

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$551,457	\$172,653	\$378,804	544	42
Operating Expenses	14,820	—10,655	25,475	544	43
Equipment	6,505	—5,770	12,275	544	44
Reimbursements	—3,020	—3,020	---	544	48
Total Increase	\$569,762	\$153,208	\$416,554		

RECOMMENDATIONS

Amount budgeted	\$3,298,732
Legislative Auditor's Recommendation	3,267,652
Reduction	\$31,080

The following positions in Sonoma State Home represent those which we recommend for reduction on the basis of the general discussion of recommended reductions in all state mental institutions shown in our analysis above.

Reclassify 1 dental hygienist to dentist (in lieu of senior dentist)	\$1,320
1 Coordinator of industrial therapy	3,216
1 Medical record librarian	3,060
1 Industries manager	3,540
1 Chief engineer, grade 1	3,540
1 Stationary engineer	3,216
1 Assistant laundry supervisor	2,772
2 Intermediate stenographers—doctors' clerical pool 3:1	4,800
1 Senior librarian	3,216
1 Groundsman and flower gardener	2,400
Total recommended reductions	\$31,080

ADJUTANT GENERAL

ITEM 179 of the Budget Bill

Budget page 552
Budget line No. 48

For Support of the Office of Adjutant General From the General Fund

Amount requested	\$2,190,246
Estimated to be expended in 1949-50 Fiscal Year	2,189,465
Increase	\$781

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$101,580	\$101,580	---	552	64
Operating Expenses	—14,566	—14,566	---	552	65
Equipment	—72,233	—72,233	---	552	66
Less:					
Reimbursements	—14,000	—14,000	---	552	71
Total Increase	\$781	\$781			

RECOMMENDATIONS

Amount budgeted -----	\$2,190,246
Legislative Auditor's Recommendation -----	1,690,246
Reduction -----	\$500,000

ANALYSIS

The most distinguishing feature of the budget request of the Adjutant General is that it cannot be justified on the basis of past expenditures, demonstrated requirements, or accurate estimates. A comparison of the amounts actually expended against amounts budgeted show the widest discrepancies. An analysis of the manner in which expenditures were made indicates a lack of customary controls, indifference to sound accounting methods, and a failure to carry out such accounting procedures as have been put into effect. The budget estimates for 1950-51 are based neither on prior expenditure experience nor expenditure programs arrived at from clearly enunciated policies.

Prior Budget Requests Excessive

An examination of the amounts actually expended or encumbered in the 1948-49 Fiscal Year compared with appropriations made to the Adjutant General indicates that this agency was consistently and greatly overbudgeted. For example, in 1948-49, the last year in which actual expenditure figures are available, the Adjutant General requested \$2,719,200 for support. The amount of \$2,522,701 was appropriated by the Legislature and the encumbrance ledger shows a total allotment of \$2,555,432.26. Of this amount, which was to provide for the functions of the Adjutant General's office, Headquarters Staff, maintenance and operation of installations, field organization, National Guard and the California Cadet Corps, *there was left unexpended and uncommitted as of the end of that fiscal year, or June 30, 1949, \$525,582.* In other words, the amount by which this agency failed to accurately estimate its financial requirements exceeded one-half million dollars. This fact is illustrated by the following table which shows a breakdown of allotments and unencumbered (i.e., unexpended and not committed) balances by function and object:

