

Sacramento Public Library Authority

The Business of Books

Summary of Contents

Responding to several complaints the 2007 – 2008 Sacramento County Grand Jury began an investigation into alleged misappropriation of funds and conflicts of interest in the award of repair service contracts. (p. 2)

This extensive investigation covered a six month period (pp. 2, 20) and included interviews with over 40 individuals, analyses of over 1,500 documents, and the issuance of over 70 subpoenas. (pp. 2, 20)

During the course of that investigation several other discoveries were made which illuminated larger, more serious and systemic problems at the Library. In that further examination the Grand Jury focused on several topics:

- History and amendments of the Joint Powers Agreement (Foreword)
- Management Styles (p. 3)
- Employee Evaluation (p. 4)
- Employee Communication, Morale, and Turnover (pp. 4-6)
- Administrative Policies and Procedures (pp. 6 –10)
- Credit Card Issues (pp. 6-8)
- Travel Procedure Issues (pp. 8-10)
- Problems with Finances (pp. 10-14)
- Maintenance and Repairs, including repair service contracts (pp. 14-16)
- Consultant Contracts (pp. 16-19)
- Governing Board Oversight (pp. 19-20)
- Cash Management Policies (p. 20)

As a result, 14 Findings with multiple components supporting 14 Recommendations for action by the Governing Board were issued. (pp. 21-26)

Two specific Recommendations, accompanied by supporting Findings merit separate mention:

- Amendment of the Joint Power Agreement to create the separate position of Chief Executive Officer (CEO), and modification of the position of Deputy Director, Public Services to Deputy Director, Library Services. (p. 21)
- Consideration of the removal of the Library Director (pp. 21-23)

Other notable Recommendations include:

- Consideration of the removal of the Director of Human Resources (pp. 23-24)
- Establishment of more fiscal control of public funds and expenditures (pp. 24-26)

Finally, mindful of the limit of its term on June 30, 2008, the Grand Jury outlined topics it was not able to complete during its tenure. (p. 20)

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Foreword

The role of the Grand Jury is to examine the operation of local government in Sacramento County and inquire into the appropriate use of public funds wherever used.

The City of Sacramento and County of Sacramento entered into a Joint Powers Agreement (JPA) creating the Sacramento Public Library Authority (Library Authority), a separate governmental entity, in August, 1993. They funded the JPA with public funds and tax revenues.

The Library Authority is an entity within the oversight jurisdiction of the Sacramento County Grand Jury. It is because of this jurisdictional oversight that the Grand Jury accepted a complaint that the Library Authority was misappropriating and misusing public funds.

The Grand Jury investigation was conducted as a result of several complaints about management at the Library. The focus of the complaints and the focus of our six-month investigation has been on the management practices and the financial stewardship of public monies. This report focuses on the issues of management and the disregard for adequate financial policies and procedures.

Preamble

Prior to 1993 the City and the County maintained separate library systems. Desirous of increased efficiencies and more uniform services to all residents, the City and the County executed a Joint Powers Agreement in August, 1993, creating the Sacramento Public Library Authority. The Governing Board of the Authority consisted of members of the City Council and the County Board of Supervisors.

As initially drafted, the JPA vested responsibility for three separate functions (Chief Administrative Officer of the Authority, Secretary to the Governing Board, and Library Director) into one position, that of Library Director. In 2002 the Governing Board hired the current Library Director. In 2007 the JPA was amended to change the Chief Administrative Officer to Chief Executive Officer (CEO).

The JPA's position description and the decision of the Governing Board not to separate any of these functions, vested responsibility and discretion for all information flow to the Governing Board in one person.

Vesting this broad responsibility and discretion in one person, without any independent checks or balances elsewhere in the Library Authority or on the Governing Board, created a system which enabled one individual to shape the view of the Governing Board.

Issues

Have the Sacramento Public Library Director and management team been diligent in their oversight responsibilities?

Have the Sacramento Public Library Director and management team been prudent in how they manage their resources?

Has the Library Governing Board properly overseen the Sacramento Public Library administration?

Reason for Investigation

A library employee contacted the Grand Jury regarding over-billing, improper use of funds, improper record keeping, and mismanagement by senior management of the Library.

The Grand Jury reviewed complaints from present and former employees of the Library. The allegations were very similar and told of morale problems, improper staffing, and failure to provide safety for the patrons and library personnel.

A copy of a petition of no confidence was sent to the Grand Jury, along with similar complaints about senior management being non-responsive. The petitioners also complained that the Governing Board summarily dismissed their petition.

The Grand Jury undertook this investigation to determine if: 1) the Library administration had neglected proper oversight of its responsibility in use of public funds and, 2) the Sacramento Public Library executive team, as it is now comprised, is competent to direct the regular activities of the Library.

Method of Investigation

The Grand Jury conducted more than 40 interviews, including current and former members of the Sacramento Public Library management team, branch library personnel, library patrons, members of the Library Governing Board, and those who provide business services to the Library. It also reviewed over 1,500 library financial documents, job descriptions, procedural policies, committee meeting minutes, and interoffice memoranda. Over 70 subpoenas were issued.

Background and Facts

The Sacramento Public Library, the fifth largest library system in California, is comprised of 27 branches including the Central Library in downtown Sacramento. The Central Library houses the administrative offices for the entire library system. In February, 2007, the Joint Powers Agreement was amended to include other libraries from within the county not already in the system.

The Library Governing Board is officially called the Sacramento Public Library Joint Power Authority Board. Members of the Sacramento County Board of Supervisors, Sacramento City Council, and members of other city councils within the county comprise the 14 member Sacramento Public Library Authority Board which oversees the management of the Sacramento Public Library. In this report, this body will be referred to as the Governing Board. The Governing Board is ultimately responsible to the public for library activities, personnel, budgets, procedures, and policies. It is its duty to oversee the Library functions according to the guidelines it adopts.

As currently configured, the Library Director, hired by the Governing Board, is responsible to the Governing Board for the operation of the Library. The Library Director also serves as Chief Executive Officer (CEO) of

the Library Authority and is the appointed secretary to the Governing Board. Two Deputy Directors (Administrative Services and Public Services) and four specialty directors (Finance, Human Resources, Facilities, and Marketing) form the Library executive management team.

The Library operates on a \$36 million annual budget. Revenues for the Library come from three major sources: Sacramento County, participating cities, and county wide assessment fees.

Management Style

The Library Director interacts almost exclusively with the executive team. This management style has created issues for subordinates.

Branch managers expressed concern that their involvement in decision making has dwindled under this Director's tenure. Library branch managers feel decisions are made at the top and imposed on those below with feedback discouraged.

Since 2002, management positions have been added at the direction of the Library Director. There have also been changes in job titles, reorganization of assignments, and renaming of work groups. As a result, employees are often confused about who is responsible for certain areas and what policies are in place. Many employees believe job responsibilities were removed from staff to create more management positions.

The reassignment of duties has not only cost the library money, but has also affected staff morale. Responsibility for processing grant paperwork was shifted from the Finance Department to individual project managers for each grant. Some project managers were unfamiliar with the paperwork processes and therefore did not submit paperwork properly or on time. As a result, grant money has been lost.

Numerous Library employees and Library patrons have complained about the Library Director. These complaints include: lack of communication from the management staff, insufficient staffing at the branch level while administrative positions and salaries increased, overuse of outside consultants, lack of security for patrons and staff, cuts in materials budgets, and instances of micromanagement.

