Recommendation 2.1

The Board create a policy for the accurate reporting and review of spills to the SWRCB.

3.0 Harassment of Employees

The secretary brought irregularities to the Board's attention. Thereafter, a camera was installed in the office, keys had to be surrendered, passwords were changed and the desk was searched. The complainant alleged this constituted harassment.

Finding

The Grand Jury could not confirm this allegation as harassment or retaliation because the measures taken by the District could have been viewed as increasing security.

4.0 Nepotism/Favoritism

Nepotism was a common form of filling positions in WSD. Some relatives hired for laborer positions were paid higher hourly wages than other district laborers. These wages sometimes exceeded twice the hourly rate.

Finding

Relatives were hired and paid more per hour than other district laborers.

Recommendation

Create job descriptions, work evaluation standards and pay scales to avoid favoritism by management.

5.0 Lack of employee training

The employees do not have a training manual. There is no formal policy for employee performance evaluations.

Finding 5

There is no training manual to guide employees in performing their daily duties.

Recommendation 5

The Board develop a training manual for District employees.

Recommendation 5.1

The Board require the Operator to be on site to train and review OITs.

6.0 Lack of Board policies and procedures

The lack of written policies and procedures has resulted in numerous issues within the District.

Finding 6

The Board has received numerous complaints from citizens and employees without taking effective action to resolve the complaints. This lack of written policies and procedures and the non-responsiveness of the board have led to serious concerns by the public.

Recommendation 6

The Board develop written policies and procedures for the operation of WSD and to address the auditors and SWRCB recommendations.

Recommendation 6.1

The Board annually review policies and procedures and update as necessary.

Recommendation 6.2

The Board develop a complaint procedure policy and its enforcement.

7.0 Lack of Board Oversight

Lack of Board oversight, deferred maintenance, capital outlay investment, and planning deficiencies has created violations of SWRCB guidelines, unsafe working conditions, and mismanagement of WSD.

Finding 7

The Board has not adequately reviewed operations or visited WSD site to ensure compliance with current Board policies.

Finding 7.1

The Board has not educated themselves on sanitary district “Best Practices” procedures.

Finding 7.2

WSD does not have an adequate timetable to address deferred maintenance, replacement of an aging infrastructure, or raise capital funds to make improvements.

Recommendation 7

The Board initiate monthly review of all activities at WSD including onsite visits.

Recommendation 7.1

Based on the current structure of management and staffing, the Board take an active role in creating a sound business plan and an operational presence to eliminate the fiscal and management disarray currently at WSD.

Recommendation 7.2

The Board contact other sanitary districts to further familiarize themselves with the operational procedures of sanitary districts and general operational Best Practices. Additionally check with other water and sanitation operators to compare current practices at WSD to insure compliance and reliability of current operator.

Recommendation 7.3

The Board initiate an adequate timetable for the replacement of aging infrastructure and equipment and for the capital funds to pay for these improvements.

Conclusion

The District serves an important function in health and safety for residents of Woodbridge. The poor management and Board oversight does not merit the public trust.

The Board is doing a disservice to constituents by the lack of policy and procedures which limits transparency of policy, and fiscal decisions.

Board Members are poorly informed, or do not take seriously, their policy and fiduciary responsibilities, prudent fiscal stewardship and accountability, planning responsibilities, or oversight of effective management. It is vitally important for the continued and safe operation of WSD and the community, for citizens to become more involved in the decisions made on their behalf by their elected officials.

During the initiation of the Grand Jury Investigation, the Board has corrected the following issues:

- Employees no longer accumulate compensatory time
- Approval of a time clock
- Development of credit card policies
- Development of job descriptions
- Development of Personnel Manual

Disclaimer

One grand Jury member recused themselves from the investigation and all preparation of this report. Grand Jury reports are based in documentary evidence and the testimony of sworn and admonished witnesses, not on conjecture or opinion. However, the Grand Jury is precluded by law from disclosing such evidence except upon the specific approval of the Presiding Judge of the Superior Court, or another judge appointed by the Presiding Judge (Penal Coder Section 911, 924.1 and 929). Similarly, the Grand Jury is precluded by law from disclosing the identity of witnesses except upon an order of the court for narrowly defined purposes (Penal Code Sections 924.2 and 929).

Response Requirements

California Penal Code sections 933 and 933.05 require that specific responses to all findings and recommendations contained in this report is submitted to the Presiding Judge of the San Joaquin County Superior Court from Woodbridge Sanitary District Board of Directors by September 20, 2011.

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

Hon. Robin Appel, Presiding Judge
San Joaquin County Superior Court
222 E. Weber Av., Room 303
Stockton, CA 95202

Also, please email the response to Trisa Martinez, Staff Secretary to the Grand Jury, at grandjury@courts.san-joaquin.ca.us