

A Decade of Waste, Fraud and Mismanagement
California Taxpayers' Association
Research Bulletin, March 2010

Appendix

CRIMINAL JUSTICE

California Prison Health Care Receivership

Amount: \$500,000

Federal Prisons Overseer Makes \$500,000, Plus Benefits.

A federal judge has given the California Prison Health Care Receivership a "virtual blank check" to use state dollars to fix the prison medical system. Documents filed with the state show Robert Sillen, the court-appointed leader of the receivership, is being paid \$500,000 a year plus a 30 percent benefits package. His team includes a \$350,000 chief medical officer, a pair of \$275,000 information officers and a \$275,000 chief financial officer, and so on, down to \$200-an-hour consultants for nursing and medicine. (Source: *Los Angeles Times, Political Muscle* - Bob Salladay, December 6, 2006.)

Department of Corrections and Rehabilitation

Amount: \$1,000,000,000

Prison Drug Treatment: "A Complete Waste." According to the state Office of the Inspector General, California's drug treatment program for prison inmates, costing taxpayers \$1 billion since 1989, has been "a complete waste of money." Inspector General Matt Cate said that state prison officials failed to fix the ailing program despite 20 reports since 1997 that it was failing. Instead, they chose to expand them and spend more on studies, said the independent watchdog over prison operations. The 50-page special review concluded that the Department of Corrections and Rehabilitation has "squandered that opportunity" to "change lives and help relieve the state's prison overcrowding crisis." In fact, Mr. Cate said one study of the two largest programs found recidivism rates for those treated under the program were actually a bit higher than for a group of untreated convicts. (Source: *Los Angeles Times*, February 22, 2007.)

Department of Corrections and Rehabilitation

Amount: \$356,000,000

Death Row Construction Costs Increase 62 percent, Even as Number of Cells Drops. The Department of Corrections will

have to make a major correction to its own budget estimates, State Auditor Elaine Howle reported. The auditor found that the cost of a new death row at the San Quentin State Prison is now slated to be 62 percent higher than the department's 2003 projection, even though the latest plan calls for building 25 percent fewer cells than originally envisioned. The 62 percent increase equates to \$356 million in unforeseen costs. The auditor said the overrun is due to delays in beginning construction, increases in the cost of materials, and modifications to the original design. (Source: *California State Auditor Report*, June 10, 2008.)

Department of Corrections and Rehabilitation

Amount: \$200,000,000

Sick Leave Soars Among Prison Guards. As a side effect of the 2002 contract between the state and the California Correctional Peace Officers Association, wardens have less authority to challenge whether an officer claiming sick leave is actually sick. Thus, in 2002, the first year of the new contract, overtime hours amounted to 25 percent more than the level of 2000. As officers were called in to work the shifts of officers calling in sick, some 23,000 officers amassed \$200 million in overtime in one year. At least 110 of the officers made more than \$100,000 in 2002. Top scale last year was \$54,888. Overtime, considered excessive by some, has been a long-festering issue in the Department of Corrections. The union says the solution is to hire more personnel. (Source: *Los Angeles Times*, February 10, 2003.)

Department of Corrections and Rehabilitation

Amount: \$80,000,000

State Prison Healthcare Wastes Tax Dollars. The \$1.4 billion-a-year system of caring for the health of state prison convicts is a state of utter disrepair that is both harmful to inmates and wasteful of tax dollars, concluded the first bimonthly report to a federal judge who placed the system in receivership. The receiver, Robert Sillen, blamed "bureaucratic paralysis," among other factors, for causing "almost every necessary element of a working medical care system" to be nonexistent or "in abject disrepair." He reported that California spends up to \$80 million a year more for pharmaceuticals than a comparable prison system. Failing to use discounted rates from

manufacturers was a factor, along with frequent purchases of large amounts of unneeded medicine. (Sources: *Los Angeles Times*, *The Sacramento Bee* and *San Francisco Chronicle*, July 6, 2006.)

Department of Corrections and Rehabilitation

Amount: \$69,000,000

Prison Overspending Continues. In what sounds like a broken record, the state prison system is again asking for more money because it has overspent its budget. Rising overtime costs by the Department of Corrections have fueled a request for an additional \$69 million. The agency has overspent its budget in prior fiscal years, including \$178.6 million last year. (Source: *San Jose Mercury News*, May 22, 2003.)

Department of Corrections and Rehabilitation

Amount: \$22,000,000

State Gives Free Hotel Rooms, Cable TV and Breakfast to Paroled Sex Offenders. Foreclosures and homelessness are problems for many Californians, but the state is helping paroled sex offenders keep a roof over their heads, sometimes with free breakfast and cable TV provided by the taxpayers. The *Contra Costa Times* reports: "State corrections officials spent nearly \$22 million last year on apartments and motel rooms for hundreds of paroled sex offenders, paying more than \$2,000 a month for some parolees and housing others in locations apparently prohibited under Jessica's Law, according to a MediaNews analysis of bank drafts issued by parole agents and addresses from the Megan's Law sex offender database." Some parolees have received housing assistance for more than two years after being released from prison. The spending violates a state policy directive that housing payments "shall not exceed 60 days" except in limited cases. Also, the assistance is supposed to be a loan that is repaid by the parolees, but state data indicates that repayments are rare. The newspaper interviewed one paroled sex offender who has received free rent for more than two years at a Budget Inn in Santa Fe Springs, just minutes from Disneyland. "When I first got out, they were having me pay it," he said. "When I found out only a few of us were paying it, I didn't see that was fair, so I stopped paying." At the hotel, parolees get free HBO, complementary continental breakfast every day, and fresh sheets every other day. (Source: *Contra Costa Times*, January 17, 2009.)

Department of Corrections and Rehabilitation

Amount: \$2,000,000

Convict Heart Transplant. State prison officials reported the death of a 32-year-old two-time felon less than one year after he received a heart transplant at the prestigious Stanford University Medical Center. Spokesperson Russ Heimerich said the exact cause of death had not been determined, but it appeared that the man's body was rejecting the heart while he convalesced at the Vacaville medical prison. Mr. Heimerich told *The Sacramento Bee* that the costs to taxpayers for the operation and follow-up care "could easily reach \$2 million when it's all added in." It was reported that the average heart transplant nationwide is a \$200,000 procedure. The inmate was serving a 14-year sentence for the 1996 robbery of a Los Angeles convenience store, and would have been eligible for parole in 2008. It was the first reported case in the nation of a prison inmate receiving a heart transplant. The courts have ruled that medical care must be provided inmates and, as the California prison inmate population ages, *The Bee* reported there is concern that the cost of inmate health care will far exceed last fiscal year's \$663 million. (Source: *The Sacramento Bee*, December 16, 2004.)

Department of Corrections and Rehabilitation

Amount: \$1,300,000

State Department of Corrections Paid \$1.3 Million to Fired Employees. The California Department of Corrections and Rehabilitation spent nearly \$1.3 million in just two fiscal years to pay unemployment benefits to workers who had been fired, according to a report released by the California Office of the Inspector General. The sum represented nearly 25 percent of the department's spending on unemployment benefits in 2006-07 and 2007-08, the inspector general said. The report, which refers to fired workers as "adversely separated employees," stated: "The CDCR's lack of internal procedures to effectively process UI claims and poor communication between the CDCR and the Employment Development Department (EDD) contributed significantly to adversely separated employees receiving UI benefits. Of the 1,045 employees adversely separated during fiscal years 2006-07 and 2007-08, 186 employees received UI benefits." Additionally, the report notes that unemployment benefits "should be available for employees who have lost their jobs due to no fault of their own, not for

employees the CDCR separated for misconduct." (Source: *California Office of the Inspector General Special Report*, March 30, 2009.)

Department of Corrections and Rehabilitation

Amount: \$1,300,000

Union Owes State \$1.3 Million for Abuse of Leave Time, Auditor Reports. In September 2005, the state auditor reported that the Department of Corrections did not track the total number of hours available in a rank-and-file release time bank (composed of personal leave hours donated by members of the California Correctional Peace Officers Association) for union representatives to use when conducting union business. The investigation identified 10,980 hours used by three union representatives that the department failed to charge against the time bank from May 2003 through April 2005. Evidence indicated the state paid for those hours through its regular payroll, at a cost of \$395,256. The auditor said: "Moreover, Corrections has not attempted to obtain reimbursements for the hours the three union representatives spent conducting union activities from April 2005 through January 2006. This failure resulted in an additional cost to the State of \$185,546. As a result, the State unnecessarily paid a total of \$580,802 for union leave hours from May 2003 through January 2006." The auditor said the department began to charge union leave for the hours the three union representatives spent working on union activities beginning in February 2006. However, union leave hours, unlike time-bank hours, must be reimbursed to the state and must include both salary and benefit costs. In January 2009, the department reported that it had submitted invoices to the union totaling \$753,460 for the union representatives' work on union activities from February 2006 through December 2008; however, as of the end of December 2008, the department had not received payments on any of these invoices. "Therefore, Corrections has either failed to account for or to recover any reimbursements for hours that the three representatives used to conduct union activities from May 2003 through December 2008," the auditor concluded. "These unrecovered reimbursements cost the State a total of \$1,334,262." (Source: *California State Auditor Report I2009-1* - April 2009.)

Department of Corrections and Rehabilitation

Amount: \$1,270,000

Comatose Convicts Are Costly to Taxpayers. The state's prison system spent \$1.27 million in just six months during 2004 on medical care for six comatose inmates. The figure does not count the \$1,056-per-guard daily cost for security at hospitals. Senator Gloria Romero requested the cost accounting from the Department of Corrections in the wake of reports in the *San Jose Mercury News* of a system that requires round-the-clock guarding of prisoners, even when a prisoner is on a life-support apparatus. (Source: *The Associated Press*, March 28, 2005.)

Department of Corrections and Rehabilitation

Amount: \$580,000

State Paid \$580,000 to Rent Vacant Office for Four Years. The state's prisons may be overcrowded, but the same cannot be said for the offices of the agency that oversees the penal system. A state audit revealed that the California Department of Corrections and Rehabilitation and the Department of General Services "wasted a total of \$580,000 in state funds by leasing office space that Corrections had left unoccupied for more than four years." (Source: *California State Auditor Report I2009-1*, April 2009.)

Department of Corrections and Rehabilitation

Amount: \$200,000

Improper Activity by State Workers Cost Taxpayers \$200,000. State Auditor Elaine Howle found that 20 state workers were involved in improper activities, costing taxpayers \$200,000. Of the total, \$108,000 was for overtime for San Quentin doctors who were not entitled for overtime due to their contracts. In another case, an employee of the Contractors State License Board drove her state-assigned vehicle 1,922 miles more than her job required, used the vehicle for personal purposes and falsified records. An employee of the State Water Resources Control Board used a state telephone to log 54 hours of personal long-distance telephone calls. Two employees of Caltrans used state computers for personal use. (Source: *State Audit Report*, 2008.)

Department of Corrections and Rehabilitation

Amount: \$262,000

State Workers Collect \$262,000 a Year in Overtime. A state prison nurse in Monterey County collected a whopping \$198,000 last year in overtime alone – bringing her total pay to \$310,000. The *San Francisco Chronicle* reported on other cases of six-figure overtime payments, including \$141,000 to a prison guard in Tuolumne County whose base pay is \$99,000 and \$112,000 to a California Highway Patrol officer in San Francisco whose regular pay is \$90,000. (Source: *San Francisco Chronicle*, June 30, 2008.)

