

# CALIFORNIA STATE AUDITOR

Bureau of State Audits

## Data Reliability

State Agencies' Computer-Generated Data Varied in  
Their Completeness and Accuracy



August 2010 Report 2010-401

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# CALIFORNIA STATE AUDITOR

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August 10, 2010

2010-401

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This letter report presents a summary of the results of the State Auditor's Office assessments of the reliability of data in a wide variety of databases and automated spreadsheets used by the bureau for the purposes of its audits. Data reliability refers to the accuracy and completeness of the data, given our intended purposes for the data's use. The State uses these data in many ways, which include reporting on its programs, tracking licensees and recipients of funds, disbursing funds, and making program decisions. Although we disclosed these data reliability assessments in 19 audit reports that we issued during 2008 and 2009, this report is intended to call attention both to areas of concern, where important data are not always reliable, and to instances in which information has been reliable. We have conducted our assessments in accordance with the provisions of the federal Government Accountability Office's *Assessing the Reliability of Computer-Processed Data*, which require us to assess and report on the reliability of the data from automated systems we use to reach our audit conclusions. This report is the second in an anticipated series of periodic reports on the subject.

Many systems had reliable data for our purposes, but some important systems did not. During the 19 audits we assessed the reliability of specific data for 84 different purposes in 36 separate database and spreadsheet systems. For 34 audit purposes, we concluded that the data were reliable and that using the data would not weaken our analyses or lead us to incorrect or unintentional messages. We found, for example, that the California Housing Finance Agency had reliable data, allowing us to determine the amount of awards and disbursements for the School Facility Fee Downpayment Assistance, California Homebuyer's Downpayment Assistance, Homeownership in Revitalization Areas, and Extra Credit Teacher programs.

However, for 31 audit purposes, we reported the data were not sufficiently reliable, meaning that using the data would most likely lead to incorrect or unintentional messages and that the data have significant or potentially significant limitations, given the audit topics and intended uses of the data. For instance, at the California Department of Corrections and Rehabilitation (Corrections), the Division of Addiction and Recovery Services' database had some obviously unreliable information. Specifically, we identified errors when attempting to trace data back to a sample of source documents for the purpose of identifying the number of sex offenders that Corrections placed in licensed and unlicensed facilities.

For 18 audit purposes, we were unable to determine the reliability of the data; therefore, we concluded that use of the data could lead to incorrect or unintentional messages and that the data have significant or potentially significant limitations, given the research questions and intended

uses of the data. In some cases, our conclusions that data were of undetermined reliability arose from issues that either were beyond the control of the audited agencies or were not causes for concern. For instance, the conclusion that Corrections' accounting records had undetermined reliability was not a cause for concern because we did not find material errors in our electronic testing of required data elements. However, we did not conduct accuracy or completeness testing because the source documents required for this testing were stored at seven regional offices or the 33 institutions located throughout the State, and it would not have been cost-effective to conduct such testing. Nevertheless, without hard-copy documentation, we were unable to assess the accuracy of the accounting data. We also determined that the sex offender registry of the California Department of Justice (Justice) had undetermined reliability. However, we did not report a finding because the registered sex offenders are responsible for contacting their local law enforcement office to determine if they are required to register, to provide registration information, and to update their registration when needed. Thus, we were not able to direct a recommendation to Justice.

For the remaining audit purpose that we reviewed, we did not assess data reliability. Specifically, we did not assess the reliability for the Department of General Services' State Contract and Procurement Registration System (SCPRS)—in which state agencies are required to enter all contracts valued at \$5,000 or more—because our intent was only to use the data to provide background information on the number of information technology contracts. Therefore, a data reliability assessment was not required. However, we needed to gain assurance that the population of contracts from which we selected our sample was complete. For this purpose, we found SCPRS to be incomplete.

The table on pages 9 through 13 summarizes selected information from the pages referenced in the Appendix. The data reliability assessment relates to the purpose for which we tested the system's data during the audit, as described in the Appendix. The agency's use of the system's data usually, but not always, is similar to our use of the system's data.

## Introduction

Information technology (IT) systems are increasingly important for efficient and effective business practices. The State has an ongoing need for its IT systems to keep pace with technological changes and to develop and use systems and databases where they have not existed in the past. Equally important, however, is state agencies' day-to-day use of existing IT systems for purposes that can have significant impacts on the State's operations, such as reporting on programs, tracking and monitoring licensees, disbursing funds, and reaching program decisions. In October 2008 we issued a report titled *Data Reliability: State Agencies' Computer-Generated Data Varied in Its Reliability* (Report 2008-401) that addressed the reliability of the data from systems we tested as part of audits issued in 2006 and 2007. The reliability of the data from systems tested during audits issued in 2008 and 2009 is the subject of this report.<sup>1</sup>

The federal Government Accountability Office (GAO), whose standards we follow, requires us to assess and report on the reliability of computer-processed data that we use during our audits. *Data reliability* refers to the accuracy and completeness of the data, given the intended purposes for their use. The GAO defines the three possible assessments we can make—*sufficiently reliable data*, *not sufficiently reliable data*, and *data of undetermined reliability*. (See the text box for definitions.) In assessing data reliability, we take several factors into consideration, including the degree of risk involved in the use of the data and the strength of corroborating evidence. A single database may have different assessments because information that we propose to use for one purpose is accurate and complete, whereas data fields needed for a separate purpose are not.

### Definitions Used in Data Reliability Assessments

**Sufficiently Reliable Data**—Based on audit work, an auditor can conclude that using the data would not weaken the analysis or lead to an incorrect or unintentional message.

**Not Sufficiently Reliable Data**—Based on audit work, an auditor can conclude that using the data would most likely lead to an incorrect or unintentional message and that the data have significant or potentially significant limitations, given the research question and the intended use of the data.

**Data of Undetermined Reliability**—Based on audit work, an auditor can conclude that use of the data could lead to an incorrect or unintentional message and that the data have significant or potentially significant limitations, given the research question and intended use of the data.

We may employ various procedures for determining the reliability of computer-processed data we report and use to reach audit conclusions. For example, if we want to use data to determine whether the State Bar of California processed disciplinary cases promptly, we might test the disciplinary tracking system in the following ways:

- Reviewing the system for illogical data. If we find entries listing dates for completion preceding the dates that the cases were received, we would question the adequacy of system controls.

<sup>1</sup> We also include data reliability information for one report issued in 2007 because it was not included in the prior report.

- Scanning the database for completeness of key data fields. If we find numerous case files that omit the dates that the department received the case, we might conclude that the data are so incomplete that drawing conclusions would lead to an incorrect or unintentional message.
- Comparing database records to source documents. Using a sample of actual cases with original documents, we could determine whether the corresponding database information, such as entries for the dates received, is consistent with such information as the date-received stamps on the original documents.

In the case of the State Bar of California, we tested its disciplinary tracking system for all these elements and found it to be reliable for the purposes of our audit.

To give the appropriate perspective about information derived from computer-based systems, GAO standards require us to disclose the results of our data reliability testing and the limitations of the data we use.

## Audit Results

### Many Automated Systems Had Reliable Data for Our Purposes

In assessing 84 audit purposes for data reliability, we determined that the data for 34 were reliable. Therefore, in these instances, we were able to use the data to draw conclusions and to quote the data without qualifications about the accuracy of the information. For example, we were able to use the California Department of Veterans Affairs' Mitas database to identify the number of veterans who receive benefits from the CalVet Home Loans program and to identify recent trends in veterans' participation in the program. We also concluded that the Department of Alcohol and Drug Programs' licensure data were sufficiently reliable for us to identify the number of residential alcohol and substance abuse treatment facilities that operate in the State. At the Department of Fish and Game, we were able to calculate revenues from sales of the Bay-Delta Sport Fishing Enhancement Stamp Program because we found this department's License Agent System sufficiently reliable.

### Many Automated Systems Were Not Sufficiently Reliable for Us to Use the Information Recorded

For 31 data reliability assessments, we concluded that the data were not sufficiently reliable. One primary reason for this conclusion was that the errors caused by incomplete data exceeded the acceptable number of errors we established for the audit data to be deemed reliable for our purposes. For instance, we found several errors during our testing of the radioactive materials database (RAM2000), which the Department of Public Health's (Public Health) Radiologic Health Branch (branch) uses to track its inspections of entities that possess radioactive material. Specifically, we noted that data values in the priority-code field were incorrect for two of 16 sample items. Because this field defines the required inspection interval for a given licensee, errors based on these data could result in the branch's scheduling of too frequent or too few inspections. Without sufficiently reliable data within its RAM2000 database, we could not use the branch's data to determine the size and extent of any backlog of radioactive materials. At the Victim Compensation and Government Claims Board (Victim Compensation Board), an inoperable reporting system in the Compensation and Restitution System (CaRES) prevented the Victim Compensation Board from providing us with any useful reports that would enable us to identify the extent to which a backlog of applications and bills awaiting a decision exists. We also concluded that CaRES was not sufficiently reliable to assess how long the Victim Compensation Board and the joint powers units took to process completed applications and bills.



Nevertheless, we present the results of the analysis in that report because the data represented the best available source of information. Further, because the reporting function in CaRES is not working yet, the Victim Compensation Board is forced to use ad hoc reports that are unreliable and that lack important information that the board needs to manage its workload effectively. Without such data, the Victim Compensation Board cannot ensure that victims receive prompt assistance.

In some circumstances—when the audited agency is responsible for the data problems and uses the data for purposes similar to those we intended—we recommended that the audited agency take corrective action. For example, to improve the accuracy of its data, we recommended that the branch within Public Health compare its existing files to the information recorded in the data systems. In addition, we recommended that it improve its internal controls over data entry so that it can maintain accurate data on an ongoing basis. Furthermore, to ensure that the branch uses sufficiently reliable data from its future data system to manage its workload, we recommended that Public Health develop and maintain adequate documentation related to data storage, retrieval, and maintenance. Public Health stated that it plans to replace the systems it uses to manage its inspection workload.

### **We Were Unable to Determine the Reliability of Data for Some of Our Purposes**

For 18 of the 84 purposes we reported, we concluded that the data had undetermined reliability—that is, we were not able to determine the extent of any inaccuracies or omissions. As a result, either we were not able to use the data or we reported qualifications about the data's reliability. As in the cases of data that have insufficient reliability, we recommend corrective action when the department is responsible for the data problems and uses the data for purposes similar to those we intended, potentially resulting in undesirable outcomes. In some instances, we concluded that such data arose from problems with audited agencies' practices, but at other times the causes were either beyond the agencies' control or not reasons for concern.

For example, data from three California Department of Corrections and Rehabilitation (Corrections) systems had undetermined reliability. We found no material errors in our electronic testing of required data elements; however, we did not conduct completeness testing for the three databases because, depending on the data involved, the source documents required for this testing are stored at seven regional offices or 33 institutions located throughout the State, making such testing cost-prohibitive.



For the same reason, testing two of the databases for accuracy was too expensive. Because no other sources exist for obtaining the information, we used the data from all three databases. We used one database to determine the additional cost of striker inmates (those incarcerated under the Three Strikes law) currently housed in Corrections' adult institutions and the controlling, or longest, offenses for individual inmates—if the offenses related to a Three Strikes case. Another database enabled us to calculate the cost of incarcerating an inmate and to analyze and categorize overtime-related expenditure data. Finally, we calculated the average daily population of inmates at a particular institution using data from a third system.

At the Department of Health Care Services, we found data systems utilized by Electronic Data Systems (EDS) to have undetermined reliability for providing information on the amounts paid for medical equipment by the California Medical Assistance Program (Medi-Cal) during fiscal year 2006–07. We performed electronic testing of selected data elements to ensure that they contained logical values, and we tested the accuracy of the data by tracing a sample of records to supporting documentation. However, we were unable to obtain assurance regarding the completeness of the data because EDS indicated that it incorrectly extracted the data from its records. The corrected data were not available in time for us to verify its accuracy and to perform our planned procedures before issuing our report.

For the remaining audit purpose we reported, we did not assess data reliability. Specifically, we did not assess the reliability for the Department of General Services' State Contract and Procurement Registration System (SCPRS)—in which state agencies are required to enter all contracts valued at \$5,000 or more—because we intended only to use the data to provide background information on the number of information technology (IT) contracts. Therefore, a data reliability assessment was not required. However, we needed to gain assurance that the population of contracts from which we selected our sample was complete. For this purpose, we found SCPRS to be incomplete. For example, our review of a sample of 29 contracts for Public Health found that three were not in the SCPRS database. Further, during our audit we discovered an active \$3.9 million IT contract for the Department of Health Care Services that initially did not appear to be in the SCPRS database. We later found that SCPRS incorrectly identified the contract as grants and subventions instead of IT.

### **The Appendix Provides Specific Information About Each of the Data Assessments That We Reported**

The Appendix to this report contains tables that summarize the results of the data reliability assessments for state-administered programs we discuss in audit reports issued in 2008 and 2009. The tables in the Appendix are preceded by brief summaries of their related reports and are organized by oversight agency, if applicable, and date order of reports issued. They indicate the agency audited and either the name of the database we examined or a description of the data for those databases or spreadsheets with no formal names. The tables also include the following:

- Our purpose (or intended use) in using the data, our assessment based on our intended use, the audited agency's purpose for the data, and recommendations for corrective actions, if any. Although our purpose is sometimes the same as that of the agency, our purpose differs occasionally. When purposes differ, we may have found that data had undetermined or insufficient reliability for our purposes, but we made no recommendations because our concerns do not affect the agency's use of the data. Nevertheless, we report the results of these assessments as a caution to others who may try to use the data in the same manner as we originally intended.
- The agency's response to our recommendations. The response date listed corresponds to the date noted in the annual report to legislative subcommittees about the corrective actions that the agency took to address our recommendations. We issued our most recent report to the subcommittees in February 2010. Therefore, since that time, some agencies may have taken additional corrective actions that we do not report here.

