

CITY OF SAN CARLOS

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June 28, 2012

Ms. Linda Craig
Chair
San Mateo County Local Agency Formation Commission (LAFCO)
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: LAFCO Report Recommending Dissolution of the San Mateo County Mosquito Abatement & Vector Control District & Transfer of Functions & Assets to San Mateo County

Dear Ms. Craig,

I am writing to you on behalf of the San Carlos City Council. This will serve as the City of San Carlos' formal response to the Municipal Service Review and Sphere of Influence Review of the San Mateo County Mosquito Abatement & Vector Control District that was issued by LAFCO on June 12, 2012. The City Council has reviewed this report, received reports by the City Staff and the LAFCO Executive Director, discussed the matter at a public meeting of the Council and has authorized the Mayor to provide comments to LAFCO.

In the report, LAFCO documents the functions of the Mosquito District, issues raised about financial management and oversight at that agency, areas that should be examined and some potential actions that could be taken. The LAFCO report recommends that the Mosquito District be dissolved and that its functions and assets be transferred to San Mateo County for the future provision of these services.

These recommendations by LAFCO are very consistent with suggestions made by the San Carlos City Council in February. The City Council agrees with LAFCO's recommendations and endorses the actions outlined in the report and the proposal to dissolve the Mosquito District and to transfer its functions and assets to the County.

In closing, the Council wishes to thank LAFCO for their timely and thorough review of this matter. We believe that the actions outlined in your report will insure better management of the resources and finances for these functions as well as the continued delivery of these necessary services to the public.

Sincerely Yours,

A handwritten signature in black ink, appearing to read "Matt Grocott". The signature is fluid and cursive, with a long horizontal stroke at the end.

Matt Grocott
Mayor

- cc: City Council
City Manager
Assistant City Manager
City Attorney
LAFCO Board of Directors
Executive Director, LAFCO
County Board of Supervisors

JOAN L. CASSMAN
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Exhibit 2

July 9, 2012

Martha Poyatos
Executive Officer
San Mateo LAFCo
455 County Center, 2nd Floor
Redwood City, CA 94063

Re: Municipal Service Review and Sphere of Influence Review – San Mateo County
Mosquito and Vector Control District

Dear Ms. Poyatos:

On behalf of our client, the San Mateo County Mosquito and Vector Control District (District), we offer these comments on the draft "Municipal Service Review and Sphere of Influence Review" of the District (MSR), dated June 12, 2012 (Draft Report), which was prepared by the staff of the San Mateo Local Agency Formation Commission (LAFCo). This response supplements our prior submittal, dated May 14, 2012, which addressed many of the technical issues originally raised in the Circulation Draft of the MSR.

The Cortese-Knox-Hertzberg Act (the "CKH Act"), which establishes the Local Agency Formation Commission process, states that governmental "responsibility should be given to the agency or agencies that can best provide government services." (Government Code §56000.) Since the Draft Report concludes that the "District is effectively providing mosquito and vector control services to best meet the public health and safety needs of County residents" (MSR, p. 33), staff's recommendation to change the District's sphere of influence (SOI) to pave the way for a dissolution of the District and the transfer of all vector control activities to the County is perplexing. While the June 12th Draft Report draws conclusions on the District's governance and accountability, it fails to assert any credible basis for reaching these conclusions and its ultimate recommendation that the District be dissolved and its functions be transferred to the County as a Successor Agency. The unexplained lack of supporting evidence is heightened by the realization that these same governance issues were thoroughly vetted in the MSR LAFCo prepared in 2003, which lead to the adoption of the District's

current "status quo" sphere of influence and reached directly opposite conclusions on the same set of facts and addressing the same key findings related to governance and accountability.

In addition, based on our research and as discussed later in this letter, we believe the dissolution process for the District is much more complicated than the Draft Report indicates. Indeed, staff's unsupported recommendation simply opens up the prospect of more LAFCo proceedings and governmental process for no meaningful purpose that may well lead to an indeterminate result.

In the end, the recommendation does not serve to improve the manner in which local government provides the vital public health service of vector control in San Mateo County. For this reason, the Commission should disregard the recommendation. Instead, we urge the Commission to maintain a "status quo" SOI for the District.

Reason for Initiation of LAFCo Proceeding: District's Financial Management

LAFCo initiated the MSR following incidents of embezzlement that were perpetrated against the District by two former District employees working in tandem. The District has responded to these events by scrutinizing and revamping its system of financial management, engaging a new auditor, reorganizing to add a new Assistant Manager position to assist with financial oversight, and instituting new and recommended practices of internal financial control. LAFCo staff set a public hearing on the "Circulation Draft" MSR for May 16, 2012 and declined a request to postpone the hearing, despite the need for the District to engage new legal counsel in light of County Counsel's disqualification from assisting the District due to their representation of LAFCo. The District scrambled to provide a response to the Draft MSR in time for the May 16th hearing. At that hearing, the LAFCo Commissioners expressed 2 messages: (1) praise for the excellent technical services the District provides and (2) the need for the District to do more to strengthen its system of financial management and internal controls.

Following the May 16th LAFCo hearing, the District contacted the County Auditor, Robert Adler, who had testified at the May 16th hearing. Mr. Adler suggested that the District consult with a recognized expert in the area of internal controls for governmental agencies, Dr. Peter Hughes, the Internal Auditor for the County of Orange. The District engaged Dr. Hughes, in his capacity as a private consultant, who travelled to the District and conducted an audit of the District's internal control procedures. Dr. Hughes' report

is attached as Exhibit A. Dr. Hughes' report commends the District for the preventative measures it has taken:

[t]he District's newly implemented internal financial controls appear comprehensive and thorough and speak specifically to the scheme identified in the recent embezzlement. If complied with, they provide reasonable assurance that large or unusual errors or irregularities would be either prevented or detected on a timely basis in the normal course of staff performing their assigned duties.

Dr. Hughes then recommends in his report some additional measures as shown by the District's attached response to the report in Exhibit B. Dr. Hughes' very practical recommendations focused on access to and oversight of the District's checkbook stock and limitations on and oversight of credit card use. The District already has implemented measures to address these additional recommendations. Dr. Hughes will also be in attendance on July 18th to answer any remaining questions the Commission might have regarding the quality of the District's internal controls.

In implementing the measures that were recommended by the District's auditor and in addressing the additional measures and procedures suggested by Dr. Hughes, we submit that the District has comprehensively and responsibly strengthened the District's internal controls as well as satisfied the experts who have analyzed the issues raised by the incident.

In addition to revising its internal control procedures, the District has redistributed the responsibilities of its administrative staff to create an Assistant Manager position that will assist in overseeing the District's two financial staff members. This responds to the specific concern voiced by the Commission at the May 16th hearing that the District Manager could not alone effectively take on such a significant oversight function in light of his other duties. The new arrangement will allow the District Manager to focus on tasks that may be more appropriate to his position, while ensuring adequate oversight of the accounting function. The District has also updated its hiring procedures to require thorough criminal background checks for all new employees.

In sum, the District has learned a difficult lesson and is devoted to its new system of financial management that Dr. Hughes has reviewed and blessed. We appreciate LAFCo's encouragement at the May 16th hearing to do more. Sadly, the District is not alone as a victim of employee fraud. As the Commission may be aware, incidents of this type are unfortunately all too common. Large as well as small public agencies have

suffered from employee theft as shown in Exhibit C, which includes news articles that cover incidents of fraud perpetrated by public employees. The County as well as other well respected municipalities and special districts are on the list. In point of fact, any agency can suffer employee dishonesty. The only effective solution is adequate policies to deter and expose potential fraud. All agencies must be vigilant. The District believes it has achieved this.

