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We've exhaustively written online about the on-going civil war between the [California State Athletic Commission](#) and the [Department of Consumer Affairs](#), which oversees the CSAC. Politically speaking, the CSAC is low on their totem pole. However, the CSAC finances are a mess. The DCA fired off an insolvency letter to the members of the CSAC on May 31st, only days before their [June 4th hearing in San Diego](#). At that June 4th hearing, the CSAC members expressed their disgust at being caught flat-footed by the insolvency letter. The CSAC's Executive Director, George Dodd, blamed the high inspector & in-state travel costs on the fact that inspectors are often stuck in traffic. Stunningly, Dodd agreed with CSAC Chairman John Frierson's assertion that the amount of inspectors per combat sports event in California should be cut from 6-7 to 3 per show unless a show is a major event with a title fight. Appallingly, Dodd agreed with Frierson's assertion. Furthermore, he allowed Frierson to take over the duties of assigning inspectors to each show in the state. On top of that concession, Dodd agreed with Frierson's assertion that referees should sign-off on the hand-wrapping process for fighters. The problem with hand-wrapping inspections is not the signing off process, it's the actual inspection process. Cutting corners does nothing for improving the quality of regulation.

As we've demonstrated in our recent reports, cutting the amount of inspectors per show from 6-7 to 3 is outrageous. Given the duties that the inspectors have to perform at the shows (managing the box office, hand-wraps, drug testing, medical licensing & paperwork), it is absolutely asking for a disaster to have only 3 inspectors per show as standard policy. God forbid if a major scandal or accident occurs. Both the CSAC & DCA are putting themselves at risk for major liability by not properly regulating shows under their banner. Furthermore, as [we demonstrated in our June 19th report](#), not all inspectors are treated equally at the CSAC.

The real issue is which inspectors get which gigs and which inspectors are getting paid overtime by the state of California because they work for the state during the day, as opposed to inspectors who hold private sector jobs.

So, what we have right now in the on-going DCA/CSAC civil war is a situation where revenues have plummeted because less combat shows are happening in the state. You have the DCA & CSAC essentially pushing for inspectors to be cut in half for shows, which increases the chances of something bad happening at an event. You have the DCA preparing to replace George Dodd with a bean counter who will tow the DCA line and not aggressively clean up the incompetence and/or corruption in the Sacramento office. The irony in this maneuver is that Dodd was hand-picked by the Department of Consumer Affairs (Brian Stiger). Now that everything is spiraling out of control, DCA wants everyone to believe that the bureaucratic mess is simply George Dodd's fault. As we exposed [in our June 16th budget analysis review](#), the financial problems at the CSAC started after the departure of Armando Garcia and well before the appointment of George Dodd.

In other words, the DCA attempting to convince the public that Dodd is the sole reason for their financial troubles simply won't fly. The DCA is counting on fans, fighters, promoters, and media not shining a spotlight on what is happening right now at the Sacramento office.

This is why the contents of the DCA's insolvency letter to the California State Athletic Commission board members are so damaging. The insolvency letter (dated May 31st), was released online yesterday. The letter uses innocuous bureaucratic language that most people, at first glance, would simply skim over and not analyze. However, what's listed in the insolvency letter is staggering and troubling. The admissions made by the DCA in the insolvency letter, along with a threat made to George Dodd, must be dissected for public consumption.

If you're a fight fan, fighter, or promoter in California, the contents of the DCA's insolvency letter should concern you about the future of combat sports in California.

### **DCA memo for June 26th CSAC hearing**

[In a nine page PDF document](#) for June 26th meeting materials, the DCA on page three includes a memo to the CSAC board members under the name of Taylor Schick, a Budget Officer at the DCA. The memo claims that the CSAC is, right now, insolvent. The memo claims that the CSAC for Fiscal Year 2010-2011 and 2011-2012 spent more than they brought in for revenue, which goes against the grain of commission business. The memo claims that, starting on July 1st, the commission will be in the red by \$35,000. In other words, nothing in the bank.

What's curious about the way the memo is laid out is that it's presented in such a manner that it leads to the conclusion that George Dodd, who had a meeting with the DCA on May 23rd regarding finances & creating a new budget plan for 2012-2013, will continue

spending at the same levels as he did the past couple of years without making any changes. This completely goes against what Dodd proposed at the June 4th San Diego hearing, when he proposed cuts ([page 16 of June 4th meeting materials](#)) that included proposals to cut inspector expenditures to \$150,000 and in-state travel costs to \$100,000. While we have opined in previous reports that these proposed cuts were, in our opinion, nothing more than face-saving measures, the fact is that the DCA cannot accurately claim in their 6/26 memo to the CSAC members that Dodd will budget spending levels in the future at the same clip that he had done in his previous years as Exec. Director. The 6/26 memo by DCA for George Dodd's job assessment is simply a piece of propaganda to make him the fall guy for everything that has gone wrong & is going wrong at DCA. It's preposterous for DCA to make this assertion but they're doing so because they're not counting on anyone pointing out their fallacies before the [6/26 South El Monte, California hearing](#). They would be wrong.