Finally, when possible, the tables disclose information that provides context about the significance of the data we have assessed. For example, the Department of Veterans Affairs' Mitas database, which we used to identify the number of California veterans who receive benefits from the CalVet Home Loans Program, indicated that 12,518 veterans were participating in the program as of March 31, 2009.

At the beginning of the Appendix we have included a table that summarizes the data reliability assessments. This table lists the agency and department associated with each database, our data reliability assessment, the agency or department's purpose for the database, and the page number for each database's data reliability assessment table. In many cases we used a database for more than one testing purpose and therefore tested the reliability of the database for each purpose. If a database with multiple testing uses

received the same rating more than once, we list that rating only once in the summary table. For example, we found the McGeorge School of Law case management database insufficiently reliable for all four of our testing purposes; thus, in the table we list the assessment simply as “No” to summarize that the database was not reliable for our four audit purposes.

**Table**  
**Summary of Reliability Assessments for Audits Issued in 2008 and 2009**

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
<b>BUSINESS, TRANSPORTATION AND HOUSING</b>				
California Housing Finance Agency (CHFA)	Lender Access System	Yes	To reserve, track, and purchase the CHFA's subordinate loans. The subordinate loan programs include School Facility Fee Downpayment Assistance Program, California Homebuyer's Downpayment Assistance Program, Homeownership in Revitalization Areas Program, and Extra Credit Teacher Program.	16
	Residential Development Loan Program spreadsheet	Yes	To track total commitments, disbursements, loan maturity dates, payments received, status report deadlines, and other data related to the program.	17
	School Facility Fee System	Undetermined	To track the review, approval, and disbursement of School Facility Fee funds.	17
Housing and Community Development, Department of	California State Accounting and Reporting System (CalSTARS)	Yes	To satisfy the basic accounting needs of most agencies of the State.	17
	Spreadsheet of cumulative bond awards under propositions 46 and 1C	Yes	To list the cumulative summary information—including award information—of the programs funded under the Housing and Emergency Shelter Trust Fund acts (propositions 46 and 1C).	17
<b>CORRECTIONS AND REHABILITATION, CALIFORNIA DEPARTMENT OF</b>				
Corrections and Rehabilitation, California Department of (Corrections)	Division of Addiction and Recovery Services database	No	To track and evaluate the delivery of substance abuse services to inmates and parolees in an accurate, timely, and efficient manner throughout all phases of the correctional intervention.	19
	Division of Adult Parole Operations database	No	To track parolees and to maintain a complete parolee history. The current system delivers real-time, local, and statewide parolee data from a single source.	19
	The Youthful Offender Database Application	No	To track ward office assignments, duties, and tasks of the Division of Juvenile Justice parole agents and agent caseload and to help ensure that parole agents are not overassigned.	20

*continued on next page . . .*

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
	Offender Based Information System (OBIS)	Yes	To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge. OBIS subsystems track the following: commitments at the receiving centers, offender demographics, offender movements, and release dates.	25
	Database for contracts for goods	No	To track information related to all contracts for goods that Corrections executes using state contracting processes, including the ones for information technology (IT) initiated by California Prison Health Care Services (Prison Health Services).	27
	Database for contracts for services	No	To track information related to all contracts for services that Corrections executes using state contracting processes, including the ones for IT initiated by Prison Health Services.	27
	Cadet database	Yes	To track cadets who graduate from the correctional officer training academy.	29
	Corrections accounting records data for fiscal years 2003–04 through 2007–08 (CalSTARS)	Undetermined	To satisfy the basic accounting needs of most state agencies.	29
	Distributed Data Processing System	Undetermined	To track the day-to-day operation of several facilities in the prisons, including the following: the Automated Visiting Information System, the Clark Developmentally Disabled Automated Tracking System, the Inmate Job Assignment System, the Inmate Medical Alert Application, the Inmate Mental Health Identifier System, the Inmate Roster Classification System, and the Inmate Roster Movement System.	30
	OBIS	Undetermined	To capture and maintain all adult offender information from the time the offenders are committed to Corrections through the time of their discharge. OBIS subsystems track the following: commitments at the receiving centers, offender demographics, offender movements, and release dates.	30
	State Controller's Office (State Controller) payroll system	Yes	To process the State's payroll and personnel transaction documents.	31

**EDUCATION, DEPARTMENT OF**

	Department of General Services Office of Administrative Hearings (Administrative Hearings) case management database	Yes, No, Undetermined	To compile the data included in quarterly reports required by the Department of Education. State law requires Administrative Hearings to report on such factors as the number of complaints, mediations unrelated to hearing requests, and requests for special education hearings.	33
	Administrative Hearings Practice Manager database	No	To compile quarterly reports required by the Department of Education, including information related to whether it is meeting the 45-day state and federal requirement to issue a decision after a hearing is held, unless an extension is granted.	33
	McGeorge School of Law case management database	No	To compile data included in quarterly reports.	35

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
<b>HEALTH AND HUMAN SERVICES</b>				
Alcohol and Drug Programs, Department of	Facilities Licensure data	Yes	To track licensing and certification provider data.	21
Developmental Services, Department of	Client Master File	No	To list all consumers whom the 21 regional centers placed into various residential facilities. The regional centers are responsible for providing developmental services to their consumers.	21
	State Controller payroll system	Yes	To process the State's payroll system and personnel transaction documents.	37
Health Care Services, Department of (Health Care Services)	California Medicaid Management Information System	Undetermined, No	To process—through Electronic Data Systems, a Health Care Services contractor—reimbursements for the California Medical Assistance Program (Medi-Cal).	39
	State Controller payroll system	Yes	To process the State's payroll system and personnel transaction documents.	41
Mental Health, Department of	State Controller payroll system	Yes	To process the State's payroll system and personnel transaction documents.	37
Public Health, Department of	A database that compiles data from numerous sources on child fatalities due to abuse and neglect	No	To gather the best available information on child fatalities due to abuse and neglect and, as a result, to reduce the number of preventable child deaths.	43
	California Mammography Information System data on inspections of mammography equipment	No	To track the Radiologic Health Branch's mammography machine inspections.	45
	Health Application Licensing system data on inspections of radiation-emitting machines other than mammography equipment	Undetermined	To record the Radiologic Health Branch's inspections of radiation-emitting machines—such as x-ray machines—other than mammography equipment.	46
	Radioactive materials database data related to the Radiologic Health Branch's inspections of entities that possess radioactive material	No	To track the Radiologic Health Branch's inspections of entities it has licensed to possess radioactive materials.	47
	State Controller payroll records	Yes	To process the State's payroll and personnel transaction documents.	41
Social Services, Department of	Licensing Information System (LIS)	Undetermined	To track information about the facilities, facilities personnel, caseloads of licensing program analysts, criminal record clearances, facility fee payments, and statistical reports related to the facilities and about updates or changes on LIS.	22
<b>NATURAL RESOURCES</b>				
Fish and Game, Department of (Fish and Game)	CalSTARS data	Yes	To satisfy the basic accounting needs of most state agencies.	49
	CalSTARS data	Yes, Undetermined	To satisfy the basic accounting needs of most state agencies.	51
	License Agent System	Yes, Undetermined	To record, among other things, Fish and Game's revenues from fish stamp sales.	51

continued on next page...

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
<b>STATE AND CONSUMER SERVICES</b>				
General Services, Department of	State Contract and Procurement Registry System	Incomplete	To provide a centralized location for tracking the State's contracting and purchasing transactions.	41
<b>OTHER DEPARTMENTS, BOARDS &amp; COMMISSIONS</b>				
53 California Unemployment Insurance Appeals Board (App23eals Board)57	Spreadsheets known as blue-slip logs, which list personnel transactions	Yes	To summarize the Appeals Board's hires, promotions, and transfers.	53
	State Controller management information retrieval system	Yes	To generate various California Human Resources staff reports, including position inventory and employment history reports.	53
Employment Development Department	Employment Development Department accounting system	Yes	To process payments for the Appeals Board, including reimbursements of travel claims and payments for the procurement of goods. In addition, the system maintains the Appeals Board's operating and equipment expense records.	53
Justice, California Department of	State Controller DNA Identification Fund database	Yes	To record the dollar amount of DNA Identification Fund penalties that counties and courts transfer to the State.	55
	Sex offender registry	No	To track certain information, including the addresses of all sex offenders required to register in California, as state law mandates.	23
State Bar of California	Disciplinary tracking system	Yes	To track cases brought against attorneys from the public and other sources.	57

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
California Board of Chiropractic Examiners (Chiropractic Board)	Consumer Affairs System	Undetermined, No	To record information about the Chiropractic Board's case files (complaints and licensing).	59
Veterans Affairs, California Department of (Veterans Affairs)	Mitas database maintained by Veterans Affairs	Yes	To originate and service loans and to account for bonds that Veterans Affairs has issued through the CalVet Home Loans program.	61
State of California Victim Compensation and Government Claims Board	Compensation and Restitution System	No	To process victim compensation applications and bills.	63

Respectfully submitted,



ELAINE M. HOWLE, CPA  
 State Auditor



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## Appendix

The tables on the following pages detail the results of the Bureau of State Audits' assessments of the reliability of data discussed in audits issued during 2008 and 2009, and in related follow-up reports. In addition, the tables briefly summarize the main conclusions of each assessment.

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**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
*Housing Bond Funds Generally Have Been Awarded Promptly and in Compliance With Law,  
but Monitoring Continues to Need Improvement*

Date: November 10, 2009

Report: 2009-037

**BACKGROUND**

In an effort to aid low- to moderate-income and homeless populations in securing housing and shelter, the Legislature proposed and voters approved, nearly \$5 billion in housing bonds—Housing and Emergency Shelter Trust Fund Act bonds. These bond funds provide for the development of affordable rental housing, emergency housing shelters, and down-payment assistance to low- to moderate-income home buyers. The Department of Housing and Community Development (HCD) has final responsibility for the housing bond funds and directly administers the majority of the housing bond programs. The California Housing Finance Agency (CHFA) also manages some of the programs funded by the housing bonds.

**KEY FINDINGS**

During our review of the Housing and Emergency Shelter Trust Fund acts of November 2002 and 2006, we noted the following:

- As of December 2008 HCD and CHFA had awarded nearly all of the November 2002 bond funds. Although HCD and CHFA awarded housing bond funds authorized in November 2006 for eight programs, it has not issued any awards for two other programs.
- Both agencies generally have processes in place to ensure that recipients, primarily individuals and local entities that ultimately receive the funds awarded, meet legal requirements before disbursing housing bond awards to them. However, as we reported in September 2007, HCD continues to advance funds to recipients at amounts greater than the established limit for this program.
- Because of state budget difficulties, HCD restricted the amount of travel for performing on-site visits beginning in July 2008; thus, it has not met the goals it established for conducting on-site visits for its CalHome, Emergency Housing and Assistance, and Supportive Housing programs.
- Finally, HCD has not yet completed its verification of data transferred to its new Consolidated Automated Program Enterprise System (CAPES), which it uses to administer and manage the housing bond programs.

**KEY RECOMMENDATIONS**

We made several recommendations to HCD, including that it follow its procedures on restrictions of advances and ensure that it receives and reviews required status reports for its CalHome Program. In addition, we recommended that HCD adopt a risk-based, on-site monitoring approach for two of its programs. We also recommended that HCD complete its review of the accuracy of the data transferred to CAPES.