Department of Corrections and Rehabilitation

Amount: \$150,000

Endless "Vacation." At taxpayer expense, a California prison guard has been collecting full salary for staying off the job. So far, Shayne Ziska has pocketed \$150,000 for two years and six months of administrative time off. He was suspended by the Department of Corrections while the FBI investigates whether he was connected with a prison gang. The 41-year-old guard denies such an association. He has not been formally charged with anything. Civil Service rules will not allow him to be fired unless he's convicted of a crime. State officials say they were asked by the FBI to hold off on a state probe until the federal investigation is finished. Meanwhile, Ziska is on the payroll, building up vacation days and pension benefits. (Source: *Los Angeles Times*, May 30, 2003.)

Department of Justice

Amount: \$2,400,000

Auditor Says Department of Justice Squandered \$2.4 Million. In her latest report on improper activities by state workers, State Auditor Elaine Howle found a host of problems, including a Department of Justice personnel procedure that bypassed the state's bargaining process and cost taxpayers \$2.4 million. The audit report said: "The Department of Justice created inefficiency when it entered into a series of side letters negotiated directly with a bargaining unit. These side letters were not submitted to the Department of Personnel Administration, nor were they ratified by the Legislature. As a result, Justice absorbed the salaries and benefits of four

employees who were released from work full-time over a 12-year span to participate in union-related activities at a cost of \$2.4 million. However, Justice is unlikely to recover these costs because the bargaining unit relied on the side letters." (Source: *California State Auditor's Report*, April 3, 2008.)

Supplemental Security Income/State Supplementary Payment Program

Amount: \$141,146

Controller Chiang Reports Prisoners Get Welfare Payments. County jail inmates in California have received more than \$400,000 in state and federal benefit payments to which they are not entitled, according to a review of a small number of jailbirds by the State Controller's Office. Controller John Chiang said total overpayments to locked-up criminals could add up to millions of government dollars. "This state and federal assistance program provides crucial aid to aged, blind and disabled Californians who have little or no income or other resources to provide for their basic needs," Mr. Chiang said. Recipients in California get up to \$836 a month from the Supplemental Security Income/State Supplementary Payment program (SSI/SSP). The money is to cover living expenses, and state rules say the payments must be suspended for those jailed longer than 30 days. Auditors from the Controller's Office found 3,398 prisoners receiving payments, and auditors examined a sample of 539 prisoners. Of these, 257 were ineligible to receive payments because they had been in jail for 30 days or more. Those 257 received \$413,995 from the program, including \$141,146 in state funds and \$272,849 from Uncle Sam. (Source: *State Controller's Office*, April 18, 2007.)

Youth and Adult Correctional Agency

Amount: \$98,525,000

Audit: Prisons Pay Too Much for Medical Care. A state audit has found that California prisons have been paying local hospitals as much as eight times more than Medicare would pay for the same procedures. The average 21 percent annual increase in health care costs over the past five years is almost three times the national inflation rate for hospital services, even though there was no significant increase in the inmate population. Spending on outside medical services amounted to \$112.6 million last year, according to the Bureau of State Audits, which recommends that the department renegotiate its

contracts with hospitals and conform costs to Medicare rates.
(*The Associated Press*, July 28, 2004.)

GENERAL GOVERNMENT

California Avocado Commission

Amount: \$2,000,000

Avocado Commission Misused as Much as \$2 Million, Audit Finds. State auditors have uncovered as much as \$2 million in questionable spending by the California Avocado Commission during just a three-year period. During the brief time examined by auditors, the 18 employees of the Irvine-based commission used official credit cards to pay for more than \$1.5 million in home remodeling, sports tickets, health club memberships and delivery of restaurant meals. The spending included \$123,227 spent on season tickets to the Anaheim Ducks hockey games and the Los Angeles Angels of Anaheim baseball games between 2005 and 2008 – an amount that equates to more than \$41,000 a year for tickets that often were used by the commission's employees. On commission ledgers, the tickets were listed under "merchandising, retail performance programs." The employees also ran up charges for \$850-a-night hotel rooms at resorts, and bought clothes from high-end retailers, characterizing the apparel as "uniforms" in their expense reports. Mark Affleck, who recently resigned from his \$300,000-a-year post after serving for 20 years as chief executive of the commission, used commission money to make \$17,000 worth of permanent improvements to his home, reportedly so he could telecommute. Commission board members, family members, guests and employees received "massages, nail service, facials and body treatments" during meetings at luxury resorts, the auditors found. The items and services "may be considered gifts of public funds," the auditors' report said. The commission is funded by mandatory exactions collected from the state's 6,000 avocado growers. Its activities are overseen by the California Department of Food and Agriculture. (Source: *The Sacramento Bee*. – *State Worker blog*, January 13, 2009.)

California Earthquake Authority

Amount: \$160,000

State Pays to Muzzle Former Employee. The California Earthquake Agency has agreed to pay its CEO David Knowles, who plans to resign, \$160,000 to keep his mouth shut. The *Associated Press* reported that Mr. Knowles, a Republican former Assembly member, and State Treasurer Phil Angelides, a Democrat, fought over a report on whether the agency had funds to pay claims. The *AP* report, citing industry sources, said that Mr. Knowles was pressured to resign, but an agency statement issued after a board meeting depicted the resignation as voluntary. The details of the report were unavailable. All parties declined comment, as required by the \$160,000 settlement. Mr. Knowles also waived potential legal claims. (Source: *The Associated Press*, December 24, 2002.)

California National Guard

Amount: \$750,000

Guard Bivouacs at Hotels. Despite a multibillion-dollar state budget deficit, the Davis administration apparently feels nothing is too good for the troops. The *Contra Costa Times* reported that California National Guard members guarding Bay Area bridges were staying at local hotels, including the San Francisco Marriott, rather than local military barracks. The cost to taxpayers: \$750,000. Governor Gray Davis activated the Guard after September 11 to provide added security. Major Kim Oliver, justifying the hotel lodgings, said, "There is absolutely no military housing in the area." However, a spokesperson for the Presidio Trust told the *Times* that a 47-unit barracks there has been available since the troops were first deployed. Ron Sonneshine, a Presidio Trust spokesperson, said an offer had been made to lease the barracks for a nominal fee. "I'm sure it will be cheaper than the Marriott," he said. (Source: *Contra Costa Times*, March 30, 2002.)

California National Guard

Amount: \$6,564

State Puts Tax Lien on Itself. The state has put a lien on the State of California Military Department (better known as the California National Guard) for unpaid employment taxes totaling \$6,564. The listing includes the amount of the lien filed by the

Employment Development Department and the National Guard's mailing address, but does not provide any details about the circumstances that led the state to place a lien on itself. (Source: *Sacramento Business Journal*, November 23, 2007.)

California State Lottery

Amount: \$52,000,000

Computer Snafus Are Costly: Lotto Scratchers. An \$52 million computer project was abandoned by the state of California, according to a report in the *Los Angeles Times*. It is at least the fifth time in this decade, reported the *Times*, that California state government has "frittered away millions of dollars trying to construct a new system ... Nearly half a billion dollars has been wasted on mammoth systems that spun out of control and were abandoned." The case involved automation of California's lottery scratcher computers. (Source: *Los Angeles Times*, July 12, 2001.)

California State Lottery

Amount: \$264,000

Lottery Blunder Costs \$264,000. The California Lottery will pay \$264,000 in additional prizes to nine players who got a second chance to appear on the "Make Me a Millionaire" show due to a lottery worker's error. The players' names were transposed on forms during a taping of the show, resulting in them playing different games – thus shooting for very different prize amounts – than they otherwise would have. To address the snafu, lottery officials let the affected players return for another shot at riches. The players all won more this time around, so their initial winnings were deducted from the second round of prizes to avoid double-payments. (Source: *The Sacramento Bee – Capitol Alert*, October 26, 2009.)

California State Lottery

Amount: \$43,629

Lottery Uses Administration Funds for \$43,000 Staff Party. The California Lottery held a \$43,629 party for its employees, handing out video games, iPods, digital cameras and gift cards, and charging some of the items as "training" expenses. The party was held to commemorate the \$20 billion in gamblers' losses transferred from the lottery to public schools

since the lottery's inception in 1984. (Source: *The Sacramento Bee*, January 24-25, 2008.)

Department of Fleet Administration

Amount: \$2,100,000

Free Parking for State Workers Is Uncovered by State Audit. The Bureau of State Audits has uncovered unauthorized free parking by more than 400 state workers. The bureaucrats are supposed to pay for monthly parking permits through payroll deductions ranging between \$40 and \$85 a month, but Auditor Elaine Howle found that more than 400 government employees weren't paying, costing taxpayers \$24,500 a month. This contributed to a \$2.1 million shortfall in parking lot operations of the Office of Fleet Administration. The failures to pay were blamed on employees whose payroll deduction forms were lost or not submitted, or because deductions stopped when they changed state jobs, the audit said. (Source: *The Sacramento Bee*, July 8, 2005.)

Department of General Services

Amount: \$65,000,000

General Services Says BOE Must Stay in Run-Down Building, Cost to Taxpayers Exceeds \$65 Million. State Board of Equalization officials estimate that it will cost more than \$65 million to fix their headquarters, which is owned by the Department of General Services. Here's a wrap-up on Cal-Tax reports in 2009 on the BOE's building woes: January 9, BOE officials said water damage repairs would cost \$23 million. The top three floors were closed due to damage, also many break rooms were closed and elevator shafts seemed to be infected; January 23, BOE employees told the board that the top three floors will be uninhabitable for the foreseeable future; March 27, repair crews from the Department of General Services were repairing a heater unit when a ball valve sent 5,000 to 8,000 gallons of water cascading from the ninth floor to the first floor, additional mold was discovered on five floors and employees from the affected floors were sent on paid leave; May 29, The BOE's legal department relocates to the Franchise Tax Board's headquarters, and new construction defects are found; July 24, BOE staff testified that elevator repairs should take precedence over mold eradication, because the elevators pose risks to employee safety, and the Department of General Services reported that it would begin window repairs in 2014 as

continuing maintenance. In a November 6 update, the BOE reported that the heating system has been reactivated, and repairs have been completed on October rain damage. Still, BOE employees are being shuffled from floor to floor as repairs continue. The Department of General Services has asked the BOE for a rent increase for the coming year. The state still owes \$90 million on the building. (Source: *Cal-Taxletter Archives*, 2009.)

Department of General Services

Amount: \$5,500,000

State Spent Millions on Vehicles That Sit Unused. Two of the state's largest departments spent more than \$5.5 million on new cars and trucks in 2009, then left them parked for months. "One department still has pickup and larger trucks parked in its yard that it bought during 2006, 2007 and 2008," *The Sacramento Bee* reported. "The vehicles are awaiting final assembly and are unemployed." The paper reported: "The departments bought more vehicles as lawmakers slashed state spending, cut state worker pay and eliminated key public services after tax revenue plunged and they needed to balance the budget. The Department of General Services spent \$1.2 million on 50 new hybrid Toyota Prius sedans in February, with state agencies committed to buying only 13 of them, state purchasing records show. *The Bee* found and photographed the cars on the top floor of the state garage near the Capitol, where they were parked for months. All were moved after *The Bee* asked about them." In its investigation, *The Bee* found that Caltrans has spent \$4.3 million since February to buy new trucks and dump-truck bodies, including a \$1.7 million flurry of orders June 30 – the last day of the state's fiscal year. Still, a reporter who visited three different Caltrans depot yards saw more than 100 undeployed heavy-, medium- and light-duty trucks sitting behind fences. "State records show dozens of them have been parked there for months – with delivery dates ranging from January to July – awaiting outfitting with such components as toolboxes and snow-blowers before they can be put into action," *The Bee* said. "A handful have been parked there, unused, for years." (Source: *The Sacramento Bee*, October 26 and 28, 2009.)

