



**2025-2026**

**STANISLAUS COUNTY CIVIL GRAND JURY**

**Riding Into the Sunset on Unapproved Cash:  
Misuse of Vacation Policy at the  
Stanislaus Council of Governments**

**Case #: 26-22GJ**

**Release Date: June 10, 2026**



# **Riding Into the Sunset on Unapproved Cash: Misuse of Vacation Policy at the Stanislaus Council of Governments**

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## **Summary**

The Stanislaus County Civil Grand Jury (the Jury) exists not just to investigate complaints, but it is also a “Civil Watchdog” to provide unbiased oversight and to look out for the interests of the residents of Stanislaus County. The Jury helps assure residents that government is operating fairly and in an ethical honest manner.

The purpose of this report is to focus on StanCOG’s *mandate* of ensuring that their work “is implemented in the most efficient and cost-effective manner possible.” This mandate is agreed to in writing annually by leadership and is important to their public funding sources. It will discuss the substantial negative consequences of the cash conversion of vacation and other forms of leave for the agency by the top three employees. This went against their basic policy that people should be taking vacation. It also went against their basic policy that “No employee will receive pay in lieu of vacation except on the termination of his or her employment”. There are exceptions allowed to this policy which are intended to address what should be infrequent workload demands.

The report also addresses a lapse by StanCOG in not adhering to their Joint Powers Authority (JPA) agreement with Stanislaus County and a recommendation to address that. It will also address multi-year lapses in important transparency to both the Policy Board and the public residents of this county which, in the case of the public, denied them their ability to ask

informed questions from their public representatives. Consequential information regarding policies that would increase the cost of running StanCOG was withheld from both the Policy Board and the public as the information was not provided in the online packet at public meetings over the course of several years despite it being clearly stated in Policy Board resolution that it would be.

## **Methodology**

In order to explore these issues, the jury interviewed StanCOG employees who might reasonably be expected to be knowledgeable. The Jury also talked with members of StanCOG's Policy Board.

Documents reviewed include:

- Employee Policies and Procedures (EP&P) handbooks from StanCOG from 2018 to 2025, as well as the new EP&P changes presented to the Policy Board in April 2026
- StanCOG Policy Board and Executive Committee meeting minutes, agendas, and supporting data that were provided to the Policy Board and the public
- StanCOG payroll records with accrual and use of various kinds of paid leave
- Employment contracts for the former Executive Director
- Emails between employees of StanCERA and StanCOG discussing vacation policy changes at the time they occurred, and also at the time of employees' retirement
- The three most recent revisions to the Joint Powers Agreement (JPA)
- Crime insurance policy for StanCOG

## **Background**

After the grand jury report, a new Executive Director was hired.

StanCOG was formed in 1971 by a Joint Powers Agreement (JPA) among local governments. Its role is to manage road and mass transit projects in Stanislaus County that cross city limits. For example, StanCOG coordinates the North County Corridor Project: it realigns CA-108 which connects Modesto, Riverbank, Oakdale, and adjacent areas of unincorporated Stanislaus County.

StanCOG operates in accordance with federal and state laws while directly managing projects, lobbying for funds, conducting research, developing plans, and communicating with the public.

If StanCOG did not exist, its work would be reassigned to a similar agency in a neighboring county whose priorities may be different from our own.

StanCOG operated at the administrative level independent of Stanislaus County government and procedures. Since revising its JPA in 2017, it has not used the County's pay scales for employee salaries. Its finances are no longer reviewed by the County Auditor-Controller. The annual federally required Single Audit of its finances is separate from the Single Audit for Stanislaus County. However, retirement funds for both StanCOG and County employees are managed by the Stanislaus County Employee Retirement Association (StanCERA).

StanCOG's largest task is to efficiently distribute to the cities, the county and local mass transit systems about \$40 Million annually in Measure L funds which are generated from a half-cent sales taxes collected in this county. They also allocate funds received from both Federal and State sources. StanCOG is overseen by their Policy Board, a group of 16 people which includes all five Stanislaus County supervisors, the mayors or city council members from each of the nine incorporated cities, a representative of the Stanislaus Regional Transit Authority and a non-voting representative from the California Department of Transportation. A majority of the Policy Board are elected officials. Day-to-day operations are managed by an Executive Director employed by StanCOG. Major decisions must be approved by the Policy Board. The Executive Director-reports directly to the Policy Board and has an employment contract with them.

