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September 18, 2025

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Stanislaus County

The Honorable Sonny Sandhu, Presiding Judge
Superior Court of California, County of Stanislaus
P.O. Box 3488
Modesto, CA 95353

Re: 2024-2025 Stanislaus County Civil Grand Jury Report – Transportation and Funding for the People: Is the StanCOG Planning Agency Mismanaging Funding and Their Own People? (Case #25-06C)

Dear Judge Sandhu:

The Stanislaus Council of Governments (StanCOG) is providing the following responses to the findings and recommendations in Case #25-06C pursuant to California Penal Codes § 933 and § 933.05.

Findings:

F1. StanCOG is not responsive to their obligations with respect to the authority of the Civil Grand Jury and the Policy Board.

Response: The respondent disagrees wholly or partially with the finding and shall include an explanation.

Policy Board Chair

Buck Condit

Explanation: StanCOG is a small agency with less than 14 full-time employees. The requests of the Grand Jury were voluminous in nature, often requiring StanCOG staff to cease work on their required tasks to address the Grand Jury requests. It took time for staff to locate, produce or create the requested information. The StanCOG Policy Board was informed of the Grand Jury requests, the state and federal mandates the agency was required to complete, and the competing deadlines of the requests and mandates and provided direction to the Executive Director and General Counsel accordingly.

Policy Board

Vice-Chair

George Carr

R1a. StanCOG General Counsel is expected to be familiar with the California Penal Codes illustrating the rights of the Civil Grand Jury and its responsibility as a government watchdog. The Policy Board should require proof that the General Counsel has completed continuing education or other training in civil grand jury rights should be completed no later than December 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: StanCOG takes training and continuing education seriously. General Counsel completes continuing education and other training every year. An online search for potential continuing education or training revealed training “in civil grand jury rights” is not offered except in the context of training for prospective grand jurors. If the Grand Jury is aware of such training, please provide that information. In addition, the General Counsel was acting in accordance with Policy Board direction.

R1b. The Policy Board is strongly encouraged to review this report with a critical eye on both how StanCOG upper management and its General Counsel responded to the Civil Grand Jury in both written responses and verbal interviews.

Response: The recommendation has been implemented.

Explanation: The Policy Board has created a five-person Ad Hoc committee that has been instrumental in reviewing the Grand Jury report and this response to the findings and recommendations contained in the report. After the Ad Hoc committee’s review, this response was provided to the Policy Board for review and approval.

F2. StanCOG has no significant oversight by its Policy Board.

Response: The respondent disagrees wholly or partially with the finding and shall include an explanation.

Explanation: The Policy Board approves the annual Overall Work Program and Budget, accepts audits, approves contracts, grant awards, allocations and suballocations of funding programs, TDA allocations, the Measure L Strategic Plan and funding opportunities that further the priority of projects identified in the Strategic Plan, participates in outreach and approves planning documents such as the Regional Transportation Plan/Sustainable Communities Strategy, the Regional Transportation Improvement Program and Federal Transportation Improvement Program, among others. Various standing committees such as the Executive Committee, Management & Finance Committee, Measure L Oversight Committee, Social Services Transportation Advisory Committee, Technical Advisory Committee, Bicycle and Pedestrian Advisory Committee and Citizens Advisory Committee provide recommendations to the Policy Board. The Technical Advisory Committee is made up of technical planning staff from each of StanCOG’s member agencies. The Management & Finance Committee is comprised of the city managers and a representative from the county Chief Executive’s office. Each of these city and county representatives keep their respective members of the Policy Board informed of items discussed at and presented to the committees.

R2a. StanCOG should amend their November 2018 JPA to include the County-Auditor Controller. This should be completed with the anticipated upcoming JPA amendment process, which currently lacks a completion date.

Response: The recommendation requires further analysis.

Explanation: The Policy Board has initiated an independent investigation examining the allegations contained in the Grand Jury report. The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board.

