

2005 Waste Watchers

Guarding Comatose Prisoners

Financially successful businesses and individuals often stress the importance of avoiding unnecessary and wasteful spending. Therefore, it would only be natural that those who manage one of the most precious commodities—taxpayer dollars—would follow the same principles. But, management in government often works in mysterious ways.

According to *Los Angeles Daily News* (March 28, 2005), the Department of Corrections is spending thousands of dollars providing security for comatose inmates who have been all but declared dead. In one case, a man was treated under the watch of officers for nearly a month after he was declared brain dead by doctors. This individual, who was being kept alive on a ventilator, posed no threat to anyone, yet two correctional officers still stood guard around the clock, at a cost to taxpayers of over \$30,000.

In fact, according to the article, six comatose inmates received security details at the cost of nearly \$1,056 dollars per day last year. And why was this needed? According to the department director, the officers were needed to ***“protect hospital employees, patients, and visitors and to protect inmates from enemies.”***

In situations where an inmate poses a threat or could possibly escape and cause harm, it would make perfectly good sense for guards to be on duty. But, when inmates are incapacitated or being kept alive by medical technology, standing guard over them is pointless and a waste of taxpayer dollars.

More and more, a simple fact regarding state government is emerging—increasing budgets with higher taxes leads to nothing more than wasteful spending on needless programs rather than on items that are truly needed. Budget funds should be spent appropriately in these difficult times. But, the status quo continues in Sacramento. In order to justify budgets, state programs continue spending money needlessly. It is time for the Legislature to require state agencies to use fiscal restraint and to lift the barriers currently stopping reform measures that would require cost-cutting from being enacted. Otherwise, our prison guards might be on the lookout for more than just troublesome prisoners in the future. Try irate taxpayers.

LAUSD May Pay For Once-Free Land

There is an old saying “Don’t look a gift horse in the mouth.” Unfortunately, the Los Angeles Unified School District (LAUSD) didn’t learn this lesson and is now preparing to pay millions for land it was once offered for free.

According to the *Los Angeles Daily News* (December 12, 2005), **“Six years after rejecting surplus federal property in San Pedro, Los Angeles Unified is now prepared to spend tens of millions of dollars to purchase the same parcel for a 2,025- student high school.”** Although the district applied for the land five years ago, it decided to withdraw its application after determining that there was no need for the land, even though the land wouldn’t cost the district a thing.

The LAUSD later **“approached the U.S. Department of Education again in 2003 and asked to reopen its application for the free land.”** Unfortunately for the district, opportunities to receive land free of charge don’t come around often, and **“[t]he door is pretty much closed once applicants say they’re no longer interested.”** The LAUSD is now left to pay for the land because **“...agencies cannot reapply under General Services Administration distribution rules.”**

The once-free 15-acre school site, which district officials now say is a prime location for a new high school, will cost the district **“roughly \$30 million...but it could run as high as \$150 million to \$200 million once the adverse impact on the project is factored in.”** The residential developer, who purchased some of the LAUSD-rejected surplus federal land summed, it up best when he said, **“I think it’s greatly unfortunate for the taxpayers...they’re [the LAUSD] paying hundreds of millions of dollars for an asset they could have had, if they’d planned ahead, for free.”**

While the LAUSD has made a lot of costly mistakes over the years, this one is a clear **“slap in the face for taxpayers.”** When a deal of this magnitude comes along, it is foolish to let it pass by, yet the LAUSD did just that.

Accepting free land makes “horse sense.” By turning down the offer and then paying millions, LAUSD looks like a “horse’s ass”

Employees Benefit from State Contracts

The state requires its workers to file annual statements of economic interest before assigning them to new contracts to avoid potential conflicts of interest. Still, some employees can't resist putting their hands in the cookie jar.

According to the *Sacramento Bee* (August 4, 2005), the Department of General Services has launched an investigation in response to the discovery that ***"a department employee involved in a California Highway Patrol motorcycle contract worked on the side as a disc jockey for the winning bidder."*** The DJ, an associate procurement engineer, received ***"\$6,570 over six years"*** for work he did at the BMW motorcycle dealership in Roseville and was often featured at dealership events. During the same time period, ***"the dealership won three two-year contracts to provide motorcycles to the CHP."*** Coincidence?

