

DEPARTMENT OF CORRECTIONS

Investigations of Improper Activities by State Employees, July 2003 Through December 2003

ALLEGATION I2003-0896 (REPORT I2004-1),
MARCH 2004

Department of Corrections' response as of December 2004

Investigative Highlights . . .

The California State Prison-Los Angeles County mismanaged money collected from television and motion picture production companies that filmed at the prison as follows:

- An employee directed a production company to pay \$1,500 to an employee association fund, rather than reimburse the State for its costs.*
 - The Los Angeles County Prison failed to ensure it was reimbursed \$1,800 in costs incurred to accommodate two film production companies.*
 - The Los Angeles County Prison violated federal tax laws by improperly directing \$4,150 in donations received from production companies through an inmate religious account before transferring the money into the employee association.*
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We investigated an allegation that the California State Prison-Los Angeles County (Los Angeles County Prison) of the Department of Corrections (Corrections) mismanaged money collected from television and motion picture production companies that filmed at the prison.

Finding #1: An employee misappropriated state funds by directing a \$1,500 production company payment into an employee association account.

In violation of state laws, an employee responsible for coordinating with and billing production companies for costs incurred by Los Angeles County Prison, directed a television show that filmed at the institution to pay \$1,500 to the prison's employee association, not to the State's General Fund (General Fund), as a reimbursement. The prison established the employee association to promote employee morale by paying for activities such as employee parties and bereavement acknowledgements, or by participating in activities involving community-based charities. On July 14, 2002, the television show's film crew shot a segment at the prison. However, we found no evidence that the employee billed the television show for costs the prison incurred to accommodate the film crew or that the television show reimbursed the State for these costs. The records provided to us indicate that the employee instructed the television show to make its payment to the employee association and that he handled the payment as a donation. Two days after receiving this payment, the employee association, which had only \$254 in its account beforehand, spent \$800 for an employee barbecue.

Finding #2: The Los Angeles County Prison failed to ensure it was reimbursed \$1,800 in costs it incurred to accommodate film production companies, thereby violating state laws prohibiting a gift of public funds.

From October 2001 to July 2003, 12 production crews filmed at Los Angeles County Prison. Of these 12 productions, six shot scenes for feature or short films, four filmed documentaries, and two taped segments for television shows. Although it received some payments from production companies to offset its costs, Los Angeles County Prison failed to ensure the State was reimbursed for \$3,300 of those monitoring costs. As previously discussed, this includes a \$1,500 payment associated with a television production that Los Angeles County Prison did not return to the State. The remaining \$1,800 relates to costs prison staff incurred while providing security for two films shot in April and May 2002. Because it could not demonstrate the State had been reimbursed the \$1,800 for these private endeavors, Los Angeles County Prison violated state law, which prohibits the State from making a gift of public funds or resources for a private purpose.

Finding #3: Los Angeles County Prison violated federal tax laws by improperly routing donations received from production companies through an inmate religious account before transferring the money to the employee association.

According to federal tax law, only qualified organizations may use the charitable contributions it receives for those purposes for which the organization is created and holds money received “in trust” for those purposes. Despite these requirements, a prison official approved a plan to direct \$4,150 in donations received from production companies through an inmate religious account maintained by Los Angeles County Prison, which was authorized to receive charitable contributions, before transferring the money to the employee association, which was not qualified to accept tax-deductible donations. Los Angeles County Prison deposited donations of \$900, \$250, \$2,500, and \$500 into the inmate religious account, and then transferred the money to the employee association. According to the employee who devised the plan, she asked a subordinate who managed the inmate religious account to accept these donations. The employee then had the money transferred to the employee association, even though the association lacked the authority to receive tax-deductible donations and intended to use the money for nonqualifying purposes. The employee association used most of the money, about \$2,900, to purchase exercise equipment

for the prison employees' gym. By improperly receiving and handling these payments, Los Angeles County Prison violated the laws governing charitable donations that require the money be used for the purposes for which it was received.

Department Action: Partial corrective action taken.

As of December 2004, Corrections reported it completed its investigation of four of six employees involved in this case. Corrections rescinded the appointment of one employee, who held a high-level managerial position, and served another employee, a manager, with an adverse action in the form of a pay reduction. Corrections has not yet determined what action it will take against other employees who are still under investigation.

