

2013-2014 GRAND JURY REPORT

Political Reform

and the

Riverside County Board of Supervisors

Background

In 2005, the Riverside County Board of Supervisors (Board) established a discretionary fund program for each member of the Board to spend public funds on community improvements. As stated in Board Policy A-70, which was adopted in June 2013, the funds are to be “divided evenly among the supervisors to award to community organizations, nonprofits, county departments and government agencies.” The discretionary funds, called Community Improvement Designation (CID) funds, totaled \$2.3 million in the 2013-14 fiscal year budget. Over the nine years of the CID program, the expenditures totaled \$32.4 million. Beginning with fiscal year 2012-13, some members of the Board shifted part of their CID funds to their office operations budgets for staff and other expenditures. In 2012-13, the overall budget for each supervisor, including both CID and operations, was \$1,450,000. In that same year, one supervisor spent \$379,000 in CID funds while another supervisor spent \$593,000.

Each supervisor must submit his CID expenditure requests on the Board agenda for approval. The Board established Policy A-5, which governs the procedures for placing an item on the Board agenda. A request for action or approval by the Board is submitted on what is called a Form 11, including CID fund requests. Policy A-5 states, in part:

It is the responsibility of the County Executive Office to ensure that all items placed on the agenda are complete, accurate, and conform to county policy. The County Executive Office will identify the policy impacts, verify the financial data, and make other recommendations as deemed necessary regarding proposed Board actions.

California law and County of Riverside policies have provisions to discourage or prohibit incumbent elected officials from using public resources to gain an unfair advantage when seeking re-election to their current office or election to another office. The California Political Reform Act and Board Policy A-70 have provisions that address unfair practices by elected officials.

Methodology

The 2013-2014 Riverside County Grand Jury (Grand Jury) investigation included the following:

- Reviewed more than five years of CID fund requests presented to the Board on County of Riverside Form 11s.
- Randomly selected at least four Form 11 requests from each member of the Board to determine if supervisors had additional information in their office files regarding the requests for CID funds from community organizations. The one exception was the Grand Jury did not request office files from the supervisor who had been on the Board for less than a year at the time of the Grand Jury investigation.
- Reviewed County of Riverside policies and ordinances.
- Reviewed the California Political Reform Act.
- Reviewed sections of the federal Older Americans Act.
- Reviewed documents from several county departments.
- Interviewed two members of the Board and at least two members of each supervisor's staff, including the chiefs of staff.
- Sworn and non-sworn testimony was given by county and city employees, and from nonprofit organizations.
- Interviewed numerous County of Riverside department managers and other employees in the departments, including the Riverside County Executive Office (County Executive Office), Riverside County Economic Development Agency (EDA), Riverside County Office on Aging (Office on Aging), Riverside County Counsel (County Counsel), Riverside County Clerk of the Board (Clerk of the Board) and Riverside County Human Resources (Human Resources).
- Conducted interviews with the Fair Political Practices Commission Enforcement Division.
- Conducted interviews with the Charities Division of the California Office of Attorney General.
- Interviewed representatives of community and nonprofit organizations that received CID funds, and visited facilities of CID recipients.

- Interviewed government officials in four cities in Riverside County.
- Interviewed individuals who solicited CID funds on behalf of nonprofit organizations.

Findings

1. Political Reform Act and County Policies Ignored by Board

The California Political Reform Act states in Government Code Section 81002(e), “*Laws and practices unfairly favoring incumbents should be abolished in order that elections may be conducted more fairly.*” The Grand Jury found that members of the Board routinely engaged in practices that result in an unfair advantage. These practices continued despite Policy A-70 adopted by the Board in June 2013 to set a higher standard than state and federal laws aimed at eliminating unfair practices in which public officials use public resources to promote their name identification with potential voters.

The Board policy, A-70, states in part:

It is the policy of the Board of Supervisors to strive for greater transparency and a higher standard for members of the Board of Supervisors seeking re-election or election to another office so as to avoid even the appearance of using public resources to enhance board members’ visibility and name identification with potential voters.

Evidence obtained by the Grand Jury documented numerous examples where supervisors used public resources to enhance their visibility and name identification with potential voters. The supervisors awarded CID funds to hundreds of nonprofit organizations, often in connection with high-profile events such as galas, parades, chambers of commerce meetings, veterans’ service organization meetings, senior center activities, and other events that attracted large groups of potential voters. While many of the organizations receiving the funds may have provided worthy services, the manner in which the funding awards were given presented the appearance of using public resources to promote Board members’ visibility and name identification with potential voters.

Most of the galas and other high-profile events included meals at tables for between 4 to 10 people as part of the CID contributions. In addition to the meals, the supervisors and/or their staff members were often acknowledged at the events for their contributions and were sometimes

thanked and pictured in the recipient organizations' newsletters, websites, Facebook pages and other forms of communication.

When the Grand Jury asked a member of the Board about the CID program, he described it as a "slush fund." This supervisor objected to using CID funds to purchase tables for meals at dinner galas, golf tournaments and other events. Despite his objection, this supervisor has repeatedly voted to approve such funding for other members of the Board to spend their CID funds for meals at these events.

The supervisors award CID funds almost weekly to community and nonprofit organizations. This practice provides opportunities for year-round promotion of supervisors. Policy A-70 was established, in part, to avoid the promotion of supervisors prior to an election. The policy reads, in part:

The awarding of CID funds immediately before an election can create the appearance of an unfair advantage for a member of the Board of Supervisors seeking re-election or election to another office.

Several cities in Riverside County that provide funds to nonprofit organizations award grants only once or twice a year.

