

Transmitted via e-mail

September 27, 2012

Mr. Mark Ghilarducci, Secretary
California Emergency Management Agency
3650 Schriever Avenue
Mather, CA 95655

Ms. Karen Ross, Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Mr. Paul Cappitelli, Executive Director
Commission on Peace Officer Standards
and Training
1601 Alhambra Boulevard
Sacramento, CA 95816-7083

Dear Mr. Ghilarducci, Ms. Ross, and Mr. Cappitelli:

Review of the Antiterrorism Fund, Fund 3034

At the request of the Governor's Office, the Department of Finance (Finance) performed a review of the Antiterrorism Fund (Fund 3034) administered by the California Emergency Management Agency (CalEMA), California Department of Food and Agriculture (CDFA), and Commission on Peace Officer Standards and Training (POST). The purpose of the review was to determine whether fees collected from sales of the California Memorial License Plates are being used in accordance with the authorizing statutes.

Results Summary

Pursuant to Vehicle Code section 5066, fees generated from the issuance of the California Memorial License Plates are distributed between the California Memorial Scholarship Fund (Fund 3033) and the Antiterrorism Fund (Fund 3034) by 15 percent and 85 percent, respectively. See Exhibit A for the distribution of fees collected. A separate report has been issued for Fund 3033.

CalEMA, CDFA, and POST received appropriations from Fund 3034 and are all generally in compliance with the uses and restrictions as outlined in the California Vehicle Code. However, CalEMA and CDFA did not comply with the administrative cost restrictions.

As of June 30, 2011, the fund balance was \$4,145,000¹ with an outstanding loan to the General Fund of \$2 million².

Scope and Methodology

To determine if fees collected from sales of the California Memorial License Plates are used in accordance with the authorizing statutes, we performed the following:

¹ Source: Budgetary/Legal Basis Annual Report prepared by State Controller's Office.

² An additional \$1 million loan to the General Fund was made during fiscal year 2011-12.

- Reviewed applicable laws, regulations, and criteria to identify authorized fund uses and restrictions.
- Interviewed key personnel at CalEMA, CDFA, POST, and the Department of Motor Vehicles (DMV) to gain an understanding of the fund accounting and reporting processes.
- Selected a sample of expenditures at CalEMA, CDFA, and POST to determine if costs complied with authorizing statutes and were supported by appropriate source documentation.

Results

The Antiterrorism Fund (Fund 3034) was established by California Vehicle Code section 5066 within the General Fund. Fees deposited into Fund 3034 were to be used for antiterrorism activities. Eligible activities include hiring and training additional law enforcement, fire protection, and public health personnel; response training for law enforcement, fire protection, and public health personnel; and hazardous materials and other equipment expenditures.

Pursuant to Vehicle Code section 5066(c)(1)(A) one half of the money in Fund 3044 is allocated to CalEMA and one half is available for appropriation by the Legislature for anti-terrorism activities. For fiscal year 2008-09 through 2011-12, CDFA received appropriations from Fund 3034. In 2011, DMV reported 19,478 outstanding Memorial License Plates.

AUTHORIZED PER STATUTE	CalEMA COMPLIANCE RESULTS	CDFA COMPLIANCE RESULTS	POST COMPLIANCE RESULTS
AUTHORIZED USES AND LIMITATIONS Vehicle Code Section 5066(c)(1)(A) and (B) – Upon appropriation by the Legislature, one-half of the money in the fund shall be allocated by the Controller to the California Emergency Management Agency to be used solely for antiterrorism activities. The agency shall not use more than 5 percent of the money appropriated to it for administrative purposes . Upon appropriation by the Legislature or in the annual Budget Act or in another statute, one-half of the money in the fund shall be used solely for antiterrorism activities.	No	No	Yes
REQUIREMENT Vehicle Code Section 5060(d)(2)(A) – If the number of currently outstanding and valid special interest license plates in any particular program... is less than 7,500...DMV will no longer issue or replace those special interest license plates.	Yes	Yes	Yes

CalEMA Meets the Fund’s Authorized Uses, But Not the Administrative Cap

CalEMA’s expenditures for Fund 3034 include salaries and fringe benefits, operating and administrative expenses, Terrorism Consequence Management Training for firefighters, and grants to terrorism threat assessment centers.

Pursuant to Vehicle Code section 5066 (c)(1)(A), fees appropriated to CalEMA are restricted to a five percent administrative cap. Administrative costs typically include all non-direct costs such as salaries for administrative staff, legal, accounting, other non-program related units, and statewide administrative costs (pro rata). As noted in Table 1, CalEMA has exceeded the five percent administrative cap for the prior three years. Going forward, we recommend CalEMA ensure compliance with the five percent administrative cap.