Library Personnel

Employee Evaluations

The Human Resources Department is responsible for generating annual personnel evaluation requests and is the depository for employee evaluation files. In response to questions from the Grand Jury, it was determined that the Director of Human Resources believed that there was no policy on employee evaluations.

Without a policy, except in rare circumstances, evaluations of library employees ceased. Testimony by over 30 employees verified that the vast majority of the library staff had not been evaluated in over three years. The exceptions were few and mostly limited to an occasional request from a member of the executive team on a specific employee.

In October, 2003, executive team meeting notes revealed that Human Resources should: "...make supervisors aware of when evaluations are needed, sending forms in advance." The requirement for evaluations still existed, yet employee evaluation requests which normally would trigger the evaluation of an employee were

seldom sent. Finally, there is no evidence that beyond recognizing the deficiency anything further was being done.

A previous Director of Finance admitted he did not complete any evaluations, but stated, "If I had been requested to do an evaluation I would have done it." This accurately describes why evaluations were sporadic.

As a result, transfers and promotions were often made without benefit of written evaluations.

Employee Communication, Morale, and Turnover

There is a high rate of turnover of employees throughout the library system, particularly in key management positions. Branch managers and other employees stated many positions remain vacant for long periods of time. Some believe money saved through vacancies and interim assignments has been redirected for staff travel, consultants, senior staff expansion, and other purposes of the Library Director.

A lack of confidence in the Library Director among rank and file librarians is evidenced by two petitions, one of which was a vote of no confidence. This lack of confidence in the Director spread from the administrative level to the branches and even to those who volunteer through Friends of the Library. Positive steps to arrest this decline in morale were seldom taken and, when they were, were not maintained.

Perhaps the lowest morale in the library system has been in the Finance Department. Personnel interviewed in the Finance Department said the Director of the Library had not visited the Finance Department for over two years.

In 2003 a well qualified interim Fiscal Officer brought much needed accounting and financial control to the Library. His expertise was what the Library needed the most at that time. His tenure produced an unqualified opinion¹ on the 2002-2003 audit. However, in achieving that unqualified opinion he often disagreed with the Library Director. As a result, he was "disinvited" from further executive staff meetings. After his departure, the next audit received a qualified opinion.²

The morale of the Finance Department was undermined by a series of Library Director decisions to circumvent financial controls. Specifically, when library management ceased operating under Sacramento City Financial Policies and Procedures before replacement controls were in place, the Finance Department was directed to:

- Pay invoices that were unsigned.
- Issue checks without control or processing by the Finance Department.
- Write checks without supporting documentation.

In 2004, the administrative assistants to senior management were instructed to maintain the financial records for their individual Department Directors. This decision took purchasing, credit card receipts, travel requests, and many financial controls away from the Finance Department. Credit card statements were routed to administrative staff, where accounting codes were entered, and then to accounts payable, thus circumventing the Director of Finance. This action contradicted Library Credit Card Procedures published July 20, 2004, which states: "The Director of Finance shall review and approve all charges and receipts received for payment prior to submission of the credit card invoice for payment."

¹ An "unqualified opinion" represents the auditor has found the client's financial condition and operations are true and fair.

² A "qualified opinion" represents the auditor encountered situations that do not comply with generally accepted accounting principles.

With these decisions, the Finance Department lost most processing and control functions, thereby becoming little more than a rubber stamp. Morale in the Finance Department declined in proportion to their reduction in responsibilities. Trust in senior management deteriorated.

Morale of the rank and file librarians has been greatly influenced by a breakdown in communication between the executive staff, library branches, and central library staff. The following summarized comments were presented in a petition at a Governing Board meeting:

- The Director does not ask for or listen to input or concerns.
- Management needs to stay in touch, be accessible, and visit the branches.
- Branch managers need more support from senior management.
- Employees fear recrimination if they say anything not agreeable to management.
- Management should respect, value, recognize, and retain good employees.

In an executive team meeting on January 31, 2005, the Director of Human Resources admitted: "...poor morale is still an ongoing issue." This apparently remained an issue for two years. A Labor Management Committee was established for employees to meet and confer over labor issues. After attending one of these meetings, the Library Director stopped participating.

Grand Jury interviews of Library employees conducted from August, 2007 to present confirmed that morale problems still exist. Rank and file librarians continue to state communication remains a problem, there is a lack of respect, and basic guidelines are followed only when convenient.

The Library Director tried to address the communication issue. One attempt was to establish a "Talk to the Director" email link. This failed because employee anonymity was not possible.

Administrative Policies and Procedures

On numerous occasions this Grand Jury requested copies of all the policy documents currently used by the Library. While the Jury received some administrative policy documents no documents covering policies and procedures used in the Finance Department were forwarded.

Administrative policies and procedures under the current Library Director are not treated as a high priority. The Library had a Procurement Policy and a few chapters of a personnel policy in place upon the Director's arrival in January, 2002. Attempts to update policies were frequently put on hold. When policies were approved, senior management often did not follow or enforce them.

Credit Card Issues

Prior to 2004, when the City of Sacramento provided financial oversight and services to the Library, a Bank of America credit/procurement card was used by the City as well as Library managers. Appropriate controls were in place throughout the city system to ensure that City policies and procedures were followed.

In mid 2004 the Library, on the advice of its Director of Finance replaced the Bank of America account with an American Express account providing credit card services to senior management. The Library became responsible for scrutinizing and reconciling the credit card purchases and expenditures of its own staff.

The Credit Card Procedures adopted by the Library in 2004 stated the following:

- “The Library Director is designated to be responsible for the Sacramento Public Library Authority’s (hereinafter ‘Authority’) credit card issuance, accounting, monitoring, and for general oversight of compliance with these procedures.”
- “Credit cards shall only be used to purchase goods or services for the official business of the Authority. Any incidental personal use of the credit card shall be reimbursed to the Authority at the time the invoice is being approved for payment and submitted to the Finance Department for processing.” (emphasis added)
- “All authorized users of Authority cards shall submit documentation detailing the goods or services purchases, the costs of the goods or services, the date of the purchase and the official business reason for which it was purchased not more than five (5) days following the end of the month in which any purchase is made.” (emphasis added)
- “The Director of Finance shall review and approve all charges and receipts received for payment prior to submission on the credit card invoice for payment.”
- “Any employee of the Authority who violates the provisions of this policy shall be subject to disciplinary action up to, and including, dismissal and appropriate criminal and/or civil action.”

Use of Library Authority credit cards for personal purchases was revoked in a December, 2007, amendment.

The Library Director and the executive team routinely disregarded provisions of these procedures. The Grand Jury reviewed hundreds of pages of American Express credit card statements, Library expense forms, and receipts. Many examples were found where credit cards had been used inappropriately. Likewise, many examples were found where managers failed to follow approved procedures. Examples of these abuses are:

- Late reimbursements to the Library for personal purchases:
 - Two years and nine months after charging personal expenses to the Library credit cards while attending an April, 2005, conference, the Library Director made an \$800 reimbursement to the Library. On the basis of testimony, it was determined this payment was actually made the day before her second Grand Jury appearance in February, 2008. On the same testimonial basis, it was determined that this amount was paid primarily because she was concerned about her scheduled appearance before the Grand Jury.
 - The Director of Human Resources attended a conference in Boston in March, 2006. Because of personal charges made on the library’s credit card, she reimbursed the Library \$648.07. This reimbursement was made four months after her return, while the Library Director was her immediate supervisor. The current Deputy Director of Administrative Services, in an attempt to reconstruct these charges, completed an “American Express Transaction Log” listing the charges for this trip. This “log” was approved by the Director of Human Resources in February, 2007, nearly one year after the conference.
 - The same Director of Human Resources traveled to Orlando in October, 2005. The Library was reimbursed \$710.26, in June, 2006, eight months after the trip. At the time of this trip, the Director of Human Resources reported directly to the Library Director.
- Missing credit card documentation: The travel policies make provisions for lost or missing receipts. When a receipt has been lost, the Library Director may approve reimbursement provided that “a memorandum from the employee describing the date, time, and purpose of the expense” is submitted. No such memorandum was included in the documentation provided to the Grand Jury.
 - On the American Express Transaction Log for February, 2006, the Director of Human Resources failed to provide receipts for \$2,682 of the total \$3,345 charges. Eleven months later her supervisor had to request copies of the missing receipts.

