



Elaine M. Howle *State Auditor*

CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

Gross Mismanagement Led to the Misuse of State Resources and Multiple Violations of State Laws

California Department of Food and Agriculture and a District Agricultural Association

Background

The California Department of Food and Agriculture (CDFA) provides fiscal and policy oversight for all of the State's 54 district agricultural associations, which hold local fairs, expositions, and exhibitions that highlight the industries, enterprises, resources, and products of the State. Each district agricultural association has a nine-member governor-appointed board that hires a chief operating officer (CEO) to implement and enforce the board-developed policies, oversee daily operations, and make staffing decisions. We received, reviewed, and investigated an allegation that employees of a district agricultural association (association) were committing improper governmental activities.

Key Recommendations

The CDFA should exercise its authority over the association and provide proper oversight including conducting its biannual compliance audits of all district agricultural associations and ensuring the association implements our recommendations.

The association should take the following actions:

- Take appropriate disciplinary action against the CEO, the maintenance supervisor, and other staff who engaged in improper governmental activities and recoup funds it can from individuals who misused state funds and resources.
- Develop appropriate controls to protect assets and mitigate the potential for misuse, prevent inappropriate purchases and travel, and segregate duties as a preventative measure against improper purchases.
- Ensure travel is in compliance with state laws and requirements.

Key Findings

The association's CEO and maintenance supervisor grossly mismanaged state resources and neglected some of their duties allowing maintenance division employees to misuse state resources, sometimes with the approval or participation of their supervisor and the CEO.

- One employee regularly misused state resources, took home state property, and engaged in incompatible activities—the employee misused a state vehicle, state-owned equipment and materials, and other state resources (including staff) to perform side jobs.
- The maintenance supervisor and several other maintenance division employees regularly misused state resources—for several years the maintenance supervisor used a state-owned vehicle nearly every day to commute to work and frequently used it for personal purposes during state time.
- For several years, three employees regularly stored and drank alcohol at their place of work on state-leased property in violation of CDFA policy.

The board and CEO did not exercise prudent oversight and institute basic safeguards that could have prevented and discouraged improper activities and did not comply with state laws and critical policies and procedures. Specifically, they failed to do the following:

- Track inventory and materials, restrict access to materials, keep proper records, and maintain mileage logs for state-owned vehicles.
- Ensure that staff follow purchasing procedures, adhere to accounting procedures, and refrain from inappropriate and illegal purchases—many purchases were not properly approved and the association spent more than \$132,000 on credit card purchases without providing supporting receipts.
- Adhere to state travel laws—the agency spent more than \$30,000 for excessive and illegal travel expenses such as lavish meals and alcoholic beverages that substantially surpassed the maximum allowable rate and out-of-state travel that was prohibited.
- Ensure that the association follow state requirements—in some instances, they either directly engaged in or approved of improper activities.

CDFA did not adequately oversee the association—it did not perform biannual compliance audits of the association that could have discovered and addressed many of these improper governmental activities.