For further proof of the DCA's propaganda, they put a Fund Balance chart ([page five of nine in 6/26 meetings material PDF](#)) which shows a big red bar going below \$0 for money left for the commission if Dodd's previous spending ways at kept in tact for the Fiscal Year 2012-2013 budget. It's simply a ploy by DCA to tell their puppet (CSAC) what to do next.

On the same page, you will see a chart in which the DCA forecasts that revenues from combat sports events in California for Fiscal Year 2012-2013 will either stay stagnant (\$1.2M range) or decline. It's an important admission that we'll focus on later in this report.

### **The insolvency letter**

To further illustrate how the fix is in by DCA to get rid of their own hand-picked man, George Dodd, take a look at [page six of the 6/26 meetings material PDF](#). It's a copy of the insolvency letter that members of the California State Athletic Commission received on May 31st, 2012. In the letter, the DCA threatens Dodd by stating that they could personally hold him liable for any debt that the CSAC owes because they have no money in the bank. Make no mistake about this — this is the DCA throwing the gauntlet down to Dodd to make him the fall guy for their problems. It's a threat. If you are looking for a reason as to why Dodd will likely resign from the CSAC with a whimper as opposed to putting up a fight on June 26th and exposing the shenanigans at DCA in Sacramento & Los Angeles, this would be it.

We are not here to defend George Dodd in regards to his job performance. What we are simply doing is pointing out the bureaucratic ass-covering process that's currently ongoing at the [Department of Consumer Affairs](#).

One aspect of the insolvency letter that makes Dodd look horrible is the fact that he supposedly did not communicate to the CSAC board members about the insolvency issue, which is why they got caught flat-footed. The letter claims that DCA had a meeting with Dodd on May 23rd. The letter was issued to the CSAC members on May 31st,

which is eight days after the hearing took place. At the [June 4th San Diego hearing](#), Linda Forster & John Frierson both sounded exasperated that they were essentially kept in the dark about what was going on. They had every right to be. The fact that Dodd didn't tell the CSAC members what was going on is bad enough, but the fact that DCA didn't tell the board members until eight days after the fact makes their behavior look questionable as well.

What's incredible about the insolvency letter by the DCA to the CSAC members is that it is absolutely loaded with allegations, both stated and unstated. Some of the allegations, by any other name, would be labeled as fraud by any sort of independent investigator. In the first paragraph of [the DCA's insolvency letter](#), take a look at this remark:

*As we discussed, this is not a matter of sufficient appropriation authority but is instead a matter of sufficient cash in the fund that would allow the Commission to continue operations.*

**Translation:** We gave you everything you budgeted for and you still crapped the bed. Like the \$729,000 and \$668,000 for inspector costs over the last two years. In Dodd's defense, the only reason this became an issue on DCA's radar is because revenues decreased from \$1.8M to \$1.2-\$1.3M.

One of the things we harped on regarding [our June 16th budget analysis report](#) is that the amounts budgeted for inspector & in-state travel costs versus what was claimed as being spent for those costs simply did not make sense. While Dodd should get blame for his budget mismanagement, the truth is that someone at DCA signed off on his budgets. They had to be approved by someone at the agency. The DCA can't have their cake and eat it, too. Either they knew what was going on with the bad budgeting math by George Dodd and let it go ... or ... they let Dodd do his thing freely and didn't provide any oversight for this oncoming financial train wreck. In either scenario, the DCA looks incompetent & lazy.

In the insolvency letter, the DCA listed a 7 bullet-point plan on what Dodd can do to help the commission remain solvent. This is where the allegations/suggestions of impropriety are spelled out. Here is how the DCA framed the suggestions to Dodd:

*In order to assist you in generating additional savings, several areas of concern have been identified that could help the Athletic Commission remain solvent on an ongoing basis:*

With the DCA making the following suggestions to Dodd, it is an indication that they know what is going on in regards to financial improprieties. Remember this. This is essentially an admission on their part.

*Utilizing office staff, instead of Athletic Inspectors, to perform all clerical duties (putting together event packages, etc.).*

The shortest way I can explain this is that experienced inspectors, especially from past CSAC administrations, handled event packages at the shows. It was essentially considered part of the job. The fact that Dodd and DCA allowed basic inspector duties like this to be performed by salaried employees in the office is a display of dereliction. Instead of the inspectors doing their job, California taxpayers ended up eating the costs of office employees spending their time doing duties that people on the ground were supposed to be producing at the shows.