Surprising Change in Focus of LAFCo Proceeding

Although the District has not yet had the opportunity to present the full picture of its efforts to improve its financial accountability and hiring practices to the Commission, it now must respond to the June 12 Draft Report, which recommends that the District's "status quo" SOI be amended to one of "dissolution and transfer to the County of San Mateo as Successor Agency." Thus, the July 18th hearing will focus on the fate of the District, rather than a review of the administration and financial management of the District and its development and implementation of a best practices model for financial accountability of a small public agency. This change in focus is both surprising and regrettable. First, it gives short shrift to the determined efforts the District has made to address the issues raised by the incident of fraud. Second, it diverts the focus of this proceeding from the identified problem which triggered the MSR and which deserved attention to a broader focus on the existence of the District which had been explicitly endorsed by the 2003 MSR. And, third, the report offers no reason or evidence to support the recommended change in the District's SOI.

By far the most obvious weakness in the staff recommendation is that it comes nine years after LAFCo's last MSR, in which the Commission approved the expansion of the District to cover all of San Mateo County and granted the expanded District a "status quo" sphere of influence. In the latest MSR, LAFCo staff has asked the Commission to take a diametrically opposite position regarding the District, targeting the District for dissolution and potential take-over by the County of San Mateo. In doing so, staff reviews the same statutory factors as were examined in 2003, yet, without any explanation, recommends a 180-degree shift in its findings. In response, we must ask you to consider: what has changed? Assuming the District has made adequate reforms in response to the embezzlement (and we have provided evidence supported by expert input that it has), what is the basis for such a precipitous swing in the position of staff? The Draft Report provides no meaningful explanation.

The 2003 Municipal Service Review

In 2003, LAFCo conducted a MSR of the then-existing District that covered the County from the City of Millbrae south to the Santa Clara County border and recommended that the remainder of the County in the north be annexed to the District's territory. This recommendation was motivated, in part, due to concerns regarding the spread of the West Nile Virus and the need to undertake a county-wide effort to respond to its potential spread. The proposed annexation was conditioned upon the adoption of a benefit assessment on properties in the new territory to fund vector control services at the same level as those provided in the existing district which were funded through a combination of ad valorem property taxes and a special parcel tax. In issuing a "status quo" SOI determination for the District, LAFCo concluded that a single-purpose special district, governed by a 21-member board of directors, was the preferred model for furnishing mosquito and vector-control services to the entire County. Since that time, the County of San Mateo has transferred its vector-control responsibilities for rodents to the District on two occasions: first in 2008 and the second time in 2011.

The specific findings of the 2003 review are in direct contravention to the findings and current recommendation of LAFCo staff in the Draft Report issued less than 9 years later. Why?

Streamlining and Simplification of Administration—

In the 2003 MSR, LAFCo staff examined the question of whether the County itself or a county-wide special district should provide vector control services. The MSR noted that the County Office of Environmental Health supported the expansion of the District's territory to provide mosquito abatement services county-wide, and concluded it was preferable to have this vital public health service provided by a single purpose district rather than the County itself which had no experience in this area.

Based on the fact that the District's service addresses a problem that is county wide, alternatives to a single purpose special district serving all of San Mateo County would include dissolution of the district and transfer of service to a county-governed special district such as a county service area or transfer of services to County Department of Public Health. However, a clear advantage of a single purpose independent special district is that it focuses on a single mission such as mosquito abatement whereas general-purpose government by definition must provide a wide array of services. Staff believes that based on general

satisfaction with level of services provided by the District within their boundaries, at this time the advantage of focused mosquito control services outweighs any benefits that might be achieved in dissolution and transfer of service to county-governed agency." 2003 MSR, at p. 5 (emphasis added).

In contrast, the Draft Report now takes the position that (1) the County's provision of these services streamlines governance and decision-making under a department head and a five-member Board of Supervisors and (2) because the County could take on this additional public health service, it should do so to eliminate a theoretical duplication of administration and governance.

Let's examine these arguments. It is difficult to imagine how placing the vector control responsibilities in the County's Environmental Health Services Office streamlines or simplifies anything. A picture is worth a thousand words as shown in Exhibit D which contains an organizational chart for the County and the list of subagencies under the County's "Health System – Health Department." The Environmental Health Office alone provides numerous different programs and services unrelated to vector control. The approach in the Draft Report merely substitutes multiple layers of bureaucracy under the governance of the Board of Supervisors for a single manager reporting to a multimember Board with direct representation of all communities in the County overseeing a single purpose mission. The function of vector control will be lost in the County's labyrinth; indeed, the roughly \$6 Million budget of the District would constitute 1/2000th of the County's \$1.2 Billion General Fund budget. The County faces overwhelming challenges as evidenced by its substantial recent cuts in services and reduction in its workforce as a result of its structural budget deficit. Moreover, the County just lost 2 of the 3 revenue measures presented to the voters on June 8 and the Board of Supervisors directed the County Manager on June 20, 2012, to prepare a plan that achieves structural balance this fiscal year. Finally, the County's Office of Environmental Health is on record in this proceeding supporting the quality of services provided by the District and has not expressed any interest or desire to take on this additional responsibility.

The MSR notes, but apparently ignores, the significance of the fact that the vast majority of counties have stand-alone vector control districts. It is interesting to note that recently an Orange County Grand Jury recommended the dissolution and reorganization of many special-purpose agencies in Orange County, but recommended that the mosquito and vector control district remain a county stand-alone special district.

Additionally, the MSR admittedly contains no financial analysis of having the County perform the District's function. Any study of whether the County can provide the same service in a more economical and effective manner is delayed to some future date.

In sum, just because the County could take over this function is not a compelling reason to set the stage for such a change when there is no evidence to support that either streamlining or simplification of government would be byproducts.

Accountability and Governance—

With regard to the issue of "local accountability and governance," the 2003 MSR stated:

...the Commission determines that the composition of board membership which allows each affected city and the County to appoint a trustee to the District Board of Trustees provides the opportunity for a high level of representation, accountability and governance. 2003 MSR, at p. 7 (emphasis added).

In contrast, without discussion or explanation, the Draft Report reaches a different conclusion:

The size of the Board of Trustees and the method of appointment as required by enabling legislation constrain accountability, visibility and responsiveness to the public compared to that of a County Board of Supervisors, city councils, or directly elected special district boards.

The membership of the Board is mandated through the District's enabling legislation. The current Board of Trustees has 18 members, many of whom have professional backgrounds and hold advanced degrees, including scientists, doctors, veterinarians, former city managers, former city council members, business owners, health care professionals, engineers, dentists, financial professionals, etc. Moreover, the District now has a direct line of access to each of the cities it serves through its Board Members. The cities can and periodically do request their Board Member to provide a presentation at a City Council meeting on District services. Without the Board Members there would be no direct line access to the cities and their constituents whom the District serves.

Admittedly, cities and the County could be better motivated to keep their appointments current. If the Commission believes it would be helpful, there could be efforts to

encourage more former elected city officials to be appointed to the Board. However, we fail to see how a five-member board, even though elected, managing a \$1.2 Billion General Fund budget, through layers of bureaucracy, could possibly provide more responsive governance than the District relative to the provision of vector control services.

Proposed Resolution of the MSR Process

In light of the significant measures that the District has taken to improve its financial management, as well as the demonstrated record of excellent service in fulfilling its function of protecting the health and welfare of the County's residents (which the District Report recognizes), we believe the Commission should maintain the "status quo" SOI with regard to the District and curtail proceedings to consider dissolving the District. However, should the Commission set the stage for further proceedings to consider dissolution, we offer below some significant concerns regarding the feasibility of the conditions that the Draft Report assumes could be satisfied in a dissolution context.