Each year StanCOG documents an Overall Work Program (OWP) that is more than 100 pages long and can be found easily on their website. It details the projects they will work on, the cost of the work that is done including overhead, and the sources of taxpayer funds to complete the work. There is a great deal of planning involved in writing this report. Planning is at the heart of what they do. The OWP is signed by both the Executive Director of StanCOG as well as the Chair of the Policy Board. Directly above their signature line, reads as follows: "Be it further resolved that the Executive Director is authorized to make administrative changes, as needed, to ensure that the Overall Work Program is implemented in the most efficient and cost-effective manner possible."

## **Discussion**

### **Unauthorized Vacation Increase**

The Employee Policy & Procedure Handbook (EP&P) adopted by resolution of the Policy Board in 2018 had a schedule for earning vacation identical to that used by Stanislaus County government. At that time, regular full-time employees and management employees received five weeks of vacation beginning at the 21<sup>st</sup> year of service.

All versions of the EP&P strongly encourage StanCOG employees to use their vacation time annually. The EP&P stresses the importance of people taking vacations for rest and recreation. It further states that vacation time is valuable for employees to enhance their productivity and make their work experience with StanCOG personally satisfying.

Article 3 of the EP&P details their vacation policies. In section 3.2.5, the policy states, “No employee will receive pay in lieu of vacation except on termination of his or her employment as described in Section 3.2.11 or pursuant to Sections 3.2.6, 3.2.7, or 3.2.8.” These sections discuss rare instances that make it difficult to take a vacation, such as workload and demands of the job.

On November 3, 2021, the Executive Committee of the Policy Board received a written staff report from the Manager of Administrative Services recommending the Policy Board, which was later approved on November 17, 2021, adopt by Resolution the amendment to the Employee Policies and Procedures Handbook. “Periodically, the Handbook is updated to reflect changes in employment laws, and revisions to policies and procedures. The StanCOG EP&P has been reviewed by legal counsel and modifications have been made to reflect changes in the law and other administrative updates since the last amendment to the handbook in November 2018.”

However, the administrative staff never provided the written details of the “updated” EP&P in the online meeting packet, as other meeting agenda items were. Neither the Policy Board nor the public residents could then question the fairness of the increased vacation weeks granted and cost to the taxpayers in open session, which could run into tens of thousands of dollars based on their salary at the time. This information could only be gained by reading the EP&P. Specifically, the revised EP&P reduced the number of service years from 21 to only 12 to

begin receiving five weeks of vacation annually. This would have generated questions as it involves substantial amount of money and was not a routine matter that should qualify it as a consent item.

The Jury found three instances where the online packet sent out with the board agenda did not include the specifics and only a very vague and general description was found in the Board agenda. The Jury found no evidence that the Policy Board knew of the specifics of what they were approving on November 17, 2021 and September 17, 2025.

Unlike, the change in 2021, in 2023, without any form of approval by the Policy Board, employees with 12 or more years of service started accruing seven weeks of annual vacation (280 hours.) This change was reflected in payroll accrual records for two executives. In the final year of employment in 2025, the Executive Director was accruing 8.8 weeks of vacation annually. On September 17, 2025, the Policy Board passed a resolution to stop the unapproved vacation accrual and reaffirm the policy approved in November 2021.

### **Vacation policy used as a cash machine instead of its intended benefit**

From the beginning of January 1, 2021 to September 17, 2025 only 8.4 days of vacation use were recorded by the top three executives combined. So numerically, these three people used an average of 0.6 vacation days per year. These positions are Executive Director, Director of Administrative Services, and a Deputy Executive Director of Planning who did not have 12 years of service in 2021. Meaning the taxpayers paid an extra \$595,241.65 in compensation costs paid out in almost five years (plus employer payroll taxes) which would not have been paid had those individuals simply taken their annual vacation and used any executive leave that may have been allowed in their intended way. These figures were provided to the Jury from StanCOG. These funds were paid out over the stated timeframe.

Cross training is critical in covering for employees who are on vacation. But with their turnover levels, that would have been difficult to achieve. Cross training was also something that StanCOG management agreed to in response to the June 30, 2023, auditor's report in the Corrective Action Plan section on page 67 as that audit was submitted late. In a public meeting on March 4, 2026, StanCOG leadership reported that paying out accrued vacation to departing employees depleted their reserves so thoroughly that they may have to sell the headquarters

building they purchased last year. It was also reported that building up such reserves is difficult as funding sources have rules StanCOG must follow.

