



Transmitted via e-mail

September 10, 2012

Ms. Zeny Agullana, Executive Director
ScholarShare Investment Board
915 Capitol Mall, Room 105
Sacramento, CA 95814

Mr. Jon Myers, Deputy Executive Officer
Victim Compensation and Government
Claims Board
P.O. Box 3036
Sacramento, CA 95812-3036

Dear Ms. Agullana and Mr. Myers:

Review of the California Memorial Scholarship Fund, Fund 3033

At the request of the Governor's Office, the Department of Finance (Finance) performed a review of the California Memorial Scholarship Fund administered by the ScholarShare Investment Board (Board). The purpose of the review was to determine whether fees collected from sales of the California Memorial License Plates are being used in accordance with the authorizing statutes.

Results Summary

Pursuant to Vehicle Code section 5066 fees generated from the issuance of the California Memorial License Plates are distributed between the California Memorial Scholarship Fund (Fund 3033) and the Antiterrorism Fund (Fund 3034) by 15 percent and 85 percent, respectively. See Exhibit A for the distribution of fees collected. A separate report will be issued for Fund 3034.

For Fund 3033, the Board executed agreements for a total of 16 scholarships for \$5,000 each by the July 1, 2005 deadline. A total of \$80,000 was deposited into separate scholarship accounts. As of June 30, 2011, a total of \$21,381 (including interest) was distributed to four recipients.

However, based on a sample review of recipient files, the California Victim Compensation and Government Claims Board (VCGCB) did not maintain documentation to support the eligibility for one of four recipients reviewed. We recommend VCGCB complete eligibility documentation prior to the Board's disbursement of any funds from this account.

Scope and Methodology

To determine if fees collected from sales of the California Memorial License Plates are used in accordance with the authorizing statutes, we performed the following:

- Reviewed applicable laws, regulations, and criteria to identify authorized fund uses and restrictions.
- Interviewed key personnel at the Board, VCGCB, and the Department of Motor Vehicles (DMV) to gain an understanding of the fund accounting and reporting processes.
- Reviewed supporting documentation maintained by the Board to determine if scholarships were awarded and funded.

- Reviewed a sample of scholarship accounts to determine if VCGCB maintained eligibility documentation.
- Selected a sample of expenditures at the Board to determine if costs were allowable and supported by accounting records or other appropriate source documentation.

Results

The California Memorial Scholarship Fund (Fund 3033) was established by California Vehicle Code section 5066 within the General Fund. Fees deposited into Fund 3033 were to be used for scholarships for the surviving dependents of California residents killed in the terrorist attacks of September 11, 2001. After all scholarship accounts were fully funded, the remaining fees were transferred to the Antiterrorism Fund (Fund 3034). In 2011, the DMV reported 19,478 outstanding Memorial License Plates.

AUTHORIZED PER STATUTE	BOARD COMPLIANCE RESULTS
<p>AUTHORIZED USES <i>Education Code sections 70010 (b), 70010.7(a)(2)</i> – The purpose of the program is to provide scholarships for surviving dependents of California residents killed as a result of injuries sustained during the terrorist attacks of September 11, 2001. The total amount of funds shall be evenly distributed until the Board has transferred \$5,000 into each account.</p>	<p style="text-align: center;">Yes</p>
<p>REQUIREMENT <i>Education Code section 70011.7</i> – The Board shall include information on the operation of the program in an annual report. Information shall include data on the number of agreements, agreement execution date, the age of the participants, the amount and number of fund distributions, and rate of return.</p>	<p style="text-align: center;">Yes</p>

VCGCB Identified 16 Eligible Recipients and the Board Administers 16 Scholarships

Education Code sections 70010.5(a) and (b) required the California Victim Compensation and Government Claims Board (VCGCB) to identify all persons eligible for scholarships under the program no later than July 1, 2003, and execute agreements no later than July 1, 2005. Agreements were executed for a total of 16 participants by the deadline. However, for one of the four recipient files reviewed, VCGCB did not maintain documentation to support the recipient’s eligibility. Based on further research performed during this audit, we found data that indicates the recipient was a dependent of a California resident killed in the September 2001 terrorist attacks. We recommend VCGCB complete eligibility documentation prior to disbursement of any funds from this account.

Pursuant to Education Code sections 70010(a) and 70010.7(a)(2) the Board administers the program and was required to evenly divide the funds into separate accounts. The Board fully funded 16 scholarship accounts with \$5,000 for a total of \$80,000 as required. As of June 30, 2011, \$21,381 (including interest) has been distributed to four recipients. Further, the Board has set aside \$30,000 to administer this program as allowed per statute.

However, as of June 30, 2011, no administrative costs had been charged by the Board. The Board annually reports the number of awarded scholarships, age of the recipients, dollar amounts distributed, and the rate of return¹.

The results in this management letter are based on our review performed from June 2012 through August 2012. We provided the results to the Board's and VCGCB's management on August 28, 2012, and as necessary, updated the letter to incorporate their responses.

We appreciate the assistance and cooperation of the Board and VCGCB. If you have any questions regarding this report, please contact Diana Antony, Manager, or Lisa Negri, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

cc: Mr. Stanley Zeto, Manager, ScholarShare Investment Board
Mr. Andrew Conway, Chief, Registration Operations Division, Department of Motor Vehicles
Ms. Kitty Kramer, Program Manager, Department of Motor Vehicles
Mr. Jeff Mansur, Chief, Financial Services Branch, Department of Motor Vehicles
Mr. Jim Humes, Executive Secretary for Administration, Legal Affairs and Policy, Office of the Governor
Ms. Sue Johnsrud, Director of Operations, Office of the Governor

¹ For annual reports, see <http://www.treasurer.ca.gov/scholarshare/publications.asp>.

Exhibit A – Distribution of Fees Collected