**California Housing Finance Agency**

Description of Data	Agency Purpose of Data
California Housing Finance Agency (CHFA) Lender Access System	To reserve, track, and purchase the CHFA's subordinate loans. The subordinate loan programs include the California Homebuyer's Downpayment Assistance Program—School Facility Fee, the California Homebuyer's Downpayment Assistance Program, the Homeownership in Revitalization Areas Program, and the Extra Credit Teacher Program.
Purpose of Testing	Data Reliability Determination
To determine the amount of awards and disbursements by program.	<i>Sufficiently reliable.</i>

<b>Description of Data</b> CHFA Residential Development Loan Program (RDLP) spreadsheet	<b>Agency Purpose of Data</b> To track total commitments, disbursements, loan maturity dates, payments received, status report deadlines, and other data related to the RDLP.  As of December 31, 2008, the RDLP had \$44 million allocated from Proposition 46 bond funds.
<b>Purpose of Testing</b> To determine the amount of awards and disbursements by program.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

<b>Description of Data</b> CHFA School Facility Fee System	<b>Agency Purpose of Data</b> To track the review, approval, and disbursement of School Facility Fee funds.  The Homebuyer Downpayment Assistance Program—School Facility Fee—had \$50 million allocated from Proposition 46 bond funds as of December 31, 2008.
<b>Purpose of Testing</b> To determine the amount of awards and disbursements by program.	<b>Data Reliability Determination</b> <i>Undetermined reliability</i> —We were unable to fully test the data for completeness because we were unable to select a sample of awards to trace into the system and could not identify another method that we could use to test completeness.
<b>Agency Response Date</b>	N/A
<b>Corrective Action Recommended</b> We did not recommend corrective action because we did not identify a problem with the system. Additionally, we were unable to test the data's completeness because we could not select a sample of awards to trace into the system.	<b>Status of Corrective Action</b> N/A

### Housing and Community Development, Department of

<b>Description of Data</b> Department of Housing and Community Development (HCD) California State Accounting and Reporting System (CalSTARS)	<b>Agency Purpose of Data</b> To satisfy the basic accounting needs of most state agencies.
<b>Purpose of Testing</b> To determine the amount of disbursements by program.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

<b>Description of Data</b> Spreadsheet of cumulative propositions 46 and 1C bond awards under HCD	<b>Agency Purpose of Data</b> To list the cumulative summary information—including award information—of the programs funded under the Housing and Emergency Shelter Trust Fund acts (propositions 46 and 1C).  Proposition 46 authorizes \$2.1 billion for housing bond programs. Proposition 1C authorizes \$2.85 billion for housing and development programs.
<b>Purpose of Testing</b> To determine the amount of awards by program.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

## SEX OFFENDER PLACEMENT

### *State Laws Are Not Always Clear, and No One Formally Assesses the Impact Sex Offender Placement Has on Local Communities*

Date: April 17, 2008

Report: 2007-115

#### BACKGROUND

Fifty nine thousand registered sex offenders live in California communities, yet only 8,000 are supervised and monitored by the California Department of Corrections and Rehabilitation (Corrections). Laws dictate where and with whom paroled sex offenders can reside and when they must register with local law enforcement agencies. Some registered sex offenders reside in residential facilities, licensed by the Department of Social Services (Social Services) and the Department of Alcohol and Drug Programs, but most reside in facilities that do not require a license. The Department of Justice (Justice) maintains a registry that contains addresses of sex offenders; however, it is not required to, nor does it, indicate whether or not the address is a licensed facility.

#### KEY FINDINGS

Our review of the placement of registered sex offenders in communities found that:

- Departments responsible for licensing residential facilities are not required to, nor do they, consider the criminal background of potential clients they serve, including sex offenders, nor do they track whether individuals residing at these facilities are registered sex offenders.
- Our comparison of the databases from the two licensing departments with Justice's database of registered sex offenders showed that at least 352 licensed residential facilities housed sex offenders.
- We also found 49 instances in which the registered addresses in Justice's database for sex offenders were the same as the official addresses of facilities licensed by Social Services that serve children such as family day care homes.
- State law prohibits a paroled sex offender from residing with other sex offenders unless they reside in a "residential facility." However, we found more than 500 instances in which two or more sex offenders on parole were listed as residing at the same address. At least 332 of these addresses appear to belong to hotels or apartment complexes, and 2,038 sex offenders were listed as residing at those addresses. Further, it is unclear whether "residential facilities" includes those that do not require licenses, such as sober living facilities.
- Local law enforcement agencies told us they have not performed formal assessments of the impact sex offenders have on their resources or communities. Further, Corrections does not always notify local law enforcement about paroled sex offenders.

#### KEY RECOMMENDATIONS

We recommend the Legislature consider clarifying the laws related to where registered sex offenders may reside. Further, we recommend that Corrections monitor the addresses of paroled sex offenders and that departments collaborate to ensure proper residence. In addition, Justice and Social Services should share information to ensure that registered adult sex offenders are not residing in licensed facilities that serve children.

**Corrections and Rehabilitation, California Department of**

<p><b>Description of Data</b> California Department of Corrections and Rehabilitation (Corrections) Division of Addiction and Recovery Services database (database)</p>	<p><b>Agency Purpose of Data</b> To track and evaluate the delivery of substance abuse services to inmates and parolees in an accurate, timely, and efficient manner throughout all phases of correctional interventions.  Corrections' Division of Addiction and Recovery Services' community-based continuing care program had 33 participating sex offenders as of September 30, 2007.</p>
<p><b>Purpose of Testing</b> To identify the number of sex offenders whom Corrections placed in licensed and unlicensed facilities by obtaining data on individuals placed by Corrections and comparing the addresses for these sex offenders to the addresses of licensed facilities.  To identify the number of adult and juvenile sex offenders on parole residing at the same residence by identifying duplicate addresses in the database obtained from Corrections' Adult Parole and the Division of Juvenile Justice (Juvenile Division).</p>	<p><b>Data Reliability Determination</b> <i>Not sufficiently reliable</i>—We identified errors when tracing data back to a sample of source documents. Data are qualified because we concluded that Corrections' Division of Addiction and Recovery Services database was not sufficiently reliable.  <i>Not sufficiently reliable</i>—See above.</p>
<p><b>Agency Response Date</b></p>	<p>N/A</p>
<p><b>Corrective Action Recommended</b> We did not recommend corrective action because our audit purpose required use of an insignificant amount of data from the database and because the system is used for an entirely different purpose than what we used it for as part of the audit. While the database contained 137,000 records, we limited our sample for data reliability testing to 33 sex offender registrant parolees. Therefore, we did not believe it was appropriate to develop a finding based on this limited testing.</p>	<p><b>Status of Corrective Action</b> N/A</p>
<p><b>Description of Data</b> Corrections' Division of Adult Parole Operations database (database)</p>	<p><b>Agency Purpose of Data</b> To maintain a complete parolee history. The current parole tracking system delivers real-time, local and statewide parolee data from a single source.  Corrections' Division of Adult Parole Operations was responsible for supervising 8,000 sex offenders on parole as of November 5, 2007.</p>
<p><b>Purpose of Testing</b> To identify the number of sex offenders whom Corrections placed in licensed and unlicensed facilities by obtaining data on individuals placed by Corrections, the Department of Mental Health, and the Department of Developmental Services and comparing the addresses for these sex offenders to the addresses of facilities licensed by the Department of Social Services (Social Services) and the Department of Alcohol and Drug Programs.</p>	<p><b>Data Reliability Determination</b> <i>Not sufficiently reliable</i>—We identified errors when tracing data back to a sample of source documents. These data are qualified because we concluded that the database had undetermined reliability.</p>

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To identify the number of adult and juvenile sex offenders on parole residing at the same residence by identifying duplicate addresses in the databases obtained from Corrections' Adult Parole and the Juvenile Division. *Not sufficiently reliable—See above.*

**Agency Response Date** N/A

**Corrective Action Recommended** **Status of Corrective Action**

We did not recommend corrective action because we believed Corrections was taking the necessary steps to make the database as accurate as possible. We also concluded that because Corrections stores documents at various facilities throughout the State, we were unable to pull a haphazard sample of source documents for completeness testing. Thus, we decided not to pursue completeness testing. N/A

**Description of Data**

Corrections' Juvenile Division Youthful Offender Database Application (YODA) database

**Agency Purpose of Data**

To track ward office assignments, duties, and tasks of the Juvenile Division parole agents, and agent caseload and to help ensure that agents are not overassigned.

The Juvenile Division was responsible for 154 sex offenders on parole as of November 29, 2007.

**Purpose of Testing**

To identify sex offenders who are parolees under the Juvenile Division's supervision by comparing Social Security numbers in the Juvenile Division's database with the Department of Justice's (Justice) sex offender registry.

**Data Reliability Determination**

*Not sufficiently reliable*—The Juvenile Division listed no Social Security number for over 22 percent of the active parolees in its database, and 6 percent did not have a criminal investigation and identification number listed. The data are qualified because we concluded that Corrections' Juvenile Division YODA database was not sufficiently reliable.

To identify the number of sex offenders Corrections placed in licensed and unlicensed facilities by obtaining data on individuals placed by Corrections, the Department of Mental Health, and the Department of Developmental Services and comparing the addresses for these sex offenders to the addresses of facilities licensed by Social Services and the Department of Alcohol and Drug Programs.

*Not sufficiently reliable—See above.*

To identify the number of adult and juvenile sex offenders on parole residing at the same residence by identifying duplicate addresses in the databases obtained from Corrections' Adult Parole and the Juvenile Division.

*Not sufficiently reliable—See above.*

**Agency Response Date** **April 2009**

**Corrective Action Recommended** **Status of Corrective Action**

To ensure that it maintains all necessary data to carry out its functions, Corrections' Juvenile Division should update its YODA database to include the Social Security numbers and criminal investigation and identification numbers for all juvenile offenders under its jurisdiction.

Corrective action taken—Corrections noted that it issued a memorandum requiring supervisors to review the Juvenile Division's YODA database to determine which parolees are missing criminal investigation and identification numbers. Corrections indicated that this process was completed by December 30, 2008.



### Alcohol and Drug Programs, Department of

<b>Description of Data</b> Department of Alcohol and Drug Programs' (Alcohol and Drug) facilities licensure data	<b>Agency Purpose of Data</b> To track licensing and certification provider data.  Alcohol and Drug had 906 licensed residential facilities as of November 1, 2007.
<b>Purpose of Testing</b> To identify the number of residential alcohol and substance abuse treatment facilities that operate in the State.  To identify the number of sex offenders Corrections placed in licensed and unlicensed facilities by obtaining data on individuals placed by Corrections and comparing the addresses for these sex offenders to the addresses of facilities licensed by Alcohol and Drug.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>  <i>Sufficiently reliable.</i>

### Developmental Services, Department of

<b>Description of Data</b> Department of Developmental Services' (Developmental Services) Client Master File database	<b>Agency Purpose of Data</b> To list all consumers whom the 21 regional centers placed into various residential facilities. The regional centers are responsible for providing the developmental services to their consumers.  Developmental Services had 395 clients who were also sex offenders who were living in a community setting as of November 1, 2007.
<b>Purpose of Testing</b> To identify the sex offenders who are receiving services from Developmental Services, we attempted to use Social Security numbers by comparing Developmental Services' data to Justice's sex offender registry.  To identify the sex offenders placed in licensed and unlicensed facilities by Developmental Services by comparing addresses for these sex offenders to the addresses of facilities licensed by Social Services and Alcohol Drug.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —Developmental Services listed no Social Security numbers for 16 percent of the individuals in its database. The data are qualified because we concluded that Developmental Services' database was not sufficiently reliable.  <i>Not sufficiently reliable</i> —See above.
<b>Agency Response Date</b>	N/A
<b>Corrective Action Recommended</b> We did not recommend corrective action because based on our understanding of discussions with Developmental Services' staff we did not believe that Social Security numbers were essential to the database.	<b>Status of Corrective Action</b> N/A

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## Social Services, Department of

<p><b>Description of Data</b></p> <p>Social Services' Licensing Information System (LIS)</p>	<p><b>Agency Purpose of Data</b></p> <p>To track information about the facilities, facilities personnel, caseloads of licensing program analysts, criminal record clearances, facility fee payments, and statistical reports related to the facilities and about updates or changes on LIS.</p> <p>Social Services had 14,555 licensed residential facilities as of November 28, 2007.</p>
<p><b>Purpose of Testing</b></p> <p>To identify the number of sober living facilities, residential care facilities serving six or fewer individuals, and group homes operating in the State.</p> <p>To identify the number of sex offenders that Corrections placed in licensed and unlicensed facilities by obtaining data on individuals placed by Corrections and comparing the addresses for these sex offenders to the addresses of facilities licensed by Social Services.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Undetermined reliability</i>—We were not able to verify the completeness of the data. Because Social Services stores source documents at various facilities throughout the State, we were unable to pull a haphazard sample of source documents for completeness testing. Therefore, we were unable to determine if the LIS data included a complete listing of licensed facilities. Data are qualified because we concluded that Social Services' LIS was of undetermined reliability.</p> <p><i>Undetermined reliability</i>—See above.</p>
<p><b>Agency Response Date</b></p>	<p>N/A</p>
<p><b>Corrective Action Recommended</b></p> <p>We did not recommend corrective action because the designation of <i>undetermined reliability</i> was not due to a weakness in the database; rather, the designation was due to our decision not to test the database for completeness because Social Services stores documents at various facilities throughout the state. Thus, we were unable to pull a haphazard sample of source documents for completeness testing.</p>	<p><b>Status of Corrective Action</b></p> <p>N/A</p>

**Justice, Department of**

<p><b>Description of Data</b>                  Justice's sex offender registry</p>	<p><b>Agency Purpose of Data</b>                  To track certain information, including the addresses of all sex offenders required to register in California, as mandated by state law.                   More than 59,000 sex offenders were registered in Justice's database as of December 13, 2007.</p>
<p><b>Purpose of Testing</b>                  To determine the number of sex offenders residing at licensed facilities by comparing the databases containing the addresses of such facilities to Justice's sex offender registry database.</p>	<p><b>Data Reliability Determination</b>  <i>Not sufficiently reliable</i>—Records may be outdated and might not contain accurate address information. Five percent of registrants had unknown addresses, and an additional 14 percent identified as possibly living in California communities were in violation of requirements to update their registration information annually. Finally, Justice's sex offender registry lacked Social Security numbers for more than 4 percent of the registrants who may have been living in California communities. The data are qualified because we concluded that Justice's sex offender registry was not sufficiently reliable.</p>
<p><b>Agency Response Date</b></p>	<p>N/A</p>
<p><b>Corrective Action Recommended</b>                  We did not report a finding related to data reliability because registered sex offenders are responsible for contacting their local law enforcement office to determine if they are required to register, for providing the registration information, and for updating their registration when needed. Thus, we were not able to direct a recommendation to Justice.</p>	<p><b>Status of Corrective Action</b>                  N/A</p>

**CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION**  
*It Does Not Always Follow Its Policies When Discharging Parolees*

Date: August 26, 2008

Report: 2008-104

**BACKGROUND**

The California Department of Corrections and Rehabilitation (Corrections) is generally required to release on parole its prison inmates upon completion of their prison terms. Subsequently, parolees must be discharged from parole within 30 days of completing their required period of continuous parole unless Corrections' Board of Parole Hearings (board) approves retaining the parolee. Adult parole is divided into four regions within California and the regions encompass 25 districts and 179 parole units. The parole agent responsible for supervising a parolee recommends whether to retain or discharge the parolee. The agent's supervisor can discharge parolees in many cases, while in other cases, the district administrator or the board must. Corrections discharged 38,565 felon parolees during 2006 and 44,078 during 2007.

