

16TH DISTRICT AGRICULTURAL ASSOCIATION

Investigations of Improper Activities by State Employees, Report I2001-1

ALLEGATION I980008, APRIL 2001

We investigated and substantiated allegations that two directors of the board of the 16th District Agricultural Association (association), which is responsible for governing the California Mid-State Fair (fair), and their spouses improperly received prize money after participating in horse show events at the fair. We also substantiated other improper activities. Specifically, we found:

Audit Highlights . . .

The 16th District Agricultural Association engaged in the following improper governmental activities:

- Improperly allowed two directors and their spouses to compete in events and accept \$9,845 in prize money.***
 - Deliberately circumvented state rules.***
 - Two directors violated conflict-of-interest laws by voting on a resolution in which they had a financial interest.***
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Finding #1: The association improperly allowed two directors of its governing board and their spouses to compete in fair events and to accept prize money.

Contrary to state rules, the association's management and governing board allowed one director and his spouse to compete in horse shows, even though the director's spouse was a horse show official. The association also improperly allowed another director's spouse to compete in judged events. Although it had been warned not to do so, the association's management allowed the two directors and their spouses to collect approximately \$9,845 in prize money from 1995 through 1999 from timed and judged events. In fact, it appears that the association deliberately circumvented state rules. On July 7, 1999, a consultant advised association management that state rules do not allow board members and their spouses to receive awards. However, during a July 21, 1999, meeting, the association's manager told the board that he had sought counsel concerning conflict-of-interest rules but did not obtain any useful information. The board then adopted a resolution that enabled board directors, association management, and their spouses to continue to receive prize money.

Finding #2: Two directors violated conflict-of-interest prohibitions by participating in a decision in which they had a financial interest.

State law prohibits public officials from participating in any governmental decision in which they know or have reason to know they have a financial interest. Despite these prohibitions, two directors violated provisions of this law when they, as members of the board, participated in the decision that resulted in the adoption of a resolution allowing board directors, association management, and spouses to continue to accept prize money at the fair.

Association Action: Corrective action taken.

The association contends that the state rules are vague and ambiguous, that it sought approval of its practices in 1994, and that its management at that time misled the board as to whether it was properly interpreting the state rules. Nevertheless, the association's board rescinded its July 1999 resolution and passed a new resolution that manifests a specific intent to comply with the state rules. In addition, the directors and their spouses agreed to return all awards won and received during the directors' tenure on the board. Furthermore, all association directors, managers, and staff have agreed to undergo training on the state rules as required by the department.

The Department of Food and Agriculture (department), which provides oversight and support to state fairs, does not agree that the state rules are vague or ambiguous. And, the department does not totally agree with the association's characterization of the historical facts at issue in our report. For example, the department has no record that the association ever sought approval of its practices. Nonetheless, the department believes that the corrective measures proposed by the association are appropriate and will continue to monitor the association to ensure that the corrective measures are fully implemented and that the association complies with the state rules in the future.