

**EL DORADO IRRIGATION DISTRICT  
HIRING PROCESS  
GJ 05-029**

**District's Preliminary Statement:** An isolated breakdown in the District's employment procedures, attributable to the unique circumstances of an interim, contract-based hiring, embarrassed the District when it later learned that the individual in question had been convicted in 1989 of white-collar crimes in another state.

The individual had served all required prison time before coming to the District, and by the time he obtained permanent, regular employee status at the District, he had earned early release from parole. His job performance at the District was excellent.

When his past came to light, the District responded. Within days, and by mutual agreement, he was returned to contract status, reassigned to less sensitive duties, relieved of all supervisory authority, and given a reduced salary.

**Grand Jury Findings/Recommendations; District's Responses**

***Grand Jury's Finding 1F:** By EID's own admission, in a letter dated November 7, 2005, they failed to follow their own procedure for a completed employment application in the hiring of the employee in question.*

**District's Response:** The District agrees with this finding. The finding, however, lacks an explanation for the failure to follow procedures. When the individual in question was hired, he was hired on an interim, contract basis to fill a critical need created by the then-Human Resources Manager's recall to active military duty. That Manager had previously been recalled to active duty twice, and had assured the District upon his latest return that he did not expect further recall. Instead, he was unexpectedly recalled on very short notice.

These events created a critical and immediate need for an interim replacement, which was filled by contracting with the individual in question. District procedures did not clearly require that an employment application be completed for an interim, contract-based hiring.

Several months later, when it became apparent that the District's continuing needs and this individual's demonstrated skills warranted a permanent appointment, the individual was simply converted to permanent, regular employee status. No formal recruitment was conducted in connection with this conversion, and therefore the District neglected to require a completed employment application at this time, also.

**Grand Jury's Recommendation 1R:** *Training of department managers to ensure compliance with established procedures.*

**District's Response:** This recommendation has already been implemented. Every District department head received this training in July 2005, immediately after the District learned of and addressed the problems of the individual in question, and before the Grand Jury initiated its inquiry.

**Grand Jury's Finding 2F:** *New procedures have been put in place for a completed employment application, as well as a full background check, on all new employees. Applicants must also sign a Certification of Information/Release when filing an application for employment.*

**District's Response:** The District agrees in part with this finding. The District disagrees that the completion of an employment application for all new employees is a new procedure.

**Grand Jury's Recommendation 2R1:** *Clearly establish a central repository in Human Resources for all employment applications filed with EID.*

**District's Response:** This recommendation has already been implemented. At least six years ago, the District began maintaining a file for each District job recruitment. The file is maintained for two years, and then discarded in accordance with the District's document retention procedures. Each file contains all application materials (including job applications) filed by each applicant, as well as all interview materials, interview and examination score sheets, and similar documents. In addition, the application materials submitted by the successful applicant are retained permanently in the District's confidential personnel file for that employee.

**Grand Jury's Recommendation 2R2:** *Periodic review of all applications to ensure procedures are followed by all department managers.*

**District's Response:** This recommendation has already been implemented. During each recruitment, administrative staff within the Human Resources Department review the materials submitted by every applicant for District employment, to ensure that all employment applications and other materials are fully completed.

**EL DORADO IRRIGATION DISTRICT  
EXECUTIVE WELLNESS PROGRAM  
GJ05-028**

**District's Preliminary Statement:** For many years, the District offered members of its Board of Directors the option of participating in the District's employee healthcare insurance benefit. Under this program, any employee (including Board members) who was otherwise covered by insurance could decline the District's insurance, and instead receive a cash payment equal to the District's insurance premium contribution.

For the Board members, this program was initiated administratively, without any hearing or Board action. The cash payment was unrestricted – it could be used for any purpose at all. In May 2004, it came to the attention of the District's General Counsel that offering this benefit to Board members was of questionable legality, and he so advised Board members and the General Manager.\*

At the same time, the District was developing an initiative to encourage and support wellness among District personnel. Like many private and public entities, the District has found that emphasizing workplace safety and employee wellness can have many positive results – not merely healthier and more productive employees, but also decreased worker's compensation and other insurance rates. In fact, lost days due to injury at the District have decreased from 748 in 2002 to 123 in 2005, while the number of District employees was rising. During the same time period, the District has reduced its annual Worker's Compensation premium costs from \$1,903,990 in 2003/2004 to \$460,998 in 2006/2007 – a reduction of nearly \$1.5 million per year in an era when other California employers have experienced catastrophic increases in premium costs.

