

# **2006 Waste Watchers**

## **Missing Money**

While it is not uncommon to occasionally misplace your keys or your glasses, misplacing millions of dollars is practically unheard of. Yet, that's exactly what has happened to millions of California tax dollars, prompting an investigation and a lawsuit to track down the missing money.

According to the *San Francisco Chronicle* (April 14, 2006), “[N]early \$3 million in public money earmarked for pro-preschool commercials is missing.” The commercials, which “were part of a \$23 million advertising campaign that began in November touting the benefits of preschool,” aired last fall. However, the “\$2.8 million owed to Spanish-language television stations...is unaccounted for.”

In an effort to track down the missing tax dollars, GMMB Inc., the public relations firm hired by First 5 to run the ad campaign, filed a lawsuit against Durazo Communications Inc., the company hired to help with Spanish-language media buys. The lawsuit alleges that GMMB “gave the money to Durazo, which now says it cannot account for the funds.”

Although the preschool ads did air, leading some to argue that “we did get what we paid for,” the fact remains that nearly \$3 million in taxpayer dollars is essentially missing. This point has spurred requests that the Los Angeles Police Department and the state auditor investigate. Hector Ramirez, Rob Reiner’s replacement as chairman of the First 5 Commission, states that it appears that the \$2.8 million in tax dollars “might have been used for other things.” Now that’s insightful.

This is just the latest controversy surrounding the First 5 preschool commercials, which were coincidentally airing at the same time Reiner was working to get the “Preschool for All” initiative on the ballot. In response to this coincidence, the Legislature has ordered an audit of the First 5 Commission’s finances, alleging that “Reiner was using public money to benefit his political goals.”

In this most recent twist, it is clear that while the \$2.8 million was supposed to be spent airing commercials touting the benefits of preschool, it appears instead to have disappeared into thin air. This is yet another incident that shows why it is critical that the state take steps to ensure that those who handle taxpayer dollars are held accountable for its use. If we don’t start holding these people responsible, it will only be a matter of time before more of our state’s money goes missing.

## DWP Employee Perks

It isn't uncommon for companies to use lavish perks to attract and keep skilled workers. From flexible work hours to free coffee and bottled water services, companies are rewarding employees by offering perks that are designed to help achieve a work/life balance. While most companies pick up the tab for these extra expenses, in Los Angeles taxpayers have been paying the bill for some departments to provide their employees with nonessential extras.

According to the *Los Angeles Daily News* (April 3, 2006), the Department of Water and Power pays ***"more than \$1 million a year...for parenting and breast-feeding classes, a fitness center and a choir for its employees."*** These perks have been funded by taxpayers for years and have recently come under intense scrutiny after a study was launched to provide neighborhood councils more information on the utility's finances. The study uncovered that, although the city is in dire need of funds, the DWP has been spending ***"\$1.1 million for family and lactation programs, \$2.2 million for training and development, \$150,000 for a fitness center and \$28,000 for the DWP Choraliers."***

While some taxpayers are no doubt wondering why they are paying for DWP employees to have access to breast-feeding classes and a choir, others argue that these programs are essential in helping ***"employees balance work and family life."*** In fact, last year 125 employees achieved this balance by taking ***"part in the pregnancy-related and breast-feeding aspects of the program,"*** which is part of the taxpayer funded family-care program.

Another perk that taxpayers are providing to bring harmony into the lives of DWP workers is the DWP Choraliers. The choir, which has been around for decades, is composed of ***"15 to 20 singers...that perform at DWP holiday events and community events, as well as for groups including the Los Angeles Unified School District students."*** While the DWP General Manager has already cut the choir's budget, he is quick to point out that ***"the DWP used to spend a lot more on it than the current \$28,000 identified in the revenue study."*** Well, it's good to see that the DWP is carrying on the tradition of wasteful spending within the department.

One of the main reasons that taxpayers are outraged over the DWP's spending habits is the fact that instead of saving money by eliminating wasteful spending within the department, the DWP has proposed ***"to hike water rates 18 percent in the next four years and impose surcharges for natural gas and renewable energy."***

The Los Angeles DWP appears to be in the business of providing social-services for its employees. It is time to get the agency back on track in producing safe water and electricity for the residents of Los Angeles. While perks, like the family-care program and the choir, may make employees feel better, it's hard for taxpayers to understand rate hikes when wasteful spending continues.

