



GRAND JURY ANNUAL REPORT

2016-2017

County of Fresno

THE COUNTY OF FRESNO



RAND
JURY

2016-2017 FINAL REPORT

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PRESIDING JUDGE OF THE FRESNO COUNTY SUPERIOR COURT
HON. KIMBERLY A. GAAB

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“IN MATTERS OF TRUTH AND JUSTICE,
THERE IS NO DIFFERENCE BETWEEN
LARGE AND SMALL PROBLEMS,
FOR ISSUES CONCERNING
THE TREATMENT OF PEOPLE
ARE ALL THE SAME.”

~ *Albert Einstein*



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GRAND
JURY

PRESIDING JUDGE
2016 - 2017



HON.
KIMBERLY A. GAAB





CHAMBERS OF
KIMBERLY A. GAAB
Presiding Judge 2016-2017

Superior Court of California County of Fresno

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As with each previous Grand Jury, the 2016-2017 Fresno County Grand Jury served with distinction. The members were hardworking throughout the term. And this term, in particular, saw a significant number of alternate jurors serving, as well. The members proved to be both impartial and courageous in their service. They showed calm and considered judgment. This Grand Jury made an important contribution to local government, and the Fresno County Superior Court appreciates and values its service.

The 2016-2017 Grand Jury continued in the fine tradition of its predecessors by diligently acting as the public's watchdog through its investigations of and reporting on particular affairs of local government. This Grand Jury issued four reports. The first addressed the Pleasant Valley State Prison, the second addressed the Fresno Police Department, the third addressed the Kingsburg Tri-County Health Care District, and the fourth addressed Fresno County's Facility Services Division. Each report was thorough and thoughtful. Each report contained constructive comments related to potential improvements for the agencies identified. The leadership of the foreperson, Pascual Lopez, and the foreperson pro tem, Christopher Wilson, must be noted, acknowledged and praised. They carried out, with distinction, their responsibilities to ensure that the Grand Jury as a whole, and each of the committees, functioned effectively and efficiently. The forepersons, along with all members, performed a vital public service with minimal monetary compensation for travel and a small per diem allowance.

All citizens residing in Fresno County are invited and encouraged to apply for a position as a grand juror and to continue this important function of public service.

A handwritten signature in blue ink, appearing to read "Kimberly A. Gaab", is written over a faint, larger version of the same signature.

Hon. Kimberly A. Gaab
Presiding Judge 2016-2017



County of Fresno

Grand Jury

TO: Honorable Kimberly A. Gaab, Presiding Judge
Residents of Fresno County

It was an honor to serve on the 2016-2017 Fresno County Civil Grand Jury. A major function of the Grand Jury is to examine Fresno County and city governments, special districts, school districts and any joint powers agency operating within the county to ensure their duties are being carried out lawfully. Also, included in this mandate under California Penal Code Section 919(b) that the Grand Jury inquire into the condition and management of the public prisons within the county.

The Grand Jury carefully considers all complaints before voting as a body whether to proceed with an investigation. However, not all matters brought to its attention are investigated because they may be beyond its investigative authority. The Grand Jury also considers such factors as whether there's sufficient time remaining in the one-year term to complete an investigation; whether other remedies are available; and whether the Grand Jury has adequate resources to do the work.

The Grand Jury issued four reports this year. The first addressed the Pleasant Valley State Prison, the second was Fresno Police Department, the third addressed the Kingsburg Tri-County Health Care District, and the final reviewed Fresno County's Facility Services Division.

The Grand Jury visited the Fresno County Jail, Fresno County Juvenile Justice Campus, and Pleasant Valley State Prison in Coalinga. The Grand Jury also received a Fresno County Department overview coordinated by the Fresno County Administrative Office. Fresno Police Department provided a tour of their Dispatch Center, Real Time Crime Center, and the Regional Training Center. Grand Jury members participated in the Fresno County Elections Observer Panel; and toured Fresno Chaffee Zoo, Fresno International Airport, as well as, the Fresno County Morgue.

The Grand Jury was blessed to have official advisors. Senior County Counsel Art Wille and Deputy County Counsel Dean Stuckenschmidt provided the Grand Jury with quick legal advice. Assistant District Attorney Blake Gunderson assisted in the criminal arena with the issuance of a subpoena and other countless tasks. Presiding Judge Kimberly Gaab consistency provided legal guidance and direction as needed.

The support services received from the County Administrative Office was invaluable. Principal Administrative Analyst, Sonia De La Rosa, provided daily and long-term operational assistance through budget preparation, purchasing, and other direct services.

The constant changes in the information technology arena were supported by Information Technology Analyst Jessica Montano, she consistently guided the Grand Jury through the technology maze. Her successful guidance was greatly appreciated.

A special thanks to Sherry Spears (retired) and Suzanne Abi-Rached in the court system for keeping our Grand Jury at full membership and for preparing those individuals for their services to Fresno County.

Some of the accomplishments of this Grand Jury were an Outreach Plan, as well as, revisions to the Procedures Manual.

This Grand Jury also continued the technological trend established by the previous juries led by Greg Mullanax (2014-2015) and Lanny Larson (2015-2016), with the assistance of the County Administrative Office and County Internal Services Department, the Grand Jury was able to upgrade the computers, phone, digital voice recorders, document scanner, and upgrade from a projector to a large panel monitor/computer. Also new to the Grand Jury conference room is a wireless voice amplifier. These coordinated efforts were greatly appreciated.

A special thanks to Chris Wilson for his efforts as foreperson pro tem. He played a great role in the internal training of jurors, as well as, stepping in when the foreman was not available.

I would like to thank the committee chairpersons: Donna McBrien, Mike Petrovich, Lillian Wieland, David Van Pelt, Joan Christenson, Doug Johnson, and Kathy Niederfrank. They put in countless hours in report preparation and guidance, as well as, meaningful service to the Grand Jury.

The 2016-2017 Fresno County Civil Grand Jury hopes the changes and recommendations found in their final reports will serve to encourage the citizens of Fresno County to become actively involved in local government.

Only by citizen involvement and being informed will government be held accountable to all people of the county.



Pasqual Lopez, Foreperson
Fresno County Grand Jury, 2016-2017



THE COUNTY OF FRESNO 2016-2017 GRAND JURY



MISSION STATEMENT

The Fresno County Grand Jury serves as the ombudsman for citizens of Fresno County. The primary function of the Grand Jury, and the most important reason for its existence, is the examination of all aspects of county government and special districts assuring honest, efficient government in the best interests of the people.

Their responsibilities include receiving and investigating complaints regarding county government and issuing reports. A Grand Jury Final Report is issued each year. Grand Jurors generally serve for one year although the law provides for holdovers for a second year to assure a smooth transition.

NAME OF EACH GRAND JURY MEMBER FOR 2016-2017

JOAN CHRISTENSON
TONI COLLINS
THOMAS DOWNING
SOCORRO FIMBRES
DAVID HADDEN
DOUGLAS JOHNSON
HENRY LEE
PASCUAL LOPEZ
DONNA MCBRIEN
KATHERINE NIEDERFRANK
YOLANDA PARTIDA
DAVID VAN PELT
MICHAEL PETROVICH
LILLIAN WEILAND
CHRISTOPHER WILSON
GORDON YAMANAKA
RUDY ZAMORA
RONALD ZARAGOZA



THE COUNTY OF FRESNO
2016-2017 GRAND JURY



FRONT ROW *(Left to Right):*

Socorro Fimbres, Toni Collins, Christopher Wilson,
Pascual Lopez, Joan Christenson *and* Lillian Weiland

MIDDLE ROW *(Left to Right):*

Rudy Zamora, Yolanda Partida, David Hadden,
Douglas Johnson, Donna McBrien *and* Gordon Yamanaka

BACK ROW *(Left to Right):*

David Van Pelt, Katherine Niederfrank, Ronald Zaragoza,
Michael Petrovich, Henry Lee *and* Thomas Downing

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THE GRAND JURY PROCESS

- ❖ **APPLICATION INFORMATION**
- ❖ **FUNCTIONS**
- ❖ **COMPLAINT PROCEDURE**

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APPLICATION INFORMATION

The Fresno County Grand Jury serves as the civil watchdog for the County of Fresno. Their responsibilities include investigating complaints regarding county and city governmental agencies and issuing reports when necessary.

In the early months of each calendar year, the Fresno County Superior Court begins the process for selecting a new grand jury. Those with an interest in serving on the grand jury may contact the Juror Services Manager and ask to be considered as a prospective grand juror. In addition to self referrals, names of prospective grand jurors are suggested by the active and retired judicial officers of the Fresno County Superior Court and the current grand jury members.

The basic qualifications include being a citizen of the United States, being at least 18 years of age and a resident of Fresno County for at least one year prior to selection. Applicants should also be in possession of their natural faculties and have ordinary intelligence, sound judgment and good character. They should be able to speak and write English and have some computer literacy.

Questionnaires are mailed to all prospective grand jurors after the nominations are received. All prospective grand jurors are required to have a background check. All prospective grand jurors must be officially nominated by a sitting Superior Court Judge and may be asked to come in for an interview. The Judges then consider all prospective grand juror nominees. They nominate 30 prospective jurors, who are invited to an impanelment ceremony in mid-June. Names are drawn at random to serve on the nineteen member grand jury. Generally, there are two to four members from the outgoing grand jury who holdover to insure a smooth transition.

Prospective grand jurors should be aware of the responsibilities and time commitment involved. Jurors typically spend a minimum of 40 hours per month on meetings, interviewing, conducting investigations and writing reports. The service period from July 1 to June 30 of the following year.

For additional information or to nominate yourself or someone else, contact the Juror Services Manager at the Fresno County Courthouse, 1100 Van Ness Avenue, Room 102, Fresno, CA 93724-0002 or call 559-457-1605.

FUNCTIONS

History: In 1635, the Massachusetts Bay Colony impaneled the first grand jury to consider cases of murder, robbery and wife beating. By the end of the colonial period the grand jury had become an indispensable adjunct to the government. The U.S. Constitution's Fifth Amendment and the California Constitution call for the establishment of grand juries. The California Constitution provided for prosecution by either indictment or preliminary hearing.

In 1880, statues were passed which added duties of the grand jury to investigate county government beyond misconduct of public officials. Only California and Nevada mandate that civil grand juries be impaneled annually to function specifically as a "watchdog" over county government. California mandates formation of grand juries in every county able to examine all aspects of local government adding another level of protection for citizens.

Functions: The civil grand jury is a part of the judicial branch of government, an arm of the court. As an arm of the Superior Court, the Fresno County Grand Jury is impaneled every year to conduct civil investigations of county and city government and to hear evidence to decide whether to return an indictment. The civil grand jury in its' role as civil "watchdog" for the County of Fresno has two distinct functions:

- ❖ Investigations of allegations of misconduct against public officials and determine whether to present formal accusations requesting their removal from office under three feasancess: nonfeasance, misfeasance and malfeasance.
- ❖ Civil Investigations and Reporting, the watchdog function, is the PRIMARY duty of a regular Civil Grand Jury. In addition to mandated state functions, the jury may select additional areas to study publishing its' findings and recommendations in a report at the end of the year.

Both the criminal and civil grand juries have the powers to subpoena. The criminal grand jury conducts hearings to determine whether there is sufficient evidence to bring indictment charging a person with a public offense. However, the district attorney usually calls for empanelment of a separate jury drawn from the petit (regular trial) jury pool to bring criminal charges. However, in Fresno County a Superior Court Judge is the determiner of facts relative to holding an individual to answer criminal charges.

Civil Watchdog Functions: Considerable time and energy is put into this primary function of the civil grand jury acting as a the public's "watchdog" by investigating and reporting upon the operation, management, and fiscal affairs of local government (eg Penal Code § 919, 925 et seq.) The civil grand jury may examine all aspects of county and city government and agencies/districts to ensure that the best interests of the citizens of Fresno County are being served. The civil grand jury may review and evaluate procedures, methods and systems used by county and city government

to determine whether more efficient and economical programs may be used. The civil grand jury is also mandated to inspect any state prisons located within the county including the conditions of jails and detention facilities.

Citizen Complaints: The civil grand jury receives many letters from citizens and prisoners alleging mistreatment by officials, suspicions of misconduct or government inefficiencies. Complaints are acknowledged and investigated for their validity. These complaints are kept confidential.

Criminal Investigations: A criminal jury is separate from a civil grand jury and is called for empanelment by the district attorney. A hearing is held to determine whether the evidence presented by the district attorney is sufficient to warrant an individual having to stand trial. Note: This is not the procedure in Fresno County, a Superior Court Judge calls for a criminal jury if a matter continues on in the courts to trial.

The grand jury system as part of our judicial system is an excellent example of our democracy. The grand jury is independent body. Judges of the Superior Court, the district attorney, the county counsel, and the state attorney general may act as advisors but cannot attend jury deliberations nor control the actions of the civil grand jury (Penal Code § Code 934, 939).



Fresno County Civil Grand Jury

A major function of the Fresno County Civil Grand Jury is to examine Fresno County and city governments, special districts, school districts and any joint powers agency operating within the county to ensure their duties are being carried out lawfully. The Grand Jury does *not* investigate criminal, state, federal or court activities nor personal disputes.

The Grand Jury:

- May review and evaluate procedures used by these entities to determine whether more-efficient and -economical methods can be employed.
- May inspect and audit the books, records and financial expenditures of those entities to ensure that public funds are properly accounted for and legally used.
- May investigate any charges of willful misconduct in office by public officials.
- Shall inquire into the condition and management of state prisons within the county.

To request an investigation, the attached claim form must be filled out in its entirety, and submitted to the Grand Jury either electronically or by mail. All complaints received by the Grand Jury are confidential.

1. Name of complainant and contact information to include address, phone number and email. Anonymous complaints will not be investigated.
2. Complete nature of complaint to include name of person(s) or department(s) against which the claim is being filed.
3. Complaint form must be signed.
4. Written confirmation of complaint will be sent to complainant.

Email form to: info@fresnocograndjury.com

or

**Mail form to: Fresno County Civil Grand Jury
P.O. Box 2072
Fresno, CA 93718**



Fresno County Civil Grand Jury Complaint Form

All Complaints Received by the Grand Jury are Confidential

Complaints will not be processed without a brief summary, contact information and a signature

Your Name: _____

Mailing Address: _____

City, State & Zip: _____

Preferred Phone Contact Number: _____

Email Address: _____

Brief Summary of Complaint Please include dates of events, names of officials involved, names of people who know about this, public agencies involved and any other pertinent information to help the Grand Jury assess the complaint. You may attach additional information as necessary.

The information contained in this complaint is true, accurate and complete to the best of my knowledge. Anonymous complaints will not be investigated.

Signature: _____ Date: _____

The Grand Jury is grateful for your participation. You will receive acknowledgment of your complaint after it has been reviewed by the Grand Jury. Because of statutory and confidentiality restrictions, the Grand Jury retains all complaints and attachments thereto in accordance with its policies and procedures. The Grand Jury does not discuss the status of complaints nor offer advice on how to pursue a complaint by any other investigatory body.

Email form to: info@fresnocograndjury.com
or
Mail form to: Fresno County Civil Grand Jury
P.O. Box 2072
Fresno, CA 93718

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FRESNO COUNTY GRAND JURY FINAL REPORTS AND RESPONSES 2016-2017

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|------------------------|--|
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| <u>REPORT 2</u> | ❖ FRESNO POLICE DEPARTMENT'S TRAINING ON THE USE OF FORCE |
| <u>REPORT 3</u> | ❖ KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT - A FINANCIAL REVIEW |
| <u>REPORT 4</u> | ❖ FACILITY SERVICES DIVISION:
THE PERCEPTION OF OVERCHARGING |
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REPORT & RESPONSES # 1

PLEASANT VALLEY STATE PRISON



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Pleasant Valley State Prison

Fresno County Grand Jury Report No. 1

“Today’s inmate is tomorrow’s neighbor.”

Ralph Diaz, Deputy Director of Adult Institutions

SUMMARY

In compliance with California Penal Code, section 919 (b), the grand jury must inquire into the condition and management of the public prisons within the county. The 2016-2017 Fresno County Grand Jury conducted its annual inquiry of the Pleasant Valley State Prison (PVSP) on September 7, 2016. The grand jury was received with hospitality by prison officials on a guided tour, providing information and answering all questions.

A three-hour inspection included administrative areas, grounds, the interior and exterior of one inmate housing unit, the library, kitchen, in-patient medical facilities and outpatient medical, dental, and pharmacy facilities. The PVSP staff was pleasant and professional, freely answering all questions. The grand jury observed a new cell scanner used to assist detection of cell phones and other contraband. The grand jury also observed a certified scent dog trained to detect narcotics. Morale appeared to be high among all staff encountered.

While on tour, the grand jury heard several staff echo the words of Deputy Director of Adult Institutions, Ralph Diaz (quoted in Rehabilitation Today, May 2015), who said. “Today’s inmate is tomorrow’s neighbor.” The grand jury conducted subsequent interviews with staff to inquire about implementation of this prescribed attitude toward inmates. Mental Health and Substance Use Programs, Vocational Programs, and Reentry Programs were focused upon.

GLOSSARY

Level I: facilities and camps consist primarily of open dormitories with a low security perimeter.

Level II: facilities consist primarily of open dormitories with a secure perimeter, which may include armed coverage.

Level III: facilities primarily have a secure perimeter with armed coverage and housing units with cells adjacent to exterior walls.

Level IV: facilities have a secure perimeter with internal and external armed coverage and housing units or cellblock housing with cells non-adjacent to exterior walls.

ACA: American Correctional Association

CCCMS: Correctional Clinical Case Management

Co-occurring Disorders refers to inmates who have both a mental health diagnosis and a substance use disorder diagnosis.

CDCR: California Department of Corrections and Rehabilitation

CEC: Community Education Centers

DSM: 5: Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition

IFC: Inmate/Family Council

MCRP: Male Community Reentry Program

OIG: Office of the Inspector General

PREA: Prison Rape Elimination Act

PVSP: Pleasant Valley State Prison.

SAMHSA: Substance Abuse and Mental Health Services Administration

SUDT: Substance Use Disorder Treatment

BACKGROUND

Pleasant Valley State Prison (PVSP) was constructed in 1993 and opened in November of 1994. It is located at 24863 W. Jayne Ave., Coalinga. It is one of 32 California State prisons for men, operated by the California Department of Corrections and Rehabilitation (CDRC).

PVSP is a Medium to High security Level III institution. Long-term housing and professional services are provided for inmates of all custody levels. These services include education, career technical skills training, college courses, work programs, general education development course-work (GED), mental health and substance abuse treatment.¹

It should be noted that in 2016, PVSP received an American Correctional Association accreditation score of 99.3, the highest ACA accreditation given to any prison in the state. PVSP was one of only two facilities in California to have its medical services achieve a rating of

¹ For further descriptive information on programs offered, staffing, and the PVSP budget for 2017, see their website, listed in the Bibliography.

“Proficiency,” the state’s highest rating possible from an audit by the Office of the Inspector General. Medical charting is being transitioned to an electronic medical record system. Staff anticipate the transition being completed sometime in May 2017.

METHODOLOGY

Interviews followed guidelines established by the California Grand Jurors Association and focused on the institution’s budget, which includes Custody (Program 25), Inmate Support (Program 27), and Administration (Program 29). Education, Mental Health, and Substance Use funding are under the auspices of the Division of Rehabilitative Services.

PSVP was re-visited on Friday, November 4, 2016, and again on January 20, 2017.

During these visits, the grand jury interviewed members of the leadership team from administration, medical services, correctional officers, program supervisors, and a teacher.

Additionally, a PVSP Inmate/Family Council Meeting was observed.

The grand jury reviewed the following documents provided by PVSP staff:

- Brochure on PVSP, produced by the California Department of Corrections and Rehabilitation, published September 6, 2016. “Celebrating over 21 Years of Excellence in State Service”;
- Forensic Psychological Autopsy for an inmate who committed suicide;
- Quality Improvement Plan, as recommended by the aforementioned;
- Mental Health Service Delivery System Program Guide, 2009;
- Minutes from a PVSP Inmate/Family Council Meeting, and the PVSP IFC Agenda;
- Rehabilitation Today, Volume 3, Issue 6 May 2015; and,
- A list of classes and groups offered to inmates in the SUDT program.

DISCUSSION

MENTAL HEALTH AND SUBSTANCE USE SERVICES

Mental health services are mandated by law to focus in certain areas, primarily suicide prevention, treatment of schizophrenia, psychotic disorders, depressive disorders, and bipolar

disorders. (2009 Mental Health Services Delivery System Program Guide). Treatment is offered to inmates with other disorders, such as posttraumatic stress disorder and anxiety, among others. However, according to those interviewed, substance use was not a mandated focus of mental health services in the department of corrections, unless a psychotic reaction was caused. A separate system for Substance Use Disorder Treatment (SUDT) is provided through the state contracting with a private vendor, Community Education Centers (CEC). Inmates have a variety of programs and classes they can attend through this system, which was doubled as of January 2017, according to several authoritative persons in varying administrative and treatment positions.

According to high-ranking administrative people, recruiting licensed psychologists to work at PVSP has been difficult. There has not been difficulty filling positions in social work nor the SUDT program.

PVSP has an Enhancement Program for inmates who want to make changes in their lives by leaving gang membership and ending their involvement with illegal drugs. They are rewarded for making these changes in a variety of ways, including improved living conditions, commissary privileges, and possibly reduced time in prison.

Several leaders in administration, mental health treatment, and substance use disorder treatment programs agreed that on a case-by-case basis, they were able to refer inmates to each other's programs as needed. They further agreed that inmates prefer to seek substance use treatment because there is more of a stigma about seeking mental health treatment, which was viewed as weakness by other inmates, especially those affiliated with a gang.

The grand jury did not find evidence of the following:

- Mental health and substance use disorder staff engaging in co-occurring treatment planning for inmates who suffer from both substance abuse problems and mental health problems.
- Systematic efforts to diffuse the stigma among inmates about seeking mental health treatment.
- Mental health staff and substance use disorder staff attending treatment team meetings together in order to best coordinate treatment.

Experienced staff from the mental health program and SUDT program indicated that as many as 80% of inmates who have a mental health problem also have a substance use problem.

Experienced staff also indicated some with Substance Use Disorder problems may also have a mental health problem. One staff member went as far as to say that mental health problems "were not allowed" in the substance use program because of "gang politics".

According to the Diagnostic and Statistical Manual of Mental Disorders (DSM-5), there is a very high chance of people with schizophrenia, psychotic disorders, and bipolar disorders also having problems with one or more substances of abuse. There is also a high probability of people with substance use disorders having mental health problems.

PRISON RAPE ELIMINATION ACT

When administrative staff was questioned about PVSP compliance with PREA (Prison Rape Elimination Act), it was stated that protocols for being in compliance were in place and a pre-audit would probably be conducted in 2018.

REVIEW OF PSYCHOLOGICAL AUTOPSY

A forensic psychological autopsy was produced by members of the California Correctional Health Care Services Statewide Mental Health Program in order to review the death of an inmate who committed suicide at PVSP. A 20-page memorandum providing an executive summary of the suicide report was sent to PVSP administration, which reported facts discovered during the review and recommendations for preventing future suicides.

Overall, the psychological autopsy was very thorough and offered the following recommendations: 1) clinicians review recent treatment plans for every new patient; and, 2) adhere to the treatment plan's goals and interventions or document a rationale for any changes. All clinicians receive training on treatment plan writing and submit documentation to the Chief of Mental health and the Chief Executive Officer to confirm compliance with the recommendation.

In the summary report regarding the inmate who committed suicide, it was found that he had been referred for weekly therapy by his therapist, who died before this treatment plan could be implemented. According to institutional standards of care, the treatment plan should have been followed as written, or changed by a new therapist with a rationale for the change provided. He was not seen for about two months after the unfortunate death of this therapist. Reasons for the delay were not provided.

Although not required by the autopsy review staff, a Treatment Plan Focused Improvement Team was created by the PVSP mental health staff to increase continuity of care and concordance between diagnosis and discharge planning. Monthly work groups were scheduled to assist clinicians in creating realistic, individualized, specific, measurable, and timely treatment goals. This process has begun and will be continuous.

VOCATIONAL TRAINING PROGRAM

PVSP currently offers nine credentialed vocational training classes: small engine repair, building maintenance, carpentry, electronics, auto body, welding, and two office services classes. The class on heating, ventilation and air conditioning will be resumed this year. There are waiting lists for some classes with welding having the most demand.

Instructors hired must be credentialed and have at least five years working in the industry. Instructors are required to complete yearly training to maintain their industry credentials. Also, instructors participate in monthly training for managing custodial emergencies.

Vocational training is an important part of the PVSP mission; however, there was no attempt to track released program graduates to determine their success in obtaining jobs with their new skills. There were no relationships with businesses that would aid the hiring of program graduates.

The Department of Corrections' budget numbers combines academic and vocational programs. Of its combined \$5,000,000 total, it is not clear how much is allocated to each of the aforementioned. Most of the budget is allocated for salaries and of the vocational classes, welding has the biggest equipment and supply costs.

In addition to the aforementioned, a program called Five Ventures was introduced to inmates to instruct them in starting a business of their own upon release. This includes instruction about how to develop a business plan and goals, mission statements, and finding funding sources. Inmates presented their work to local business leaders in a contest and a cash prize was awarded to the winner. This program was described by staff as practical, innovative, and very popular among inmates.

Administrative leaders spoke about an innovative program in the process of being developed. A correctional staff member has voluntarily found an east coast group of owners of retired racehorses. They are willing to pay for sending horses to PVSP for training on how to become riding horses instead of racehorses. Inmates will be trained for the skills needed in caring for and re-training the horses. A local rancher may help house the horses and may be willing to hire some inmates who succeed in this program. Administration is attempting to obtain Proposition 57 "credits" to motivate inmates to take this training. These credits could help an inmate shorten his stay and improve his living conditions while serving time.

REENTRY PROGRAMS

Incarceration is a crisis for the entire family as well as for the inmate. Numerous articles (see bibliography) document the importance of inmates maintaining contact with family during incarceration and upon reentering society in order to prevent recidivism.

PVSP provides the following reentry programs:

Male Community Reentry Program: Male Community Reentry Program (MCRP), which assists participants in successfully reentering their communities through referral to local resources. This program is offered to inmates in the substance use program who will be on parole and are six months away from their release date. Ankle bracelets must be worn upon release. According to the CDCR newsletter, *Rehabilitation Today*, dated May 2015, MCRP programs will primarily focus on inmates with co-occurring disorders. The goal of MCRP programs is to assist participants in successfully reentering their communities. MCRP programs will link participants with community-based services designed to provide assistance with education, employment, medical needs, mental health and substance abuse problems, family reunification, housing, and social support.