As part of this initiative, the District offered all employees a new fitness benefit – reimbursement of up to \$250 (later increased to \$500) for the costs of health club membership or other wellness programs such as weight loss or smoking cessation. In addition, the District replaced the Board members' questionable "cash-in-lieu" benefit with the Executive Wellness Program (EWP). The EWP allows eligible participants to be reimbursed for up to \$5,000 per year of legitimate, documented medical, dental, and vision costs and expenses not covered by insurance, as well as healthcare insurance premium costs not otherwise paid by the District. This benefit was offered to the Board of Directors and executive managers at the District – the General Manager, General Counsel, Department Heads, and Assistant Department Heads. Qualifying expenses incurred by participants' spouses and dependents were also covered.

Thus, the Board of Directors' entitlement to unrestricted cash payments in lieu of healthcare insurance was replaced by a program that ensured that public monies intended for wellness were in fact spent for that purpose. At a maximum of \$5,000 per year, the

---

\* General Counsel advised that there was no legal impediment to continuing this benefit to all other District employees, and the District still does.

benefit for Board members was comparable to the \$4,672.56 (\$389.38 per month) annual cost of available “cash-in-lieu” payments.

Although not required to by law or District policy, the District’s General Counsel and Human Resources Director consulted with the Board President and one other Board member about the questionableness of the “cash-in-lieu” benefit, and how the EWP could rectify the situation, before the EWP was launched. Various documents authored by District staff between July and December 2004 documented and provided guidance for the administration of both the EWP and the \$500 fitness benefit offered to everyone. Funding for the EWP and the other benefit was available within the parameters of the existing, Board approved operating budget for the District – in large part from the discontinuance of the Board member’s “cash-in-lieu” benefit. Under District policy and practice, the General Manager has authority to re-allocate funds for salaries and benefits within the overall Board-approved, budgeted totals for the year.

Unfortunately, most of the foregoing information was either omitted from or misstated in the “Facts” section of the Grand Jury’s report, although the District provided most of it – and would have provided all of it, if asked – during the Grand Jury’s investigation. The District regrets that the Grand Jury did not develop a better understanding of the relevant facts before deciding to criticize the EWP and the District’s General Manager in its public report.

### **Grand Jury Findings/Recommendations; District’s Responses**

***Grand Jury’s Finding 1F:** The EID General Manager violated district administrative procedures that has [sic] a \$50,000 limitation by implementing a benefit program exceeding approved expenditure guidelines.*

**District’s Response:** The District disagrees with this finding. The \$50,000 threshold cited by the Grand Jury applies to District purchases and contracts. No Board action is required for the General Manager to incur salary and benefit expenses that can be accommodated within existing Board-approved budget and personnel appropriations.

***Grand Jury’s Recommendation 1Ra:** The EWP should be formally brought before the Board of Directors for public hearing and vote.*

**District’s Response:** This recommendation will not be implemented because it is not warranted. The EWP has been in place for two years. Nor was it an entirely new program; rather, it replaced a benefit that allowed unrestricted cash payouts with one that is explicitly limited to legitimate, wellness-related expenses. The benefit superseded by the EWP was also initiated without public hearing or a vote.

**Grand Jury's Recommendation 1Rb:** *In the future, all employee benefit plans, including management's, should be presented before the Board of Directors for public hearing and vote.*

**District's Response:** This recommendation will be implemented in the future. Although not required, the District agrees that the recommendation is good practice. The District will comply with this recommendation, although we cannot predict any particular schedule or timeline upon which such situations will arise.

**Grand Jury's Recommendation 1Rc:** *Suspend the \$5,000 EWP benefit until an independent audit determines the legality under IRS guidelines.*

**District's Response:** This recommendation will not be implemented because it is not warranted. As paragraph 6 in the "Facts" section of the Grand Jury's report notes, an independent, certified public accountant has already determined that if the proceeds of this benefit are reported as income, the EWP meets the requirements of Section 105 of the Internal Revenue Code and associated IRS regulations.