Calculating cashed out hours is complicated because StanCOG's timekeeping records are inconsistent. One StanCOG payroll report shows hours as "used," while another shows it as "cash out." Some hours appear in one report and not in others. StanCOG executives were logging their vacation cash outs as "used." Cash outs were also retroactively logged more than a year later.

### **Where was the oversight?**

The crux of this report is not individual wrongdoing, but whether procedures were in place to prevent employees from self-dealing, and whether these procedures were followed.

In April 2026, StanCOG brought to its Policy Board proposed changes to the EP&P to address vacation policy. These changes include capping accrued vacation hours at 500, reduced from 800. Also, requiring non-management employees to use at least one week of vacation prior to receiving any cash conversion of unused vacation. Requiring only one week of vacation to be taken before cash conversion seems totally at odds with section 3.2.5 of the EP&P which states that: "No employee will receive pay in lieu of vacation except on termination of his or her employment." Every time an office runs inefficiently, not allowing time for vacation, it costs StanCOG and the taxpayers more as pay in lieu of vacation is the result. This is not running an office *in the most efficient and cost-effective manner possible*. This is also not counting the human cost of the employee not getting time away for rest and relaxation.

### **Not all requirements of the JPA were adhered to.**

The three most recent JPA amendments (2016, 2017, 2018) require that a fidelity bond be posted by the Executive Director. Fidelity bonds are recommended for industries with strict regulatory compliance standards.

Interviews determined that StanCOG had no record of such a bond, nor anything like it. It was only after our *persistent effort* they found the existence of a crime insurance policy. The lack of

the required fidelity bond has never been raised in the annual external audit required by the federal government.

StanCOG's official response to the 2025 CGJ report stated they would initiate an independent investigation to explore the allegations contained in the report and would pursue recouping any funds determined to have been used inappropriately. Specifically, they stated that: "The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board." The results of this investigation are unknown at this time.

## **Findings and Recommendations**

**Finding 1.** StanCOG executives and the Policy Board did not fulfill their signed agreement to ensure that the work of StanCOG is implemented in the most efficient and cost-effective manner possible.

**Recommendation 1a.** The Policy Board should direct the Executive Director to implement a process that documents all leave/vacation accruals and use. This ensures that items entered in the payroll system are approved by someone other than the employee entering the data. This should be completed by September 30, 2026.

**Recommendation 1b.** The Policy Board should include in their annual evaluation of the Executive Director to what degree employees are using their allotted vacation. Also, that it is truly an exception when cash in lieu of vacation is used and that this extra expense is documented and placed in their employee file. The format for this should be put in place by September 30, 2026.

**Recommendation 1c.** The Policy Board should include in their annual evaluation of the Executive Director that there is cross training of staff. This should be in place by September 30, 2026.

**Recommendation 1d.** The Policy Board should include in their annual evaluation of the Executive Director the amount of staff turnover, which points to the health of the

agency. High staff turnover can make it difficult to have office coverage so that people can take vacation. This should be put into place by September 30, 2026.

**Recommendation 1e.** The Policy Board should explicitly be the only authority to approve any Executive Director's cash outs of vacation time. Past practice was the Executive Director approved their own cash in lieu of vacation. This should be documented in Executive Committee's minutes as this is income being received above the employment contract. This change should be made by September 30, 2026.

**Recommendation 1f.** The Policy Board should keep current on the amount of money spent on cash paid in lieu of vacation for all staff and the Executive Director as this is an extra expense. The amount paid for such expenses should be identified in their financial reporting as a separate line item. This change should be made by September 30, 2026.

**Finding 2.** One of StanCOG's JPA requirements, the fidelity bond, was not implemented for years, but it is now.

**Recommendation 2.** The Policy Board should direct the accounting firm that performs the annual external audit to check whether StanCOG's financial systems comply with all provisions in its JPA requirements. This should be in place by September 30, 2026.

## **Required Responses**

The following responses are required, pursuant to Penal Code sections 933 and 933.05:  
From the following governing boards within 90 days:

- **Stanislaus Council of Governments, Policy Board:**

Findings 1 and 2, and Recommendations 1a, 1b, 1c, 1d, 1e, 1f, and 2

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| <p>Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.</p> |
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