Table 1: CalEMA’s Salaries and Operating Expenditures and Percentages

Fiscal Year	Appropriation³	Administrative Costs*	% of Appropriation
2008-09	\$1,054,333	\$ 96,068	9 %
2009-10	\$1,157,333	\$226,800	20 %
2010-11	\$2,342,000	\$145,993	6 %

* Includes indirect departmental costs, internal cost recovery, and pro-rata costs.

Source: Enacted Budget, Chapter 392 Statutes of 2007 (AB 587), and CALSTARS reports

CDFA Meets the Fund’s Authorized Uses, But Not the Administrative Cap

CDFA’s expenditures for Fund 3034 include salaries and fringe benefits, operating expenses, and administrative costs. The personnel and operating expenses included costs for one Emergency Services Coordinator in the Emergency Preparedness and Support Unit and seven information technology personnel for development and support of the Emerging Threats Database (ET). The ET is a single unified web-based database used by the Animal Health and Food Safety Services Division and key stakeholders to mitigate and eliminate the threat of food contamination and catastrophic disease outbreaks⁴.

Vehicle Code section 5066(e) requires the funds to be used *exclusively* for purposes of fighting terrorism. The code further outlines “...eligible activities to include, but not limited to, hiring support staff to perform administrative tasks, hiring and training additional law enforcement, fire protection, and public health personnel, response training for existing and additional law enforcement.” CDFA claimed administrative expenditures including indirect departmental costs, internal cost recovery, and statewide general administrative costs (pro rata). See Table 2 for administrative costs claimed against the fund. Going forward, we recommend CDFA monitor and limit administrative costs charged to Fund 3034 to those costs that are more directly related to antiterrorism activities.

Table 2: CDFA’s Administrative Expenditures

Fiscal Year	Indirect – Department Services	Internal Cost Recovery	Pro Rata Costs	Total Admin. Costs
2008-09	\$ 26,738	\$ 0	\$ 42,480	\$ 69,218
2009-10	\$ 55,355	\$ 0	\$ 31,174	\$ 86,529
2010-11	\$ 16,422	\$ 40,000	\$ 13,179	\$ 69,601

Source: CALSTARS reports

³ In October 2007, CalEMA received \$2.5 million in additional appropriations to be disbursed in 2007-08, 2008-09, and 2009-10. The appropriation amount for 2008-09 and 2009-10 includes \$833,333 (\$2,500,000/3).

⁴ Source: California Department of Food and Agriculture.

POST Meets the Fund's Authorized Uses and Limitations

In 2007-08, POST received a \$2.5 million appropriation from Fund 3034 to develop antiterrorism training courses and reimburse law enforcement agencies for antiterrorism training activities. As of June 30, 2012, POST had expended \$2.234 million of the appropriation. POST's expenditures for Fund 3034 were solely for the development and delivery of antiterrorism training courses and tuition reimbursement to law enforcement agencies. As of June 30, 2012, POST has developed or updated 12 courses, conducted 185 training presentations to 4,426 attendees, and provided telecourses (online self-paced training via POST learning portal) to over 7,000 attendees.

The results in this report are based on our review performed from June 2012 through September 2012. We provided the results to CalEMA's, CDFA's, and POST's management on September 21, 2012, and as necessary, updated the report to incorporate their responses.

We appreciate the assistance and cooperation of CalEMA, CDFA, and POST. If you have any questions regarding this report, please contact Diana Antony, Manager, or Lisa Negri, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

cc: Mr. Rick Stolz, Director, Administrative Services, California Emergency Management Agency
Ms. Gemma Domingo, Accounting Supervisor, California Emergency Management Agency
Mr. Dave Preciado, Assistant Director, California Department of Food and Agriculture
Ms. Alice Jeung, Accounting Administrator II, Department of Food and Agriculture
Mr. Dick Reed, Assistant Executive Director, Administrative Services Division, Commission on Peace Officer Standards and Training
Mr. Andrew Conway, Chief, Registration Operations Division, California Department of Motor Vehicles
Ms. Kitty Kramer, Program Manager, California Department of Motor Vehicles
Mr. Jeff Mansur, Chief, Financial Services Branch, California Department of Motor Vehicles
Mr. Jim Humes, Executive Secretary for Administration, Legal Affairs and Policy, Office of the Governor
Ms. Sue Johnsrud, Director of Operations, Office of the Governor

Exhibit A – Distribution of Fees Collected