Each supervisor must submit his CID expenditures to the full Board for approval. A Grand Jury investigation of more than five years of expenditures did not reveal any instance in more than 100 board meetings when a supervisor voted against another member's discretionary spending. The Clerk of the Board could not recall any supervisor ever voting against another supervisor's proposed CID spending.

A member of the Board and a manager in the County Executive Office told the Grand Jury in separate interviews that the CID program was started in 2005 to make up for the decline in federal Community Development Block Grant (CDBG) funds. In the two years prior to the implementation of the CID program, CDBG funds declined by a total of \$566,240. The first-year CID funds totaled \$4,020,493, or more than seven times the decline in CDBG funds. In addition, several staff members of nonprofit organizations that have received CID funds told the Grand Jury that CDBG funds could not be used for the same purposes that their organizations received CID funds.

2. Lack of Oversight

The Grand Jury found that there is virtually no oversight of the CID funds. Four of the five supervisorial offices said they require applicants for these funds to complete a request form; however, there is no follow-up to verify whether the funds have been spent for the purposes requested on the application.

One supervisor has a procedure that requires recipients to provide a written update of the expenditures after six months. The Grand Jury found that not only was the follow-up procedure not enforced in all cases, but a staff member of the supervisor told the Grand Jury that approximately 10 percent of the organizations that received CID funds do not complete an application for funds. The awards are almost automatic for these favored organizations, with only a telephone call or email to secure funds. If the supervisor's office doesn't hear from the favored nonprofits by a certain date, usually in March of each year, then the supervisor's office will call the nonprofits to remind them about the CID funds, according to a staff member of the supervisor.

A staff member for another supervisor told the Grand Jury that the supervisor does not require a formal application but that all requests are submitted in writing, usually by email or letter via the postal service. However, when the Grand Jury randomly selected four awards of CID funds and asked for the written requests for funds, the supervisor's staff member was only able to retrieve documentation for two of the four requests. The Grand Jury was told that the other two requests were actually made by telephone calls. When asked to estimate what percentage of requests for funds were awarded as a result of telephone requests, the staff member said 20 percent. A former chief of staff to one supervisor told the Grand Jury that she complete the applications for CID funds for some organizations.

3. Pet Projects

Each supervisor provides CID funds in many instances for pet projects within his district boundaries, even in times of recession and reductions in county funding. For example, while the County of Riverside dealt with a severe recession by mandating employees to take furlough days and closing some county services to the public on Fridays, a supervisor spent \$25,000 of taxpayer funds to help send a college choir from his district to perform in South Africa. Two years earlier, the same supervisor used \$37,500 of taxpayer funds to help send a high school choir to Italy. When asked to explain this expenditure, the supervisor's chief of staff said that the supervisor played in his high school band when he was in school and knows the benefits of music and the arts.

Pet projects also factor into a supervisor who provides numerous contributions of taxpayer funds for uniforms, equipment and travel expenses for high school and college sports teams and cheer teams. The chief of staff of this supervisor told the Grand Jury that the supervisor's interest in athletics goes back to his days as a basketball player in high school and college and then as a high school basketball coach. A staff member of another supervisor actually used the description of "pet project" as an explanation for the supervisor contributing to so many organizations in the community of Idyllwild.

4. Sponsorships

Many of the expenditures of CID funds were related to sponsorships of activities and events of nonprofit and community organizations. These organizations offered to promote the supervisors as part of the galas, golf tournaments, parades and other activities the supervisors agree to sponsor or support with CID funds. Other public and private entities also sponsored these activities, but individual members of the Board were the only individuals promoted in the vast majority of cases reviewed by the Grand Jury. Individual supervisors were named as sponsors of events while cities, school districts and businesses that also sponsored the events did not have their elected officials, company owners or CEOs named in the press releases, flyers, banners and other promotional media. Below are examples of the publicity supervisors received in exchange for their CID grants.

- A supervisor annually provided CID funds to sponsor a 4th of July parade in Moreno Valley. The City of Moreno Valley's press release on the event thanked seven sponsors, and the only individual listed was the supervisor who used \$2,500 of Riverside County funds. The other sponsors listed were the City of Moreno Valley, KOLA 99.9 radio station, Moreno Valley Unified School District, Waste Management, Pepsi and Budweiser. The County of Riverside was not named as a sponsor, even though the \$2,500 came from the Riverside County's general fund.
- Each year a member of the Board uses CID funds to sponsor Horseweek in Norco. For the 2013 Horseweek, the supervisor used CID funds of \$1,500, which entitled him to "Silver Sponsor" level. According to a Horseweek website, the benefits of this level include "Your business advertised in all print advertising, listed on website and social media." Among the 22 sponsors with their logos on the Horseweek website only one had the name of an individual included: a member of the Board. The other sponsors included local businesses such as Norco Trailers, AFS Printing and Hemborg Ford, along with national and regional sponsors Boot Barn, Stater Bros., and Budweiser. None of these organizations

listed an individual. On the Horseweek website the supervisor did have a logo for the Board with his name below it. By clicking on the name or logo, a visitor to the website would be linked to the individual supervisor's website. Among the other benefits of "Silver Sponsors" were to have a business, or individual in the case of the supervisor, announced as a "Silver Sponsor" at all three days of rodeo events, advertised as a sponsor on posters, flyers, tickets, street signs, and a flag carried by a mounted rider at all rodeo performances. In addition, a one-half page ad in Horseweek Book and the rodeo program, "red carpet treatment for you and your guests," five VIP tickets valid for each night of the rodeo and 30 general admission tickets. The invoice for \$1,500 and addressed to the supervisor from the Norco Horseweek Committee listed the "Silver Sponsorship" and a half page program advertisement. In 2010, the supervisor participated at a higher level as a "Gold Sponsor," according to the plaque on the wall in the supervisor's conference room.