- In March, 2006, the Director of Human Resources charged but failed to provide documentation of \$113.58 for the Boston Marriott Copley Place Hotel. No receipt was ever provided by the Director of Human Resources. In January, 2007, nine months later, her supervisor requested and received copies of the receipt from Marriott's.
- The Director of Human Resources had a credit charge for the Hyatt Regency in Sacramento for April, 2006, but failed to provide a receipt for \$134.78. In February, 2007, 10 months later, a Library "Lost/Missing Receipt Form" was prepared by the Administrative Services Secretary to document the charge. The Library contacted the Hyatt to obtain backup documentation. The Hyatt was unable to verify the charge.

Without proper documentation or without proper accounting it was impossible for this Grand Jury to determine if personal charges were ever reimbursed to the Library. Testimony before this Grand Jury revealed no written documentation of any disciplinary action taken against those who failed to follow the required credit card procedures.

Travel Procedure Issues

The Library Director was employed for almost three years before the Library adopted its own travel policy. The document entitled "Travel Request Procedures and Expense Reimbursement Process" was first approved by the Library's Department of Administrative Services in November, 2004. The 2006 revision of this document reflected few, if any, changes.

The procedures set forth are for "officials and employees of the Sacramento Public Authority (hereinafter 'Authority') who travel on official Authority business outside of Authority's jurisdictional boundaries. Travel expenses that are not in compliance with these procedures, or not approved in advance by the Library Director, or designee, will be the employee's personal responsibility."

Some explicit guidelines outlined in the travel procedures document are:

- Before travel "employees must complete an Employee Travel Request (M200), submit it to the appropriate supervisor(s) for approval..."
- Lodging – "Reimbursement for lodging is limited to the actual cost of a single room...Original itemized hotel receipts must accompany completed reimbursement claims."
- Meals – Maximum Reimbursement
 - **"Receipts are required for all meal reimbursement claims."** (emphasis theirs)
 - "Meal reimbursement, including tips, will be for a maximum of \$35 per day. When traveling to one of the top ten major metropolitan cities, the maximum reimbursement for meals is \$45, including tip."
 - "If reimbursement is requested for a meal expense that exceeds the maximum, the Library Director, or designee, must approve the additional expenses, preferably in advance."
 - "If an employee claims reimbursement for a business-related meal for a non-employee, the receipt must identify who was at the meal and the purpose for the meal."
- After Travel
 - "Submit all receipts for travel expenses, along with signed and dated Travel Request form (M-200), to travel coordinator within twenty (20) days after travel..."
 - "No reimbursement will be made without proper receipts, except as identified above in these procedures or with approval of the Library Director, or designee."

Library's senior management team routinely disregarded these procedures. Many traveled without completing Travel Request form (M-200). Senior managers testified they did not believe they needed to comply with travel procedure provisions which only applied to those below senior management level.

When asked why senior management failed to submit travel request forms, the response was "for a period of two or three years we changed that policy". Requesting further clarification, the Grand Jury was told that if projected travel plans were in the budget that was sufficient authorization to justify ignoring the M200 process. There is no written record of the aforementioned policy changes.

Below are a few examples of abuses of the travel procedures by senior managers:

- The Library Director ignored the travel policy and submitted a travel receipt in the amount of \$62.00 for dinner while attending a conference in Orlando. This amount exceeded the meal reimbursement allowance, yet no guests were identified on the receipt.
- The Library Director ignored the travel policy and submitted a travel receipt in the amount of \$60.00 for dinner while attending a conference in San Jose. This amount exceeded the meal reimbursement allowance, yet, no guests or business purposes were identified on the receipt.
- On February 10, 2006, the Director of Human Resources completed an M-200 form for a trip to Washington, D.C. The estimated cost of the advanced purchase air fare was \$200. This request was approved by the Library Director. The actual ticket was purchased a few days before the flight for \$1,348.60. Approval was never sought nor granted for this increased fare. Had these circumstances been known, the increased fare would never have been authorized by responsible senior management according to testimony received by the Grand Jury.
- The Director of Human Resources charged \$293.03 on the Library credit card at a restaurant in Boston. There was no documentation attached identifying who was at the meal, nor was the item marked as a personal charge. On that same receipt from the Westin Hotel was an item identified as "paid out". Research revealed that such notifications refer to a service provided to guests of the hotel by an outside source, such as a tour, beauty shop, or gift shop. This charge also was not explained, nor identified, as a personal charge.

While the amounts offered as examples are minimal, they illustrate the disregard the Library Director and members of her senior management team had toward their responsibility to shepherd public funds. Further, no documentation was found, or provided to the Grand Jury, that the Director or members of the senior management staff have been reprimanded in any way by anyone for these policy abuses.

In the examination of credit card receipts and travel documents other disturbing charges became apparent, although they do not appear to be in violation of either policy. A few examples follow:

- The Deputy Director of Public Services used her Library credit card for three library employees who attended a conference in Seattle. The cost of three rooms at the Westin Renaissance Hotel for five nights for three people was \$3,256.91. The room rate was \$243.00 per night. Had hotel reservations been made sooner, so as to take advantage of the convention rate, the Library would have secured the rooms for \$159.00 per night. This would have saved the Library more than \$1,260.00.
- The Director of Human Resources attended a conference in Phoenix in March, 2004. She stayed at the Point South Mountain Resort where the hotel cost was \$204.00 per night, excluding fees and taxes. According to hotel accounting personnel, the Director of Human Resources opted for an upgraded room with a view of the water for a cost of \$235.00 per night, excluding fees and taxes. The more costly room rate was charged to her Library credit card and no documentation was submitted indicating the cost for

the upgrade was a personal expense and thus reimbursable to the Library. No reimbursement for this personal charge was found.

The Grand Jury received the report of a forensic auditor who reviewed and analyzed the Library's American Express charges. The report included the following comments:

- “There seems to be a lot of out of state travel for conferences and meetings. I am only seeing those travel charges that are charged to the American Express cards. Additionally, there is documentation that some of these same individuals charge for travel reimbursements for travel not charged to the American Express card.” (sic)
- “These items bring up the larger point in how much out of state travel are library employees engaged in? How much is necessary? How much is reasonable. Given that these are public funds, (tax payer money) are the managers of the library being prudent with the resources they are given.” (sic)

Problems with Finances

Prior to 2004, the City of Sacramento provided financial oversight and services to the Sacramento Public Library Authority. These services included employee payroll, payments for supplies and equipment, billings for professional services and payment of credit card purchases through the Bank of America Procurement card program. The City's program had guidelines to ensure policies and procedures were followed. The cost of these services to the Library was an annual expense of just over \$90,000.