The DJ started up his business in 1973, but only ***"started working for the dealership a couple of years before it got the state contract."*** He argues that ***"the \$6,000 or so he got from the motorcycle dealership over six years represented a tiny portion of his outside income,"*** and he wouldn't jeopardize his career over it. Well that's funny, considering he violated state law by participating in making contracts in which he clearly had a financial interest. I guess he must not have paid attention during any of the conflict-of-interest training courses he attended while working for the department.

The department, reacting on an anonymous tip, investigated the contract and gave the DJ a notice of dismissal. He is appealing the decision, however, arguing that ***"many of his supervisors at the Department of General Services were aware he worked as a disc jockey for the dealership that had the CHP contract."***

A hearing is still pending. However, the DJ claims that a settlement has been reached ***"in which he agreed to retire, while the state retracted the dismissal."*** Looks like someone is trying to get an early retirement—lets' just hope he isn't counting on receiving those state benefits.

Free Ride on State Fuel Card

While most Californians are pinching pennies to pay at the pump, one state employee found a way to make gas affordable. Instead of paying for gas out of his own pocket, he decided to put it on the state's tab and let the taxpayers cover it.

According to the *Sacramento Bee* (August 11, 2005), ***“For nearly two years, a single employee at the state Air Resources Board stole 2,092 gallons of gas, often using his state-issued fuel credit card to pay for fill-ups of his personal vehicle.”*** This convenient card ***“can be used at more than 10,500 retail locations throughout California.”*** Although the card can't be used to buy premium unleaded fuel for state vehicles, the employee often bought the prohibited fuel grades, costing taxpayers even more money. His hand must have conveniently slipped onto the wrong button at the pump.

Even on his days off, the employee used the state card to buy gas, sometimes even multiple times a day, and twice during trips to Nevada. Maybe he was hoping to win back some of that money he was stealing.

In October of 2003, the employee was fired. However, ***“[t]he state made no attempt to recover the \$3,634 in gas that it says the Air Resources Board employee siphoned off before he was caught.”*** I thought nothing in life was free? Obviously, the procedures that prevent or detect employees stealing gas were not enforced in this case. The Air Resources Board ***“required workers to submit monthly mileage logs and gasoline receipts for state vehicles,”*** yet the employee who stole the gas never submitted any records. The board is now doing what it should have been doing all along, performing an annual audit of all fuel card charges.

As gas prices increase, it becomes more and more important for state agencies to ensure that employees are not abusing the system and illegally using state issued gas cards. Paying \$3.00 a gallon for gas may soon become a reality, giving state employees even more incentive to cheat the system and let taxpayers pay their personal fuel costs.

Parking Woes

The great comedian Will Rogers once said, "Politics ain't worrying this country one-tenth as much as where to find a parking space." This is certainly true for the Los Angeles Unified School District. Instead of worrying about providing the best education for its students, the district is spending its time trying to figure out where it can find parking for its employees.

According to *Los Angeles Daily News* (June 26, 2005), "**The board spent \$184.2 million to buy and renovate the Beaudry Center to serve as its headquarters and expects to have 4,000 people in the center by next spring.**" There is just one small kink in the district's plan...the congested area where the new LAUSD headquarters is located does not have enough parking spaces to accommodate its employees. To compensate, many employees "**are parking at lots where the district holds short-term leases—costing the district about \$4 million a year.**" On top of this, a shuttle service to get the employees to the new headquarters will eventually need to be implemented, which could run upwards of \$450,000 per year.

This shocking realization has led the Los Angeles Unified School District to reconsider building a parking garage to accommodate its staff. The parking garage, which will cost the district an estimated \$49 million from the General Fund, has received heavy criticism since it was first proposed last year. The public's concern is that the school district doesn't "**have a history of doing things in a wise and responsible way.**" Gosh, wonder where they got that idea!

To most organizations, parking would be a top concern when searching for a new headquarters. However, that clearly was not the case here. Instead, the LAUSD seems to have been using artist James Castle's logic that: "Anyplace worth its salt has a 'parking problem'." It doesn't seem to have paid off for district bureaucrats. But, maybe the building has a great view!

Bureaucracy Stuck in Park

In downtown cities across California, parking spaces are at a premium. So much so, that it is not unusual for parking fees to cost more than \$100 per month. Not so for some state employees, however. A recent report by the Bureau of State Audits exposed a glitch that is contributing to a \$1.4 million deficit in the state's parking program.