Reasonable Doubts Regarding Potential Dissolution of District and "transfer to County of San Mateo as successor agency"

The June 12 Draft Report recommends an SOI that would facilitate the transfer of the functions and finances of the District to the County of San Mateo "as a successor agency." It notes that transfer is to be conditioned upon a "transfer of all assets, liabilities and revenues in segregated funds separate and distinct from other county funds" and to be used solely for purposes consistent with those authorized by statute for Mosquito and Vector Control Districts under the Health and Safety Code.

In support of this recommendation, staff includes a one-page legal opinion from the Office of the County Counsel that reviews one section of the CKH statute (§56886) which grants LAFCO broad powers to set conditions for the potential approval of any dissolution or other change of governmental organization. In our view, while the opinion accurately portrays the powers of LAFCo to establish conditions, there is much more analysis needed to determine if the suggested "successor agency" concept proposed in the Draft Report is feasible. The mere review of LAFCo's powers to set conditions overlooks the complexity of the issues that would arise should an actual dissolution be considered. Additionally, since the adoption of an SOI recommendation to dissolve the District is likely to trigger a proposal to do precisely that, we believe that the Commission should refrain from adopting such an SOI recommendation without

assuring itself that the conditions suggested by staff are indeed attainable. In our view, that issue is in substantial doubt. In addition, we are very mindful of the toll that the events surrounding the embezzlement and this LAFCo proceeding has taken to date on the District and its staff and are concerned that a prolonged period of controversy would further distract the District from its important function of mosquito and vector control.

A Dissolution "Experiment"?

It should also be noted that the dissolution of a special district is quite rare. As a result, there are many legal issues for which there is no clear guidance, either through the courts or the experiences of LAFCo's in other counties. In making its sphere of influence recommendation, staff relies in large part upon the terms of a single section of the CKH Act, Section 56886, which lists a broad range of conditions that a LAFCo's may impose upon a "change of organization" (a broader term in the CKH Act that includes dissolutions). As a result, if the conditions set by LAFCo pursuant to 56886 are not met, the dissolution will not be completed. Subsection (t) permits a LAFCo to condition a dissolution on "The extension or continuation of any previously authorized charge, fee, assessment, or tax by the local agency or a successor local agency in the affected territory." This all seems quite simple.

However, the ability of LAFCo to condition the dissolution upon such a "continuation" does not mean that it will actually happen. This can be seen by considering a similar subsection of 56886, subsection (b), which allows LAFCo to impose a condition requiring the "levying or fixing and the collection of . . . : (1) Special, extraordinary, or additional taxes or assessments" Obviously, the constraints of Proposition 13 and 218 mandate the adherence to specific processes prior to the imposition of many of the measures listed in 56886(b). The fact that a LAFCo may place a condition upon a dissolution does not mean that LAFCo has the power to force the condition to occur. Any condition must be implemented in compliance with applicable law. Accordingly, the proposed condition under subsection (t) that the District's existing tax revenues would need to be allocated to the County must follow state law. And it is not clear that LAFCo's proposed conditions are enforceable following dissolution.

Uncertainties Regarding Treatment of Ad Valorem Tax Revenues—

In speaking with experts on the LAFCo process, no one could predict with certainty how the ad valorem property tax revenues of a dissolved special district would be allocated. The treatment of such revenues is extremely complicated, given the enactment of

Proposition 13 and the follow-up legislation (AB 8) which squeezed all property taxes in place at that time into the 1% allowed by Prop. 13. One expert opined that the ad valorem tax revenues of a dissolved district would be allocated to the other agencies currently sharing in the 1%.

The reallocation of ad valorem property tax revenues in the event of a dissolution is governed by Revenue and Taxation Code Section 99. As it is not part of the CKH Act, it cannot be overridden by LAFCo's powers, however great they may be. Section 99 establishes a complicated process, involving the County tax assessor and potential negotiations (with the County representing the affected special district) with other affected agencies before such tax revenues can be allocated. It is possible that the concurrence of each of the cities who share the property tax revenues would be needed to guarantee the flow of funds to the County. (§99(b)(6)) Each city may not be willing to cooperate in that process, given their own significant financial needs, which would appear to effectively preclude any dissolution.¹

Thus, while LAFCo certainly has the power to set a condition that the property tax revenues be transferred to the County and "designated" for vector control purposes, there appears to be no clear legal authority that would enforce such a designation and there is some reason to question whether the County would be free to spend those funds as it saw fit. This is hardly the straightforward outcome suggested by the Draft Report.

Doubts Regarding Selection of Successor Agency--

There are similar uncertainties regarding the ability of LAFCo to designate the County as the "successor agency." Subsection 56886(m) permits the designation of a successor agency "for the purpose of succeeding to all of the rights, duties, and obligations of the extinguished local agency with respect to enforcement, performance, or payment of any outstanding bonds, including revenue bonds, or other contracts and

¹ In seeking to find examples where this process has been utilized which did not exist, we came across an insightful opinion from Silvano Marchesi, the former County Counsel for Contra Costa County. When asked to opine on the potential dissolution of a fire district and the transfer of its property taxes to a co-terminous community services district, Mr. Marchesi described the tax allocation process as "notoriously complex." In his view, the property tax revenue of the dissolved district would "probably" be transferred to the other district, but that the other agency would have the right to "allocate those transferred revenues at its sole discretion."

obligations of the extinguished local agency." [Emphasis added.] The language in subsection (m) seems to limit the function of the successor agency to wind up activities. The provisions of Section 57451, which governs the dissolution of special districts, establishes a specific procedure for determining the "successor agency" to wind up the district's affairs in the event of a dissolution. Under that procedure, the jurisdiction with the highest assessed value is the Successor Agency. Based on the attached summary of the tax rolls, the successor agency in this case would be the City of San Mateo, not the County. It is not clear if staff thinks this process would not be applicable or what provisions of law would be applicable to authorize LAFCo to not only designate, but also dictate the "Successor Agency" for the long-term takeover of the District's funding streams. However, the fact that Section 56886, which serves as the basis for LAFCo's claim of broad powers, only contemplates a Successor Agency as playing a "wind up" role leaves substantial doubt as to the propriety of staff's proposed recommendation. Again, however, there is no discussion of this issue in the Draft Report.

Lack of CEQA Compliance

Significantly, the Draft Report makes no mention of compliance with the California Environmental Quality Act. Changes to SOI's are subject to CEQA compliance if significant effects are possible (63 Ops. Atty. Gen. 758; City of Livermore v. LAFCo (1986) 183 Cal.App.3d 681).

Postponement of Critical Issues

We have presented critical and unsettled issues, including consideration of CEQA, that should have been raised and addressed as part of the recommendation to alter the District's SOI (and potentially trigger a dissolution proposal). Instead, the Commission is essentially told not to worry about such details, since, if there is a problem implementing them, the dissolution will simply be terminated. We do not think that the fate of the District should be the subject of an experiment by LAFCo to explore the extent of its powers under circumstances in which the District continues to provide high quality services to achieve its mission and has responsibly addressed with expert guidance the institution of a sound financial management system.

Conclusion

The District has demonstrated to the Commission the District's tremendous progress in mending the organizational weaknesses that contributed to the embezzlement of its

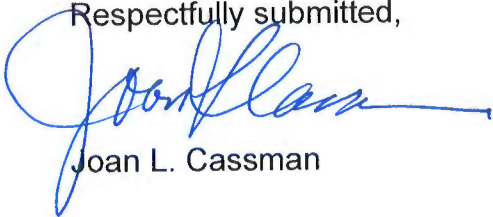
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funds. We believe the Commission can, in good conscience, vote to maintain the status quo of the District's SOI, having encouraged the District to seek and implement additional reforms to prevent any future fraud.

