

PROPOSITION 47 SAFE NEIGHBORHOODS AND SCHOOLS FUND

Report to the California State Legislature

**GRANT PROGRAMS OPERATED BY THE BOARD OF
STATE AND COMMUNITY CORRECTIONS,
CALIFORNIA VICTIM COMPENSATION BOARD,
AND CALIFORNIA DEPARTMENT OF EDUCATION**

For the Fiscal Year 2016-17



BETTY T. YEE
California State Controller

August 2018



BETTY T. YEE
California State Controller

August 7, 2018

Members of the California State Legislature
State Capitol Building
Sacramento, CA 95814

Dear Senators and Assembly Members:

I am pleased to present this report concerning the Proposition 47 Safe Neighborhoods and Schools Fund grant programs operated by the Board of State and Community Corrections (BSCC), California Victim Compensation Board (CalVCB), and California Department of Education (CDE) for the initial fiscal year (FY) 2016-17. This report has been prepared pursuant to Government Code section 7599.2(c).

We initiated the two audits of BSCC and CalVCB Proposition 47 grant programs for FY 2016-17 to determine whether grant funds were disbursed and expended in accordance with program requirements. These audits are expected to be completed by August 2018. We did not perform an audit of CDE for FY 2016-17. CDE requested a postponement, as the department lacked the resources to accommodate our audit.

As part of our preliminary work, we provided outreach and guidance efforts to BSCC, CDE, and CalVCB and on the nature of grant programs, types of grants awarded, grant management systems, grant reporting tools, internal control systems, audit requirements included in agreements, and the sufficiency of grant awards available for audit. We also completed two surveys of BSCC and CalVCB Proposition 47 grant programs. We used the results of these surveys in our audit planning to determine which grant program operations and activities and awarded grants should be selected for audit. BSCC reported approving 23 grant awards totaling \$103,651,000, but no funds were disbursed to awardees in FY 2016-17. CalVCB approved 10 grant awards totaling \$7,742,500, and reported \$292,873 was disbursed to awardees during the period.

Based on the surveys and preliminary work, we selected five grant awards from BSCC and three grant awards from CalVCB for examination in our audit.

Please direct any questions regarding this report to Jeffrey V. Brownfield, CPA, Chief of our Division of Audits, at (916) 324-1696.

Sincerely,

Original signed by

BETTY T. YEE

Contents

Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Result	3

Report

Summary

In accordance with Government Code (GC) section 7599.2(c), the State Controller's Office (SCO) initiated two audits of the Proposition 47 Safe Neighborhoods and Schools Fund (SNSF) grant programs operated by the Board of State and Community Corrections (BSCC), California Victim Compensation Board (CalVCB), and California Department of Education (CDE) for the initial fiscal year (FY) 2016-17. The purpose of the audits is to determine whether grant funds were disbursed and expended in accordance with program requirements. These audits are ongoing and expected to be completed by August 2018. We did not perform an audit of CDE for FY 2016-17.

As part of our preliminary work, we provided outreach and guidance efforts to BSCC, CDE, and CalVCB on the nature of grant programs, types of grant awarded, grant management systems, grant reporting tools, internal control systems, audit requirements included in agreements, and the sufficiency of grant awards available for audit.

Based on the surveys and preliminary work, we initiated an audit of the grant programs operated by BSCC and CalVCB. We selected five grant awards from BSCC and three grant awards from CalVCB for examination.

Background

On November 10, 2014, California voters approved Proposition 47, the Safe Neighborhoods and Schools Act. This measure reduced penalties for certain offenders convicted of nonserious and nonviolent property and drug crimes. It also allows some offenders to apply for reduced sentences. Proposition 47 established the SNSF, which is funded by savings that accrue to the state from the implementation of the measure.

The 2017-18 Governor's Budget Summary estimates net savings from the implementation of Proposition 47 of \$39.4 million and \$42.9 million for use in FY 2016-17 and FY 2017-18, respectively. Proposition 47 requires that funds deposited into the SNSF be annually allocated to BSCC, CDE, and CalVCB. It also requires that funds be spent on mental health and substance abuse treatment, truancy reduction and dropout prevention, and services provided to victims of crime.