In February, 2003, on the recommendation of the Library Director, the Governing Board approved a contract with Sinclair & Associates. This firm was hired to conduct a Financial Management Organization Assessment for the Library Authority.

Also in February, 2003, the Governing Board approved a budget action that authorized the Library Director to execute a personal services contract for an Interim Fiscal Officer. The individual who was hired served in that capacity until early in 2004.

The Governing Board adopted in 2003 the Sinclair & Associates report, entitled “Library Authority Finance Department Organizational Assessment”. This report included steps to move the financial services previously provided by the City to the Library's Finance Department. The report assessed the Library Finance Department organizational structure, staffing and duties, and reviewed its accounting and financial reporting procedures and practices. It also evaluated current financial practices and procedures as compared to industry standards and best management practices, and provided practical recommendations to modify the Library's organizational structure.

One element of the plan included replacing the City's fiscal services and restructuring the Library's Finance Department to take on responsibility for these functions. To accomplish this task, the report recommended the Library purchase an in-house integrated finance and human resources software system. The rationale for this change included the perceived need to get additional financial data and in a more timely manner than what the City could provide.

A second element created a new Director of Finance position. The Governing Board authorized the Library Director to advertise such a position which was filled later that year.

With the Director of Finance in place, he and members of the Library management team explored software systems to complete the needs outlined in the assessment report. The new Director of Finance was charged with helping to make the final selection and to implement the selected software system (Eden).

The Governing Board approved a proposal to purchase Eden as its software system for the Finance Department at a cost between \$218,000 and \$350,000 with some training modules included in the price.

Upon adoption of recommendations from Sinclair & Associates, the hiring of the Director of Finance, and the purchase of a new Eden software system, the Library began to transfer the financial functions previously performed by the City to its own Finance Department. This occurred in two phases, beginning with the finance portion comprised of the procurement and bill-paying module, followed the next year by the payroll module. The Director of Finance was responsible for implementing phase one of this transition.

At the behest of the Library, in the second half of 2004, the procurement and bill-paying activities were transferred from the City to the Library. However, this was done before the Library administration had implemented or adopted its own financial policies or procedures. Throughout the remainder of 2004, the Library executive team discussed the need for fiscal administrative procedures; however, none were forthcoming.

The Financial Management System and Organizational Report adopted by the Governing Board contained all the recommendations for a successful transition of financial services. The Library Director and the Governing Board adopted the major components of the plan, but failed to incorporate the needed internal controls or hire additional accounting staff. The plan called for the Library to take the following actions:

- “Adopt a comprehensive set of financial policies to guide budgetary decisions.”
- “Review and implement the budget practices recommended by the Government Finance Officers of America and National Advisory Committee on State and Local Budgeting.”
- “Document all Accounting Policies and Procedures in a permanent Manual.”
- “Refine the procedures for the collection of cash, to include a reconciliation of cash against cash register receipts or pre-numbered receipts.”

No serious effort was made by the Library Director or the executive team to incorporate these actions and staffing recommendations made in the assessment report.

Implementing the Eden general ledger module (procurement and bill-paying services) proved more difficult than expected. On-site Eden training was provided for two months. The then Finance Director, only recently hired, underwent Eden training and was given control over the entire system. Members of his accounting staff were only given minimal training in aspects of the system and not in its entirety.

The Library continues to struggle to take on these fiscal functions. From 2004 to present, the Finance Department has been in disarray. Staff has been uncertain as to policies and procedures. As of the date of this report, the Eden system still has not performed all the functions for which it was purchased. To resolve some of these issues, the Library hired additional staff.

Audits have been an ongoing problem for the Library. Work on the audits had fallen behind partly as a result of the change in fiscal services. The last completed audit was for fiscal year 2004-2005 and was finished in February, 2007. In 2006 the Finance Director changed auditing firms and hired Gilbert Associates, Inc. This firm was to complete the 2005-2006 audit at a cost of \$34,315. In April, 2006, the Library hired an Accounts

Manager on a contractual basis. One of his primary functions was to assist with the audits. It was reported that he did not perform these functions satisfactorily.

During fiscal year 2005-2006, the Library was still implementing its Eden accounting system. Merging two systems, Eden and the City's, complicated the 2005-2006 audit. The Library Accounts Manager, with authority granted by the Library Director, hired a consultant, John Waddell & Co., to assist with bank reconciliations and other accounting duties directed toward audit documentation. The Finance Director continued implementing the Eden system, while the Accounts Manager oversaw the audit.

In May, 2006, the Finance Director resigned and the Accounts Manager was named Interim Finance Director. The following events describe the history and condition of the Finance Department:

- The City was the fiscal agent for the library for 2004-2005. The last completed audit for the Library was 2004-2005. The Deputy Director of Administrative Services was unable to produce that audit for Governing Board approval until February, 2007.
- Prior to the Finance Director's resignation in May, 2006, he elected to switch auditing firms from the firm that produced the last completed audit to a new auditing firm at a cost of over \$34,000.
- The Finance Director resigned in May, 2006, and was rehired in June, 2006, as a consultant to help with financial management and accounting tasks.
- The Interim Finance Director, promoted from his previous position as Accounts Manager, requested additional outside financing and support staff to work on bank reconciliations and accounting duties directed toward the 2005-2006 audit.
- In August and September, 2007, the Interim Finance Director allegedly missed key deadlines and was asked to resign. The Library hired another accounting firm, Moreland and Associates, Inc., at a cost of \$9,700, to "...break down and relearn what was in the city's ledgers and the library's ledgers..." Prior financial data had to be reconstructed. This took several months to prepare for use by Gilbert Associates, Inc.
- Upon the requested resignation of the Interim Finance Director, the Library attempted to hire a Finance Director. They were unsuccessful. In October, 2007, the Library did fill a separate position for a full-time senior accountant. That employee was elevated to Director of Finance after only three months and currently serves in that position.
- In November, 2007, Gilbert Associates, Inc., wrote to the Director of Administrative Services requesting their earlier agreement be amended stating: "Due to delays encountered in our previous attempts to perform the Authority's audit, multiple revisions to the financial records provided by the Authority's financial staff, inability of previous financial staff of the Authority to provide supporting documentation, and the need to reschedule audit fieldwork multiple times, Gilbert Associates, Inc., is increasing the audit fees as provided for in the original engagement letter as follows..."

This proposal amended the contract by an additional \$16,000. Gilbert Associates, Inc., stated: "...it is our understanding that the financial records of the Authority including the draft financial statements and all supporting schedules, will be available to us on December 3, 2007. In the event that the necessary items requested to perform work on the audit are not available, Gilbert Associates, Inc., will suspend work on the audit and a revised audit date and fee will be negotiated with the Authority." The Deputy Director of Administrative Services signed the amendment to the contract on December 3, 2007.

- The Library has been unable to supply requested documents in a timely fashion. As of April, 2008, Gilbert Associates, Inc., was still working on the audit for 2005-2006.

- In August, 2006, another consultant was hired as Project Manager to implement the second phase of Eden, the payroll and human resources module. This consultant, on site for approximately three months, trained staff and oversaw implementation of this module. Accounting staff was given more training and assumed more responsibility under the guidance of this consultant.
- In November, 2006, the Library hired yet another consultant, Herrera & Associates, at a cost of \$15,000, to analyze the business processes of the Library's Finance Department. Many of the specifics of this contract duplicated the tasks outlined in Sinclair's 2003 Fiscal Systems Assessment and Implementation Plan.
- To prepare for the 2006-2007 audit they hired another consultant, Vavrinek, Trine, Day and Co., at a cost of \$30,370 to help with bank reconciliations and other accounting assistance. Finally, they signed a contract with Moreland and Associates, yet another consultant.