No further action is necessary or appropriate. The District is protecting the public health with its effective vector control services and will continue to perform its mission with excellence and pride. Given the District's aggressive and comprehensive response to the embezzlement and enactment of necessary reforms, there is nothing more to be fixed. Let's not set the stage to break what is performing well and thereby further disrupt the vital operations of this District.

We urge the Commission to support and promote the current governmental structure pertaining to vector control services and maintain the District's status quo SOI.

Respectfully submitted,



Joan L. Cassman

JLC:AMB

cc: Members, District Board of Trustees
Robert Gay

EXHIBIT A



**ABOUT ORANGE COUNTY'S
Director of Internal Audit**

Dr. Peter Hughes, CPA

MBA, CIA, CFE, CITP, CFF, CCEP

Serving as the Orange County Board of Supervisors'
Internal Auditor for a Decade

"Ensuring Governmental Accountability, Efficiency and Integrity"

Major Awards

*AICPA's 2010 Outstanding CPA in Local Government

*Association of Certified Fraud Examiners' 2009 Hubbard Award

Dr. Peter Hughes, CPA was appointed Director of Internal Audit by the Orange County Board of Supervisors in July of 1999, to establish a world class Internal Audit Department, maintain the Countywide Fraud Hotline and serve as the audit liaison for all governmental audits. Orange County is the sixth largest county in the USA, with a \$6 billion annual budget that would rank the County in the Fortune 500 due to its size.

Dr. Peter Hughes' successes in promoting and advancing business ethics and cost efficient and effective governmental services have been recognized by two separate international organizations. First, Dr. Hughes was awarded the prestigious **2009 Hubbard Award** for the most popular article of 2009 by the internationally recognized Association of Certified Fraud Examiners for his article ***Ethics Pays in So Many Ways*** published in the *July/August 2008 Fraud Magazine*. Dr. Hughes coauthored this popular article with Drs. Kadonis and Anderson as the first article in a major publication that demonstrated through the citation of over twenty surveys and studies that business ethics increases the profitability of any company by giving it a competitive cost advantage in recruiting, retaining staff, and by attracting and retaining customers and stockholders.

In addition, Dr. Hughes has been selected by the American Institute of Certified Public Accountants (AICPA) as the **2010 AICPA's Outstanding CPA in Local Government** (*there are over 3000 counties and 15,000 cities in the USA*). This award was presented to Dr. Hughes at the AICPA National Governmental Conference in Washington D.C. in August by the AICPA Chairman for his outstanding leadership in advancing sound business controls and cost effective business processes in county government.

The AICPA boasts of over 360,000 CPAs as members worldwide and has been setting ethical, accounting and auditing standards since 1887. The AICPA develops standards for auditing and other services by CPAs, provides educational guidance materials to its members, develops and grades the Uniform CPA Examination, and monitors and enforces compliance with the profession's technical and ethical standards.

Dr. Hughes also serves on the Board of Research and Education Advisory Committee for the Institute of Internal Auditors (IIA) and is on the Editorial Board of Advisors for the Association of Certified Fraud Examiners (ACFE). Dr. Hughes has also been awarded two Visiting Scholar Fellowships from the University of Wollongong in Australia to present at its international Thought Leadership Symposiums the results of his research and professional experience on business ethics and effective governance at the board/trustee, CEO/CFO, Finance and Audit oversight committee levels for the public and private sectors.

ABOUT ORANGE COUNTY'S

Director of Internal Audit

Dr. Peter Hughes, CPA

CIA, CFE, CITP, CFF, CCEP

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

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

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

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

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

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

June 15, 2012

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

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

Dear Mr. Gay,

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

Background

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

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

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

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

June 15, 2012
Mr. Robert Gay
Re: Assessment of SMCMVCD System of Internal Financial Controls and Recommendations for Improvements

Additionally it was assessed that that the embezzlement *"was a conspiracy in which the entire Finance Department was involved (i.e., the Finance Director and the Accounting Supervisor). That fact contributed to the perpetration of the fraud in the first instance, and also to (the) ability of the perpetrators to cover up the fraud, which thereby allowed it go on longer without detection."* (Page 3, March 19, 2012 letter to Martha Poyatos, Executive Officer, San Mateo LAFCo from Mr. Samuel Lerner, SMCMVCD Board President).

In response to the embezzlement the District Manager developed a new Internal Control Manual which the District Board adopted at its May 9, 2012 meeting. This Manual is intended to improve the system of internal controls so as to prevent another embezzlement scheme of the nature recently experienced. (Page 6, letter to Ms. Martha Poyatos, Executive Officer, San Mateo LAFCo from Ms. Joan L. Cassman, Partner, Hanson Bridgett).

Scope of Work

To assist the District by assessing its system of internal financial controls and offering written findings and recommendations as to appropriate changes to improve the effectiveness and adequacy of the system. The business processes assessed included the preventative and detective controls established for payroll, cash disbursements, and equipment disposal, petty cash and credit card usage.

Methodology

This assessment of the system of internal financial controls is based upon a review of relevant reports, manuals, documents and materials prepared by C. G. Uhlenberg, Hanson Bridgett, and the District Manager and Board of Trustees. The assessment included extensive interviews with Mr. Robert Gay, District Manager, Rosendo Rodriguez, the District Finance Director and Mary Leong, the District Accounting Technician, conduct in person on Monday, June 4, 2012 and the use of a internal control self assessment survey completed by all District employees.

Results

1. The District's assessment of the method and means used to perpetrate and conceal the recent embezzlement has provided a thorough and comprehensive basis for designing and establishing effective preventative and detective internal financial controls adequate to provide reasonable assurance that they will prevent or detect on a timely basis significant errors or irregularities.
2. The District's newly implemented internal financial controls appear comprehensive and thorough and speak specifically to the scheme identified in the recent embezzlement. If complied with, they provide reasonable assurance that large or unusual errors or irregularities would be either prevented or detected on a timely basis in the normal course of staff performing their assigned duties.

June 15, 2012
Mr. Robert Gay
Re: Assessment of SMCMVCD System of Internal Financial Controls and Recommendations for Improvements

Findings and Recommendations

Finding No.1

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

Recommendation No.1

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

Finding No. 2

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

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

Recommendation No.2

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

Finding No. 3

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

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

Recommendation No. 3

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

June 15, 2012
Mr. Robert Gay
Re: Assessment of SMCMVCD System of Internal Financial Controls and Recommendations for Improvements

Finding No. 4

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

Recommendation No. 4

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

Finding No. 5

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

Recommendation No. 5

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

Finding No. 6

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

Recommendation No. 6

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

June 15, 2012
Mr. Robert Gay
Re: Assessment of SMCMVCD System of Internal Financial Controls and Recommendations for Improvements

Finding No. 7

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

Recommendation No. 7

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

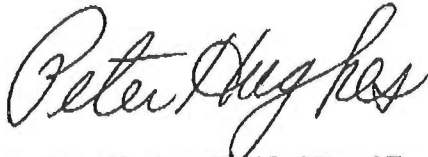
Finding No. 8

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

Recommendation No. 8

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

Very truly yours,



Dr. Peter Hughes, Certified Fraud Examiner

EXHIBIT B



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

1351 Rollins Rd
Burlingame CA 94010
(650) 344-8592 Fax (650) 344-3843
www.smcmad.org

June 29, 2012

Dr. Peter Hughes
728 Hood Dr
Claremont, CA 91711

Re: Assessment of SMCMVCD Systems of Internal Financial Controls and Recommendations for Improvements dated June 15, 2012.