Family Liaison Service Specialist: There was a Family Liaison Service Specialist position, which was not filled at the time this report was written. Recruitment is underway. This position will be contracted through a community-based organization (Friends Outside) and will provide services to all inmates, and families. These services include: “pre-release planning to create a plan which addresses needs such as employment, health-care, housing, education, and other community connections; communication with support systems; parenting classes; creative conflict resolution; and resource and referral.” (See bibliography)

Visitor Center: There is a Visitor Center contracted through Friends Outside whose primary purpose is to remove barriers and facilitate family visiting. The Visitor Center provides childcare, transportation (between the prison and local transportation), appropriate clothing, information and resources, and a restful and welcoming place to stop for a moment before and after visits.” (See bibliography) It is located near the parking lot, and open Saturday and Sunday for visitors, and available for questions on Wednesday from 9 to 1.

Substance Use Program: The Substance Use Program had a Licensed Clinical Social Worker, who offered transition services to inmates being released on parole to their respective communities. The services included three reentry programs: one was five days a week for six months; one was five days per week for five months, the final one was three days per week for three months. Although inmates being released on probation were not within the scope of this program, this Transition Social Worker attempted whenever possible to work with local probation departments to provide services to inmates returning to that community. However, several high-ranking administrative staff and treatment staff stated more resources for reentry exist for inmates on parole than for those on probation.

Community Resource Staff: There was a Community Resource Staff person at PVSP who coordinates volunteer services within the prison. These services include, but were not limited to, Alcoholics Anonymous, Narcotics Anonymous, and church ministries. There was a plan for a church ministry to start a “Jump on the Bus” program, which would help children visit their

fathers while still in prison.

AB109 Supervision: With the implementation of AB109 (October 2011), county Probation departments become responsible for supervision of certain inmates upon release from prison which includes current non-violent, current non-serious (irrespective of priors) and some sex offenders. (See Bibliography.)

Additional Rehabilitation Efforts: The Fresno Bee printed an article in the January 30, 2017, edition stating, “CDCR AWARDS \$14.5 MILLION FOR REHABILITATION EFFORTS”. PVSP was listed as one prison to receive \$3 million per year for three years. PVSP administration indicated this Fresno Bee article was misleading. In fact, this was apparently part of a federal grant, not out of the state general fund, and the money does not come directly to PVSP. Two separate organizations applied for the grants and obtained them for programs to be at PVSP. Defy Ventures and Prison of Peace were the two organizations, both of whom were independent companies that will be starting at PVSP in early 2017. They will be developing programs to improve rehabilitation efforts. Hopefully, they will focus on helping inmates and families with reunification issues.

FINDINGS

F1. There was no evidence of combined staff meetings between mental health staff and substance use staff for co-occurring disorders treatment program planning, which is in conflict with MCRP goals and best practice recommendations by SAMHSA.

F2. Several staff, from both mental health and substance use programs, report inmates find substance use services less stigmatizing than mental health services, though they may suffer from both. No programs for diffusing this stigmatizing were found.

F3. The substance use disorder treatment program has doubled in number of slots for inmates to receive services, as of January 2017, but no method for assessing program effectiveness has been established. Assessment of program effectiveness would be useful for future treatment programming.

F4. The inmate who committed suicide went two months without seeing a therapist following the sudden death of his primary therapist. He should have been seen immediately after the sudden loss of this significant person in his life and the treatment plan should have been followed or revised by a new therapist.

F5. There is significant emotional turmoil for inmates and their families during incarceration and release from prison. Programs for decreasing this turmoil and helping inmates and families reunite are lacking, especially for those on probation compared to those on parole.

F6. Recruiting psychologists continues to be a challenge and the process could be improved. Other mental health and substance use positions appear to be filled in a timely manner and are close to being fully staffed (such as psychiatry, social work, substance abuse counselors).

F7. The grand jury commends PVSP on its ACA rating of 99.3 and OIG rating of Proficiency. We also heard many staff say PVSP was the best correctional institution where they had worked.

F8. The grand jury commends the PVSP Mental Health Team for starting the Treatment Planned Focused Improvement Team, which was beyond what was recommended by the Psychological Autopsy Report recommendations.

F9. The grand jury commends PVSP on the development of innovative programs such as the Five Ventures Program and exploring the possibility of the Race Horse Rehabilitation Program.

F10. The grand jury commends PVSP on the implementation of the Inmate/Family council meeting. Members of this council publicly praised the Warden and his team for supporting the success of this forum.

RECOMMENDATIONS

R1. The grand jury recommends monthly program planning and treatment planning meetings with staff from both mental health and substance use programs. More programs for inmates with co-occurring Disorders is indicated. Joint programming should also focus on defusing the stigma associated with seeking mental health services.

R2. The Community Education Centers should provide a method of program evaluation to assess intervention effectiveness. We recommend the Warden request this from CDCR and CEC, in writing, within one month of receiving this report.

R3. Increased training for all staff on triggers for self-injurious behavior, including death of a significant other. This would include staff members with whom an inmate has a relationship or rejection by a significant other. Quarterly reminders for re-training would be useful, as the current training once per year appears ineffective.

R4. Add more social workers with case management experience to improve successful reentry of inmates to society, especially those to be released to probation. This should be available to all inmates, to be released to parole or to probation.

R5. Increase communication between Fresno sheriff's department, probation department, and PVSP social workers. The focus needs to be on making inmate's reentry to Fresno County more effective, linking inmates and their families with Fresno County resources, especially for those

on probation.

R6. Explore the possibility of using telecommunications to hire mental health workers in difficult to fill positions, such as psychologists.

R7. Explore the possibility of obtaining a grant-funded program to use video conferencing to promote family reunification for all inmates while incarcerated.

REQUEST FOR RESPONSES

Pursuant to Penal Code 933(c) and 933.05, the Fresno County Grand Jury requests responses to each of the specific findings and recommendations from the Warden and Medical CEO within 90 days of receipt of this report.

Reports issued by the grand jury do not identify individuals interviewed. Penal Code, section 929 requires that reports of the grand jury not contain the name of any person or facts leading to the identity of any person who provides information to the grand jury.

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DISCLAIMER

This report was issued by the grand jury with the exception of a juror who was excluded from all parts of the investigation, including interviews, deliberations, and the writing and approval of this report due to previous social contacts with a member of the PVSP administration.



September 6, 2016

Celebrating over 21 years of Excellence in State Service

Welcome, Pleasant Valley State Prison was constructed in 1993 and opened in November 1994. PVSP provides modern long-term housing and professional services for inmates of all custody levels. While maintaining the highest public safety security protocols, education and career technical skills are offered to inmates through our academic classes, college courses, career technical education and work programs in order to create viable job skills that are marketable in today's workforce. Our goal is to provide modern rehabilitative services to the inmate population while developing life and social skills to those preparing to reintegrate back into society. We provide over a dozen different self-help and religious programs and are supported by over 205 volunteers. Our current Inmate population is 3,269. We are a Medium to High security Level III institution. In 2015 we began our 3 year phased construction program which will bring expansion and remodeling to our facility clinics, Correctional Treatment Center and we'll be adding a new institutional pharmacy and medical clinic for our Short Term Restricted Housing unit. This year we received our American Correctional Association accreditation score of 99.3 the highest ACA accreditation in the state, in addition to undergoing our 4th cycle Office of Inspector General medical audit to return the control of medical care back to PVSP. The results of this report will be out in late October 2016.

- Level-III is defined as inmates with a classification score of 29-60 points. Points are given for length of sentence, prior criminal behavior, age at first arrest, bad behavior, etc. Points are removed for good behavior and positive education/work performance.
- This year we will be beginning a youthful offender program which assesses offenders under the age of 22 allowing CDCR to classify them at lower levels, in order to give them greater access to programs and increase the likely hood of rehabilitation.
- We have 2 General Population (GP) facilities and 2 Sensitive Needs Yards (SNY).
- These 4 facilities house approximately 700-800 inmates within 5 '270 design' units.
- We also have a Minimum Support Facility which houses approximately 125 inmates that are minimum custody and provide services to local Cal Trans Crews, Warehouse, Garage, Landscaping, Recycle, Water Treatment, Administration Bldg/Visiting.
- We have one of the state's first *Short Term Restricted Housing* units which provides increased security and therapy for those inmates suffering from mental illness and who have demonstrated felonious, violent or aggressive behavior or have safety concerns while incarcerated.
- Our Correctional Treatment Center provides assisted medical care living and can house 15 inmates/patients. The CTC also provides Mental Health Crisis Beds.
- We have a Fire House that employs 1 Fire Chief, 5 Fire Captains, and up to 8 inmate Firefighters that serve PVSP and provide *mutual aid* to the local community.
- PVSP currently provides 9 Career Technical Education programs, 13 Academic classes and 4 Voluntary Educational Programs consisting of college courses serving 1400 inmates. These courses have achieved an enrolment rate of over 90% with a utilization rate of 80%.
- In July 2014 we opened a Substance Abuse Treatment program treating 144 inmates with enrolment exceeding 95% since introduction.

PVSP's budget for 2016-2017 is \$139,994,970 million dollars.

- PVSP spends approximately \$10,206 a day on inmate food; 3 meals (2 hot and 1 cold) a day @ \$3.19 per inmate for an annual cost of \$3,725,312; one of the lowest in the state
- Our average utility bill is \$255,580 per month (electricity, gas, water, sewage, garbage)
- Our inmate Education/CTE budget is approximately \$4,631,229
- We spend \$13,486 a month on gasoline and maintain approximately 150 vehicles.
- PVSP issues each inmate \$200 upon parole to re-start his life, at a cost of \$11,600.

We currently employ approximately 1,259 staff: Approximately 795 Custody staff, 231 Non-custody staff, and 224 Medical staff. 40% of our staff are from Fresno County, 35% are from Kings County, 17% are from the local community (Avenal and Coalinga), 5% from Tulare County, and 3% are from other areas.

Scott Frauenheim, Warden

DIVISION OF ADULT INSTITUTIONS**PLEASANT VALLEY STATE PRISON**

Post Office Box 8500
Coalinga, California 93210



July 11, 2017

The Honorable Kimberly Gaab
Presiding Judge
Fresno County Superior Court
1100 Van Ness Avenue
Fresno, California 93724-0002

Dear Judge Gaab:

**FRESNO COUNTY GRAND JURY FINAL REPORT NO. 1:
PLEASANT VALLEY STATE PRISON**

We have received the Fresno County Grand Jury's 2016-2017 Report #1 regarding Pleasant Valley State Prison (PVSP). Thank you for the time and effort that the Grand Jury put into understanding the mission of PVSP. The following information is submitted in response to the Fresno County Grand Jury's 2016-2017 Report #1, regarding PVSP.

FINDINGS

- F1 There is no evidence of combined staff meetings between Mental Health staff and substance use staff for co-occurring disorders treatment program planning, which is in conflict with Male Community Reentry Program (MCRP) goals and best practices recommendations of the Substance Abuse and Mental Health Services Administration (SAMHSA).

The respondent DISAGREES. After a review of the SAMHSA website guidelines, SAMHSA is working to build a behavioral health system that enables Americans to find effective treatments and services in their communities for mental and/or substance use disorders. This is a community based program whereas; the Substance Use Disorder Treatment (SUDT) is a prison program. Neither program detracts from the other and would seem to provide in prison and after prison services. The MCRP is a program ran outside the prison that attempts to reintegrate the inmates back into society and prepare them for their release from prison.

Although it is true that there are no official combined meetings between SUDT staff and Mental Health staff in treatment goals, Mental Health provides a regular Interdisciplinary Treatment Team (IDTT) meeting with each Mental Health inmate to develop a treatment plan for the inmate's benefit. The inmate's assigned Correctional Counselor is a part of this process. If at the IDTT it is determined the inmate has a history of substance abuse, the inmate is placed on a waiting list for the SUDT program, including Family Relations, Anger Management and Criminal

Thinking classes. Although PVSP does not have that specific co-occurring program, the SUDT staff does have an open line of communication with Mental Health should they feel an inmate in the SUDT program needs Mental Health services or vice versa. Inmates have been referred between disciplines on several occasions. As far as the combined treatment planning for Correctional Clinical Case Management System (CCCMS) level of care Mental Health inmates with substance abuse issues, there is a designated program for that at the California Substance Abuse Treatment Facility and State Prison at Corcoran (CSATF). It is a co-occurring disorders treatment program specifically for Mental Health inmates that also need SUDT.

- F2 Several staff, from Mental Health and substance use programs, report inmates find substance use services less stigmatizing than Mental Health services, though they may suffer from both. No programs for diffusing this stigmatizing were found.

The respondent AGREES. Inmates who meet the criteria are mandated to participate in the SUDT programming; while Mental Health inmates cannot be forced to participate in Mental Health services or medication, just the same as inmates can refuse any medical treatment. Certain Security Threat Groups (STG) politics within the prison gang culture strongly discourages inmates in their STG affiliation from receiving Mental Health services as a sign of weakness and is not tolerated. Even with this, however, Mental Health services are encouraged and constantly available to all inmates, even to those who are not Mental Health participants. Mental Health inmates are seen a minimum of every 90 days for one on one services with a Mental Health clinician. Inmates may also request to be housed on one of our two Sensitive Needs Yards, where this gang ideology is less prevalent.

- F3 The substance use disorder treatment program has doubled in number of slots for inmates to receive services, as of January 2017, but no method for assessing program effectiveness has been established. Assessment of program effectiveness would be useful for future treatment programming.

The respondent DISAGREES. In the past, new inmates to the SUDT program were assessed to determine their level of need for the program and treatment goals. Due to a new Contractor and new curriculum, new participants in the program will complete a Criminal Thinking Scale (CTS) assessment which looks at Entitlement, Justification, Power Orientation, Cold Heartedness, Criminal Rationalization and Personal Irresponsibility. The CTS scale assessment will be completed at admission and at discharge of the program which will be calculated and tracked.

- F4 The inmate who committed suicide went two months without seeing a therapist following the sudden death of his primary therapist. He should have been seen immediately after the sudden loss of this significant person in his life and the treatment plan should have been followed or revised by a new therapist.

The respondent DISAGREES. Statement is somewhat misleading. The casual reader might assume that the inmate was not seen for a period of time spanning the death of the therapist and the suicide of the inmate. To the contrary, the inmate was seen by a psychologist several times before his death. In fact, he was seen on a weekly basis because he was confined to Short-Term Restricted Housing following the issuance of a California Department of Corrections and Rehabilitation (CDCR) Rules Violation Report (CDC 115). The original treatment plan calling for weekly visits for an inmate in unrestricted housing was defective. The original clinician was a new contract employee and made a recommendation outside of the scope of the inmate's level of care. The inmate was designated at the CCCMS level of care. CCCMS inmates are seen quarterly. If the inmate required weekly visits, he would have been referred to Enhanced Out Patient level of care, or, at the very least, there should have been a clear explanation as to the frequency of treatment sessions in a CCCMS setting.

- F5 There is significant emotional turmoil for inmates and their families during incarceration and release from prison. Programs for decreasing the turmoil and helping inmates and families reunite are lacking, especially for those on probation compared to those on parole.

The respondent DISAGREES. PVSP offers video conferencing between an inmate ready for parole and his parole officer prior to release so a relationship is formed prior to release. Family members are allowed visits, overnight family visits, and family members are allowed to come and participate in graduation ceremonies for the inmate family member who has graduated with a General Education Development or high school diploma and other special occasions. PVSP offers Mental Health services, numerous self-help programs, including the SUDT, Family Relations, Criminal Thinking, and Anger Management Classes, Arts in Corrections, Music Programs, Inmate Leisure Time Activity Groups (ILTAG), Religious Services to prepare them for positive rehabilitation and integration back into society. The MCRP is available as well as the California Identification (CAL-ID) Card Program. CAL-ID is a collaborative effort between the CDCR and the California Department of Motor Vehicles to ensure all eligible inmates released from State prisons have a valid California Identification Card or Driver's License to assist with a successful transition to the community. Along with these is the Correctional Offender Management Profiling for Alternative Sanctions (COMPAS) which is utilized to assess inmates' needs while in prison. Committees review and consider the COMPAS assessment to place the inmate in the proper training, vocational or work assignment with his criminogenic risk and needs as determined by COMPAS. Assists in placing inmates in the most appropriate program to aid in the inmates' reentry to society and reduce the chance of re-offending. Finally, the California Static Risk Assessment (CRSA) uses current data from the California Department of Justice regarding criminal history that utilizes a set of risk factors which are the most predictive of recidivism. Scores 1-5, 1=lowest risk. Scores are utilized for

Reentry Programs and determining High Control Parole Releases per the California Penal Code (PC) 3060.7, Discharge Upon Completion of Term.

- F6 Recruiting psychologists continues to be a challenge and the process could be improved. Other Mental Health and substance use positions appear to be filled in a timely manner and are close to being fully staffed (such as psychiatry, social work, and substance abuse counselors).

The respondent AGREES. Recruiting psychologists and others to PVSP is a challenge, and so is retaining them. Two years ago, PVSP lost four Psychologists, two Social Workers, a Supervising Psychologist, and a Psychologist Specialist. Over the past year, however, PVSP lost only one Psychiatrist who retired. There are numerous factors involved in Mental Health staff retention, such as the remote location of the Prison, and no retention pay for staff (only prisons at very remote locations receive staff retention pay – PVSP is not one of them).

- F7 The grand jury commends PVSP on American Correctional Association Rating of 99.3% and OIG rating of Proficiency.

The respondent AGREES. PVSP staff works diligently in all areas of security, health care, Mental Health services, education and physical facilities to maintain a reputation for excellence. This was proven by these scores.

- F8 The grand jury commends PVSP Mental Health Team for starting the Treatment Planned Focus Improvement Team, which was beyond what was recommended by the Psychological Autopsy Report recommendations.

The respondent AGREES. The Mental Health staff at PVSP takes its mission seriously. Any idea for improved performance, whether it is just a thought, a suggestion, or a mandate, will be evaluated and enacted as appropriate.

- F9 The grand jury commends PVSP on the development of innovative programs such as DEFY Venture Program and exploring the possibility of the Race Horse Rehabilitation Program.

The respondent AGREES. PVSP has forty-four (44) ILTAGs. Currently, PVSP was granted a third round of innovative grant programs: Defy Ventures, Prison of Peace, and Buddhist Pathways (mindful meditation). PVSP just completed the grant session with Arts in Corrections African Drumming, Music Guitar, and Abstract Art. PVSP has again been included in the grant for Arts in Corrections. There are 214 volunteers currently and 115 religious and ILTAG programs running within the Prison on a weekly basis. The Community Resource Manager (CRM) has been meeting with the Correctional Officer (C/O) who is trying to get the horse program off the ground. There is grant money available which the C/O has been keeping the CRM informed of the grant writing process. If PVSP is successful, the horse program will hopefully fall under an ILTAG rehabilitative program.

- F10 The grand jury commends PVSP on the implementation of the Inmate Family Council (IFC) meeting. Members of this council publicly praised the Warden and his team for supporting the success of this forum.

The respondent AGREES. The excellent working relationship between PVSP administrative staff and members of the IFC has assisted in resolving issues, dispelling inmate family misconceptions of Prison conditions and fostered goodwill and positive communication among Prison staff and inmate families.

RECOMMENDATIONS

- R1 The grand jury recommends monthly program planning and treatment planning meetings with staff from both Mental Health and substance use programs. More programs for inmates with co-occurring disorders are indicated. Joint programming should also focus on diffusing the stigma associated with seeking Mental Health services.

See response to Findings #1. The SATF has a designated co-occurring program. The PVSP SUDT and Mental Health disciplines have good communication in referring inmates to the other disciplines for assistance.

- R2 The Community Education Centers should provide a method of program evaluation to assess intervention effectiveness. We recommend the Warden request this from CDCR and CEC, in writing, within one month of receiving this report.

The PVSP Correctional Counselor series works closely with other disciplines in assessing all inmates' files to assess and determine the most effective programming opportunities available for successful programming and eventual reintegration back into society upon parole. PVSP works with the Office of Correctional Education, the Department of Rehabilitative Programming, Paroles and Probation Division, Department of Health Care Services and the MCRP to offer sufficient programs, services, educational and vocational opportunities, Mental Health intervention, medical services, ILTAG groups, self-help and religious programming to place the right inmate in the right program and the right location to increase the effectiveness of parole success and family reunification.

The only known Community Education Center is located in Los Angeles County, and is a program facilitator for inmates wanting to parole to a program in Los Angeles County. This is a private entity. The CDCR as part of the Department of Rehabilitative Programming and Paroles has the MCRP that works in the same fashion.

- R3 Increased training for all staff on triggers for self-injurious behavior, including death of a significant other. Quarterly reminders for re-training would be useful, as the current training once per year appears ineffective.

The Mental Health staff at PVSP undergoes constant training in suicide prevention in the form of monthly committee meetings, monthly statewide tele-casts, regional workshops, and in-house discussions. However, success in predicting and preventing suicides remains elusive. Also, PVSPs In-Service Training Department added a training module for "Staff Suicide Prevention" as there has also been an increase in staff suicides departmentally within the last decade.

- R4 Add more social workers with case management experience to improve successful reentry of inmates to society, especially those to be released on probation. This should be available to all inmates, to be released to parole or probation.

PVSP has a social worker who is responsible for inmates who are eligible to reinstate Supplemental Security Income and to sign them up for medical services. Adequate staffing on all levels and disciplines is a constant topic within the Department according to the State budget and fiscal responsibility.

PVSP, as well as other CDCR prisons assess inmates who will be paroling to parole supervision. We identify those inmates' criminogenic needs, which allow us to pair them with resources once they parole.

- R5 Increase communication between Fresno Sheriff's Department, Probation Department, and PVSP social workers. The focus needs to be on making inmate's reentry to Fresno County more effective, linking inmates and their families with Fresno County, especially for those on probation.

CDCRs Division of Rehabilitative Programs (DRP) manages adult inmate and parolee rehabilitative programs. DRP offers Community Reentry Services that provide comprehensive post-release rehabilitative programs and services located in communities throughout the State of California, delivered through residential, outpatient and drop-in centers. These programs focus on: Substance Use Disorder Treatment, housing, life skills, family unification, education, employment assistance and placement. DRP services in Fresno County include Day Reporting Centers (DRC) and Community-Based Coalition (CBC) which address a parolee's needs through assessment and placement in designated classes and supportive services. Other DRP services in Fresno are Computer Literacy Learning Center Program (CLLC), a computer-assisted instructional program designed to increase the literacy skills of parolees and Residential Multi-Service Centers (RMSC), certified substance abuse treatment facilitates, licensed by the Department of Healthcare Services.

- R6 Explore the possibility of using telecommunications to hire Mental Health workers in difficult to fill positions, such as psychologists.

Telemedicine is already in place at PVSP to assist in specialty areas for medical and psychiatric staff that are not available within the Prison. As mentioned earlier,

hiring Mental Health workers is difficult and to fill positions is a challenge, but it is only part of the equation. Over the past year, PVSP has filled all of the Mental Health Social Worker positions, all Psychologist Specialist and Supervisory positions, and all but one of the Psychologist positions. Retaining these professionals in their jobs is now the bigger challenge. Recruitment of Psychiatrists remains problematic.

- R7 Explore the possibility of obtaining grant-funded program to use video conferencing to promote family reunification for inmates while incarcerated.

Reunification efforts at PVSP include inmate phone calls, letter writing, visits and overnight family visiting to all inmates who meet the criteria. Numerous self-help groups, ILTAG's, anger management classes, educational and vocational trades are offered for inmates to change their attitudes and behaviors, educational opportunities for better family relationships and a more successful reintegration into society upon parole. Kiosks and video graham programs are currently being piloted at the CSATF as well as Kern Valley State Prison to further enhance family reunification. If these pilot programs are found successful, they will be instituted to other prisons.

I would like to take this opportunity to acknowledge and thank the Grand Jury for their time and interest in improving our facility. State prisons are incredibly complex operations, and I believe a tremendous effort has been put forth to understand the complexities and to assist us in every way possible. The Grand Jury was extremely thorough and engaged staff and inmates; as well as conducting physical plant inspections and record reviews to make their assessment.

If you have any questions or require additional information, please contact me directly, at (559) 935-4950; or, Katherine Cruz, Administrative Assistant, at (559) 935-4972.

Sincerely,


SCOTT FRAUENHEIM
Warden
Pleasant Valley State Prison

cc: Scott Kernan, Secretary
Ralph Diaz, Undersecretary, Operations
Kathleen Allison, Director, Division of Adult Institutions (DAI)
Connie Gipson, Deputy Director, Facility Operations, DAI
Felix Vasquez, Associate Director, General Population Male, DAI
Pascual Lopez, Foreman, 2016-2017/Fresno County Grand Jury

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REPORT & RESPONSES #2

FRESNO POLICE DEPARTMENT'S TRAINING ON THE USE OF FORCE



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FRESNO POLICE DEPARTMENT'S TRAINING ON THE USE OF FORCE

Fresno County Grand Jury Report No. 2

No man ever reached to excellence in any one art or profession without having passed through the slow and painful process of study and preparation.

-Horace, Roman lyric poet

SUMMARY

A complaint was received expressing concern about officer involved shootings and possible insufficient training in de-escalation techniques versus use of a weapon.

An inquiry was undertaken, which included review of policies and procedures, training manuals, and general Internet research. In addition, the grand jury interviewed multiple Fresno Police Department officers and one citizen who has consulted with the Fresno Police Department on numerous occasions. The grand jury found all interviewees to be open, willing to share documents requested, and pleasant in the interview process.

The grand jury inquiry of the Fresno Police Department focused on the following areas:

- Review of the Fresno Police Department's policy for use of force.
- How the department responds to incidents leading to death.
- Determine the frequency of these events.
- Determine whether officers followed the provided training and department policies.
- Additional training that may be introduced.

The purpose of this inquiry was to review Fresno Police Department's use of force training and its implementation. The inquiry focused on the following: whether adequate training is provided to avoid officer involved shooting (OIS), whether officers follow the provided training, and what additional training might be necessary.

This inquiry found the training provided by the Fresno Police Department meets all professional standards however; it may not be sufficiently utilized.

GLOSSARY

CFS: Calls to the Fresno Police Department for service.

COPS: Community Oriented Policing Services: A component of the U.S. Department of Justice responsible for advancing the practice of community policing by the nation's state, local, territorial and tribal law enforcement agencies through information and grant resources.

EAP: Employee Assistance Program is provided at no charge to employee to promote employee health and wellbeing. EAP is an assessment, short-term counseling, and referral service.

FCC: Fresno Community College Police Cadet Training Program provides mandatory state requirements where cadets receive academic and physical conditioning.

FPD: Fresno Police Department.

FPOA: Fresno Police Officers Association: A union representing all police officers' interests in their employment.

FTO: Field Training Officer: an experienced officer responsible for the training and evaluation of a cadet.

IA: Internal Affairs Division investigates infractions of police department policy to determine a basis for appropriate administrative response.

Mat Room: A room with large thick mats used for police defensive training.

MOU: Memorandum of Understanding: an informal contract.

OIS: Officer Involved Shootings: where an officer discharges his weapon upon another person.

OIR: Office of Independent Review: Responsible for ensuring complaints about the conduct of FPD are thoroughly investigated to enhance community trust.

POST: California Commission on Police Officers Standards and Training.

