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### **Westly: State Grants Lack Oversight, Consistency**

*Controller Announces New Legislation and Calls for Grant Task Force*

SACRAMENTO – State Controller Steve Westly today released an audit report of 20 grant projects that received funding as part of the state budget during fiscal years 2000-01 and 2001-02.

“We found problems across-the-board in the way these grants have been administered,” Westly said. “We have to make sure every taxpayer dollar is spent wisely – that means cleaning up the process.”

The report questions \$1.11 million in costs out of \$14.26 million awarded to the projects under audit. State Controller’s Office auditors questioned these expenses because they were inconsistent with the purpose of the project as specified in the budget and/or because grantees did not provide documentation to support the legitimacy of the expenses. As the administering state agency, the Department of Parks and Recreation is responsible for determining whether these expenditures should ultimately be prohibited.

The report follows an earlier risk assessment survey released in September 2004, which led auditors to select grants for in-depth review based on the size of the grant, the amount of documentation available and the quality and quantity of project oversight.

The findings of the audit report include:

- Many projects were not scrutinized prior to funding and contain only vague descriptions in the Budget Act. As a result, the specific purpose of the grants was often unclear.
- In some instances, grant funds were spent on projects that have provided little tangible value or benefit. For example, certain projects that received funding to construct a facility have not been built.
- Some grantees lacked knowledge of accounting standards and failed to keep proper documentation to justify expenses.
- In some cases, grantees did not have adequate fiscal controls to ensure that grant funds are spent for legitimate purposes. For example, several organizations had a single person in charge of receiving checks, making bank deposits, deciding how money should be spent and signing checks.

The report recommends that a formal process be established to review and evaluate grant proposals. As part of the process, the prospective grantee should be required to provide detailed

information on the purpose of the grant, total cost of the project, all available funding sources and timelines.

Westly also announced he is sponsoring a bill authored by Assemblymember Joe Canciamilla (D-Pittsburg) to address the problems identified in the audit report. **AB 725** would require grant recipients to provide a complete workplan within 90 days of a grant appropriation, including project scope and total cost. The state would not release the funds until the grantee has met those conditions. The bill also requires grantees to submit to an audit, use grant money only for specified purposes and reimburse the state for any spending outside of the approved project.

Additionally, **AB 725** would require a task force to develop procedures to promote uniform administration of grant funds among state agencies and departments. These include procurement policies, internal control requirements, and project monitoring and audits.

“This legislation will help us put safeguards in place to ensure that state grants have more oversight,” Canciamilla said. “Those who receive taxpayer dollars should be held strictly accountable for how the funds are spent.”

To view the report, go to [www.sco.ca.gov](http://www.sco.ca.gov)

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