R2b. StanCOG should revise its policy board bylaws to reduce the overall responsibility of oversight from the Chair and distribute it among the other members keeping in mind the responsibilities of all members outside of their StanCOG duties, particularly members of the Stanislaus County Board of Supervisors who carry greater responsibilities. This should be completed by December 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: The Chair of the Policy Board acts as a leader of the board and is responsible for ensuring the board functions smoothly and efficiently. The Chair exercises this role with input from the Executive Committee and the rest of the Policy Board.

R2c. StanCOG's Policy Board should create a system of monthly, quarterly, and annual reviews of travel expenditures, project funds, accounting, and policies. This should be completed by December 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: An independent consultant has been retained to conduct a comprehensive review and update of all financial policies, which include the accounting and travel policies. Budget updates are monitored through the annual budgeting process.

R2d. Revise the JPA so that all Management and Financial matters are reviewed and approved by the MFC prior to presentation before the Executive Committee and Policy Board in order to provide guidance, insight, and recommendations on the improvements required. This should be completed by December 31, 2025.

Response: The recommendation requires further analysis.

Explanation: The Policy Board acknowledges financial oversight is a necessity and having financial matters reviewed by a dedicated committee is advisable. The composition and duties of such a committee may be influenced by the results and recommendations of the independent investigations being undertaken by the Policy Board. While such analysis is being conducted and until the results and recommendations can be implemented, financial matters will be presented to the Management & Finance Committee. The Policy Board acknowledges the results of the investigation may recommend that all financial matters going forward be presented to the Management & Finance Committee in its current form/composition and the Policy Board will agree to and implement that recommendation.

F3. As used in the Accounting Policy in Section 9, “reasonable” is not a specific enough spending limit to be employed responsibly with respect to travel.

Response: The respondent agrees with the finding.

Explanation: An independent consultant has been retained to conduct a comprehensive review and update of all financial policies, which will include the accounting and travel policies. In addition, the Policy Board has created a five-person Ad Hoc committee to oversee the recommended changes and present those to the Policy Board for review, approval, and implementation.

R3. With advisement from the Management and Finance Committee, the Policy Board should craft a travel policy with specific funding limits for rental cars, hotels, dinners, flights, and other travel related expenditures. This should be completed by December 31, 2025.

Response: The recommendation has not yet been implemented but will be implemented by January 31, 2026.

Explanation: An independent consultant has been retained to conduct a comprehensive review and update of all financial policies, which will include the accounting and travel policies. In addition, the Policy Board has created a five-person Ad Hoc committee to oversee the recommended changes and present those to the Policy Board for review, approval, and implementation.

F4. StanCOG lacks a Director of Financial Services, and that position is subject to the authority of the Executive Director.

Response: The respondent disagrees partially with the finding and shall include an explanation.

Explanation: The Director of Financial Services most often reports directly to the top administrative officer in an organization and works with them to manage the agency’s finances, develop budgets, and provide financial information to the agency’s governing board and the public. This model is used by Stanislaus County and every city within the county. The StanCOG Deputy Director of Operations has been overseeing the finance

department while recruitment is underway for a full-time Director of Financial Services. In August, a Manager of Financial Services was hired filling some of the gaps created by the vacant Director of Financial Services position.

R4a. StanCOG’s Policy Board, not the Executive Director, should take over and expedite the hiring of a Director of Financial Services. This should be completed by October 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: If the Policy Board took over and hired the Director of Financial Services, it could blur the separation of powers and weaken the financial independence of the agency. A directly hired Director of Financial Services could be more vulnerable to political influence on financial decisions, compromised impartiality, and potentially undermine the Executive Director by bypassing the chain of command and creating confusion over roles and responsibilities. In August, a Manager of Financial Services was hired filling some of the gaps created by the vacant Director of Financial Services position. StanCOG continues to recruit for a Director of Financial Services, but like many agencies in California, is facing high demand for the position, a limited talent pool, and rising salary expectations.