**KEY FINDINGS**

In our review of Corrections' adult parole discharge practices between January 1, 2007, and March 31, 2008, we found that:

- Of the 56,329 parolees discharged, parole agents did not submit discharge review reports for 2,458 deported parolees, and 2,523 other parolees. Thus, Corrections lost jurisdiction over these individuals and the opportunity to recommend that the board retain these parolees, including 775 individuals originally convicted of violent or serious offenses.

Corrections does not require:

- » Discharge review reports for deported parolees even though parole staff may recommend that these individuals be retained because of certain case factors based on their review. Without the review reports, we could not confirm if staff reviewed criminal history reports and other case factors before relinquishing jurisdiction.
  - » Unit supervisors to verify that parole agents complete discharge review reports for eligible parolees.
- Of the 503 central files containing discharge review reports that we reviewed to determine whether appropriate personnel prepared a discharge review, district administrators only participated in 156 discharge reviews. In 20 percent of these cases, district administrators discharged parolees against both the parole agents' and unit supervisors' recommendations to retain them and often did not provide written justification for discharging parolees contrary to staff recommendations.
  - Corrections did not always ensure that the appropriate authority participated in discharge decisions. District administrators or the board should have evaluated six of 83 discharge reviews that we examined for compliance with policies, yet due to staff errors, the appropriate authority did not participate in these discharges and ultimately all six were discharged despite staff recommendations to retain three of the parolees.
  - As a result of internal investigations and findings since December 2007, Corrections stated it plans to implement a number of changes to improve its discharge processes. However, it did not provide us any evidence to demonstrate that it has implemented any of its draft policies and regulations.

**KEY RECOMMENDATIONS**

We made several recommendations to Corrections including that it ensure discharge review reports are completed promptly for all eligible parolees to prevent their automatic discharge, and that it ensure the appropriate authority is involved in discharging or retaining parolees. Further, we recommended that Corrections finalize and implement its new draft policies, procedures, and regulations governing its parole discharge process and that staff handling case records receive additional training on discharge practices to ensure compliance with discharge policies.

**Corrections and Rehabilitation, California Department of**

<p><b>Description of Data</b></p> <p>The California Department of Corrections and Rehabilitation (Corrections) Offender Based Information System (OBIS)</p>	<p><b>Agency Purpose of Data</b></p> <p>To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge. OBIS subsystems track the following: commitments at the receiving centers, offender demographics, offender movements, and release dates.</p> <p>Corrections discharged 56,329 parolees between January 1, 2007, and March 31, 2008.</p>
<p><b>Purpose of Testing</b></p> <p>To determine whether district administrators discharged parolees in accordance with staff recommendations.</p> <p>To assess the frequency with which parolees were discharged contrary to staff recommendations.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Sufficiently reliable.</i></p> <p><i>Sufficiently reliable.</i></p>
<p><b>Agency Response Date</b></p>	<p><b>August 2009</b></p>
<p><b>Corrective Action Recommended</b></p> <p>Although we found the data sufficiently reliable, we recommended that Corrections more accurately determine whether its staff completed discharge reports by ensuring that staff members properly code in its database the reasons for parolees' discharges. Further, to better identify the entities that make final discharge decisions for given cases, we recommended Corrections establish a more precise method for maintaining information about which entity made the final discharge decision, such as a new discharge reason code or a new data field that will track this information.</p>	<p><b>Status of Corrective Action</b></p> <p>Corrective action taken—Corrections reported that its Case Records Office redefined the manner in which discharged cases are entered into its database. According to Corrections, Case Records Office staff have also been trained on new recording procedures for entering the appropriate discharge reason and code into the database.</p>

**CALIFORNIA PRISON HEALTH CARE SERVICES**  
***It Lacks Accurate Data and Does Not Always Comply With State and Court-Ordered Requirements***  
***When Acquiring Information Technology Goods and Services***

Date: January 29, 2009

Report: 2008-501

**BACKGROUND**

State law gives the Bureau of State Audits (bureau) the authority to audit contracts entered into by public entities that involve the expenditure of public funds in excess of \$10,000 whenever the public entities request such an audit to be performed. The United States District Court appointed a receiver to administer, control, manage, operate, and finance the health care system in California prisons. California Prison Health Care Services (Prison Health Services), the entity created by the receiver to perform those duties, requested that the bureau conduct an audit of contracts that it initiated for information technology (IT) goods and services. Prison Health Services, working with the California Department of Corrections and Rehabilitation (Corrections), is required to make such acquisitions either in compliance with state contracting laws or by using one of three alternative contracting methods prescribed by the federal court.

**KEY FINDINGS**

Our review of Prison Health Services' IT contracts revealed the following:

- It may not be able to identify all IT contracts it initiates because it lacks reliable data—the databases that Corrections maintains often contain inaccurate and incomplete data.
  - » We found that two IT contracts that together were valued at \$735,000 were incorrectly recorded as being for non-IT services. In another instance, a contract's value was underreported by \$425,000.
  - » The new enterprise-wide business information system may contain inaccurate and incomplete data since it includes data from the existing databases we found were not sufficiently reliable.
- It failed to consistently adhere to state contracting requirements when entering into contracts for IT goods and services. Of the 21 contracts we reviewed, we found 24 instances of noncompliance in 16 of the contracts.
  - » Eight contracts, or 39 percent of the contracts we reviewed, lacked required certifications justifying the purchase.
  - » Four contracts did not comply with applicable bidding and evaluation requirements.
  - » We could not determine that the appropriate individuals reviewed and approved 11 of the contracts.
- It has no written policies surrounding the rationale for using alternative contracting methods. Further, Prison Health Services did not comply with court-imposed requirements in executing five of six IT-related contracts, valued at almost \$28 million, which were approved using an alternative contracting method.

**KEY RECOMMENDATIONS**

We recommended Prison Health Services exercise proper internal controls over data entered into the new business information system and that it ensure the accuracy of key fields for all contract-related data that has already been migrated from its old databases to the new system. Also, we recommended that Prison Health Services ensure appropriate staff are aware of and adhere to applicable state contracting requirements and related policies and procedures for IT goods and services. Moreover, Prison Health Services should develop written policies for when and how to use alternative contracting methods. Further, we recommended that Prison Health Services develop a tracking system for contracts executed using alternative methods.

**Corrections and Rehabilitation, California Department of**

Description of Data	Agency Purpose of Data
The California Department of Corrections and Rehabilitation's (Corrections) information related to all contracts for goods	To track information related to all contracts for goods that Corrections executes using state contracting processes, including the ones for information technology (IT) initiated by California Prison Health Care Services (Prison Health Services).
	According to Corrections' database, Prison Health Services' acquisitions of IT goods from January 2007 through June 2008 totaled \$5.8 million.

<p><b>Purpose of Testing</b></p> <p>To identify all IT contracts for goods executed between January 1, 2007, and June 30, 2008, by Corrections on behalf of Prison Health Services and the related dollar amounts.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—We reviewed key data fields for a sample of contracts and found inaccurate data in some of these fields, such as those that would identify whether purchases were for IT-related goods and services, the amounts paid for the purchases, and the dates that the contracts were approved. In addition, we identified a contract incorrectly listed as a contract for IT goods. The data are qualified because we concluded that Corrections' data were not sufficiently reliable.</p> <p>Prison Health Services' chief information officer stated that the agency was in the process of implementing a new enterprise-wide business information system that would house future contract information and that would have appropriate controls to limit inaccurate data.</p>
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<p><b>Agency Response Date</b></p>	<p><b>June 2009</b></p>
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<p><b>Corrective Action Recommended</b></p> <p>To ensure that it has complete and accurate information related to its contracts, Prison Health Services should ascertain that the internal controls over the data entered into the new enterprise-wide business information system work as intended. For contract-related data that staff have already migrated from old contract databases to the new system, it needs to ensure the accuracy of key fields such as the ones for contract amounts, service types, and the data fields that identify contracts initiated by Prison Health Services by comparing the data stored in its new database to existing hard-copy files.</p>	<p><b>Status of Corrective Action</b></p> <p><i>Corrective action taken</i>—Prison Health Services stated that it had implemented the processes required to ensure complete and accurate contract information. It had also established one certified trainer and two certified power users to ensure the new enterprise-wide system is used to its highest potential. Further, according to Prison Health Services, to ensure that staff have migrated complete and accurate IT contract information to the new enterprise-wide system, it had established various internal controls, such as comparing the hard-copy contracts to an internal tracking log in the enterprise-wide system and reviewing key fields in the new enterprise-wide system upon receiving a copy of an executed agreement.</p>
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<p><b>Description of Data</b></p> <p>Corrections' database for contracts for services</p>	<p><b>Agency Purpose of Data</b></p> <p>To track information related to all contracts for services that Corrections executes using state contracting processes, including the ones for IT initiated by Prison Health Services.</p> <p>According to Corrections' database, Prison Health Services' acquisitions of IT services from January 2007 through June 2008 totaled \$4.3 million. However, data are qualified because we concluded that Corrections' data were not sufficiently reliable.</p>
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<p><b>Purpose of Testing</b></p> <p>To identify all IT contracts for services executed between January 1, 2007, and June 30, 2008, by Corrections on behalf of Prison Health Services and related dollar amounts.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>— We reviewed key data fields for a sample of contracts and found inaccurate data in some fields, such as those that identify whether purchases were for IT-related goods and services, the amounts of the purchases, and the dates that the contracts were approved. In addition, we identified a contract incorrectly listed as a contract for IT goods.</p> <p>Prison Health Services' chief information officer stated that it was in the process of implementing a new enterprise-wide business information system that would house future contract information and would have appropriate controls to limit inaccurate data.</p>
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<p><b>Agency Response Date</b></p>	<p><b>June 2009</b></p>
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<p><b>Corrective Action Recommended</b></p> <p>To ensure that it has complete and accurate information related to its contracts, Prison Health Services should ascertain that the internal controls over the data entered into the new enterprise-wide business information system work as intended. For contract-related data that staff have already migrated from old contract databases to the new system, it needs to ensure the accuracy of key fields, such as those for contract amounts, service types, and the data fields that identify contracts initiated by Prison Health Services by comparing the data stored in its new database to existing hard-copy files.</p>	<p><b>Status of Corrective Action</b></p> <p><i>Corrective action taken</i>—Prison Health Services stated that it had implemented the processes required to ensure complete and accurate contract information. It had also established one certified trainer and two certified power users to ensure the new enterprise-wide system is used to its highest potential. Further, according to Prison Health Services, to ensure that staff have migrated complete and accurate IT contract information to the new enterprise-wide system, it established various internal controls, such as comparing the hard-copy contracts to an internal tracking log in the enterprise-wide system and reviewing key fields in the new enterprise-wide system upon receiving a copy of an executed agreement.</p>
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**CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION*****It Fails to Track and Use Data That Would Allow It to More Effectively Monitor and Manage Its Operations***

Date: September 8, 2009

Report: 2009-107.1

**BACKGROUND**

With annual expenditures at nearly \$10 billion—10 percent of the State's General Fund—the California Department of Corrections and Rehabilitation (Corrections) is responsible for nearly 168,000 inmates, 111,000 parolees, and more than 1,600 juvenile wards of the State. Corrections oversees 33 adult correctional institutions, conservation camps, community correctional facilities, and contracts to house inmates in out-of-state facilities. Further, Corrections provides health care to inmates at each adult facility and through external contractors. The inmate health care function transitioned to a federal court-appointed receiver and is now known as California Prison Health Care Services (Health Care Services). Corrections is also responsible for implementing rehabilitative strategies to successfully reintegrate offenders into communities.

**KEY FINDINGS**

During our evaluation of the effect of California's prison population on the State's budget and review of Corrections' operations, we noted the following:

- While inmate population decreased by 1 percent in the last three years, Corrections' expenditures increased by almost 32 percent during the same time period.
- Corrections lacks the data necessary to determine how factors such as overcrowding, the transition of the inmate health care function, escalating overtime, or aging inmates impact the cost of its operations.
- The cost per inmate varied significantly among institutions. For example, although the average cost per inmate was \$49,300 in fiscal year 2007–08, for two institutions having additional medical and mental health units the per-inmate cost exceeded \$80,000.
- Nearly 25 percent of the inmate population is incarcerated under the three strikes law—which requires individuals to serve longer terms. We estimate the cost to the State of the increase in sentence length for these inmates will total \$19.2 billion over the duration of their sentences.
- Overtime for custody staff—correctional officers, sergeants, and lieutenants—totaled \$431 million in fiscal year 2007–08 largely due to vacant positions and increases in custody staff salaries. Overtime was so prevalent that we identified more than 8,400 correctional officers whose total pay for fiscal year 2007–08 exceeded the top pay rate of supervisors two levels above them.
- Hiring a new correctional officer costs slightly more than paying overtime to existing staff because of the training they receive and the increases in the cost of the State's contribution for the retirement benefits of correctional officers.
- Although Corrections' budget for academic and vocational programs totaled more than \$208 million for fiscal year 2008–09, it is unable to assess the success of these programs in reducing inmate recidivism.