RTC: Regional Training Center: provides training to police personnel.

RTCC: Real Time Crime Center: serves as a central control platform to provide officers instant information while responding to calls for service.

UOF: Use of Force: the amount of effort required by police to compel compliance by an unwilling subject.

RCTB: Roll Call Training Bulletin: online training software that disseminates training information to officers in the field and obtains acknowledgement of receipt.

BACKGROUND

FRESNO POLICE DEPARTMENT MISSION

The men and women of the Fresno Police Department are dedicated to serving our community with honesty, compassion, and respect as we keep our citizens safe. We do this by preventing citizens from becoming victims of crime or being in a traffic collision. This is our highest priority. We are also committed to providing excellent service in those areas that are valued most by our citizens. We have a desire to live. Above all else, we must maintain the trust of our community. This five letter word is the

foundation of every law enforcement agency. (City of Fresno Police Department website.)

FRESNO POLICE DEPARTMENT DEMOGRAPHICS

Fresno Police Department's area of influence is 104.8 square miles with a 2010 census population of 485,298 (U.S. census). Fresno County Economic Development Corporation estimates the 2016 population at 520,453.

FPD's 2017 Budget includes a total of 801 authorized sworn positions, while the budget funds 799.15 sworn full time equivalent. The difference between the authorized and full time equivalent results is due to the 11 new sworn positions planned to be filled under a staggered hiring process during the first half of FY 2017. It should be noted that the 801 authorized sworn positions includes 15 Cadet II positions. The total "truly" authorized sworn positions total 786, net of 15 Cadet IIs. (City of Fresno website/finance.)

As of December 2016, there were 741 officers on duty for the 786 sworn positions approved by the Fresno City Council: one chief, four deputy chiefs, seven captains, 20 lieutenants, 78 sergeants, and 631 police officers. (Transparent California.)

The department's 2017 budget of \$166,878,500 supports five locations: Central headquarters and four outlying field substations: Northeast, Northwest, Southeast, and Southwest. Also, 813 vehicles, two helicopters, one airplane, and 14 K-9 units. (Fresno Police Department website.)

By definition, law enforcement positions are sworn and non-sworn. Sworn officers carry firearms, a badge, have arrest power, and graduate from an accredited law enforcement academy. Non-sworn officers do not have at least one of the requirements mentioned above, and may include positions as criminal analysts, crime scene technicians, and crime lab. (Fresno Police Department website.)

OFFICER INVOLVED SHOOTINGS

In 2016 in the City of Fresno, there were eight officer involved shootings where an officer discharged a weapon at another person. IA files ruled six OISs were within policy; one was not within policy and the officer was disciplined, and one remains under investigation. From 2013 to 2016, there were 34 officer involved shootings within the City of Fresno. (Fresno Police Department IA report.)

REVIEW BY	YEAR	OIS	WITHIN POLICY	NOT WITHIN POLICY	EXONERATED Reasonable Under Circumstances	PENDING
FPD	2013	10	10			
OIR			9		1	
FPD	2014	8	8			
OIR			8			
FPD	2015	8	7			1
OIR			8			
FPD	2016	8	6	1		1
OIR			6	1		1
TOTAL		34				

METHODOLOGY

The grand jury read the complaint and began its inquiry by asking the Fresno Police Department (FPD) for the requirements to become a police officer in Fresno. A copy of the police department's policies and procedures was provided to the grand jury, including training outlines. Interviews were conducted with members from all levels of the FPD, officers in charge of the Regional Training Center (RTC), and a spokesperson from the Fresno Police Officers Association (FPOA). The grand jury also interviewed a member of the community who is knowledgeable and involved with police activities.

Visits were made to the RTC, the FPD Headquarters Real Time Crime Center (RTCC), along with the call and dispatch centers. Documentation relating to officer involved shootings was requested from the Internal Affairs Division (IA) and visits were made there to obtain additional information available to the grand jury under Penal Code, section 832.7(a). Statistical data in the form of quarterly reports - 2014 through 2016 - from the Office of Independent Review (OIR) were provided for review. General Internet research was conducted.

The grand jury reviewed the following documents:

- Fresno Police Department Policies and Procedures 300 through 384
- Fresno Police Department Office of Independent Review Quarterly Reports 2014 through 2016
- Fresno Police Department Training Policy 208
- Fresno Police Department Regional Training Center Training Outlines
- Fresno Police Department Reportable Response Resistance Project, First Quarter 2016
- Fresno Police Department Internal Affairs Statistical Reports/OIS
- Regional Training Center Course Outlines
- Individual Officer Training Report for one Officer
- Interviews with Officers and Community members

DISCUSSION

This section summarizes and reviews how officers are trained from time of hire through permanent assignment.

APPLICATION AND HIRING OF POTENTIAL OFFICERS

Sworn Police officers are drawn from the following sources: (Fresno Police Department website/personnel.)

Cadet I	In a training class of non-emergency services.
Cadet II	In training but a graduate of POST-approved academy.
Police Officer Recruit	Selected from Cadet list or Lateral application.
Laterals	Applicant with previous experience as sworn officer with a local governmental law enforcement agency.

Applicants interested in becoming a police officer with the Fresno Police Department must meet the minimum requirements outlined below.

Many prospective Fresno police officers first apply to the position of non-sworn police cadet. Candidates will complete time in service as a Cadet I and/or II. They must complete a California Commission on Police Officer Standards and Training (POST)-approved training academy, following which they may be promoted to the position of police officer recruit. Those who do not wish to participate in the cadet program are not required to do so, but are similarly responsible for completing an approved training academy and paying the required tuition themselves. At each stage of the process, applicants must pass the appropriate written exam, physical ability test, medical and psychological exams, background check, and interview(s). Police recruits receive formal field training to prepare them for promotion to the position of sworn officer. (Criminal Justice Degrees Schools website.)

Starting their career as a cadet, an officer has the opportunity to discover if police work is the right job for them. A police cadet will perform non-enforcement duties like traffic and parking control, guard and transportation duty for prisoners, and completing reports.

The cadet program lasts for a period of not more than 48 months, at which time, the individual is either promoted to police officer or is terminated.

Within budgetary parameters, the FPD will recruit the best candidates possible who are representative of the community in ethnicity and gender. Although the department will not

compromise standards to achieve minority recruiting goals, they will give special consideration to members of targeted (underrepresented) classes. (Fresno Police Department website/ Employment and Volunteer Services.)

The officer workforce has not returned to pre-recession levels; salaries have not kept pace with neighboring communities, which has contributed to challenges in recruitment as well as retention and training. Interviews with officers gave the grand jury the understanding that because of the shortage of personnel to fill in on the work schedule for officers who are scheduled for training or those who wish to participate in additional training, it is difficult to find time for classes and practice skills learned. Skills would necessarily include de-escalation.

CITY	AVERAGE STARTING SALARY	CITY POPULATION
Fresno	\$55,858	520,453
Clovis	\$69,288	96,631
Dinuba	\$71,244	21,453
Sanger	\$51,371	24,270

(Transparent California and U.S. census)

TRAINING

The Fresno Police Department Training Policy 208.1 states:

- The department will ensure personnel possess the knowledge and skills necessary to provide a professional level of service that meets the needs of the community.
- It is the goal of the department to administer a training program that will provide for the professional and continued development of its personnel. The department seeks to provide on-going training and encourages all personnel to participate in advanced training and formal education on a continual basis. Training is provided within the confines of funding, requirements of a given assignment, staffing levels, and legal mandates. Whenever possible, the department will use courses certified by POST.

Officers are also trained to be in compliance with the Supreme Court Ruling, *Graham v. Connor* (1989) 490 U.S. 386, which sets the national standard for when deadly force may be utilized.

The decision to use force, including deadly force, must be made based solely on the facts known to the member at the time on the situation as it reasonably appeared to the member(s) directly involved in its application. Facts unknown to the member at the time, no matter how compelling, cannot be considered later in determining the reasonableness of the member's decision to use force.

REGIONAL TRAINING CENTER

In 2009, the Fresno City Council approved construction contracts to build the Regional Training Center (RTC) at a cost of approximately \$12.8 million. Revenues from classes accrue through billings to POST, Fresno Community College, and payments from other agencies.

The center covers 80 acres in southwest Fresno and features classrooms, an Emergency Vehicle Operations Course, firearms range, a "mat room," three-story "Tactical Training House," a three-story sniper tower, which can also be used for repelling and window assaults, and a video scenario simulation building. (Fresno Police Department Regional Training Center website.)

Video simulators are used to train officers. The video scenes are programmed to simulate real events. They can be controlled throughout an exercise to coincide with the reactions of the officer.

Role playing has been introduced in scenario based training to effect a more interactive environment. The actors simulate realistic, life threatening events, which are used to evaluate officer reactions.

Every sworn officer is required to complete Perishable Skills certification every 24 months. The perishable skills, as identified by POST are: (Regional Training Center Course Outlines.)

- Law Enforcement Driving Simulators (LEDS)
- Force Options Simulator (FOS)
- Emergency Vehicle Operations Course (EVOC)
- Arrest and Control (ARCON)

Highlighted within the training are other topics necessary for effective police operations.

- Legislative Updates.
- Crowd Control.
- Community Oriented Policing.
- Racial Profiling.
- Biased Based Policing.
- Assessing and Managing Mentally Ill suspects
- Assessing and Managing Substance Using suspects

CULTURAL DIVERSITY AND LANGUAGE BARRIER TRAINING

The grand jury conducted a limited review of cultural diversity and language barrier training. The grand jury found all levels of training are pertinent to OIS, including culture issues.

Cultural Diversity Training

The topic of cultural diversity is one of the disciplines covered in the RTC facility through classes like Tactical Communication, Biased Based Policing, and Community Oriented Policing. Each class is taught with a PowerPoint presentation to better communicate the concept to the student. These presentations all include some level of group discussion to emphasize realism and help the student with realistic decision-making.

De-escalation is also part of the Cultural Diversity Training, and a critical part of the teaching. Skills training can become focused on the task, but the emphasis on de-escalation is never taken for granted, and always part of the training.

During the first five months of 2016, the department sent approximately 203 Officers and 10 staff members to the Museum of Tolerance in Beverly Hills. Staff attended 16 hours of training. (Fresno Police Department email response to request for information) The Museum of Tolerance is a human rights laboratory and educational center which, as well as being open to visitors, offers law enforcement professional development through a program entitled Tools for Tolerance. The program aims to assist law enforcement professionals explore the evolving role of law enforcement in a rapidly changing, increasingly diverse and complex society. Officer training is recorded in the POST Individual Training Activity record maintained by RTC.¹

¹ FPD Procedure 208 ensures that department members who are assigned to attend training, whether it is in-house or being offered at another agency or organization, are required to attend the entire course.

REGIONAL TRAINING CENTER CLASSES - 2016

Use of Force

Number of Classes Taught	Hours of Instruction	Fresno PD Students	Total Curriculumms
208	2,733	1,579	16

De-Escalation

53	330	692	5
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Biased Based/Community Oriented Policing/TAC Com

108	216	684	3
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Language Barriers:

Language barriers during incidents are addressed by use of a phone service for translating. Officers interviewed related that as long as translators are available, the system is very helpful.

The Fresno Police Officers Association's (FPOA) Memorandum of Understanding (MOU) 2013-2017, reflects a section that encourages officers to participate in the Bilingual Certification Program. The program consists of a City administered examination process whereby members may apply for a bilingual examination, and if certified by the examiner, received bilingual premium pay for interpreting and translating. The employee must be recertified every five years. Bilingual certification examinations are conducted for Cambodian, Hmong, Laotian, Sign, Spanish, Armenian and Vietnamese languages. Certified members shall not refuse to interpret/translate while on paid status. Refusal shall result in appropriate disciplinary action. (FPOA MOU 2013-2017.)

One interviewee commented, "Cultural diversity training is also affected by recruitment and hires, although the demographics of the police department cannot be controlled through recruitment. Hiring is determined by who applies, who qualifies, and who passes the extensive background check."

2016 DEMOGRAPHICS OF OFFICERS VERSUS COMMUNITY BY RACE/ETHNICITY

Race/Ethnicity*	Existing Officers	Applicants	New Hires	Total 12/31/16	Community
Caucasian	52	33	42	49	30
Hispanic	35	46	47	37	47
African-American	6	8	6	6	8
Asian/Pacific Island	6	7	4	7	13
American Indian	1	1	1	1	2
Not Specified	-	3	-	-	-
Two or More	-	2	-	-	-
Total	100%	100%	100%	100%	100%

*Categories as defined and provided by FPD. Community numbers from U.S. Census Bureau

REPORTABLE RESPONSE RESISTANCE PROJECT

The following are excerpts from introductory letter of the Fresno Police Department Reportable Response Resistance Project, First Quarter 2016.

Data collection assures management oversight to closely monitor officers and help build public trust. In order to accomplish this, the department requires a review of each reportable use of force by field supervisors. Data is collected by the supervisors, forwarded through the department chain of command, and reviewed at each level of supervision, including Deputy Chiefs of Police.

The Department defines reportable force as any force when:

- Officers (including canines) use force and a person is injured; or,

- Officers strike a person with a body part (i.e. fist, foot, elbow, etc.) or any object (i.e. flashlight, clipboard, etc.); or,
- Officers use (not merely display) a department issued weapon (i.e. electronic immobilizing device, less-lethal impact projectile, chemical agents, baton, firearm, etc.).

After staff review of use of force is complete, the Professional Standards Unit reviews police reports and other force data for comparative analysis and composite reporting. This information is used to determine effectiveness and necessity of the force used, reliability of equipment, training needs, policy, and modifications.

In the first quarter of 2016, Fresno police officers applied force in 44 incidents while responding to 97,000 calls for service (CFS). This equates to officers applying force in 0.045% of all calls for service for this reporting period. (Fresno Police Department Reportable Response Resistance Project, First Quarter 2016.)

COMMUNITY POLICING

Several people interviewed suggested the FPD leadership and community leaders would like to see more community policing practices.

Community policing, in general, involves officers “walking the beat,” getting to know those in their area on a person-to-person basis. When this happens, there tends to be less fear of the unknown or fear of “strangers.” The purpose of this approach is to obtain community support and cooperation for protecting citizens and arresting criminals. This approach is also aimed at decreasing officer involved shootings and improving de-escalation techniques.

The grand jury has learned from conversations with police staff that in determining an officer’s performance of his duty, the department is moving from arrests made to incidents being resolved without arrests being necessary. One of the difficulties putting this into practice has been the reduced number of officers. The number of calls for service keeps the available officers on the move, which makes it hard to establish rapport with the citizens they serve.

The Chief’s Advisory Board was established more than 10 years ago to increase citizen participation in community and police interactions. A board member who was interviewed expressed his appreciation for this board and for being heard on a personal basis about the concerns encountered in his community. He felt that he was truly being listened to and his suggestions taken seriously. He has seen a very positive movement toward community trust of police officers as a result of the Advisory Board.

OFFICE OF INDEPENDENT REVIEW

The Office of Independent Review (OIR) is responsible for ensuring that complaints about the conduct of the Fresno Police Department (FPD) are thoroughly investigated to enhance community trust. The OIR monitors

ongoing investigations conducted by the FPD Internal Affairs (IA) unit and, when completed, performs a comprehensive audit of the process. Each audit report will focus on evaluating the adequacy, thoroughness, quality and accuracy of the investigative report. The OIR assists in strengthening the relationship between the community and the police department by promoting greater transparency and collaboration.

The OIR submits a quarterly report to the City Manager, to whom he is responsible, ensuring that the constituents of the City of Fresno see transparency by all parties involved in the review of complaints.

The OIR also makes a complete review of the department's policies and procedures, training, and all other operating aspects of the police department. Since its inception, the OIR has made several recommendations to the FPD. The OIR has recognized and commended the department for a drop in complaints and regarded this as an encouraging trend. (City of Fresno Office of Independent Review, Quarterly Report, Fourth Quarter 2016.)

The OIR suggests sanctity of life should be at the heart of everything FPD does.

FPD USE OF FORCE POLICY

Graham v. Connor (1989) 490 U.S. 386, which sets the national standard for when deadly force may be utilized.

The decision to use force, including deadly force, must be made based solely on the facts known to the member at the time on the situation as it reasonably appeared to the member(s) directly involved in its application. Facts unknown to the member at the time, no matter how compelling, cannot be considered later in determining the reasonableness of the member's decision to use force.

The following are excerpts from the Fresno Police Department Procedures Manual on Use of Force, effective date of December 21, 2016.

REASONABLENESS OF FORCE

It is the policy of the Department that officers shall use only that amount of force that reasonably appears necessary, given the facts and circumstances perceived by the officer at the time of the event, to accomplish a legitimate law enforcement purpose.

USE OF A FIREARM

An officer may resort to the use of a firearm when it is the level of force that is objectively reasonable and appears to be necessary. The intentional discharge of a firearm at an individual, with the exception of those firearms dedicated to less lethal munitions, constitutes deadly force. Deadly force is force that creates a substantial risk of causing death or serious bodily injury.

The department trains to a much higher standard for use of deadly force than objective reasonableness. Specifically, “can shoot v. must shoot” situations are covered in depth and reinforced with scenario based training via simulators and role-play exercises using simunitions (a thin bullet case filled with a colored, water-soluble chemical paste).

The following excerpts are from Roll Call Training Bulletin (RCTB) demonstrating sanctity of life is trained and reinforced by the department. This was being done even prior to OIR recommendations.

- RCTB 15-10
 - a reverence for human life should be a primary consideration when making tactical decisions ... (dated Nov. 2, 2015).
- RCTB 16-08
 - De-escalation is the use of available options to gain compliance. Although circumstances do not always permit, the goal of the Fresno Police Department is the peaceful resolution of all calls when reasonably practical and feasible. When possible an officer should attempt to slow the pace of the call (dated May 19, 2016).
- RCTB 16-10
 - preservation of human life, the safety of the community, and officer safety must be of the highest priorities when officers respond to these calls ... (dated Sept. 19, 2016).

OFFICER INVOLVED SHOOTINGS

Though few officers will be directly involved in a hostile shooting situation during their careers, many may experience the impact of an OIS. The effects of OIS events touch not only the officer involved, but the department and the community, as well. Due to the gravity of officer involved shootings, it is vitally important to ensure that the agency and its officers are prepared in advance for such an event.

Police Department Philosophy (300.1.1) states:

The Fresno Police Department maintains the highest regard for human life as we enforce the laws of the State of California and City of Fresno. Although the vast majority of persons contacted by law enforcement

officers are law abiding and/or compliant, increasingly, officers are called to intervene in potentially violent confrontations with individuals involved in criminal behavior. These encounters present serious threats to the safety of the community, law enforcement personnel and even to the subject themselves. Without intervention of law enforcement personnel in these instances, serious consequences such as injury or death can occur as a result.

Pursuant to Fresno Police Department Procedure 310, page 3, section D, paragraph 4, OIS Investigative Review:

Upon Closure of an administrative investigation where the OIS was determined to be within policy, involved officer(s) will meet with their Division Commander. The meeting is intended to discuss Department policies and procedures related to officer involved shootings and use of deadly force, and to provide feedback relevant to the investigation. The meeting will also serve as an opportunity for the involved officer(s) to provide feedback to the Division Commander regarding Department policies, procedures, and practices, as well as to discuss **future training** related to the use of deadly force.

OFFICER INVOLVED SHOOTINGS IN FRESNO

Information provided by the department for the period January 2000 to January 2017 reports all shootings, including death. There were 153 incidents in which shots were fired. Some incidents included more than one officer.

OFFICER INVOLVED SHOOTINGS IN FRESNO		
Total number of officers with OIS	209	
Total number of shootings	153	
Officers with more than one shooting	Shootings per officer	Number of officers
	1	145
	2	47
	3	10
	4	4
	5	1
	6	1
	7	1

Shootings refer to any time an officer discharges a weapon. A target may or may not have been hit when the weapon was discharged.

FINDINGS

F1. The grand jury commends the Fresno Police Department for the acquisition of current technology, implementation of innovative communications programs, and the dissemination of timely, updated information to officers responding to calls for service.

F2. The FPD has excelled in the development and staffing of training facilities, policies and procedures, and adherence to POST standards.

F3. In review of the FPD policies and procedures for officer involved shootings, the grand jury finds that the FPD's preparation and follow-up for handling incidents is very thorough.

F4. FPD starting salaries appear not to be competitive with nearby cities, which may impact recruitment and retention.

F5. Due to the shortage of personnel to provide coverage for officers, time to practice de-escalation skills they have learned appears insufficient.

F6. Opportunities to practice scenario based training at the RTC simulators on use of force situations appear to be too infrequent.

RECOMMENDATIONS

R1. Practice sessions for use of de-escalation techniques should be required on a quarterly basis, not just once every two years or after a shooting occurs (FPD Procedure 310).

R2. Salaries and benefits should be reviewed and increased allowing the department to attract more highly trained candidates and fill positions in a more timely manner.

REQUEST FOR RESPONSES

California Penal Code, section 933(c) requires comments from the public agency subject to the grand jury's reviewing authority within 90 days of receipt of this report:

From the following individuals:

Chief of Police, Fresno Police Department

Mayor, City of Fresno

City Manager, City of Fresno

Regarding Findings F1-F6; and, Recommendations R1 and R2.

California Penal Code, section 933(c) allows for comments from elected officers and agency heads subject to the grand jury's reviewing authority within 60 days of receipt of this report. The grand jury invites comments from:

City Council, City of Fresno

Regarding Findings F4 and F5; and, Recommendation R2.

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Police Department

Jerry P. Dyer
Chief of Police

July 20, 2017

The Honorable Kimberly Gaab, Presiding Judge
Fresno County Superior Court
1100 Van Ness Avenue
Fresno, CA 93724-0002

Dear Honorable Judge Gaab:

I would like to thank the Fresno County Grand Jury for a thorough assessment of the Fresno Police Department's (FPD's) policies, practices and training related to use of force incidents and de-escalation efforts. With such a broad, complex topic, this assessment was a major undertaking.

In order to gain a full understanding of the department's commitment to providing de-escalation training to our officers, including scenario-based training, a more inclusive description of our efforts is being provided. Several areas of the report also required minor correction or clarification.

Despite personnel shortages, the department has provided a consistent level of training to personnel in a number of critical areas, while balancing other priorities, such as responding to emergency calls for service, conducting investigations and maintaining trust within the community. Although Peace Officer Standards and Training (POST) has not provided any reimbursement to our agency since October 2016 (with \$335,621 currently owed to FPD), the department has continued to demonstrate a commitment to training our officers by providing a variety of courses involving both scenario-based courses and classroom instruction.

The philosophy of de-escalation is being taught and reinforced on a multitude of levels within our Department. De-escalation is taught via the department's formal training curriculums, and just as importantly it is practiced around the clock by officers handling calls throughout the City. The sanctity of life is emphasized daily, whether through formal POST certified training or informal roll-call training provided by line-level supervisors each shift.

Response to Grand Jury Recommendations

1. De-Escalation is a central component for all training at the Fresno Police Department Regional Training Center (FPDRTC). Skills training may be task oriented, but the emphasis on de-escalation is the foundation for all use of force training. De-escalation and tactical communication courses are part of virtually all curriculums, with a substantial number of instruction hours during which both task-oriented skills and de-escalation tactics overlap.

Scenario based training, where de-escalation is interwoven, is conducted far more frequently than once every two years or after an Officer Involved Shooting (OIS). In fact, the de-escalation training that officers receive occurs on a multitude of levels on a very frequent basis, both formally and informally. Courses such as tactical communications, traffic stop tactics, first-aid, and arrest and control all feature sections on the importance of seeking voluntary compliance and thereby, de-escalating tense, high-risk situations. De-escalation training is further reinforced via Roll Call Training Bulletins (RCTB's), briefing discussions led by supervisors, training videos via an electronic distribution system and Crisis Intervention Training (CIT). Mandatory trimester handgun range training attended by every officer each three times a year includes scenarios intended to enhance officers' decision making under stress and thereby allow for de-escalation, when practical. The above is in addition to periodic simulator training each officer undergoes on a regular basis.

Currently, the department is in the process of sending each officer through the 40-hour CIT training, far exceeding state standards for mandatory crisis or de-escalation training. CIT training is led by a mental health professional and includes perspectives from individuals contacted by police while in crisis, as well as scenario based learning opportunities.

2. It has become published that FPD officers' pay rate and heavy workload, when compared to other agencies, has had an impact on successful recruiting efforts. However, recent contract negotiations resulted in pay raises for officers, helping to increase FPD's competitiveness in the job market for recruiting and retention of sworn personnel. Additionally, although FPD base pay is lower than some other valley agencies, it is difficult to make an "apples to apples" comparison, due to additional pay incentives they receive, such as certificate pay, educational incentives, night differential, flex pay, etc. Currently, the department staffing level is nearly 99% filled. This compares favorably to cities such as San Jose at 80%, San Diego at 89% and San Francisco at 90%.

It should also be noted that Fresno Police officers pay 10-12% into a pension system that is 119% funded and by comparison, many other local and police officers statewide pay substantially more into pension systems that are forecast to eventually either go bankrupt or dramatically reduce benefits in order to stay solvent.

Corrections and Clarification

Mayor Lee Brand adopted a new set of policy guidelines for the Office of Independent Review (OIR) that were ratified by City Council on March 16, 2017. In addition to making the OIR full-time and local, the new policy requires the OIR to attend OIS Review Committee meetings, monitor and audit all use of force investigations and attend OIS scenes when he or she is available to do so. The position is in the process of being filled and may be in operation as soon as August 2017.

Page 3 – As of December 2016, there were 741 officer positions filled, out of 762 authorized positions. There were 94 sergeant positions filled. There are five policing districts, in addition to police headquarters and the City Hall Annex building downtown. The five policing areas are Southwest, Central, Southeast, Northeast and Northwest, all with district stations of their own.

Page 6 – *Graham v. Connor* established the reasonableness standard for when both lethal and non-lethal force may be used by law enforcement.

Page 15 – Below the Officer Involved Shooting (OIS) chart, the definition of what is defined as a shooting requires clarification. A shooting for the purpose of this chart and as defined by FPD refers to an officer discharging a firearm at a person, whether or not that person was struck by gunfire.

REVIEW BY	YEAR	OIS	WITHIN POLICY	NOT WITHIN POLICY	EXONERATED Reasonable Under Circumstances	PENDING
FPD	2013	10	10			
OIR			9		1	
FPD	2014	8	8			
OIR			8			
FPD	2015	8	7			1
OIR			8			
FPD	2016	8	6	1		1
OIR			6	1		1
TOTAL		34				

In 2013, FPD found one of the 10 OIS's to be out of policy.


There were 9 officer involved shootings in 2015, none of which are pending or out of policy.

One OIS in 2016 was deemed out of policy, but has not been closed. The other 7 OIS's were closed and within policy.

There were a total of 35 OIS's between 2013 and 2016.