R4b. The Executive Director position should be abolished and establish an information officer for jurisdiction and political engagement, and an operations officer to oversee the daily operation of the organization. This should be completed by March 31, 2026.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: There are 18 Metropolitan Planning Organizations in the state of California and each of them has an Executive Director as the top agency official. The Executive Director position provides a key leadership role, which includes jurisdiction and political engagement. The lack of an Executive Director could impact the agency’s overall effectiveness. StanCOG has a Deputy Director of Operations that oversees the day-to-day activities of the Finance and Administrative departments. With new policies being implemented, the Policy Board will have better accountability and oversight of a new Executive Director.

R4c. The Director of Financial Services should *only* be answerable to the Policy Board, not the Executive Director. This should be completed by December 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: If the Director of Financial Services position was to “*only* be answerable to the Policy Board, not the Executive Director”, it could blur the separation of powers and weaken the financial independence of the agency. A directly hired and reporting Director of Financial Services could be more vulnerable to political influence on financial decisions, compromised impartiality, and potentially undermine the Executive Director by bypassing the chain of command and creating confusion over roles and responsibilities. In August, a Manager of Financial Services was hired filling some of the gaps created by the vacant Director of Financial Services position. StanCOG continues to recruit for a Director of Financial Services, but like many agencies in California, is facing high demand for the position, a limited talent pool, and rising salary expectations.

R4d. The operations officer should oversee the Financial Services department and approve all expenditures of the newly created officer position. This should be in addition to the Policy Board’s oversight. This should be completed by March 31, 2026.

Response: The recommendation has been implemented.

Explanation: StanCOG has a Deputy Director of Operations that oversees the day-to-day activities of the Finance and Administrative departments. In addition, an independent consultant has been retained to conduct a comprehensive review and update of all financial policies, which will include the accounting and travel policies. The independent review may result in the recommendation of additional procedures for the review and approval of expenditures.

F5. StanCOG’s absence of a Director of Financial Services resulted in several members of upper management undertaking that role’s responsibilities. The substandard performance of these duties led to delinquent audits with material findings.

Response: The respondent agrees with the finding.

Explanation: StanCOG continues to recruit for a Director of Financial Services, but like many agencies in California, is facing high demand for the position, a limited talent pool, and rising salary expectations. In August, a Manager of Financial Services was hired filling some of the gaps created by the vacant Director of Financial Services position.

R5a. In the event that the Executive Director position is retained or the position of operations officer is created, these positions and any other leadership roles engaged with the Single Audit should have training in Generally Accepted Accounting Principles. This should be completed by December 31, 2025.

Response: The recommendation has not yet been implemented but will be implemented in the future.

Explanation: StanCOG employees responsible for preparing financial statements and participating in financial audits will be provided with sufficient training on Generally Accepted Accounting Principles to help with audit preparation and internal controls. StanCOG also expects that its independent auditors will possess the requisite qualifications and expertise in Generally Accepted Accounting Principles ensuring accuracy and transparency across agency functions.

R5b. The Policy Board should establish a separate audit committee. This should be completed by December 31, 2025.

Response: The recommendation requires further analysis.

Explanation: The Policy Board acknowledges financial oversight is a necessity and having financial matters reviewed by a dedicated committee is advisable. The composition and duties of such a committee may be influenced by the results and recommendations of the independent investigations being undertaken by the Policy Board. The recommendations of the independent investigations will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board.

F6. The Employee Handbook as stated is a “working guide for Employees and supervisors.” It is out of compliance with the current practices of StanCOG.

Response: The Respondent disagrees wholly or partially with the finding and shall include an explanation.

Explanation: The Employee Handbook is compliant with current practices because it has been reviewed by outside legal counsel every year to ensure compliance with applicable laws and regulations, incorporated current HR best practices, and aligned it with evolving agency culture and workplace trends including remote work.