State employees who used to have their paychecks automatically deducted to compensate the state for their parking privilege have been continuing to park in government-allocated parking garages for free after they change jobs.

The \$300,000 cost to the state may seem like pixie dust given that the Governor just signed a \$117 billion plus budget for the current year. Nevertheless, this is just one of many examples of how the state needs to keep a tighter rein its resources and personnel. It's no wonder that the public has become so apathetic when politicians speak of cleaning-up the waste in government.

Just how long would it take for a private company that subsidizes employee parking fees to discover a similar oversight and promptly fix it, in addition to seeking reimbursement for past fees? Although I don't necessarily believe that government will ever truly function like a business, maintaining basic records within agencies and departments is not advanced finance. In fact, this kind record-keeping should require nothing more than Accounting 101.

The agency responsible in this case does have a plan in place to correct this \$1.4 million "oversight," but is it not committed to collecting those parking fees. According to the state auditors report, ***"...as of May 2005 it (Office of Fleet Administration, within the Department of General Services) did not plan to collect lost revenue from the nonpaying parking clients."***

So, now taxpayers will once again be stuck with a tab created by a bureaucracy not interested in watching the bottom-line, especially when it's not the agency's bottom.

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Just One More Hand

For some gambling can be highly addictive. But, apparently governmental waste and mismanagement is just as addictive.

According to a recent article in the *Orange County Register* (April 1, 2005), the California Department of Drug and Alcohol Programs has received more than \$3 million in state funds to create and operate a gambling addiction program, yet not one gambler has been helped by the program because the program does not exist.

Since the program was first created under the previous administration, the department can count the number of steps taken to fight gambling addiction on one hand, including sending potential addicts *elsewhere* for help! As the *Register* reports, “**during the first year the department created a website to link addicts to other programs that can help them.**”

Meanwhile, as gamblers were being directed away from the program, the department spent nearly \$100,000 on a “**study to identify successful prevention programs to use as models.**” And how were the results of the study put into effect? They were not. Administrators felt that the study did not serve as a sufficient guide for implementing a successful program.

Therefore, program administrators scrapped the study and did what they have done best so far, they ordered another study! employing the “if at first it does not succeed, try again” strategy, the department commissioned another study earlier this year. But no need to worry, this study is only costing taxpayers \$2 million, 20 times what the last study that returned no results cost.

And while taxpayers have been busy paying for study after study to be conducted, experts who warn of the dangers of addictive gambling are growing increasingly frustrated. According to Tom Tucker, president of the nonprofit Compulsive Gambling Institute, “**Now there is finally money, and no one knows what they are doing.**”

Republicans have proposed reforms that would help to end such waste, fraud, and abuse in government. But, the bills stalled in committees controlled by Democrats who are playing partisan games. These games cannot continue. Otherwise, it might be California’s taxpayers who will be seeking help for gambling addiction if we continue to receive the same payout of nothing more than higher taxes, reduced services, and red ink.

Government “Money For Nothin”

Wouldn't it be nice if someone just gave you \$3,067 for doing absolutely nothing? Unfortunately, that's not likely to happen. That is, unless you are a state employee knowingly abusing the system.

According to a recent Bureau of State Audit report, “*an employee of the Department of Health Services submitted false travel and attendance reports in order to receive wages and travel expenses that she was not entitled to receive.*” As a result, she “*was paid \$1,894 for regular hours and overtime she did not work and \$1,173 for expenses related to her travel that she either did not incur or was not entitled to receive.*”

In fact, on at least 45 different occasions, “*the employee claimed reimbursement for parking expenses that she later admitted she did not incur*” not to mention that she filed 27 false mileage reimbursement sheets, overstating the distance between the points she was traveling in-between.

And what was her reasoning behind all of this? She claimed “*the expense[s] in an effort to recover the cost of providing treats and candy to participants in her training classes.*” The only problem is that the state labor agreement allows for a \$6 per day incidental expense reimbursement for such items, which, of course, she also claimed regularly.

What's worse is that it took a state auditor, and not her supervisor, to catch her even though all of the evidence was available and obvious the entire time. As the report stated, “*a cursory review of the employee's travel and attendance reports by her supervisor would have revealed that the employee frequently inflated her hours so she could receive meals and pay that she was not entitled to receive.*” In one instance, the employee said her day ended at 9:00 p.m. However, her airport parking receipt, which was turned in with her reimbursement form, showed that she ended her day at 2:30 in the afternoon. She even claimed five hours of overtime on this same day, although clearly she was back in town and enjoying an early afternoon off from work!