**KEY RECOMMENDATIONS**

To be more cost-effective and improve its management, we recommended that Corrections collect and use data associated with factors that affect the cost of its operations. We also recommended that Corrections develop a staffing plan allocating teacher and instructor positions for its education and vocational programs at each institution based on inmates' needs and to track and use historical inmate program assignment and waiting list data to measure program success. Additionally, we recommended that Corrections encourage the Department of Personnel Administration to exclude provisions in bargaining unit agreements that would permit any type of leave to be counted as time worked for the purpose of computing overtime compensation and negotiate a reduction in the amount of voluntary overtime correctional officers are allowed to work.

**Corrections and Rehabilitation, California Department of**

<p><b>Description of Data</b> California Department of Corrections and Rehabilitation's (Corrections) cadet database</p>	<p><b>Agency Purpose of Data</b> To track cadets who graduate from the correctional officer training academy.  In fiscal year 2007–08, the Bureau of State Audits calculated a cadet equivalent of 2,950. This information was not specifically cited in the report but was used in calculating estimates of training costs and turnover.</p>
<p><b>Purpose of Testing</b> Although we found the cadet database to be reliable, because Corrections stated that it was unable to provide us with complete information on turnover, we calculated our own estimate by first identifying the number of filled correctional officer positions through a comparison of the number of authorized and vacant positions in the governor's budget. We also used the number of correctional officers whom Corrections informed us that it had appointed.  To allocate training and recruiting costs, we obtained information on the number of correctional officers who graduated from the correctional academy.</p>	<p><b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>  <i>Sufficiently reliable.</i></p>
<p><b>Description of Data</b> Corrections' accounting records data for fiscal years 2003–04 through 2007–08 (CALSTARS)</p>	<p><b>Agency Purpose of Data</b> To satisfy the basic accounting needs of most state agencies.  The average cost to incarcerate an inmate in fiscal year 2007–08 was \$49,300. Corrections spent \$431 million on overtime for custody staff in fiscal year 2007–08.</p>
<p><b>Purposes of Testing</b> To calculate the cost of incarcerating an inmate.  To analyze and categorize overtime-related expenditure data.</p>	<p><b>Data Reliability Determination</b> <i>Undetermined reliability</i>—This determination is based on the fact that we found no material errors in our electronic testing of required data elements. However, we did not conduct accuracy or completeness testing because the source documents required for this testing are stored at seven regional offices or the 33 institutions located throughout the State. To obtain some assurance regarding the completeness of this information, we compared the total expenditures in the records we received for fiscal years 2006–07 and 2007–08 to paper records. However, we did not perform this procedure for earlier fiscal years in our analysis because we were unable to obtain the relevant information for prior fiscal years. The data are qualified because we concluded that Corrections' accounting records data were of undetermined reliability for our audit purposes.  <i>Undetermined reliability</i>—See above.</p>

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**Description of Data**

Corrections' Distributed Data Processing System (DDPS)

**Agency Purpose of Data**

To track the day-to-day operation of several facilities in the prisons, including the following: the Automated Visiting Information System, the Clark Developmentally Disabled Automated Tracking System, the Inmate Job Assignment System, the Inmate Medical Alert Application, the Inmate Mental Health Identifier System, the Inmate Roster Classification System, and the Inmate Roster Movement System.

In fiscal year 2007–08, the average daily population of male inmates was 152,359 and the average daily population of female inmates was 10,831.

**Purpose of Testing**

To calculate the average daily population of inmates at a particular institution.

**Data Reliability Determination**

*Undetermined reliability*—This determination is based on the fact that we found no material errors in our electronic testing of required data elements. However, we did not conduct accuracy or completeness testing because the source documents required for this testing are stored at the 33 institutions located throughout the State. The data are qualified because we concluded that Corrections' DDPS was of undetermined reliability for our purposes.

**Description of Data**

Corrections' Offender Based Information System (OBIS)

**Agency Purpose of Data**

To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge. OBIS subsystems track the following: commitments at the receiving centers, offender demographics, offender movements, and release dates.

As of April 2009 Corrections housed more than 43,500 inmates incarcerated under the Three Strikes law (striker inmates).

**Purpose of Testing**

To determine the additional cost of striker inmates, we used OBIS to identify those currently housed in Corrections' adult institutions and the sentence for the controlling offense—if it was related to a Three Strikes case or the longest sentence related to a Three Strikes case—and compared the estimated sentence length for the offenses to an estimated sentence length if the inmates had not been sentenced under Three Strikes, including applicable enhancements. Based on this comparison, we calculated the average number of additional years striker inmates were sentenced to and multiplied that by the average cost of incarceration for fiscal year 2007–08.

**Data Reliability Determination**

*Undetermined reliability*—We assessed the reliability of OBIS by performing electronic testing of key data elements and by testing the accuracy of the data. To test the accuracy of the data we selected a random sample of inmates and traced key data elements to source documents. However, we did not conduct completeness testing because the source documents required for this testing are stored at the 33 institutions located throughout the State. Therefore we concluded that these data were of undetermined reliability for the purposes of this audit.

**State Controller's Office**

<p><b>Description of Data</b>                  State Controller's Office payroll system</p>	<p><b>Agency Purpose of Data</b>                  To process the State's payroll and personnel transaction documents.</p>
<p><b>Purpose of Testing</b>                  To present data on overtime and the cost of a new correctional officer. In reviewing the amount of overtime worked by correctional officers, we determined that more than 4,700 correctional officers were each paid for more than 80 hours of overtime in at least one month during fiscal year 2007-08 and that more than 8,400 correctional officers each received more in gross pay than did a correctional lieutenant—the level that is two ranks above a correctional officer—at the lieutenant's top pay rate. However, we also determined that due to the costs of benefits and training, hiring new correctional officers to reduce overtime would actually increase Corrections' total costs.</p>	<p><b>Data Reliability Determination</b>  <i>Sufficiently reliable.</i></p>

**CALIFORNIA DEPARTMENT OF EDUCATION**  
*Although It Generally Provides Appropriate Oversight of the Special Education  
Hearings and Mediations Process, a Few Areas Could Be Improved*

Date: December 16, 2008

Report: 2008-109

**BACKGROUND**

The special education programs within California schools serve nearly 680,000 children, between the ages from birth to 22 years old, who have disabilities that include speech or language impairments, autism, and specific learning disabilities. To ensure that these children receive a free appropriate public education as required by federal and state laws, the California Department of Education (Education) established procedures by which a school district, the parents of such a student, or—in certain cases—a person assigned as a surrogate for such parents can present a complaint related to the disabled student's education. Education, through a June 2005 interagency agreement, currently uses the Office of Administrative Hearings (Administrative Hearings) in the Department of General Services to administer the hearings and mediations process for special education cases. Between 1989 and December 2005, the University of the Pacific's McGeorge School of Law (McGeorge) administered this process.

**KEY FINDINGS**

Our review of Education's oversight of the special education hearings and mediations process from fiscal years 2002–03 through 2007–08 revealed the following:

- Administrative Hearings spent an average of \$3,272 per special education case while McGeorge spent an average of \$2,867 on each case, yet on average, took less time to close a case in the special education hearings and mediations process—McGeorge averaged 185 days to close cases while Administrative Hearings averaged 118 days.
- Neither Education nor any other entity consistently tracks the number and cost of special education appeals, and the law does not require them to do so.
- Education could tighten its oversight of Administrative Hearings. We found that Administrative Hearings:
  - » Did not consistently include all information in its quarterly reports to Education as required by its interagency agreement and state law—some of which is needed for annual reporting to the federal government.
  - » Could not demonstrate that its administrative judges were receiving all the required training. We reviewed training records for 15 administrative judges for two classes and could only verify that five administrative judges had attended both required courses.
  - » Has not always issued hearing decisions within the legally required time frame. It reported that it issued only 29 percent and 57 percent of its hearing decisions on time in the third and fourth quarters of fiscal year 2005–06, respectively, and 72 percent in the first quarter of fiscal year 2006–07. Untimely hearing decisions could lead to sanctions by the federal government.

**KEY RECOMMENDATIONS**

To ensure Administrative Hearings complies with state and federal laws and the interagency agreement, we recommended that Education provide stronger oversight and ensure Administrative Hearings submits all the required information in its reports, require training information to be maintained and periodically review the information, and continue to monitor Administrative Hearings to ensure decisions are timely.

**Education, California Department of**

<p><b>Description of Data</b> Department of General Services' Office of Administrative Hearings (Administrative Hearings) case management database</p>	<p><b>Agency Purpose of Data</b> To compile the data included in quarterly reports required by the California Department of Education (Education). Education requires Administrative Hearings to provide quarterly reports so that Education can manage and report to the federal government all of the State's hearing and mediation activities related to special education. In addition, Education is required to report certain data and information to the federal government regarding the progress of special education hearings and mediations. Accordingly, state law requires Administrative Hearings to report on such factors as the number of complaints, mediations unrelated to hearing requests, and requests for special education hearings.  Administrative Hearings closed a total of 5,482 cases during fiscal years 2006–07 and 2007–08. Data came from unaudited quarterly reports and invoices from Administrative Hearings.</p>
<p><b>Purpose of Testing</b></p> <p>To identify the number of cases closed.</p> <p>To identify the number of cases closed before administrative judges issued hearing decisions.</p> <p>To identify the number of hearing decisions in favor of each party.</p> <p>To identify the average time taken to close cases.</p>	<p><b>Data Reliability Determination</b></p> <p>We assessed the reliability of Administrative Hearings' data by performing electronic testing of key data elements, by tracing a statistically random sample of 29 cases to supporting documents, and by ensuring that a haphazardly selected sample of hard-copy case files were found in the data. We found logic errors in several data fields needed for our analysis and inaccurate entries in the reason-for-closure field. Additionally, we found that the case-open date for some sampled cases could not be tested.</p> <p><i>Sufficiently reliable</i>—We used alternative audit procedures to assess the reliability of this data.</p> <p><i>Not sufficiently reliable</i>—See above.</p> <p><i>Not sufficiently reliable</i>—See above.</p> <p><i>Undetermined reliability</i>—See above.</p>
<p><b>Agency Response Date</b></p>	<p>N/A</p>
<p><b>Corrective Action Recommended</b> We did not recommend corrective action to address Administrative Hearings' case management database because Administrative Hearings began using a new database, Practice Manager System, on August 13, 2007.</p>	<p><b>Status of Corrective Action</b> N/A</p>
<p><b>Description of Data</b> Administrative Hearings Practice Manager System database</p>	<p><b>Agency Purpose of Data</b> To compile quarterly reports required by the Education, including information related to whether Education is meeting the 45-day state and federal requirement to issue a decision after a hearing is held, unless an extension is granted.  Administrative Hearings closed 5,482 cases from fiscal years 2006–07 through 2007–08. Data came from unaudited quarterly reports and invoices from McGeorge School of Law (McGeorge) and from Administrative Hearings.</p>

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<p><b>Purpose of Testing</b></p> <p>To determine whether the information included in Administrative Hearings' new database—the Practice Manager System, which it began using on August 13, 2007—contained reliable data for the purpose of determining the percentage of cases that were closed within the legally required time frame of 45 days, excluding any extensions.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—We assessed the reliability of the data for cases closed between October 1, 2007, and June 30, 2008. We found inaccuracies in the sampled records in the fields for the dates that the cases were opened, the dates that the cases were closed, the reasons for closure, and whether extensions were granted.</p>
<p><b>Agency Response Date</b></p>	<p><b>December 2009</b></p>
<p><b>Corrective Action Recommended</b></p> <p>Education, in its oversight role, should continue to work with Administrative Hearings to ensure that it reports all the required information in its quarterly reports and that its database contains accurate and complete information for reporting purposes.</p>	<p><b>Status of Corrective Action</b></p> <p>Partial corrective action taken—According to Education, it was working with Administrative Hearings to ensure that the required information is included in the quarterly reports. Education indicated that it compared information from the electronic reporting Practice Manager System with hard-copy files at Administrative Hearings on January 22, 2009, June 3, 2009, and November 24, 2009. According to Education, its review of a sample of 20 records found that Administrative Hearings accurately and completely reported information in the following fields: (1) student name, (2) case name, (3) subject matter type, (4) subject matter number, (5) date case opened, and (6) case jurisdiction.</p>



<b>Description of Data</b>	<b>Agency Purpose of Data</b>
McGeorge case management database	<p>To compile data included in quarterly reports.</p> <p>McGeorge closed a total of 6,360 cases during fiscal years 2002–03 through 2003–04. Data came from unaudited quarterly reports and invoices from McGeorge.</p>
<b>Purpose of Testing</b>	<b>Data Reliability Determination</b>
To identify the number of cases closed.	<i>Not sufficiently reliable</i> —See above.
To identify the number of cases closed before administrative law judges issued hearing decisions.	<i>Not sufficiently reliable</i> —See above.
To identify the number of hearing decisions in favor of each party.	<i>Not sufficiently reliable</i> —See above.
To identify the average time taken to close cases.	<i>Not sufficiently reliable</i> —See above.
<b>Agency Response Date</b>	<b>N/A</b>
<b>Corrective Action Recommended</b>	<b>Status of Corrective Action</b>
We did not recommend corrective action because Education ceased contracting with McGeorge for special education hearings in 2005 and mediations in 2006.	N/A

## HIGH RISK UPDATE—STATE OVERTIME COSTS

### *A Variety of Factors Resulted in Significant Overtime Costs at the Departments of Mental Health and Developmental Services*

Date: October 20, 2009

Report: 2009-608

#### BACKGROUND

In a February 2009 report on areas that present high risk to the State, the State Auditor's Office identified the state budget as a high-risk area and the significant amount of overtime compensation the State pays to its employees contributes to this risk. We identified five state entities, excluding the Department of Corrections and Rehabilitation, which paid \$1.3 billion of the more than \$2.1 billion in overtime payments to state employees during fiscal years 2003–04 through 2007–08. We selected the departments of Mental Health (Mental Health) and Developmental Services (Developmental Services) to test since they had numerous employees in two job classifications who earned a large portion of their total earnings in overtime. Mental Health and Developmental Services provide services to their patients and consumers 24 hours a day, seven days a week.