**Period July 1, 1948, Through September 30, 1949
Allotments Cover From July 1, 1948, Through June 30, 1949 ***

Location	Allotments made by Adjutant General's Office			Unencumbered balances		
	Salaries and wages	Operating expense	Equipment	Salaries and wages	Operating expense	Equipment
(1) Adjutant General's Office -----	\$14,033.00	\$11,625.00	\$2,625.00	---	\$4,019.61	\$348.94
(2) Headquarters Staff -----	350,546.02	60,568.00	9,174.37	\$6,531.79cr	7,927.24cr	1,221.12
(3) Maintenance and operation of installations --	387,951.44	606,055.00	74,000.00	12,855.42cr	248,933.09	16,936.78cr
(4) Field organization National Guard	246,273.90	506,222.00	106,133.63	31,344.70	224,857.69	37,006.93
(5) California Cadet Corps --	44,660.00	98,010.00	37,550.00	5,161.00cr	25,023.72	2,238.73
(6) Totals -----	\$1,043,464.36	\$1,282,480.00	\$229,488.00	\$6,796.49	\$494,906.87	\$23,878.94
Grand Total Allotments for Salaries and Wages, Operating Expense and Equipment -----	\$2,555,432.36					
Grand Total Unencumbered Balance for Salaries and Wages, Operating Expense and Equipment -----	525,582.30					

NOTE: Credit balances indicate either an overexpenditure or an overencumbrance, or both.

* Allotment for period July 1, 1948 to June 30, 1949. Expenditures run through September to give all expenditure vouchers time to clear.

Savings No Indication of Economical Expenditure

The fact that the Adjutant General did not expend the entire amounts appropriated to the National Guard is no indication that this resulted from a policy of economy in operations. A critical examination of the expenditure controls and financial policies employed reveals startling deficiencies such that it is impossible to determine whether the agency was even in a position to know whether expenditures were being made with any degree of economy. Although it would be impossible in the short space of time allotted for analysis of this budget request to carefully analyze each major item of expenditure and the system controls which should be established to guarantee strict accountability and sound management, even a relatively limited examination of this agency's expenditures reveals numerous deficiencies.

It should be pointed out for example that the State of California has, as a result of these deficiencies, been able to secure only a fraction of the federal reimbursements to which it is entitled, and that it is possible if not probable, that this negligence may prevent the State from ever recovering thousands of dollars rightfully due. In the preparation of these contracts inadequate investigation was made to determine accurate estimates of costs of operation and maintenance chargeable against the Federal Government, with resultant confusion and failure to provide an adequate basis for eventual recovery of these legitimate reimbursements. These conditions have made billing difficult and costly to the extent that when claims were first submitted they were returned due to failure to contain essential information and when finally resubmitted were refused by the contracting federal officer as being too late because funds budgeted for that purpose had already been exhausted. In prior years the Legislative Auditor recommended that certain of the most costly programs of the National Guard, such as provisions for aircraft units and related facilities, be not approved on the basis that such expenditure programs are over and above the State's legitimate requirements to protect the internal security of the State. At that time, the Adjutant General stated that he had been assured that the Federal Government would reimburse the State to the extent of 75 percent of these expenditures, and that he would guarantee that every effort would be made to assure the full receipt of these reimbursements. Nevertheless, it has not been until very recently that the failure to receive these federal funds has prompted the agency to take any real steps to comply with the conditions established by the Federal Government as requirements for eligibility for receipt of these funds.

Present Basis of Budget Inadequate

The failure of the National Guard to spend the amounts previously appropriated has not brought about a reduction in the budget request for 1949-50, nor for 1950-51. This is illustrated in the following table which shows that this agency requested in 1949-50 either the same amount for many expenditure items as in 1948-49, or a liberal increase, and only in some items of expenditure is there decrease for 1950-51, in spite of the fact that the Adjutant General was not able to spend the amounts appro-

printed in the Fiscal Year 1948-49, and had unencumbered balances as of the end of the 1948-49 Fiscal Year amounting to \$525,582.30.