R6a. The Policy Board should review and compare its StanCOG Policies with Stanislaus County’s HR policies.

Response: The recommendation has not yet been implemented, but will be implemented in the future.

Explanation: All StanCOG policies and procedures are being evaluated. The policies of Stanislaus County and the other cities within the county are being reviewed as part of this process. It is important to note that Stanislaus County has over 1,000 employees, whereas StanCOG employs approximately 14 people. Some of the provisions in Stanislaus County’s HR policies may not be applicable to an agency the size of StanCOG.

R6b. The Employee Handbook should be consolidated with all applicable policies and procedures, position descriptions, and all other documents into one central manual. This should be completed by December 31, 2025.

Response: This recommendation has been implemented.

Explanation: All of StanCOG's policies and procedures are filed in electronic format. Every StanCOG employee has access to the electronic "bulletin board" where all such policies and procedures can be found in one folder labeled "Policies and Procedures".

R6c. The Employee Handbook and all applicable policies and procedures, position descriptions, and other documents should be centrally located for any employee to access at any time. A hard copy of the aforementioned documents should be kept in Administrative Services, and digital copies should be available on the V drive. This should be completed by October 31, 2025.

Response: This recommendation has been implemented.

Explanation: All of StanCOG's policies and procedures are filed in electronic format. Every StanCOG employee has access to the electronic "bulletin board" where all such policies and procedures can be found in one folder labeled "Policies and Procedures". It should be noted the Grand Jury references the "V" drive several times in its report. The "V" drive was the name of an electronic file location when StanCOG contracted for IT services with Stanislaus County. In 2021, StanCOG separated its IT services from the County and moved to an independent cloud-based system. All files that were located on the "V" drive are located on what is now referred to as the "Org" Drive. All StanCOG employees have access to the "Org" drive.

F7. The Jury found that the StanCOG Single Audit, dated June 30, 2023, had material weaknesses that caused the report to be issued late.

Response: The respondent agrees with the finding.

Explanation: In August, StanCOG hired a manager of Financial Services and continues to recruit for a Director of Financial Services.

R7a. The Executive Director or the newly created position of operations officer should be involved with the audit process from start to finish and should receive training in Generally Accepted Accounting Principles. This should be completed by December 31, 2025.

Response: The recommendation has not yet been implemented, but will be implemented in the future.

Explanation: StanCOG is actively recruiting for a permanent Executive Director and a new Executive Director is expected to be hired by January 2026. Training and knowledge are essential to a smooth-running organization. The new Executive Director will be directed to complete the training within 6-months of hire.

R7b. The Policy Board should establish a separate audit committee. This should be completed by December 31, 2025.

Response: The recommendation requires further analysis.

Explanation: Recommendation R5b and R7b are identical. As stated in the explanation to R5b, the Policy Board acknowledges financial oversight is a necessity and having financial matters reviewed by a dedicated committee is advisable. The composition and duties of such a committee may be influenced by the results and recommendations of the independent investigations being undertaken by the Policy Board. The recommendations of the independent investigations will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board.

F8. There are two published Appendix A documents for full-time employee benefits. Appendix A (1/1/25) provided by the director of Administrative Services allows for nine weeks paid vacation at twelve years and Appendix A (11/17/21) provided by the General Counsel allows for only five weeks at twelve years and more.

Response: The respondent agrees with the finding.

Explanation: The Policy Board has created a five-person Ad Hoc committee to review the employee handbook and make recommended changes to the Policy Board for review, approval and implementation.

R8a. The Policy Board should determine which document they approved and purge the system of the inaccurate document, preferably the Appendix A dated 1/1//25 allowing for nine weeks of vacation. This should be completed by October 31, 2025.

Response: The recommendation has been implemented.

Explanation: The Policy Board, at its September 17, 2025 meeting, adopted an amendment to the Employee Policies and Procedures Handbook which confirmed the vacation accrual rates previously approved by the Policy Board in November 2021.

