



November 7, 2012

Mr. Will Lightbourne, Director  
California Department of Social Services  
744 P Street  
Sacramento, CA 95814-5512

Dr. Ron Chapman, Director  
California Department of Public Health  
P.O. Box 997377, MS 0500  
Sacramento, CA 95899-7377

Dear Mr. Lightbourne and Dr. Chapman:

### **Review of the Child Health and Safety Fund, Fund 0279**

At the request of the Governor's Office, the Department of Finance performed a review of the Child Health and Safety Fund (Fund 0279) administered by the California Department of Social Services (DSS) and the California Department of Public Health (DPH). The purpose of the review was to determine whether fees collected from sales of the "Have a Heart, Be a Star, Help Our Kids" License Plates (Kids' License Plates) are being used in accordance with the authorizing statutes.

### **Results Summary**

DSS and DPH received appropriations from Fund 0279 and are in compliance with the uses and restrictions as outlined in the California Vehicle Code. However, in 2010 and 2011 DPH's revenue was reported by both DPH and DSS in their annual reports submitted to the Department of Motor Vehicles (DMV), resulting in overstated revenues of \$2.6 million. We recommend DSS and DPH coordinate reporting efforts to ensure annual reports are accurate.

### **Scope and Methodology**

To determine if fees collected from sales of the Kids' 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 DSS, DPH, and the DMV to gain an understanding of the fund accounting and reporting processes.
- Reviewed accounting records to determine if expenditures were in compliance with authorizing statutes.
- Selected a sample of grant agreements to verify the scope of work was consistent with the authorized fund uses.

### **Results**

The Child Health and Safety Fund (Fund 0279) was established under Welfare and Institutions Code section 18285. Funds are to be used to administer various child health and safety programs. Pursuant to Vehicle Code section 5072(e), fees collected are distributed to Fund 0279 and to DMV for their administrative costs. See Exhibit A for the distribution of fees collected. In 2011, DMV reported 100,183 outstanding Kids' License Plates.

AUTHORIZED PER STATUTE	DSS COMPLIANCE RESULTS	DPH COMPLIANCE RESULTS
<p><b>AUTHORIZED USES AND LIMITATIONS</b></p> <p><i>Welfare and Institutions Code section 18285(d)</i> – Fifty percent of moneys derived from the license plate program shall be available, upon appropriation, to DSS for the purpose of administering specific provisions of the Health and Safety Code. Upon appropriation by the Legislature, an additional \$501,000 shall be made available for these purposes. DSS shall allocate these special funds according to the priorities specified. In order to implement the list of priorities, and to complete implementation of Health and Safety Code section 1596.816(a), DSS may, as necessary, fund appropriate administrative support costs.</p> <p><i>Welfare and Institutions Code section 18285(e)</i> – The balance of funds remaining derived from the license plate program shall be available, upon appropriation, for programs that address any of the child health and safety concerns specified and that are either to be carried out within a two-year period or whose implementation is dependent upon one-time initial funding.</p> <p><i>Vehicle Code section 5060(g)</i> – An organization that is eligible to participate in a special interest license plate program pursuant to this article and receives funds from the additional fees collected from the sale of special license plates shall not expend annually more than 25 percent of those funds on administrative costs, marketing, or other promotional activities associated with encouraging application for, or renewal of, the special license plates.</p>	Yes	Yes
<p><b>REQUIREMENT</b></p> <p><i>Vehicle Code section 5060(d)(2)(A)</i> – If the number of currently outstanding and valid special interest license plates in any particular program is less than 7,500 DMV will no longer issue or replace those special interest license plates.</p>	Yes	Yes

**DSS Meets the Fund’s Authorized Uses and Limitations**

DSS’s expenditures for Fund 0279 include salaries and fringe benefits, operating expenses, administrative costs, transfers to the State Children’s Trust Fund (Fund 0803), and payments to each county for child abuse and neglect prevention and intervention programs.<sup>1</sup>

Pursuant to Vehicle Code section 5060(g), expenditures are restricted to a 25 percent administrative cap. DSS considers the cap to only include administrative costs associated with marketing and promoting the license plates. DSS does not include other non-marketing costs in their “administrative” cost cap and has reported administrative costs of less than 1 percent in their annual reports to DMV.

