

Report: CalFire secretly stashed millions of dollars

By Jeff Gottlieb, Los Angeles Times

LOS ANGELES – CalFire hid \$3.6 million from legal settlements rather than depositing it into the state's cash-strapped general fund as required, interviews and documents reviewed by the *Los Angeles Times* show.

For seven years, CalFire placed the money with the nonprofit California District Attorneys Association, paying the group to hold it. CalFire used the cash for equipment purchases and training purposes.

The practice ended last year amid questions about whether the fund was legal.

After questions from the *Times* last week, CalFire director Ken Pimlott notified the state Department of Natural Resources and state Department of Finance about the existence of the fund. The Department of Finance is planning an investigation.

State Sen. Ted Gaines, R-Rocklin, on Jan. 29 sent a letter to California Attorney General Kamala Harris requesting an investigation into CalFire's hidden funds.

The CalFire news follows revelations that the state Department of Parks and Recreation hid \$20 million as parks were being closed because of budget cuts. In the wake of the parks department scandal, the Department of Finance looked for secret funds in other departments but did not find Cal Fire's account with the prosecutors' association, a spokesman said.

Auditors found more than \$200 million that agencies had squirreled away as lawmakers cut the state budget.

The CalFire fund is just the latest discovery of money hidden

by California agencies and raises questions about whether there are others that like this one were entirely off the state books.

Last August, Pimlott froze money moving in and out of that fund after receiving a briefing from his staff, said Janet Upton, a CalFire spokeswoman.

She said the agency was determining how to deposit the remaining \$810,000 into the state general fund. Upton said this was not an admission that there was anything wrong with CalFire establishing the fund.

Documents and emails show that top CalFire officials were aware of potential problems with the fund as far back as 2008, when an internal audit was launched. In early drafts, auditors said CalFire needed Department of Finance approval for the fund, which it never asked for. The auditors said that CalFire's chief counsel expressed concern that if the Department of Finance learned about the fund, it would demand the money be placed in the state treasury.

Another draft contains a September 2009 letter from Anthony Favro, head of CalFire's auditors, to Del Walters, then CalFire director, saying, "Of primary concern is the propriety of the fund ... and this conflict needs to be addressed by CalFire Executive Management."

In September 2009, Favro sent another email saying: "I am concerned about the possible perception and allegation that we are using this fund to bypass State contracting, purchasing, and travel rules and guidelines."

CalFire's regulations state these types of legal settlements should go into the state general fund.

Some of the most critical comments about the fund were cut in the final audit.

Upton said Pimlott was not aware of the comments in the drafts until the *Times* asked about them. She said that spurred him to notify the other agencies.

Upton said she was told that the comments were dropped from the final report because auditors were treating the money as if it were part of the general fund. But because the district attorney's group is a nonprofit, it didn't apply.

Despite the audit, CalFire continued to send money into the fund. Pimlott had signed a new agreement with the association in 2011, about before he frozen the fund.

CalFire, with an annual budget of about \$600 million, is responsible for preventing and putting out wildfires on about 31 million acres.

The Legislature last year passed a law requiring rural homeowners who rely on state firefighters to pay \$150 a year for fire-prevention services, which could bring in \$200 million. Gov. Jerry Brown said the state could no longer afford to pay the full cost of putting out blazes in fire-prone areas.

"How can the state get away with charging rural Californians a \$150 illegal fire fee specifically to support Cal Fire operations, and at the same time Cal Fire is hiding millions in a secret fund?" Gaines said in a statement. "It's no wonder there is such a high level of distrust between the government and its citizens. We deserve to know the truth behind what took place and why."

The state Legislature established the agency's civil cost recovery program to force those responsible for starting a fire to pay CalFire's costs of putting out the blaze.

The program "helps offset the burden placed on the state's budget by returning recovered dollars to the state's General Fund," according to a CalFire fact sheet.

CalFire established the fund with the district attorney's association in 2005. The CDDA charged a fee to hold the money. The amount of that fee changed over the years. When it was started, the prosecutors received 3 percent of the money when it came in and another 15 percent when CalFire pulled money out for training or equipment.

Martin Vranicar, the CDAA's assistant chief executive officer, said his understanding was that CalFire approached his group to set up the fund. "We were under the assumption that CalFire had the authority to do what they were doing," he said. "The presumption is that government knows what they're doing is correct and certainly proper."

CalFire used the fund to purchase equipment, such 600 digital cameras and 26 evidence sheds for \$600,000. According to the audits and emails, CalFire insisted the equipment belonged to the CDAA. That led Favro to send an email to Walters and Janet Barentson, CalFire's current deputy chief director, asking, "Isn't this a gift of public funds?"

Vranicar said his group definitely does not own the equipment. "I didn't want us responsible for equipment purchased on their behalf and be accountable if it was lost or misused," Vranicar said.

The CDAA began to have doubts about the fund when its new accounting firm asked questions and a new memoranda of understanding was being negotiated in 2011.

It recently informed CalFire the association will end its role as fund manager Feb. 10.