Department of General Services

Amount: \$3,000

Department of General Services Spent \$3,000 on Contracts for Services That Other Agencies Provide for Free. A state auditor's investigation found that the Department of General Services "wasted \$3,000 when it contracted with and paid a private vendor to provide emergency preparedness training in a state building in Los Angeles in October 2005 even though the California Highway Patrol could have provided the same services at no cost." (Source: *California State Auditor Report 12009-1*, April 2009.)

Department of Industrial Relations, Workers' Compensation

Amount: \$1,300,000,000

Officials Estimate That Workers' Compensation Fraud Costs at Least \$1.3 Billion Per Year. State officials estimate that more than \$1.3 billion of fraudulent workers' compensation claims are filed each year in California. However, cases worth less than \$55 million, representing only 4 percent of the estimated problem, were involved in fraud charges filed by prosecutors last year, the paper reported. Insurance Commissioner John Garamendi said failure to police fraud in the system is fueling outrage. He blames a shortage of resources to combat the problem, a lack of support from private insurers, and a lack of standards that allow legal abuses of the system. (Source: *Orange County Register*, March 7, 2004.)

Department of Veterans Affairs

Amount: \$5,700,000

Audit Hits Veterans Affairs Department. The Bureau of State Audits, in a report issued in December, found problems with the Department of Veterans Affairs cash management, to wit: Since the state Department of Health Services decertified the Barstow home in July 2000, this home lost \$5.7 million in federal and state funds through June 2001. "The department lacks an understanding of the data in its system, in addition to adequate tools and resources, to allow it to effectively manage the fiscal operations of its veteran's homes," the report stated. The department responded that efforts were under way to

regain certification of the Barstow home. (Source: *State Auditor Reports*, December 2002.)

Employment Development Department, State Disability Insurance

Amount: \$216,467,000

SDI Wastes Millions Through Errors, Abuse. The State Disability Insurance program "cheated people out of benefits while overpaying others," according to internal audits and interviews with state employees. From 1999 to 2001, the program overpaid between \$124 million and \$200.7 million to "injured" people who may not have deserved the payments, while as much as \$191.9 million in benefits were denied or delayed by processing errors. There were errors on nearly 40 percent of processed claims. State employees complained of an increased workload, contributing to errors. [Note: This figure excludes 1999 since this report looks at spending between 2000 through 2009.] (Source: *San Francisco Chronicle* – Robert Salladay, January 26, 2003.)

Employment Development Department, Unemployment Insurance

Amount: \$127,000,000

Thieves Steal Unemployment Benefits. At least \$127 million in unemployment insurance payments were involved in fraudulent claims because the state hasn't checked to make sure they were going to eligible recipients. What appeared to be organized crime against the state, with thieves having payments forwarded to different addresses, was under investigation by federal authorities. The ease by which this scam – one of the biggest thefts of government money in the state – has been working was reported in a CBS 2 Special Assignment segment. (Source: *CBS 2 – Special Assignment*, January 23, 2003.)

Employment Development Department, Unemployment Insurance

Amount: \$280,000,000

Unemployment Insurance Fraud. *The Sacramento Bee* reported skyrocketing unemployment insurance claim fraud in

2002, totaling \$280 million. That's almost a fourfold increase since 2000, the newspaper said. There has been a significant increase in fraudulent claims stemming from stolen or compromised personnel records. *The Bee*, using internal memos and information from Employment Development Department staffers, reported that there are key weaknesses in the state's benefit system. For example, the department issues control numbers and benefits to people who file claims under a Social Security number that belongs to another person, living or dead. Claimants also can file for benefits over the phone or online, making it easier to falsify their identities. Criminals have been successful in the creation of fake employers, and the department depends on employers to report fraudulent claims. According to *The Bee*, insiders at the department say a search for quick fixes has resulted in "superficial seals on gaping holes." (Source: *The Sacramento Bee*, July 31, 2003.)

California State Legislature

Amount: \$14,400,000

Legislature Added 336 Workers to Payroll, Gave Pay Raises as Budget Was Slashed. Despite the state's budget problems, the Legislature has been hiring new workers and giving out pay raises to existing employees, according to two newspaper reports. The *San Francisco Chronicle* reported: "State lawmakers hired 336 employees – about 15 percent of the Legislature's workforce – between January and the end of July, the (Legislature's) records show. The payroll of the new hires totals more than \$1.2 million a month or about \$14.4 million a year. The positions include a student intern in the Senate mailroom who makes \$1,500 a month and a lawmaker's former chief of staff returning as a consultant with a \$125,004 annual salary." (Source: *San Francisco Chronicle*, August 9, 2009.)

California State Legislature

Amount: \$335,000

State Pays \$335,000 Settlement for Carole Migden's Motoring Mishap. The state has reached a settlement with a Vallejo woman who was rear-ended by Carole Migden in 2007, when Ms. Migden was a member of the state Senate. Ms. Migden, who was behind the wheel of her state-issued SUV at the time of the collision, had been driving so erratically that she left a trail of people calling 911 to report her as a danger. Ms.

Migden ran for re-election in 2008, but was defeated by Mark Leno in the Democratic primary. She now serves on the California Integrated Waste Management Board. (Source: *San Francisco Weekly*, July 6, 2009.)

Office of the Attorney General

Amount: \$230,000

Jerry Brown's Office Gets \$230,000 Remodeling Job.

Attorney General Jerry Brown, who prefers working out of an office in the State Building in Oakland rather than the Sacramento headquarters, just spent \$230,000 to remodel his Oakland office. Mr. Brown explained: "Right now, I'm working out of a cubbyhole. This will allow me to be closer to the action." (Source: *San Francisco Chronicle*, March 9, 2008.)

Secretary of State

Amount: \$2,900,000

California Owes \$2.9 Million From Improper Secretary of State Conduct. The federal Election Assistance Commission has ordered California to repay \$2.9 million that was improperly spent during the administration of former Secretary of State Kevin Shelley. He resigned in March 2005 in the face of bipartisan criticism. California has been the only state penalized by the election commission for misusing federal Help America Vote Act Funds. The state received \$349 million since 2003. The commission said \$536,112 was spent for purposes not allowed by the law and \$2.4 million was spent on allowable activities but lacking documentation. State and federal audits found that state employees were paid with federal money for consulting and other partisan political activity, including purchases of buttons and balloons to promote Mr. Shelley. (Source: *San Francisco Chronicle*, October, 17, 2006.)

Other General Government Expenses – Indian Gaming Casinos

Amount: \$505,000

Money Intended for Mitigation of Casino Problems Is Used for Other Purposes. The state auditor reported July 12 that half a million dollars taken from Indian casinos to pay for casino-related impacts on nearby communities has been used

for other purposes. "We reviewed 30 grants totaling \$12.1 million made to local governments in six counties and found five instances totaling \$505,000 when the money was not used to offset the adverse effects of casinos," the auditor's report stated. For example, San Diego County's sheriff spent more than \$149,000 on a device to analyze chemicals from arson sites and other crime scenes, but the device was not intended to be limited to casino-related incidents, and would be used for cases throughout the county. The auditor also reported that in several instances, local governments were holding on to their grants from the casino-mitigation fund, and were using the interest on the money for general government spending. Interest totaling \$175,000 was used for general purposes. Other local governments kept the money in accounts that earned no interest at all, either for casino-related problems or for general spending. Finally, the auditor found that members of the county committees that distribute the money often fail to file financial disclosure forms required by law. Auditors requested 13 statements of economic interest for committee members, and received only two. (Source: *California State Auditor Report 2006-036*, July 12, 2007.)

Other General Government Expenses – Public Employees

Amount: \$2,100,000,000

State Spends Billions in Overtime. The state auditor reports that some state employees receive more than \$150,000 a year in overtime, and the state has paid out more than \$2.1 billion in overtime during the past five years. This figure does not include overtime paid to corrections employees at prisons staffed around the clock. The state auditor's report said excessive overtime was earned by a relatively small number of employees at state mental hospitals and developmental centers, which "may compromise their own and patients' or consumers' health and safety." The audit found that 19 of the 489 nurses at the Napa State Hospital averaged \$78,000 in regular pay and \$99,000 in overtime. At the Sonoma Developmental Center, 27 of the 430 employees averaged \$41,000 in overtime on top of their average \$33,000 in regular salary. (Source: *The Associated Press*, October 21, 2009.)

Other General Government Expenses – Public Employees

Amount: \$8,300,000

State Workers Live Rent-Free. The Bureau of State Audits reported that millions of dollars have been lost to the state because several state agencies provided free or discounted rent for their employees to live in state dwellings. The benefits were not properly reported as income, so went untaxed, costing taxpayers even more. Auditor Elaine Howle said the state in 2003 lost about \$8.3 million in possible rent revenues as 13 agencies provided housing to employees who either stayed free or paid only a fraction of potential fair market rent. (Source: *The Sacramento Bee*, March 27, 2006.)

Other General Government Expenses – Public Employees

Amount: \$815,000

State Worker Earns 4 Years of Vacation Time in 10 Years on the Job. A prison doctor on the state's payroll racked up more than \$815,000 in unused vacation and on-call pay – the equivalent of almost four years of pay at his final annual salary – during his 10-year career, according to a report by the *San Jose Mercury News*. (Source: *San Jose Mercury News*, October 8, 2008.)

Other General Government Expenses – Public Employees

Amount: \$320,000

State Credit Card Used in Thefts. A state procurement analyst, using a state credit card and her position to forge purchasing documents, went on a \$320,000 buying binge, with state taxpayers picking up the bill for a flat-screen television, hot tub, gazebo, iPods, handcuffs, chains and whips, according to state police. Carey Renee Aceves, 34, first worked for the state from 2001 to 2005 with the Department of Fish and Game, then worked 17 months for the Child Support Services Department. As officials began investigating her purchases, she moved to the State Board of Equalization. (Source: *The Sacramento Bee*, February 7, 2007.)

Other General Government Expenses – Software Contracts

Amount: \$41,000,000

Oracle Debacle. The Bureau of State Audits reported that the state entered into a no-bid \$95 million enterprise licensing agreement with Oracle Corporation for more software than was needed, paying up to \$41 million more than it should have. (*San Jose Mercury News*, 2001, and confirmed by an April 16, 2002 Bureau of State Audits report.) Publicity, including legislative hearings, resulted in dismissals or resignations, tightened contracting practices and an agreement by Oracle to terminate the contract. (Source: *San Jose Mercury News*, April 16, 2002.)