(OIR findings verified based on available reports)

Sincerely,


JERRY P. DYER
 Chief of Police

JPD/mc

REPORT & RESPONSES #3

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT - A FINANCIAL REVIEW



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KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT: A FINANCIAL REVIEW

Fresno County Grand Jury Report No. 3

SUMMARY

In response to a citizen's complaint regarding the lack of transparency, the 2016-2017 Fresno County Grand Jury investigated the financial records of the Kingsburg Tri-County Health Care District and its use of property tax revenue. The District owns property located at 1200 Smith Street in Kingsburg within Fresno County. The property was occupied by Kingsburg Hospital, an acute care facility, until 2010 when it ceased operating. The buildings housing the Hospital sat vacant until they were leased to Kingsmith Investments in 2015.

The grand jury requested and received the Kingsburg Tri-County Health Care District's audited financial statements for fiscal years ending 2013, 2014, 2015, and 2016. The District failed to provide financial information substantiating the audited reports despite numerous requests and the issuance of a grand jury subpoena.

In its investigation to determine whether the Kingsburg Tri-County Health Care District has been fiscally responsible in the use of public funds, the grand jury found that the District demonstrated a lack of sound financial management. The District Board of Directors may have abdicated its fiduciary responsibilities to outside contracted professionals.

The grand jury recommends that the Fresno County Auditor conduct or contract with a certified public accountant to conduct an audit of accounts and records that meets Generally Accepted Government Auditing Standards for the years beginning with the hospital's closing.

GLOSSARY

Accounts Payable: Money owed by a business to its suppliers shown as a liability on a company's balance sheet, distinct from notes payable liabilities, which are debts created by formal legal instrument documents.

Assets Limited to Use: Includes contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees¹.

¹ Definition as adopted in the District's Audited Financial Statement for FYE June 30, 2016.

Audited Financial Statement: the examination of an entity's financial statements and accompanying disclosures by an independent auditor. The result of this examination is a report by the auditor, attesting to the fairness of presentation of the financial statements and related disclosures.

Current Liabilities: Debt or obligation due within one year appearing on the company's balance sheet and including short-term debt, accounts payable, accrued liabilities, and other debt.

Disbursing Agent: A court-appointed agent for the administration of payments to creditors as a function of court-approved reorganization plans, out-of-court debt re-payment arrangements and distributions to creditors following liquidation of an insolvent business.

Financial Statements: Reports prepared to present financial performance and position at a point in time.

Generally Accepted Government Auditing Standards: Produced by the U.S. Government Accountability Office (GAO), it provides a framework for conducting high quality audits with competence, integrity, objectivity, and independence. Also known as the Yellow Book, it is for use by auditors of government entities, entities that receive government awards, and other audit organizations performing Yellow Book audits.

Third-Party Payor Balances: Liability to any organization, public or private, that pays or insures health or medical expenses on behalf of beneficiaries or recipients, such as commercial insurance companies, Medicare, and Medicaid.

BACKGROUND

The grand jury may investigate and report on cities, housing authorities, redevelopment agencies, the Local Agency Formation Commission, certain nonprofit corporations and districts (Penal Code, section 933.5). It has broad discretion as to which programs or functions of a local government it will investigate.

Kingsburg Tri-County Health Care District² (District) is a hospital district (Health & Safety Code, section 32000, et.seq.) whose boundaries include parts of Fresno, Kings, and Tulare counties, with Fresno as the principal county. The District is governed by an elected five-member Board of Directors.

² The District changed its name from "Kingsburg District Hospital" to "Kingsburg Tri-County Health Care District" on March 3, 2016. Various documents use assorted versions of the names to reference the District.

The purpose of hospital districts, later known as health care districts, was defined in a 1953 California Supreme Court decision in *Talley v. Northern San Diego Hosp. District*³:

The primary purpose of the statute (Health & Safety Code section 32000, et.seq.) is to fulfill the function of protecting the public health and welfare by furnishing hospital services in areas where hospital facilities are for some reason inadequate, especially in those rural districts where hospitals cannot be maintained without extraordinary governmental support.

According to Health and Safety Code, section 32121.9:

A district that leases or transfers its assets to a corporation pursuant to this division, including, but not limited to, subdivision (p) of Section 32121 or Section 32126, shall act as an advocate for the community to the operating corporation. The district shall annually report to the community on the progress made in meeting the community's health needs.

Health and Safety Code, section 32133 states:

At least once each year the board shall engage the services of a qualified accountant of accepted reputation to conduct an audit of the books of the hospital and prepare a report. The financial statement of the district with the auditor's certification, including any exceptions or qualification as part of such certification, shall be published in the district by the board pursuant to Section 6061 of the Government Code.

The grand jury found the primary purpose of the District is to protect public health and welfare by providing hospital services. Further, the District is required to report to the community on the progress made in meeting the community's health needs and it is required to submit to and publish annual audits prepared by a qualified accountant.

BANKRUPTCY

The District owns the buildings formerly occupied by the hospital. The buildings represent substantially all of the District's physical assets.

The District filed for bankruptcy in 1999. The Bankruptcy Court entered the "Second Amended Chapter 9 Plan of Reorganization" on April 6, 2000. The final decree (the case closure) was filed

³ *Eden Township Healthcare District v. Sutter Health* (2011) 202 Cal.App.4th 208, p. 213.

in Bankruptcy Court on October 24, 2006. The District then closed the hospital in 2010, and its acute care license expired in November 2013. According to the District's audited financial statement for the year ending June 30, 2016, the last principal and interest payments to pay the outstanding bonds in full were made in November 2013. It is unclear if the District issued bonds or if these bond payments were directly related to the bankruptcy.

Despite the District's efforts to sell or lease the buildings as an acute care hospital, the buildings remained empty until 2015 at which time the District entered into a lease/option agreement with Kingsmith Investments, LLC. Kingsmith Investments subleases the buildings to Crestwood Behavioral Health, Inc., which operates a mental health rehabilitation center at that site.

In November 2016, following a public hearing and comment, the board requested a measure to be placed on the ballot asking the District's voters to approve the sale and transfer of the property to Kingsmith Investments. Voters were asked to approve the sale of the District's only physical asset, in effect changing the buildings' use from acute care to mental health services. The measure did not pass.

District board members are not compensated and the District does not employ staff. The District has paid independent contractors to keep records of the financial affairs of the District and to provide other professional services such as accounting, auditing, and legal services. Until recently, all District tax revenue was submitted to the disbursing agent as directed by a 2003 court order related to the bankruptcy.

PURPOSE OF INVESTIGATION

- Has the District been fiscally responsible in the expenditure of public funds?
- Is Kingsburg Tri-County Healthcare District operating in accordance with State law Health and Safety Code, section 32133, including ensuring oversight of the contractors engaged to provide professional services such as accounting, auditing (including producing adequate audit reports), and legal services?

METHODOLOGY

The grand jury attended five District board meetings and submitted five separate written requests, including a grand jury subpoena, for information from the District. Face-to-face interviews were conducted with two board members. The interviews and written requests focused on financial information, which should be maintained by the District in an accessible form in accordance with Health and Safety Code, section 32133.

DISCUSSION

The grand jury requested and received audited financial statements for fiscal year end (FYE) June 30, 2013, June 30, 2014, June 30, 2015, and June 30, 2016. According to the District's audited financial statement dated April 12, 2017, for the year ending June 30, 2016:

The District received \$715,414 in property taxes from the three counties of Fresno, Kings, and Tulare and \$90,880 in rental income from the three tenants leasing the District properties. The prior year taxes were \$697,585 and the prior year rental income was \$25,920.

Total District expenses for 2016 and 2015 were \$335,712 and \$342,941, respectively. The increase in net position for the year was \$2,580,731 versus \$329,982 for the prior year. During the year, the District recognized \$2,109,109 as an other non-operating revenue increase due to the write-off of old debt, which is legally uncollectible.

According to the FYE June 30, 2016 audited financial statement, \$142,097 was paid in professional fees in 2016 and \$171,653 was paid in 2015. These amounts represent 42% and 50% of total operating expenses in 2016 and 2015, and 20% and 25% of total District revenue. Additional documents obtained by subpoena indicated the following analysis of professional fees:

	FYE 2013	FYE 2014	FYE 2015	FYE 2016
Legal	\$16,830	\$56,329	\$109,603	\$109,635
Audit and Trustee Fees	\$0	\$34,519	\$41,900	\$1,890
Management Consulting	\$18,400	\$44,800	\$20,150	\$7,500
Total Professional Fees⁴	\$87,593	\$135,648	\$171,653	\$142,097

CURRENT LIABILITIES/ACCOUNTS PAYABLE

In reviewing the current liabilities/accounts payable amounts in the audited financial statements for FYE 2012, 2013, 2014, and 2015 the grand jury noted little variation in the amounts. The District adopted Resolution 2017-4 writing off debt and significantly reducing liabilities shown in the FYE 2016 financial statements.

⁴ Total professional fees are as stated on the audited financial statements. Legal, audit, and trustee fees and management consulting fees for FYEs 2016 and 2013 were gleaned from a copy of the check register provided by the District.

	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016
Current liabilities	\$1,591,068	\$1,553,658	\$1,346,853	\$1,361,221	\$133,643

A detailed listing of vendors and their account balances that comprise the accounts payable balance was requested by the grand jury on November 12, 2016, January 25, 2017, and May 9, 2017. On December 2, 2016, the District indicated that the grand jury may stop by to inspect the invoices during a time which is mutually convenient but did not provide a schedule or list of accounts payable. Subsequently, on February 3, 2017, the District indicated that it has no current list of accounts payable and it has no plans to create one. These responses led the grand jury to question the validity of the audit report issued by the District's auditor. In accordance with Generally Accepted Government Auditing Standards, the auditors are required to obtain reasonable assurance about whether the financial statements are free from material misstatement. The grand jury questioned how the auditor obtained assurance that the accounts payable balance was reasonably stated if the accounts payable information was in such disarray. The accounts payable balance is significant because, according to the audited financial statement for FYE June 30, 2015, it represented 79.4% of the District's total assets. Because the District failed to provide the requested list of accounts payable, a schedule of accounts payable was ordered to be produced pursuant to a grand jury Subpoena issued on April 27, 2017.

On May 22, 2017, the District Board provided a list of accounts payable vendors. The list was dated March 9, 2014 and totaled \$1,308,237.81. The listed invoice dates ranged from August 2004 to January 2012. The vast majority of invoice dates were prior to 2011.

In response to the grand jury's initial request on November 15, 2016 for a list of accounts payable, the District indicated it reserves the right to reject any uncollectable claim, including those, which are beyond the applicable statute of limitations and cited other legal concerns in refusing to provide the requested list of accounts payable.

In fact, the District elected to adopt Resolution 2017-4 in April, 2017 which "clarify(ies) that invoices which are beyond the statute of limitations should no longer be considered as accounts payable." It should be noted the list of Accounts Payable Vendors was provided to the grand jury subsequent to the adoption of Resolution 2017-4 writing off the debt.

The debts in question appear to have been listed as current liabilities in audits for FYE 2013, 2014, and 2015. The District passed Resolution 2017-4 in April 2017 despite the fact that it received substantial property tax revenue since emerging from Bankruptcy in November 2013. The District realized a \$2,580,731 increase in net position largely due to this action of adopting Resolution 2017-4. Current liabilities/accounts payable in the audited financial statement dated April 12, 2017 for FYE 2016, totaled \$133,643.

APPROVED BUDGETS

The grand jury requested approved District budgets on October 18, 2016, and again on November 12, 2016. In response, the District indicated on November 15, 2016, the Board had not approved formal District budgets since 2012/2013.

AUDITED FINANCIAL STATEMENT FOR FYE JUNE 30, 2015

Additional questions were raised in the review of the audited financial statement for FYE June 30, 2015 dated October 15, 2016, which was received December 2, 2016.

- The balance sheet did not reflect the \$4,529,820 in investments reported in Note J- Investments of the report.
- Assets Limited to Use balance in Note D did not tie to the balance sheet.
- A significant portion of property tax (unrestricted) revenues were placed into a restricted fund.
- Despite the fact that the District had property tax revenues of \$697,585 and the District began receiving revenue from the Facility, which was leased after being vacant since 2010, the Audit noted an increase in the accounts payable balance.

Subsequently, the District indicated the signed and dated audited financial statement for FYE June 30, 2015 received on December 2, 2016 was a draft. On February 3, 2017 the District provided an “updated” audited financial statement for FYE June 30, 2015, signed on the same date (October 15, 2016), indicating the “updated” audit was presented to the District’s Board of Directors in December 2016 at which time it was approved. The “updated” audited financial statement did not mention investments. Note A of the “updated” financial statement states “The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments.” A schedule of these investments was not presented in the Notes to the Financial Statements in accordance with Governmental Accounting Standards Board Statement No. 40 *Deposits and Investment Risk Disclosures*. On May 9, 2017, the grand jury asked the District to explain why a schedule was not presented. On May 19, 2017, the District responded that no books or records of the type requested are known to exist.

In response to the “updated⁵” audit the grand jury requested a Schedule of Third-Party Payor settlements. Similar to accounts payable, the auditors would have audited this account balance and should have audited the third-party payor balances that comprise the \$893,005 noted in the “updated” audit. The response from the District indicated no such agreements were known to exist.

⁵ Audit for FYE June 30, 2015 was first received by the grand jury on December 2, 2016. The District provided an “updated” audit for FYE June 30, 2015 on February 8, 2016.

TRUST AGREEMENTS

Upon reviewing documents provided by the District on February 17, 2017 in response to the grand jury's request for documentation of Assets Limited to Use, a handwritten note was found indicating the existence of two trust agreements. Trust agreements were also mentioned in the audited financial statement for FYE 2016, which indicated, "The trust accounts from prior years have served their purpose and are no longer needed. As a result, the assets which were shown as limited in prior years have been now reclassified as operating cash and cash equivalents."

On May 9, 2017, the grand jury specifically requested copies of these agreements by name. The District responded on May 19, 2017 that no books or records of the type requested are known to exist.

LEGAL AUTHORITY

As noted, the grand jury requested financial information on several occasions, citing Penal Code, section 933.5. The response received from the District stated the District would not provide the requested financial information because it was privileged material pursuant to California law. In fact, California law (Penal Code, section 933.5) provides that "A grand jury may at any time examine the books and records of any special-purpose assessing or taxing district located wholly or partly in the county, and, in addition to any other investigatory powers granted by this chapter, may investigate and report upon the method or system of performing the duties of such district or commission."

FINDINGS

F1. The District was not responsive to numerous requests for financial information that may substantiate the District's audited financial statements, indicating they did not have the requested information. This leads the grand jury to question the validity of the Audit Reports.

F2. The District provided the grand jury with a signed and dated (October 15, 2016) audited financial statement for FYE June 30, 2015. When questioned, the District identified the audit as a "draft" and provided an "updated" audit. The existence of two different signed and dated FYE June 30, 2015 audit reports is not professional practice.

F3. The District elected to write-off their 2011 and earlier accounts payable liabilities by resolution despite the fact that they had sufficient cash flow to support payment.

F4. The grand jury was unable to obtain some requested financial documentation regarding the District's financial condition. Receipt and disbursement of tax revenue could not be delineated from the documentation, which was provided by the District.

F5. It appears the District Board of Directors relied heavily on outside contractors and may have abdicated their fiduciary responsibilities.

F6. The District has displayed a lack of sound financial management.

RECOMMENDATIONS

R1. The Fresno County Grand Jury recommends that a certified public accountant or public accountant be enlisted by the Fresno County Auditor to conduct annual audits of the financial accounts and records of the District beginning with the year the hospital closed.

R2. The Fresno County Grand Jury recommends that Kingsburg Tri-County Healthcare District evaluate the performance of its professional advisors/contractors and consider selecting new advisors at least every three years.

REQUEST FOR RESPONSES

California Penal Code section 933(c) allows for comments from elected county officers and agency heads subject to the grand jury's reviewing authority within 60 days of receipt of this report. The grand jury invites comments from:

Kingsburg Tri-County Health Care District Board of Directors

Findings: F1-F6

Recommendations: R2

Oscar Garcia, Fresno County Auditor-Controller/Treasurer-Tax Collector

Findings: F1

Recommendations: R1

BIBLIOGRAPHY

Department of Public Health Services, Licensing & Certification, Kingsburg Medical Center
License Number 040000116 Expiration Date November 12, 2013.

Generally Accepted Government Auditing Standards website,
www.gao.gov/yellowbook/overview.

Kingsburg Hospital District. U.S. Bankruptcy Court Eastern District of California Case No.
97-15254-A-9:

Chapter 9 Filed December 17, 1999

Chapter 9 Plan, February 23, 2000

Chapter 9, MC No. DRJ-4 Order Granting Motion to Replace Disbursing Agent, October 1, 2003

Final Decree, Filed October 24, 2006

Talley v. Northern San Diego Hosp. Dist. (1953) 41 Cal.2d 33.

APPENDICES

Appendix A. Kingsburg Tri-County Health Care District Audited Financial Statements, June 30, 2016, JWT & Associates, LLP, Certified Public Accountants, April 12, 2017.

Appendix B. Kingsburg Tri-County Health Care District Audited Financial Statements, June 30, 2015, JWT & Associates, LLP, Certified Public Accountants, October 15, 2016 (received February 8, 2017)

Appendix C. Kingsburg Tri-County Health Care District Audited Financial Statements, June 30, 2014, TCA Partners, LLP, Certified Public Accountants, October 27, 2014.

Appendix D. Kingsburg Tri-County Health Care District Audited Financial Statements, June 30, 2013, TCA Partners, LLP, Certified Public Accountants, August 3, 2014.

JWT & ASSOCIATES, LLP
Certified Public Accountants

Audited Financial Statements

Kingsburg Tri-County Health Care District

June 30, 2016

Audited Financial Statements

**KINGSBURG TRI-COUNTY
HEALTH CARE DISTRICT**

June 30, 2016

**JWT & Associates, LLP
Certified Public Accountants**

Audited Financial Statements

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2016

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Management's Discussion and Analysis

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2016

The management of the Kingsburg Tri-County Health Care District (the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2016 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the District's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2016 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

Financial Highlights

For the year of operations ending June 30, 2016, the District received \$715,414 in property taxes from the three counties of Fresno, Kings and Tulare and \$90,880 in rental income from the three tenants leasing the District properties. The prior year taxes were \$697,585 and the prior year rental income was \$25,920.

Total District expenses for 2016 and 2015 were \$335,712 and \$342,941, respectively. The increase in net position for the year was \$2,580,731 versus \$329,982 for the prior year. During the year the District recognized \$2,109,109 as an other non-operating revenue increase due to the write-off of old debt which was legally uncollectible.

The District will continue to operate as a health care district which will allow for the continued collection of property taxes and certain rental income from which the District will pay certain operating expenses. Excess earnings will be used to support and promote other healthcare activities for the residents in the Kingsburg area.

Balance Sheet

As of June 30, 2016, the District's current assets are comprised of \$1,723,899 in operating cash and \$150,504 in receivables and prepaid expenses. The trust accounts from prior years have served their purpose and are no longer needed. As a result, the assets which were shown as limited in prior years have been now reclassified as operating cash and cash equivalents. Other assets include \$3,349,341 of property and equipment, net of accumulated depreciation of \$(3,048,306). Liabilities of the District include \$133,643 of current accounts payable.

As of June 30, 2015, the District's current assets are comprised of \$5,401 in operating cash, \$1,256,652 in assets limited as to use and \$86,657 in receivables and prepaid expenses. Other assets include \$3,349,341 of property and equipment, net of accumulated depreciation of \$(2,982,761). Liabilities of the District include \$1,361,221 of current accounts payable and \$893,005 of estimated third party payor settlements.

Management's Discussion and Analysis (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

Economic Factors

The District's board is continuing the process of developing projected expenses for the fiscal year ending June 30, 2017. For fiscal year 2017, the District is projected to increase net position by a margin similar to the 2016 results. The increase is due to several assumptions:

1. A conservative increase in property taxes for fiscal year 2017.
2. A full year of rental income from the tenants.
3. Operating expenses are expected to increase at a continued rate similar to prior year increases.

It is the goal of the District to continue to operate at efficient levels of income and expenses in order to maximize the further funding of health care activities within the Kingsburg area.

JWT & Associates, LLP

A Limited Liability Certified Public Accountancy Partnership

1111 E. Herndon Avenue, Suite 211, Fresno, California 93720

Phone: (559) 431-7708 Fax: (559) 431-7685 Email: rj@cpa@jwt.com

Report of Independent Auditors

The Board of Directors
Kingsburg Tri-County Health Care District
Kingsburg, California

We have audited the accompanying financial statements of the Kingsburg Tri-County Health Care District (the District) which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and in the State Controller's *Minimum Audit Requirements* for California Special Districts, California Code of Regulations, Title 2, Section 1131.2. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the Kingsburg Tri-County Health Care District at June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

JW7 & Associates, LLP

Fresno, California
April 12, 2017

Balance Sheets

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	June 30	
	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,723,899	\$ 5,401
Assets limited as to use, available for current obligations		1,256,652
Grant and other receivables	147,924	78,894
Prepaid expenses and deposits	<u>2,580</u>	<u>7,763</u>
Total current assets	1,874,403	1,348,710
Property and equipment, less accumulated depreciation	<u>301,035</u>	<u>366,580</u>
Total assets	<u>\$ 2,175,438</u>	<u>\$ 1,715,290</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	<u>\$ 133,643</u>	<u>\$ 1,361,221</u>
Total current liabilities	133,643	1,361,221
Estimated third-party payor settlements		<u>893,005</u>
Total liabilities	133,643	2,254,226
Net position:		
Invested in capital assets	301,035	366,580
Restricted, by trust agreements		1,253,652
Unrestricted (deficit)	<u>1,740,760</u>	<u>(2,159,168)</u>
Total net position (deficit)	<u>2,041,795</u>	<u>(538,936)</u>
Total liabilities and net position	<u>\$ 2,175,438</u>	<u>\$ 1,715,290</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2016</u>	<u>2015</u>
Operating revenues		
Rent revenue	\$ 90,880	\$ 25,920
Other operating revenue	<u>1,040</u>	<u>5,857</u>
Total operating revenues	91,920	31,777
Operating expenses		
Contract labor	18,163	38,455
Professional fees	142,097	171,653
Supplies	1,888	1,404
Purchased services	38,160	21,271
Repairs and maintenance	6,520	40,552
Rent	13,123	1,274
Utilities	16,837	44,857
Insurance	20,092	16,811
Depreciation and amortization	65,545	
Other operating expenses	<u>13,287</u>	<u>6,664</u>
Total operating expenses	<u>335,712</u>	<u>342,941</u>
Operating loss	(243,792)	(311,164)
Nonoperating revenues (expenses)		
District tax revenues	715,414	697,585
Interest expense		(56,439)
Other non-operating revenues	<u>2,109,109</u>	
Total nonoperating revenues (expenses)	<u>2,824,523</u>	<u>641,146</u>
Increase in net position	2,580,731	329,982
Net deficit at beginning of the year	<u>(538,936)</u>	<u>(868,918)</u>
Net position (deficit) at end of the year	<u>\$ 2,041,795</u>	<u>\$ (538,936)</u>

See accompanying notes and auditor's report

Statements of Cash Flows

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

	Year Ended June 30	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from or used in operations	\$ 22,890	\$ 12,078
Cash payments to suppliers and contractors	<u>(166,885)</u>	<u>(272,449)</u>
Net cash used in operating activities	(143,995)	(260,371)
Cash flows from noncapital financing activities:		
District tax revenues	<u>715,414</u>	<u>697,585</u>
Net cash provided by noncapital financing activities	715,414	697,585
Cash flows from capital and related financing activities:		
Changes in assets limited as to use and other	1,256,652	(392,538)
Other non operating adjustments	(109,573)	
Interest payments on debt borrowings		<u>(56,439)</u>
Net cash provided by (used in) capital financing activities	<u>1,147,079</u>	<u>(448,977)</u>
Net increase (decrease) in cash and cash equivalents	1,718,498	(11,763)
Cash and cash equivalents at beginning of year	<u>5,401</u>	<u>17,164</u>
Cash and cash equivalents at end of year	<u>\$ 1,723,899</u>	<u>\$ 5,401</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (243,792)	\$ (311,164)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	65,545	
Changes in operating assets and liabilities:		
Grants and other receivables	(69,030)	(19,699)
Prepaid expenses and deposits	5,183	
Accounts payable	98,099	14,368
Estimated third party payor settlements		<u>56,124</u>
Net cash used in operating activities	<u>\$ (143,995)</u>	<u>\$ (260,371)</u>

See accompanying notes and auditor's report

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

June 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Kingsburg Tri-County Health Care District, (the District) is a public entity organized under Local Healthcare District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the District boundaries to specified terms of office. The District is located in Kingsburg, California and leases the District's health care facilities to certain health care providers who provide specific patient services to residents of the area and others outside the area.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: The management's discussion and analysis is a narrative introduction and analytical overview of the District's financial activities for the year being presented. This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, the management's discussion and analysis is not a required part of the financial statements but is supplementary information and therefore not subject to audit procedures or the expression of an opinion on it by auditors.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of property; errors and omissions; natural disasters; and other risk areas. Commercial insurance coverage is purchased for claims arising from such matters.

Net Position: Net position is presented in three categories. The first category is net position that is “invested in capital assets, net of related debt”. This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is “restricted” net position. This category consists of externally designated constraints placed on funding by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is “unrestricted” net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

District Tax Revenues: The District receives approximately 90% of its financial support from property taxes. These funds are used to support operations of the District and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to day-to-day operations of healthcare services. The District boundaries are within the Fresno, Kings and Tulare Counties of California. Property taxes are levied by these three Counties on the District’s behalf during the year, and are intended to help finance the District’s healthcare activities during the same year. Amounts are levied on the basis of the most current property values on record with the three Counties. The three Counties have established certain dates to levy, lien, mail bills, and receive payments from property owners during the year.

Grants and Contributions: From time to time, the District may receive grants from various governmental agencies and private organizations. The District may also receive contributions from a related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2016 and 2015, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$1,723,899, and \$1,262,053. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

NOTE C - OTHER RECEIVABLES

Other receivables as of June 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Property taxes receivable from the three Counties	\$ 55,872	\$ 38,427
Other miscellaneous receivables	<u>92,052</u>	<u>40,467</u>
	<u>\$ 147,924</u>	<u>\$ 78,894</u>

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE D - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2016 and 2015 were comprised of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents held in trust by District attorney for future District obligations	\$ -0-	\$ 2,683
Cash and cash equivalents held under a separate trust agreement for specific debt service requirements	<u>-0-</u>	<u>1,253,969</u>
Total assets limited as to use	-0-	1,256,652
Less assets limited as to use for current obligations	<u>-0-</u>	<u>(1,256,652)</u>
Assets limited as to use, less amounts available for current obligations	<u>\$ -0-</u>	<u>\$ -0-</u>

During the year ended June 30, 2016, it was determined that a separate trusts were no longer needed by the District as all obligations for which the trusts were intended had been satisfied.