## Skid Row Scams Cost Taxpayers Millions

L.A.'s skid row is home to one of the largest homeless populations in the United States, and to the largest drug-dealing bazaar in Los Angeles. While major efforts have undertaken recently to clean up this district, that hasn't stopped the area from becoming the target of those who wish to steal money from the government by using the area's homeless population in a number of fraud schemes.

According to the *Los Angeles Times* (December 15, 2006), ***"[I]n just the last few months, state and federal investigators have broken up two food stamp scams, one of which involved a merchant who allegedly gave homeless people 50 cents on the dollar for their stamps, then charged the entire value – \$6 million– to the government."*** This scam is essentially taking taxpayer money that was meant for food and instead converting it into cash, which, police worry, may be ***"fuel[ing] skid row's drug trade by allowing homeless people to get cash to buy drugs."***

Although the government implemented ***"strict limits on the kinds of items that can be purchased with food stamps...unscrupulous merchants with food-stamp card readers can cheat the system."*** While it was originally hoped that designing food stamp cards to be used much like ATM cards would reduce fraud, that doesn't appear to be the case. Instead, some merchants are actually using the machines as ATMs – giving individual's cash instead of the food the card was meant to purchase. In fact, one L.A. store seems to have operated more as a bank, taking in ***"\$5.2 million in food stamps during the last four years – a staggering amount considering the business reported \$380,000 a year in total sales."***

These findings have ***"prompted the Los Angeles Board of Supervisors...to order an investigation into the trafficking of food stamps"*** in order to find out just how much these scams are costing the county and, in turn, the taxpayers. This crackdown is the latest step in response to several scams that have been uncovered in L.A.'s skid row. Just last month charges were filed against the owner of a medical clinic who was ***"allegedly rounding up homeless people on skid row with Medi-Cal or Medicare cards and giving them a battery of medical tests charged to government programs."*** Authorities believe that ***"the bogus tests cost taxpayers at least 1.6 million and perhaps much more."***

While social programs were created to improve the welfare of people, it seems instead that they have become the tool for defrauding the government out of millions of dollars each year. More steps need to be taken in order to better monitor government programs, like food stamps and Medi-Cal, which, in turn, will decrease the staggering amount of taxpayer dollars that these scams are stealing from the state and country.

## Very Low-Interest Home Loans

For many Californians, owning their own home has become an unreachable goal thanks to sky rocketing home prices and hikes in interest rates. While some have had to stray away from the more traditional 30 year fixed mortgage in the hopes of attaining the American dream, employees of the UC system have been taking advantage of yet another UC perk that allows them to receive a low-interest home loan for just pennies on the dollar.

According to the *San Francisco Chronicle* (July 13, 2006), ***“The University of California awarded \$702 million in low-interest home loans to executives, faculty and staffers, including some to employees who did not qualify under university policy.”*** While to most of us would be happy with an interest rate of 6%, the UC system has issued ***“nearly 2,000 active university-issued loans, most carrying interest rates of 3% to 4%, but some with much lower rates.”***

So what entitles these executives to this low-interest perk while the rest of us deal with the rising interest hikes? UC executives defend the practice by saying that ***“[T]he university has offered such loans for years”*** and that ***“the below-market rates are necessary for retention and recruitment of top performers.”*** If that’s the case then why is it that in addition to professors and top executives, ***“[D]ozens of loans were awarded as ‘exceptions to policy’ to unidentified aides and other employees who wouldn’t normally qualify?”***

While in the past UC officials have agreed to be more transparent about financial matters, when it comes to the low-interest home loans, campus officials ***“refused to reveal who received the money.”*** A few details were released, however, ***“including an unidentified UC Berkeley professor who was given a \$250,000 home loan with an interest rate of one-half of 1 percent a year.”*** In another case, ***“[A]n unnamed UCLA professor received loans worth up to \$1.5 million.”*** This comes on the heels of revelations that UC executives have been receiving millions of dollars in bonuses, housing allowances, and other perks, while students have had to deal with rising tuition and cutbacks to academic programs.

Although the UC system feels that these low-interest loans are a necessary to attract qualified employees, many other educational institutions are able to be successful without offering them, including the CSU system. While the UC system may be content raising student fees to cover these unnecessary perks, they state should not allow the practice of awarding these low-interest home loans to continue.