#### KEY FINDINGS

During our review of Mental Health's and Developmental Services' overtime costs, we noted the following:

- Since the bargaining unit agreements (agreements) do not provide a method for distributing voluntary overtime, a disproportionate amount of overtime can be worked by a relatively small number of employees, a situation we observed at Napa State Hospital (Napa) and Sonoma Developmental Center (Sonoma).
- The Department of Finance concluded that Mental Health's current staffing model might not adequately reflect the hospitals' workload and noted that some level-of-care staff were performing administrative functions not directly related to patient care that could be performed by lower-paid staff.
- California Government Code, Section 19844.1, enacted in February 2009, permits new agreements to once again contain provisions that allow employees' leave time to be counted as time worked when computing overtime.
- Annual authorized positions for Mental Health and Developmental Services do not account for circumstances that necessitate an increased level of care for patients and consumers.
- Based on our analysis, it appears that the hourly overtime rates paid to registered nurses—safety at Napa and psychiatric technician assistants at Sonoma are comparable to the cost of hiring a new employee for either of those positions.

#### KEY RECOMMENDATIONS

We made numerous recommendations to Mental Health and Developmental Services to ensure that overtime hours are necessary and to protect the health and safety of its employees and patients or consumers. Some of the steps we recommended included that the departments should encourage the Department of Personnel Administration (Personnel Administration) to include provisions in future agreements to cap the number of voluntary overtime hours an employee can work and/or to require employee overtime hours be distributed more evenly among staff. We also recommended that the departments encourage Personnel Administration to resist the inclusion of provisions in agreements that permit any type of leave to be counted as time worked for the purpose of computing overtime compensation.

## Developmental Services and Mental Health, Departments of

<b>Description of Data</b> State Controller's Office payroll system	<b>Agency Purpose of Data</b> To process the State's payroll and personnel transaction documents.
<b>Purpose of Testing</b> To present data on overtime and the cost of a new nurse and psychiatric technician assistant. Between fiscal years 2003-04 and 2007-08, the State paid more than \$2.1 billion in overtime to state employees at 141 state entities. Of this amount, \$1.3 billion was paid to the employees of five entities, including the Department of Mental Health and the Department of Developmental Services.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

**DEPARTMENT OF HEALTH CARE SERVICES**  
***Although Notified of Changes in Billing Requirements, Providers of Durable Medical  
Equipment Frequently Overcharged Medi-Cal***

Date: June 17, 2008

Report: 2007-122

**BACKGROUND**

The California Medical Assistance Program (Medi-Cal), administered by the Department of Health Care Services (Health Care Services), provides medical assistance to more than six million beneficiaries each month. Medi-Cal covers health care needs including durable medical equipment (medical equipment), such as wheelchairs, bathroom equipment, and hospital beds that are prescribed by licensed practitioners. For fiscal year 2007–08, the State's General Fund provided roughly 40 percent of Health Care Services' budget for Medi-Cal expenditures, with the remainder coming mostly from federal funds. Health Care Services is responsible for reimbursing Medi-Cal providers for supplying medical equipment using a system designed by both federal and state governments.

**KEY FINDINGS**

In our review of Health Care Services' Medi-Cal billing system for medical equipment, we reported the following:

- Although Health Care Services' policies and procedures regarding reimbursement methodologies for medical equipment appear to comply with state law and federal requirements and are adequately communicated to providers, providers often do not bill at the allowable amounts, which are the lowest cost options.
- Health Care Services has not identified a practical means to monitor and enforce billing and reimbursement procedures it implemented in 2003. As such, Health Care Services has overpaid providers. In its review of 21 providers of wheelchairs and accessories with listed Medicare prices, Health Care Services determined that it had overpaid about \$1.2 million, or 25 percent of the \$4.9 million billed during September 1, 2005, through August 31, 2006.
- Although Health Care Services has recovered almost \$960,000 of the \$1.2 million in overpayments, it does not know the extent to which other providers may have overbilled for medical equipment. Further, its review did not include billings for equipment without listed Medicare prices. In our review of billings without listed prices, we found that providers of wheelchairs and accessories typically charged (and Health Care Services reimbursed) the manufacturer's suggested price without sufficient evidence to support it was the lowest-priced option.
- Although Health Care Services intends to use post-payment audits to enforce price controls, its current payment error rate studies of overall Medi-Cal payments do not provide adequate audit coverage of medical equipment payments to effectively ensure compliance. Further, while its 21 audits in 2007 and 2008 focusing on providers of wheelchairs and accessories with listed Medicare prices effectively identified noncompliance with the billing and reimbursement procedures, Health Care Services has not identified plans or resources to conduct additional focused audits of medical equipment providers.

**KEY RECOMMENDATIONS**

We recommended that Health Care Services take the following actions:

- Develop a means of monitoring and enforcing its current billing and reimbursement procedures for medical equipment, including giving consideration to developing reimbursement caps in order to maintain control over reimbursement costs.
- Design and implement a cost-effective approach to address the risk of overpayment and ensure all providers are potentially subject to an audit in order to provide a deterrent for noncompliance.

**Health Care Services, Department of**

<p><b>Description of Data</b></p> <p>The Department of Health Care Services (Health Care Services) uses the California Medicaid Management Information System (CA-MMIS) to maintain health care codes and reimbursement rates for medical purchases, including payments to providers for supplying medical equipment.</p>	<p><b>Agency Purpose of Data</b></p> <p>To process—through Electronic Data Systems (EDS), a Health Care Services' contractor—reimbursements for the California Medical Assistance Program (Medi-Cal).</p> <p>In federal fiscal year 2006–07, Health Care Services reimbursed \$92.8 million for medical equipment supplied to Medi-Cal beneficiaries, the majority of which was paid through medical type claims.</p>
<p><b>Purpose of Testing</b></p> <p>To provide information on the amount paid for medical equipment by Medi-Cal during federal fiscal year 2006–07.</p> <p>To provide information on the amount reimbursed for all medical equipment with and without listed Medicare prices.</p> <p>To provide information on the amount of medical equipment reimbursed by type.</p> <p>To select a sample of medical equipment reimbursements without listed Medicare prices for additional review.</p> <p>To evaluate the existence of fraud in Medi-Cal claims by using recipient identification information to determine whether recipients had obtained medical equipment for which they were not eligible.</p>	<p><b>Data Reliability Determination</b></p> <p>We performed electronic testing of selected data elements to ensure they contained logical values and tested the accuracy of the data by tracing a sample of records to supporting documentation. We were unable to obtain assurance regarding the completeness of the data.</p> <p><i>Undetermined reliability</i>—See above.</p> <p><i>Undetermined reliability</i>—See above.</p> <p><i>Undetermined reliability</i>—See above.</p> <p><i>Undetermined reliability</i>—See above.</p> <p><i>Not sufficiently reliable</i>—We found that the recipient identification information had inaccurate values.</p>
<p><b>Agency Response Date</b></p>	<p>N/A</p>
<p><b>Corrective Action Recommended</b></p> <p>We did not recommend corrective action. EDS indicated that it incorrectly extracted the data from its records; therefore, we were unable to determine if data weaknesses were due to the incorrect extraction of the data or due to intrinsic problems with the data. After repeated attempts to obtain correct data, Health Care Services offered to provide it. However, the corrected data were not available in time for us to verify their accuracy and to perform our planned procedures before issuing our report.</p>	<p><b>Status of Corrective Action</b></p> <p>N/A</p>

**DEPARTMENTS OF HEALTH CARE SERVICES AND PUBLIC HEALTH**  
***Their Actions Reveal Flaws in the State's Oversight of the California Constitution's Implied Civil Service***  
***Mandate and in the Departments' Contracting for Information Technology Services***

Date: September 10, 2009

Report: 2009-103

**BACKGROUND**

The Department of Health Care Services (Health Care Services), previously known as the Department of Health Services, and the Department of Public Health (Public Health)—established on July 1, 2007—have similar goals in preserving, improving, or optimizing the health of Californians. Both departments use various forms of information technology (IT) to carry out their programs and responsibilities, and enter into personal services contracts with private consulting firms to assist in developing and supporting their IT systems. State agencies are prohibited from contracting with private entities to perform work the State has historically and customarily performed and can do so adequately and competently. However, under certain circumstances, state agencies may enter into personal services contracts with private vendors, but these contracts are subject to review by the State Personnel Board (board).

**KEY FINDINGS**

During our review of Health Care Services' and Public Health's use of IT consulting and personal services contracts (IT contracts), we noted the following:

- A state employees' union challenged 23 executed IT contracts over the past five years—however, two contracts expired before the union challenge. The board's executive officer disapproved 17 of the 21 remaining IT contracts she reviewed.
  - » Of those contracts disapproved:
    - Eleven expired either prior to the board's executive officer's decision or the board's appeal decisions. The board's executive officer took between 64 and 152 days to review the 21 contracts—much longer than the 45 days established by the regulations.
    - The departments terminated only three of the six disapproved IT contracts still active at the time of the decisions. The departments experience no repercussions because the State does not have a mechanism for determining whether or not state agencies carry out board decisions.
  - » For nine of the 17 disapproved contracts, the departments entered into subsequent contracts for substantially the same services as those in the disapproved contracts.
- Although Health Care Services saved more than an estimated \$1.7 million between October 2006 and July 2009 by replacing IT consultants with state employees, it did not have budget approval to create any new, permanent IT positions and inappropriately funded the new positions with funds intended for temporary positions.
- Although the departments generally complied with procurement requirements for the 14 IT contracts we reviewed, they did not obtain some required approvals and some employees that engaged in contracting activities did not file financial interest statements.

**KEY RECOMMENDATIONS**

We made several recommendations to the Legislature for creating more substantive results from the reviews conducted by the board, such as clarifying that state agencies must terminate disapproved contracts and prohibiting them from entering into subsequent contracts for substantially the same services without first notifying the board and unions. We also made numerous recommendations to the departments including changes to ensure timely communication to contract managers regarding decisions rendered on contracts challenged, and for the departments' legal services to review proposed personal services contracts deemed high risk. Other recommendations were aimed at ensuring compliance with procurement requirements and contract provisions.

**State Controller's Office**

<b>Description of Data</b> State Controller's Office payroll system	<b>Agency Purpose of Data</b> To process the State's payroll and personnel transaction documents.
<b>Purpose of Testing</b> We obtained the Social Security numbers of the consultants who worked on the information technology (IT) contracts in our sample and compared the numbers against payroll records maintained by the State Controller to identify whether either the Department of Public Health (Public Health) or the Department of Health Care Services (Health Care Services) previously employed these consultants as state employees.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

**General Services, Department of**

<b>Description of Data</b> The State Contract and Procurement Registry System (SCPRS) of the Department of General Services (General Services)	<b>Agency Purpose of Data</b> To provide a centralized location for tracking the State's contracting and purchasing transactions The <i>State Contracting Manual</i> requires that state agencies enter into SCPRS all contracts valued at \$5,000 or more.  As of March 13, 2009, Health Care Services had 52 active IT service contracts that exceeded \$5,000. The total amount of these contracts was \$56 million. Public Health had 32 such contracts totaling \$24.2 million.
<b>Purpose of Testing</b> To identify all active IT contracts at Public Health and Health Care Services.	<b>Data Reliability Determination</b> <i>Incomplete</i> —It was our intent to use SCPRS to select a sample of IT contracts and to provide background on the number of IT contracts. Therefore, a data reliability assessment was not required. Instead we needed to gain assurance that the population of contracts from which we selected our sample was complete. For this purpose, we found SCPRS to be incomplete.  Our review of a sample of 29 Public Health contracts found that three were not in SCPRS. Further, although we were able to locate our sample of 29 Health Care Services' contracts in SCPRS, during our audit we discovered an active \$3.9 million of IT contracts that did not appear in SCPRS initially. We subsequently found that in SCPRS the contract type was incorrectly identified as grants and subventions instead of IT.
<b>Agency Response Date</b>	<b>November 2009</b>
<b>Corrective Action Recommended</b> To ensure that reporting into General Services' contracts database is accurate and complete, Health Care Services and Public Health should establish a review and approval process for entering their contract information into the database.	<b>Status of Corrective Action</b> <i>Health Care Services' Action: Partial corrective action taken</i> —Health Care Services stated that it reiterated to staff the importance of entering accurate information into General Services' database, provided additional instruction, and performed spot checks of data entered into the system in August and September 2009. Health Care Services indicated that because the latter activity resulted in the detection of a few errors, it implemented a new procedure that involves the preparation of a data-entry form by supervisory or analytical staff. Further, Health Care Services stated that it plans to continue to perform spot checks to ensure the accuracy of the data in General Services' database.  <i>Public Health's Action: Partial corrective action taken</i> —Public Health stated that it established a new procedure for staff to enter information into General Services' database and will have a staff person conduct a review to ensure that the procedure is reliable.