NOTE E - CAPITAL ASSETS

The District began to depreciate the capital assets again effective July 1, 2015. The District's property had been held for sale in prior years. This property consisted of land, buildings and equipment which had been used in hospital operations. Since closure of hospital operations in the Spring of 2010, the District had been seeking potential buyers to purchase the property, however no agreements could ever be reached. As a result, the District began leasing the property to certain health care providers in an effort to continue to provide healthcare services to the community at large. Capital assets as of June 30, 2016 and 2015 were comprised of the following:

	<u>Balance at June 30, 2015</u>	<u>Adjustments & Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Land and land improvements	\$ 49,951			\$ 49,951
Buildings and improvements	1,446,794			1,446,794
Equipment	<u>1,852,596</u>			<u>1,852,596</u>
Totals at historical cost	3,349,341			3,349,341
Less accumulated depreciation	<u>(2,982,761)</u>	<u>(65,545)</u>		<u>(3,048,306)</u>
Capital assets, net	<u>\$ 366,580</u>	<u>\$ (65,545)</u>	<u>\$</u>	<u>\$ 301,035</u>

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE F - FAIR VALUE OF ASSETS AND LIABILITIES

The District adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. The FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. As of June 30, 2016 and 2015, the District has no exposure to any changes in fair values as it has no assets or liabilities that would be exposed to fair value changes.

NOTE G - DEBT BORROWINGS

As of June 30, 2016 and 2015 there were no debt borrowings. In November, 2013, the District made the last principal and interest payments to pay the outstanding bonds in full.

NOTE H - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2016, the District had no recorded construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. There are no commitments to complete any facility project as of June 30, 2016.

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2016, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2016 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Notes to Financial Statements (continued)

KINGSBURG TRI-COUNTY HEALTH CARE DISTRICT

NOTE I - RELATED PARTY TRANSACTIONS

The Kingsburg Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for District property and equipment replacement or expansion or other specific purposes. There were no significant donations to the District as of June 30, 2016 and 2015.

NOTE J - SUBSEQUENT EVENTS

Subsequent to year end, the Board of Directors, through resolution, wrote off certain accounts payable and estimated third party payor settlements totaling approximately \$2.1 million. These write off amounts have been reflected as other non-operating revenues for the year ended June 30, 2016.

Management evaluated the effect of other subsequent events on the financial statements through April 12, 2017, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

Audited Financial Statements
KINGSBURG
HEALTHCARE DISTRICT

June 30, 2015

JWT & Associates, LLP
Certified Public Accountants

Audited Financial Statements

KINGSBURG HEALTHCARE DISTRICT

June 30, 2015

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JWT & Associates, LLP

A Limited Liability Certified Public Accountancy Partnership

1111 E. Herndon Avenue, Suite 211, Fresno, California 93720

Phone: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpa@aol.com

Report of Independent Auditors

The Board of Directors
Kingsburg Healthcare District
Kingsburg, California

We have audited the accompanying financial statements of the Kingsburg Healthcare District (the District) which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the Kingsburg Healthcare District at June 30, 2015, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The June 30, 2014 financial statements of the District were audited by TCA Partners, LLP, who merged into JWT & Associates, LLP as of April 1, 2015. The June 30, 2014 audit report was issued on October 27, 2014 on which an unmodified opinion was expressed

Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

JWT & Associates, LLP

Fresno, California
October 15, 2016

Balance Sheets

KINGSBURG HEALTHCARE DISTRICT

	June 30	
	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,401	\$ 17,164
Assets limited as to use, available for current obligations	1,256,652	864,114
Grant and other receivables	78,894	59,195
Prepaid expenses and deposits	<u>7,763</u>	<u>7,763</u>
Total current assets	1,348,710	948,236
Property held for sale	<u>366,580</u>	<u>366,580</u>
Total assets	<u>\$ 1,715,290</u>	<u>\$ 1,314,816</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable	<u>\$ 1,361,221</u>	<u>\$ 1,346,853</u>
Total current liabilities	1,361,221	1,346,853
Estimated third-party payor settlements	<u>893,005</u>	<u>836,881</u>
Total liabilities	2,254,226	2,183,734
Net position:		
Invested in capital assets	366,580	366,580
Restricted, by trust agreements	1,253,652	825,075
Unrestricted (deficit)	<u>(2,159,168)</u>	<u>(2,060,573)</u>
Total net position (deficit)	<u>(538,936)</u>	<u>(868,918)</u>
Total liabilities and net position	<u>\$ 1,715,290</u>	<u>\$ 1,314,816</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

KINGSBURG HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Operating revenues		
Rent revenue	\$ 25,920	\$ 74,682
Other operating revenue	<u>5,857</u>	<u>24,161</u>
Total operating revenues	31,777	98,843
Operating expenses		
Contract labor	38,455	61,835
Professional fees	171,653	135,648
Supplies	1,404	1,163
Purchased services	21,271	22,222
Repairs and maintenance	40,552	16,188
Rent	1,274	
Utilities	44,857	62,897
Insurance	16,811	11,220
Other operating expenses	<u>6,664</u>	<u>21,302</u>
Total operating expenses	<u>342,941</u>	<u>332,475</u>
Operating loss	(311,164)	(233,632)
Nonoperating revenues (expenses)		
District tax revenues	697,585	667,170
Interest expense	<u>(56,439)</u>	<u>(61,696)</u>
Total nonoperating revenues (expenses)	<u>641,146</u>	<u>605,474</u>
Increase in net position	329,982	371,842
Net deficit at beginning of the year	<u>(868,918)</u>	<u>(1,240,760)</u>
Net deficit at end of the year	<u>\$ (538,936)</u>	<u>\$ (868,918)</u>

See accompanying notes and auditor's report

Statements of Cash Flows

KINGSBURG HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from or used in operations	\$ 12,078	\$ 135,712
Cash payments to suppliers and contractors	<u>(272,449)</u>	<u>(481,701)</u>
Net cash used in operating activities	(260,371)	(345,989)
Cash flows from noncapital financing activities:		
District tax revenues	<u>697,585</u>	<u>667,170</u>
Net cash provided by noncapital financing activities	697,585	667,170
Cash flows from capital and related financing activities:		
Changes in assets limited as to use and other	(392,538)	(678)
Net principal payments on debt borrowings		(245,000)
Other revenues and adjustments		
Interest payments on debt borrowings	<u>(56,439)</u>	<u>(61,696)</u>
Net cash provided by (used in) capital financing activities	<u>(448,977)</u>	<u>(307,374)</u>
Net increase (decrease) in cash and cash equivalents	(11,763)	13,807
Cash and cash equivalents at beginning of year	<u>17,164</u>	<u>3,357</u>
Cash and cash equivalents at end of year	<u>\$ 5,401</u>	<u>\$ 17,164</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (311,164)	\$ (233,632)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and other receivables	(19,699)	36,869
Prepaid expenses and deposits		11,877
Accounts payable	14,368	(206,805)
Accrued expenses		(4,794)
Estimated third party payor settlements	<u>56,124</u>	<u>50,496</u>
Net cash used in operating activities	<u>\$ (260,371)</u>	<u>\$ (345,989)</u>

See accompanying notes and auditor's report

Notes to Financial Statements

KINGSBURG HEALTHCARE DISTRICT

June 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Kingsburg Healthcare District, (the District) is a public entity organized under Local Healthcare District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the District boundaries to specified terms of office. The District is located in Kingsburg, California and leases facilities to the Tulare Local Health Care District (Tulare). Tulare operates a rural health care clinic on the campus of District facilities in order to provide outpatient services in a clinic setting to residents of the area.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, this analysis is provided outside the financial statement presentation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Property Held for Sale: Property held for sale consist of land, buildings and equipment which had been used in hospital operations. Since closure of hospital operations in the Spring of 2010, the District has been seeking out qualified healthcare entities as potential buyers to purchase the assets in an effort to continue some level of healthcare services within the area. The value of the assets at the time hospital operations were terminated was recorded at a net book value of \$366,580. No depreciation has been recorded since that time as the assets are no longer in service. The District has determined that there is no impairment of these assets as of June 30, 2015 and 2014.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of property; errors and omissions; natural disasters; and other risk areas. Commercial insurance coverage is purchased for claims arising from such matters.

Net Position: Net position is presented in three categories. The first category is net position that is "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on funding by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

District Tax Revenues: The District receives approximately 90% of its financial support from property taxes. These funds are used to support operations of the District and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to day-to-day operations of healthcare services. The District boundaries are within the Fresno, Kings and Tulare Counties of California. Property taxes are levied by these three Counties on the District's behalf during the year, and are intended to help finance the District's healthcare activities during the same year. Amounts are levied on the basis of the most current property values on record with the three Counties. The three Counties have established certain dates to levy, lien, mail bills, and receive payments from property owners during the year.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contributions: From time to time, the District may receive grants from various governmental agencies and private organizations. The District may also receive contributions from a related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2015 and 2014, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$1,262,053, and \$881,278. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE C - OTHER RECEIVABLES

Other receivables as of June 30, 2015 and 2014 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Property taxes receivable from the three Counties	\$ 38,427	\$ 41,637
Other miscellaneous receivables	<u>40,467</u>	<u>17,588</u>
	<u>\$ 78,894</u>	<u>\$ 59,195</u>

NOTE D - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2015 and 2014 were comprised of the following:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents held in trust by District attorney for future District obligations	\$ 2,683	\$ 39,039
Cash and cash equivalents held under a separate trust agreement for specific debt service requirements	<u>1,253,969</u>	<u>825,075</u>
Total assets limited as to use	1,256,652	864,114
Less assets limited as to use for current obligations	<u>(1,256,652)</u>	<u>(864,114)</u>
Assets limited as to use, less amounts available for current obligations	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES

The District adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. The FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. As of June 30, 2015 and 2014, the District has no exposure to any changes in fair values as it has no assets or liabilities that would be exposed to fair value changes.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE F - DEBT BORROWINGS

As of June 30, 2015 and 2014 there were no debt borrowings. In November, 2013, the District made the last principal and interest payments to pay the outstanding bonds in full.

NOTE G - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2015, the District had no recorded construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. There are no commitments to complete any facility project as of June 30, 2015.

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2015, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2015 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

NOTE H - RELATED PARTY TRANSACTIONS

The Kingsburg Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for District property and equipment replacement or expansion or other specific purposes. There were no significant donations to the District as of June 30, 2015 and 2014.

NOTE I - ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

The District has recorded a cumulative liability to the Federal government and the State of California in the amount of \$893,005 and \$836,881 as of June 30, 2015 and 2014, respectively. This liability represent several past Medicare and Medi-Cal cost report settlements dating back to June 30, 2000. Interest is being charged at the State's rate of 7%.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE J - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through October 15, 2016, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

TCA PARTNERS, LLP
Certified Public Accountants

Audited Financial Statements

Kingsburg Healthcare District

June 30, 2014

Audited Financial Statements

**KINGSBURG
HEALTHCARE DISTRICT**

June 30, 2014

**TCA Partners, LLP
Certified Public Accountants**

Audited Financial Statements

KINGSBURG HEALTHCARE DISTRICT

June 30, 2014

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TCA Partners, LLP

A Limited Liability Certified Public Accountancy Partnership
1111 E. Herndon Avenue, Suite 211, Fresno, California 93720
Phone: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpu@aol.com

Report of Independent Auditors

The Board of Directors
Kingsburg Healthcare District
Kingsburg, California

We have audited the accompanying balance sheets of Kingsburg Healthcare District (the District) which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingsburg Healthcare District as of June 30, 2014 and 2013, and the results of its operations, changes in net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The District has not presented management's discussion and analysis as a part of the financial statements but has chose to present it in a separate document.

TCA Partners, LLP

October 27, 2014

Balance Sheets

KINGSBURG HEALTHCARE DISTRICT

	June 30	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,164	\$ 3,357
Assets limited as to use, available for current obligations	864,114	863,403
Grant and other receivables	59,195	96,064
Prepaid expenses and deposits	<u>7,763</u>	<u>19,673</u>
Total current assets	948,236	982,497
Property held for sale	<u>366,580</u>	<u>366,580</u>
Total assets	<u>\$ 1,314,816</u>	<u>\$ 1,349,077</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of debt borrowings		\$ 245,000
Accounts payable	\$ 1,346,853	1,553,658
Accrued expenses		<u>4,794</u>
Total current liabilities	1,346,853	1,803,452
Estimated third-party payor settlements	<u>836,881</u>	<u>786,385</u>
Total liabilities	2,183,734	2,589,837
Net position:		
Invested (deficit) in capital assets, net of related debt	366,580	121,580
Restricted, by trust agreements for debt service	825,075	630,256
Unrestricted (deficit)	<u>(2,060,573)</u>	<u>(1,992,596)</u>
Total net position (deficit)	<u>(868,918)</u>	<u>(1,240,760)</u>
Total liabilities and net position	<u>\$ 1,314,816</u>	<u>\$ 1,349,077</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

KINGSBURG HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2014</u>	<u>2013</u>
Operating revenues		
Rent revenue	\$ 74,682	\$ 74,682
Other operating revenue	<u>24,161</u>	<u>213</u>
Total operating revenues	98,843	74,895
Operating expenses		
Contract labor	61,835	98,728
Professional fees	135,648	87,593
Supplies	1,163	6,250
Purchased services	22,222	30,761
Repairs and maintenance	16,188	11,721
Utilities	62,897	53,758
Insurance	11,220	9,291
Other operating expenses	<u>21,302</u>	<u>8,554</u>
Total operating expenses	<u>332,475</u>	<u>306,656</u>
Operating loss	(233,632)	(231,761)
Nonoperating revenues (expenses)		
District tax revenues	667,170	739,369
Other revenue and adjustments		355,958
Interest expense	<u>(61,696)</u>	<u>(32,743)</u>
Total nonoperating revenues (expenses)	<u>605,474</u>	<u>1,062,584</u>
Increase in net position	371,842	830,823
Net deficit at beginning of the year	<u>(1,240,760)</u>	<u>(2,071,583)</u>
Net deficit at end of the year	<u>\$ (868,918)</u>	<u>\$ (1,240,760)</u>

See accompanying notes and auditor's report

Statements of Cash Flows

KINGSBURG HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from or used in operations	\$ 135,712	\$ 31,729
Cash payments to suppliers and contractors	<u>(481,701)</u>	<u>(726,023)</u>
Net cash used in operating activities	(345,989)	(694,294)
Cash flows from noncapital financing activities:		
District tax revenues	<u>667,170</u>	<u>739,369</u>
Net cash provided by noncapital financing activities	667,170	739,369
Cash flows from capital and related financing activities:		
Changes in assets limited as to use and other	(678)	(88,023)
Net principal payments on debt borrowings	(245,000)	(291,466)
Other revenues and adjustments		355,958
Interest payments on debt borrowings	<u>(61,696)</u>	<u>(32,743)</u>
Net cash provided by (used in) capital financing activities	<u>(307,374)</u>	<u>(56,274)</u>
Net increase (decrease) in cash and cash equivalents	13,807	(11,199)
Cash and cash equivalents at beginning of year	<u>3,357</u>	<u>14,556</u>
Cash and cash equivalents at end of year	<u>\$ 17,164</u>	<u>\$ 3,357</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (233,632)	\$ (295,727)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and other receivables	36,869	206,533
Prepaid expenses and deposits	11,877	(3,846)
Accounts payable	(206,805)	(16,796)
Accrued expenses	(4,794)	5,366
Estimated third party payor settlements	<u>50,496</u>	<u>12,357</u>
Net cash used in operating activities	<u>\$ (345,989)</u>	<u>\$ (92,113)</u>

See accompanying notes and auditor's report

KINGSBURG HEALTHCARE DISTRICT

June 30, 2014

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Kingsburg Healthcare District, (the District) is a public entity organized under Local Healthcare District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the District boundaries to specified terms of office. The District is located in Kingsburg, California and leases facilities to the Tulare Local Health Care District (Tulare). Tulare operates a rural health care clinic on the campus of District facilities in order to provide outpatient services in a clinic setting to residents of the area.

Basis of Preparation: The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector. As stated in the opinion letter, this analysis is provided outside the financial statement presentation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

KINGSBURG HEALTHCARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Property Held for Sale: Property held for sale consist of land, buildings and equipment which had been used in hospital operations. Since closure of hospital operations in the Spring of 2010, the District has been seeking out qualified healthcare entities as potential buyers to purchase the assets in an effort to continue some level of healthcare services within the area. The value of the assets at the time hospital operations were terminated was recorded at a net book value of \$366,580. No depreciation has been recorded since that time as the assets are no longer in service. The District has determined that there is no impairment of these assets as of June 30, 2014 and 2013.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of property; errors and omissions; natural disasters; and other risk areas. Commercial insurance coverage is purchased for claims arising from such matters.

Net Position: Net position is presented in three categories. The first category is net position that is "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on funding by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net position that does not meet the definition or criteria of the previous two categories

District Tax Revenues: The District receives approximately 90% of its financial support from property taxes. These funds are used to support operations of the District and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to day-to-day operations of healthcare services. The District boundaries are within the Fresno, Kings and Tulare Counties of California. Property taxes are levied by these three Counties on the District's behalf during the year, and are intended to help finance the District's healthcare activities during the same year. Amounts are levied on the basis of the most current property values on record with the three Counties. The three Counties have established certain dates to levy, lien, mail bills, and receive payments from property owners during the year.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contributions: From time to time, the District may receive grants from various governmental agencies and private organizations. The District may also receive contributions from a related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2014 and 2013, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$881,278, and \$866,760. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE C - OTHER RECEIVABLES

Other receivables as of June 30, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
Property taxes receivable from the three Counties	\$ 41,637	\$ 96,064
Other miscellaneous receivables	<u>17,588</u>	<u> </u>
	<u>\$ 59,195</u>	<u>\$ 96,064</u>

NOTE D - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents held in trust by District attorney for future District obligations	\$ 39,039	\$ 233,147
Cash and cash equivalents held under a separate trust agreement for specific debt service requirements	<u>825,075</u>	<u>630,256</u>
Total assets limited as to use	864,114	863,403
Less assets limited as to use for current obligations	<u>(864,114)</u>	<u>(863,403)</u>
Assets limited as to use, less amounts available for current obligations	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES

The District adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. The FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. As of June 30, 2014 and 2013, the District has no exposure to any changes in fair values as it has no assets or liabilities that would be exposed to fair value changes.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE F - DEBT BORROWINGS

As of June 30, 2014 and 2013, debt borrowings were as follows:

	<u>2014</u>	<u>2013</u>
Limited tax hospital notes payable to bondholders; payable in four annual interest-only payments beginning in 2001 and nine principal and interest payments beginning in 2005; including interest at various rates ranging from 5.5% to 7.5%; final installment due in November, 2013;		\$ 245,000
Restructured unsecured claims payable, under plan of reorganization		<u>245,000</u>
Less current maturities		<u>(245,000)</u>
	<u>\$ -0-</u>	<u>\$ -0-</u>

In November, 2013, the District made the last principal and interest payment on debt presented above.

NOTE G - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2014, the District had no recorded construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. There are no commitments to complete any facility project as of June 30, 2014.

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2014, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2014 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

KINGSBURG HEALTHCARE DISTRICT

NOTE H - RELATED PARTY TRANSACTIONS

The Kingsburg Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for District property and equipment replacement or expansion or other specific purposes. There were no significant donations to the District as of June 30, 2014 and 2013.

NOTE I - ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

The District has recorded a cumulative liability to the Federal government and the State of California in the amount of \$836,881 and \$786,385 as of June 30, 2014 and 2013, respectively. This liability represent several past Medicare and Medi-Cal cost report settlements dating back to June 30, 2000. Interest is being charged at the State's rate of 7%.

NOTE J - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through October 27, 2014, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.

Audited Financial Statements

**KINGSBURG
HEALTHCARE DISTRICT**

June 30, 2013

**TCA Partners, LLP
Certified Public Accountants**

Audited Financial Statements

KINGSBURG HEALTHCARE DISTRICT

June 30, 2013

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Balance Sheets	3
Statements of Revenues, Expenses, and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6

TCA Partners, LLP

A Limited Liability Certified Public Accountancy Partnership

1111 E. Herndon Avenue, Suite 211, Fresno, California 93720

Phone: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpa@aol.com

Report of Independent Auditors

The Board of Directors
Kingsburg Healthcare District
Kingsburg, California

We have audited the accompanying balance sheets of Kingsburg Healthcare District (the District) which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingsburg Healthcare District as of June 30, 2013 and 2012, and the results of its operations, changes in net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The District has not presented management's discussion and analysis as a part of the financial statements but has chose to present it in a separate document.

TCA Partners, LLP

August 3, 2014

Balance Sheets

KINGSBURG HEALTHCARE DISTRICT

	June 30	
	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,357	\$ 14,556
Assets limited as to use, available for current obligations	863,403	775,380
Grant and other receivables	96,064	52,898
Prepaid expenses and deposits	<u>19,673</u>	<u>39,074</u>
Total current assets	982,497	881,908
Property held for sale	<u>366,580</u>	<u>366,580</u>
Total assets	<u>\$ 1,349,077</u>	<u>\$ 1,248,488</u>
Liabilities and Net Position		
Current liabilities:		
Current maturities of debt borrowings	\$ 245,000	\$ 291,466
Accounts payable	1,553,658	1,591,068
Accrued expenses	<u>4,794</u>	<u>307,081</u>
Total current liabilities	1,803,452	2,189,615
Estimated third-party payor settlements	786,385	885,456
Debt borrowings and restructured claims, net of current maturities	<u> </u>	<u>245,000</u>
Total liabilities	2,589,837	3,320,071
Net position:		
Invested (deficit) in capital assets, net of related debt	121,580	(103,420)
Restricted, by trust agreements for debt service	630,256	498,039
Unrestricted (deficit)	<u>(1,992,596)</u>	<u>(2,466,202)</u>
Total net position (deficit)	<u>(1,240,760)</u>	<u>(2,071,583)</u>
Total liabilities and net position	<u>\$ 1,349,077</u>	<u>\$ 1,248,488</u>

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Position

KINGSBURG HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Operating revenues		
Rent revenue	\$ 74,682	\$ 74,682
Other operating revenue	<u>213</u>	<u>890</u>
Total operating revenues	74,895	75,572
Operating expenses		
Contract labor	98,728	94,929
Professional fees	87,593	65,515
Supplies	6,250	7,227
Purchased services	30,761	118,336
Repairs and maintenance	11,721	6,761
Utilities	53,758	59,163
Insurance	9,291	10,381
Other operating expenses	<u>8,554</u>	<u>8,987</u>
Total operating expenses	<u>306,656</u>	<u>371,299</u>
Operating loss	(231,761)	(295,727)
Nonoperating revenues (expenses)		
District tax revenues	739,369	623,748
Other revenue and adjustments	355,958	7
Interest expense	<u>(32,743)</u>	<u>(53,366)</u>
Total nonoperating revenues (expenses)	<u>1,062,584</u>	<u>567,389</u>
Increase in net position	830,823	271,662
Net deficit at beginning of the year	<u>(2,071,583)</u>	<u>(2,343,245)</u>
Net deficit at end of the year	<u>\$ (1,240,760)</u>	<u>\$ (2,071,583)</u>

See accompanying notes and auditor's report

Statements of Cash Flows

KINGSBURG HEALTHCARE DISTRICT

	Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from or used in operations	\$ 31,729	\$ 282,105
Cash payments to suppliers and contractors	<u>(726,023)</u>	<u>(367,457)</u>
Net cash used in operating activities	(694,294)	(92,113)
Cash flows from noncapital financing activities:		
District tax revenues	<u>739,369</u>	<u>623,748</u>
Net cash provided by noncapital financing activities	739,369	623,748
Cash flows from capital and related financing activities:		
Changes in assets limited as to use and other	(88,023)	(224,705)
Net principal payments on debt borrowings	(291,466)	(273,900)
Other revenues and adjustments	355,958	7
Interest payments on debt borrowings	<u>(32,743)</u>	<u>(56,366)</u>
Net cash provided by (used in) capital financing activities	<u>(56,274)</u>	<u>(554,964)</u>
Net increase (decrease) in cash and cash equivalents	(11,199)	(23,329)
Cash and cash equivalents at beginning of year	<u>14,556</u>	<u>37,885</u>
Cash and cash equivalents at end of year	<u>\$ 3,357</u>	<u>\$ 14,556</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	\$ (231,761)	\$ (295,727)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and other receivables	(43,166)	206,533
Prepaid expenses and deposits	19,401	(3,846)
Accounts payable	(37,410)	(16,796)
Accrued expenses	(302,287)	5,366
Estimated third party payor settlements	<u>(99,071)</u>	<u>12,357</u>
Net cash used in operating activities	<u>\$ (694,294)</u>	<u>\$ (92,113)</u>

See accompanying notes and auditor's report

Notes to Financial Statements

KINGSBURG HEALTHCARE DISTRICT

June 30, 2013

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KINGSBURG HEALTHCARE DISTRICT

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Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contributions: From time to time, the District may receive grants from various governmental agencies and private organizations. The District may also receive contributions from a related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

Operating Revenues and Expenses: The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2013 and 2012, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$866,760, and \$789,936. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE C - OTHER RECEIVABLES

Other receivables as of June 30, 2013 and 2012 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Property taxes receivable from the three Counties	\$ 96,064	\$ 48,555
Other miscellaneous receivables		<u>4,343</u>
	<u>\$ 96,064</u>	<u>\$ 52,898</u>

NOTE D - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2013 and 2012 were comprised of the following:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents held in trust by District attorney for future District obligations	\$ 233,147	\$ 277,341
Cash and cash equivalents held under a separate trust agreement for specific debt service requirements	<u>630,256</u>	<u>498,039</u>
Total assets limited as to use	863,403	775,380
Less assets limited as to use for current obligations	<u>(863,403)</u>	<u>(775,380)</u>
Assets limited as to use, less amounts available for current obligations	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE E - FAIR VALUE OF ASSETS AND LIABILITIES

The District adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. The FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. As of June 30, 2013 and 2012, the District has no exposure to any changes in fair values as it has no assets or liabilities that would be exposed to fair value changes.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE F - DEBT BORROWINGS

As of June 30, 2013 and 2012, debt borrowings were as follows:

	<u>2013</u>	<u>2012</u>
Limited tax hospital notes payable to bondholders; payable in four annual interest-only payments beginning in 2001 and nine principal and interest payments beginning in 2005; including interest at various rates ranging from 5.5% to 7.5%; final installment due in November, 2013;	\$ 245,000	\$ 470,000
Restructured unsecured claims payable, under plan of reorganization	<u>245,000</u>	<u>66,465</u>
Less current maturities	<u>(245,000)</u>	<u>(291,466)</u>
	<u>\$ -0-</u>	<u>\$ 245,000</u>

Aggregate principal maturities on debt borrowings during the succeeding years are: \$245,000 in 2014. Of these maturities, principal payments on bonds are; \$245,000 in 2014.

NOTE G - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2013, the District had no recorded construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the District's premises. There are no commitments to complete any facility project as of June 30, 2013.