Other General Government – State Agencies

Amount: \$440,000,000

State Auditor Finds More Than \$440 Million in Savings. The Bureau of State Audits since mid-2001 has recommended efficiencies that would save in excess of \$440 million, according to State Auditor Elaine Howle. She said her non-partisan office has been conducting performance audits of public entities for more than 30 years, according to *Capitol Morning Report*, which said Ms. Howle was reacting to State Controller Steve Westly's news conference at which he said he wanted to use his office's performance audit capability to make government more effective. The audits range from a finding of inadequate fiscal practices and internal controls at the Department of Corrections to a state law to make school bus transportation safer costing \$235 million more than expected. The state auditor also recommended renegotiations of certain energy contracts (\$29 million, according to the April 2003 report, which said the annualized carry forward from prior fiscal years amounted to \$64 million). (Source: *State Audit Reports Number 406* – Elaine Howle, 2004.)

Other General Government Expenses – State Grants

Amount: \$1,110,000

Audit Says Grants Lacked Oversight. Controller Steve Westly reported on his office's audit of 20 grant projects that were funded by state budgets between 2000 and 2002, concluding: "We found problems across-the-board in the way these grants have been administered. We have to make sure every taxpayer

dollar is spent wisely – that means cleaning up the process." Auditors questioned \$1.11 million in costs out of \$14.26 million examined. The report said in some cases grant funds went to projects that have shown little tangible value or benefit, including funding for facilities that have not been built. (Source: *News Release from the Office of the Controller*, March 9, 2005.)

HEALTH

Department of Developmental Services

Amount: \$1,000,000

State-Funded Non-Profit Plans to Move to Luxury Office.

The Regional Center of the East Bay, which receives state funds through the California Department of Developmental Services, "is going ahead with plans to relocate from Oakland to new high-end offices in San Leandro – at \$1 million more a year than what the agency would have paid had it stayed put." (Source: *San Francisco Chronicle*, July 13, 2009.)

Department of Health Care Services

Amount: \$2,500,000,000

Medi-Cal Fraud Costs Taxpayers \$2.5 Billion Per Year. *The Los Angeles Times*, in an article by Virginia Ellis and Tim Reiterman, reported that Medi-Cal fraud costs taxpayers about \$2.5 billion a year. They listed specific examples of theft and government reactions that have resulted in criminal charges filed against about 700 people and companies in the last few years, including almost \$100 million in restitution as a result of state and federal prosecutions. While state health officials believe civil enforcement actions have saved hundreds of millions more, the newspaper reported the state's \$25 billion-a-year Medi-Cal program "is so enormous, and the opportunities for fraud so widespread, that few think the efforts so far have done much more than hold the line." Some experts, *The Times* noted, figure 10 percent (\$2.5 billion) of the annual Medi-Cal budget – half of it state general fund tax dollars – is stolen by doctors, dentists, pharmacists and others. For example, Medi-Cal was charged for prenatal services to women who had already undergone abortions; a dentist charged for filling teeth that had been extracted; a suspended doctor billed for hundreds of nuclear brain scans without proper equipment and expertise.

A podiatrist, who used \$24 generic shoe inserts, billed the state for \$250 custom-molded supports. The article noted a black market among body builders for Serostim, a human growth hormone used by AIDS sufferers. A one-month prescription costs almost \$7,000. (Source: *Los Angeles Times*, December 26, 2002.)

Department of Health Care Services

Amount: \$180,000,000

Planned Parenthood's Alleged Overbilling Is a Bitter Pill for Taxpayers. Planned Parenthood affiliates in California overbilled the government by \$180 million for birth control pills, according to a lawsuit filed by an executive who was fired by the organization. *The Associated Press* reports that the lawsuit claims the alleged overbillings began in the late 1990s and "continued until state law was changed in 2004 to allow Planned Parenthood to bill at a higher rate." (Source: *The Associated Pres*, March 8, 2008.)

Department of Health Care Services

Amount: \$21,000,000

More Medicare Fraud in Los Angeles. Medical equipment suppliers are the latest addition to the long list of examples of Medicare fraud in Los Angeles County. Phony offices were established to bill the taxpayers for \$21 million worth of supplies that were not delivered. (Source: *Los Angeles Times*, March 3, 2008.)

Department of Health Care Services

Amount: \$12,000,000

Indictments in \$12 Million Medicare Scam. Investigating more than \$12 million worth of unnecessary respiratory treatments fraudulently billed to Medicare, federal officials report the indictments of nine doctors, six health care administrators and three associates. They are set to be arraigned next month on various charges. Officials say they paid kickbacks to board-and-care administrators and others known as "cappers" to gain access to elderly and mentally ill patients. They were enticed for therapy with sodas, candy and doughnuts. (Source: *Los Angeles Times*, February 15, 2007.)

Department of Health Care Services

Amount: \$7,600,000

Skid Row Welfare Scams Cost Millions. Authorities in Los Angeles say skid row has attracted rip-off artists who are stealing millions of dollars by using the homeless. State and federal investigators say they have broken up two food stamp scams, one involving a merchant accused of giving homeless people 50 cents on the dollar, then charging the entire amount (\$6 million) to the government. The homeless with Medi-Cal or Medicare cards are recruited for expensive medical tests at a clinic where tests cost taxpayers at least \$1.6 million. "We have taxpayer money meant for food being converted to cash that goes to buy drugs from dealers and gang members," said police Captain Andrew Smith. (Source: *Los Angeles Times*, December 15, 2006.)

Department of Health Care Services

Amount: \$4,600,000

Big Medi-Cal Fraud Bust Announced. Twenty Southern California individuals were arrested for Medi-Cal fraud, and 22 others were named in a federal grand jury indictment. They are alleged to have defrauded Medi-Cal of \$4.6 million for in-home licensed services – though the service was performed by unlicensed individuals. Some had no medical training and were told to lie about their qualifications. (Source: *Orange County Register*, July 9, 2009.)

Department of Health Care Services

Amount: \$2,500,000

Auditor Hits State for Failure to Recoup Millions in Erroneous Payments. The California state auditor, in a follow-up review, reported that the Department of Health Services has yet to recoup at least \$2.5 million resulting from erroneous payments to pharmacies. The problem was identified in a 2005 report issued by the Bureau of State Audits. State Auditor Elaine Howle also noted that while the Department of Health Services has "made some progress in reducing its backlog of older disputed rebates, its current backlog has increased significantly." On the plus side, the follow-up report noted that the Department of General Services expects to generate savings from two new contracts for pharmaceutical services. However,

DGS has been "slow to fully analyze measures to improve its procurement process," the auditor found. (Source: *California State Auditor report*, June 12, 2007.)

Department of Health Care Services

Amount: \$1,200,000

State Overpaid \$1.2 Million for Wheelchairs, Auditor Says.

The Department of Health Care Services paid about 25 percent more than it should have in Medi-Cal claims for durable medical equipment (such as wheelchairs and wheelchair accessories) during a recent audit period, the California state auditor reported June 17. (Source: *California State Auditor Report*, June 17, 2008.)

Department of Health Care Services

Amount: \$278,667

Medi-Cal Defrauder Goes to Jail. Emmanuel A. Udeobong, who issued false Medi-Cal and Medicare claims amounting to \$418,000 between 1999 and 2001, has been sentenced to 4 years in prison, the Franchise Tax Board announced. Mr. Udeobong also understated income on state income tax returns. The jail time was imposed by Los Angeles Superior Court Judge Curtis Rappe. (Note: The amount listed is an estimate of how much the false claims totaled for 2000 and 2001, because 1999 expenses are not included in this report.) (Source: Press Release from the Franchise Tax Board, March 26, 2007.)

Department of Health Care Services

Amount: \$380,000

Dental Work Scammers Cheat Medi-Cal. State lawyers have filed a fraud lawsuit against eight individuals in four "dental clinics" in Southern California, charging them with 64 counts of stealing the identity of unsuspecting dentists and cheating the Medi-Cal system out of at least \$380,000. The legal crackdown was announced by the state Department of Justice, three days before legislators called for a special state audit of the \$25 billion Medi-Cal program. (Source: *Stockton Record*, March 18, 2003.)

Department of Health Care Services

Amount: \$375,000

Medi-Cal Fraud Is Flourishing. The co-owners of a pharmacy and medical supply in the Los Angeles area were arrested on suspicion of billing Medi-Cal for \$375,000 in prescription drugs that were not delivered to patients. The head of the Los Angeles County District Attorney's Fraud Interdiction Program, Albert MacKenzie, said: "This stuff is so out of control. We have to have a more effective way of investigating and prosecuting these cases, because the traditional methods of investigation and prosecuting these cases take years. By that time, the money's gone and the crooks are gone." (Source: *Los Angeles Daily News*, August 7, 2005.)

Department of Mental Health

Amount: \$300,000,000

State Program Blows \$300 Million Intended for Mental Health Services. A state program created to provide mental health services for children has instead provided a textbook example of government mismanagement – with a price tag of a whopping \$300 million. Because the services were provided by the counties, which then sought reimbursement from the state, the accounting snafus have left the counties holding the bag. Los Angeles County alone is owed \$110 million. Counties want the Legislature to pay them, while the nonpartisan legislative analyst is urging lawmakers to hold off on paying until the program can show that its problems have been fixed. The mistakes add up to a \$300 million problem for California's taxpayers, and a major headache for the Schwarzenegger administration, which already is struggling to craft a budget in the face of reports showing a major decline in tax revenue. (Source: *Los Angeles Times*, March 13, 2007.)

Department of Mental Health

Amount: \$1,000,000

Million-Dollar Watchdog. The state Department of Mental Health is spending about \$1 million to create a supervised-release program for one convicted child molester. The department said the annual per-offender cost will be decreased to about \$180,000 as more offenders enter the program. Department Deputy Director John Rodriguez: "I don't disagree

that we have tough financial times. But this is a public safety issue." (Source: *San Jose Mercury News*, March 15, 2003.)

Department of Public Health

Amount: \$800,000

Director of New State Agency Gets \$800,000 Office The state is in the process of creating a Department of Public Health, and the government is paying for an office suite to be remodeled for the director – at a cost to the taxpayers of \$800,000. Senator Elaine Alquist noted that the price tag for the renovation is "more than it would cost to buy two houses in Sacramento." The spending includes \$138,000 for new furniture and tens of thousands of dollars on items like bulletproof glass for the front reception area. The office is on the seventh floor of a state building that has security guards posted at the front desk. The new department also is spending \$150,000 on outside consultants to develop plans on "change management" and "organizational leadership." (Source: *The Sacramento Bee*, March 25, 2007.)

HIGHER EDUCATION

California State University

Amount: \$200,000,000

Report Hits CSU Software Contract. In yet another example of expensive government problems with efforts to upgrade or install computer software, a poorly conceived California State University software contract is exceeding projected costs by \$200 million. The Bureau of State Audits also said that a high-ranking CSU official was being paid as a consultant for the software firm that won the contract. The \$662 million contract was poorly conceived from the outset, the bureau's report said. Further, there are serious problems in the software that threaten the confidentiality of student information. (Source: *State Auditor Report*, March 11, 2003.)

California State University

Amount: \$163,776

Former CSU Chancellor Paid Well for One Class. The hiring of a former California State University chancellor to be a "trustee professor" to teach one class at CSU Los Angeles has prompted anger from the California Faculty Association. Barry Munitz, who quit CSU eight years earlier, is teaching one English course and performing other duties, including fundraising. For this, he gets \$163,776 for the year, which is about \$50,000 more than a full professor's pay. Mr. Munitz left CSU to become president of the J. Paul Getty Trust. He resigned from the trust in early 2006 amid allegations regarding spending practices. (Source: *San Francisco Chronicle*, May 10, 2006.)