Dear Dr. Hughes,

The District would like to thank you for taking time out of your schedule to meet with our District Manager and finance personnel on Monday, June 4, 2012. After speaking with you, we have taken your recommendations under advisement and have implemented a few new controls.

With regards to your recent assessment of the District's Internal Financial Controls, dated June 15, 2012, we would like to comment on your recommendations.

Findings and Recommendations

Finding No.1 – Secure blank check stock in a locked drawer.

District Response – We relocated the blank check stock to a locked drawer effective June 4, 2012; the same day the recommendation was made. Only the Finance Director and District Manger have keys to the locked drawer.

Finding No.2 – Blank Check stock is not subject to periodic inventory counts to assure the entire supply is properly accounted for and tracked.

District Response – As recommended, the Finance Director and District Manager will inventory blank check stock every other week to ensure that checks are not being processed out of sequence. A log has been created to track all checks being processed by the Accountant and every other week the Finance Director and/or District Manager will log onto the bank's website to verify that no checks have cleared the bank that are out of the sequence on the log. Additional verification is done at the end of each month when the bank account is reconciled to the county statement.

Finding No.3 – The Finance Manager and Accountant can individually access blank check stock in absence of the other (opportunity for one to steal blank check stock).

District Response – As recommended, the blank check stock is in a locked drawer, to which only the District Manager and Finance Director have a key. The District Accountant no longer has access to the blank checks. An additional control is documented in Finding No 2 District Response – we are conducting a periodic inventory of blank check stock, thus mitigating the risk of having blank check stock being stolen. Further, our policy is that no check can be processed without having two wet signatures from authorized bank signors (one of which would be the District Manager and the second would be from a Trustee who is a member of the Board and has signed the signature card on file with the bank).

Finding No.4 – Establish an upper threshold with the bank for cashing checks.

District Response – The District has reached out to the San Mateo County Treasurer’s office to inquire if thresholds exist for our bank account with Union Bank. In the inquiry to the County Treasurer’s office, we have indicated that if no current threshold exists, we are interested in implementing a threshold and a notification process for contacting proper District personnel relative to checks that are for an unusually excessive amount.

Finding No.5 – Finance Manager should review online bank statements regularly (prior to the monthly bank reconciliation) to circumvent suspicious fraudulent activity.

District Response – Per District Response to Finding No.2, the Finance Director and District Manger maintain a check log to track check inventory. Part of that process is logging onto the online bank statement regularly to verify that checks are not being processed out of sequence. In that verification process, we are also looking at suspect transactions (checks for unusually high amounts and unauthorized wire/ACH activity).

Finding No.6 – There does not appear to be an upper limit to the credit card usage. This situation increases the potential of large theft or misuse.

District Response – As recommended, we immediately looked into our credit card program and made various changes. One of those changes includes instituting tighter controls on limits for credit card accounts as well as individual transactions. The District’s management team met with the District Manager to determine the guidelines for use based on department needs, cardholder’s roles and prior credit card transaction history. We have instituted a tiered system of limits so that there is better visibility to credit card charges at the District. For example, the Office Administrator’s maximum single purchase limit is \$750, whereas a District Director’s maximum single purchase limit is \$2,500 and the District Manager’s maximum single purchase limit is \$5,000. These single transaction limits are set as compensating controls to prevent any disruptions in District business by having to wait several days to obtain multiple signatures for a check. As an added control to these changes in our credit card program, the Finance Director and District Manager will review online pending credit card transactions on a weekly basis to detect suspicious or fraudulent activity.

A weekly log will be updated to document the additional oversight to these compensating controls. We will continue to monitor our credit card program and will institute tighter controls as necessary.

Finding No.7 – The current practice is to issue credit cards to most staff. This situation increases the potential for misuse or fraud.

District Response – As discussed in Finding No.6, the District has reviewed this recommendation and has implemented changes accordingly. Going forward, the District will not be issuing credit cards to all staff members. As agreed upon by the District Manager and management team, only five staff members will have credit cards, as follows: 1) Office Administrator (who will be the person who will make smaller purchases for the District), 2) Assistant Manager, 3) Laboratory Director, 4) Finance Director and 5) District Manager. We will continue to follow other credit card controls previously put in place which include: requiring original receipts for all transactions; each employee must reconcile their own accounts, provide justification for each transaction and sign their respective credit card statement; and the Finance Director and District Manager must review each credit card statement and sign as approved before payment is made to the credit card company. We are also looking into having each District credit card holder sign a memo of understanding in which they agree to be personally liable for repaying the district in full for any misuse or personal use of District credit cards.

Finding No.8 – The District’s new Internal Control Manual while a useful document, still remains a work in progress. It is important to have detailed desktop procedures and current policies readily available to management and staff.

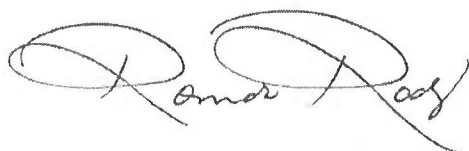
District Response – We agree that the District’s new Internal Control Manual is a work in progress and we will continue to update it as our Internal Control Program evolves. The Finance / Administrative Department is currently working on updating desktop procedures as a supplement to the Internal Control Manual. Areas that we are focusing on for desktop procedures include: Payroll, Accounts Payable disbursements, Credit Cards, Deposits of checks to the County of San Mateo Treasurer’s Office, Cash Receipts and Invoicing for Service Abatement Agreements.

The District currently has several policies in place to guide employees, management and our trustees, and we have avenues to review and assess these policies. We have a Policy Committee that meets regularly to assess outdated policies and make changes as needed. From a financial perspective there are several policies that the Finance Department uses as a guideline for which to properly conduct business. Policies that govern financial activities include, but are not limited to: all employee related policies on compensation, benefits, retirement; Fixed Asset polices on what should be capitalized and what the thresholds are; Fixed Asset Disposition policy; Travel and Expense policy; District Warrants, Expense Authorization/Bidding Regulations; and others.

We will continue to assess the need for new and updated desktop procedures and policies as the District continues to develop and implement its internal control program.

The District is appreciative of your efforts in providing an independent analysis of our current internal control program. We have read each of your recommendations and take each one very seriously as our goal is to institute a model internal control program that can be used by other special districts similar to ours. The mission of our District is to provide excellent services to all residents of San Mateo County while being a fiscally responsible steward of public funds through our internal control program.

Best regards,

A handwritten signature in black ink, appearing to read "Rosendo Rodriguez". The signature is stylized with large, flowing loops and a long horizontal stroke at the end.