Proposition 47 requires SCO to perform an audit of SNSF grant programs operated by BSCC, CDE, and CalVCB every two years, beginning in 2018, to ensure that funds are disbursed and expended solely according to GC sections 7599 through 7599.2.

GC section 7599.2 states:

- (a) By August 15 of each fiscal year beginning in 2016, the Controller shall disburse moneys deposited in the Safe Neighborhoods and Schools Fund as follows:
 - (1) Twenty-five percent to the State Department of Education, to administer a grant program to public agencies aimed at improving outcomes for public school pupils in kindergarten and grades 1 to 12, inclusive, by reducing truancy and

supporting students who are at risk of dropping out of school or are victims of crime.

- (2) Ten percent to the California Victim Compensation Board, to make grants to trauma recovery centers to provide services to victims of crime pursuant to Section 13963.1 of the Government Code.
 - (3) Sixty-five percent to the Board of State and Community Corrections, to administer a grant program to public agencies aimed at supporting mental health treatment, substance abuse treatment, and diversion programs for people in the criminal justice system, with an emphasis on programs that reduce recidivism of people convicted of less serious crimes, such as those covered by this measure, and those who have substance abuse and mental health problems.
- (b) For each program set forth in paragraphs (1) to (3), inclusive, of subdivision (a), the agency responsible for administering the programs shall not spend more than 5 percent of the total funds it receives from the Safe Neighborhoods and Schools Fund on an annual basis for administrative costs.
 - (c) Every two years, the Controller shall conduct an audit of the grant programs operated by the agencies specified in paragraphs (1) to (3), inclusive, of subdivision (a) to ensure the funds are disbursed and expended solely according to this chapter and shall report his or her findings to the Legislature and the public.
 - (d) Any costs incurred by the Controller and the Director of Finance in connection with the administration of the Safe Neighborhoods and Schools Fund, including the costs of the calculation required by Section 7599.1 and the audit required by subdivision (a), as determined by the Director of Finance, shall be deducted from the Safe Neighborhoods and Schools Fund before the funds are disbursed pursuant to subdivision (a).

Objectives, Scope, and Methodology

The objectives of our audits of the Proposition 47 grant funds included determining whether BSCC, CalVCB, and CDE:

- Effectively manage the Proposition 47 grant programs in conformance with applicable laws, regulations, and agreement terms and conditions;
- Maintain grant programs that comply with applicable laws, regulations, and agreement terms and conditions;
- Provide proper oversight of Proposition 47 grantees;
- Have adequate and fair contract awarding processes in place; and
- Have adequate financial management systems and proper controls in place to segregate Proposition 47 funds.

As part of our preliminary work, we:

- Provided outreach and guidance efforts to BSCC, CDE, and CalVCB on the nature of grant programs, types of grant awarded, grant management systems, grant reporting tools, internal control systems,

audit requirements included in agreements, and the sufficiency of grant awards available for audit.

- Completed two surveys of BSCC and CalVCB's Proposition 47 grant programs for FY 2016-17. Based on these surveys, we obtained an understanding of the grant programs, award processes, fund management, and monitoring processes; and preliminarily assessed risks to program operations and activities. We used the results of these surveys in our audit planning to determine which grant program operations and activities and awarded grants should be selected for audit.

We initiated an audit of the grant programs operated by BSCC and CalVCB. We delayed our audit of the CDE grant funds. CDE indicated that it lacked the resources to accommodate our audit, as it was the subject of several ongoing audits at the time. Accordingly, we have not yet initiated an audit at CDE for its Proposition 47 grant program.

Result

Based on information obtained in our surveys, we determined that:

- BSCC approved 23 grant awards totaling \$103,651,000; however, BSCC reported that no funds were disbursed to the awardees during FY 2016-17. We selected five BSCC grant awards for examination in our audit to determine whether BSCC has adequate and fair contract awarding processes in place.
- CalVCB approved 10 grant awards totaling \$7,742,500; CalVCB reported that \$292,873 was disbursed to the awardees during FY 2016-17. We selected three CalVCB grant awards for examination in our audit.

The audits of BSCC and CalVCB are expected to be completed by August 2018.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

www.sco.ca.gov