The following table of budget requests and actual expenditures will serve as an illustration :

Actual Expenditures and Budget Requests—Selected Operating Expenses

Location	Item	Authorized budget 1948-49	Encumbered or expended as of Sept. 1949	Unencumbered balance as of Sept. 1949	Budget request 1949-50	Budget request 1950-51
Adjutant General's Office	(1) Traveling -----	\$3,000	\$1,949 87	\$1,050 13	\$2,750	\$2,750
	(2) Decorations, flags, trophies -----	5,000	997 65	4,002 35	5,000	4,000
	(3) Dues, subscriptions, and publications -----	-----	2,629 50	-----	-----	3,250
Headquarters Staff	(4) Traveling -----	16,000	15,024 78	975 22	16,800	16,800
	(5) Telephone and telegraph -----	8,000	11,977 50	-----	12,500	12,500
	(6) Automobile operation -----	8,150	11,095 65	2,945 65 cr	12,375	12,000
	(7) Freight, cartage, and express -----	600	152 57	347 43	500	500
	(8) Recruiting -----	500	461 09	38 91	750	750
	(9) Recruiting aides, additional -----	-----	-----	-----	1,000	450
	(10) Postage -----	5,000	6,355 74	1,355 74 cr	6,500	6,500
Installations—Maintenance and Operation	(11) Office -----	1,000	1,641 86	641 86 cr	1,500	10,753
	(12) Printing -----	-----	204 98	204 98 cr	750	1,000
	(13) Telephone and telegraph -----	5,530	4,714 49	815 51	10,500	6,250
	(14) Traveling -----	5,000	1,442 69	3,557 31	5,800	8,000
	(15) Light, heat, power, and water -----	128,000	90,070 66	37,929 34	188,560	144,460
	(16) Care and maintenance -----	205,700	99,123 33	106,576 67	256,855	215,000
	(17) Repairs to structures and facilities -----	100,000	7,488 62	92,511 38	100,000	50,000
	(18) Repairs to federal equipment issued for state use -----	-----	122 87	-----	2,000	3,000
	(19) Postage -----	750	616 40	133 60	1,000	1,170
Field Organization, National Guard	(20) Office -----	44,520	959 04	43,560 96	45,870	22,480
	(21) Printing -----	13,132	5,204 85	7,927 15	12,594	7,320
	(22) Telephone and telegraph -----	55,260	51,049 58	4,210 42	60,030	64,680
	(23) Freight, cartage, and express -----	19,150	2,276 21	16,873 79	18,700	3,500
	(24) Traveling -----	15,000	6,997 23	8,002 77	16,500	9,000
	(25) Automobile mileage -----	875	50 19	824 81	1,000	100
	(26) Automobile operation -----	3,700	1,849 83	1,850 17	2,640	2,000
	(27) Subscriptions and publications -----	5,090	2,933 03	2,156 97	5,250	4,000
	(28) Field exercises -----	20,000	3,681 46	16,318 54	20,000	20,000
	(29) Athletic supplies and equipment -----	50,000	24,558 05	25,441 95	10,000	20,000
	(30) Expendable stores and athletic equipment -----	-----	20,488 89	-----	-----	-----
	(31) Recruiting -----	35,000	17,777 11	17,222 89	35,000	18,000
	(32) Medical examinations -----	20,000	14,005 25	5,994 75	10,000	15,000
	(33) Rifle and pistol teams -----	5,000	90 50	4,909 50	5,000	3,000
	(34) Repairs to federal equipment, state use -----	5,000	71 20	4,928 79	5,000	-----
	(35) Repairs to office equipment -----	9,540	1,475 95	8,064 05	9,100	5,490
	(36) Uniform allowances -----	173,250	104,476 86	68,773 14	146,000	145,000
	(37) Unit maintenance service -----	42,780	9,897 90	32,882 10	-----	-----
	(38) Postage -----	34,425	20,675 51	13,749 49	35,258	21,000