Rosendo Rodriguez
Finance Director

EXHIBIT C

List of Incidents - Embezzlement/Fraud/Theft by Public Employees

Monday, July 09, 2012
9:55 AM

Date	Incidents	Who is involved?
July 6, 2012	Former Half Moon Bay Police Officer accused of embezzling \$5,700 in 2008 when he served as Board President of the Half Moon Bay Police Officers' Association	Half Moon Bay Police Officers' Association
June 26, 2012	FBI charges two former county employees with theft from estates they were overseeing	San Mateo Public Administrator
June 23, 2012	Former Deputy Public Administrator charged with theft concerning a federal / funded program	San Mateo Public Administrator
June 20, 2012	El Dorado County ex-deputy pleads no contest in fraud, perjury	Deputy Sheriffs' Association, El Dorado County
June 20, 2012	Former Portola Valley Superintendent charged with embezzlement of public funds	Woodside Elementary School District/Portola Elementary District
May 23, 2012	Embezzling over \$350,000 in employee wages from public works contracts and filing false tax returns	California Department of Industrial Relations
April 24, 2012	SEC filed fraud charges to ex-CalPers chief	Securities and Exchange Commission
March 30, 2012	Water District theft alleged	Mid-Peninsula Water District
February 2, 2012	Unemployment insurance benefits paid to unqualified beneficiaries	California Employment Development Department (EDD)
January 13, 2012	Former finance director of the San Mateo County Mosquito and Vector Control District and her assistant have been charged with embezzling more than \$450,000 from the agency	San Mateo County Mosquito and Vector Control District
December 12, 2011	A former state employee has been sentenced to 21 months in jail for bilking \$90,000 from the state's unemployment insurance fund.	Employment Development Department
December 15, 2011	Former SF Environmental Health inspectors accused of bribes	San Francisco Public Health Department
October 28, 2011	A former San Diego city parks worker paid \$40,000 in restitution to the city Thursday	Ocean Beach Recreation Center

	after he pleaded guilty to stealing from an Ocean Beach recreation center.	
October 6, 2011	San Quentin guard arrested in drug, bribery investigation	California Department of Corrections and Rehabilitation
July 7, 2011	Two mechanics accused of looting Caltrain fare money	San Mateo County Transit District
June 24, 2011	School District Employee Strikes Credit Fraud Deal	Ravenwood School District

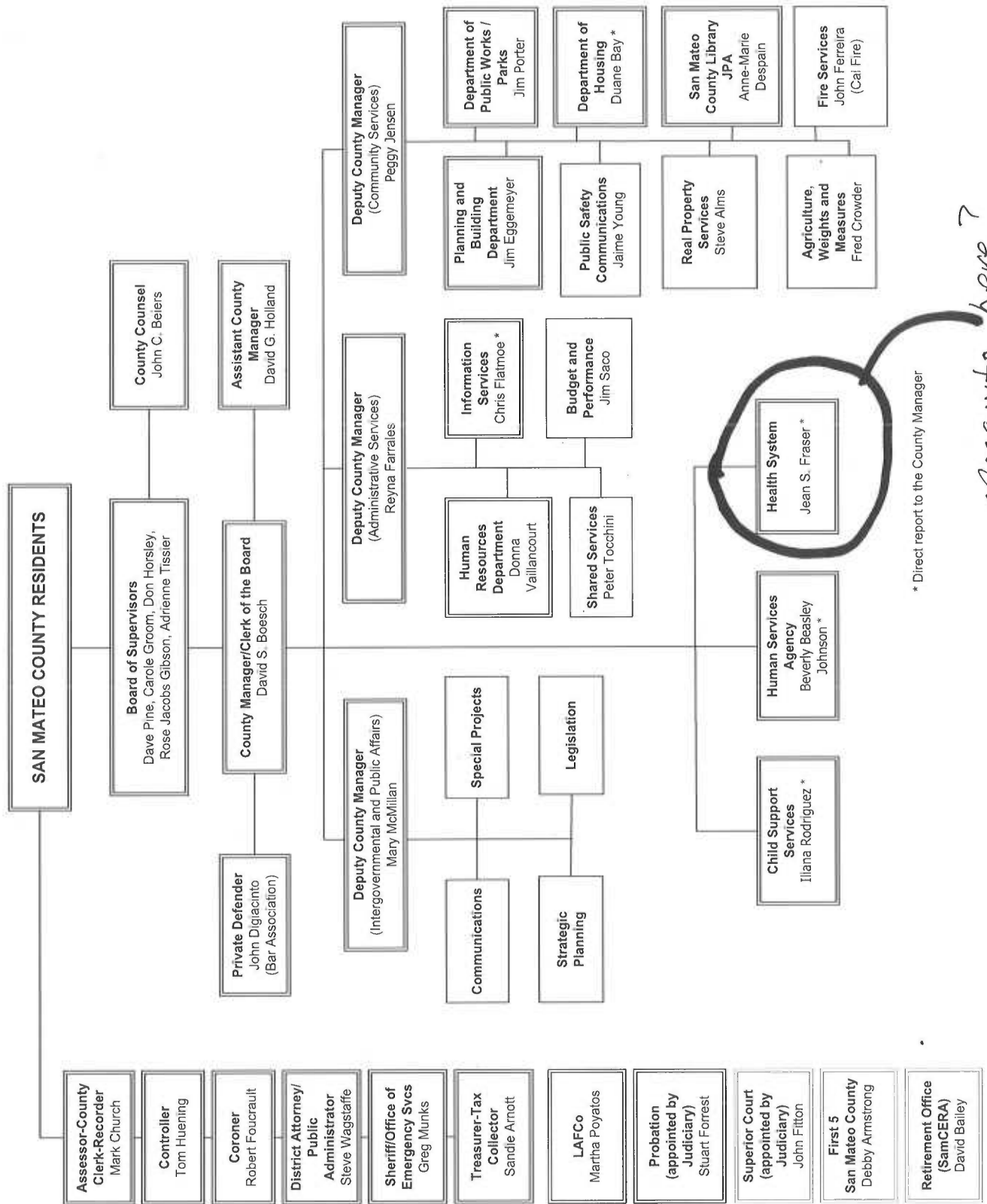
EXHIBIT D



COUNTY OF SAN MATEO
FY 2011-12

ADOPTED BUDGET





* Direct report to the County Manager

Mosquito here?

Healthy Residents FY 2011-12 All Funds Summary

	Actual 2009-10	Actual 2010-11	Revised 2010-11	Adopted 2011-12	Change 2011-12
General Fund Budgets					
Health Administration	1,601,677	683,615	2,448,034	2,444,717	(3,317)
Health Policy and Planning	8,352,379	9,818,459	10,371,682	10,681,217	309,535
Aging and Adult Services	21,665,296	21,795,789	23,187,202	22,823,378	(363,824)
IHSS Public Authority GF	4,487,523	4,487,523	4,487,523	3,702,306	(785,217)
Behavioral Health and Recovery Services	133,908,123	126,310,552	132,682,652	132,000,348	(682,304)
Public Health	25,360,992	24,486,162	25,802,142	24,928,320	(873,822)
Environmental Health Services	14,032,546	15,001,483	16,163,103	15,997,507	(165,596)
Emergency Medical Services GF	4,706,909	4,918,302	4,812,857	4,876,168	63,311
Family Health Services	24,209,253	25,033,627	26,730,064	25,174,496	(1,555,568)
Correctional Health Services	8,051,496	9,640,414	10,228,869	9,576,530	(652,339)
Contributions to Medical Center	66,570,454	64,453,813	64,453,813	57,498,946	(6,954,867)
Total General Fund	312,946,649	306,629,740	321,367,941	309,703,933	(11,664,008)
Non-General Fund Budgets					
Emergency Medical Services Fund	5,036,785	5,378,448	4,911,356	4,974,067	62,711
IHSS Public Authority	15,533,436	16,176,330	18,032,140	18,119,147	87,007
San Mateo Medical Center	244,220,929	267,399,277	259,873,157	276,402,331	16,529,174
Total Non-General Fund	264,791,150	288,954,055	282,816,653	299,495,545	16,678,892
Total Requirements	577,737,798	595,583,794	604,184,594	609,199,478	5,014,884
Total Sources	479,161,315	498,642,840	503,364,283	517,102,241	13,737,958
Net County Cost	98,576,483	96,940,954	100,820,311	92,097,237	(8,723,074)
AUTHORIZED POSITIONS					
Salary Resolution	2,258.0	2,249.0	2,244.0	2,221.0	(23.0)
Funded FTE	2,121.4	2,094.2	2,084.1	2,066.4	(17.7)
FOR INFORMATION ONLY:					
First 5 San Mateo County	40,783,708	38,132,086	38,107,095	32,989,806	(5,117,289)