To date the Library still has not completed its 2005-2006 audit.

The cost of establishing an in-house, integrated accounting system, including the cost of the Eden software modules, has surpassed \$700,000.

Maintenance and Repairs

Maintenance and repairs for the 27 Library branches are handled in two ways. Three libraries (Courtland, Isleton, Elk Grove) are located on school property. Their routine maintenance is performed by school employees. All other libraries have their routine maintenance handled through Library oversight.

The Facility Supervisor is the initial responsible party, and he reports to the Director of Facilities, who in turn reports to the Deputy Director of Administrative Services.

The Library entered into a business arrangement with All City Maintenance (All City) in 2004. The Facilities Supervisor was responsible for the relationship with All City. The Facilities Supervisor acted on the recommendation of the Library Security Manager, whose wife was the owner and operator of All City.

All City was to perform maintenance repairs and other handyman services at the Library branches, including the Central Library. The agreement included such things as replacement of light bulbs, moving furniture, minor plumbing and handyman type repairs.

When a Library branch submitted a work order to the Library's maintenance department, a library employee would directly contact a subcontractor and assign the work.

In actuality, All City did not provide any handymen. All City took no role in supervising or inspecting the work performed. It did not purchase any materials or provide any services to defray the cost of the work performed by subcontractors.

When All City received subcontractor invoices they replaced them with their own inflated invoices and submitted them to the Library for payment. All City was acting as a general contractor without a contractors license.

All City was then paid the inflated amount. All City invoices did not identify hours worked or cost of materials. All City would then pay the subcontractors the original invoice amount, retaining the difference.

The Grand Jury's investigation also found that subcontractors doing maintenance at the direction of the Library's Facilities Supervisor were instructed to submit their completed invoices to All City.

In the period before October, 2006, markups sometimes exceeded 75 % and were based on no identifiable cost. The Grand Jury audited numerous subcontractor invoices between March, 2005, and August, 2006. In this period the total amount paid to the subcontractors by All City was \$70,506.38. In this same period, All City invoiced the library for \$125,772. 87. The difference is \$55,266.49, a 78% increase from original invoices. It is alleged that, over the entire length of this business arrangement, the Library was over billed an amount of approximately \$650,000 for routine maintenance services.

In September, 2005, a finance clerk for the Library discovered that All City did not possess a general contractor's license. It was also discovered that the business was co-owned by the Library's Security Supervisor and his wife.

This same clerk took her concerns to the Facilities Supervisor, the Director of Finance, the Director of Human Resources through a union representative, and the Deputy Director of Administrative Services. She even attempted to relay her concerns to the Library Director. All of these attempts were to no avail. These individuals chose not to investigate or disturb the Library's relationship with All City.

Later when closing the 2004-2005 fiscal year, the finance clerk discovered All City had been paid over \$500,000 for work performed at various libraries. The clerk also noted that the prices charged appeared to have significantly increased over the previous year.

After ten months, in July of 2006, library management finally determined that a "conflict of interest" might exist over its relationship with All City and the individuals who owned it. Management's response was to develop a Request for Proposal (RFP) to seek bids for maintenance. A contract was then entered into with Hagginwood Services, Inc., a business owned by the same individuals who owned All City. This selection and award was made despite alerts to senior management of the ownership of Hagginwood and the owner's previous possible involvement with prior inflated billings as All City, Inc. The contract was also executed even though Hagginwood itself did not have a general contractor's license.

After they received the contract, the owners of Hagginwood did not change their method of operation. Hagginwood did not supervise or perform any of the work completed under its name. The only change upon the inception of the contract in October, 2006, was that Hagginwood was held to an hourly billing rate. No longer able to apply lump sum charges, Hagginwood simply inflated the number of hours on jobs completed.

Under the contract, invoices were to be sent to the Deputy Director of Administrative Services for payment. However, this provision was ignored by both Hagginwood and senior library management. Invoices were submitted through the Facilities Supervisor and subsequently paid by the Finance Department.

Based upon subsequent review, it appears that Hagginwood inflated the hours on its invoices, generating thousands of dollars during the period October 2006-June 2007.

In late Spring of 2007, the Library finally began an investigation into the billings by All City and Hagginwood. This resulted only after *The Sacramento Bee* filed a Public Records Act request to examine the subject companies' billings. A San Francisco law firm was hired at a cost of \$70,283 on a consultant basis to conduct an investigation.

At the conclusion of this investigation it was determined:

- No beneficial business purpose existed for the original establishment of the Library's relationship with All City and later Hagginwood Services.
- The stated reason given by the company that All City would be a source of workers to address a backlog of uncompleted work. Actually, All City never provided any workers.
- The stated reason for the establishment of the relationship was most likely not true.
- The overriding effect of establishment of the All City and Hagginwood Services relationship with the Library was to greatly increase the cost of routine maintenance.
- The main Library official managing the relationship with All City and Hagginwood did not appropriately scrutinize the billings, even after they had been questioned by a finance clerk.
- According to the owner of the maintenance companies, the Facilities Supervisor had a business relationship with these people outside of his Library employment. This may have influenced his lack of scrutiny over the Hagginwood billings. The lack of scrutiny was also facilitated by lax administrative oversight related to ensuring compliance with the Library's purchasing policies.
- The mark-ups by All City and Hagginwood in the pre-contract period were excessive, compared to the efforts of the company owners.
- All City and Hagginwood took steps to conceal their excessive mark-ups in the pre-contract period.
- The inflation of hours by Hagginwood in the post-contract period was without justification, and the explanation of the owner was found to be insufficient and implausible.
- The Security Supervisor's role in the establishment of the relationship with his wife's firm and his involvement as vice president of the firm during the post contract period when the company submitted improperly inflated bills raised serious questions concerning the propriety of his conduct.

The All City and Hagginwood problem now has resulted in a lawsuit by the Library against the owners. It is an attempt to recover \$1.3 million that had been paid to the subject individuals and companies to "maintain and repair" taxpayers' libraries over a three-year period.

The Grand Jury requested the District Attorney to investigate this matter for possible criminal prosecution. Arrests of three individuals, two of whom worked at the Library, have been made. Prosecution is on going.

Consultant Contracts

Since November, 2003, the Library has spent over \$ 2.2 million for consultant services. Under the current Library Director, consultants have been retained for Financial Management System Organizational Assessments, employee investigation, union contract negotiations, long-term planning, facility master plans, specialty library programs, job classification study, and a study of collections management cost. Contract amounts for individual projects ranged from \$500 to \$176,000.

The Library's practice of hiring consultants was not uniform. Some of the consultants were hired by the Request for Bid process. Others were hired as "sole source" providers by the Library Director, under a "competitive bid process", by an "informal bid process", and by a "requests for proposals" process.

Consultants' contracts were requested for review by the Grand Jury. It took significant amounts of time for the Library staff to retrieve the contracts when copies of these documents were requested. These were difficult to

find as they were scattered throughout the Library Administration. Upon inspection, it was discovered that a number of the contracts were either undated, unsigned by the respective parties, or were missing pages.

