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December 14, 1984

F-477

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

This letter provides the results of our review of the California Department of Highway Patrol's (CHP) expenditures and revenue sources related to the 1984 Summer Olympic Games (Olympics). We conducted this review in response to a request in the Supplemental Report of the 1984 Budget Act. We found that as of the end of our field work on November 30, 1984, the CHP had incurred \$10,388,473 in costs allocated to Olympic activities. Of this amount, the CHP absorbed \$5,968,397 by redirecting certain staff from other duties to Olympic activities. The remaining \$4,420,076 represents the CHP's Olympic costs that were funded from the 1984 Budget Act and from private sources. Based upon our audit tests, as described below, these amounts appear reasonable. Although a final accounting of the CHP's Olympic costs is not expected until January 1985, the Chief of the CHP's Administrative Services Division told us that the \$10,388,473 represents most of the expected final costs.

Background

The Olympics were staged in Los Angeles from July 28, 1984, through August 12, 1984. During this period, the CHP provided law enforcement, traffic management, and dignitary protection services. During July and August 1984, the CHP also provided law enforcement and escort services to the Los Angeles Olympic Operating Committee (LAOOC), which promoted the 1984 Olympics, and to the American Telephone and Telegraph Company (AT&T), which sponsored the Olympic Torch Relay Run Event. The LAOOC and the AT&T have reimbursed the CHP for the costs associated with the services provided to them.

To evaluate the reasonableness of the CHP's costs related to the Olympics, we examined contractual agreements, personnel activity reports, travel expense claims, flight report summaries, and expenditure ledgers. Further, we interviewed CHP officials who were

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responsible for accumulating cost data and obtained from them an explanation of the rate components used in computing personnel costs and fleet operation costs. We analyzed each rate component to determine whether it was reasonable. We did not, however, evaluate staffing standards of the CHP.

It was not within the scope of this review to conduct an examination in accordance with generally accepted auditing standards that would enable us to express an opinion on any of the financial information referred to in this report.

Allocation of Costs

As of November 30, 1984, the CHP had incurred \$10,388,473 in costs allocated to Olympic activities. Approximately 79 percent (\$8,206,448) of these costs were for direct salaries and benefits of CHP personnel and for indirect administrative overhead costs. Indirect administrative overhead costs, which were computed at a rate of 22.93 percent of CHP direct salaries and benefits, consist of salaries and benefits of administrative staff and fixed overhead costs, including utilities and building maintenance.

The remaining 21 percent (\$2,182,025) of the CHP's total Olympic costs includes amounts for lodging and meals for CHP personnel working on Olympic activities and the costs of communication, fleet and aircraft operations, travel, and general expenses related to Olympic activities.

Table 1 on the following page shows the total costs that the CHP allocated to its Olympic activities.

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TABLE 1

**CALIFORNIA DEPARTMENT OF HIGHWAY PATROL
COSTS ALLOCATED TO OLYMPIC ACTIVITIES
AS OF NOVEMBER 30, 1984**

Personnel costs and indirect administrative overhead costs	<u>\$ 8,206,448</u>
Other costs	
Lodging and meals	918,521
Travel	508,909
Communications	356,179
Fleet and aircraft operations	333,539
General	<u>64,877</u>
Total other costs	<u>2,182,025</u>
Total Allocated Costs	<u><u>\$10,388,473</u></u>

The CHP obtained funding for the \$10,388,473 in costs that it allocated to Olympic activities from the sources described below.

1. Absorbed \$5,968,397 from the appropriations provided by the Budget Act of 1983 (Chapter 324, Statutes of 1983) and the Budget Act of 1984 (Chapter 258, Statutes of 1984) by redirecting staff activities prior to and during the Olympics. The \$5,968,397 consist primarily of the salary costs and indirect administrative overhead costs of CHP personnel engaged in Olympic activities.

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2. Received \$3,142,325 in increased funding in the Budget Act of 1984 from the Motor Vehicle Account in the State Transportation Fund. This increased funding was to pay for costs associated with additional traffic management during the Olympics. As of the end of our field work, the CHP had allocated \$2,988,100 to this appropriation.
3. Received \$483,911 in increased funding in the Budget Act of 1984 from the State's General Fund. This increased funding was to pay for costs associated with dignitary protection. As of the end of our field work, the CHP had allocated \$276,557 to this appropriation.
4. Received \$1,064,546 from the LAOOC to pay for the costs of salaries, equipment, supplies, lodging, and meals related to the services provided by the CHP to the LAOOC. These services included law enforcement and security services between July 14, 1984, and August 15, 1984, and security, law enforcement, and traffic control services in connection with the staging of the Team Time Trials Cycling Event held on August 5, 1984. The CHP's contract with the LAOOC was for \$1,062,245. The LAOOC has paid the CHP for the additional costs.
5. Received \$90,873 from the AT&T for the costs of providing escort services during the AT&T-sponsored Olympic Torch Relay Run Event within the State of California. The CHP's contract with the AT&T was for \$37,830. The AT&T has paid the CHP for the additional costs.

Table 2 on the following page shows a compilation of all funding sources.

TABLE 2
**COMPILATION OF FUNDING SOURCES
 AS OF NOVEMBER 30, 1984**

<u>Funding Sources</u>	<u>Additional Appropriations and Contractual Amounts for CHP Olympic Activities</u>	<u>CHP Cost Allocations for Olympic Activities</u>
CHP support appropriation in 1983 and 1984 Budget Acts		<u>\$ 5,968,397*</u>
Additional funding		
State Transportation Fund--Motor Vehicle Account (Budget Act of 1984 increased funding)	\$ 3,142,325**	2,988,100
General Fund (Budget Act of 1984 increased funding)	483,911	276,557
LAOOC contract	1,062,245	1,064,546***
AT&T contract	<u>37,830</u>	<u>90,873***</u>
Total additional funding	<u>\$4,726,311</u>	<u>4,420,076</u>
Total Allocated Costs		<u>\$10,388,473</u>

*The CHP absorbed these costs by redirecting staff from other activities to Olympic activities.

**The Budget Act of 1984 added language stating that the amounts appropriated for Olympic activities from the Motor Vehicle Account in the State Transportation Fund, totaling \$3,142,325, shall be reduced by the amount of any funds made available from the Olympic Reflectorized License Plate Account in the State Transportation Fund pursuant to Chapter 266, Statutes of 1984. However, the Assistant Chief of the Division of Accounting, State Controller's Office, told us that the total amount available for this purpose from the Olympic Reflectorized License Plate Account in the State Transportation Fund is unknown at this time.

***Although the CHP's costs exceeded both the LAOOC and the AT&T contract amounts, the two contractees have paid for all costs that the CHP charged for services provided.

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Funding and Cost Impact

At the time the 1984-85 budget was submitted to the Legislature, the CHP indicated that it was unsure to what extent additional funds would be needed. However, as indicated above, the CHP did allocate costs of \$5,968,397 to Olympic activities; these costs were funded from the CHP's support appropriations in the 1983 and 1984 Budget Acts. As noted above, the additional \$4,420,076 needed to fund the CHP's Olympic activities was funded from increased funding in the 1984 Budget Act and from private sources.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code.

Respectfully submitted,



THOMAS W. HAYES
Auditor General