California State University

Amount: \$152,441

CSU Official Receives \$152,441 for Excessive Travel, High-End Dining Expenses and More. An official in the California State University Chancellor's Office received improper expense reimbursements of \$152,441 between July 2005 and July 2008, according to a state audit. The employee, who is not named in the auditor's report, was a senior official in the CSU Department of Information Technology Services. While department officials often travel to different university campuses throughout the state, whistleblowers suspected the official of "improper government activity." They were right, according to the auditor. An audit found improper expenses for travel, business meals, commuting and monthly living allowances. From July 2005 to July 2008, the official traveled to London, Amsterdam, Shanghai, Singapore and Melbourne, but the audit found that none of the trips had any "clear or demonstrable benefit to the State or university." Travel within the United States included trips to San Antonio, Boston, New Hampshire, and Washington, D.C. The auditor found that the university system does not have policies regarding lodging expense limits. The official also received reimbursements for costly meals. In April 2007, he bought dinner for 14 CSU staff members at a total cost of \$2,332, or \$167 per person. Total reimbursements for meals between 2005 and 2008 amounted to \$26,455. Despite CSU policies prohibiting commute reimbursements over a 25-mile limit, the official was reimbursed \$43,288 for travel between his home in Northern California and his work headquarters in Long Beach. Other expenses included

long-term living reimbursements totaling \$24,676 and an additional \$17,053 in reimbursements for personal expenses, such as an executive airline club membership and non-work-related telecommunications expenses. (Source: *California State Auditor Report I2007-1158* - December 3, 2009.)

California State University

Amount: \$27,000

Audit Reveals CSU Perks Including \$27,000 Kitchen Remodel for Campus President. The president of California State University at Sacramento received \$27,000 to have his kitchen remodeled, even as his salary was increasing 33 percent over four years, a state audit revealed. The report from State Auditor Elaine Howle found many problems with CSU's compensation practices, including: Compensation for some managers who were no longer performing services for the university; Generous moving and relocation expenses awarded "under a broad policy that sets few monetary limits," and raises totaling nearly \$226 million over the past five years, approved for executives "despite concerns raised by various entities." Sacramento State President Alexander Gonzalez, who is referred to in the audit report only as "the new president," is a case study of the university's questionable spending. In addition to the expensive kitchen and the large pay raises (which brought his salary to \$295,000 a year, plus a \$60,000 housing stipend and a \$12,000 car allowance), the president was given \$65,000 for closing costs on his home, \$19,000 for moving expenses, and \$233,000 in loans at a 1.69 percent interest rate to cover escrow costs and mortgage payments. John Travis, political action chairman for the California Faculty Association, said the money "should be going toward the classroom and education," not executive perks. (Source: *California State Auditor Report*, November 6, 2007.)

Student Aid Commission

Amount: \$3,000,000

EdFund Administrators Propose Millions in a Severance Package. Reacting to the Schwarzenegger administration's plan to sell the EdFund, the student loan guarantee outfit, to a private investor, seven administrators of the fund crafted a lucrative severance package. The package provides for two years' salary, bonuses, medical coverage and \$20,000 each to help find new jobs, and repayment of any taxes paid on their

"golden parachutes." It has estimated that this package would cost more than \$3 million. (Source: *The Sacramento Bee*, May 13-16, 2008.)

University of California

Amount: \$12,000,000

UC Employment Lawsuits Cost Millions. In cases involving allegations including sexual harassment, discrimination and "consensual relations" with students, the University of California has paid out at least \$12 million in settlements over three years. (*San Francisco Chronicle*, September 14, 2006.)

University of California

Amount: \$8,000,000

UC Exec Pay Plan Cost \$8 Million Before Being Scrapped. The University of California decided to phase out its Senior Management Severance Pay Plan and replace it with a new benefit. The decision to end the program, which has drawn considerable criticism, was prompted by concern that it could run afoul of federal tax rules on deferred compensation plans. UC has given 119 executives some \$8 million in severance when they quit or retired. (Source: *San Francisco Chronicle*, February 1, 2006.)

University of California

Amount: \$3,000,000

UC Fined \$3 Million for Allowing Woman to Take Nuclear Weapons Data Home to Her Trailer. The University of California has been fined \$3 million by the U.S. Department of Energy's National Nuclear Security Administration for a security lapse in which an employee of a subcontractor downloaded more than 1,000 pages of classified documents – including data on nuclear weapons design – and took them to her mobile home. The breach of security occurred last year at the Los Alamos National Laboratory in New Mexico. The purloined data was discovered during a drug raid that targeted another resident of the mobile home. The federal government said UC exhibited "a fundamental, and disturbing, misunderstanding of the proper approach to security matters." The illegal download of sensitive information occurred after UC's exclusive management ended, but the federal investigators determined

that UC's failure to institute required safeguards led to the breach. (Source: *San Francisco Chronicle*, September 29, 2007.)

University of California

Amount: \$1,000,000

UC Officials Ignore Rules, Hand Out \$1 Million in Executive Pay Raises. During the 15 months following a scandal involving executive compensation, University of California President Robert Dynes and the system's Board of Regents have given more than \$1 million in extra pay and perks to 70 executives – despite a rule saying such payouts should not be awarded. "The extra compensation was allowed under rules that let Dynes and the regents grant exceptions to policy – in effect overriding regulations that otherwise would not allow the payouts," the *San Francisco Chronicle* reported. "The extras include stipends and bonuses, auto allowances, relocation incentives, below-market home loans, and extended temporary housing for new hires." (Source: *San Francisco Chronicle*, May 25, 2007.)

University of California

Amount: \$925,000

New UC President Gets \$925,000 Compensation Package. Mark Yudof, the new president of the University of California, has been given a compensation package totaling \$925,000, making him the highest paid state employee. (Source: *The Sacramento Bee*, March 28, 2008.)

University of California

Amount: \$500,000

UC Spends to Polish Image. In what was described as an "uphill climb," the University of California has spent about \$500,000 trying to learn what people think of UC and how it can change the people's picture of the institution. Three outside consultants have been hired to conduct research seeking a frank assessment in the wake of relentless investigative reporting of fiscal mismanagement. (Source: *San Francisco Chronicle*, December 5, 2006.)

University of California

Amount: \$450,000

UC Fined \$450,000 for Anthrax Release. In a congressional hearing, it was discovered that the University of California had been fined \$450,000 for the September 2005 release of anthrax from a package improperly packed by workers at the Lawrence Livermore National Laboratory. The university managed the facility at the time. As a result, the lab suspended research into anthrax and other deadly biological substances for seven months. (Source: *Oakland Tribune*, October 6, 2007.)

University of California

Amount: \$111,000

University of California Lays Off Teaching Staff, Hires Lobbyist. The University of California system has so many budget problems that it has laid off thousands of employees, furloughed faculty, cut class offerings, reduced library hours and increased student fees. Still, UC President Mark Yudof has found \$121,000 to hire a new lobbyist. Vince Stewart, formerly the governor's deputy secretary of higher education and workforce development, started September 1. His annual salary of \$121,000 currently equates to take-home pay of \$111,000 because of furloughs. He also will receive generous fringe benefits. (Source: *The Sacramento Bee*, September 24, 2009.)

University of California, Berkeley

Amount: \$23,000,000

UC Separation Agreements Cost \$23 Million. In the past five years, UC negotiated at least 700 separation agreements worth about \$23 million. They include a UC Berkeley associate athletic director who was passed over for promotion in 2005, but then got \$183,000 over three years while taking a full-time job elsewhere. In 2002, UC Berkeley forced an Athletic Department administrator to quit, then agreed to keep him on the payroll for 2 ½ years at \$86,000 a year so he could reach retirement age and qualify his family for health care benefits. (Source: *San Francisco Chronicle*, May 17, 2006.)

University of California, Berkeley

Amount: \$3,000,000

UC Berkeley Spends \$3 Million to Learn How to Stop Spending. UC Berkeley will be spending \$3 million plus expenses to have Bain & Co. tell the university how to reduce its spending. Earlier this year, the UC campus had to make \$150 million in budget cuts, and hopes the Boston-based firm will suggest further cost-effective solutions. The full \$3 million plus expenses will be paid out over a two-year period, and was taken from the campus infrastructure fund. (Source: *Contra Costa Times*, October 2, 2009.)

University of California, Berkeley

Amount: \$2,100,000

UC Berkeley Broke Rules by Rehiring Police Chief After Giving \$2.1 Million Payout, Paper Reports. University of California at Berkeley officials granted improper perks last year to Police Chief Victoria Harrison, who retired with a \$2.1 million severance deal and was immediately rehired to the same position at a higher salary. (Source: *Contra Costa Times*, April 23, 2008.)

University of California, Berkeley

Amount: \$97,500

Berkeley Chancellor Used Relocation Allowance to Buy Car, Furniture. Chancellor Robert Birgeneau of the UC flagship campus at Berkeley got a \$97,500 relocation allowance in addition to his \$390,000 salary, but UC also paid a private moving company \$20,615 for the actual costs of moving his stuff from Toronto and Massachusetts. UC then spent \$131,703 to remodel his office and \$76,945 to renovate his on-campus mansion that is provided by the university. He used his relocation allowance to buy a car and furniture. (Source: *Oakland Tribune*, February 23, 2006.)

University of California, Davis

Amount: \$9,000,000

Upgrade of University's Records Is \$9 Million Over Budget at the Halfway Point. The University of California at Davis has been running a project to convert medical records from paper files into computer files. The project is currently \$9 million over budget, and is only halfway finished despite having a deadline of late 2006. An audit found that the project, started in 2002 with a projected cost of \$76 million, has cost taxpayers \$85 million so far. The *Sacramento Business Journal* reports that the audit "concludes there's nothing to show why existing staff was not assigned to do what the university paid outside consultants \$17 million to do." A previous audit found that consultants were paid approximately \$1,300 for fitness club dues and printing expenses that should not have been billed to the university. (Source: *Sacramento Business Journal*, March 9, 2007.)

University of California, Davis

Amount: \$2,300,000

Report: UC Davis Misspent at Least \$2.3 Million in Federal Funds Intended for Nutrition Program. One sixth of the budget for a federal nutrition program – \$2.3 million – was misspent by the University of California at Davis, according to a report of campus auditors unearthed by *The Sacramento Bee* after a public records request. Funds intended to teach poor state residents how to eat nutritious foods were used for computers, remodeling and unrelated research on chocolate. The campus has pledged to repay the misused funds, meaning the cost will come out of the pockets of taxpayers and students. Financial records for another three years are being looked at by an independent accounting firm. Federal grants for nutrition are supposed to be monitored by the California Department of Social Services. (Source: *The Sacramento Bee*, November 21, 2007.)