In September, 2003, a comprehensive road map for professional management of the Library entitled "Financial Management System Organizational Assessment" (the Sinclair Report) was provided to senior library management and the Governing Board. Subjects for the successful operations of the Library were included in its Table of Contents listed below:

- "Preparation of Financial Statements and Reports in Accordance with Accounting and Audit Standards
- Enhancement of Library Authority Financial Management Authority, Responsibility and Accountability
- Appointment of a Library Authority Finance Director as the Library Authority Auditor-Controller
- Transfer of the Administration of Financial Transactions and Fiscal Services to the Library Authority
- Transfer of the Administration of County Library Fund 11 to the Library Authority
- Acquisition of a Financial, Accounting and Data Processing System
- Provision of Facilities, Maintenance of Facilities and Responsibility for Facility Expenditures
- Modification of the Finance Department Organizational Structure and Staffing Levels
- Recommended Finance Department Organizational Development and Management Tools
- Development of a Finance Department Strategic Plan
- Placing Emphasis on Internal Customer Service
- Refine the Coordination of Human Resource Department and Finance Department Payroll Services
- Segregation and Consolidation of Purchasing Functions
- Adoption of Recommended Budgeting Practices
- Proposed Revisions to the Cost Allocation Procedures
- Revenue and Expenditure Budget-to-Actual Reports and Other Financial Reports
- Adoption of a Capital Improvement Policy
- Development of a Library Authority Capital Improvement Plan and Budget
- Tracking and Reporting Full Capital Project Costs
- Assessing Facility Maintenance Requirements and Developing Strategies to Fund Maintenance Costs
- Development of an Effective System of Internal Controls
- Documentation of Accounting Policies and Procedures
- The Importance and Role of an Audit Committee
- Adoption of Financial Policies
- Implementation of Practices and Procedures to Maximize Collection of Revenues
- Processing Donations from Support Organizations
- Public Access to Budget Documents and Financial Statements
- Benchmark Survey Results"

This comprehensive road map of ideas, which was adopted by the Governing Board, was subsequently ignored or inadequately implemented by the Library's senior management. Such indifference and inaction was costly and resulted in the hiring of new consultants for remedial action.

With regard to the use of consultants, one area that garnered immediate inspection was the operations of the Library's Finance Department. For example, in the Finance Department, consultant contracts included:

- John Waddell & Co. (Jan. 2006--\$22,615) for accounting support, to perform bank reconciliation and project support in the Accounting Department;
- Herrera and Associates (Oct. 2006--\$15,000) for Finance Department staffing assessment review and recommendations;

- Gilbert Associates, Inc.(Nov.2006--\$34,315) to conduct the required fiscal year 2005-2006 audit;
- Vavrinek, Trine, Day and Co. (Aug.2007--\$30,370) for account support for payroll process documentation and fiscal year 2005-2006 for audit resolution;
- Moreland and Associates (Nov.2007--\$9,700) for professional accounting support staff and to assist in core accounting work.

The Eden software system, purchased for Library financial purposes, took years before its modules were in place. Additional contracts were entered into to provide training for subsequent Eden modules.

In 2007, Renne, Sloan, Holtzman Sakai LLP had to be hired for \$70,000 to investigate employee fraud because of the lack of internal Library controls. Establishment of Internal Controls had been one of the recommendations of the September 25, 2003 report.

Another glaring omission from implementation of the September, 2003 report was the consistent lack of published policies and procedures for Library system operations. Despite the consultant's 2003 report, there is still an absence of policies governing, among other things, such recommended items as:

- Budgeting practices
- Cost allocation procedures
- A capitol improvement policy
- Accounting policies and procedures
- Financial policies
- Procedures to maximize revenues

During the Grand Jury's interviews of many librarians and some members of middle management, the thought was expressed that the Library Director had overused outside consultants. It was the perspective of numerous employees that some money spent on consultants could have been used internally. Others preferred the Library Director use in-house expertise and talents of permanent staff.

Governing Board Oversight

There are fourteen members on the Governing Board of the Sacramento Library Authority. The roster of the members of the Governing Board and their designated alternates is included in this report as Attachment 1.

Throughout this investigation it was the intent of this Grand Jury to interview selected members of the Governing Board in the hope this would be sufficient to complete this investigation. Initially the Grand Jury interviewed three members: the former Vice Chair, (now Chair) and two others.

After arrests were made in the criminal investigation it became apparent that the Grand Jury needed to expand its investigation and conduct interviews with additional members of the Governing Board. The current Chair refused to meet with representatives of the Grand Jury for a second interview.

It was decided to conduct an initial poll of the Governing Board to secure background facts and information prior to requiring further interviews.

A brief questionnaire was delivered to each member on Friday, April 4. A copy of that questionnaire is included in this report as Attachment 2. All members have responded.

Responses to Grand Jury Inquiries

Most members of the Governing Board from the Sacramento City Council and the County Board of Supervisors have served on the Board for at least 11 years. Other members were added to the Governing Board pursuant to the modifications made to the Joint Powers Agreement in February, 2007.

Every respondent stated that the Governing Board has no standing committees overseeing Library operations.

Although there is a Finance Advisory Committee authorized and comprised of staff from each participating entity in the Library Authority, no Governing Board member could identify any staff member who serves on that committee. No member reported ever attending any meeting of the Finance Advisory Committee, nor has there been any report filed by that Committee with the Governing Board or the Library Authority in open session.

Only a few of the newly appointed members could recall any training or orientation on the Governing Board's role overseeing the Library. Those who did recall some training referred to the Library Board Procedures Manual, an incomplete document still being rewritten and drafted by Library staff.

Some members recall that the Library's Deputy Director of Administrative Services was appointed also as both Auditor and Treasurer of the Authority in July, 2007.

Some members relied on answers provided by Library counsel instead of their own personal knowledge.

Cash Management

The Library has a major problem with uncollected fines. Approximately \$2.5 million are owed to the Library. These monies are not carried as an accounts receivable on the general ledger.

The Deputy Director of Administrative Services became aware of this problem a year after he assumed his duties.

The Library has a longstanding contract with an Indiana company to collect the outstanding accounts.

There are two methods for handling cash at the libraries. Each branch maintains a petty cash account to make change and for minor purchases. In addition, the library branches collect funds for the receipt of sold items, donations, and collection of fines.

The practice of how money is handled at the libraries is inconsistent. The following are examples of these inconsistencies:

- Not all branches have cash registers. Some operate out of petty cash drawers.
- Not all branches have safes.
- Some safes are not secure (one had the combination written on the side of the safe).
- Money has been stolen from individual branches.
- Money is transferred on an irregular basis to the Central Library for accounting and deposit.
- Internal deposit slips differ from branch to branch.

Open Issues

This completes the Grand Jury’s investigation and analysis of the complaints received. The Grand Jury conducted over 40 interviews, examined 1,500 documents, and issued more than 70 subpoenas. However, there remain open issues that the Grand Jury was unable to investigate during its term. These issues include but are not limited to:

- Proper use of designated donations
- Grant fund management and administration
- Analysis of long term strategic plans
- Structure and function of the Joint Powers Agreement

Findings and Recommendations

Finding 1. The Joint Powers Agreement (JPA) incorrectly vests excessive discretion for Library operations and issues in one position, that of Library Director.

Recommendation 1A. Amend the JPA to redefine that position of Chief Executive Officer (CEO). That position should define a person with proven business expertise and credentials to operate a business enterprise the size of the Sacramento Public Library system. This is similar to the way in which hospitals used to be headed by a physician and are now led by a professional in Hospital Administration.

Recommendation 1B. Amend the position of Deputy Director for Public Services to create a position of Deputy Director, Library Services. Seek a person for this position with specific Library Science skills to oversee topical and program initiatives critical to a successful library program. This person should report to the redefined CEO.