## Due Process Overdue

State law guarantees everyone the right to a fair and speedy trial. However, it seems that one California city doesn't quite get the speedy part, instead choosing to take their sweet time investigating allegations of employee wrongdoing at the taxpayers' expense.

According to the *San Francisco Chronicle* (March 27, 2006), Oakland city workers on paid leave are costing taxpayers a high price. ***"This month alone, there are 18 people – including 11 employees of the Police Department – who among them have missed more than three months of work yet have been paid more than \$500,000."*** Essentially these are people ***"who are still being paid to do nothing."***

For example, an animal control department supervisor ***"was placed on paid administrative leave in February 2005. He hasn't shown up for work in more than 13 months, yet he's earned a little more than \$65,000."***

While most cities can't afford to pay people not to work, Oakland doesn't seem to mind placing people on paid administrative leave for an extended period of time. ***"State law requires cities to pay employees until due process has run its course,"*** which in Oakland ***"takes about six months, and sometimes longer."*** This is an unacceptable period of time and a huge waste of taxpayers' money, especially when most neighboring cities have a review their cases faster.

Officials in Oakland argue that the reason they take longer to resolve allegations against city employees is because they often have to carry out ***"complicated investigations requiring multiple interviews of former and current employees and other people."*** How is that any different than in other cities? One of Oakland's complicated cases involves an animal control supervisor who is accused of violating workplace rules. He has been on paid administrative leave since February 2005, earning more than \$65,000. The violations he is charged with must be quite complex considering that ***"[I]t's taken the city of Oakland longer to investigate one man accused of violating workplace rules than it took the FBI to identify and arrest a group of terrorism suspects in Lodi last summer."***

While the fact that investigations into employee misconduct are moving so slowly is outrageous, what makes it worse is that the city's personnel director ***"could not provide a tally of how many employees sent home this year still earn a paycheck."*** So, in other words, city officials in Oakland have no idea how many city employees are getting paid to do nothing, or how long they've been getting paid to do it.

Clearly, Oakland needs to come up with a new system to speed up the investigative process and to keep track of how many people are placed on paid administrative leave. The current process is easily costing taxpayers over a million dollars a year in wasted revenue and lost productivity as they pay for city employees to be placed on what amounts to a free vacation.

## More Medi-Cal Fraud

Despite increased efforts at both the state and local level to crack down on Medi-Cal fraud, many providers are still making a killing stealing from the state. From inventing businesses that don't exist, filing claims for services that have never been rendered, to creating patient files for people who have never lived, it seems that people are able to come up with hundreds of different ways to con the state out of millions of dollars each year.

According to the *Sacramento Bee* (July 15, 2006), a study recently released by the state shows that ***“California may be losing about \$540 million a year to Medi-Cal fraud.”*** This is just the latest in a series of investigations into Medi-cal, which ***“provides health coverage to more than 6 million low-income Californians”*** at a cost of ***“\$35 billion annually in state and federal funds.”***

After analyzing sample payments to Medi-Cal providers, researchers ***“found that more than 3 percent of billing by health providers could be unwarranted.”*** While this amount may be shocking, especially considering that three percent is ***“more than double the amount of potential fraud uncovered in a similar study last year,”*** a spokesman for the Department of Health Services says that the increase can be attributed to ***“better methods of detection rather than a spike in illegal activity.”***

While there may not have been a spike in illegal activity, there certainly doesn't appear to be any decrease either. That isn't to say that the state hasn't been taking steps to strengthen its Medi-Cal fraud detection program recently. In fact, ***“since 1998, about 469 providers have been criminally convicted of defrauding Medi-Cal, and there have been 163 civil judgments for improper billing.”*** Last year alone, ***“enforcement efforts were expected to recoup about \$138 million from providers who made false claims.”***

The problem is that the Medi-Cal system has become so inundated with fraud that the state has so far been unable to get a handle on it. This most recent audit uncovered everything from, ***“a scheme at some pharmacies to provide less medication than prescriptions called for, enabling them to provide more refills and earn more refill fees”*** to a number of instances in which the state was billed for ***“services that did not appear to be medically necessary.”*** Unfortunately for California taxpayers, their tax dollars are being spent to cover these fraudulent bills instead of paying for the health needs of real people.