Adopted Budget

FY 2010-2011
FY 2011-2012

HEALTHY COMMUNITY

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Here? →



San Mateo County Health System

July 6, 2012

Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center, 2nd Fl.
Redwood City, CA 94063

**SUBJECT: MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE
REVIEW – SAN MATEO COUNTY MOSQUITO AND VECTOR
CONTROL DISTRICT**

Dear Ms. Poyatos:

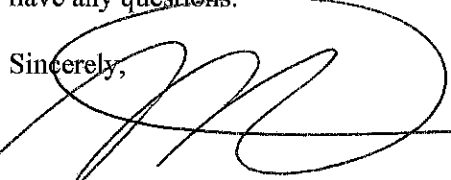
Thank you for taking into consideration our comments to the April 18, 2012 draft Municipal Service Review (MSR) and issuing an updated MSR dated June 16, 2012. The June 16, 2012 MSR recommends dissolving the San Mateo County Mosquito Abatement and Vector Control District (SMCMVCD). Should the Local Agency Formation Commissioners choose this path, the County would have to look at what structure could be put into place to take over this function. Should Environmental Health be tasked with this function, we believe we could perform it along with our other duties. If the Commission establishes the County as the successor agency, it is imperative that the current revenue source also be transferred and protected for the sole purpose of mosquito and vector control.

However, we do not recommend dissolution, as the District has fulfilled its mission of effectively and efficiently controlling mosquitoes and other vector borne diseases, a very important function. In addition, it would be unfortunate to lose the strong reputation and identity in the community that the District has developed.

The Health System is committed in working cooperatively with all partners and stakeholders to ensure public health is protected and customer service remains at the highest level.

Thank you for your consideration in this matter. Please do not hesitate to contact me should you have any questions.

Sincerely,



Dean D. Peterson, PE, REHS
Director, Environmental Health

Environmental Health

2000 Alameda de las Pulgas, Suite 100, San Mateo, CA 94403

Phone (650) 372-6200 • Fax (650) 627-8244 • CA Relay 711 • Website www.smhealth.org

Health System Chief • Jean S. Fraser

Board of Supervisors • Carole Groom • Don Horsley • Rose Jacobs Gibson • David Pine • Adrienne Tissier

July 8, 2012

RECEIVED
JUL 09 2012
LAFCO

Ms. Martha Poyatos
Executive Director and the Commission Staff
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: San Mateo County Mosquito and Vector Control District

Dear Ms. Poyatos:

I am a resident of the City of Burlingame and former Operation Director of the San Mateo County Mosquito and Vector Control District. I understand that the Local Agency Formation Commission (LAFCo) is considering a change to the "sphere of influence" of the San Mateo County Mosquito and Vector Control District that would set the stage for the County taking over all of the District's responsibilities and activities. I strongly urge LAFCo to do this for the betterment of the District and the citizens it serves. The poor and less than adequate job done by the District Manager and Board of Trustees over the last few years has deeply weakened the morale of the complete staff.

Regarding the letters and presentations given by the District's attorney, Joan Cassman, she has presented an inaccurate account of what has been happening. She stated that the Manager and Board have designed all new guidelines for internal controls along with new procedure and policies. These should eliminate any future problems concerning finances or staff.

The District has had an open-door policy for a long time. I and Dr. Chindi Peavey used the open-door policy to inform the Manager about the finance and budgetary problem we were having with accountability from the Finance Director. This problem originated the first week in January 2010. So I believe that Joan Cassman is somewhat less than truthful about her findings.

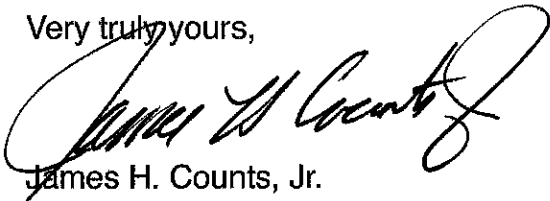
At the present time, even with the District Manager under a Performance Improvement Plan, he still broke District policies and procedures by allowing a staff member ineligible for Sick Leave Conversion to take days off as vacation time, which is against District policies. During a two month period this employee took a day or two each week as she was voluntarily resigning from the District. [Examples from The Policy Manual: 5100.50: Paid sick or accident leave time CANNOT be converted to vacation time. 5110.21: Less than 5 years of Service = 0 sick leave conversion pay. This staff member had less than the required 5 years. She did the conversion so that she could get full pay out on her vacation time. The Manager should have required her to take vacation time.

Page 2

My point is that the Manager continues to break the District policies and the Board of Trustees and District Attorney continue to condone this. So very little has changed and I believe that actions speak louder than words. Please don't be fooled by the facade that the Board and the Attorney have laid out.

Thank you for your attention.

Very truly yours,

A handwritten signature in black ink, appearing to read "James H. Counts, Jr.", written in a cursive style. The signature is positioned above the printed name.

James H. Counts, Jr.

RECEIVED
JUL 09 2012
LAFCO

July 4 2012

Ms. Martha Poyatos
Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1662

RE: San Mateo County Mosquito and Vector Control District

Dear Ms. Poyatos:

I am a resident of the City of San Bruno within the County of San Mateo that receives services from the *San Mateo County Mosquito & Vector Control District* to control and eradicate mosquitoes and other harmful vectors. It has come to my attention that LAFCO is considering a change to the sphere of influence of the San Mateo County Mosquito and Vector Control District that WOULD set the stage for dissolving the District and turning over all District funds and responsibilities to a department under the County – most likely the Department of Health Services.

I OPPOSE CHANGING THE DISTRICT'S SPHERE OF INFLUENCE FROM STATUS QUO

I OPPOSE ANY ACTIONS THAT could LEAD TO DISSOLVING THE DISTRICT

My following comments are in reply to the following two LAFCO documents:

1. Report dated July 8 2003

To: Members, Formation Commission
From: Martha Poyatos, Executive Officer
Subject: Sphere of Influence and Municipal Service Review of the San Mateo County Mosquito Abatement District

2. Report dated September 10 2003

To: Members, Formation Commission
From: Martha Poyatoes, Executive Officer
Subject: LAFCo File No. 03-07-Proposed Annexation by San Mateo County Mosquito Abatement District of the balance of San Mateo County (284 square miles)

vectors in the full County of San Mateo to some other entity.

The June 12, 2012 report does **NOT** provide any evidence that the day to day procedures continuing to be followed by the San Mateo County Mosquito and Vector Control District personnel are not 100% adequately providing the complete Mosquito and Vector Control for all residents of the County of San Mateo within the District's yearly balanced budgets passed by their Board of Trustees.

The June 12, 2012 report does **NOT** provide any specific evidence that ANY OTHER ENTITY, be it a part of an existing County department, a newly to be formed County department, nor any other existing entity has the knowledge, background, and expertise to perform the same TOTAL package of Mosquito and Vector Control services now being provided by the existing San Mateo County Mosquito and Vector Control District and its existing personnel day in and day out.

THEREFORE, considering all of the above statements and the statements received by LAFCO from the San Mateo County Mosquito and Vector Control District, I ask LAFCO to unanimously vote to continue the San Mateo County Mosquito and Vector Control's Sphere of influence at **STATUS QUO**.

Thank you for your upcoming VOTE OF CONFIDENCE for the San Mateo County Mosquito & Vector Control District and its continuing STATUS QUO status.