Finding 2A. As CEO of the Library Authority, the Library Director is responsible for all policies and procedures for the Library’s operations. The Library Director has been unable to demonstrate, to this Grand Jury, a working knowledge of, or responsibility for, current policies, and procedures for day-to-day operations.

Finding 2B. The Library Director’s management style discourages free and open communication with subordinates.

Finding 2C. The Library Director eschews written notes and periodic reports, preferring to operate in an “ad hoc” and anecdotal management style inconsistent with managing a major publicly funded enterprise. The Library Director delegates responsibility and authority to senior managers without proper oversight.

Finding 2D. The Library Director failed to adequately supervise her subordinates.

Finding 2E. The Library Director failed to require adequate record keeping and recurring reports from the executive team.

Finding 2F. The Library Director failed to see the gravity of situations as they arose. Furthermore, when the magnitude of the problems evolved, she took inadequate action to resolve them. Some examples are:

- A finance clerk notified her superiors of the conflict of interest and over-billing issues. Ten months passed before any action was taken. The solution selected by the Library Director was to publish a request for a new maintenance contract. Nothing was done at this point to review billings or the actions of individuals who had a conflict of interest in assigning repair work.
- The prior company, All City, co-owned by a Library employee and his wife now operating under a different name, Hagginwood, was awarded the new contract. The Library Director and the Deputy Director of Administrative Services believed there was no conflict of interest, even though they knew of the employee's continuing involvement. Apparently, no thought was given to the possibility that other Library employees might be involved.
- Several months later, when the over-billing was reported in *The Sacramento Bee*, the Library Director hired an investigative firm. The investigative firm reported on the involvement of another library employee and the extent of monies lost due to over-billing.

Implementation of Eden Software

- The Library Director hired a new Finance Director, who was unfamiliar with Eden system, and expected him to implement the new accounting system after being on the job only a few months. There were no accounting department policies and procedures in place at that time.
- With the Finance Director devoting his time to the implementation of Eden, routine accounting work fell behind.
- The Finance Director excluded Finance Department staff from most of the Eden training provided in the initial contract.
- The Finance Department was understaffed to take on the transition to the Eden system and also to continue to provide daily accounting services to the Library.
- An Accounts Manager was hired to oversee the accounting staff and prepare for the audits. Work fell further behind, making it necessary to hire temporary outside accounting help.
- What was costing \$90,000 annually for the City to serve as the Library's fiscal agent ended up costing the Library over three times that amount. Four years later Eden is still not fully implemented.

Finding 2G. The "All City/Hagginwood Scandal" would have been a much smaller fiscal incident had members of the Library executive team been more receptive to alerts by a finance Clerk. One executive team member stated the Library Director didn't think the Hagginwood over-billing was "of substance".

Finding 2H. The Library Director relies on a five or six member executive team to set the direction of the Library. This narrow management style fails to make use of the extensive professional talent and expertise of the Library staff.

Finding 2I. Library branch managers have Master's Degrees in Library Science. (The exception to this practice is found at the smaller, more remote library branches.) These highly educated employees are, for the most part, ignored in the decision making process for Library issues. Their expertise was seldom sought and often shunned.

Finding 2J. When serious problems arose within the Library system, the Library Director failed to communicate these issues in a timely manner to Governing Board members.

Finding 2K. The Library Director has been aware for some time of low morale among Library employees, as evidenced by the petition of no confidence presented to the Governing Board. Correcting the morale problem has not been given the sustained priority necessary to be effective.

Finding 2L. Finance Department personnel possess skills and expertise beyond that for which they are used. The Library Director and executive team lack appreciation of the skills, knowledge, and contributions of the Finance Department staff.

Recommendation 2. In view of the numerous serious management problems currently afflicting the Library, the Governing Board should seriously consider removing the current Library Director for the following causes:

- Fiscal mismanagement
- Failure to adequately track and implement financial controls or other management initiatives
- Lax oversight of subordinates
- Abuses of credit card and travel policies by the Director and the executive team
- Chronic, long-standing, unresolved morale problems
- Unclear cash management policies and procedures

Finding 3. The JPA failed to create any system of independent checks and balances in the Library for the benefit of the Governing Board when considering issues and rendering decisions.

Recommendation 3. The Governing Board should define specific measurable guidelines to operate the Library along established business principles to include:

- Criteria for the safeguard and proper use of public funds
- Management accountability and reporting systems
- Efforts to recoup outstanding balances owing to the Library

Finding 4A. The Department of Human Resources should have required that employee evaluations be performed on a timely basis. Some Library employees have not been evaluated in as many as five years.

Finding 4B. Three members of the executive team were aware the Director of Human Resources was abusing the credit card system. Her immediate supervisors knew about these abuses. The Director of Human Resources received no reprimands.

Finding 4C. At the time of this Grand Jury investigation, the Library Director and at least eight members of the management team were issued Library credit cards. The Library Director and the Director of Human Resources took up to two years to reimburse the Library for personal expenses charged to their Library credit card. From the incomplete documents provided, this Grand Jury was unable to determine if all reimbursements have been made for personal expenses.

Recommendation 4. The Governing Board should seriously consider having the Director of Human Resources removed for lack of leadership in establishing and implementing personnel policies, repeated abuses of the Library travel and credit card policies, and her dilatory reimbursements of personal expenses.

Finding 5A. The Library Director and many members of the management team failed to adequately safeguard public funds. They neglected to give high priority to financial management.

Finding 5B. The Library Director could not demonstrate that any adequate, verifiable management controls were in place for fiscal and operational activities at the Library.

Recommendation 5. The Governing Board should create a standing committee of Governing Board members for direct financial oversight of Library operations to ensure proper safeguarding and accounting for the expenditure of public funds.

Finding 6A. The Library Director approved several consultant contracts which omitted important details, such as the date of the contract, the “do not exceed” amount, and appropriate signatures.

Finding 6B. This Grand Jury subpoenaed all the Library’s consultant contracts. While several were forwarded, others could not be located by the Library.

Recommendation 6. The Governing Board should create more direct oversight and reporting procedures for the approval of consultant contracts for services at the Library.

Finding 7A. The Governing Board failed to appoint an independent Treasurer or Auditor to oversee the actions of the Library Director and the senior management staff.

Finding 7B. The first recommendation of the Sinclair report was to “Appoint a Library Authority staff member as the Auditor-Controller, substituting for the City Auditor-Controller.” The Governing Board failed to implement this recommendation. Several other equally valid recommendations of the retained consultant were also ignored by the Governing Board.

Recommendation 7. Parties to the JPA should amend it to require the Treasurer and the Auditor be separate individuals to remove any possible conflicts of interest.

Finding 8. The Governing Board gave the Library Director broad latitude and required little accountability from the Director beyond regularly scheduled agenda meeting reports.

Recommendation 8. The Governing Board should publish an annual report which shall include a budget summary, year-end accomplishments, and future plans.

Finding 9A. Several members of the Library management staff failed to comply with numerous deadlines set forth in subpoenas requesting Library documents.

Finding 9B. On several occasions, the Library Director and senior management failed to comply with Grand Jury subpoenas, instead deciding on their own to summarize the requested material. This required second subpoena for the original material in its entirety.

Finding 9C. The Library Director and staff, with in-house counsel available, impeded this investigation by narrowly interpreting subpoena language, oftentimes failing to provide all documents and supporting materials.

Recommendation 9. The Governing Board should have Library Authority Counsel as a full-time position, given the volume and complexity of Library operations.

