

Dear Directors,

For several weeks, an investigative team from NBC-11 has been gathering information for a television news story alleging that District has engaged in questionable and potentially illegal accounting and financial practices. They began their inquiry under false pretenses, stating only that they wanted to do a story on the financial challenges facing the agency, but as their inquiries continued, it became evident they were relying on false allegations by two disgruntled ex-employees.

Yesterday, seven weeks after their initial interview request, Mike Scanlon sat for an on-camera interview with reporter Vicky Nguyen, who repeated the allegations, and described the information provided by these two sources as “a pattern of fraud.”

Mike categorically denied the allegations for the simple reason that they are not true. There is no evidence of misappropriation of funds of any kind because no misappropriations have taken place. There is no pattern of fraud.

A story on the same subject appeared in today’s editions of the San Mateo Daily Journal.

As the Daily Journal story reported and as we have repeatedly told NBC-11, these allegations were made initially by an employee, recently dismissed for cause, and were fully investigated by independent investigators. The investigators interviewed everyone involved, including the employee, and concluded these accusations were without merit. We provided those documents, along with dozens of others, to NBC-11. Nonetheless, it is evident that NBC-11 is going to proceed with its story.

There are a handful of accounting oversights that occurred over a three-year period among literally hundreds of thousands of transactions processed by the three agencies of the District. When we learned of these, we notified our auditor, who reported that while the oversights should be fixed, they do not rise to the level that is characterized as material.

The accounting oversights amount to a total of about \$300,000 over three years in a District with combined annual budgets of more than \$500 million.

NBC-11 is prepared to air interviews with individuals they described as experts in public finance accounting who undoubtedly will call into question our practices, based on an erroneous description provided and characterized by NBC-11. They will air an interview with a former SamTrans accountant, who will allege that he made the accounting entries in question at the direction of his superiors. This is simply not true. They also are likely to air an interview with the employee, who recently lost her appeal of a dismissal for cause and is now an ex-employee, and she will make similar claims. They have not identified this individual directly. Again, these claims are false.

The interview was characterized by extremely aggressive behavior by Ms. Nguyen, who frequently interrupted Mike and wouldn’t let him complete answers to her questions. Despite these obstacles, Mike stated repeatedly that he has the highest confidence in the integrity and ethical standards of the employees at this agency. He noted that we are the object of independent audits by a firm we hire as well as by state and federal regulators and that we regularly receive a clean bill of health from all audits. He noted that our accounting documents have repeatedly won awards for their quality and depth. He said repeatedly the allegations are false; in fact, he called them delusional.

It has been profoundly frustrating to attempt to work with NBC-11 as they have pursued this story. We believe that transparency is our best response to the false allegations and we have provided dozens of documents to their reporter and devoted significant time and resources to responding to them. But when an organization is determined to proceed despite the extensive information we have provided them and without independent verification of allegations by disgruntled ex-employees, it is difficult to receive fair treatment. In fact, we fully expect we will not.

At the same time we met with NBC-11, and in the spirit of encouraging transparency, we conducted an interview with a reporter from the San Mateo Daily Journal on the same subject. That story is in today's newspaper.

We have worked hard in the past several weeks to defend and protect the reputation of the people at this agency, whose work we hold in the highest regard, and with good cause, based on their adherence to the highest ethical standards, as affirmed by the countless awards they have received from the accounting industry. That we were unsuccessful in preventing a false story from being aired is of considerable disappointment. When the story airs, we will consider how best to respond.

We are uncertain when the story will air, and we will keep you informed of any further developments.

In the meantime, we wanted you to be aware of this and encourage you to contact me or Jayme Ackemann if you have any questions or concerns, or if you are contacted by anyone from NBC-11 about this story.

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