Operating Leases: The District leases various equipment and facilities under operating leases expiring at various dates. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2013, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The District may from time-to-time be involved in litigation and regulatory investigations which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2013 will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Notes to Financial Statements (continued)

KINGSBURG HEALTHCARE DISTRICT

NOTE H - RELATED PARTY TRANSACTIONS

The Kingsburg Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for District property and equipment replacement or expansion or other specific purposes. There were no significant donations to the District as of June 30, 2013 and 2012.

NOTE I - ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

The District has recorded a cumulative liability to the Federal government and the State of California in the amount of \$786,385 and \$885,456 as of June 30, 2013 and 2012, respectively. This liability represent several past Medicare and Medi-Cal cost report settlements dating back to June 30, 2000.

NOTE J - SUBSEQUENT EVENTS

Management evaluated the effect of subsequent events on the financial statements through August 3, 2014, the date the financial statements are issued, and determined that there are no material subsequent events that have not been disclosed.



County of Fresno

Oscar J. Garcia, CPA

Auditor-Controller/Treasurer-Tax Collector

August 11, 2017

The Honorable Kimberly Gaab, Presiding Judge
Fresno County Superior Court
1100 Van Ness Avenue
Fresno, CA 93724-0002

Reference: REVISED - Response to Fresno County Grand Jury Final Report No. 3 Titled, "Kingsburg Tri-County Health Care District: A Financial Review"

Dear Judge Gaab:

The County of Fresno Auditor-Controller/Treasurer-Tax Collector (Auditor's Office) is providing its response to the above-referenced Grand Jury Report. The Auditor's Office recognizes the value of providing transparent financial information to the Districts' constituents.

As directed by the Grand Jury, responses are provided in accordance with Section 933.05 of the California Penal Code.

Finding:

F1. The District was not responsive to numerous requests for financial information that may substantiate the District's audited financial statements, indicating they did not have the requested information. This leads the Grand Jury to question of the validity of the Audit Reports.

F1: The Auditor's Office agrees with the finding. Though this Office did not contact the District requesting additional information to substantiate the financial information, this Office believes the Grand Jury's request from the District for additional information was denied. The financial statements included in Grand Jury Report No.3 Appendix (2013-2016) and the financial statements provided to this Office by the District (2010-2012) do have some inconsistencies and other problems including, but not limited to, the following.

- Balances in some of the financial statements attached to Grand Jury Report No. 3 are not reported consistently.
 - Example: some of the 2010 through 2014 comparative financial statements have line items on the balance sheet, which do not match (Net Assets of \$2,466,683 match) from one financial statement to the next for the same reporting year.
 - Example: in the 2010 balance sheet of the 2010 audited financial statements, "Grant and other receivables" have a total of \$280,569 and total assets of \$1,080,791. The same account in the 2010 balance sheet of the 2011 audited financial statements shows \$211,269, with total assets of \$1,314,895.

The "Net cash used in operating activities" in the 2013 cash flows operating activities on the 2014 comparable financial statements does not match the "Net cash used in operating activities" in the "Reconciliation of operating income to net cash provided by operating activities". (See page 5 of the financial statements for fiscal year ending June 30, 2014.)

Some of the opinion letters are facially inconsistent. Both 2015 and 2016 opinion letters state, "except for the matters discussed above," but there are no matters discussed. (See pages 2 and 4 of the financial statements for fiscal years ending June 30, 2015 and June 30, 2016, respectively.)

- According to the California Board of Accountancy website, TCA Partners, LLP (the firm who performed the audits of the District from 2010-2014) had a cancelled CPA license as of January 31, 2004.

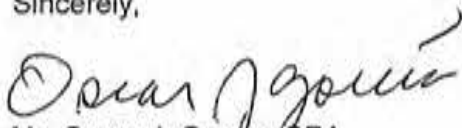
Recommendation:

R1. The Fresno County Grand Jury recommends that a certified public accountant or public accountant be enlisted by the Fresno County Auditor to conduct annual audits of the financial accounts and records of the District beginning with the year the hospital closed.

R1: The recommendation will not be implemented because it is not warranted or is not reasonable. The Auditor's Office does not have legal authority to make or contract to make annual audits of the District, because the California Health and Safety Code already provides for annual audits of the District. [Health & Safety Code, section 32133; Government Code, section 26909(a)(1)]. Furthermore, the Auditor's Office does not have the authority to make ad hoc audits of the District because the District is not located wholly within Fresno County. (Government Code, section 26910.) It is, however, a possibility that the State Auditor may have legal authority to audit the District under section 8546.10 of the Government Code, and related regulations in Title 2, Division 10, and Chapter 3 of the California Code of Regulations.

This concludes the Fresno County Auditor-Controller/Treasurer-Tax Collector's comments on the finding and recommendation of the 2016-17 Grand Jury Report No. 3.

Sincerely,



Mr. Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector

cc: Sonia M. De La Rosa, CAO's Office

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Legal Malpractice Law
The State Bar of California
Board of Legal Specialization
Admitted in CA and TX
**Admitted in CA and NY

Honorable Kimberly Gaab, Presiding Judge
FRESNO COUNTY SUPERIOR COURT
1100 Van Ness Avenue, 5th Floor, Department 54
Fresno, California 93724

September 15, 2017
Via U.S. Mail and fax
559-457-1624

RE: 2017 Grand Jury Report on Kingsburg Tri-County Health Care District

Dear Judge Gaab:

This office represents the Kingsburg Tri-County Health Care District ("**District**") whose Board of Directors ("**Board**") asked that we respond on its behalf to the Fresno County grand jury's June 2017 report pursuant to Penal Code sections 933 and 933.05. It appears this grand jury inquiry resulted from a primarily political complaint from a member of Kingsburg Citizens Committee ("**KCC**") which became upset with the District's approval of a lease for Crestwood Behavioral Health, Inc., to use the leased facility as a locked mental health treatment center and KCC repeatedly asked the District to not approve the lease, in part, because allegedly Crestwood had forcefully medicated some of its patients and continued to do so. As a result of the District approval of the lease, KCC filed a lawsuit naming the City of Kingsburg and the District as parties. [See Fresno County Superior Court, Case No. 15CECG00658.] This unmeritorious lawsuit was ultimately dismissed on or about November 19, 2015. The grand jury inquiry was opened the following calendar year, after July 1, 2016. The grand jury was provided with this background information and proceeded with the taxpayer-funded inquiry anyway, culminating in the report issued on or about June 18, 2017.

The grand jury report made the following findings and recommendations, and the District submits the following responses:

Finding 1: The District was not responsive to numerous requests for financial information that may substantiate the District's audited financial statements, indicating they did not have the requested information. This leads the grand jury to question the validity of the Audit Reports.

Recommendation 1: The Fresno County Grand Jury recommends that a certified public accountant or public accountant be enlisted by the Fresno County Auditor to conduct annual audits of the financial accounts and records of the District beginning with the year the hospital closed.

Response 1: The District respectfully disagrees with this finding insofar as the deadlines set by the grand jury to provide documents were usually very short and unrealistic, and despite that, the District is of the opinion that it actually provided legally appropriate responses to each request for documentation, in a reasonably timely manner. The recommendation has already been implemented through the use of a certified public accountant, which has been and will continue to be the District's practice for annual audits.

Finding 2: The District provided the grand jury with a signed and dated (October 15, 2016) audited financial statement for FYE June 30, 2015. When questioned, the District identified the audit as a "draft" and provided an "updated" audit. The existence of two different signed and dated FYE June 30, 2015 audit reports is not professional practice.

Recommendation 2: The Fresno County Grand Jury recommends that Kingsburg Tri-County Healthcare District evaluate the performance of its professional advisors/contractors and consider selecting new advisors at least every three years.

Response 2: The District generally agrees with this finding except that the "signature" was actually a computer font in the style of handwriting, not a manual or wet signature by a human hand. On November 15, 2016 the District responded to the grand jury's November 12, 2016 repeated request for, among other things, the completed FY2014-15 audit and the grand jury was informed that it was not yet approved by the District's Board and therefore there was no final audit report to produce. Since the grand jury repeatedly insisted upon receipt of FY2014-15 audit report, what was at the time believed to be the final draft was provided as early as possible to the grand jury. However, further revisions or corrections were subsequently made and then a corrected final version was provided to the grand jury with an explanation. In hindsight, the District should have delayed providing the FY2014-15 report to the grand jury but did not know that further revisions would be needed until after it was provided to the grand jury. The District is aware that commencing as of FY2013-14, Health and Safety Code section 12410.6 requires the District to select a new auditor after six consecutive fiscal years using the same auditor. Therefore, the grand jury's 3-year recommendation is not warranted and will not be implemented. However, the District intends to issue a request for proposals for auditing services for the District's FY2017-18 annual audit.

Finding 3: The District elected to write-off their 2011 and earlier accounts payable liabilities by resolution despite the fact that they had sufficient cash flow to support payment.

Recommendation 3: None.

Response 3: The District generally agrees with this finding. However, because those alleged liabilities were legally unenforceable, the District's Board of Directors felt that paying public funds which the District was not legally required to pay, could be inconsistent with fiduciary obligations to protect those public monies so that they can be used to fund health services and programs for the benefit the residents of the District. As there was no recommendation, no recommended action will be implemented.

Finding 4: The grand jury was unable to obtain some requested financial documentation regarding the District's financial condition. Receipt and disbursement of tax revenue could not be delineated from the documentation, which was provided by the District.

Recommendation 4: None.

Response 4: The grand jury was provided with final copies of the District's audited financial statements for all of the fiscal years requested. These included tax revenues. Additionally, on or about February 17, 2017, the District provided to the grand jury all of its banking statements which showed all activity in the trust accounts which held the tax revenues. Finally, on or about December 2, 2016 and again on December 12, 2016 the District, in writing, offered the grand jury the opportunity to inspect records at the District's office and would certainly allow the grand jury to inspect the District's final audited financial statements and banking statements at the District's office. Presumably, the grand jury obtained tax revenue disbursement records from the County tax collectors, which are public records, and did not find any discrepancies between those disbursements and what was deposited into the bank accounts, otherwise a finding to the contrary would have been noted in the grand jury report and no such finding was made. As there was no recommendation, no recommended action will be implemented.

Finding 5: It appears the District Board of Directors relied heavily on outside contractors and may have abdicated their fiduciary responsibilities.

Recommendation 5: None.

Response 5: The District agrees that it has relied upon outside consultants because after it closed its financially distressed acute care hospital and skilled nursing facilities, the District no longer had any in-house employees. The District respectfully disagrees that its Board of Directors may have abdicated fiduciary responsibilities. The grand jury report is unclear as to which, if any, Board decisions were the focus of this finding and the grand jury report failed to identify which of the various fiduciary responsibilities may have been abdicated. Moreover, there are no grand jury findings of financial or any other form of official misconduct whatsoever.

Hon. Kimberly Gaab, Presiding Judge

RE: 2017 Grand Jury Report on Kingsburg Tri-County Health Care District

September 15, 2017

Page 4

As there was no recommendation, no recommended action will be implemented.

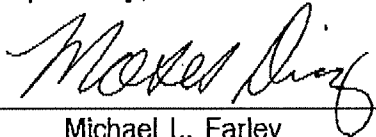
Finding 6: The District has displayed a lack of sound financial management.

Recommendation 6: None.

Response 6: The District respectfully disagrees with this finding. The District's audited financial statements show that the District went from a total net position in deficit prior to emerging from bankruptcy, to a positive total net position of over \$2 million. A final payment was made to fully retire debt which was subject to the court-approved bankruptcy plan, around November 2013. Since that emergence from bankruptcy, the Board of Directors has made discretionary decisions which have substantially improved the District's financial position, including leases of District facilities. As there was no recommendation, no recommended action will be implemented.

If you have any questions or concerns, please advise us and we will respond as expeditiously as possible.

Respectfully,



Michael L. Farley
Moses Diaz

Enclosure(s): (none)
CC: (KTHCD)

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REPORT & RESPONSES #4

FACILITY SERVICES DIVISION: THE PERCEPTION OF OVERCHARGING



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FACILITY SERVICES DIVISION: THE PERCEPTION OF OVERCHARGING IS EXPLORED WITH FACTS AND FIGURES

Fresno County Grand Jury Report No. 4

SUMMARY

The 2016-17 Grand Jury received a complaint expressing concern that the Facility Services Division within the Internal Services Department may be overcharging county departments for standard services and supplies. In addition, California grand juries are mandated to investigate and report on county operations, accounts, and records of one department, or function or officer per year [Penal Code, sections 925, 933(a)]. The grand jury chose to combine its annual investigation requirements with the complaint.

An investigation was undertaken, which included review of budgets, audit reports, county, state and federal procedure manuals, and general research. In addition, eight county employees were interviewed. We found most interviewees to be open to discussion, willing to share documents requested, and pleasant during the interview process.

Our investigation of the Facility Services Division focused on the following areas:

- Determination of Rates and Costs and Overview of the Budgetary Process
- The Cost-Recovery Process
- Transparency, Accountability, and Communication
- Deferred Maintenance
- Facility Manager Position
- Circumventing of the Facility Services Division
- Political Influence
- Oversight

The grand jury found the Facility Services Division within the Internal Services Department is properly charging user departments for its services. The Division follows county, state and federal guidelines for building its rates and costs, and is well-managed, but there is room for improvement.

GLOSSARY

ASPC: Accounting Standards and Procedures for Counties, Office of the Controller.

Auditor: Auditor-Controller/Treasurer-Tax Collector. This is an elected position.

CAO: County Administrative Officer.

CAFR: Comprehensive Annual Financial Report, County of Fresno, State of California for the Fiscal Year Ended June 30, 2016.

CFR: Title 2, Code of Federal Regulations, Part 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards [previously referred to Office of Management Budget, Circular 87 (OMB A-87) and/or 2 CFR 225].

CMSS: Computerized Maintenance Management System: software that maintains a database of information about maintenance operations.

County Portal: Serves as the online, single point access for county documents and information.

FAMIS: Facility Management Software: Computerized software for managing corrective and preventive maintenance, alterations and renovations to county facilities. Implementation is underway to replace MainSaver.

FSD: Facility Services Division: operating within the Fresno County Internal Services Department. The department head is an appointed official.

FSR: Facility Service Request.

GAAP: Generally Accepted Accounting Principles: a common set of accounting principles, standards and procedures that must be followed when compiling financial statements.

Handbook: Handbook of Cost Plan Procedures for California Counties, Office of the Controller.

ISD: Internal Services Department: provides services and/or products to user departments.

ISF: Internal Service Fund(s): Accounting method used to report any activity providing goods or services to other funds, departments, or agencies of the primary government department and its component units on a cost-reimbursement basis. ISFs should be used only if the reporting government is the predominant participant in the activity.

MainSaver: Computerized software for managing staff time, materials costs, and contractor costs on work orders. Will be replaced by FAMIS.

MSF: Master Schedule of Fees, Charges & Recovered Costs: The schedule of fees, charges and recovered costs to be charged and collected for the rendering of specified services by the county departments. The MSF was adopted to facilitate compliance with the requirements of Chapter 12.5 of the Government Code, sections 54985-54988: County Fees.

PeopleSoft: Financial accounting software tracking employee-related data including salary, benefits, and hours. The software also creates journal vouchers for purposes of transferring invoice amounts between user departments and FSD in MainSaver.

Rate Study: A review of methodology, tracing and reconciling used to the develop rates, and to evaluate estimates and assumptions made to determine reasonableness of the rates.

User Departments: County departments receiving goods or services from other funds and/or departments.

BACKGROUND

ISD provides centralized internal support services to various agencies of Fresno County and most of its revenue comes from services provided to user departments.¹ The County's recommended budget for 2016-17 is \$2.73 billion of which \$32.1 million is allocated to FSD. The county utilizes Internal Service Funds (ISF) to account for the financing of goods or services provided by FSD to user departments on a cost-reimbursement basis with a break-even motive.² The objective of this fund "is not to make a profit but to recover over time, the total costs of providing goods or services." (Handbook, p. 62.) Operating expenses for ISFs include the cost of sales and services, administrative expenses, and depreciation on capital assets.

There are seven divisions within ISD: Facility Services Division (FSD), Fleet Services, Graphic Communications, Information Technology, Purchasing, Radio, and Security. According to the Fresno County webpage, FSD provides:

... mechanical, electrical, structural, and janitorial service to County departments. This includes routine and preventive maintenance, remodeling and modifications, computer cabling and furniture moves. The division administers the job order contract program that is used to provide timely and cost effective projects for County facilities, as well as a number of countywide service contracts such as pest control, window washing, and fire extinguisher maintenance. Facility Services also administers the County energy program, which includes energy savings projects, energy conservation measures and processing of County utility bills.
(County of Fresno website, ISD homepage.)

FSD's management is made up of a department head, a deputy director, a business manager, and

¹ The grand jury did not review funding guidelines or restrictions for user departments' spending.

² Prior to the creation of the ISF, a general fund account was used by the County. There are claims by various interviewees that the ISF was not properly created and this has caused some accounting challenges that the County continues to address. The grand jury did not review the old general fund or the process of creating the ISF.

a facility manager with an additional 107 positions in support, trades, and janitorial staff.

The grand jury's investigation of FSD focused on the following areas: Determination of Rates and Costs and Overview of the Budgetary Process, the Cost-Recovery Process, Transparency, Accountability and Communication, Deferred Maintenance, Facility Manager Position, Circumventing of the Facility Services Division, Political Influence, and Oversight.

METHODOLOGY

The grand jury focused on the following methods to focus its investigation:

Face-to-Face Interviews:

- Conducted with employees in various positions within FSD and other county departments.

County-Level Document Review:

- Adopted Ordinances of the Fresno County Ordinance Code
- Annual Reports from Department Heads to the Board of Supervisors
- Training PowerPoint presentations
- Board Agenda Items
- Budgets at county-, department-, and division-levels
- California Government Code
- Comprehensive Annual Financial Report, County of Fresno for the Fiscal Year Ended June 30, 2016
- Deferred Maintenance Lists prepared by user departments
- Facility Services Requests (also known as a Work Order) (APPENDIX A)
- Internal Audit Report & Responses 2015-16
- Internal Audit Report & Responses 2016-17
- Internal Emails with Various Fresno County Employees
- Instructions for Developing the 2016-17 Budget issued by the CAO
- Leased v. County-Owned Buildings Lists
- Line Item Detail Reports
- Master Schedule of Fees, Charges and Recovered Costs Index
- Outside Approved Vendors Lists
- Portal review of documents including, but not limited to, employee salary and benefit rates, spreadsheets, data documents, projections, and formulas
- Press Releases
- Project Examples
- Proof of Publication
- Rate Calculation Comparison Sheet (rate sheet) (APPENDIX B)

State-Level Document Review:

- State audit reports related to rate and cost building
- Accounting Standards and Procedures for Counties, Office of the Controller
- Handbook of Cost Plan Procedures for California Counties, Office of the Controller

Federal-Level Document Review:

- Federal Accounting Standards Advisory Board, Deferred Maintenance and Repairs, Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32, Statement of Federal Financial Accounting Standards 42, April 25, 2012.
- Title 2, Code of Federal Regulations, Part 200: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards [previously referred to Office of Management Budget, Circular 87 (OMB A-87) and/or 2 CFR 225].

Internet Research:

- Accruent company website, vendor of FAMIS software, www.accruent.com
- County of Fresno website, FSD homepage, www.co.fresno.ca.us/DepartmentPage.aspx?id=15013
- Merriam-Webster.com website, www.merriam-webster.com
- Oracle website, vendor of PeopleSoft software, www.oracle.com
- General Internet research

DISCUSSION

The grand jury sought to determine if FSD overcharges county user departments. To do so, analysis required a review of the county budget process followed by an understanding of building rates and costs.

DETERMINATION OF RATES AND COSTS WITHIN THE FACILITY SERVICES DIVISION AND OVERVIEW OF BUDGETARY PROCESS

COUNTY BUDGET PROCESS INCLUDING INTERNAL SERVICE FUNDS

Annual county budgeting is controlled by state and federal regulations. At the county level, Auditor-Controller/Treasurer-Tax Collector (Auditor) and the County Administrative Office oversee the budget process.

The Handbook of Cost Plan Procedures for California Counties (Handbook) and the Accounting Standards and Procedures for Counties (ASPC), both issued by Office of the Controller provide guidelines to all California counties for creating and controlling budgets, including ISFs. These guidelines ensure that:

- Service objectives are attained,
- Expenses are properly controlled, and
- Adequate resources will be available to finance current operations, repay long-term liabilities, and meet capital outlay requirements. (ASPC, section 13.08, Budget and Budgetary Control, p. 238.)

This Handbook was developed to provide guidance in interpreting the CFR cost principles when considering the following two questions:

- Do the total costs accumulated for a central service department reasonably reflect the value of services provided by that department?
- Do costs that are distributed and/or billed to each operating receiving department equitably reflect the value of the services received by these departments? (ASPC, Summary Statement of Accounting Principles, p. 3.)

In addition to the Handbook's guidelines, annual budget instructions are published by the County Administrative Office and include links to templates, forms, and various budget documents. Year-round access to the state and federal guidelines are online and on the county portal.

The Fresno County Board of Supervisors holds public meetings starting in April for the annual budget review and comments on all department rates and costs resulting in the Master Schedule of Fees, Charges and Recovered Costs (MSF). The MSF is adopted by ordinance and listed in local publications for public inspection and review.

The County Administrative Office, until FY 2016-17, filed a recommended budget with the clerk to the Board of Supervisors at the end of May and budget hearings were held mid-June. Once adopted, the budget is effective July 1 to June 30 of the following year.³ The Auditor then submits the rates for compliance with the Handbook.

Proposed and final budgets are reviewed at multiple levels within the county for approval by the Board of Supervisors. Upon approval of the budget, a cost plan is prepared in accordance with Handbook, the ASPC, and Title 2, CFR, Part 200.

The final step includes the Auditor's Comprehensive Annual Financial Report (CAFR), which is a review of the County's financial statements that it complies with accounting requirements. This review includes an audit by an independent certified public accounting firm.

³ Fresno County is changing the budget hearings to mid-September.

The investigation found FSD’s budget preparation process follows county, state, and federal regulations.

PROCESS FOR RATE & COST BUILDING

Sections 4.06 and 13.11 of the ASPC require that county boards of supervisors set service rates to recover full costs including non-cash expenses, “depreciation and full overhead, and may include an amount designed to contribute to the replacement of capital assets” so that subsidizing ISF activities are not required. (ASPC, Establishing Charges, section 13.11, p. 239.). The ASPC also provides specific ISF accounting objectives, requiring that the rate charged:

- Accumulates the total cost (including depreciation and overhead) of providing the service;
- Permits integration of as much of a cost system as necessary to develop unit costs;
- Accumulates the charges to others; and
- Indicates the extent to which the user departments’ charges cover the cost. (ASPC, Accounting Objectives, section 13.06, p. 237.)

The method of cost accounting or cost allocation is left to the discretion of each county so long as the method assigns “the individual costs to the particular unit of service provided.” The “establishment of rates and billings for services must be cost-based” to assign the cost to the user department. (ASPC, Establishing Charges, section 13.11, p. 239.)

Our investigation found FSD’s methods allow for full cost-recovery where the direct and indirect costs are combined and distributed to user departments. FSD has implemented various methods of accounting and allocation within the past three years to allow for fairness, frequency of usage, etc. Some methods have been successful and others have been revised for various reasons. FSD’s management is flexible and open to applying different cost-recovery methods.

FSD’s rate and cost determination is a process of internal formal and informal meetings with various levels of management and supervisors in FSD.⁴ Analyses includes:

- Prior year(s) operational costs or historical costs.
- Employee salary and benefits.
- Anticipated program changes.
- Contract increases.
- Cost increases for uncontrollable services (such as utilities and property taxes).
- Cost accounting principles and methodology to recover all operational costs.
- Use of department-created “tools” including spreadsheets and databases.

All ISF rates and costs, including those proposed by FSD, are due to the County Administrative

⁴ ISD management provides hands-on rate training to FSD office- and field-staff during this time.

Office and Auditor by mid-February for incorporation into the MSF. The MSF and FSD approved rates and costs are published on the county's internal portal.

FSD business managers meet with user department counterparts to review historical usage, program changes, improvement projects, and budgetary needs. Based on data and conversations, FSD suggests budgetary projections for user departments. The projection is only a recommendation and each user department ultimately determines its budget for facility services.

FSD projection and user department budgets are reviewed and usually approved by the Auditor and the County Administrative Office as submitted. However, should these documents contain an item or items deemed unreasonable, the County Administrative Officer (CAO) will discuss with the department head and decide to include or exclude items from the budget.

FORMULAE FOR LABOR RATES & COSTS

Direct labor and materials can be charged directly to the cost unit or activity. Others, such as office expense, utilities, building depreciation, and insurance, must be applied through an overhead rate. (ASPC, Establishing Charges, section 13.11, p. 239.)

The Handbook and the CFRs provide distinctions between "direct" and "indirect" costs. Section 200.413 of the CFR, in part defines "direct" costs as those that can be identified specifically with a particular final cost objective, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Section 200.56 defines "indirect" costs as those:

1. Incurred for a common or joint purpose benefiting more than one cost objective; and
2. Not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

This same section also states "Indirect ... cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived." (2 CFR, section 200.56.)

Direct costs include salaries and benefits, and necessarily also include vacation/holiday pay, overtime pay, and contingency hours for emergencies. Some trade labor employees are also allocated vehicles for the performance of their services, which is included as a direct cost. Indirect costs, on the other hand, is a broad category that includes business office staff salaries and benefits (including manager salaries), utilities and property taxes directly related to the business office building, manager vehicles, materials, and miscellaneous fees and costs. The grand jury spent many hours reviewing the formulae for rates and costs. The simplest explanation for the calculation is that direct and indirect costs, less pass-through costs, are

divided by the potential number of labor hours to determine a building rate.⁵

FSD appears to employ all accounting methods required by county, state, and federal guidelines. Cost centers and corresponding numbers are created for accounting purposes to track services to recover actual costs from user departments. The goal of the cost centers is to match the activity with the rate metric and the direct cost to avoid over- or under-charging users of a specific service. FSD reviews cost centers and creates new categories or re-categorizes if necessary to facilitate proper recovery.

PASS-THROUGH COSTS

The accounts payable department within the business office pays various bills that are not recovered through cost centers, but the expense of which must be recovered from user departments. Some of these “pass-through” bills include payments for utilities, property taxes, software support maintenance, and radio and pager maintenance. FSD adds on a surcharge, currently 3.8%, to user departments to recover the cost of paying those bills by FSD business office staff. As an example, a utility bill for \$100 paid by accounts payable is charged to a user department at \$103.80. The surcharge to pass-through costs supports a prior Auditor recommendation that the business office recover the cost for accounts payable within FSD.

METRIC RATES

FSD must estimate the number of labor hours needed to complete the work for the upcoming year. This estimate is referred to as the “metric.” Underlying principles to determine the metric include:

- Only actual hours worked are invoiced to user departments.
- Travel time is usually allowed. (Some travel time is not captured when the cost-recovery will not result in a material recovery such as traveling from one floor to another when the laborer is already stationed at a worksite.)
- Preparation time is allowed including time for internal and external research, design, and procuring materials for projects.