University of California, Davis

Amount: \$460,000

Ex-UC Davis Vice Chancellor Is Paid Well for Nothing. A secret legal settlement unveiled by the *San Francisco Chronicle*, involves a former UC Davis vice chancellor who resigned and got a new title, a \$20,000-a-year raise, and no requirement to do

any work. The newspaper said the legal settlement or agreement was negotiated to avoid a potentially embarrassing lawsuit alleging race and gender discrimination. Celeste Rose, 55, is allowed to stay on the payroll for two years at \$205,000 annually as "senior advisor to the chancellor" with no specified duties. She no longer has an office on campus, where she had been vice chancellor of university relations for the past seven years. She cannot be fired no matter how little she does. She gets all benefits of a senior manager, including health care, severance pay and a growing pension, the paper wrote. Even if she quits, she is entitled to what's left of her two-year salary, plus the university agreed to give her a \$50,000 transition payment to help her find a new job, a letter of recommendation and a promise to tell reporters that she voluntarily resigned her old position. (Source: *The Sacramento Bee*, December 20, 2005.)

University of California, Davis

Amount: \$55,000

UC Davis Pays John Edwards \$55,000 for a Speech on Poverty. The University of California at Davis paid former Senator John Edwards \$55,000 to deliver a speech titled, "Poverty, the great moral issue facing America." Mr. Edwards spoke to a crowd of 1,787, including, presumably, many students who struggled to pay the student ticket prices that started at \$17.50. The UC Davis speaking fee was the highest of the nine he received for speaking at colleges and universities in 2006. A \$16,000 fee was the lowest. Mr. Edwards made more than \$285,000 from discussing poverty at the nine institutions in 2006. Carla Marinucci of the *San Francisco Chronicle* notes that Mr. Edwards has urged that "every financial barrier" be removed for American students who want to go to college. (Source: *San Francisco Chronicle*, May 21, 2007.)

University of California, Merced

Amount: \$31,500,000

UC Merced Dorms Are Hurting. Yet another story pointing to the boondoggle that is UC Merced: It can't fill dorm rooms to provide the revenue to pay the \$1.7 million-a-year mortgage costs for student housing. And it is building a \$31.5 million student housing project on campus with two more dorms. Yet there are so many empty beds in existing dorms that students are being asked to reconsider their choice of living off campus.

Some of the students previously responded to requests to move out of the dorms to make room for freshman enrollment that wound up below expectations. There are 371 students in dorms designed for 586. (Source: *Modesto Bee*, December 5, 2006.)

University of California, Merced

Amount: \$80,000

Cost to Taxpayers to Find New UC Merced Chancellor: \$80,000. The University of California spent \$80,000 to find its new UC Merced chancellor. The search firm, Edward W. Kelley and Partners of Monterey Park, charges one-third of the first year salary for its effort. The new chancellor, Sung-Mo Kang, was found at the UC Santa Cruz campus. (Source: *Modesto Bee*, April 2, 2007.)

University of California, Riverside

Amount: \$30,000,000

UC Riverside Spending More Than \$30 Million to Buy Gated Community for Professors. The University of California at Riverside is in escrow to buy a gated, 78-house development near campus, with plans to use the community as subsidized housing for faculty. The sale price was not revealed by the university, but reportedly will be more than \$30 million. The deal requires approval by the UC Board of Regents before it can be finalized. University officials said subsidized housing is needed to attract quality faculty. The *Riverside Press-Enterprise* reports that such arrangements don't always work as planned: "Risa Dickson, executive assistant to the president of Cal State San Bernardino, said the city of San Bernardino set aside money to help faculty members buy houses in the city but few have taken advantage because of strict eligibility limits based on income." (Source: *Riverside Press-Enterprise*, August 10, 2007.)

University of California, Riverside

Amount: \$355,000

UC Riverside Pays \$355,000 to PR Firm While Keeping Communications Employees on Payroll. *The Riverside Press-Enterprise* reports that the University of California at Riverside is spending big bucks on a no-bid contract with a public relations firm, even though the university has in-house staff who are paid to perform many of the same functions. The paper reports:

"UCR contracted with Riverside-based O'Reilly Public Relations in April last year to help win Board of Regents approval for the creation of (a) medical school." Regents approved the \$280,000 contract, and the university also paid the PR firm \$75,000 in a subcontracting arrangement to procure the lobbying services of a former state lawmaker, who was more effective than the UC's government relations staff at securing state funding for the medical school, a school official said. (Source: *Riverside Press-Enterprise*, July 6, 2009.)

University of California, San Diego

Amount: \$248,000

UC Defends "Secret" Payment. UC spokesmen defended a secret \$248,000 payment to UC San Diego Chancellor Marye Anne Fox in 2005 that was in addition to her \$350,000 salary. She requested and received the value of a sabbatical that she had earned as president of North Carolina State University but had to forfeit when she accepted the UC San Diego job. (Source: *San Francisco Chronicle*, January 20, 2006.)

University of California, Santa Cruz

Amount: \$30,282

Taxpayers Foot the Bill for Dog Run for UC Chancellor. The university spent \$30,282 on a dog run at the residence of UC Santa Cruz Chancellor Denice Denton, noted *The Sacramento Bee* as it urged the Board of Regents to exercise more control. A *Bee* editorial said the regents reacted to the scandal by giving a veneer of accountability and vesting more authority in the system president to set salaries as high as \$750,000. "This board no longer runs the university system. The chancellors do," said *The Bee*. (Source: *The Sacramento Bee*, January 22, 2006.)

K-12 EDUCATION

California Standardized Testing

Amount: \$1,250,000,000

Study: \$1.25 Billion to Improve Schools Yields Little. An analysis of the state's Academic Performance Index (API) has concluded that about \$1.25 billion in public education money has done little to help improve student performance. This

finding was in a study released January 16 by the Pacific Research Institute, a free-market think tank, with recommendations for improvements. It is co-authored by James Lanich, president of California Business for Education Excellence, and Lance Izumi, director of education studies at PRI. The study concludes that the API is not an accurate or meaningful measurement of school and student academic achievement. It looks at two school improvement programs (Immediate Intervention/Underperforming Schools Program and High Priority Schools Grant Program). These two programs collectively spent about \$1.25 billion, or an average of \$771,604 per school, yet showed no significant difference in academic achievement over time as measured by improvement to grade-level proficiency on the California Standards Test. (Source: *California Business for Education Excellence*, January 16, 2007.)

Department of Education

Amount: \$13,000,000

Expensive Legal Battle Over School Conditions. The state of California has spent \$13 million in the last three years to fight a lawsuit that claims public school conditions are substandard. In an April 18 *New York Times* article, state Senator John Vasconcellos said, "To spend \$13 million on lawyers from Los Angeles instead of on education is really a crime." *Williams v. State of California* is a class-action suit filed by civil rights groups, and others, on behalf of school children. It contends the state allows students to attend poorly maintained schools, and forces them to use unsanitary restrooms, and has classrooms staffed with untrained teachers and inadequate resources (students have to share books). It focuses on 46 schools, where students are disproportionately non-white and many are learning English as a second language. According to the newspaper, the suit puts Governor Gray Davis in the awkward position of announcing state initiatives to improve education while his lawyers are arguing that many problems are not the state's responsibility and should be dealt with by local districts. (Source: *New York Times*, April 18, 2003.)

Department of Education

Amount: \$8,250,000

Department of Education Has to Pay \$4.25 Million to Private Attorneys in Questionable Legal Battle. The State Department of Education has set aside \$4 million to pay private

attorneys to defend itself and former schools chief Delaine Eastin against charges of misappropriation of federal money and a related "whistle-blower" case. Department records indicate that some of the funds for the legal fees were taken from adult and special education programs. Hilary McLean, a department spokeswoman, said the documents were mislabeled, and that the money came from the General Fund. In 2002, a jury found Ms. Eastin and some associates guilty of causing health problems of a whistle-blower due to mistreatment after he exposed misspending. The state Department of Education paid \$4.25 million in 2008 to settle the suit. (Sources: *San Jose Mercury News*, May 10, 2007 and *The Sacramento Bee*, April 23, 2008.)

Department of Education

Amount: \$9,000,000

Millions Spent to Lure Teachers. With financially strapped school districts giving out thousands of layoff notices, does it make sense for the state to spend more than \$9 million this year operating six teacher recruitment centers and holding job fairs? The \$9 million would keep 200 young teachers on district payrolls. (Source: *The Sacramento Bee*, March 18, 2004.)

Other K-12 Expenses – Tax Collections

Amount: \$63,000,000

Government Errors in Property Tax Reporting Cost State \$63 Million. Property tax reporting errors committed by schools, community colleges and redevelopment districts cost the state at least \$63 million from 2005 to 2007, Controller John Chiang reported May 7. (Source: *News Release from Controller John Chiang*, May 7, 2007.)

RESOURCES AND ENVIRONMENTAL PROTECTION

Department of Fish and Game

Amount: \$71,747

Oil Spill Prevention Official Greased Pockets With \$71,747 in Improper Travel Reimbursements. The state auditor reports that a high-level official formerly with the Department of

Fish and Game's Office of Oil Spill Prevention and Response incurred \$71,747 in improper travel expenses she was not entitled to receive. The auditor's report said the money included "reimbursements for the cost of commuting between her Sacramento headquarters and her Southern California residence and for lodging and meal expenses incurred near her headquarters and residence." The auditor said the official "incurred parking expenses at separate airports on the same day and parked at airports on weekends with no apparent business reason to do so," and concluded that "her practice of using separate state vehicles to drive to airports in Northern and Southern California is wasteful and not in the State's best interest." (Source: *California State Auditor Report 12009-1*, April 2009.)

Department of Forestry and Fire Protection

Amount: \$7,000,000

Flying Fast. The California Department of Forestry and Fire Protection was raked through the coals in an August 31, 2001, *Sacramento Bee* column. One element of Governor Gray Davis' "'fire action plan' appears to be a boondoggle engineered by the second-ranking (department) official to obtain a very expensive, very fast, executive-style aircraft that he often flies personally and – according to those familiar with it – is unsuited to any serious firefighting role," columnist Dan Walters wrote. The supercharged aircraft, with a top speed of more than 300 miles per hour, is known as "Woody's plane" because it is often flown by Chief Deputy Director Elwood "Woody" Allshouse, Mr. Walters continued. Mr. Allshouse came to the Davis administration from the CDF firefighters' union, of which he was president. The union was an early supporter of the governor's election campaign. Citing department sources, the column says the plane costs the state \$600,000 a year in lease payments, plus maintenance and operational expenses. The 12-year lease alone could cost the state more than \$7 million. Department Director Andrea Tuttle, a former environmental consultant, advocated the plane's acquisition but, according to Mr. Walters, confessed ignorance about the technical details. Checking the plane's log, Mr. Walters noted that Mr. Allshouse was at the controls on eight of 12 flights since the state got the plane in mid-July, and only one of those flights, August 20 to the San Joaquin Valley, mentioned "fires" as the mission. (*The Sacramento Bee*, August 31, 2001.)

Department of Forestry and Fire Protection

Amount: \$150,000

Taking it With Him. Elwood "Woody" Allshouse, the deputy director of the California Department of Forestry and Fire Protection, retired November 30 at the age of 52 and collected about \$150,000, before taxes, for about 17 months' worth of unused sick leave, personal holidays and vacation time. He says all this was built up over 33 years of service because he often worked 24 hours a day, seven days a week. Lynelle Jolley of the state Department of Personnel Administration said state employees with 30-some years of service usually earn 30 days annually of combined sick leave and vacation time. Governor Gray Davis appointed him deputy director in 1999. (Source: *The Sacramento Bee*, December 3, 2002.)