While California is trying to take an active approach in the fight against Medi-Cal fraud, the state needs to continue to increase its efforts to detect cheating and errors in the program. More audits need to be carried out, and additional reviews of claims that are filed should be performed in order to assure that the taxpayers aren't paying for fraudulent or unnecessary procedures.

## Misuse of Funds

While it has been said “money is the root of all evil,” some may argue that it is actually the lack of money that causes people to commit evil acts. That certainly seems to be the case in Los Angeles, where one county authority resorted to breaking federal regulations to cover emergency costs.

According to the *Los Angeles Daily News* (February 3, 2006), the **“Los Angeles Homeless Services Authority...repeatedly violated regulations by using about \$1.7 million in federal funds to bail out other programs.”** The violations are just the latest mismanagement problem for the authority, which is in charge of overseeing the region’s homeless programs. Last year **“auditors disclosed that the authority owed homeless providers \$5 million, but had just \$700,000 in the bank.”** This deficit seems reason enough for the authority to put a professional accounting system in place.

The most recent violations, which are the most serious yet, show that in 2004 and 2005 **“the LAHSA staff used U.S. Housing and Urban Development grants to make ‘temporary loans’ to pay emergency bills...”** The authority is now facing penalties which **“could range from suspending the authority’s federal funding to requiring repayment of the money with nonfederal dollars.”**

One possible option to begin repaying some of the funds would be cut the \$150,000-a-year salary of the agency’s executive director, who stated **“in an interview that he couldn’t ‘recollect’ whether he knew the ‘temporary loans’ were a violation of federal regulations at the time they were made.”** However, his memory has recently returned, and he has admitted that **“In retrospect, it was wrong.”**

While there is no justification for violating federal rules that ban the commingling of funds, the executive director has attempted to explain his actions by stating, **“It was quicker to draw on HUD funds than to go through more cumbersome processes with other funding sources when emergencies arose.”** Despite the violation, he believes that **“he should get a second chance.”** He argues that, **“people make mistakes and learn from them.”** However, it doesn’t seem like that is the case here, considering that this is only one of the many fiscal problems that the authority has had over the years.

Mechanisms need to be put in place to ensure that money designated for a specific purpose is used in the proper manner. In this case, federal money for the homeless was used to pay other agency bills despite the fact that it violated federal regulations. One thing is clear, money was not the only thing lacking at this agency – so was accountability.

## LAUSD Does It Again

Lately, it seems as if the Los Angeles Unified School District (LAUSD) is trying to win an award in the category of "Most Wasteful Spending by a School District." So far, they seem well ahead in the contest as they continue to out do themselves time and time again. The district's most recent decision, however, just may secure them the victory for good. The district is poised once again to construct the nation's costliest high school. This newest school will be even more expensive than the Belmont Learning Center, the LAUSD school that currently holds that prestigious honor.

According to the *Los Angeles Daily News* (February 16, 2006), the LAUSD is ready finance "**[a] lavish performing-arts high school backed by billionaire Eli Broad...cost[ing] \$172 million to build – double the original estimate.**" Construction of the school, which is expected to be completed in 2008, is already three years behind schedule. "**The school will include a theater, a free-standing library and a tower at the gateway to [the] \$1.5 billion Grand Avenue Civic Center development championed by Broad.**" Although the tower serves no functional purpose, Broad "**contributed \$3.1 million to ensure the construction of a 150-foot tower that...is key to the concrete building's stark design.**"

In addition, "**Broad committed \$1.9 million for the school's operational budget,**" this brings his total contributions to \$5 million for the school's construction. LAUSD agreed to pick up the tab for what is left, however, "**the price tag kept rising -- first to \$81 million, then to \$172 million, plus \$36 million to prepare the site.**" It looks like the district is certainly getting the bulk of the bill.

However, LAUSD officials don't believe that people should be upset by the amount of money they are spending on the school, instead arguing that "**[i]f Mr. Broad were to offer any kind of support of this nature for a public school anywhere else in the city, people would embrace it.**" Don't they realize that even after his contribution the district is still left to cover 97% of the cost for this extravagant project? Apparently, they don't mind, instead choosing to believe that "**occasionally public construction is to build the great, grand building – and this is it.**" I somehow doubt that taxpayers will glorify the construction of this project in the same way.

