

## Grand Jury report: Poor leadership, risk of fraud in Newberry Springs

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The governing body for the rural High Desert town of Newberry Springs is rife with mismanagement, including violations of public meeting laws and potential misuse of taxpayer funds, according to the Grand Jury.

For 55 years, the Newberry Community Services District has been responsible for the management of the Newberry Springs Fire Department, the town's parks and recreation services, and its street lights.

"In order for them to continue being a representative body of the people they need to seriously consider how they conduct themselves and seriously consider all the recommendations that the Grand Jury has put forth," said Burgnon, a retired CHP commander and former Apple Valley town councilman.

Newberry Springs is along Interstate 40, at the foot of the Newberry Mountains, and roughly 20 miles east of Barstow.

Multiple citizen complaints prompted the Grand Jury investigation. Due to the breadth of the issues involved and information to review, the Grand Jury commissioned the San Francisco-based consulting firm Harvey Rose Associates to conduct the investigation.

The firm's findings were presented in a 94-page report, which concluded that the district's board of directors are not conducting meetings in accordance with state law. In addition, the district has not had a financial audit done in more than three years (state law requires an audit be performed every year) and the district lacks internal controls to ensure taxpayer money is being spent accordingly.

Neither Robert Royalty, president and director of the Newberry Community Services District, nor the district's general manager, responded to emails Monday and Tuesday to the district seeking comment. Telephone calls to the district were greeted by a voice recording saying the district's mailbox was full and couldn't accept new messages.

The Grand Jury found that the district does not consistently record and post minutes from its board meetings in a timely manner, which violates the district's own policy and compromises the ability of board members to recall official actions.

"If you don't post the minutes for months on end, how do you even know what you voted on?" Burgnon said. He said meeting minutes are typically put in draft form and attached to the

subsequent board/council meeting's agenda, where they are reviewed, approved and made available to the public for viewing, but it sometimes takes the Newberry district board months to get its meeting minutes approved and made available to the public.

Burgnon said he was shocked by what he observed during one meeting,

"I was really taken aback by the conduct at the meetings -- how there was so much chaos," Burgnon said. "There was all this backbiting and people making obscene gestures. The (district) president didn't seem to have control of the meeting. There were people yelling from the audience."

The Grand Jury has recommended that the district board direct its general manager to develop policies and rules for conducting public meetings and attend state-approved courses on leadership and conducting public meetings. The general manager should also maintain a process for recording, transcribing and posting board meeting minutes within two weeks of any board meeting, as is the district's policy.

For the past three years, the district has not had a financial audit conducted, another violation of state law, which requires such audits be done by the end of each fiscal year. And financial reports submitted to the State Controller by the district had not been reviewed by an independent public accountant to ensure they were consistent with official district records, according to the Grand Jury.

The Grand Jury has recommended that the county Auditor-Controller revise its outside audit report procedures to include corrective actions for special districts that do not comply with state audit requirements and to work with the district's general manager to determine a feasible approach to comply with audit requirements.

Lastly, the Grand Jury was critical of the district's use of state-issued purchase cards, or Cal Cards. District policies do not include spending and transaction limits or mechanisms for handling disputes and unauthorized charges. Additionally, existing internal controls are not consistently implemented by the board, exposing the district to unnecessary costs and potential misuse of taxpayer dollars for personal gain, the Grand Jury noted in its report.

The Grand Jury has recommended that purchase card privileges not be extended to district board members and implement additional policies to ensure there are sufficient funds available to cover purchases made on Cal Cards and to deter fraud and abuse through unauthorized transactions.

The district has until Sept. 28, or 90 days, to respond to the Grand Jury's findings.