- A supervisor provides CID funds annually to the San Geronio Memorial Hospital Foundation gala dinner event. On February 5, 2013, the supervisor allocated \$10,000 as a sponsor. That level of funding earned the supervisor top billing on the flyer thanking the "major sponsors." Among the 12 major sponsors, the only individual named was the supervisor. Other sponsors included Morongo Band of Mission Indians, City of Beaumont and Mt. San Jacinto College, but no mention of their principals or elected officials. The supervisor also received a table at the gala, among other benefits. The supervisor and his wife were photographed at the event and appeared in "Inside Health" magazine, which was distributed to hospitals and medical offices.
- A letter dated March 28, 2012, from the President and CEO of United Way of the Inland Valleys to a member of the Board requested financial support for an awards ceremony to be held at the Riverside Convention Center. The CEO wrote in the letter, "We would be thrilled if you would provide a 'Red Carpet Sponsorship' of \$2,500 to help us defray costs. With the donation, you will receive: Your name listed (as) a 'Red Carpet' sponsor, your name listed in all press releases and media correspondence, your name with a hyper-link on the United Way of the Inland Valleys and Music Changing Lives websites, your name included in all advertising as a LIVE UNITED Showcase 'Red Carpet' sponsor, and 2 VIP seats, 6 reserved seats and 2 passes to the Celebrity Meet and Greet." The supervisor provided the \$2,500 in public funds on April 17, 2012.
- The March Field Air Museum held its 29th Annual MASH Bash Fundraiser on October 5, 2013. A news article in the Press-Enterprise listed 15 major sponsors of the event, and the only individual named was a member of the Board who contributed public funds from his CID account. Other major sponsors included the City of Riverside, Provident Bank, Eastern

Municipal Water District, Lowe's, the Riverside Chamber of Commerce and Southern California Gas Company. Again, no other elected officials, CEOs or other principals from any sponsors were named except for the member of the Board.

- A June 8, 2013, "Food Fights" fundraiser in Riverside's Fairmount Park was reported in the Press-Enterprise. Eight sponsors were listed in the newspaper, and a member of the Board who contributed CID funds was the only individual named. The other sponsors listed were the City of Riverside, Riverside Public Utilities, Trade Supplies, Wells Fargo, Lowe's, Best Buy and Fresh & Easy.
- The March Field Air Museum opened a new hangar in 2011, and it now includes a display of the names of the major contributors. Among the top 10 contributors on the list who gave \$50,000 or more are two current members and one former member of the Board. Another current supervisor is on the list of those who contributed between \$10,000 and \$25,000. Another current supervisor is on the \$1,000 to \$10,000 list of contributors. All of the supervisors listed contributed public funds from their CID accounts.
- A supervisor gave a total of \$300,000 of CID funds over two years to the Riverside Community College District Foundation to help build a competition swimming pool. A former supervisor also contributed to the pool from CID County of Riverside funds. In the lobby entrance to the pool complex five community partners are listed, and the only individuals named are the two supervisors. The other listed partners are the City of Riverside, Riverside Community College District Foundation and Riverside Community College District Measure C Funds (a bond measure approved by the voters). No officials from the City of Riverside or Riverside Community College District Foundation are named.
- The 2014 County Fair had an advertising supplement in the Desert Sun newspaper, which prints more than 40,000 copies. The supplement was also distributed at the fairgrounds. The supplement included a page to thank the sponsors of the County Fair. The only individuals listed among the 47 sponsors were members of the Board. Sponsoring cities of Indio, Palm Desert and Rancho Mirage did not have its elected officials listed. Other sponsors included Ford Motor Company, Arco AM/PM, Pepsi, California Lottery and the California Department of Motor Vehicles. None of these or any other sponsors listed names of individuals, except the Board.
- A supervisor gave a total of more than \$50,000 in CID funds to the Riverside Community College District Foundation (Foundation) to establish an endowment for two annual student scholarships. Each year at

the Foundation's annual scholarship awards gala, either the supervisor or a representative from his office presents the scholarships to the students.

- A Supervisor gives \$4,000 to \$5,000 in CID funds each year to the Lake Norconian Club Foundation as a sponsor of a Pearl Harbor commemoration event. At the top of the patriotic flyer announcing the December 7, 2013, event were the names of the three sponsors, but the only individual named was a supervisor.

When the Grand Jury questioned a supervisor's chief of staff and legislative assistant about the use of the supervisor's name as sponsor of various events, the staff members said they tell recipients to name the County of Riverside and not the individual supervisor. A director of one nonprofit organization that is the recipient of several CID awards each year told the Grand Jury in sworn testimony that the supervisor's staff never asked the event recipient to give credit for the funds to the County of Riverside.

Sponsorships that promote the individual supervisors violate Board Policy A-70:

It is the policy of the Board of Supervisors...to avoid even the appearance of using public resources to enhance board members' visibility and name identification with potential voters.

California Political Reform Act Government Code Section 81002(e) states:

Laws and practices unfairly favoring incumbents should be abolished in order that elections may be conducted more fairly.

5. Capital Construction Projects

Members of the Board have given hundreds of thousands of dollars of CID funds to nonprofit organizations for capital construction projects with little, if any, oversight to assess the quality of construction or whether the funds were used for the purposes requested. Unlike other projects that are funded in whole or in part by the County, the nonprofit projects that received CID funds did not go through the same scrutiny and professional and technical assessment as capital projects for county-owned facilities. Neither the supervisors nor their supervisorial office staffs have the expertise and resources to provide necessary oversight for capital construction projects.