While taxpayers are angry about their dollars being wasted by the district, the local superintendent of the downtown and surrounding region is upset for an entirely different reason. He is "**angry that people think this community does not deserve a school of this caliber.**" How dare the public not understand why the already financially struggling LAUSD needs to spend \$172 million to finance the nation's costliest school!

The fact that the LAUSD is okay with spending so much money on one school is very alarming. What will happen in the future when the district needs to build more schools to accommodate growth? Will they be unable to do so because of the enormous amounts of money they are spending on high-profile projects? Only time will tell, but until then the public is just left to hope that LAUSD doesn't try to outdo itself again and finance yet another boondoggle.

## A Costly Mistake

Just how much attention do voters pay to the mailers they receive during election time? No one knows for sure, but one county in California isn't taking any chances, proving that no detail is too small when it comes to running an election.

According to the *San Francisco Chronicle* (May 29, 2006), the seven candidates running for the 14<sup>th</sup> Assembly District Democratic Central Committee ***“were listed both on the ballot and voters’ guide in random order – but apparently, because of a clerical error, they were listed in the wrong random order.”*** Wrong random order? Sounds like an oxymoron to me.

In order to ensure that voters were aware of the correct random order of the candidates, the Alameda County Registrar of Voters sent ***“a special postcard...to all 60,000 registered Democrats in the 14<sup>th</sup> District showing the candidates in the order in which they should have appeared – though not the random order in which they will appear on the ballot.”*** So, if it isn't showing the order that will be on the ballot, what exactly is the point of sending out the special card?

Although it is doubtful that voters will even notice all of this when they step into the voting booth, the Alameda County Registrar didn't want to take any chances. He estimates ***“the cost of printing and postage at about 10 cents apiece, or \$6,000.”*** According to the registrar, this is money well spent since ***“[E]verybody reads all their mail.”*** Yet, considering the amount of political mail voters receive, it is unlikely that this is the case.

While it is understandable that officials want elections to run smoothly, it is important that they not get caught up in minor details. In this case, officials lost sight of the overall picture, wasting \$6,000 and adding to the confusion that already surrounds Election Day for many voters.

## Is Bottled Really Better?

“Do as I say, not as I do,” that seems to be the motto of the Los Angeles Department of Water and Power (DWP). Although the department spends about \$500,000 annually to assure its customers that its water is safe to drink, they don’t drink it themselves—instead spending tens of thousands of dollars each year on bottled water.

According to the *Los Angeles Times* (January 3, 2006), **“Despite spending \$1 million in the last two years to assure Los Angeles residents that their tap water is not only safe to drink but also top quality, city officials spent \$88,900 in public money during that time on bottled water from private firms.”** In fact, the very people that supply and promote the city’s water, the Department of Water and Power, **“spent the most on bottled water, paying \$31,160 to Sparkletts.”**

The latest report released by DWP on the city’s water **“brags that DWP water ‘meets or surpasses all water quality standards.’”** So why the need to purchase expensive bottled water you may ask? According to the agency’s chief operating officer, **“some people prefer bottled water to DWP tap water because of the taste.”** But should public money be used simply to satisfy the taste buds of department officials? Taxpayers don’t think so, instead finding it **“ironic that the city spends money touting the safety of its water to drink but won’t drink it themselves.”**

While the DWP contends that they have been purchasing bottled water from Sparkletts to hand out at community events and for employees working in remote locations, **“at any given time it [the DWP] has about 25,000 bottles filled with its own water,”** which they could be handing out instead. Although a directive was issued by former Mayor Richard Riordan in 1995 stating that: **“The city’s tap water satisfies most needs, and bottled water should not be provided ordinarily at city expense,”** city agencies have continued to purchase bottled water and water coolers at the taxpayers’ expense, leading some to wonder what’s really in the water.

After the allegations surfaced, the *Los Angeles Times* (January 11, 2006) reported that DWP board members believe that **“there is not widespread use of bottled water in the agency.”** To prove this and to regain the trust of consumers they have asked their staff **“for a report detailing the Los Angeles agency’s purchase of bottled water.”** One manager within the department, however, alleges that despite the board members claims, there is widespread usage within the department, and **“the amount spent during the last two years may be greater than the \$31,160 paid to Sparkletts.”**

Whatever the case may be one thing is clear, telling the public that their tap water is clean, healthy, and safe to drink, means nothing if city officials aren’t practicing what they preach. By choosing to spend public money on bottled water, city officials are losing the trust of the consumer by affirming the notion bottled water really is better.