With having six or seven inspectors per show, you could manage tasks like these. However, now that DCA, Dodd, and Frierson are going with an 'only three inspector' policy per show, it's going to be much harder & more difficult for resource-strapped inspectors to do their jobs properly at the events given everything else they must manage. If the DCA thinks that mismanagement is bad now, wait until they see the fruits of their political policy in a year or two. The fighters & promoters will suffer for it, too.

*Limiting travel by Athletic Inspectors to regions outside of their headquarters.*

Ding, ding, ding. As we outlined [in our June 19th inspector report](#), there are two big reasons why inspector & in-state travel costs for the commission have been inflated. The first is that inspectors from Sacramento & Los Angeles traveled to different parts of California to work shows outside their designated location. This allowed the inspectors to get airplane tickets, rental cars, per diems, and other costs covered for attending shows they shouldn't have been working in the first place. The fact that DCA acknowledges this is a problem means that they have been complicit in letting this bad economic policy get implemented.

The other issue that we outlined is that inspectors who happen to be state employees during the day have been getting paid time-and-a-half (50% more or higher salary) as compared to their fellow inspectors who hold private sector jobs during the day. The extra costs for public sector inspectors per show can mean thousands of dollars more in expenses.

And as we demonstrated [in our June 16th report](#), the abuse of promoter & taxpayer money in regards to inspector & in-state travel costs has been going on before George Dodd was appointed by the DCA as the CSAC's Executive Director. While the problems may have been exacerbated by Dodd, it's the DCA who allowed this scenario to unfold under their management umbrella. Whether the DCA wants to admit it tacitly or passively, that's another story.

The next item from the insolvency letter is a suggestion that potential fraud is taking place:

*Strictly auditing time sheets and travel claims for accuracy and excessive claims of hours.*

The fact that DCA is bringing up this suggestion in vague terms indicates that they probably have good information about who is up to no good when it comes to billing the state of California for extra hours. If they know the names of those they suspect are guilty of fraud, they should either fire or arrest those individuals. Where's the internal investigation? Why isn't anyone being named publicly? Stealing taxpayer money for work that you aren't doing is considered fraud because the money is property of the state of California.

[California Penal Code Section 72:](#)

*Every person who, with intent to defraud, presents for allowance or for payment to any state board or officer, or to any county, city, or district board or officer, authorized to allow or pay the same if genuine, any false or fraudulent claim, bill, account, voucher, or writing, is punishable either by imprisonment in the county jail for a period of not more than one year, by a fine of not exceeding one thousand dollars (\$1,000), or by both that imprisonment and fine, or by imprisonment pursuant to subdivision (h) of Section 1170, by a fine of not exceeding ten thousand dollars (\$10,000), or by both such imprisonment and fine. As used in this section "officer" includes a "carrier," as defined in subdivision (a) of Section 14124.70 of the Welfare and Institutions Code, authorized to act as an agent for a state board or officer or a county, city, or district board or officer, as the case may be.*

The fact that DCA casually letter-dropped this suggestion in an insolvency letter to George Dodd without naming suspected perpetrators seems like very curious behavior. The charge of auditing time sheets and travel claims could apply not just to the Sacramento crew but also to the public sector inspectors who are traveling on the taxpayer's dime while getting paid time-and-a-half for their salaries, too.

*Limiting the number of Athletic Inspectors at events to only what is absolutely necessary.*

I would love to know how many people at DCA have actually ever watched a qualified inspector do their job full time. My guess is very few, if any, have. The "only three inspector" policy will come back to haunt them. It's practically begging for an incident at a show to happen (due to a lack of inspectors), resulting in a lawsuit.

An easy scenario in which trouble could unfold is if a fighter gets seriously hurt and there's not enough people on the ground who can take care of the medical paperwork so that the fighter in question can get the medical attention that they need. Remember, inspectors are still dealing with paperwork for medical record-keeping in 2012 as opposed to having a computerized set-up.

*Developing a minimum gate tax, in regulations, to ensure that the Commission is not expending more money than is being collected in revenue while regulating events.*

What a perfectly California-esque solution to the on-going financial problems at the CSAC. The DCA forecasts that revenues from combat sports shows will stay stagnant or decline for FY 2012-2013 and what do they propose? A minimum gate tax. I bet that will work out just as well as the tax on tickets for the boxer's pension fund and the neurological fund have turned out, right?

Between this and [the new fee structure](#) that George Dodd implemented for referees, judges, doctors, and timekeepers to work events, the state of California is creating a hostile atmosphere for promoters of smaller & mid-sized fight shows.