The direct costs plus the share of business office overhead divided by the metric determines the labor rate. This rate excludes pass-through costs.

MATERIALS SURCHARGE

An overhead surcharge is added to materials to cover the cost of indirect costs of acquiring those materials. To prevent a double recovery, the materials surcharge is calculated separate and apart from the pass-through cost recovery and labor rate. The materials surcharge is determined by

⁵ Occasional pass-through costs overlap with the labor rates. We find the effect is minimal.

dividing the direct cost of maintenance craft (trade) materials and janitorial materials into overhead distribution for materials alone. Here again, there is a small overlap of business office overhead, but the effect was found to be minimal.

$$MS = \frac{\text{overhead distribution}}{\text{direct cost maintenance craft (trade) and janitorial materials}}$$

At times, additional charges are incurred that are directly related to the service activity. For example, a locksmith vehicle that requires transporting equipment to fulfill the locksmith's task.

RATE CALCULATION COMPARISON

(See original Rate Calculation Comparison Sheet attached as APPENDIX B)

Description	Cost Center	Accum	Percent Off	Overhead Distribution	Total Cost	Rate Metric	Annualized Rate Metric	Adjusted Rate	Actual Freeze Rate	Variation	Percent Change
Unattributed Overhead	100	1,649,612	0.00	-	-				0.0000		
Utilities	200	11,721,904	0.00	-	11,721,904				0.0000		
Property Tax	205	52,857	0.00	-	52,857				0.0000		
Bond Debt Service	210	1,305,275	0.00	-	1,305,275				0.0000		
Facilities JOC Materials	215	4,477,644	0.00	-	4,477,644				0.0000		
Maint Craft Labor	230	5,159,156	37.41	598,290	5,757,446	75,526	75,526	76.2315	76.2315	0.0000	0.00
Maint Craft Materials	235	2,330,772	16.90	270,292	2,601,064				0.0000		
Maint Janitorial Labor	240	3,486,704	25.28	404,342	3,891,046	91,959	91,959	42.3129	42.3129	0.0000	0.00
Maint Janitorial Materials	245	309,235	2.24	34,861	345,096				0.0000		
Ball room rental	250	17,910	0.00	-	17,910	14	14	1,279.2857	1,279.2860	-0.0001	0.00
Facilities Misc Direct	260	2,504,617	18.60	290,452	2,795,069				0.0000		
	Total	33,015,686									

Definitions are based on grand jury investigation:

Cost Center: Created to track services and billing to user departments.

BOO: Business Office Overhead: direct costs incurred and allocated to all user departments.

DC: Direct Costs: to deliver service, including salaries, benefits, etc.

Facilities Misc: Ongoing contract charges for maintenance, repair or management of county buildings/systems providing labor and materials by non-county employees (e.g., pest control, energy management system, window cleaning, etc.).

Janitorial Labor: Costs directly attributed to janitorial staff, including items traditionally considered overhead (e.g. vehicle costs), based on historical usage, plus any debt recovery for prior years.

Janitorial Materials: Estimated cost of materials budgeted for the year.

Labor Trade: Costs directly attributed to labor staff, including items traditionally considered overhead (e.g., vehicle costs), based on historical usage, plus any debt recovery for prior years.

Materials overhead surcharge calculation: Material and janitorial material costs are combined to calculate an overhead surcharge, plus any materials debt recovery for prior years.

Materials: Charges associated with initiating work that are non-labor in nature.

Metric: Estimated number of trade and janitorial labor hours per year based on historical usage.

Overhead "OH" Distribution: Proportion of the business office overhead distributed to other services, includes managers salaries, office staff, etc.

RATE STUDIES FOR FACILITY SERVICES

Studies are performed annually to review the overall rate approach, including reasonableness of input costs, output estimates, and methodology used to allocate costs. Preparing for the rate study requires significant input from FSD and access to supporting data by the Auditor.

The grand jury reviewed the Auditor rate study reports for fiscal years 2015-16 and 2016-17. The reports indicate supporting data has not been submitted to support standards and methodologies for the rate calculations, including assumptions and appropriate information. Responsive rate study letters from FSD indicate supporting documentation is available for review by the auditor on the county portal. Subsequent interviews with various county staff also indicate the Auditor has access to the supporting data, but does not avail itself of the data.

Lack of this review can lead to distrust of these calculations by the user departments. The grand jury did not find documentation that any effort was being made to encourage accessing supportive data to answer questions about rates.

MID-YEAR FINANCIAL CONDITION REVIEWS

Mid-year financial condition reviews (mid-year reviews) are required.

Handbook, Part III, section 2235: Each ISF should regularly prepare and examine its financial condition at least midway through each fiscal year. If a material profit or loss is projected for the end of the fiscal year, the fund's billing rates should be adjusted during the year. An immaterial deficit or profit at year-end should be offset by adjusting the billing rates for the following fiscal period. ISFs should not produce any significant profit or loss in the long run.

ASPC, section 13.12, p. 239-240 Income/Loss: An internal service fund's activities may result in income or loss for the fiscal year. If the mid-year results indicate that there will be either a substantial income or loss for the year, rates should be adjusted at that time; otherwise, they should be adjusted at year-end. The determination of the income or loss must take into consideration any required reserves. Adjustments to the ISF must also account for the balances in Unrestricted Net Assets.

Our research found the most recent mid-year review is dated February 20, 2015, with a title of "Mid-year 2014-15 ISF rate status." In its opening paragraphs, FSD acknowledged the importance of mid-year review by stating:

... As the rates are intended to ensure cost recovery and attain or maintain a particular funding level within the budget unit, the review method used was an analysis of the funding level over time compared to the intended effect of the initial rate development. For example, if a particular budget unit required capital recovery, is the funding level trend materially moving in the direction that was intended by the amount of capital recovery built into the rates?

One paragraph addresses the FSD rates, as follows:

The Facilities Services Division budget unit rates for 14-15 were built with \$1.9M in capital rate recovery. The trend currently indicates an overall funding recovery of approximately \$2.5M over the course of the fiscal year.

The closing paragraph states the following:

On the whole, most rates are materially working as designed. Organizations with rates that appear skewed at mid-year have rational, identifiable, explanations for the variances. Variances that are expected to continue throughout the remainder of the fiscal year are expected to assist in achieving or maintaining appropriate funding level.

The grand jury found the rate study dated February 20, 2015, to be lacking in analysis and conclusions specific to FSD. Supporting statements or documentation are completely lacking. The rate study does not address the 31.5% difference in \$1.9M capital rate recovery versus \$2.5M funding recovery. The report does not indicate a rate adjustment, whether significant or insignificant, nor does it address the resulting positive annual income. Our investigation determined FSD was operating in a negative budget from 2009-2014 and was required to recover its losses and the additional amounts recovered were for capital recovery. The rate study response fails to indicate that the additional funding recovery was for capital recovery. A review of the CAFR also fails to include any analysis regarding any recovery with the positive budget.

The grand jury investigation found FSD has failed to prepare mid-year reviews for fiscal years 2015-16 or 2016-17. Various rate studies are generated by the Auditor, and it appears that this is an audit of the entire division and not a mid-year review for possible adjustment of rates. Various interviewees stated mid-year reviews are not required because rates are only set once a year. The grand jury found these statements to be in contrast with both the guidelines and written acknowledgement by FSD.

It must be noted that in the audit report response for fiscal year 2016-17, FSD states:

I. Internal Services Department Agrees with Recommendation

All ISF Rates

- a. **Mid-year financial review not performed**: The Department agrees with recommendation and will work to establish mid-year preview procedures of financial position to meet the direction set forth by the CA Handbook. ISD will look to implement these procedures for the FY 2016-17 budget and will work with the auditor's office to present information timely.

The grand jury did not find compliance with the Handbook or ASPC or with FSD's own statement. FSD should timely and thoroughly complete mid-year rates reviews and the Auditor complete both follow-up and analysis.

OVERSIGHT

FSD appears to produce some responses to Auditor requests, but not complete and/or timely responses to annual audit requests, including mid-year reviews. If FSD is not complying with audit requests, the Auditor must forward the lack of compliance to the County Administrative Office. The onus falls on county administration for compliance with these requests. There are 19 county departments and oversight must be provided to all, including FSD.

The general public is too far removed to provide oversight in the internal workings of a division such as Facility Services. FSD is almost completely in the background of services provided to county citizens. It would be unrealistic to expect oversight by the general public.

THE COST-RECOVERY PROCESS

INVOICE PROCESS

Service is invoiced on an actual basis. Invoicing user departments creates a record of the cost recovery. Those invoices include labor hours, material costs, overhead charges, outside vendor charges, and any other costs to complete the task. Invoices are submitted to the user department for approval. Once approved, a PeopleSoft journal entry is made to transfer funds to FSD.

If the invoice is challenged, the complaint process includes contacting the business office ISD. The business office will review the invoice with the department to determine if an amended invoice is to be issued. The costs of time and labor can be challenged, but not the rates.

If there is not a successful resolution within the business office, a more senior member of ISD will address the matter. While a challenge to the decision of ISD senior members can be taken to the CAO, it does not appear that such action has been needed.

FACILITY SERVICE REQUESTS

Larger tasks including deferred maintenance, improvements, remodeling, etc., are considered projects. User departments and/or FSD initiate projects for improvements or maintenance within the user department. The process for those projects involves FSD staff reviewing the project with the user department. A facility services request (FSR, also known as a Work Order) serves as the working document for creating the estimate. Once the work is completed, the work order becomes the invoice. A blank FSR is attached as APPENDIX A. The FSR is divided: Section A for the user request information and Section B for the estimate and review by FSD staff. The document is limited on space to enter additional documentation or list details regarding complex and large-scale projects.

Section B lists categories for the following charge entries: Estimator, Materials, County Labor, Contract Services, Consultant Fees, Other (SURCHARGE), and Contingency (10%). The entries are entered in the table in Section B. In the grand jury's review of work orders, common entries in the comments section include "materials," "contract services," "consultant fees," and a "surcharge for operating indirect costs and on all estimate line items" and the space available for those specific charges are left blank. An improperly completed form can lead to confusion by the user department because the charges may appear duplicative, or may have different meanings than the table categories. The form offers opportunity for contract services and consultant services to be listed in the same manner as the "other" charges.

MASTER SCHEDULE OF FEES

FSR fees include a number of entries not listed on the MSF, such as contract services, consultant fees, and contingency fees. The charges listed on the FSR appear to be appropriate and well-researched by FSD. However, a user department is not made aware of these charges until a project develops into an FSR. User departments may have fewer questions about the work order and resulting invoice if these charges are published on the MSF with the current labor and janitorial rates. The grand jury understands some charges may be listed as "10% surcharge," but believe the benefit remains.

RESERVE BUDGET

Appropriations for capital assets, meaning pre-approved major improvements and/or significant remodel projects, remain in FSD's budget, but are not used as operating capital for other expenses. For non-capital improvements, such as minor remodels or projects, funds are

transferred from the user department to FSD once the invoice is submitted and approved by the user department.

FSD can keep 0-60 days' worth of working capital after the fiscal year end to pay outstanding bills incurred in the prior fiscal year pursuant to section 2245 of the Handbook. The dollar amount lies within the discretion of the county so long as the amount is no less than 0 days and no more than 60 days of working capital. The county currently allocates its revenues over expenses for the reserve. The amounts for the past three years vary from \$1 million to \$1.9 million, which is much less than the 60-day maximum of approximately \$5.35 million.

The ISF for FSD was operated under a net position deficit (negative balance) from June 30, 2009 to June 30, 2014. Since 2014-15 it is operating in the positive.

<u>Period</u>	<u>Net Position</u>
June 30, 2009	(\$874,000)
June 30, 2010	(\$1,200,000)
June 30, 2011	(\$3,237,000)
June 30, 2012	(\$3,662,000)
June 30, 2013	(\$2,686,000)
June 30, 2014	(\$568,000)

The perception of some interviewees was that FSD and/or ISD were overcharging for the purpose of accumulating a net profit in an effort to recover underfunding from prior years. Debt recovery is required by county, state, and federal guidelines. As of August 2015, FSD had recovered \$2 million, but still \$600,000 less than the needed recovery at the time. (Rate Study, p. 3.) The auditor recommended an adjustment of the rates to allow for a quicker recovery. A decision was made by FSD management to allow for a slower debt recovery so that user departments could slowly integrate the debt recovery into their budgets. Since 2014, FSD's budget shows a net position surplus (positive balance) which is to both recover for negative fund balances and fund the working capital reserve.

<u>Period</u>	<u>Net Position</u>
June 30, 2014	2,354,573
June 30, 2015	1,950,919
June 30, 2016	1,947,555
June 30, 2017	1,040,214

The grand jury interviews and auditor reports found no evidence of accumulated profit by FSD for any other purpose than working capital reserves or debt recovery.

COMMON-AREA CHARGES

Interviewees stated issues and complaints have arisen regarding common-area charges spread out to all users, such as the lobby of the building and elevators. User department staff indicate they sometimes offer alternative methods for calculations to result in lower common-area charges. FSD staff appear willing to consider and weigh those alternative methods against current calculations if the rate building methodology is appropriate for the use. The grand jury did not find an instance when the rate was altered due to a suggestion by a user department.

TRANSPARENCY, ACCOUNTABILITY AND COMMUNICATION

TRANSPARENCY

Openness, accountability, and honesty are the cornerstones of government transparency. In a free society, it is a government's obligation to share information with the public (here, user departments). It is at the heart of how officials are held accountable.

Transparent is defined as “readily understood” and “characterized by visibility or accessibility of information especially concerning business practices.” (Merriam-Webster.com, 29 April 2016.) The goal within FSD is full transparency, yet our investigation indicated there is confusion by user departments about the process and perceived high charges leading to questions of transparency.

Interviews with some user departments disclosed uncertainty with the process and perceived high charges without a transparent basis of those charges. Some interviewees indicate they did not place significant level of importance on the information. Some interviewees indicated they understood the process and that rates are necessarily higher than other private industries or household improvements and projects.

FSD reduces its analysis of direct and indirect costs to a “Rate Calculation Comparison” document called the “rate sheet.” FSD directed the grand jury the rate sheet for substantiation of its rates and costs. The grand jury finds the rate sheet does not adequately explain the additional information that can be found on the county portal - it simply states the rates.

FSD staff could not state whether they had shared and/or reviewed the rate sheet with every user department, but indicated they had reviewed it with most. Even if the rate sheet is shared, not all user departments have sufficient knowledge or experience to decipher the calculations. In addition, most user departments do not have access to supporting documentation for the rates and

costs or as listed on the rate calculation sheet.⁶ However, it was also found that most user departments do not request the supporting documentation from FSD. User departments should be encouraged to review the rate sheet and supportive data to answer their questions about invoice charges to support FSD's full transparency. The full implementation of FAMIS will provide a user-friendly platform to access additional documentation and thus improved transparency.

ACCOUNTABILITY

In governance, accountability is answerable, liable, and with the expectation of account-giving.⁷ Accountability is about being responsible to the public for actions taken -- about being able to explain, clarify and justify actions. It implies that the public has a right to know and hold a public entity to account; and that the public entity has a duty to explain and account for its actions. Here, the public includes user departments.

The understanding of standards and rate methodologies is increased when supporting data is available for review. One cannot begin to understand if one does not review. Lack of understanding can lead to distrust by the user departments. The grand jury did not find documentation that any effort was being made to encourage accessing supportive data to answer questions about rates.

The user departments tend to only see the end invoice and not the underlying charges associated with the rates and costs. Accountability includes the right of the user department to know how the rates and costs are calculated. The approval process by the Auditor, County Administrative Office, and Board of Supervisors is separate and distinct from an explanation and understanding to trace those rates and costs to user departments.

The grand jury understands that any accounting systems and financial statements provided to user departments are complex and not readily understandable to the average staff person trying to assess the rates and costs process. FSD has a duty to at least attempt to explain that process, even if the user departments have no interest in learning the process.

RESULTS OF TRANSPARENCY & ACCOUNTABILITY

User departments do not have a sufficient understanding to hold FSD accountable, leading to confusion, and therefore a sense of non-transparency. FSD was transparent in its meetings and explanations, although supporting data has not been made available to its user departments. Once the supporting data is made available, user departments may very well fail to avail themselves.

However, the onus is on FSD to make available materials and properly educate its user

⁶ Access to raw data should be protected in any organization. The grand jury does not recommend granting user departments with full access to raw data.

⁷ Dykstra, Clarence A. (February 1939). "The Quest for Responsibility." *American Political Science Review*.

departments from the beginning of the process through ultimately billing for its services.

MEETINGS WITH USER DEPARTMENTS

FSD management meets with user departments to explain the concept of overhead/value-added rates and costs. These meetings were confirmed by grand jury interviews, but there is inconsistency with the regularity in holding meetings and in the content of the meetings.

The grand jury recommends regular meetings with the department head or relevant staff to educate the user department regarding rate building and cost determination. Invoicing questions could be quickly answered at that time resulting in saving time and resources of staff.

COMMUNICATION

Interviewees consistently described their relationship with the FSD staff as being positive. The staff was said to be approachable, willing to answer questions, and address concerns. Our investigation found the FSD staff to be open in communication, and focused on making sure delivery of their services is at a high standard. The staff did not know if user departments completely understood rate setting and costs, but were willing to spend the time to explain and review the process. FSD staff meets with user department counterparts on a regular basis: more frequently with larger departments, and less frequently with smaller departments. Our investigation also indicated that the management philosophy is that “problems are to be solved.” The grand jury commends FSD for its management philosophy.

Our investigation indicates openness and willingness by staff to resolve issues, and that employees feel supported by management to address and resolve concerns from user departments.

User departments appear receptive to the style of communication implemented by FSD. User departments support the view that the FSD staff is open and division counterparts are available to answer questions and concerns.

TRAINING FOR LOWER-LEVEL STAFF NEEDS SPEEDIER IMPLEMENTATION

FSD management recently started training non-management, lower-level and field staff in rate building and the underlying purpose of those rates. FSD field staff interacts more frequently with user departments and can provide additional information regarding the rates when questioned about perceived high fees and costs. Educating user departments at the onset of the projects can reduce invoicing questions to the business office. It will also enhance trust between user departments and FSD. FSD management stated the training has been a success on a small scale. FSD is encouraged to continue training all staff at every level to better inform user departments.

DEFERRED MAINTENANCE

Deferred maintenance and repairs are maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period. (Federal Accounting Standards Advisory Board, Deferred Maintenance and Repairs, April 25, 2012, p. 7.) It is the practice of postponing maintenance activities such as repairs on both real property (infrastructure) and personal property (machinery) to save costs, meet budget funding levels, or realign available budget monies.

The county lacks a master plan for facilities including deferred maintenance needs. Tracking deferred maintenance for building needs has been a challenge for FSD for three reasons: 1) outdated facility maintenance software, 2) lack of a consistent facility manager; and, 3) the volume of buildings and property to manage.

Maintenance, which has been deferred because of insufficient funding, has resulted in increased safety hazards, poor service to the public, higher repair costs in the future, and inefficient operations. Safety has been FSD's first criteria in determining which deferred maintenance projects are funded. Monies made available to ISD are allocated to deferred maintenance projects based on requests from department managers.

The most difficult challenge in deciding which deferred maintenance projects should be undertaken when new funding becomes available is the insufficiency of the software used to track routine and preventative maintenance. MainSaver, the software being replaced, allows FSD to record work in progress and completed work, but does not allow for the consolidation of information into a deferred maintenance report. Management believes prioritizing challenges will be addressed with the introduction of new software. FAMIS is a computerized software program for invoicing, managing corrective and preventive maintenance and alterations and renovations to county facilities. Its purpose is to manage the complete lifecycle of facilities and replace the aging MainSaver software. This software will allow user departments to access additional information regarding facility services requests, including reviewing the status of the requested work and charges accrued to date. FAMIS will allow enhanced tracking of daily and deferred maintenance needs. Management stated their belief that the use of FAMIS will enhance understanding of the billing process for user departments. The new system will provide a timely view of the status of maintenance for each building and property owned by Fresno County. FAMIS is in the implementation phase and anticipated to be in full operation by the Fall 2017.

FINANCING OF DEFERRED MAINTENANCE

In 2015, the Board of Supervisors allocated \$2.5 million for deferred maintenance of county facilities. However, the Board has not allocated regular or additional funding for those needs. Interviewees stated the \$2.5 million is wholly insufficient to protect the lifecycle of the aging county facilities. The lack of funding also impacts FSD's multi-year budget because they are then faced with unanticipated and emergency expenditures of county facilities. The grand jury

also did not find any line items in the budget nor a master plan to address deferred maintenance financing.

FACILITY MANAGER POSITION

The role of the Facility Manager, who reports to the Deputy Director of ISD, is to ensure cohesive operations and delivery of goods and services to user departments. The role involves planning, goal setting, developing policies and procedures, budget preparation and monitoring, interviewing and hiring staff, supervising staff including discipline when indicated, preparing reports, studies and research, communicating with other departments, representing FSD to other county staff including the Board of Supervisors, initiating and monitoring agreements with private vendors, and directing day-to-day activities through subordinate staff.

Grand jury interviewees stated the job description is too broad and that may be a reason for high turnover and difficulty in recruitment, and retention of facility managers. Four facility managers have held the position in recent years. Recruitment has been challenging even though the salary was substantially increased. The grand jury posed the question of whether an assistant should be provided to the Facility Manager with a variety of answers, but none definitively negative to the idea. After being vacant for many months, this position has recently been filled.

Retention has also been challenging due to “poaching” by other counties that offer higher salaries and benefits. While this position was vacant, other staff had to fill in, in addition to performing their own duties.

CIRCUMVENTING FACILITY SERVICES DIVISION

Improvements to county property that circumvent FSD and/or approved vendors appears to be a continuing problem, but not widespread. User departments circumvent FSD and/or approved vendors when improving county property with the intent to save money because outside rates can be less than FSD rates. This non-support of FSD services can be either from a lack of understanding of how the rates and costs are built or a disregard for the rate and costs, and thus the county-implemented process. When FSD is circumvented, the budget shifts and does not reflect the adopted budget. This can create a deficit where FSD needs to include that cost in future invoices to balance the budget, thus creating higher costs.

Standards of the industry and/or of the profession must be adhered to for public safety. When user departments circumvent FSD, not only does safety become an issue, but also liability. The risk of lawsuits increases as unapproved vendors are not regulated by the county or supervised by FSD management. Industry and professional standards are unique to the work to be done in a particular manner especially when applied to public entities. Interviewees stated that long-standing employees have a knowledge of the county’s aging properties and, therefore by applying that knowledge, they believe less time (thus money) is spent on projects.

Tradespeople within FSD and ISD belong to organized unions, whose bargaining agreements require that specific county work be done by union employees. When these agreements are not honored, lost wage grievances could result from union employees and lawsuits against the county.

Failure to follow approved procedures for obtaining services could potentially encourage public indifference to adherence to county ordinances and laws. When user departments, and thus citizen employees, can circumvent FSD, it encourages non-adherence to county protocols both within the county employment and as a citizen of the county. Simply stated, protocol must be followed and monitored at all levels of county administration, including the user departments themselves.

The grand jury investigation found that FSD staff take pride in their work. They know the history of the properties and look forward to improvements. Interviewees stated that circumventing FSD tradespeople creates low morale and feeling a lack of respect for their contributions.

Invoices for circumvented work create difficulties in the payment process. These “circumvented invoices” lead to significant delays in payment and possible non-payment to the vendor. The business office staff must then find a way around standard operating procedures for review and approval of “circumvented invoices” which results in additional time spent by all staff.

POLITICAL INFLUENCE

There are allegations by user departments that politics sometimes play a part in prioritizing the order and funding of projects. There are also allegations that elected officials can contact FSD to re-prioritize projects on their behalf. The grand jury found FSD wholly against completing work for political gain, but most acknowledged that politics and government go hand-in-hand. Not one of the interviewees was able to provide a specific example of politics influencing the work or completion of work.

The grand jury could not verify that work for specific officials and/or user departments is completed out of order. It should be noted that funding (i.e., payment) for projects is controlled exclusively by the user department and is not moved to FSD’s budget until the project is completed. It behooves FSD to complete all work for all user departments as soon as possible so that the funds are transferred to FSD.

FINDINGS

F1. The grand jury did not find evidence of overcharging. There appears to be confusion and a lack of understanding on the part of user departments as to how rates and costs are determined, which could lead to the perception of overcharging.

F2. It appears FSD adheres to generally accepted accounting principles including county, state, and federal guidelines, which in turn, insures proper and full cost recovery without making or

losing money. Those guidelines allow for FSD practices with flexibility, which result in discretionary implementation of accounting and allocation methodologies.

F3. FSD's invoicing procedures appear to include all direct and indirect costs, including surcharges associated with complete recovery, through the development of its rate structure.

F4. The Handbook guidelines allow for recapture of prior year lost revenues. Surcharges necessarily include debt recovery for negative balances from 2009-14. FSD establishes charges to recapture lost revenues, which are included in the invoicing process. FSD's positive annual balances from 2014-16 are necessary for purposes of recovering prior negative balances and to allow in the new fiscal year, reserves to pay for the prior years' negative balances.

F5. FSD staff are supported by management's philosophy to address and resolve concerns from user departments.

F6. The grand jury commends FSD on the planned implementation of FAMIS. The program provides user-friendly access to status of invoices and projects, along with supporting data for all goods and services, which better meet FSD's goals of transparency and accountability. The grand jury anticipates FAMIS may help prioritize routine and deferred maintenance needs.

F7. Rates can only be fully validated in the rate studies when the Auditor reviews the supporting documentation. There appears to be disparity in whether FSD must provide the supporting documentation or whether the Auditor should independently access the supporting documentation. The communication between FSD and the Auditor's office appears to be improving and may independently address this issue.

F8. Unresolved concerns regarding how supporting documentation must be supplied to the Auditor's office do not allow for complete rate study. This rate study review is required by county, state, and federal guidelines.

F9. FSD has failed to prepare mid-year reviews. Mid-year reviews are necessary to determine whether material or immaterial rates are present and if changes are necessary to prevent negative or positive annual balances.

F10. The rate calculation sheet is insufficient as used to provide explanations to user departments regarding rates and charges and has failed to provide access to the rate building process, which is inherent to transparency and accountability. The grand jury is of the opinion that flowcharts and/or spreadsheets along with supporting documentation will assist user departments' understanding.

F11. FSD has failed to regularly schedule meetings with user departments to aid in the understanding of charges and invoicing. FSD's regular meetings with user departments encourages openness and accessibility, which fosters better management of FSD.

F12. FSD continues to train lower-level staff to provide user departments with additional information to provide another layer of training to user departments and which may reduce user departments' concerns regarding rates, costs, and invoicing.

F13. Failure to publish additional rates and charges on the MSF prohibits effective planning by user departments for anticipated projects.

F14. FSD does not receive sufficient and regular allocations of deferred maintenance funds. Lack of deferred maintenance funds fails to protect the lifecycle of county property, which in turn impacts FSD's multi-year budget planning.