**SAFELY SURRENDERED BABY LAW*****Stronger Guidance From the State and Better Information for the Public Could Enhance Its Impact***

Date: April 29, 2008

Report: 2007-124

**BACKGROUND**

California's Safely Surrendered Baby Law (safe-surrender law) allows parents or other persons with lawful custody to surrender an infant 72 hours old or younger to safe-surrender sites without facing prosecution for child abandonment. Statistics from the Department of Social Services (Social Services) indicate a general increase in the number of babies surrendered under this law each year since its inception. State agencies have limited responsibilities associated with the safe-surrender law. State law required Social Services to report data annually from 2003 to 2005; the Department of Health Care Services is to instruct counties on the process to be used on behalf of surrendered babies to determine their eligibility for Medi-Cal benefits; and since 2003, school districts are to include information about the safe-surrender law if they choose to provide comprehensive sexual health education.

**KEY FINDINGS**

We reported numerous concerns about the State's implementation of the safe-surrender law including:

- Since 2006 state agencies have had virtually no legal obligations under the safe-surrender law—Social Services' only involvement is compiling information that counties must submit when their designated sites accept surrendered babies.
- No state agency currently publicizes the safe-surrender law nor has consistent funding been provided for raising the public's awareness of the law. Social Services conducted a media campaign from October 2002 to December 2003, but has not developed any further goals for conducting additional activities.
- Safe-surrender sites are violating state law by disclosing confidential information on parents who surrendered babies. Of the 218 babies surrendered since 2001, county files contained confidential information in 24 cases, including 16 of the 176 cases occurring after the Legislature amended the law to protect personal identifying information on persons who surrender babies.
- Counties have incorrectly classified babies as safely surrendered or abandoned. Children improperly classified as safely surrendered may not be allowed access to information on their parents even though they may have the legal right to the information.
- The majority of surrendered babies—72 percent—may not have access to key medical information later in life because safe-surrender sites have difficulties in obtaining vital information on their families' medical histories.
- All 15 counties surveyed reported that they have taken steps to implement the safe-surrender law, but their efforts vary widely.

**KEY RECOMMENDATIONS**

We made recommendations to the Legislature and Social Services, including:

- The Legislature consider amending the law to specify the agency that should administer the safe-surrender law and provide direction as to its responsibilities. Further, the Legislature consider providing or identifying funding to support efforts to promote awareness of the law.
- Social Services should clarify directions provided to counties to ensure that individuals who surrender babies receive proper protection under the safe-surrender law. Moreover, Social Services should work with counties to leverage existing models and tools to enhance the safe-surrender law currently in use in California.



**Public Health, Department of**

<p><b>Description of Data</b></p> <p>Department of Public Health (Public Health) database that compiles data from numerous sources on child fatalities due to abuse and neglect</p>	<p><b>Agency Purpose of Data</b></p> <p>To gather the best available information on child fatalities due to abuse and neglect and, as a result, to reduce the number of preventable child deaths.</p>
<p><b>Purpose of Testing</b></p> <p>To determine if the Department of Social Services (Social Services) had underreported the number of deceased or abandoned babies.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—We found missing and duplicative information. For example, we discovered that certain records related to our analysis of deceased or abandoned babies contained blank fields for the birth dates of the children. Without knowing the birth dates, we could not determine whether children listed in the database met our age criterion of one year old or younger.</p>
<p><b>Agency Response Date</b></p>	<p><b>April 2009</b></p>
<p><b>Corrective Action Recommended</b></p> <p>To ensure that it is aware of and can appropriately react to changes in the number of abandoned babies, Social Services should work with Public Health and county agencies to gain access to the most accurate and complete statistics on abandoned babies.</p>	<p><b>Status of Corrective Action</b></p> <p><i>Social Services' Action: Partial corrective action taken</i>—According to Social Services, a Safely Surrendered Baby Law subcommittee continues to meet on a regular basis with representatives from Public Health and county agencies to determine areas to improve the quality of data on safely surrendered babies. Topics discussed at these meetings include the following:</p> <ul style="list-style-type: none"> <li>• Analysis of existing data on safely surrendered and abandoned babies extracted from the Child Welfare Services/Case Management System.</li> <li>• Identifying other data sources for abandoned babies.</li> <li>• Clarifying the feasibility and resources needed to collect additional data on abandoned babies.</li> <li>• Developing a memorandum of understanding to share data between Social Services and Public Health.</li> </ul>

**LOW-LEVEL RADIOACTIVE WASTE*****The State Has Limited Information That Hampers Its Ability to Assess the Need for a Disposal Facility and Must Improve Its Oversight to Better Protect the Public***

Date: June 12, 2008

Report: 2007-114

**BACKGROUND**

Hospitals, industry, and other institutions use radioactive materials that produce low-level radioactive waste (waste). Federal law requires these waste generators to dispose of the waste at licensed facilities. The Department of Public Health (department) plays an important role in licensing those who use radioactive materials or radioactive-emitting machines in their work and overseeing the proper disposal of low-level radioactive waste. This oversight includes the decommissioning of equipment or facilities where radioactive materials have been used so that the location may be used for other purposes. In 1987 California joined a four-state compact governed by the Southwestern Low-Level Radioactive Waste Commission (Southwestern Commission), which is charged with ensuring that low-level radioactive waste is safely disposed of and managed within the compact region. As the “host” state, California is charged with establishing a licensed low-level radioactive waste disposal facility that will accommodate the disposal needs of the compact region.

**KEY FINDINGS**

In our review of the State’s approach to managing low-level radioactive waste, we reported the following:

- Despite joining the compact in 1987, California has yet to establish a low-level radioactive waste disposal facility for use by the compact region. In the absence of such a facility:
  - » Generators must export low-level radioactive waste for disposal or store it on site. In June 2008 waste generators in California will lose access to one of the two disposal facilities that are currently in use.
  - » The Southwestern Commission’s role is largely one of approving requests to export low-level radioactive waste out of the compact region.
- The Southwestern Commission’s processes for approving requests to export waste do not comply with federal law. For example, rather than approving the exportation of low-level waste by a two-thirds vote of the Southwestern Commission as mandated, the Southwestern Commission delegates impermissibly this authority to the executive director. Further, it allows waste generators to determine whether their low-level waste meets recycling requirements.
- The department has some serious shortcomings in its oversight of low-level radioactive material and waste:
  - » More than five years after being directed to do so, the department has yet to adopt certain decommissioning standards that define when a physical location is sufficiently clean from harmful radiation.
  - » The department’s Radiologic Health Branch (branch) cannot demonstrate that its inspections of those that possess radioactive material and radiation-emitting machines are performed timely in accordance with federal and state requirements.
  - » More than five years after the effective date of the law, the branch is still unable to provide required information on the amount of low-level waste generated in California.

**KEY RECOMMENDATIONS**

The report provided many recommendations to the department regarding its oversight responsibilities. Such recommendations included improvements to its planning processes, data collection, inspections, and providing the Legislature with needed information.

**Public Health, Department of**

<p><b>Description of Data</b></p> <p>The California Mammography Information System (CAMIS) maintains data about inspections of mammography equipment</p>	<p><b>Agency Purpose of Data</b></p> <p>To track the mammography machine inspections by the Radiologic Health Branch (branch) of the Department of Public Health (Public Health).</p>
<p><b>Purpose of Testing</b></p> <p>To evaluate whether the branch had backlogged and untimely inspections of mammography equipment.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—Our review of a sample of 30 inspection records for mammography equipment found that the branch was unable to provide five inspection records that were still within its 10-year record retention policy. Additionally, we identified an instance in which an inspection record did not include an entry for the inspection date. Additional interviews of data-entry staff suggested weak controls over data entry. We did not present data from CAMIS in the audit report because the data were not sufficiently reliable for our intended purpose.</p>
<p><b>Agency Response Date</b></p>	<p><b>June 2009</b></p>
<p><b>Corrective Action Recommended</b></p> <p>To ensure that the branch uses sufficiently reliable data from its future data system to manage its inspection workload, Public Health should develop and maintain adequate documentation related to data storage, retrieval, and maintenance.</p> <p>To make certain that the branch uses sufficiently reliable data from its current systems to manage its inspection workload, Public Health should do the following:</p> <ul style="list-style-type: none"> <li>• Improve the accuracy of the branch's data for inspection timeliness and priority level. The branch can do so by comparing existing files to the information recorded in the data systems.</li> <li>• Improve its internal controls over data entry so that it can maintain accurate data on an ongoing basis. Such controls might include developing a quality assurance process that periodically verifies the contents of licensee files to the data recorded electronically. Other controls might include formalizing data-entry procedures to include managerial review or directing the information technology staff to perform periodic logic checks of the data.</li> </ul>	<p><b>Status of Corrective Action</b></p> <p><i>Partial corrective action taken</i>—Public Health ultimately plans to replace with an Enterprise-wide Online Licensing (EOL) system the systems it uses to manage its inspection workload. Public Health stated that it had received administrative and legislative approval for the EOL system and that it expects to award a contract for the new system in July 2011.</p> <p>Public Health indicated that it had instituted additional quality control procedures over data entry into the CAMIS. The branch has limited users' access to the CAMIS, indicating which user groups should have the ability to make changes in the data versus their having a "read-only" status. Further, the branch requires that any change to the CAMIS be approved beforehand. The branch provided a CAMIS Change Request form that it uses to allow its staff to request specific changes to CAMIS data, to explain the reason for the change, and to document the branch's approval.</p>

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<b>Description of Data</b> The Health Application Licensing (HAL) system records data on inspections of radiation-emitting machines other than mammography equipment	<b>Agency Purpose of Data</b> To record the branch's inspections of radiation-emitting machines—such as X-ray machines—other than mammography equipment.
<b>Purpose of Testing</b> To evaluate whether the branch of Public Health had backlogged and untimely inspections of radiation-emitting machines other than mammography equipment.	<b>Data Reliability Determination</b> <i>Undetermined reliability</i> — We were unable to obtain assurance about the reliability of the system because of Public Health's outdated documentation for the HAL system, staff members' inability to fully explain which data they extracted from the system and why they extracted that information, and the lack of coordination between the branch and its information technology support staff. Moreover, we were unable to obtain the information necessary for us to use the system for identifying late inspections. We did not present data from the HAL system in the audit report because we were unable to obtain assurance about the reliability of the system and how to identify late inspections in the system.
<b>Agency Response Date</b>	<b>June 2009</b>
<b>Corrective Action Recommended</b>	<b>Status of Corrective Action</b>
To ensure that the branch uses sufficiently reliable data from its future data system to manage its inspection workload, Public Health should develop and maintain adequate documentation related to data storage, retrieval, and maintenance.	<i>Partial corrective action taken</i> —Public Health ultimately plans to replace the data systems it uses to manage its inspection workload with an Enterprise-wide Online Licensing (EOL) system. Public Health stated that it received administrative and legislative approval for the EOL system and that it expects to award a contract for the new system in July 2011.
To make certain that the branch uses sufficiently reliable data from its current systems to manage its inspection workload, Public Health should do the following:	For the HAL system, Public Health formed a Quality Assurance Unit (QAU), which is responsible for tracking inspection-related data and ensuring that staff enter inspection-related data into HAL accurately. Public Health provided documentation showing that it is actively tracking errors found as a result of the QAU process and that the error rate is declining. For example, in the third quarter of 2008, the QAU found errors with 21 inspection files for every 100 files it reviewed. By the third quarter of 2009 this error rate had dropped to 15 inspection files per 100 files reviewed.
<ul style="list-style-type: none"> <li>• Improve the accuracy of the branch's data for inspection timeliness and priority level. The branch can do so by comparing existing files to the information recorded in the data systems.</li> <li>• Improve its internal controls over data entry so that it can maintain accurate data on an ongoing basis. Such controls might include developing a quality assurance process that periodically verifies the contents of licensee files to the data recorded electronically. Other controls might include formalizing data-entry procedures to include managerial review or directing the information technology staff to perform periodic logic checks of the data.</li> </ul>	Finally, Public Health is engaged in bimonthly meetings with its Information Technology Services Division, which have helped to resolve problems with certain data fields while identifying other needs that still require evaluation and implementation.