R8b. The Policy Board should investigate how this unapproved change of Appendix A occurred and shall report the findings in an open session at a Policy Board meeting. This should be completed by December 31, 2025.

Response: The recommendation has not yet been implemented, but will be implemented in the future.

Explanation: The Policy Board has initiated an independent investigation examining the allegations contained in the Grand Jury report. The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board. Given the matter is the subject of an active investigation and related litigation may be commenced, it would be inappropriate for the Policy Board to comment or disclose information in an open session until such time as such matters are public record, if at all.

F9. The Executive Director has used rental cars extensively and excessively rather than her personal vehicle due to vague policies and lack of oversight.

Response: The respondent agrees with the finding.

Explanation: An independent consultant has been retained to conduct a comprehensive review and update of all financial policies, which will include the accounting and travel policies. In addition, the Policy Board has created a five-person Ad Hoc committee to oversee the recommended changes and present those to the Policy Board for review, approval, and implementation.

R9a. StanCOG should contract with the county motor pool to reduce unwarranted rental car expenses. This was proposed to the County CEO, and he said it would be possible. This should be completed by December 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: The five-person Ad Hoc Committee is overseeing the recommended changes to the travel policies, which includes the usage of rental cars. The Ad Hoc committee has provided direction that the revised policy establish greater oversight and stricter policies.

R9b. Subtract the cost of a rental vehicle from the yearly auto allowance of \$4,800 each time a rental is used in lieu of a personal vehicle. This should be completed by October 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: The five-person Ad Hoc Committee is overseeing the recommended changes to the travel policies, which includes the usage of rental cars. The Ad Hoc committee has provided direction that the revised policy establish greater oversight and stricter policies. Proposed policies will be reviewed by the Ad Hoc before recommending consideration of and approval by the Policy Board.

R9c. In the event that it is necessary to use a rental vehicle, an authorization from the Policy Board must be issued. This should be completed by October 31, 2025.

Response: The recommendation will not be implemented because it is not warranted or is not reasonable.

Explanation: The five-person Ad Hoc Committee is overseeing the recommended changes to the travel policies, which includes the usage of rental cars. The Ad Hoc committee has provided direction that the revised policy establish greater oversight and stricter policies. Proposed policies will be reviewed by the Ad Hoc before recommending consideration of and approval by the Policy Board.

F10. The policy on missing receipts is not being adhered to by the Executive Director due to the lack of appropriate oversight by the Policy Board.

Response: The respondent agrees with the finding.

Explanation: An independent consultant has been retained to conduct a comprehensive review and update of all financial policies, which will include the accounting and travel policies. The consultant will provide training for all employees on the policies to help ensure compliance. In addition, the Policy Board has created a five-person Ad Hoc committee to oversee the recommended changes and present those to the Policy Board for review, approval, and implementation.

R10a. The policy on receipts should be followed by all employees including the Executive Director. This should be implemented immediately.

Response: The recommendation has been implemented.

Explanation: Strict adherence to all financial policies has been implemented. An independent consultant has been retained to conduct a comprehensive review and update of all financial policies which will include the accounting and travel policies. The consultant will provide training for all employees on the policies to help ensure compliance. In addition, the Policy Board has created a five-person Ad Hoc committee to oversee the recommended changes and present those to the Policy Board for review, approval, and implementation.

R10b. All employees, including the Executive Director, should be held accountable by the Policy Board for adherence to the credit card rules as documented in the StanCOG Accounting Policies updated 6/1/21. This should be completed by December 31, 2025.

Response: The recommendation has not yet been implemented, but will be implemented in the future.

Explanation: Strict adherence to all financial policies has been implemented. An independent consultant has been retained to conduct a comprehensive review and update of all financial policies which will include the accounting and travel policies. The consultant will provide training for all employees on the policies to help ensure compliance. In addition, the Policy Board has created a five-person Ad Hoc committee to oversee the recommended changes and present those to the Policy Board for review, approval, and implementation.