F15. The turnover and absence of facility managers has led to difficulty with cohesiveness of operations, proper delivery of goods and services, and communication with user departments.

F16. Circumventing FSD is not a widespread problem. When it does happen, failure to follow policy appears to lead to morale issues with FSD, along with potential liability to persons and property, and from the possible filing of union grievances.

F17. Failure by FSD personnel to properly complete the Facility Services Request forms can lead to confusion by giving the impression of duplicated surcharges

RECOMMENDATIONS

R1. Implement FAMIS and train all staff and user departments by November 30, 2017.

R2. Provide clear policies and directives to FSD and Auditor's office regarding the rate study process outlining how supporting documentation is made fully accessible to the Auditor's office for rate studies by November 30, 2017.

R3. FSD must refer any unresolved concerns between FSD and the Auditor's office to the CAO and/or Board of Supervisors.

R4. Complete mid-year financial condition reviews in a timely and complete manner to comply with all county, state and federal requirements.

R5. Create a standardized form for mid-year financial condition reviews for ISF by November 30, 2017.

R6. Create and disperse additional flowcharts and/or spreadsheets to user departments to support the rate sheet data and train user departments to better understand rates and charges.

R7. User departments need to be encouraged to regularly access supporting documentation.

R8. Schedule regular meetings with user departments to discuss costs and concerns regarding invoicing.

R9. Continue to train lower-level FSD staff to provide user departments with additional information to provide additional training to user departments, and address concerns regarding rates, costs, and invoicing.

R10. Adopt and include on the MSF all charges listed on the Facility Service Request (Work Order) Form by November 30, 2017.

R11. Create and propose to the Board of Supervisors a five-year plan for deferred maintenance

budget allocation by September 30, 2018.

R12. Evaluate the need for an assistant position to the Facility Manager to aid in retention of the Facility Manager.

R13. Provide additional training for elected officials and appointed department heads on existing county policy for use of FSD services. The CAO and/or Board of Supervisors should supplement the existing county policy to address any personnel circumventing FSD.

R14. Train FSD staff to properly complete the Facility Service Request Form.

R15. Revise the Facility Service Request Form to provide clarity and disclose all categories of charges by November 30, 2017. Until the form is revised, all FSD staff should properly complete the existing form including the table section.

REQUEST FOR RESPONSES

California Penal Code, section 933(c) requires comments from elected county officers or agency heads within 60 days of submission of the final report:

Robert W. Bash, Fresno County Director of Internal Services-Chief Information Officer

Findings: F6-F17

Recommendations: R1-15

Jean M. Rousseau, Fresno County Administrative Officer

Findings: F7-F9, F13-F16

Recommendations: R2-4, R10-13

Oscar Garcia, Fresno County Auditor-Controller/Treasurer-Tax Collector

Findings: F7-9, F13

Recommendations: R2-4, R10

California Penal Code, section 933(c) requires comments from the governing body of public agency no later than 90 days after submission of the final report:

Fresno County Board of Supervisors

Findings: F8, F13-16

Recommendations: R3, R10-R13

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<http://www.co.fresno.ca.us/Departments.aspx?id=166>.

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Oracle website, www.oracle.com

Title 2, Code of Federal Regulations, section 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, [previously referred to Office of Management Budget, Circular 87 (OMB A-87)].

APPENDICES

Appendix A. Facility Service Request/Work Order Form (Blank)

Appendix B. Rate Calculation Comparison Sheet



FACILITY SERVICE REQUEST

Macros Must Be Enabled - Please Re-open and Enable

Double-click!

Work Order No. _____

A. DEPARTMENT REQUEST

Department: _____ Location of Requested Work: _____
 Fiscal Year: _____ Org: _____ Subclass: _____ Fund: _____ Acct: _____ Program: _____

Alteration
 Repair
 Replacement
 Furniture Move
 Other (Specify) _____

Description of Project (Sketch is required for alterations or new construction; list items if furniture moves)

Safety/Health Mandated by Law
 Significant Cost Savings
 Conserve or Protect County Property
 Improve County Facilities/Programs

Desired Completion Date: _____ (Please explain below)

Explanation:

Contact Person: _____ Approved By: _____
Name (print) Department Head Signature

Phone No.: _____ (559) - ext. _____

If the project requires: TELEPHONE SERVICE, PLEASE CONTACT COMMUNICATIONS AT 600-5888
COMPUTER SERVICE, PLEASE CONTACT ITSD AT 600-5900

Estimated Labor will be charged regardless of project approval/disapproval.

B. FACILITY SERVICES ESTIMATE AND REVIEW

	HOURS	COST
Estimator	0	\$0.00
Materials		\$0.00
County Labor	0	\$0.00
Contract Services		\$0.00
Consultant Fees		\$0.00
Other (Specify)	0	\$0.00
Contingency (10%)		\$0.00
TOTAL	0	\$0.00

DATE RECEIVED: _____

COMMENTS: _____

Estimated by: _____
Facility Services Manager Signature

Reviewed by: _____

C. DEPARTMENT ESTIMATE REVIEW AND APPROVAL

Approved
 Not Approved

Department Head Signature: _____

D. GENERAL SERVICES REVIEW AND APPROVAL

Department Head Signature: _____

Rate Calc Comparison - Freeze Rate to Possible Adjusted Rate

To avoid calculation errors, do not scroll until all form data populates!

Description	Cost Center	Accum	Percent OH	Overhead Distribution	Total Cost	Rate Metric	Annualized Rate Metric	Adjusted Rate	Actual Freeze Rate	Variation	% Change
Unattributed Overhead	100	1,649,612	0.00%	0	0				0.0000		
Utilities	200	11,721,904	0.00%	0	11,721,904				0.0000		
Property Tax	205	52,857	0.00%	0	52,857				0.0000		
Bond Debt Service	210	1,305,275	0.00%	0	1,305,275				0.0000		
Facilities JOC Materials	215	4,477,644	0.00%	0	4,477,644				0.0000		
Maint Craft Labor	230	5,159,156	37.41%	598,290	5,757,446	75,526	75,526	76.2315	76.2315	0.0000	0.00%
Maint Craft Materials	235	2,330,772	16.90%	270,292	2,601,064				0.0000		
Maint Janitorial Labor	240	3,486,704	25.28%	404,342	3,891,046	91,959	91,959	42.3129	42.3129	0.0000	0.00%
Maint Janitorial Materials	245	309,235	2.24%	35,861	345,096				0.0000		
Ball Room Rental	250	17,910	0.00%	0	17,910	14	14	1,279.2857	1,279.2860	-0.0001	0.00%
Facilities Misc Direct	260	2,504,617	18.16%	290,452	2,795,069				0.0000		
Total		\$33,015,686									



County of Fresno

Oscar J. Garcia, CPA

Auditor-Controller/Treasurer-Tax Collector

August 10, 2017

The Honorable Kimberly Gaab, Presiding Judge
Fresno County Superior Court
1100 Van Ness Avenue
Fresno, CA 93724-0002

Re: Response to the 2016-17 Fresno County Grand Jury Report No. 4

Dear Judge Gaab:

The Grand Jury's report reflects findings and recommendations regarding the Facility Services Division. The Fresno County Auditor-Controller/Treasurer-Tax Collector thanks the Grand Jury for their diligence and includes the responses to the findings and recommendations below:

Findings:

F7. Rates can only be fully validated in the rate studies when the Auditor reviews the supporting documentation. There appears to be disparity in whether FSD must provide the supporting documentation or whether the Auditor should independently access the supporting documentation. The communication between FSD and the Auditor's office appears to be improving and may independently address this issue.

F7: The Auditor-Controller/Treasurer-Tax Collector (Auditor's Office) agrees with the finding. The Auditor's Office and FSD will work together to determine how best to share and review the data, whether the supporting documentation is provided or made available through remote access.

F8. Unresolved concerns regarding how supporting documentation must be supplied to the Auditor's office do not allow for complete rate study. This rate study review is required by county, state, and federal guidelines.

F8: The Auditor's Office disagrees partially with the finding; although there may have been some misunderstanding and/or difficulties in the past, recent reviews have improved and the Auditor's Office and FSD have worked diligently to resolve all issues.

- F9. FSD has failed to prepare mid-year reviews. Mid-year reviews are necessary to determine whether material or immaterial rates are present and if changes are necessary to prevent negative or positive annual balances.

F9: The Auditor's Office agrees with the finding. The Auditor's Office and FSD have worked to solidify the mid-year review process and provide documented mid-year reviews annually as part of the rate review process.

- F13. Failure to publish additional rates and charges on the MSF prohibits effective planning by user departments for anticipated projects.

F13: The Auditor's Office disagrees with the finding. Currently all relevant rates that may be charged to parties outside the County are approved by the Board of Supervisors and included on the MSF, as required.

Recommendations:

- R2. Provide clear policies and directives to FSD and Auditor's office regarding the rate study process outlining how supporting documentation is made fully accessible to the Auditor's office for rate studies by November 30, 2017.

R2: Recommendation has not yet been implemented, but will be implemented in conjunction with the rate development and review process for FY 2018-19 FSD rates.

- R3. FSD must refer any unresolved concerns between FSD and the Auditor's office to the CAO and/or Board of Supervisors.

R3: Recommendation has been implemented; currently any unresolved issues are taken to the Audit Committee, which is comprised of two Board of Supervisor members, the CAO, County Counsel, and a position appointed by the CAO.

- R4. Complete mid-year financial condition reviews in a timely and complete manner to comply with all county, state and federal requirements.

R4: Recommendation has not yet been implemented, but will be implemented in the future; a form and manner of submission have been agreed to by the Auditor's Office and FSD.

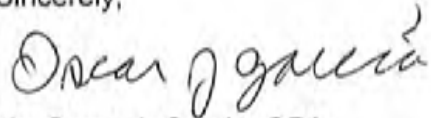
- R10. Adopt and include on the MSF all charges listed on the Facility Service Request (Work Order) Form by November 30, 2017.

R10: Recommendation will not be implemented; currently all relevant rates that may be charged to parties outside the County are approved by the Board of Supervisors and included on the MSF, as required..

August 10, 2017
The Honorable Kimberly Gaab, Presiding Judge
Fresno County Superior Court
Report No. 4
Page 3

This concludes the Fresno County Auditor-Controller/Treasurer-Tax Collector's comments on the findings and recommendations of the 2016-17 Grand Jury Report No. 4.

Sincerely,

A handwritten signature in cursive script that reads "Oscar J. Garcia".

Mr. Oscar J. Garcia, CPA
Fresno County Auditor-Controller/Treasurer-Tax Collector

cc: Board of Supervisors
Sonia M. De La Rosa, CAO's Office



County of Fresno

COUNTY ADMINISTRATIVE OFFICE
JEAN M. ROUSSEAU
COUNTY ADMINISTRATIVE OFFICER

August 21, 2017

The Honorable Kimberly Gaab, Presiding Judge
Fresno County Superior Court
1100 Van Ness Avenue
Fresno, CA 93724-0002

Re: Response to the 2016-17 Fresno County Grand Jury Report No. 4

Dear Judge Gaab:

The Grand Jury's report reflects findings and recommendations regarding the Facility Services Division (FSD). The County Administrative Office (CAO) thanks the Grand Jury for their diligence and includes the responses to the findings and recommendations below:

Findings:

F7. Rates can only be fully validated in the rate studies when the Auditor reviews the supporting documentation. There appears to be disparity in whether FSD must provide the supporting documentation or whether the Auditor should independently access the supporting documentation. The communication between FSD and the Auditor's office appears to be improving and may independently address this issue.

F7: The CAO agrees with the finding. The Auditor-Controller/Treasurer-Tax Collector (Auditor's Office) and the Internal Services Department (ISD) – FSD are committed to working together to ensure the appropriate supporting documentation is available for review.

F8. Unresolved concerns regarding how supporting documentation must be supplied to the Auditor's office do not allow for complete rate study. This rate study review is required by county, state, and federal guidelines.

F8: The CAO disagrees partially with the finding; prior concerns regarding the supply of supporting documentation have been addressed and recent reviews have improved. The Auditor's Office and FSD will continue to work together to resolve issues as they arise.

F9. FSD has failed to prepare mid-year reviews. Mid-year reviews are necessary to determine whether material or immaterial rates are present and if changes are necessary to prevent negative or positive annual balances.

F9: The CAO agrees with the finding. The Auditor's Office and FSD will confirm the midyear review process and consider any necessary changes during the following year's rate development.

- F13. Failure to publish additional rates and charges on the MSF prohibits effective planning by user departments for anticipated projects.

F13: The CAO disagrees wholly with the finding; all appropriate rates are included in the MSF as approved by the Board of Supervisors.

- F14. FSD does not receive sufficient and regular allocations of deferred maintenance funds. Lack of deferred maintenance funds fails to protect the lifecycle of county property, which in turn impacts FSD's multi-year budget planning.

F14: The CAO disagrees partially with the finding. While funding outside of the approved rate structure has been, and may continue to be necessary in the near future, the rate structure should include a component for establishing replacement reserves for facilities and infrastructure systems.

- F15. The turnover and absence of facility managers has led to difficulty with cohesiveness of operations, proper delivery of goods and services, and communication with user departments.

F15: The CAO agrees with the finding.

- F16. Circumventing FSD is not a widespread problem. When it does happen, failure to follow policy appears to lead to morale issues with FSD, along with potential liability to persons and property, and from the possible filing of union grievances.

F16: The CAO agrees with the finding.

Recommendations:

- R2. Provide clear policies and directives to FSD and Auditor's office regarding the rate study process outlining how supporting documentation is made fully accessible to the Auditor's office for rate studies by November 30, 2017.

R2: Recommendation has not yet been implemented, but will be implemented in the rate review and development process for FY 2018-19 FSD rates.

- R3. FSD must refer any unresolved concerns between FSD and the Auditor's office to the CAO and/or Board of Supervisors.

R3: Recommendation has been implemented; ISD will escalate unresolved issues to the appropriate venue.

R4. Complete mid-year financial condition reviews in a timely and complete manner to comply with all county, state and federal requirements.

R4: Recommendation has not yet been implemented, but will be implemented in the future; the Auditor's Office and ISD have begun discussions and anticipate inclusion of the Auditor's Office requirements in the FY 2017-18 second quarter review.

R10. Adopt and include on the MSF all charges listed on the Facility Service Request (Work Order) Form by November 30, 2017.

R10: Recommendation will not be implemented; all relevant rates chargeable to parties outside the County are approved by the Board of Supervisors and included in the MSF.

R11. Create and propose to the Board of Supervisors a five-year plan for deferred maintenance budget allocation by September 30, 2018.

R11: Recommendation has not yet been implemented, but will be implemented in the future; FAMIS will allow for data that will enable FSD to provide the five-year plan.

R12. Evaluate the need for an assistant position to the Facility Manager to aid in retention of the Facility Manager.

R12: Recommendation will be implemented; ISD will work with the Department of Human Resources regarding the FSDs organization.

R13. Provide additional training for elected officials and appointed department heads on existing county policy for use of FSD services. The CAO and/or Board of Supervisors should supplement the existing county policy to address any personnel circumventing FSD.

R13: Recommendation will be implemented; the County Administrative Office Management Directives are being updated and will be redistributed to departments.

This concludes the County Administrative Office's responses to the findings and recommendations of the 2016-17 Grand Jury Report No. 4.

Sincerely,



Jean M. Rousseau
County Administrative Officer

cc: Board of Supervisors
Sonia M. De La Rosa, Principal Administrative Analyst, County Administrative Office



County of Fresno

INTERNAL SERVICES DEPARTMENT
ROBERT W. BASH, DIRECTOR – CIO

Facility Services • Fleet Services • Graphics
Information Technology • Purchasing
Security • Telecommunications

August 23, 2017

The Honorable Kimberly Gaab, Presiding Judge
Fresno County Superior Court
1100 Van Ness Avenue
Fresno, CA 93724-0002

Re: Response to the 2016-17 Fresno County Grand Jury Report No. 4

Dear Judge Gaab:

The Grand Jury's report reflects findings and recommendations regarding the Facility Services Division (FSD). The Internal Services Department (ISD) thanks the Grand Jury for their diligence and includes the responses to the findings and recommendations below:

Findings:

- F6. The grand jury commends FSD on the planned implementation of FAMIS. The program provides user-friendly access to status of invoices and projects, along with supporting data for all goods and services, which better meet FSD's goals of transparency and accountability. The grand jury anticipates FAMIS may help prioritize routine and deferred maintenance needs.
- F6: ISD agrees with the finding.
- F7. Rates can only be fully validated in the rate studies when the Auditor reviews the supporting documentation. There appears to be disparity in whether FSD must provide the supporting documentation or whether the Auditor should independently access the supporting documentation. The communication between FSD and the Auditor's office appears to be improving and may independently address this issue.
- F7: ISD disagrees partially with the finding; much of the supporting documentation is technical in nature and ISD input is necessary for proper rate building and review. The supporting documentation is provided to the Auditor's Office. The communication between ISD and the Auditor's Office has improved.

- F8. Unresolved concerns regarding how supporting documentation must be supplied to the Auditor's office do not allow for complete rate study. This rate study review is required by county, state, and federal guidelines.

F8: ISD disagrees partially with the finding; the supporting documentation is provided to the Auditor's Office as requested. A consistent process for rate review is necessary. Much of the supporting documentation is technical in nature and ISD input is necessary for proper rate building and review.

- F9. FSD has failed to prepare mid-year reviews. Mid-year reviews are necessary to determine whether material or immaterial rates are present and if changes are necessary to prevent negative or positive annual balances.

F9: ISD disagrees partially with the finding as ISD conducts reviews on a quarterly basis. Involvement at some level of the Auditor's Office will solidify this process from a reporting requirement standpoint.

- F10. The rate calculation sheet is insufficient as used to provide explanations to user departments regarding rates and charges and has failed to provide access to the rate building process, which is inherent to transparency and accountability. The grand jury is of the opinion that flowcharts and/or spreadsheets along with supporting documentation will assist user departments' understanding.

F10: ISD agrees partially with the finding. ISD will hold rate building training and make it available to user departments.

- F11. FSD has failed to regularly schedule meetings with user departments to aid in the understanding of charges and invoicing. FSD's regular meetings with user departments encourages openness and accessibility, which fosters better management of FSD.

F11: ISD disagrees partially with the finding; regular meetings are scheduled but not specifically limited to charges and invoicing. These topics are typically handled separately and contemporaneously and should not wait for a future preset meeting.

- F12. FSD continues to train lower-level staff to provide user departments with additional information to provide another layer of training to user departments and which may reduce user departments' concerns regarding rates, costs, and invoicing.

F12: ISD agrees with the finding.

- F13. Failure to publish additional rates and charges on the MSF prohibits effective planning by user departments for anticipated projects.

F13: ISD disagrees with the finding; currently the MSF includes all appropriate fees for the County of Fresno structure. Other pass through costs can be more clearly defined and communicated but are not appropriate for inclusion on the MSF.

- F14. FSD does not receive sufficient and regular allocations of deferred maintenance funds. Lack of deferred maintenance funds fails to protect the lifecycle of county property, which in turn impacts FSD's multi-year budget planning.

F14: ISD disagrees partially with the finding. Additional deferred maintenance funding is needed and will be included in future budgets either within the current rate structure or through a capital replacement request at such time that reliable data is available through FAMIS and associated systems.

- F15. The turnover and absence of facility managers has led to difficulty with cohesiveness of operations, proper delivery of goods and services, and communication with user departments.

F15: ISD agrees with the finding.

- F16. Circumventing FSD is not a widespread problem. When it does happen, failure to follow policy appears to lead to morale issues with FSD, along with potential liability to persons and property, and from the possible filing of union grievances.

F16: ISD agrees with the finding.

- F17. Failure by FSD personnel to properly complete the Facility Services Request forms can lead to confusion by giving the impression of duplicated surcharges.

F17: ISD disagrees partially with the finding as the form itself does not reflect current processes and therefore can lend itself to confusion.

Recommendations:

- R1. Implement FAMIS and train all staff and user departments by November 30, 2017.

R1: Recommendation has not yet been implemented, but will be implemented; FAMIS will go live with some functions in August 2017

- R2. Provide clear policies and directives to FSD and Auditor's office regarding the rate study process outlining how supporting documentation is made fully accessible to the Auditor's office for rate studies by November 30, 2017.

R2: Recommendation has not yet been implemented, but will be implemented in with the next rate review process for FY 2018-19 FSD rates.

- R3. FSD must refer any unresolved concerns between FSD and the Auditor's office to the CAO and/or Board of Supervisors.

R3: Recommendation has been implemented; ISD will escalate unresolved issues should they arise to the appropriate venue; however, these situations are rare.

- R4. Complete mid-year financial condition reviews in a timely and complete manner to comply with all county, state and federal requirements.

R4: Recommendation has not yet been implemented, but will be implemented in the future discussions have already ensued to include the Auditor's Office requirements within the ISD FY 2017-18 second quarter review.

- R5. Create a standardized form for mid-year financial condition reviews for ISF by November 30, 2017.

R5: Recommendation has not yet been implemented, but will be implemented in the future; discussions have already ensued to include the Auditor's Office requirements within the ISD FY 2017-18 second quarter review.

- R6. Create and disperse additional flowcharts and/or spreadsheets to user departments to support the rate sheet data and train user departments to better understand rates and charges.

R6: Recommendation has not yet been implemented, but will be implemented in the future; ISD will hold rate building training and make it available to user departments. ISD will also conduct in depth training sessions with the Auditor's Office staff as a part of the rate review process for FY 2018-19 FSD rates.

- R7. User departments need to be encouraged to regularly access supporting documentation.

R7: Recommendation has been implemented; supporting documentation is provided. The FAMIS system will also provide improved access to supporting documentation.

- R8. Schedule regular meetings with user departments to discuss costs and concerns regarding invoicing.

R8: Recommendation has been implemented; regular meetings occur with user departments.

- R9. Continue to train lower-level FSD staff to provide user departments with additional information to provide additional training to user departments, and address concerns regarding rates, costs, and invoicing.

R9: Recommendation has been implemented; internal rate building training continues.

- R10. Adopt and include on the MSF all charges listed on the Facility Service Request (Work Order) Form by November 30, 2017.

R10: Recommendation will not be implemented; the MSF includes all appropriate fees for the County of Fresno structure.

R11. Create and propose to the Board of Supervisors a five-year plan for deferred maintenance budget allocation by September 30, 2018.

R11: Recommendation has not yet been implemented, but will be implemented in the future; at such time that reliable data is available post-implementation of FAMIS and associated systems.

R12. Evaluate the need for an assistant position to the Facility Manager to aid in retention of the Facility Manager.

R12: Recommendation will be implemented; as some structural changes have been made, ISD will work with the Department of Human Resources to re-evaluate the FSD structure.

R13. Provide additional training for elected officials and appointed department heads on existing county policy for use of FSD services. The CAO and/or Board of Supervisors should supplement the existing county policy to address any personnel circumventing FSD.

R13: Recommendation will be implemented; County Administrative Office Management Directives are in the process of being updated and promulgated.

R14. Train FSD staff to properly complete the Facility Service Request Form.

R14: Recommendation has been implemented; concerns raised by the Grand Jury have been addressed with staff, workflow charting continues with the implementation of FAMIS, and appropriate forms/formatting will follow.

R15. Revise the Facility Service Request Form to provide clarity and disclose all categories of charges by November 30, 2017. Until the form is revised, all FSD staff should properly complete the existing form including the table section.

R15: Recommendation has not yet been implemented, but will be implemented in the future, workflow charting continues with the implementation of FAMIS and appropriate forms/formatting will follow.

This concludes the Internal Services Department's comments on the findings and recommendations of the 2016-17 Grand Jury Report No. 4.

Sincerely,



Robert W. Bash
Director of Internal Services - Chief Information Officer

cc: Board of Supervisors
Sonia M. De La Rosa, CAO's Office

County of Fresno
Board of Supervisors
RESPONSE TO THE
2016-17
FRESNO COUNTY GRAND JURY
FINAL REPORT No. 4



FACILITY SERVICES DIVISION

Please find below the Fresno County Board of Supervisors' response to the 2016-17 Grand Jury Final Report No. 4.

Findings:

- F8. Unresolved concerns regarding how supporting documentation must be supplied to the Auditor's office do not allow for complete rate study. This rate study review is required by county, state, and federal guidelines.**

F8: The Board of Supervisors disagrees partially with the finding; the Internal Services Department (ISD) – Facility Services Division (FSD) has provided the supporting documentation to the Auditor-Controller/Treasurer-Tax Collector's Office and collaboration continues to improve.

- F13. Failure to publish additional rates and charges on the MSF prohibits effective planning by user departments for anticipated projects.**

F13: The Board of Supervisors disagrees wholly with the finding; the Board of Supervisors approves the MSF (Master Schedule of Fees) rates, which include all necessary charges that have been reviewed and deemed appropriate.

- F14. FSD does not receive sufficient and regular allocations of deferred maintenance funds. Lack of deferred maintenance funds fails to protect the lifecycle of county property, which in turn impacts FSD's multi-year budget planning.**

F14: The Board of Supervisors disagrees partially with the finding; while funding outside of the approved rate structure may continue to be necessary, the rate structure should include a component for establishing replacement reserves for facilities and infrastructure systems in the future.

- F15. The turnover and absence of facility managers has led to difficulty with cohesiveness of operations, proper delivery of goods and services, and communication with user departments.**

F15: The Board of Supervisors agrees with the finding.

- F16. Circumventing FSD is not a widespread problem. When it does happen, failure to follow policy appears to lead to morale issues with FSD, along with potential liability to persons and property, and from the possible filing of union grievances.**

F16: The Board of Supervisors agrees with the finding.

Recommendations:

- R3. FSD must refer any unresolved concerns between FSD and the Auditor's office to the CAO and/or Board of Supervisors.**

R3: Recommendation has been implemented; ISD will continue to route unresolved issues to the appropriate venue.

R10. Adopt and include on the MSF all charges listed on the Facility Service Request (Work Order) Form by November 30, 2017.

R10: Recommendation will not be implemented; the Board of Supervisors approves the MSF rates, which include all necessary charges that have been reviewed and deemed appropriate.

R11. Create and propose to the Board of Supervisors a five-year plan for deferred maintenance budget allocation by September 30, 2018.

R11: Recommendation has not yet been implemented, but will be implemented in the future; the implementation of the new facility management software program will allow for appropriate maintenance, renovations, and alteration planning.

R12. Evaluate the need for an assistant position to the Facility Manager to aid in retention of the Facility Manager.

R12: Recommendation will be implemented; ISD will consult with the Human Resources Department regarding the FSD organization.

R13. Provide additional training for elected officials and appointed department heads on existing county policy for use of FSD services. The CAO and/or Board of Supervisors should supplement the existing county policy to address any personnel circumventing FSD.

R13: Recommendation will be implemented; the review and revision, as necessary, of the existing County Administrative Office Management Directives is in progress. Once complete, the directives will be redistributed to all county departments.