As for the supervisor, well, the supervisor is now retired collecting a pension and cannot be reached for comment. Also unavailable for comment are those who believe there is no waste in government.

Fully Funded, Non-Existent Museum

Generally, most of us do not pay upfront for services that have yet to be completed. By doing so, we avoid the possibility of someone leaving us empty handed while someone skips town with our money. Occasionally though, we do have to pay for a job ahead of time. But, then we tend keep a close watch on the job's progress to ensure we get exactly what we paid for. Most of us would assume that our government would follow the same rules in spending our taxpayer dollars. Unfortunately, that would be assuming too much.

Take, for example, a recent state audit of the Department of Parks and Recreation. In March 2002, the Colour Me Freedom Foundation was awarded \$250,000 to construct a museum dedicated to civil rights leaders Cesar Chavez and Martin Luther King, Jr. The only problem? The money was never used for its intended purpose, and the funds are still missing.

According to the audit, this rumored museum is nothing more than a portable classroom “**storing items belonging to the school.**”

So how did this occur? The department failed to provide oversight, and its oversight policy held no one accountable when things failed. First, the department handed out 90% of the grant award, or \$221,625, in advance payment to the foundation responsible for building the museum, believing that it would spend the money on the project. But, after dispersing the money, *nobody* ever asked for a status report to make sure that the funds were used appropriately or that a museum was actually being built.

Had the department used common sense principles, officials would have found that the “**the public did not have access to the site because of the school at which the museum is located.**” Further, they would have learned that the site lacked electricity, which should have aroused suspicions immediately. As a result of this mismanagement, taxpayers are now paying hundreds of thousands of dollars for a storage shed.

Unfortunately, waste, fraud, and abuse in government continue to rage day in and day out. This time, Californians are paying for services they never received. Some in California say we need to raise taxes. What we need to do is reform our state government and hold the managers of taxpayer dollars just as accountable as they would be anywhere else. Otherwise, taxpayers will only be shelling out more money that will be wasted on more non-existent projects.

Imminent Bankruptcy

This year, California taxpayers will spend nearly \$2.5 billion to cover public pension benefits guaranteed to public employees that California's pension fund will not generate from its investments. Even more shocking is that, in the near future, health care costs for retired California public employees could reach \$40 billion.

A recent article in the *San Diego Union Tribune* (May 20, 2005) reported that “...**[S]tate officials are beginning to work on their first estimate of the future costs for providing health care for retired state workers, an amount some think could be as much as \$40 billion.**”

While this number may sound like an exaggeration, the truth is that it is not. If the history of the past few years gives any indication of the future, then \$40 billion for health care costs could soon become a reality. According to the *Union Tribune* article, in just the past 4 years, health care costs for retired state employees have doubled “**from \$409 million to an estimated \$796 million this year for 124,000 people.**” As the state adds more retirees and more costs every year due to an aging work force and increasing health care needs, this number will increase exponentially. Making matters worse, as a result of liberal legislators appeasing labor union leaders, state workers can now retire and collect benefits as early as 50, sending more people to the retirement payrolls and increasing the amount the state must cover.

Frighteningly, all of this is only an informed guess because California has no idea what the future costs could be other than what consultants estimate the costs to be. Up until last year, state and local governments had not been required to estimate or report future health care cost obligations, meaning the actual amount that is going to be spent in the future is unknown. Without that information or any requirement to set money aside for future obligations, tax and spend legislators can continue to pass feel good bills without having to worry about future repercussions.

Beginning in 2008, a new law will “**force state and local governments to begin estimating and reporting their retiree health obligations.**” At least then we will have better information to calculate future costs. Still, the new law does not hold legislators accountable because it does not require the state to put aside funds for those future expenses. If it did, then this year the state would have to put aside nearly \$7 billion out of the \$88.5 billion budget to cover future costs.

Over the past 5 years, pension costs have soared in California. These costs will only continue to rise given the lack of accountability currently found in the system. And as costs rise, valuable dollars will be siphoned away from police, fire, education, and health services. But save those arguments for the judge, because soon enough California will be in front of one pleading its case for bankruptcy if changes in the state's spending habits don't start soon.