## Child Care Corruption

Childcare has become a necessity for millions of working Californians, and with childcare costs rising, more and more families are relying on the state to provide affordable childcare options. While the state has programs in place to provide needy families with child care assistance, rampant fraud, has riddled these programs, costing California taxpayers millions.

According to the Los Angeles Daily News (January 31, 2006), ***“[F]raud is costing California taxpayers as much as \$1.5 billion a year--half the welfare money it pays to needy families for child care.”*** While some believe that this figure may be exaggerated, the fraud in the child care system is very real. Since there is little follow-up to ensure that a childcare provider actually exists, it is not uncommon for welfare-to-work recipients to ***“fabricate employers or exaggerate work hours in order to qualify for taxpayer-financed child care. Then they split the money with friends and relatives who claim to be caring for the children.”*** The head prosecutor of the Welfare Fraud Division in Los Angeles put it best when he said it is a ***“tragic looting of the public treasury.”***

The child care assistance program was originally established to help welfare recipients ***“while they are looking for work or, after finding jobs, are making the transition into the work force.”*** Recipients usually receive ***“\$500 to \$1,000 a month per child”*** to cover child care costs; however, it is now not uncommon for this money to go to fraudulent providers.

In one case, a ***“resident conspired with relatives and friends to invent phony employment and child-care records and fraudulently obtain \$345,719.”*** In another instance, ***“relatives of an Ohio prison inmate set up a joint bank account in his name and submitted monthly vouchers to a local child-care agency.”*** All in all, ***“about 20 people have been prosecuted for fraud involving roughly \$3 million in public funds since the District Attorney’s Office began actively pursuing child-care cheaters a little more than a year ago.”***

The Legislature needs to take a tougher stance against childcare fraud in order to prevent and detect scams early on. The state cannot afford to be conned out of millions of dollars each year and allow a ***“broken and dysfunctional system”*** to continue.

## LAUSD Battle Burns On

Ulysses S. Grant once said, "In every battle, there comes a time when both sides consider themselves beaten, then he who continues the attack wins." Unfortunately, in the battle over control of the Los Angeles Unified School district, both sides have continued to mount expensive attack campaigns in the hopes that the other side will get tired of fighting and admit defeat.

According to the *Los Angeles Daily News* (June 30, 2006), ***"Los Angeles Unified officials so far have spent nearly \$250,000 in district funds to mount a massive, orchestrated fight against Mayor Antonio Villaraigosa's school-takeover plan."*** School board members have spent thousands of dollars on everything from flying to Sacramento to lobby legislators and busing parents to Sacramento to testify at committee hearings to ***"bring[ing] opponents of mayoral control from around the country to speak at a May 31 board meeting."***

Although the LAUSD has a communications department consisting of a staff of seven and a budget of \$862,000, the board has spent nearly \$236,000 since November to receive ***"guidance from high-priced political consultants on how the district can overhaul its image and rally opposition to Villaraigosa's proposed school-takeover legislation."*** According to LAUSD officials, the school board had no choice but to pay for these costly consultants because ***"their communications department is so lean...that it cannot handle more than day-to-day tasks."*** So what exactly falls into the "day-to-day operations" of the communications department if it doesn't consist of improving and maintaining the image of the district, or getting the message out about the issues of greatest importance to the LAUSD – simply answering phone calls?

Of course, there are two sides to every story, and, in this battle, the school board isn't the only one spending a lot of money in order to secure a victory. After leaving the Assembly, Mayor Villaraigosa used remaining funds to create a Committee on Government Excellence and Accountability – a political action committee. Although the spokesman for the committee ***"would not disclose how much money is in the account or how much money had been spent on efforts so far to promote the legislation,"*** one can assume that it is no small amount. In addition, the ***"mayor's communications office, which has nine employees - one dedicated full time to education issues- who are paid a total of \$688,000 annual salaries,"*** has also been working to gain support for mayoral control.

As the battle over control rages on, parents and community groups are starting to wonder aloud how much is too much. Neither side appears to be willing to throw in the towel, with the district instead renewing its vow to ***"continue to spend whatever it takes to fight the bill in Sacramento."*** While district officials would like the public to believe that spending hundreds of thousands of dollars to fight Mayor Villaraigosa is in the best interest of the children, it is hard to deny that the amount of time and money that has gone into both sides of this campaign could have been better spent in the classroom rather than on engaging in costly combat.