**Grand Jury's Finding 2F:** *The criteria used for benefit coverage under the EWP is [sic] very broad in terms of eligibility, dependents and coverage.*

**District's Response:** The District disagrees with this finding. As the Grand Jury's report states, eligibility is limited to the Board of Directors, General Manager, General Counsel, Department Heads, Assistant Department Heads, and their spouses and dependents. In its application to spouses and dependants, as well as employees, the EWP's coverage is identical to the District's other medical benefit plans. Also, as the Grand Jury's report states, coverage is limited to medical, dental, and vision costs and expenses not covered by insurance, as well as healthcare insurance premium costs not otherwise paid by the District. This is in contrast to the program the EWP replaced, which allowed unrestricted cash payouts that could be used for any purpose.

**Grand Jury's Recommendation 2Ra:** *Define specific criteria for those activities eligible for reimbursement.*

**District's Response:** This recommendation has already been implemented, and information in this regard was provided to the Grand Jury. As discussed above, to be eligible for reimbursement under the EWP, a cost or expense must relate to medical, dental, or vision care, or be a healthcare insurance premium. The District has concluded, however, that it should develop a single, formal plan document for both the EWP and the fitness benefit offered to all District employees. Before the end of 2006, the District will prepare a comprehensive, written procedure that will govern administration of both the EWP and the fitness benefit offered to all District employees. That procedure will formally document, in one place, all existing practices and written guidance.

**Grand Jury's Recommendation 2Rb:** *Specifically define what constitutes a dependent.*

**District's Response:** This recommendation has already been implemented. As discussed above, employees' dependents are also eligible for the District's other medical benefits. In accordance with the standards of the California Public Employees Retirement System, "dependant" are defined as: 1) an individual of any age who is economically dependent on the employee because they are physically or mentally unable to support themselves; or 2) an individual up to age 23 with whom the employee has a parental relationship (including sole or shared legal custody, or shared residence in the absence of natural or adoptive parents), and who is economically dependent on the employee. The District has concluded, however, that it should develop a single, formal plan document for both the EWP and the fitness benefit offered to all District employees. Before the end of 2006, the District will prepare a comprehensive, written procedure that will govern administration of both the EWP and the fitness benefit offered to all District employees. That procedure will formally document, in one place, all existing practices and written guidance.

**Grand Jury's Finding 3F:** *No requirement exists for certification of a medical condition and related expenses not covered by an insurance plan.*

**District's Response:** The District disagrees with this finding. No claimed expenses are reimbursed unless the claimant furnishes adequate back-up documentation. Two types of documentation are required. The first is proof that the expense was actually incurred – such as a receipt, cash register tape, cancelled check, credit card bill, or similar document. The second is proof that the expense qualified for reimbursement – such as an invoice identifying the health-care provider and the services rendered, an invoice for merchandise sufficiently describing the merchandise, a prescription receipt, or similar document.

These requirements and practices have been continuously in place since the benefit was initiated. Claims that have not met these criteria have been denied. When periodic audit reviews by the program's internal administrators have identified claims that were erroneously granted, or granted in excess of benefit limits, the District has required the affected employee to refund the money.

**Grand Jury's Recommendation 3R:** *Certification should be required from a physician for reimbursement of expenses eligible under the EWP.*

**District's Response:** The recommendation has already been implemented. See response to Finding 3F, above.

**Grand Jury's Finding 4F:** *The practice of giving Board of Directors "cash-in-lieu" benefits prior to 07-01-2004 appears to be illegal.*

**District's Response:** The District disagrees in part with this finding, because it draws a conclusion on an unresolved legal issue. The District agrees that the past "cash-in-lieu" practice was legally questionable. The District's General Counsel so advised Board members and the General Manager in late May 2004. The General Counsel's advice was one catalyst for discontinuing the prior practice and replacing it with the EWP.

**Grand Jury's Recommendation 4R:** *An audit must be conducted by an independent agency to determine the legality of the "cash-in-lieu" program.*

**District's Response:** This recommendation will not be implemented because it is not warranted. First, the District stopped offering the "cash-in-lieu" program to its Board members more than two years ago. Second, because this is an unresolved legal issue, no "independent agency" can authoritatively determine whether or not that program was legal.