The Grand Jury found in one instance that a supervisor awarded \$50,000 in CID funds toward construction of a nonprofit community center that was poorly built and lacked oversight during construction, according to an assistant city manager in the city where the facility was built. The nonprofit subsequently filed for bankruptcy and abandoned the building. The city

took possession of the building, and plans to maintain it as a community center, but found many deficiencies in the structure that will cost approximately \$1.2 million to repair. The city official said the project did not have the same day-to-day oversight during construction it would have if built by the city.

In another award of CID funds, a supervisor in 2009 proposed giving a total of \$100,000 to an artists' retreat near Temecula. The only description of the project available to the other supervisors, and to the public, on the Form 11 for Board approval was "Capitol (sic) improvements." The supervisors unanimously approved the expenditure.

One supervisor has given several donations for organizations to upgrade their kitchens, including two different organizations on October 8, 2013. The supervisor gave \$5,000 to the Jurupa Lions Club and the only description of the need for the expenditure in the Form 11 request to the full Board was to "help them acquire a new stove and refrigerator for their facility." The Peppermint Ridge in Corona received \$3,000 to "help with getting their commercial kitchen up and running."

6. Requests for Board Actions Submitted on Form 11

The Board has developed a policy and procedures for submitting agenda items requesting Board action. All requests for Board action are submitted on a "Form 11." There are specific requirements for completing a Form 11 that are detailed in Board Policy A-5. The policy requires that the "Background" section of a Form 11 shall include a clear explanation of the request being presented to the Board for approval. The Grand Jury found that members of the Board do not always comply with this section of their own policy when submitting requests to the full Board for CID fund expenditures. Further, the Grand Jury found that the County Executive Office does not always fulfill its responsibilities regarding Policy A-5 section 1D, which states:

It is the responsibility of the County Executive Office to ensure that all items placed on the agenda are complete, accurate, and conform to county policy. The County Executive Office will identify the policy impacts, verify the financial data, and make other recommendations as deemed necessary regarding proposed Board actions.

The specific section, 6c, in Policy A-5 that the supervisors do not always follow states:

Background - The information in this section should be concise yet consistent with a clear explanation of the request and pertinent

background information on previous Board actions related to the issue. If more space is needed, use a plain sheet of paper for the second sheet. Background information should discuss the requested action's relevancy to past or present Board policy.

The Grand Jury determined that the need for a clear explanation was particularly essential with CID fund expenditures for transparency and as an obligation to the public because the Board approved most of the CID requests on "consent," which means there was no discussion. The supervisors rarely comply with the provision in Policy A-5 (6c) that requires the background section of Form 11 to include "*pertinent background information on previous Board actions related to the issue.*" The supervisors frequently request funding for the same organizations each year and often for the same purposes yet only in very rare instances make reference to prior year or even the same year funding that the organization received from the Board.

The following are examples of some CID funding requests that did not comply with Policy A-5:

- A supervisor submitted three separate requests for CID fund expenditures totaling \$100,000 for the Dorland Mountain Arts Colony in 2009, and the only explanation for each request in the background section of the Form 11 was "Capitol (sic) improvements." There was no reference to prior requests in the second or third Form 11 submitted to the Board during the same calendar year. The Dorland Mountain Arts Colony also received CID funds in 2007, but no reference to it was made in the three requests in 2009.
- The California Shuffleboard Association received \$500 in CID funds on March 3, 2009, and the background section of the Form 11 had only a one-word description: Sponsorship. The Grand Jury found through documents not presented to the full Board that the \$500 was used "to provide awards for Championship and Consolation prizes."
- Canyon Lake Women's Club received \$1,000 on March 16, 2010, with only a one-word description: Sponsorship.
- The Temecula Valley Women's Club received \$5,000 on May 5, 2009, with only a one-word description: Sponsorship.
- The Lake Menifee Women's Club received \$2,500 on May 5, 2009, with only a one-word description: Sponsorship.
- Associates of Idyllwild Arts Foundation received \$6,500 on May 25, 2010, with only a one-word description: Sponsorship.

- On April 6, 2010, seven separate veterans' service posts--four American Legions and three VFWs--received \$1,000 each. For three of the Posts, the need for the funds was described as "repairs to the respective Posts." For the other four, the description was "repairs to the respective Posts as well as ongoing programs and activities." Without mentioning the April 6, 2010, allocations to the service organizations, the Grand Jury asked the chief of staff to the supervisor who requested the funds why all veterans' organizations seem to receive the same or similar amounts of CID funds. The chief of staff said the supervisor doesn't do that, and that the funds are allocated based upon a specific need.
- The Riverside Community College Norco Choir received \$20,000 on April 6, 2010, "to assist the RCC Norco Choir as they travel to South Africa to participate in the 2010 Ihlombe South African Choral Festival." The supervisor who requested the funds was absent from the Board meeting, and the agenda item passed on consent without discussion. Two months later, the same supervisor requested an additional \$5,000 for the choir to travel to South Africa, along with another supervisor who added \$5,000 more for a total of \$30,000 to help send the choir to Africa. These expenditures were made when County employees were being furloughed and County services to residents were being reduced on Fridays because of a budget crisis. The supervisors also spent tens of thousands more to send high school and college musical groups and other school organizations to countries that included China and Italy, and one request just stated to send students to "Europe."
- The Ramona Bowl Amphitheater received \$20,000 on April 26, 2011, with a single word explanation: Fundraiser. The Grand Jury could not determine from the Form 11 if the fundraiser was for the Ramona Bowl or for another organization to put on a fundraiser in the Ramona Bowl.
- A common expenditure of CID funds was to provide grants to chambers of commerce for annual installation of officers' dinners. Based on email evidence regarding a CID grant for the Jurupa Chamber of Commerce installation dinner, a supervisor's staff member appeared to be trying to cover up specifically who would be receiving the funds. The \$1,500 in CID funds was to pay for the speaker at the dinner. The chief of staff to the supervisor wrote that the supervisor "agreed to pay for" the speaker, and the chamber representative emailed the speaker to inform him that his fee would be paid for by the supervisor. When a legislative assistant to the supervisor asked who the check should be made out to and was told the speaker, the legislative assistant replied, "In regard to the \$1,500 that is needed to have (speaker name withheld by Grand Jury) speak at the Jurupa

Chamber Installation, it would be best if we could make the check payable to the Chamber.”