Department of Parks and Recreation

Amount: \$42,000

State Spent More Than \$42,000 to Fight Nudists, Based on Two Known Complaints. The *Orange County Register* reports that state officials spent more than \$42,000 battling a group of nudists who wanted to keep a portion of San Onofre State Beach as a clothing-optional area. Nudity on public beaches is illegal, but had been accepted at this beach for decades, prior to a June 2008 crackdown that led to litigation. An Orange Coast District official said the crackdown on nude sunbathing was needed to provide a safe and comfortable environment for park employees, to combat an increasing amount of criminal activity in the area, and to address "a growing number of complaints." The newspaper filed a public records request and found that only two written complaints were filed relating to public nudity at the beach. The government official defended his claim by saying most of the complaints were verbal, but said the agency did not document the verbal complaints in any way. Allen Baylis, a Huntington Beach attorney and director of the Nudist Action Committee, said: "It couldn't have been too serious. If they took verbal complaints seriously, they would have documented them." Mr. Baylis also said crime statistics cited by the anti-nudity side are unreliable, because they include parking lots and other areas outside the clothing-optional zone, and because some individual incidents are counted as many as four times in the statistics. (Source: *Orange County Register*, November 25, 2009.)

Department of State Parks and Recreation

Amount: \$12,000,000

Taxpayers Pay Big Bucks for Park They Cannot Use. From Proposition 117 bond funds, the state spent \$12 million to acquire Point Lobos Ranch near Carmel in Monterey County. However, state parks officials told the *Carmel Pine Cone* that they have no plans to open the property to the public in the foreseeable future. " (Source: *Carmel Pine Cone*, November 2, 2007.)

Department of Water Resources

Amount: \$69,500

Taxpayers to Pay State Energy Consultant's Ethics Law Fines. The Davis administration has agreed to pay \$69,500 in fines imposed for ethics law violations by failing to require energy consultants it hired to file statements of economic interests. The Department of Water Resources admitted ethics laws were violated and agreed with the Fair Political Practices Commission to pay the fine. It could have been as high as \$260,000. (Source: *The Sacramento Bee*, March 8, 2002.)

Department of Water Resources

Amount: \$25,000,000

Power Trading Losses Add Up. Buying and selling electricity apparently is a tricky business. As the *San Francisco Chronicle* reported, the state sold electricity for next to nothing – or nothing at all – as it piled up \$25 million in power trading losses during April, May and June of 2001. Included was May 26, when the state sold 500 megawatts to the Los Angeles Department of Water and Power for 50 cents each. The state paid an average of \$271 a megawatt hour during May. On May 28, the state gave away 786 MW hours to a British Columbia utility. Oscar Hidalgo, spokesperson for the Department of Water Resources, told the newspaper that California may not have had a buyer and electricity is not a storable product. (Source: *San Francisco Chronicle*, October 25, 2001.)

Natural Resources Agency

Amount: \$12,000

Taxpayers Pay for Poetry. The Legislature's Republican leaders, Senator Jim Brulte and Assemblymen Dave Cox, wrote a poem to Governor Gray Davis on June 14, questioning the wisdom of the Resources Agency spending \$12,000 on a series of poetry readings. Agency Secretary Mary Nichols was quoted defending the event, because "poets give us the inspiration that we need to do our work." The Republicans concluded: "From the taxpayer you'll never hear, 'Isn't that rosy, coffee, camaraderie, and state-paid poesy.' Knowing this we ask (tongue-in-cheek, by golly!) that your administration never repeat this folly." (Source: Poem by Dave Cox and Jim Brulte, June 14, 2001.)

Public Utilities Commission

Amount: \$33,000,000

CPUC Fails to Collect Millions in Fines. The California Public Utilities Commission has failed to collect at least \$33 million in fines imposed since 1999 on telecommunications companies. The commission's deputy general counsel, Lionel Wilson, reacting to an apparently premature report that a private collection firm had been hired, said such a decision had not been made. "We are trying to get a handle on this," he said. "Pursuing collections can be very difficult." A recent commission memo said outstanding debt owed by utilities that have been fined or penalized amounted to at least \$33 million. CPUC staff began looking into uncollected fines in 2006 after getting a routine memo from the Department of Finance on the importance of collecting debts owed to the state. (Source: *Contra Costa Times*, April 15, 2007.)

Sierra Nevada Conservancy

Amount: \$98,700

Did Sierra Nevada Conservancy Spend State Money Illegally? The board of the Sierra Nevada Conservancy, a state agency, on approved spending \$98,700 for the Central Sierra Watershed Education Program. Robert Schladale, representing the Department of Finance, said he doubts the spending is legal, as the funds come from Proposition 84's \$5.4 billion bond. He said the bonds must provide a physical asset, and added, "I

didn't see a physical asset on the ground." (Source: *Stockton Record*, December 5, 2008.)

SOCIAL SERVICES

California Work Opportunity and Responsibility to Kids

Amount: \$500,000,000

Grand Jury Calls Child-Care Program "ATM for Thieves."

The Los Angeles County Grand Jury called child care programs an "ATM for thieves" that cost taxpayers \$500 million a year in fraudulent claims. (This is more than was previously estimated in this county.) Jurors said the failure of county social workers to verify that welfare-to-work recipients qualify for child care has resulted in about half of the \$1.1 billion CalWORKS child-care program being lost to fraud. (Source: *Los Angeles Daily News*, June 30, 2006.)

California Work Opportunity and Responsibility to Kids

Amount: \$19,600,000

State Auditor Says CalWORKs and Food Stamp Programs Lack Oversight, Need Further Fraud-Prevention Measures.

A state audit released November 3 reported that the Department of Social Services, the agency responsible for the California Work Opportunities and Responsibility to Kids program (CalWORKs) and California's food stamp program, lacks oversight and does not conduct "meaningful analyses" to evaluate the programs' cost-effectiveness. The audit found that if the Department of Social Services had early anti-fraud measures in place, it would reduce its costs of investigating fraudulent activities. The audit found overpayments of \$19.6 million in CalWORKs aid payments. Additionally, the auditor reported that the department does not ensure that counties are following up with welfare recipients to determine if they are still eligible for benefits. (Source: *California State Audit*, November 3, 2009.)

Children and Families First Commission

Amount: \$47,700,000

Audit Underscores Lack of Accountability in Spending Prop. 10 Tobacco Taxes. State auditors found lax oversight of

millions of dollars in contracts, as well as padded expenses in deals made by the Rob Reiner-led California Children and Families Commission. The scathing report from the Bureau of State Audits found, however, that there was no conflict of interest between the commission's work and Mr. Reiner's universal preschool initiative campaign. The commission failed to use competitive bidding for \$47.7 million in contracts. Senator Dave Cox, who requested the audit, said: "This is an agency that is unaccountable and has frankly run amok. This may very well not have violated the law in regards to use of funds for political purposes, but it doesn't pass the smell test." (Source: *State Audit Reports*, October 31, 2006.)

Children and Families First Commission

Amount: \$5,000,000

Tobacco Taxes Pay for P.R., Not Children. *The Bakersfield Californian* reported that almost \$5 million of Proposition 10 tax money that should have gone to help children in impoverished families in Kern County was spent on consultants, public relations specialists and studies by university professors. "This money is supposed to go to kids, not to professors at Cal State Bakersfield," said state Senator Dean Florez. The newspaper, in an editorial, blasted the program for spending too much on administration. (Source: *Bakersfield Californian*, December 4, 2004.)

Department of Child Support Services

Amount: \$1,200,000,000

State Pays \$1.2 Billion in Fines for Failing to Track Child Support. The state government has paid \$1.2 billion in federal penalties in the last 10 years because it couldn't create a statewide computer system to track child-support payments ordered by the courts. A 1988 federal law requires states to have a single automated child-support system. Officials are hoping that a new \$1.6 billion computer system will make the state compliant with federal law and will help authorities track absent parents who are skipping child-support payments. The new system also could qualify California for a penalty refund of \$180 million. The only other state that hasn't met the federal requirement for a child-support computer system is South Carolina. (Source: *San Diego Union-Tribune*, March 28, 2007.)

Department of Child Support Service

Amount: \$201,000,000

Computer Snafus: Child Support Tracking. A computer project has been abandoned by the state of California, according to a report in the *Los Angeles Times*. The project involved a child-support tracking system that cost \$201 million. It is at least the fifth time in this decade, reported *The Times*, that California state government has "frittered away millions of dollars trying to construct a new system ... Nearly half a billion dollars has been wasted on mammoth systems that spun out of control and were abandoned." Reporter Virginia Ellis continues: "For taxpayers, the failures have been more than monetary; they have meant lost opportunities to make government more effective and efficient." Ms. Ellis writes that the failures are not only costly to taxpayers, they are humiliating because California is the cradle of today's technology. (Source: *Los Angeles Times*, July 12, 2001.)

Department of Social Services

Amount: \$1,500,000,000

\$1.5 billion: Child-Care Welfare Fraud. Authorities in Los Angeles County say an increasingly popular type of welfare fraud involving child care is "looting the public treasury" by as much as \$1.5 billion a year – statewide. James Cosper, head deputy district attorney in the county's Welfare Fraud Division: "There is so little regulation. The Legislature is either unaware or indifferent to the tremendous losses. It's a completely broken and dysfunctional system" that is a "tragic looting of the public treasury." Fraud takes 40 percent to 50 percent of the annual \$600 million child-care allocation for Los Angeles County, and, Mr. Cosper said his counterparts "up and down the state" have similar estimates of fraud loss from a statewide program that costs taxpayers as much as \$3 billion a year. Fraud typically involves welfare-to-work recipients who make up employers or exaggerate work hours to qualify for child care assistance. A person with five children can be paid as much as \$5,000 a month from the program. They split the cash with friends and relatives who pretend to be caring for the thieves children. (Source: *Los Angeles Daily News*, January 31, 2006.)

Department of Social Services

Amount: \$46,000,000

California Food Stamp Administration Is the Worst.

California faces tens of millions of dollars in federal penalties due to incompetence in managing the food stamp program. U.S. Department of Agricultural officials said this state is operating the most error-plagued program in the nation. According to federal data, in 17.4 percent of the cases last year, California allotted the wrong amount of food stamps – 124,520 households got more than entitled, while 68,486 got less than the correct amount. The federal government assessed a penalty of \$115.8 million for its inept administrative performance. Eric Bost, the Agriculture Department's undersecretary for nutrition programs, said that, after negotiation, the state will end up paying around 40 percent, or \$46 million. The state passes on to counties their portions of the fines, consistent with their error rates. This means the bulk will be laid at Los Angeles County's doorstep, where a computer snafu caused a large part of the problem. California issues food stamps, worth on the average nearly \$1,000 a year, to more than 1.7 million residents. (Source: *Los Angeles Times*, April 27, 2002.)

Department of Social Services

Amount: \$62,500,000

Poor Food Stamp Administration. Cash-strapped California is being fined again by the federal government for mismanaging food stamps. California's level of mistakes amounted to more than \$172 million in food stamps issued to those who were not entitled and underpaying others by about \$79.5 million, according to Eric Bost, undersecretary of the U.S. Agriculture Department. California is appealing last year's \$114 million penalty, the largest in the program's history. The Bush Administration notified the state that this year's fine is \$62.5 million. The state reduced its error rate from 17.4 percent in 2001 to 14.8 percent in 2002, but it remains higher than other states. (Source: *Los Angeles Times*, June 28, 2003.)