## Rent-Free Living

We've all heard that there is no such thing as a free lunch; however the taxpayers of California have been providing some state employees with something even better – free housing. Employees in the golden state have been able to escape the skyrocketing housing prices by living rent-free on government property for years at the taxpayers' expense.

According to the *Sacramento Bee* (March 26, 2006), California has ***“lost millions in potential revenues because several state agencies have provided discounted or free housing to employees without properly reporting the benefits.”*** A recent investigation found that ***“13 state agencies in 2003 provided 1,181 rental units to employees and charged them a combined \$3 million in rent.”*** This is nothing when you consider that the rent employees were being charged ***“was \$8.3 million less than what the state could have gotten if all the units were rented at fair market value.”*** As if that weren't enough, the ***“state agencies failed to report \$7.7 million in ‘taxable fringe benefits’ for employees receiving discounted housing...cost[ing] state and federal tax authorities almost \$3 million in potential tax revenues.”***

The three main culprits are the state Department of Parks and Recreation, the Department of Corrections, and the Department of Fish and Game. These three agencies alone provided approximately seventy percent of the discounted housing units to their employees at a huge loss to the state. The state auditor's report uncovered that ***“[T]he Department of Parks and Recreation could have collected as much as \$4.7 million in rent in 2003 but only charged employees a total of \$763,488.”*** In the same year, ***“[T]he state Department of Corrections charged employees \$909,732 for housing units that could have netted \$2.1 million.”*** Looks like these employees were receiving quite the housing perk.

Not to be outdone, the Department of Fish and Game provided, ***“seven department volunteers and six employees...rent-free housing for a total of 718 months between January 1984 and December 2005.”*** One worker lived rent free for over two decades on state property, while ***“[A]nother unidentified Fish and Game worker lived rent-free for at least 10 years, costing the state \$24,000 in fair market rent.”*** The fact that taxpayers have been paying for multiple employees to live rent-free for over a decade certainly appears to be more than a little fishy.

While some agencies argue that ***“the report vastly overstated fair market values of the housing they provide,”*** others admitted that ***“they are years behind in appraising their properties.”*** This failure to reevaluate current market value for their housing units is costing taxpayers millions of dollars a year in lost revenue.

As housing prices continue to increase it is important to ensure that the value of the state housing stock is accurately appraised. In addition, state agencies need to be held accountable for failing to report housing fringe benefits for employees. Taxpayer's should not be spending millions of dollars a year so that state employees can live rent-free on government property. Instead, employees should be charged fair market value for their housing because it is just that...fair.

## Child Care Fraud Continues

CalWORKS is a welfare-to-work program that provides its participants with child-care services. However, it seems that *actually* having a child in child-care is not one of the requirements for receiving this extra benefit...or so some CalWORKS recipients believe.

According to the *Los Angeles Daily News* (June 30, 2006), a recent Los Angeles County grand jury report found that some ***“welfare recipients[,] their friends and relatives are defrauding taxpayers of \$500 million a year, much more than previously estimated.”***

***“The scam typically involves welfare-to-work recipients who fabricate employers or exaggerate work hours to qualify for child care. Then they split the money with friends and relatives who claim to be caring for children.”*** These scam artists may earn very little income ***“but are reimbursed...thousands of dollars per month for miles driven and child-care expenses.”*** In some cases, the ***“same person who is paid to provide child-care services might also receive pay as an in-home careworker”*** and is double dipping into the welfare funds.

In one instance, the grand jury found ***“between September 2004 and February 2006 ... 49 people cheated the child-care program of \$3.4 million.”*** In other words, they averaged \$70,000 per person in less than a year and a half.

The grand jury report estimated that ***“about half of the \$1.1 billion CalWORKS child-care program [is] being lost to fraud.”*** The report concluded that more programs need to be in place to detect fraud and that current welfare workers ***“have inadequate training to detect fraud.”***

The reality is that there is a huge child-care fraud problem that will not subside unless action is taken. Spending a relatively small amount of money on identifying ways to combat this fraud could save California *hundreds of millions*. If we let this problem persist, we are not only wasting taxpayers' money, we are failing the best interests of the welfare recipients and their children.