- The Hemet Heritage Museum Foundation received \$10,000 on January 24, 2012. The Form 11 stated these funds were to be used for a “Hemet Museum Moderation Project.” The Grand Jury wondered if the request meant “modernization” instead of “moderation.” Regardless of what the requesting supervisor meant, the Board passed the item unanimously.

7. Dorland Mountain Arts Colony

In the midst of a deep recession in 2009, when the Board instituted mandatory employee furloughs and some County services were closed to the public on Fridays, a supervisor gave \$100,000 of public CID funds to a private artists’ retreat that was rarely open to the public. At the entrance to the retreat is a sign in bold, capital letters painted in red “PRIVATE RETREAT” followed by black letters that read “UNAUTHORIZED PERSONNEL PLEASE DO NOT ENTER.” When the Grand Jury contacted the retreat for information, the person answering the telephone stated, “You do realize this is a private artists’ retreat?”

A supervisor submitted three separate requests to spend CID funds for a total of \$100,000 in calendar year 2009. The only explanation for each request in the background section of the Form 11 submitted to the full Board was “Capitol (sic) improvements.” The Board approved all the requests unanimously. The Grand Jury learned through sworn testimony and information from the supervisor’s office files that the \$100,000 was used to build a driveway of almost a half-mile long to the artists’ retreat. The request to the supervisor for \$100,000 was made by a friend for more than 20 years of the supervisor’s immediate family members. The supervisor had also appointed this person to a County commission in 2005.

The supervisor has not made a larger gift of CID funds in a calendar year to a nonprofit since the Dorland Mountain Arts Colony grant. The same family friend made a single request to the supervisor for \$100,000 in 2009, yet the supervisor split the funds into three smaller amounts for approval to the full Board that totaled \$100,000. There was no reference to prior requests in the second or third Form 11 submitted to the Board.

The Grand Jury reviewed Dorland Mountain Arts Colony tax records for 2009 filed with the Internal Revenue Service and other documents provided by the California Office of Attorney General. The records showed that the \$100,000 of CID funds was the largest contribution received by Dorland Mountain Arts Colony in the five years from 2005

through 2009. In the year that Dorland received the \$100,000, all other contributions from public and private gifts totaled \$18,148. In 2008, public and private gifts totaled \$2,547.

The Grand Jury determined from five years of tax records that Dorland Mountain Arts Colony did not appear to be a financially viable organization at the time the supervisor used \$100,000 of public funds for the private driveway. Less than two years after the CID fund expenditure, Dorland Mountain Arts Colony had its nonprofit registration suspended for “multiple deficiencies” dating as far back as 2004 and 2005, according to the California Office of Attorney General. The Attorney General’s Office confirmed in October 2013, that the nonprofit registration was still suspended. A letter dated August 6, 2013, from the California Department of Justice read “Dorland Mountain Arts Colony, Inc. may not engage in any activity for which (nonprofit) registration is required at any time while its registration is suspended.”

Members of the Board are required by California law Government Code sections 53234 and 53235 to participate in ethics training every two years. Government Code Section 53235(b) states:

Each local agency official shall receive at least two hours of training in general ethics principles and ethics laws relevant to his or her public service every two years.

Government Code Section 53234(d) describes some of the ethics laws and principles to be covered in the training:

Ethics laws include, but are not limited to, the following: (1) Laws relating to personal financial gain by public servants, including, but not limited to, laws prohibiting bribery and conflict-of-interest laws. (2) Laws relating to claiming perquisites of office, including, but not limited to, gift and travel restrictions, prohibitions against the use of public resources for personal or political purposes, prohibitions against gifts of public funds, mass mailing restrictions, and prohibitions against acceptance of free or discounted transportation by transportation companies.

8. Registration of Nonprofit Organizations

Several nonprofit organizations were not registered, suspended or delinquent in their filings with the California Office of Attorney General at the time these organizations received CID funds. Nonprofit organizations not registered or suspended by the Office of Attorney General are prohibited from performing activities of nonprofits, including soliciting and accepting funds, according to the Office of Attorney General. Violators

may be subject to civil and/or criminal penalties. One reason nonprofit organizations are required by California law to register and file annually with the Office of Attorney General is to ensure transparency so the public may view the tax records of the nonprofits online.

A nonprofit organization that received a total of at least four separate CID grants in 2013 from two members of the Board had never registered with the Office of Attorney General, and therefore was operating in violation of California law Government Code Sections 12585 and 12586. The Grand Jury is aware of four CID grants to the nonprofit organization. Some members of the Board make it difficult to track CID grants by transferring the funds to a holding account within the County of Riverside Economic Development Agency (EDA) they then contact EDA to issue checks to specific individuals, companies or organizations. The principal of the nonprofit organization that received at least four CID grants in 2013 was a close acquaintance of one of the supervisors. Pictures of this former professional athlete are framed on a wall in the supervisor's district office. On at least one occasion in 2013, the supervisor invited the individual to sit at the supervisor's table at an event unrelated to the individual's foundation. Meals served at the table were paid for with CID funds.