Department of Social Services

Amount: \$11,000,000

Foster Care Lacks Oversight. Although more than \$11 million has been spent studying California's foster care program in the past three years, no dramatic progress has been made toward dealing with the \$2 billion-a-year program's shortcomings. That was a conclusion of the state's Little Hoover Commission, whose chair, Michael Alpert, said: "With no one in charge, the foster care system fumbles forward, and often backward, and costs children and families their happiness, their prosperity and even their lives. The buck stops nowhere." Los Angeles County spent \$12 million in the past three years settling lawsuits involving foster children who died or were abused. (Source: *Los Angeles Daily News*, February 4, 2003.)

Department of Social Services

Amount: \$18,000,000

Computer Snafus: Welfare Networks. An \$18 million computer project to link four welfare networks has been abandoned by the state of California, according to a report in the *Los Angeles Times*. It is at least the fifth time in this decade, reported *The Times*, that California state government has "frittered away millions of dollars trying to construct a new system ... Nearly half a billion dollars has been wasted on mammoth systems that spun out of control and were abandoned." (Source: *Los Angeles Times*, July 12, 2001.)

TRANSPORTATION

California Highway Patrol

Amount: \$619,000

CHP Spends \$619,000 Fighting Whistleblower's Lawsuit. The California Highway Patrol has spent \$619,000 on legal costs to defend itself from claims by a former chief that he was the victim of retaliation after he made a run for the commissioner's job. (Source: *The Sacramento Bee*, April 21, 2008.)

California Highway Patrol

Amount: \$24,000

State Auditor Finds Waste at Highway Patrol. State Auditor Elaine Howle reported that the California Highway Patrol followed state contracting requirements inconsistently, exhibited weakness in its conflict-of-interest guidelines, and used an executive airplane for purposes other than state business. From 1997 to 2007, the CHP operated an eight-passenger Beechcraft airplane. The agency used the plane to go to cities in close proximity to Sacramento, at 13 times the cost of driving. In addition, 14 flights in 2006 were not for state business. These flights cost taxpayers more than \$24,000. The auditor also said that in spending \$6.6 million to purchase Smith and Wesson handguns, the CHP did not follow recommendations in the State Administrative Manual, "omitting a description of the handgun's unique performance factors and why the CHP required those performance factors." (Source: *State Audit Report*, January 21, 2008.)

Department of Motor Vehicles

Amount: \$51,000,000

Computer Snafus: DMV. A computer project has been abandoned by the state of California, according to *The Los Angeles Times*. The project was being conducted by the Department of Motor Vehicles and cost \$51 million. It is at least the fifth time in this decade, reported *The Times*, that California state government has "frittered away millions of dollars trying to construct a new system ... Nearly half a billion dollars has been wasted on mammoth systems that spun out of control and were abandoned." Reporter Virginia Ellis continues: "For taxpayers, the failures have been more than monetary; they have meant lost opportunities to make government more effective and efficient." Ms. Ellis writes that the failures are not only costly to taxpayers, they are humiliating because California is the cradle of today's technology. (Source: *Los Angeles Times*, July 12, 2001.)

Department of Motor Vehicles

Amount: \$125,000

State Bought \$125,000 Worth of Teddy Bears. Using emergency purchasing procedures and bypassing competitive

bidding, the Department of Motor Vehicles spent \$125,000 to purchase teddy bears. The bears were used as promotional items during the 2000 census. The state auditor said, "In this case, the expeditious purchase of an item may be convenient, but it is not allowed under current statutes." (Source: *State Audit Report*, March 26, 2003.)

Department of Transportation

Amount: \$3,200,000,000

Bay Bridge Cost Overruns: Caltrans Messed Up. Auditing one of the hottest political potatoes in recent California transportation history, state Auditor Elaine Howle blamed neglect at the state Department of Transportation for \$3.2 billion in cost overruns since April 2001 on the now \$8.3 billion Toll Bridge Retrofit Program. Most of the additional cost (\$2.5 million) is on the controversial eastern span of the Bay Bridge between Oakland and San Francisco. The audit set the new cost of the Bay Bridge project at \$5.9 billion. It criticized Caltrans mismanagement for lack of a comprehensive risk management plan and failure to alert the Legislature about increasing costs. Replacement of the eastern span of the bridge was required after it was extensively damaged during the Loma Prieta earthquake of 1989. Initial plans to rebuild the bridge were scrapped as the mayors of San Francisco (Willie Brown) and Oakland (Jerry Brown) asserted their political will. Former Governor Jerry Brown demanded a more scenic suspension structure as a landmark gateway to the East Bay; former Assembly Speaker Willie Brown was interested in his city's stake in land affected by the replacement structure. Then-Governor Gray Davis, after taking office in 1999, finally brokered a deal calling for the more elaborate span. The audit blames about a third of the cost overruns on politicians' demands for a fancier suspension span, while most of the additional expenses were due to Caltrans mismanagement. (Source: *Bay Bridge Audit* - Elaine Howle, December 22, 2004.)

Department of Transportation

Amount: \$750,000,000

Benicia Bridge Costs Continue to Grow. Another budget fix is needed to keep up with the ever-rising costs of the Benicia-Martinez Bridge. The costs have risen by about \$10 million a month this year. "The good news is we're running out of things to go wrong," said Steve Heminger, head of the Bay Area Toll

Authority, which, with Caltrans, announced the latest price increase: \$70 million since April. That brings the cost total to \$1.263 billion, quadruple the 1995 estimate, and there are still two years of work to do. The latest problem has been the need to cool the lightweight mixture of concrete that has been overheating when poured into place. Providing ice, cooling pipes and liquid nitrogen has been expensive. Earlier, engineers had problems with regulatory road blocks and the need to provide a special "bubble curtain" to avoid killing fish when foundations were drilled, plus special rock sockets to secure the foundations. In May 2007, upon completion of the bridge, the Contra Costa Times reported that the total cost of overruns totaled \$750 million. (Source: *Contra Costa Times*, December 15, 2005.)

Department of Transportation

Amount: \$13,300,000

Tax Dollars Go Down the Drain. The state Department of Transportation admits that it should not have installed 38 storm drain filters that are considered faulty. Replacing the filters along the San Joaquin Hills tollway from Newport Beach to San Juan Capistrano will cost taxpayers at least \$13.3 million, reported the *Los Angeles Times*. That is about 15 times what it cost to install the existing filters, which have been rendered useless by sediment and debris. (Source: *Los Angeles Times*, September 10, 2001.)

Department of Transportation

Amount: \$1,700,000

Oakland Marina Snafu. According to the *Oakland Tribune*, an apparent snafu that likely will cost taxpayers \$1.5 million has angered some boaters and local business people. It's the revelation of the need to remove about half of the new Jack London Square marina less than two years after the Port of Oakland invested \$10 million in building the new facility. The work is needed to accommodate an earthquake retrofit project that is part of a \$52 million Caltrans project to shore up underground tunnels connecting Oakland to Alameda. The Caltrans project had been planned for several years. Caltrans will pay for removing and reinstalling the marina, costing up to \$1.5 million, and will also reimburse the port for lost rent from boaters, which could amount to more than \$200,000. The entire project could take two to three years, which will really hurt restaurants that just got over the effects of 18 months of

construction for the new marina. (Source: *Oakland Tribune*, October 29, 2001.)

Department of Transportation

Amount: \$600,000

Benicia-Martinez Bridge Cost Overruns Won't Halt \$600,000 Grand-Opening Party. Recent reports indicate the Benicia-Martinez Bridge is nearing completion, and that's cause to celebrate. Despite substantial cost overruns totaling approximately \$750 million, TV and newspaper reports indicate that Caltrans and the Bay Area Toll Authority have hired a consultant to help plan a lavish party for the grand opening of the bridge. The TV report said the party is expected to cost upward of \$600,000. (Sources: *Contra Costa Times*, May 31, 2007.)

Department of Transportation

Amount: \$275,000

Sound Wall Art Adds to Freeway Cost. Archway etchings, metal cutouts of swallows and other decorations for a freeway wall are costing taxpayers \$275,000, which has some residents of San Juan Capistrano calling it a waste of money, while others appreciate the aesthetics, reported the *Orange County Register*. Caltrans said the concrete wall, up to six feet high, is needed to prevent cars from running off the San Diego Freeway onto Camino Capistrano. The wall, with a total cost of \$1.38 million, is due to be finished in October. Caltrans spokesperson Pam Gorniak said that the city supported the extra work, which is afforded through cost savings during the design stage. Council Member David Swerdlin said such art work "breaks up the monotony" for motorists. Tony Forster, San Juan Capistrano Historical Society president, told the paper: "We need to leave the historical stuff to the historical people. It's not the state's job – they should fix the freeways they have. I just hit three potholes on the freeway, and it annoys me that our freeway system is falling apart and Governor Gray Davis is paying money for art in public places." (Source: *Orange County Register*, June 21, 2003.)

Department of Transportation

Amount: \$28,477

Caltrans Employees Schmooze With Feds at Desert Junket. In hopes of improving relations with federal transit agencies, 52 Caltrans officials used tax dollars to enjoy the posh surroundings of the Desert Springs Resort, a luxury resort in Palm Desert with high-end rooms, exotic birds, gondola rides, boat cruises and a world-class golf course. Sacramento's CBS 13 reporter Sam Shane said the event may have cost taxpayers more than \$28,000. He noted: "The hotel fees alone were nearly \$18,000, according to Caltrans' own records. Plus, another \$6,600 in conference fees and \$3,800 more in air fare and car rentals for Caltrans workers so far. It adds up to \$28,477 in preliminary costs, and that doesn't include food or other expenses." Caltrans brought heavy equipment vehicles to the conference to show off to state and federal transit officials. Some of the vehicles were driven from as far away as Sacramento. Earlier in the year, due to the recession and budget deficits, Governor Schwarzenegger ordered a travel ban for all non-essential state agency and department travel, which would have included seminars, conferences, training events and the Caltrans trip. However, the ban was lifted for this trip. (Source: *CBS-13 Sacramento, On the Money*, October 26, 2009.)

Department of Transportation

Amount: \$10,000,000

Software Fiasco Costs Taxpayers \$10 Million for Nothing. After wasting seven years and \$10 million, the state government has quietly abandoned plans to automate the way it grants permits to truckers carrying oversized loads on California roads and highways. (Source: *The Sacramento Bee*, March 2, 2008.)

Office of Traffic Safety

Amount: \$2,000,000

In Midst of Budget Turmoil, State Agency Moves to More Expensive Location. In August of 2008, as the state entered its second month without a budget and state officials were warning of the possible impact on nursing homes and other vital services, the state's Office of Traffic Safety moved to a more

expensive location, costing taxpayers more than \$2 million. The 39-person department – tasked with encouraging people to wear seatbelts and discouraging drunken driving – moved out of a site in Sacramento that it had leased for more than a decade, and into an office park in Elk Grove. The price tag was nearly \$700,000 for moving expenses and making changes to the Elk Grove location interior, and the lease payments more than doubled, from \$10,478 to \$21,142 per month. A Department of General Services spokesman said the agency had overgrown the old location. (Source: *The Sacramento Bee*, September 18, 2008.)