However, administrative costs typically include other non-direct costs such as salaries for administrative staff, legal, accounting, and other non-program related units. Based on our review of Fund 0279 expenditures for the prior three years and classifying all marketing, promoting, and operating expenditures as administrative costs, DSS still meets the 25 percent cap. Going forward, we recommend DSS separately identify and track all direct and indirect salaries and operating expenditures to ensure full disclosure and compliance with the 25 percent administrative cap.

<sup>1</sup> Source: County Children’s Trust Fund Fact Sheet, Office of Child Abuse Prevention, March 2009

## **DPH Meets the Fund's Authorized Uses and Limitations**

Until June 2011, DPH's expenditures for Fund 0279 were solely used for the San Diego State University Research Foundation's (SDSURF) administration of the "Kids' Plates" Program. SDSURF administered the grant program distributing local assistance money to public and nonprofit agencies throughout California to enhance local, regional, and statewide interventions to reduce injuries, disabilities, and deaths among children and adolescents.<sup>2</sup> Beginning July 2011, DPH administered the grant program internally.

Pursuant to Vehicle Code section 5060(g) expenditures are restricted to a 25 percent administrative cap. DPH considers the cap to only include administrative costs associated with marketing and promoting the license plates. DPH does not include other non-marketing costs in their "administrative" cost cap and has reported administrative costs ranging from 0 to 4 percent in their annual reports to DMV.

However, as noted above administrative costs typically include other non-direct. Based on our review of non-direct expenditures incurred for the prior three years, DPH still meets the 25 percent cap. Going forward, we recommend DPH report all administrative expenditures to ensure full disclosure and compliance with the 25 percent administrative cap.

## **Revenue Was Over Reported in Annual Reports to DMV**

For 2010 and 2011, DPH reported their revenue in their annual report to DMV. However, DSS also included DPH's revenue when they reported total revenue in their annual report. This resulted in DPH's revenue being double reported to DMV and double counted in the Annual Consolidated Report prepared by DMV for 2010 and 2011. We recommend DSS and DPH coordinate reporting efforts to ensure annual reports submitted to DMV are accurate.

The results in this report are based on our review performed from August 2012 through September 2012. We provided the results to DSS's and DPH's management on October 12, 2012, and as necessary, updated the report to incorporate their responses.

We appreciate the assistance and cooperation of DSS and DPH. 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

Enclosure

cc: On following page

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<sup>2</sup> Source: Scope of Work for Contract #07-65424

cc: Ms. Fran Mueller, Deputy Director, Administration, California Department of Social Services  
Mr. Brian Dougherty, Chief, Financial Management and Contracts Branch, California  
Department of Social Services  
Ms. Didi Okamoto, Chief, Accounting, California Department of Social Services  
Ms. Patty Lee, Budget Officer, California Department of Public Health  
Ms. Jean Iacino, Internal Audits, California Department of Public Health  
Ms. Jean Billington, Chief, State and Federal Reporting Unit, Accounting Section, California  
Department of Public Health  
Mr. Drew Johnson, Acting Deputy Director, Center for Chronic Disease Prevention and Health  
Promotion, California Department of Public Health  
Ms. Jacquolyn Duerr, Assistant Division Chief, Division of Chronic Disease and Injury Control,  
California Department of Public Health  
Ms. Barbara Alberson, Chief, State and Local Injury Control Section, Safe and Active  
Communities Branch, California Department of Public Health  
Ms. Pam Shipley, Chief, Administrative Support Unit, Safe and Active Communities Branch,  
California Department of Public Health  
Mr. Andrew Conway, Chief, Registration Operations Division, California Department of Motor  
Vehicles  
Ms. Kitty Kramer, Program Manager, California Department of Motor Vehicles  
Mr. Jeff Mansur, Chief, Financial Services Branch, California 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

## Exhibit A – Distribution of Fees Collected