Another unregistered nonprofit organization has received for several years either \$4,000 or \$5,000 from a supervisor. The nonprofit prominently displays on a flyer the name of the supervisor as a sponsor of its annual Pearl Harbor memorial event.

9. EDA Holding Accounts

Over the past five years, each member of the Board has had approximately \$500,000 per year to spend from his CID account. When a supervisor does not spend all of his annual CID funds by the end of the fiscal year on June 30, the remaining funds are returned to the County's General Fund. To avoid this use it or lose it situation, most of the supervisors established holding accounts within the EDA. Some supervisors often make large transfers to EDA in June, just before the start of the new fiscal year on July 1. On June 12, 2012, a supervisor transferred \$181,275 in CID funds to his EDA holding account. On June 25, 2013, he transferred \$100,000 to his EDA holding account. When he submitted the \$181,275 to the full Board for approval, the Form 11 stated the funds "will be given to the Economic Development Agency (EDA) to be dedicated to serving youth and senior programs and assisting in other community events and programs." By transferring the funds with this vague description, the supervisor was able to keep his remaining CID funds for use in the next fiscal year and make expenditures that were not included in the Board's agendas posted on the internet.

Among the expenditures the supervisor made from his EDA holding account was \$3,000 to Scott's Custom Meats in Perris. EDA documents revealed that Scott's Custom Meats cut and wrapped meat for the supervisor, but the Grand Jury was not able to determine from the records why such an expenditure of public funds was made. On the same date that EDA had a check issued for \$3,000 to the meat company, another check was issued for \$5,000 to the Southern California Fair. From June 20, 2012, to December 4, 2013, the supervisor had 51 checks issued from his EDA holding account with scant information in EDA records to determine the purpose of the expenditures. At least two of the checks were issued to a nonprofit foundation that was not registered with the Charities Division of the California Office of Attorney General, in violation of state law.

10. Fundraisers

The Board uses CID funds for dozens of high-profile fundraisers each year, including dinner galas, luncheons and golf tournaments. The Grand Jury could not obtain an exact number in a particular year because of the incomplete information in the Form 11s submitted by supervisors. A chief of staff to a supervisor defended the practice of providing CID funds at high-profile fundraising events, saying the CID funds are sometimes offered as matching funds to challenge grants. The Grand Jury found that the galas, golf tournaments and other fundraising events rarely used CID funds as part of matching grants or challenge grants.

11. Memorials

The Board has a policy and guidelines for groups that propose to place plaques, monuments or statues on County-owned property. Policy H-16 section 2 (b) (7) states:

The cost for installation of any requested plaque, monument, statuary or art work will be borne solely by the proponents rather than incurred by the county.

Each year the supervisors receive requests for the use of CID funds for memorials, monuments and other statuary, including placement of some memorials on County-owned property. Instead of following the guidelines that the cost shall be borne "solely by proponents," the costs are often borne at least in part by the County with the use of CID funds. The supervisors have used funds for memorials in several cities and on County property and at museums. CID funds have also been used to maintain memorials. One supervisor provided \$3,000 in CID funds for the Distinguished Flying Cross Memorial at the March Air Field Museum. This level of donation provided the supervisor a prominent location for a tile

with his name on the front of the pedestal that elevates the Distinguished Flying Cross Memorial.

12. Political Reform Act Government Code Section 81002(e)

California Political Reform Act Government Code Section 81002(e) states:

Laws and practices unfairly favoring incumbents should be abolished in order that elections may be conducted more fairly.

On February 23, 2010, the Board approved the naming of the Romoland/Homeland Community Center after an incumbent member of the Board who was running for re-election in that same year. The proposal stated in recognition of the supervisors:

Long standing roots in this community, having attending (sic) grammar school in Romoland and his dedication to providing need (sic) facilities and childcare services to the community it is with great honor that this new building be named in his honor.

The center was built with bond funds that will be paid off with an annual property tax increment assessed to homeowners in the Romoland/Homeland area until 2037. The center is one of five centers managed by the Valley-Wide Recreation and Park District. The four other centers are named after the communities they serve, Winchester Community Center, Menifee Community Center, Valley Vista Community Center, and French Valley Community Center. Valley-Wide Recreation and Park District produces a schedule of classes and activities at the centers.

The Valley-Wide District general manager told the Grand Jury that the printed schedule of classes and other events at the five community centers is distributed as an insert in 80,000 copies of the Press-Enterprise newspaper. The schedule for May-August 2013 prominently displayed on three pages the name of the member of the Board along with the words "Community Center." In addition, numerous community meetings and events at the center were often printed in local newspapers and online with the name of the supervisor included as part of the community center name. The center also has two large signs outside the center with spotlights so the signs can be seen at night. The one sign on the side of the road effectively serves as a lighted, permanent lawn campaign sign for the incumbent supervisor.

The Board adopted Policy A-70 in June 2013, to set a higher standard than state and federal laws aimed at eliminating unfair practices in which

public officials use public resources to enhance their name identification with potential voters. Although the center was named for the supervisor before Policy A-70 was adopted, the California Political Reform Act provision to abolish practices that provide an unfair advantage to incumbents was in place.

13. CID Funds Spent Outside Riverside County

On March 22, 2011, a supervisor provided \$40,000 of CID funds to the City of Riverside's sister city, Sendai, Japan, which the Form 11 request stated the city was "devastated by a horrific earthquake." The Form 11 request had no information about the agency that would be distributing the funds and what type of aid would be provided. On April 26, 2011, another supervisor provided \$1,000 to the "Fuel Relief Fund." The Form 11 request stated, "*The donation to the Fuel Relief Fund will help fund home heating fuel for victims of the earthquake in Japan.*"

Although the Fuel Relief Fund is based in the district of the supervisor who provided the CID funds, the Grand Jury found little information about this organization and its effectiveness. According to the Fuel Relief Fund's 2011 filing with the Internal Revenue Service, only 17 percent of its aid in 2011 was used for causes within the United States.