R10c. The Policy Board should investigate how the Executive Director was able to charge the Executive Director's husband's plane fare (in the amount of \$614.58) to the StanCOG credit card. They should also review the fraud report related to this charge submitted by the Director of Administrative Services to the credit card company. They shall report the findings in an open session at a Policy Board meeting. This should be completed by December 31, 2025.

Response: The recommendation has been implemented.

Explanation: The Policy Board has initiated an independent investigation examining the allegations contained in the Grand Jury report. The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board. Given the matter is the subject of an active investigation and related litigation may be commenced, it would be inappropriate for the Policy Board to comment or disclose information in an open session until such time as such matters are public record, if at all. Last13y, the former Executive Director provided StanCOG with a personal check in the amount of the husband's plane fare.

R10d. The Policy Board should initiate an investigation of both the unrestrained "Education and Training" expenses and the inordinate and inappropriate use of the StanCOG credit card by the Executive Director and all staff from January 1, 2020 to June 30, 2025. This investigation should be conducted by an outside accounting firm/forensic auditor and should focus on:

- a) credit card reimbursements, especially when receipts were missing or inappropriately itemized
- b) reimbursement requests submitted late, and
- c) unauthorized expenses per Section 9 of the Accounting Policies.

This investigation should begin no later than December 31, 2025. A report of this investigation should be presented in an open session of the Policy Board by March 31, 2026.

Response: The recommendation has been implemented.

Explanation: The Policy Board has initiated an independent investigation examining the allegations contained in the Grand Jury report. The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board. Given the matter is the subject of an active investigation and related litigation may be commenced, it would be inappropriate for the Policy Board to comment or disclose information in an open session until such time as such matters are public record, if at all.

R10e. The Jury recommends full reimbursement by the Executive Director of ALL missing receipts and unauthorized expenditures. This should be completed by December 31, 2025.

Response: The recommendation has not yet been implemented, but will be implemented in the future.

Explanation: The Policy Board has initiated an independent investigation examining the allegations contained in the Grand Jury report. The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board.

F11. The expenditure category “training and education” is too broad.

Response: The respondent agrees with the finding.

Explanation: The Policy Board has initiated an independent investigation examining the allegations contained in the Grand Jury report. The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board.

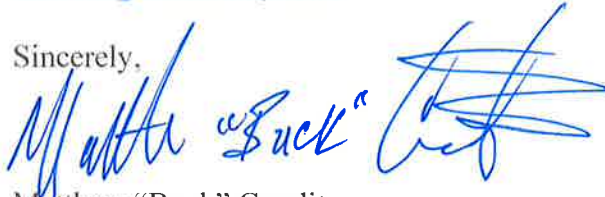
R11. StanCOG should amend policies to create additional expense categories that will provide greater transparency for expenditure purposes. This should be completed by December 31, 2025.

Response: The recommendation has not yet been implemented, but will be implemented in the future.

Explanation: The Policy Board has initiated an independent investigation examining the allegations contained in the Grand Jury report. The recommendations of the independent investigation will be considered/evaluated and implemented in a manner deemed prudent by the Policy Board.

The Grand Jury Report contains a “Recusal Disclaimer” stating a juror recused due to a potential conflict of interest. During the course of the grand jury investigation and subsequent to issuance of the report, at least one member of the 2024-2025 Stanislaus County Civil Grand Jury has attended StanCOG Policy Board, standing committees, and other agency meetings of which StanCOG is a participant, either virtually or in-person. We kindly ask the identity of the recused juror be provided to ensure conflict of interest provisions were abided by.

If you require additional information or have any questions, please contact me at conditb@stancounty.com

Sincerely,


Matthew “Buck” Condit
Chair of the Policy Board
Stanislaus Council of Governments