For example, this table shows that the Adjutant General's office budgeted \$3,000 for traveling in 1948-49 but spent less than \$2,000. Nevertheless, \$2,750 was budgeted for the current year and is again

requested for 1950-51. The amount requested for decorations, flags and trophies was \$5,000 for 1948-49 although approximately \$1,000 was spent during that fiscal year. Five thousand dollars was requested again for the 1949-50 Fiscal Year and \$4,000 is budgeted for 1950-51. The amount of \$205,700 was budgeted for care and maintenance of installations for the 1948-49 Fiscal Year and only \$99,123.33 was expended, leaving an unencumbered balance of \$106,576.67. Yet \$256,855 was budgeted for the 1949-50 Fiscal Year and \$215,000 has been requested for the 1950-51 Fiscal Year. An examination of other items of expenditure reveals the same absence of any logical relationship between the amounts budgeted for 1948-49 and the amounts expended with the amounts budgeted in 1949-50 and again in 1950-51. It is obvious that for the most part, the amount budgeted for 1950-51 was influenced primarily by the amount budgeted in the prior year rather than experience from prior expenditures.

A study of the accounts of the Adjutant General's office discloses that budgetary controls have been very weak and in some cases lacking entirely, for example, the item of postage. The following table shows the amounts allotted, expended, encumbered, and the unencumbered balances:

	Period July 1, 1948, Through September 30, 1949 *			Unencumbered balance
Adjutant General's Office -----	Allotments	Expenditures	Encumbrances	
Headquarters staff ---	\$5,000.00	\$6,355.74	---	\$1,355.74cr.
Maintenance and operations of installations	750.00	616.40	---	133.60
Field organization				
National Guard ----	34,425.00	20,675.51	---	13,749.49
California Cadet Corps -----	1,200.00	1,284.44	---	84.44cr.
	<u>\$41,375.00</u>	<u>\$28,932.09</u>		<u>\$12,442.91</u>

* Allotment for period July 1, 1948, to June 30, 1949. Expenditures run through September to give all expenditure vouchers time to clear.

The above schedule shows total allotments for postage amounting to \$41,375. Overexpenditures have occurred in the headquarters staff and the Cadet Corps. The unencumbered balance is \$12,442.91. No evidence of any attempt to control the issuance of stamps to the various units could be found nor any apparent attempt to determine what quantities or denominations were necessary. It appears that any request, at any time, for any amount was issued without question.

The number of times requests were made during a year from various units ranged from 12 to 1, and the amounts requested from \$1,000 to \$1. Taking into consideration that three letters are interchanged for each request, considerable money could be saved if the number of requests were minimized.

The following table shows the Budget request for postage for the 1949-50 Fiscal Year:

	<i>Budget request amount</i>
Adjutant General's Office-----	
Headquarters staff-----	\$6,500
Maintenance and operation of institutions-----	1,000
Field organization, National Guard-----	35,258
	\$42,758

Taking into consideration the fact that the actual expenditures for 1948-49 were only \$28,932.09 without any apparent basis of control, this increase of \$13,825.91 in the 1949-50 budget request appears to be excessive.

Allotment of \$173,250 was made for uniform allowances for the Fiscal Year 1948-49. The amount of \$104,476.86 was expended on the basis of claims presented. The amount of \$68,773.14 was unexpended and unencumbered. There was no evidence, however, to justify the amount of the allotment. No records were available to show the number of officers who had served a year and were entitled to the \$100 allowance; the number who had served more than a year and would be entitled to receive \$50 per year allowance; the number who had served less than a year showing the dates eligibility would be established to receive the \$100 first year's allowance. The proposed budget request for uniform allowance for the 1949-50 Fiscal Year was \$146,000. Yet the agency was unable to show any medium whereby it could estimate with any degree of accuracy the amount needed. As of January 26, 1950, there was in progress, not yet complete, a search of records to determine what officers had received allowances and the amount, how many were entitled to receive allowances, and what amount, and how many and the dates other officers would become eligible for allowances. The proposed budget request for the 1950-51 Fiscal Year is for \$145,000. This estimate was also made without benefit of the aforementioned necessary information which would enable the agency to determine what amount would be needed.