Most property taxes in Riverside County are used for local needs. The federal government and international relief organizations such as the International Red Cross, United States Agency for International Development and UNICEF are among the main organizations for international relief.

Over several years, tens of thousands of dollars have been approved by the Board to help send Riverside County K-12 and college students to countries that include South Africa, Italy and China. The Board has also used CID funds in each of the past five years to send students outside of the County to places that included North Carolina, Michigan and Washington, DC.

The Coachella Valley Unified School District Board of Trustees had a different approach than the Board when students needed funds for out-of-state travel. The Coachella Valley High School cheer squad was invited to perform during the halftime show at the January 26, 2014, NFL Pro Bowl in Hawaii. However, the students didn't raise enough money through car washes and other fundraisers. Rather than just give public funds to the students to make up the difference, as the supervisors have done in similar instances, the school board trustees voted to provide the students with a loan to be paid back by the end of the school year.

14. Colorado River Senior Center

The Colorado River Senior Center, which is 32 miles north of the City of Blythe, has received \$15,000 a year in CID funds since 2005. The current supervisor providing the CID funds continued the annual grant that began with his predecessor. When the Grand Jury interviewed two staff members of the current supervisor, the staff members could not explain specifically how the \$15,000 was spent by the center. The Grand Jury was told that not only do applicants for CID funds complete a written application but they are also required to provide a written follow-up report six months after receiving the grant. The Grand Jury investigation revealed that the senior center neither completed applications nor filed follow-up reports. The funds were provided based upon a telephone call, either initiated by the senior center director or the supervisor's staff member responsible for CID applications.

The Board approved a minute order on July 13, 2009, to require all supervisors *"to develop standard criteria for organizations applying for these (CID) funds."* The Grand Jury investigation revealed that four of the five supervisors have established standards for organizations applying for CID funds, but the standards are not always followed. The supervisor who has provided \$15,000 a year in CID funds to the Colorado River Senior Center does not require the senior center to follow the standards he established for CID fund applicants.

Based on the nonprofit senior center's tax filings and articles of incorporation, its primary nonprofit purpose is *"to provide low cost meals and events for residents of the upper Colorado River Valley in Riverside County."* The main low-cost meal program at the center is to offer hot lunches, Monday through Friday, from 11:30 a.m. to 1:30 p.m. The Grand Jury found that the lunches are open to the general public without determining if the taxpayer-subsidized meals are truly being provided to low-income or nutritionally deficient senior citizens. Anyone who pays \$3 for the subsidized meal, regardless of income or need, is served at the center. The center's sign on the highway reads, *"All Welcome Lunch Daily 11:30 AM."* The senior center director told the Grand Jury that more people take advantage of the lunch program in winter months when there are more "snowbirds," or seasonal residents. The senior center director wrote in a quarterly report, which was prepared for a nonprofit agency that also provides public funds to the center, that *"we are coming off our summer slowdown and the snowbirds are coming back to roost."* The Grand Jury interviewed a seasonal resident from Idaho who has purchased meals at the center. He told the Grand Jury there are other "snowbirds" in the area from his home state of Idaho, as well as Montana and Canada.

Based on interviews at the senior center and quarterly reports by the center, even with the snowbirds, the center appears to be in search of a clientele to justify its existence to continue receiving a total of approximately \$100,000 a year in public funding from three separate entities. The center serves only about 10 or 11 lunches a day. The center director told the Grand Jury that when they prepared meals for about 20 people in the past, they had to throw away about half the food. The senior center's 2011-12 fiscal year federal tax filings showed that the center spent \$8,353 on groceries, \$1,205 on kitchen supplies and \$4,056 on commodities. That totals \$13,614, which represented only 13.3 percent of the center's annual revenue, even though the same tax filing stated the main purpose of the center is *"to provide low cost meals and events for residents."* More than half of the center's revenue went toward salaries and benefits for the center director and a part-time cook.

This center lacks oversight, not only from the supervisor's office that provides \$15,000 a year but also public funds distributed by the Regional Access Project Foundation (RAPF), which requires the quarterly report. The Riverside County Office on Aging, which provides federal pass-through funds to the center, could not explain how the funds are spent at the Colorado River Senior Center. The Grand Jury was given printed copies of the sections of the federal Older Americans Act (OAA) that authorize the funding, and was told by an Office on Aging manager that the federal funds are used for "operations."

A RAPF staff report that recommended to the board of directors to fund the senior center at \$27,013 for the 2013-14 fiscal year, stated *"nutritious hot meals are also provided at noon time Monday through Friday at the Center for poverty and low-income clients through congregate meals program funded by Office on Aging."* Although some of the clients may be low-income, the report does not state that the meals are open to the general public, as prominently displayed on the center's sign, or the center director's report to RAPF about snowbirds as a clientele. The supervisor who provides \$15,000 in CID funds to the center also serves on the RAPF Board of Directors.

Although the OAA programs in which the Colorado River Senior Center receives small grants do not require means testing, they do require that populations shall be targeted. Section 1321.17(2) of the OAA states, *"Preference is given to older persons in greatest social or economic need...."* The Grand Jury determined that prominently advertising, as the senior center does, that "All Welcome" for lunch and relying on seasonal residents or "snowbirds" to try to maintain a clientele does not constitute targeting populations in the use of county and federal dollars.

