



# CALIFORNIA STATE AUDITOR

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## FACT SHEET

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The California State Auditor released the following report today:

### Oil Spill Prevention and Administration Fund

*The Department of Fish and Game and the Office of Spill Prevention and Response Need to Improve Their Administration of the Spill Fund*

#### BACKGROUND

Created in 1991, the Department of Fish and Game's (Fish and Game) Office of Spill Prevention and Response (spill office) prevents, prepares for, and responds to oil spills, and coordinates with federal responders when a spill occurs. The spill office's administrator is responsible for administering the Oil Spill Prevention and Administration Fund (spill fund) that pays for most of the spill office's operations. The spill fund's primary sources of revenue come from a per-barrel fee on crude oil and petroleum products received in California and a nontank vessel fee paid by certain vessels. The spill fund cannot be used to pay for response activities related to actual oil spills—those activities are paid through another fund. Legislative action is needed when changing the per-barrel fee and a regulatory amendment is needed to change the nontank vessel fee—both fees were temporarily increased on January 1, 2012.

#### KEY FINDINGS

During our review of Fish and Game's and the spill office's management of the spill fund, we noted the following:

- Following an oil spill in November 2007, new legislation placed significant additional responsibilities on the spill office but did not provide additional resources.
- In four of the five years we reviewed, the fund balance was misstated in the governor's budget—it was overstated in one year by over \$4.5 million and understated in another year by almost \$1 million.
  - ✓ Lack of written procedures coupled with inexperienced budget staff contributed to an omission of a key step—to reconcile the amounts reported in the governor's budget to the State Controller's Office's records.
  - ✓ The spill office did not update its procedures to include the reconciliation step until April 2012, even though Fish and Game accurately reported the fund balance as of June 30, 2011.
- Although the required three-year projections which, in part, supported the recent fee increases contained inaccuracies, due to how the data was prepared, it closely reflected the spill fund's actual condition.
  - ✓ Fish and Game undercharged the federal government a total of \$27.3 million for its share of indirect administrative costs for at least the past five fiscal years due to its method for calculating these costs, while the other funds administered by Fish and Game—including the spill fund—were overcharged for these costs. Thus, the spill office administrator's projections of the negative fund balances may not have been so dire and the resulting fee increases may have been less.
  - ✓ Because the federal government is allowing the State to recoup the \$27.3 million over three years, the spill office may need to again adjust the fees during that time.
- Although the spill office has implemented many of the recommendations we made in our August 2008 report, it has not fully implemented two. For instance, there continues to be friction between the spill office and Fish and Game's management over the use of certain staff and equipment, and more recently, over Fish and Game's interpretation and application of certain statutes, which many believe have impaired the administrator's authority.

#### KEY RECOMMENDATIONS

We made several recommendations to Fish and Game including that it train staff and follow written procedures for developing fund information for the governor's budget. Further, to ensure that the spill office bases its three-year projections of revenues and expenditures on accurate financial information, we recommended that it develop written procedures for preparing and verifying the accuracy of the data and to consider the anticipated recovery of indirect administrative costs. We also recommend that the Legislature clarify its intent regarding the administrator's authority to improve relationships with Fish and Game.