A cursory examination of the accounts indicate that it is possible that the total of unencumbered balances as of June 30, 1949, may exceed by a substantial margin even the amount of \$525,582.30 reflected on the books. This could be determined only by a thorough audit. We have pointed out above that the absence of proper management and accounting controls would give sufficient reason to account for this agency's inability to properly gauge its expenditure requirements. A careful analysis of the schedules forming the basis for the requests contained in the 1950-51 Budget likewise indicates an inability to justify the individual amounts on the basis of prior expenditures or of clearly established policy.

As a result of these combined factors, we are frankly unable to formulate any precise body of recommended reductions. By the same token, we do not believe for the reasons stated above that there is any budget figure that can, at the present time, be justified by the Adjutant

General. However, on the basis of prior expenditure patterns and taking into account economies which should reasonably be expected from the establishment of sound management controls and practices, we believe that it is not improbable that the budget of the Adjutant General could be reduced by up to \$500,000 without impairing any of the essential functions of the agency.

We are therefore recommending that the item for support in the amount of \$2,190,246 of the Office of the Adjutant General be reduced by \$500,000 or 29.5 percent.

GENERAL SUMMARY

The Office of the Adjutant General was created by Chapter 114, Statutes of 1946, First Extra Session.

His duties are prescribed in the Military and Veterans Code, and additional duties may be prescribed by the Governor consistent with the regulations and customs of the United States Army.

The organization is composed of five functional parts:

1. Adjutant General's Office
2. Headquarters staff
3. Maintenance and operation of installations
4. Field organization—National Guard
5. California Cadet Corps

There is a large group of employees not appearing in the Budget that are performing certain functions for the National Guard Office. These comprise a total of 1,139 consisting of the following classes:

- Unit caretakers for each unit
- Administrative assistant
- Workmen
- Clerks
- Air technicians for all air units

These employees are paid from federal funds. A property disbursement administrator is appointed by the Adjutant General's Office, subject to approval of the National Guard branch of the United States Army, whose salary is paid by the Federal Government. He selects the necessary personnel, who are paid from federal funds, to perform the duties of his office. The personnel records of these employees are maintained at San Luis Obispo.

Section 432 of Military and Veterans Code stipulates that revenues resulting from use of state armories by persons and organizations, including those not connected with the National Guard, shall be used by the Adjutant General for military purposes. We recommend that all revenues resulting from the use of these facilities should go to the General Fund, and that the Department of Finance establish a standard schedule of rentals for the various installations to be used by the armory board.

**Adjutant General
CALIFORNIA CADET CORPS**

ITEM 180 of the Budget Bill

Budget page 558
Budget line No. 5

For Support of the California Cadet Corps From the General Fund

Amount requested	\$202,587
Estimated to be expended in 1949-50 Fiscal Year.....	204,944
Decrease (1.2 percent)	\$2,357

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages.....	—\$1,374	—\$1,374	---	558	17
Operating Expenses	10,550	10,550	---	558	18
Equipment	—11,533	—11,533	---	558	19
Total Decrease	—\$2,357	—\$2,357			

RECOMMENDATIONS

Amount budgeted	\$202,587
Legislative Auditor's Recommendation.....	202,587
Reduction	None

ANALYSIS

The reduction in salaries and wages is due to the elimination of one position.

The total increase of \$10,550 for operating expense is for increased printing, publications, training aids, and uniforms. Legislation in 1949 increased the allowance for uniforms from \$5 to \$7.50 per cadet. This increase amounts to \$5,500.

Equipment costs have been reduced \$11,533. The major item of expenditure is \$10,000 for additional rifles.

We recommend approval of this Budget.

GENERAL SUMMARY

The California Cadet Corps was created in 1911. It is a military training organization of approximately 85 high school units with membership of approximately 6,000.

Instructors are either qualified members of the faculty of the school or local reserve or guard officers employed by local school boards.

A two-week encampment is provided for students at Camp San Luis Obispo during the summer vacation.

The Cadet Corps does not overlap the R.O.T.C. program since the Cadet Corps is not permitted to operate in those cities in which R.O.T.C. units are located. Only schools with 100 or more students in the program are eligible for R.O.T.C.