15. Board of Supervisors Policy A-70

The Board established Policy A-70 *“to avoid even the appearance of using public funds for political purposes,”* according to the policy language. The policy places restrictions on mass mailings and the use of CID funds 60 days prior to an election in which a supervisor’s name is on the ballot. However, the final sentence in Policy A-70 is a *de facto* nullification of the limits placed on CID fund expenditures 60 days before an election.

This sentence reads, *“The CID fund restrictions stated in this policy shall not apply if a Federal, State, or County emergency has been declared.”* The Board has declared county emergencies continuously since March 5, 2002, according to county documents and a county emergency management administrator. The emergencies have included infestations of bark beetles and golden spotted oak borers and severe drought and fire hazards.

California Government Code Section 8630 requires local agencies to review the need for continuing county or local emergencies *“at least once every 30 days.”* The Board has ordered renewal of the emergency declaration to be *“automatically submitted as an agenda item every 14 days until request to terminate is submitted by the Riverside County Board of Supervisors.”*

Recommendations

**Riverside County Board of Supervisors
Riverside County Chief Executive Officer
Riverside County Economic Development Agency
Riverside County Auditor-Controller
Riverside County Office on Aging**

1. The practice of using public resources to promote the name identification of members of the Board through the awarding of CID funds should be abolished, as prescribed in California Government Code Section 81002(e). The practice of awarding CID funds throughout the year shall be prohibited.
2. The Board shall adopt procedures to ensure greater accountability and oversight of any public funds provided to community and nonprofit organizations.
3. The practice of using public resources to promote the name identification of members of the Board through the awarding of CID funds should be abolished, as prescribed in California Government Code Section

81002(e). The Board shall adopt procedures to ensure greater accountability and oversight of any public funds provided to community and nonprofit organizations.

4. The practice of using public resources to promote the name identification of members of the Board through the awarding of CID funds shall be abolished. All checks issued from CID funds shall be processed through the County's Executive Office, and not through the individual supervisors' offices. CID recipients shall receive with each check a letter from the County Executive Office stating that any credit or recognition for awarding the funds shall be given to the "County of Riverside." Individual supervisors shall not be named, in accordance with the California Political Reform Act and County of Riverside Policy A-70. Failure to comply may result in forfeiture of CID funds and/or ineligibility for future funds.
5. The Board shall prohibit the use of CID funds for nonprofit capital construction projects. The supervisors and the County of Riverside lack the resources to assess the quality of construction or whether the CID funds were used for the specific purposes requested. In addition, the use of public funds to purchase kitchen equipment and other capital outlay expenditures for nonprofit organizations shall be prohibited unless a critical community need can be demonstrated.
6. The Board shall follow Policy A-5 and provide a clear explanation of CID expenditures presented to the Board for action. The County Executive Office shall fulfill its responsibilities as required in Policy A-5 by ensuring the supervisors comply with Policy A-5 by providing a clear explanation of each request and pertinent background information on previous board actions related to the request.
7. The supervisors shall provide appropriate disclosure when family members, friends, friends of immediate family members, employees of a supervisor or business partners request CID funds, or are principals in or consultants for any organization requesting CID funds. The Board shall receive ethics training with an emphasis on the topics covered in Government Code Section 53234(d).
8. The supervisors shall review the Office of Attorney General's website to ensure that nonprofit organizations proposed to receive CID funds are registered as required by Government Code Sections 12585 and 12586. The supervisors shall not issue CID funds to unregistered or suspended nonprofit organizations.
9. The supervisors shall abolish the EDA holding accounts that have made it possible for them to hide from public view the uses of some CID expenditures and to carryover CID funds from one fiscal year to the next.

The Riverside County Office of Auditor-Controller shall audit these funds to determine if there have been any violations of fund controls and expenditures, including regulations for encumbering prior-year funds and carryover into future years.

10. The Board shall separate the CID donations to nonprofit organizations from the galas, breakfasts, luncheons and dinners of the nonprofits. There is nothing preventing the supervisors from supporting the nonprofits with taxpayer funds separate from the high-profile fundraiser events. Providing donations to the nonprofit organizations without connection to the fundraising events reduces the appearance of supervisors using public funds to promote their name recognition and favorability before potential voters. It also reduces the overhead to the nonprofits that provide the meals and other perks to the supervisors.
11. The supervisors shall be consistent and remove the section in Policy H-16 that states memorial costs *“will be borne solely by Proponents,”* or abide by the section themselves.
12. The Board shall follow the California Political Reform Act Government Code Section 81002(e) and remove the name of the community center named after an incumbent member of the Board and change it back to the Romoland/Homeland Community Center. This would be consistent with the other center names in the Valley-Wide District, and recognize the community residents who will be paying the tax increment for the center until 2037.
13. CID funds proposed to be spent outside of Riverside County cannot be passed on consent and shall be discussed before a vote. A supervisor or the Clerk of the Board must read the “Background” section of the Form 11.
14. The Board shall not provide CID funds to nonprofit organizations without establishing oversight standards and following them. The Board shall comply with its minute order dated July 13, 2009, (Agenda Item 3.98) *“to develop standard criteria for organizations applying for these (CID) funds.”* Given the high overhead cost to operate the Colorado River Senior Center, the approximately \$100,000 a year in total public funds could be used more effectively and efficiently by closing the center and shifting the programs to the Blythe Food Pantry or another existing program.

15. The supervisors shall remove the last sentence in Policy A-70, which currently nullifies restrictions on CID expenditures 60 days before an election. The sentence to be removed states:

The CID fund restrictions stated in this policy shall not apply if a Federal, State, or County emergency has been declared.

Report Issued: 04/24/2014
Report Public: 04/28/2014
Response Due: 07/23/2014