One of three scenarios will occur: a) promoters will simply go out of business, b) promoters will take their shows to different states, or c) promoters will run shows on tribal land. All three scenarios will mean less revenue for the California State Athletic Commission.

*Halting the use of temporary help in the office.*

The reason this is a sore spot for DCA is because in the 2011 budget report, \$0 was budgeted for temp. help and Dodd managed to spend over \$51,000.

And, finally, a last bullet point from DCA sure to inspire confidence in the way CSAC is conducting business.

*Performing a strict count out of ticket sales and attendance at the conclusion of each event and requiring proper documentation from promoters regarding ticket sales as well as a count of complimentary tickets to ensure proper revenue collection.*

If you thought office workers in Sacramento potentially billing the state in a questionable manner was bad, here's the classic scenario for scams — especially if inspectors are illegally selling comp. tickets to buddies.

Generally, the rule of thumb is to have tickets printed by a state-certified printing vendor, in which the tickets have a serial number and are colored. The inspectors are supposed to have a setup where they tabulate the number of tickets printed, how many comps, and keep the tickets not sold. Capacity (tickets printed), deadwood (tickets unsold turned in by inspector), exempt (comps), and then the admission (price of the ticket) based on ticket color.

There will always be bad apples, and not every inspector can always be trusted to be on the up-and-up. However, the fact that the DCA felt compelled to note this to George Dodd indicates a lack of confidence that the DCA has in not only him but also the CSAC's internal protocols for good governance.

### **What the internal turmoil means for everyone on the outside looking in**

It's safe to say that preparations have been made by the DCA to jettison George Dodd out the door. You don't make a threat of personal financial liability like they did to Dodd without ensuring that it's the end of his tenure. The man has a family and obviously doesn't want to put his family at major financial risk. His days are numbered at CSAC, although I suspect that there will be interested parties who will want to talk to him soon. The Department of Consumer Affairs has created such a toxic atmosphere for anyone who isn't a major player in the fight game. Big time fight promoters, like Golden Boy & UFC & Top Rank, rely on independent promoters to help find new prospects & develop talent. The independent promotions are UFC's farm system. California is home to so many talented MMA fighters (gyms) & pro boxers. Forcing small & mid-sized promoters out of business because of misguided policies, incompetence, and potential corruption is simply counterproductive.

By appointing yet another hand-picked bean counter, the [Department of Consumer Affairs](#) is thumbing their nose at those who *they need the most*. Not only are their proposals to limit the number of inspectors per show & implement a new minimum gate tax bad policies, it's also a sign that they simply do not have any sort of plan for future growth. Instead of being pro-active about how to attract big fights to the state and creating an atmosphere for independent promoters to book local fighters & run events in California, the DCA is pushing business away to other locales. They are creating an environment where those who do put on shows in the state are dealing with higher regulatory costs, fewer inspectors, and less resources. When Golden Boy is drawing 1,200 paid for a Showtime event at the Home Depot Center, you know the business environment is rancid right now.

What makes the on-going civil war between the DCA & the California State Athletic Commission so discouraging is that the DCA is stuck in a political game of blame-shifting and opaqueness. The people getting hurt most by their incompetence & decision making are the state's taxpayers, promoters, fighters, and fans. Residents are getting screwed over by elements at the DCA & CSAC, who are acting like pigs at the taxpayer trough. Promoters are facing a climate that is hostile & not conducive for drawing revenues at the live events without TV or PPV support. In-state fighters are losing out on a chance to get bookings in California and are instead being prodded to go elsewhere in order to gain valuable experience. California fight fans are losing out because fewer shows are taking place and the shows that are happening in the state will suffer due to sloppier regulatory practices in the future. Implementing band-aid policies like allowing fighters to use testosterone is simply not going to make up for the amount of lost business in the state for combat sports. It's a step in the wrong direction.



As long as elements at the Department of Consumer Affairs & the California State Athletic Commission continue to believe that taxpayers serve on *their* behalf and not the other way around, the behavior of the government lifers will continue to negatively impact the state of affairs for combat sports in California. The bureaucrats are counting on the press & taxpayers to not pay attention to their incompetent business practices. This is why it is important to keep applying pressure on the DCA and force the issue regarding their bad behavior.

George Dodd isn't the sole reason for the decline of combat sports in California, but that's the narrative that the DCA wants everyone to believe. It's delusional.

**Next CSAC meeting – June 26th, 2012**

[Details here \(PDF file\)](#).

**Meeting time:** Noon PST

**Location:** Bureau of Automotive Repair, 1180 Durfee Avenue, Suite 120, South El Monte, CA 91733-4432

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