Robert Riechel

536 – 7th Avenue

San Bruno, CA 94066-4522

CC: San Mateo County Mosquito and Vector Control District

June 29, 2012

RECEIVED

JUL 06 2012

Martha Poyatos, Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

LAFCO

Re: San Mateo County Mosquito and Vector Control District

Dear Ms. Poyatos:

I am a resident of the City of San Bruno. I understand that the Local Agency Formation Commission (LAFCo) is considering a change to the "sphere of influence" of the San Mateo County Mosquito and Vector Control District (District) that would set the stage for the County taking over all of the District's responsibilities and activities.

I urge LAFCo not to do this because . . .

1. I like the fact that our city has a representative on the District's Board of Trustees. This makes me feel as if I have more access to the manner in which this service is provided and I have a direct avenue to offer comments and concerns about this vital health-related service.
2. I have received excellent service from the District and fear that this service will be less accessible if the County takes it over. I have sought services from the County before and did not find that experience easy or responsive.

Very truly yours,


Carolyn A. Livengood

140 Sheryl Drive

San Bruno, CA 94066-1636

650-355-5533

cc: San Mateo County Mosquito & Vector Control District

Date: 2 July 2012

Ms. Martha Poyatos
Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

RECEIVED
JUL 06 2012
LAFCO

Re: San Mateo County Mosquito and Vector Control District

Dear Ms. Poyatos:

I am a resident of the City of San Bruno. I understand that the Local Agency Formation Commission (LAFCo) is considering a change to the "sphere of influence" of the San Mateo County Mosquito and Vector Control District (District) that would set the stage for the County taking over all of the District's responsibilities and activities.

I urge LAFCo not to do this because . . .

1. I have experienced excellent service from the District and any changes to the District might interfere with the manner in which this valuable service is provided. I don't see how a County takeover would improve the quality of services I receive. I live up against the Mills Field marsh areas where many mosquitoes can breed. I need constant surveillance and treatment in this area.
2. I think the District is doing a great job in preventing the spread of the West Nile Virus. Please let them continue to do their job without the distraction of government proceedings looking to fix a problem that doesn't exist.

Very truly yours,



Nancy Mori
540 - 7th Avenue
San Bruno, CA 94066

cc: San Mateo County Mosquito & Vector Control District
1351 Rollins Road, Burlingame, CA 94010

Date: 3 July 2012

RECEIVED

JUL 06 2012

LAFCO

Ms. Martha Poyatos
Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: San Mateo County Mosquito and Vector Control District

Dear Ms. Poyatos:

I am a resident of the City of San Bruno. I understand that the Local Agency Formation Commission (LAFCo) is considering a change to the "sphere of influence" of the San Mateo County Mosquito and Vector Control District (District) that would set the stage for the County taking over all of the District's responsibilities and activities.

I urge LAFCo not to do this because . . .

1. I think the District is doing a great job in preventing the spread of the West Nile Virus. Please let them continue to do their job without the distraction of government proceedings looking to fix a problem that **DOESN'T EXIST**.
2. I like the fact that the City of San Bruno has a representative on the District's Board of Trustees. This makes me feel as if I have more access to the manner in which this service is provided and I have a direct avenue to offer comments and concerns about this vital health-related service. **DO NOT** remove the City of San Bruno's trustee nor any other City's trustee from the Board of Trustees. Each and every City must retain their own trustee.

Very truly yours,



Ruth Reynolds
548 -- 7th Avenue
San Bruno, CA 94066

cc: San Mateo County Mosquito & Vector Control District

Victor Spano
Box 634
Pacifica, CA 94044

RECEIVED

JUL 06 2012

LAFCO

7/2/2012

Ms. Martha Poyatos
Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: San Mateo County Mosquito and Vector Control District

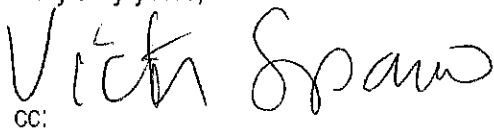
Dear Ms. Poyatos:

I am a resident of the City of Pacifica. I understand that the Local Agency Formation Commission (LAFCo) is considering a change to the "sphere of influence" of the San Mateo County Mosquito and Vector Control District (District) that would set the stage for the County taking over all of the District's responsibilities and activities.

I urge LAFCo not to do this because . . .

- 1) I have experienced excellent service from the District and any changes to the District might interfere with the manner in which this valuable service is provided. I don't see how a County takeover would improve the quality of services I receive.
- 2) I like the fact that our city has a representative on the District's Board of Trustees. This makes me feel as if I have more access to the manner in which this service is provided and I have a direct avenue to offer comments and concerns about this vital health-related service.
- 3) I have received excellent service from the District and fear that this service will be less accessible if the County takes it over. I have sought services from the County before and did not find that experience easy or responsive.
- 4) I think the District is doing a great job in preventing the spread of the West Nile Virus. Please let them continue to do their job without the distraction of government proceedings looking to fix a problem that doesn't exist.
- 5) I don't agree that "bigger government is better government." That has not been the case at higher levels of government. In fact, "bigness" at the state and federal levels has led to paralysis and poor government. This vital service of vector control will get lost if it is bundled with all of the other responsibilities of the County.

Very truly yours,


cc:

Date: 2 July 2012

RECEIVED

JUL 06 2012

LAFCO

Ms. Martha Poyatos
Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: San Mateo County Mosquito and Vector Control District

Dear Ms. Poyatos:

I am a resident of the City of San Bruno. I understand that the Local Agency Formation Commission (LAFCo) is considering a change to the "sphere of influence" of the San Mateo County Mosquito and Vector Control District (District) that would set the stage for the County taking over all of the District's responsibilities and activities.

I urge LAFCo not to do this because . . .

1. I like the fact that our city has a representative on the District's Board of Trustees. This makes me feel as if I have more access to the manner in which this service is provided and I have a direct avenue to offer comments and concerns about this vital health-related service. Every City in the County should have a trustee on their board.
2. I don't agree that "bigger government is better government." That has not been the case at higher levels of government. In fact, "bigness" at the state and federal levels has led to paralysis and poor government. This vital service of mosquito and vector control will get lost if it is bundled with all of the other responsibilities of the County.

Very truly yours,



Pam Riechel
536 – 7th Avenue
San Bruno, CA 94066

cc: San Mateo County Mosquito & Vector Control District

July 5, 2012

Ms. Martha Poyatos
Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

RECEIVED

JUL 06 2012

LAFCO

Re: San Mateo County Mosquito and Vector Control District

Dear Ms. Poyatos:

I am a resident of the City of San Bruno. I understand that the Local Agency Formation Commission (LAFCo) is considering a change to the "sphere of influence" of the San Mateo County Mosquito and Vector Control District (District) that would set the stage for the County taking over all of the District's responsibilities and activities.

I urge LAFCo to reconsider because . . .

1. I have experienced excellent service from the District and any changes to the District might interfere with the manner in which this valuable service is provided. I don't see how a County takeover would improve the quality of services I receive.
2. I like the fact that our city has a representative on the District's Board of Trustees. This gives me access to the manner in which this service is provided and I have a direct avenue to offer comments and concerns about this vital health-related service.
3. I have received excellent service from the District and fear that this service will be less accessible if the County takes it over. I have sought services from the County before and did not find that experience easy or responsive.
4. I think the District is doing a great job in preventing the spread of the West Nile Virus. Please let them continue to do their job without the distraction of government proceedings looking to fix a problem that doesn't exist.
5. Though the District experienced fiscal responsibility problems recently, they had taken quick, decisive steps to correct the issues raised. I think they should be given the chance to prove efficiency of those changes.

Sincerely,



Irene O'Connell

557 Acacia Ave.

San Bruno, CA 94066-4221

cc: San Mateo County Mosquito & Vector Control District

1351 Rollins Road, Burlingame, CA 94010

rgay@smcmad.org