Finding 10. The Governing Board failed in its oversight of the Library, the Library Director, and the Library executive team pursuant to the obligations set forth in the Joint Powers Agreement of 1993, as amended in February, 2007.

Recommendation 10. The Governing Board should create its own oversight of Library operations by establishing stronger internal controls.

Finding 11. An Accounting Policies and Procedures Manual was to have been implemented under the 2003 Financial Management System Assessment. Three Finance Officers later, this still has not occurred. Further, there is no complete personnel policies manual.

Recommendation 11. The Governing Board should require complete and comprehensive policy and procedure manuals for both the Finance Department and for personnel practices.

Finding 12A. The City served as the fiscal agent of the Library until 2003-2004 and was prepared to continue do so. After the decision was made to transfer these responsibilities to the Library, many problems ensued in the Library's Finance Department.

Finding 12B. The Finance Director is an "at will" employee and serves at the pleasure of the Library Director. In the last five years there have been four different Finance Officers/Directors.

Finding 12C. The Eden system has been described as a good software system and has many capabilities. Although purchased in 2004, it has not yet been fully implemented.

Finding 12D. The Finance Director hired to oversee implementation of the Eden system failed to provide his staff adequate training during the initial training period provided by the original contract.

Recommendation 12. Fully staff the Finance Department to ensure proper accounting procedures. Include sufficient compensation to attract and retain a Finance Director with the appropriate knowledge, experience, and skills.

Finding 13A. The Library Director, responsible for fiscal policies, failed to ensure that proper policies and qualified personnel were in place. Furthermore, when some policies were in place, she failed to see that the Library staff adhered to these policies.

Finding 13B. The Library Director and members of the executive team failed to implement appropriate policies and procedures in a timely manner. The lack of such policies, and the failure to provide proper oversight, resulted in the misuse and loss of public funds.

Finding 13C. The Library Director and several members of the senior management team ignored credit card policies and travel procedures.

Recommendation 13. Strengthen current credit card policies and travel procedures. Ensure appropriate oversight of projected expenses and tighter controls authorizing expenditures.

Finding 14. Procedures for cash management at Library branches are inconsistent. Some branches retain cash until it accumulates in an amount up to \$2,000 before the cash is transferred to the Finance Department for accounting and deposit. No one has been assigned the responsibility of auditing branch library cash accounts.

Recommendation 14. Establish standard procedures for all branches regarding cash management.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to all findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento Superior Court by August 15, 2008 from:

- **The Sacramento Public Library Governing Board**

Representing	Board Member	Alternate
City of Citrus Heights	Jeff Slowey, Councilmember 6237 Fountain Square Drive Citrus Heights, CA 95621 Phone: 916-861-6636 jslowey@citrusheights.net	Jeannie Bruins, Councilmember 6237 Fountain Square Drive Citrus Heights, CA 95621 Phone: 916-725-2448 jbruins@citrusheights.net
City of Elk Grove	Sophia Scherman, Councilmember 8380 Laguna Palms Way Elk Grove, CA 95758 Phone: 916-478-2279 scherman@sophia-elkgrove.com	Gary Davis, Councilmember 8380 Laguna Palms Way Elk Grove, CA 95758 916-478-3201 gdavis@elkgrovecity.org
City of Isleton/City of Galt (Isleton holds seat/Galt holds alternate)	Elizabeth Samano, Councilmember City of Isleton PO Box 285 Isleton, CA 95641 Phone: 916-502-3741 officegenmb@hotmail.com	Darryl Clare, Councilmember City of Galt 380 Civic Drive Galt, CA 95632 Phone: 209-366-7117 dclare@ci.galt.ca.us
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County of Sacramento	Roger Dickinson, Supervisor 700 H Street, Room 2450 Sacramento, CA 95814-1280 Phone: 916-874-5485 dickinsonr@saccounty.net	Cortez Quinn School Board Trustee Twin Rivers Unified School District 700 H Street, Room 2450 Sacramento, CA 95814-1280 Phone: 916-874-5485 quinnc@saccounty.net
County of Sacramento	Jimmie Yee, Supervisor 700 H Street, Room 2450 Sacramento, CA 95814-1280 Phone: 916-874-5481 yeej@saccounty.net	Linda Kimura, Director Arcade Creek Rec & Park District 4982 Pasadena Avenue Sacramento, CA 95841 Phone: 916-485-8442 Cell: 916-214-8442 kimurafour@aol.com
County of Sacramento	Susan Peters, Supervisor 700 H Street, Room 2450 Sacramento, CA 95814-1280 Phone: 916-874-5471 peterssu@saccounty.net	Larry Masuoka School Board Trustee San Juan Unified School District 4425 Sierra View Way Fair Oaks, CA 95628 Phone: 916-966-9900 (office) masuoka@pacbell.net
County of Sacramento	Roberta MacGlashan, Supervisor 700 H Street, Room 2450 Sacramento, CA 95814-1280 Phone: 916-874-5491	Donald Wilson School Board Trustee Center Unified School District 3957 Weybridge Way Antelope, CA 95843 Phone: 916-899-8144 (cell) wilson4centerschoolboard@yahoo.com
County of Sacramento	Don Nottoli, Supervisor 700 H Street, Room 2450 Sacramento, CA 95814-1280 Phone: 916-874-5465 nottolid@saccounty.net	NO ALTERNATE

Sacramento Public Library	Anne Marie Gold Library Director SECRETARY TO THE BOARD 828 I Street Sacramento, CA 95814 Phone: 916-264-2830 amgold@saclibrary.org	N/A
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Attachment 2

QUESTIONS FOR MEMBERS OF THE LIBRARY GOVERNING BOARD

1. How long have you served on the Governing Board?
2. Are you a member of any standing committees on the Board? If so, which ones and how long have you served on it/them?
3. Does any standing committee of which you are a member submit a report to the Governing Board?
4. When you were appointed to the Library Governing Board did you receive any written documents or instructions outlining your duties and responsibilities?
5. Have you ever appointed an alternate to the Governing Board to represent you at its meetings? If so, who is that person by name?
6. As a member of the Governing Board have you ever participated in the appointment of a Treasurer for the Library Authority? If so, when and who is the person you appointed?
7. As a member of the Governing Board have you ever participated in the appointment of the Authority Auditor? If so, who is that person you appointed?
8. As a member of the Governing Board have you ever served as member of the Finance Advisory Committee?
 - Does any staff member or any alternate serve for you on the Finance Advisory Committee? If so, who is that person by name?
9. As a member of the Governing Board have you ever seen an independent annual audit for the Authority finances during your tenure on the Governing Board? If so, for what years?
10. Knowing that the Governing Board shall adopt a budget for the Authority within 90 days of the commencement of each fiscal year (defined as July 1 to June 30)?
 - To your knowledge has the Governing Board done that?
 - Did you vote on such an adoption for any fiscal year in which you were a member of the Governing Board?
 - If so, for which years?
11. Do you know if the Finance Advisory Committee has fulfilled its duties pursuant to para 11 e. of the 2007 Joint Powers Agreement?
12. Were you present at the meeting of the Governing Board when a petition of no confidence was submitted by several staff and supporters of the Library Authority?

- If not, did you have an alternate attending in your place at that meeting?
- Have you or your alternate taken any action in response to that petition?
- Have you received any written reports in response to your inquiries or that of your alternate?

13. As a member of the Governing Board have you received an annual report from the Library Authority Director for the years of your tenure?

