The California State Auditor released the following report today:

**California Department of Public Health**

*It Needs to Improve Accuracy in Accounting and Charging for Compliance Inspections Designed to Reduce Youth Access to Tobacco and It Could Enhance Its Compliance Inspections*

**BACKGROUND**

To reduce the availability of tobacco products to persons under 18 and to ensure that tobacco retailers comply with state laws related to restricting youth tobacco access, the California Department of Public Health (Public Health) is charged with administering and enforcing California’s Stop Tobacco Access to Kids Enforcement Act (STAKE Act). In establishing and developing a program to implement the STAKE Act, Public Health conducts federally required annual statewide retailer assessments—an unannounced inspection of tobacco retailers to measure overall levels of compliance with laws and to identify violations. Further, it generally allocates funding to county and city health departments to administer programs aimed at preventing tobacco and tobacco-related diseases. Public Health also conducts statewide compliance inspections, as well as some compliance inspections on behalf of local entities through contracts.

**KEY FINDINGS**

Our audit of Public Health’s administration of the STAKE Act revealed the following:

- Public Health does not have adequate processes in place to accurately track its costs related to conducting statewide and local compliance inspections.
  - It does not accurately track how much time its investigators spend on local contract compliance inspections as opposed to statewide compliance inspections.
  - The average cost that Public Health recorded for statewide compliance inspections varied substantially from those for the local compliance inspections even though the same procedures are used for both types of inspections. For example, in fiscal year 2009–10, the average cost for a statewide compliance inspection was $667 per inspection, while the average cost for a local compliance inspection was $204 per inspection.

- The rate Public Health charged local entities for a compliance inspection was not sufficient to recover its costs of conducting the inspections. Because it used a rate it established in 2005, we estimate that Public Health charged at least $207,000 less than what was needed to cover its costs for 2,500 local compliance inspections it conducted during fiscal years 2009–10 through 2011–12.

- Public Health does not provide the names of retailers found to have sold tobacco products to minors during the annual retailer assessment to its investigators and thus, is not notifying nor penalizing those retailers who violate the law.

**KEY RECOMMENDATIONS**

We made several recommendations to Public Health, including that it implement a process to properly track the time its staff spend on the statewide and local compliance inspections and that it properly allocate expenses to appropriate funding sources. Further, we recommended that when Public Health enters into new contracts with local entities for compliance inspections it develop rates that reflect its true costs and that it document the basis for those rates. Further, we made other recommendations aimed at ensuring that it more effectively monitor and enforce compliance with the STAKE Act, including that it provide department investigators identifying information regarding retailers who are found to have sold tobacco products to minors during the annual retailer assessment to enhance enforcement activities.