

Department of Fish and Game

Improper Use of Lease Proceeds (Case I2009-1218)

REPORT NUMBER I2012-1, CHAPTER 4, ISSUED DECEMBER 2012

This report concludes that a supervisor with the Department of Fish and Game (Fish and Game)¹ improperly implemented an agricultural lease agreement. He directed the lessee to use state funds derived from the lease to purchase \$53,813 in goods and services that did not provide the improvements and repairs the lease required. In addition, the supervisor required the lessee to provide the State with \$5,000 in Home Depot gift cards, but the supervisor could not demonstrate that the purchases he and other state employees made with the gift cards paid for improvements or for any identifiable state purpose.

In the report, the California State Auditor (state auditor) made the following recommendations to Fish and Game. The state auditor's determination regarding the current status of recommendations is based on Fish and Game's failure to respond as of December 2012.

Recommendation 1—See pages 27—29 of the investigative report for information on the related finding.

Fish and Game should seek either corrective or disciplinary action against the supervisor for his failure to ensure that Fish and Game used lease proceeds in accordance with the terms of the lease and to ensure that these proceeds were accounted for in the State Treasury where necessary.

Fish and Game's Action: No action taken.

Fish and Game has failed to provide a response.

Recommendation 2—See pages 27—29 of the investigative report for information on the related finding.

Fish and Game should amend the terms of its leases either to require that the lessee make lease payments to the State or to include specific improvements and repairs of comparable value that the lessee must perform in lieu of making lease payments. In either instance, Fish and Game should include a provision in the lease for payment if the lessee owes money to the State at the end of the lease period. If it decides that future leases should require a lessee to make specific improvements and repairs, Fish and Game should do the following:

- Develop a system to track all pertinent information related to a lessee's cost for improvements and repairs to be credited against the lease.
- Require the supervisor to reconcile payment records at least annually with each lessee to ensure that the State's records are accurate and that the State receives full benefit from leasing the state property.

Fish and Game's Action: No action taken.

Fish and Game has failed to provide a response.

Recommendation 3—See pages 27—29 of the investigative report for information on the related finding.

Fish and Game should provide training to those involved with the lease to ensure that it properly accounts for and reconciles future work and payments related to the leased property, that it does not pay operational and equipment expenses with proceeds derived from the lease, and that all parties understand what work Fish and Game expects as the result of the agreement.

¹ As of January 1, 2013, the Department of Fish and Game became the Department of Fish and Wildlife.

Fish and Game's Action: No action taken.

- ➔ Fish and Game has failed to provide a response.