<p><b>Description of Data</b></p> <p>The radioactive materials database (RAM2000) contains data related to inspections by the branch at Public Health of entities that possess radioactive material</p>	<p><b>Agency Purpose of Data</b></p> <p>To track the branch's inspections of entities that it has licensed to possess radioactive materials.</p>
<p><b>Purpose of Testing</b></p> <p>To evaluate whether the branch had backlogged and untimely inspections of entities that possess radioactive materials.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—To determine the accuracy of the data in this system, we selected a sample of 29 inspections from the RAM2000 database to validate the information in key fields. The supporting documentation for 13 licenses had been destroyed in accordance with record retention policies; however, for two of our remaining sample items, we found that the RAM2000 database contained inaccurate data in the priority code field. This field notes the inspection frequency standard applied to a given licensee. With the existence of other errors, such as missing inspection dates and poor management controls over data entry, we concluded that these data were not sufficiently reliable for our intended purpose.</p>
<p><b>Agency Response Date</b></p>	<p><b>June 2009</b></p>
<p><b>Corrective Action Recommended</b></p> <p>To ensure that the branch uses sufficiently reliable data from its future data system to manage its inspection workload, Public Health should develop and maintain adequate documentation related to data storage, retrieval, and maintenance.</p> <p>To make certain that the branch uses sufficiently reliable data from its current systems to manage its inspection workload, Public Health should do the following:</p> <ul style="list-style-type: none"> <li>• Improve the accuracy of the branch's data for inspection timeliness and priority level. The branch can do so by comparing existing files to the information recorded in the data systems.</li> <li>• Improve its internal controls over data entry so that it can maintain accurate data on an ongoing basis. Such controls might include developing a quality assurance process that periodically verifies the contents of licensee files to the data recorded electronically. Other controls might include formalizing data-entry procedures to include managerial review or directing the information technology staff to perform periodic logic checks of the data.</li> </ul>	<p><b>Status of Corrective Action</b></p> <p><i>Partial corrective action taken</i>—Public Health ultimately plans to replace the systems it uses to manage its inspection workload with an EOL system. Public Health stated that it had received administrative and legislative approval for the EOL system and that it expects to award a contract for the new system in July 2011.</p> <p>To address specific problems we identified in the RAM2000 data, Public Health stated that it conducted a 100 percent quality assurance review to validate inspection data shown in the system. After finding few errors, the branch now performs a quality assurance review for 50 percent of the data entered into the system. The branch indicated it is tracking the data-entry error rate and will consider performing more reviews if this rate increases. The branch provided examples of its quality assurance reviews.</p>

**OFFICE OF SPILL PREVENTION AND RESPONSE**  
*It Has Met Many of Its Oversight and Response Duties, but Interaction With Local Government,  
the Media, and Volunteers Needs Improvement*

Date: August 28, 2008

Report: 2008-102

**BACKGROUND**

Marine oil spills, such as the November 2007 oil spill resulting when an outbound container ship—the Cosco Busan—hit a support on the San Francisco–Oakland Bay Bridge and released 53,600 gallons of oil into the bay, are multijurisdictional events and typically require a coordinated response by federal, state, and private entities. The Department of Fish and Game’s Office of Spill Prevention and Response (spill office), along with contingency plans it oversees, fits into a national framework for preventing and responding to oil spills, with entities at every level of government, as well as private entities, handling some aspect of the planning effort. Thus, a three-part unified command consisting of representatives from the spill office, the party responsible for the spill, and the U.S. Coast Guard responded to the Cosco Busan oil spill.

**KEY FINDINGS**

Our review of the planning, oversight, and administrative activities of the spill office and the coordinated response of the spill office, Office of Emergency Services (Emergency Services), and private entities to the Cosco Busan oil spill in the San Francisco Bay, revealed the following:

- The spill office maintains a state plan for responding to oil spills, but it has not updated the plan since 2001. Moreover, the plan is missing required elements and does not contain references to regional and area contingency planning documents that contain those elements.
- Few local governments participate in oil spill contingency planning activities. While 21 counties and one city with marine waters have oil spill contingency plans, 10 plans have not been updated for 10 to 15 years. Further, local governments have attended few oil spill response drills or planning meetings over the last few years.
- Although the spill office, Emergency Services, and private entities responding to the Cosco Busan oil spill met their fundamental responsibilities, there were weaknesses in the spill office’s immediate response efforts.
  - » A shortage of communications equipment during the critical second and third days limited communication efforts.
  - » Lack of trained liaison officers and public information officers experienced in oil spill response during the early days of the response hindered the spill office’s efforts to communicate specific and timely information with local governments and volunteers.
  - » The spill office’s lack of urgency in reporting its measurement of the oil spill quantity, as well as understated spill amounts reported by others, may have delayed deployment of additional resources and notification of local governments.
- We found several instances in which certain staff performed activities unrelated to oil spill prevention, yet were paid almost entirely from fees assessed for the Oil Spill Prevention and Administration Fund.

**KEY RECOMMENDATIONS**

We made numerous recommendations in our report including that the spill office update the state plan and incorporate references to the regional and area contingency plans. Moreover, we recommended the spill office work with local governments to improve participation and better integrate local plans with the response activities on an up-to-date basis. Further, the spill office should ensure it has adequate procedures and a sufficient number of trained staff for all activities including performing liaison duties, spill volume calculations, and other recovery activities. Additionally, the spill office should ensure the proper use of its funds earmarked for oil spill prevention activities.

## Fish and Game, Department of

<b>Description of Data</b> California State Accounting and Reporting System data from Department of Fish and Game financial reports	<b>Agency Purpose of Data</b> To satisfy the basic accounting needs of most state agencies.  The fund reserve as of June 30, 2007, was \$17.6 million, which equates to about 50 percent of budgeted expenditures for fiscal year 2007–08.
<b>Purpose of Testing</b> To examine and trend the sources and uses of the Office of Spill Prevention's Oil Spill Prevention and Administration Fund since 2001, determining the reasons for any significant fluctuations and whether any surpluses exist.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

**DEPARTMENT OF FISH AND GAME**  
***Its Limited Success in Identifying Viable Projects and Its Weak Controls Reduce the Benefit  
of Revenues From Sales of the Bay-Delta Sport Fishing Enhancement Stamp***

Date: October 16, 2008

Report: 2008-115

**BACKGROUND**

Since January 2004, a person must first purchase a fish stamp—the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp)—to sportfish in the San Francisco Bay and Delta. Fees collected from fish stamp sales are deposited in a restricted account within the preservation fund, which is administered by the Department of Fish and Game (Fish and Game), and can only be used for activities that promote sportfishing opportunities or that provide long-term, sustainable benefits either to the primary sportfishing population or to anglers in the areas defined as bay-delta regulated waters. A fish stamp advisory committee (committee) identifies and recommends projects, while Fish and Game administers all the fees, recommends and approves projects for funding, and funds and monitors the projects.

**KEY FINDINGS**

In our review of Fish and Game's administration of the fish stamp program, we reported the following:

- Fish and Game has been slow in using the fees collected from fish stamp sales.
  - » During the first two years of the program, fish stamp sales generated \$2.9 million, yet Fish and Game did not seek authority to use the funds in those two years.
  - » Fish and Game was slow in identifying and approving projects—by the end of the third year of the program, it had approved only three projects and spent just \$160,000 of the \$4.3 million in total fish stamp fees collected at that time.
  - » As of June 2008, Fish and Game has generated \$8.6 million in revenue and interest since the inception of the program, yet it has only approved 17 projects and has only spent \$1.6 million—leaving a surplus of \$7 million.
- Fish and Game does not adequately monitor fish stamp project activity. Project expenditures are difficult to reconcile and have been incorrectly charged to other funding sources. Further, periodic reports that Fish and Game provides to the committee do not include project expenditures or detailed information on project status.
- During fiscal years 2005–06 through 2007–08, Fish and Game inappropriately charged an estimated \$201,000 in costs to the fish stamp account for activities unrelated to the fish stamp program.

**KEY RECOMMENDATIONS**

We made several recommendations to Fish and Game including that it work with the committee in developing a spending plan to identify, approve, and fund viable projects. We also recommended that Fish and Game adequately track and report project costs within its accounting system and ensure that its project managers reconcile their files to the accounting records. Moreover, Fish and Game should provide the committee with accurate financial and project information, such as actual project costs, detailed information on project status, and administrative expenditures. Finally, Fish and Game should ensure only appropriate activities are paid with fish stamp revenue and it should correct inappropriate charges it previously made.



**Fish and Game, Department of**

<p><b>Description of Data</b> California State Accounting and Reporting System data for the Department of Fish and Game (Fish and Game)</p>	<p><b>Agency Purpose of Data</b> To satisfy the basic accounting needs of most state agencies.  Of the \$8.6 million in revenues and interest generated from the Bay-Delta Sport Fishing Enhancement Stamp (fish stamp) sales through fiscal year 2007–08, Fish and Game had approved 17 projects and spent only \$1.6 million in funding.</p>
<p><b>Purpose of Testing</b> To calculate expenditures from the fish stamp account.</p>	<p><b>Data Reliability Determination</b> <i>Sufficiently reliable</i>—We assessed the accuracy of the financial information presented through February 29, 2008.  <i>Undetermined reliability</i>—We did not test the data presented for the period of March 1, 2008, through June 30, 2008 because it was not available at the time of our testing. Therefore, we cannot conclude on the reliability of these data.</p>
<p><b>Description of Data</b> Fish and Game License Agent System</p>	<p><b>Agency Purpose of Data</b> To record revenues from fish stamp sales, among other purposes.  Since the inception of the fish stamp program in 2004 through fiscal year 2007–08, Fish and Game sold nearly 1.5 million annual fish stamps, generating \$8.6 million in revenue and interest.</p>
<p><b>Purpose of Testing</b> To calculate revenues from fish stamp sales.</p>	<p><b>Data Reliability Determination</b> <i>Sufficiently reliable</i>—We assessed the accuracy of the financial information presented through February 29, 2008.  <i>Undetermined reliability</i>—We did not test the data presented for the period of March 1, 2008, through June 30, 2008 because it was not available at the time of our testing. Therefore, we cannot conclude on the reliability of these data.</p>

**CALIFORNIA UNEMPLOYMENT INSURANCE APPEALS BOARD**  
*Its Weak Policies and Practices Could Undermine Employment Opportunity and Lead  
to the Misuse of State Resources*

Date: November 20, 2008

Report: 2008-103

**BACKGROUND**

Created in 1953 to conduct hearings and issue decisions to resolve disputed unemployment and disability determinations and tax-liability assessments made by the Employment Development Department (department), the quasi-judicial agency, the California Unemployment Insurance Appeals Board (appeals board) operates fairly independently. According to statute, the appeals board hires/appoints, directs, and controls its own employees and prepares its own budget, while receiving some business support from the department. Further, a seven-member full-time board or its authorized deputies or agents oversee the appeals board and its staff.

**KEY FINDINGS**

Our review of the appeals board's hiring, procurement, and administrative practices revealed the following:

- Managers did not consistently document the basis for their hiring decisions, leaving the appeals board vulnerable to allegations that its hiring decisions are unfair and exclusive. We found several deficiencies in the hiring process for the 27 advertised positions we reviewed such as:
  - » No explanation as to why the appeals board selected the candidate in 21 cases.
  - » No evidence that reference checks occurred for 19 hires.
  - » No documentation that eight hiring interviews took place.
- Nearly half of the employees who responded to our survey believe that familial relationships or employee favoritism compromised hiring and promotion practices. Further, the appeals board's past practice of hiring board members for civil service jobs could undermine its employees' faith in the civil service selection process. Moreover, new policies related to nepotism and hiring former board members are not fully enforceable because the appeals board did not obtain approval from the State's Office of Administrative Law.
- Weak controls over travel expenses resulted in questionable uses of state resources.
  - » Of the 20 travel expense reimbursements we reviewed, we found that the business purpose of the trip for seven was not sufficiently documented and thus we could not determine if the travel was in the best interest of the State.
  - » We noted instances in which the former executive director may have inappropriately claimed and received more than \$2,200 in reimbursements for expenses that appear to be associated with travel between his home and headquarters.
- The appeals board maintains 35 parking spaces at a cost of approximately \$5,000 per month, yet has no policies or procedures to ensure that these spaces are used only for appropriate purposes.

**KEY RECOMMENDATIONS**

We made numerous recommendations to the appeals board to ensure its hiring decisions are, and are perceived to be, fair. Some of the steps we recommended include adopting a comprehensive hiring manual and documenting the basis for the appeals board's hiring decisions. We also recommended that the appeals board strengthen its travel manual by requiring supervisors to preapprove travel plans and ensure that all travel is in the State's best interest and in compliance with regulations. Moreover, the appeals board should review travel-related payments made to its former executive director and seek recovery for any travel reimbursements that do not comply with state regulations.

## Unemployment Insurance Appeals Board

<p><b>Description of Data</b></p> <p>Unemployment Insurance Appeals Board (appeals board) spreadsheets known as blue-slip logs, which list personnel transactions</p>	<p><b>Agency Purpose of Data</b></p> <p>To summarize the appeals board's hires, promotions, and transfers.</p> <p>The appeals board hired, promoted, or transferred 265 employees from April 2006 through April 2008.</p>
<p><b>Purpose of Testing</b></p> <p>To select our sample of hires, promotions, and transfers and to determine if each one complied with applicable laws, regulations, policies, and procedures.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Sufficiently reliable.</i></p>

<p><b>Description of Data</b></p> <p>A complete listing of staff employed by the appeals board as of April 23, 2008, based on a report that it generated from the management information retrieval system of the State Controller's Office.</p>	<p><b>Agency Purpose of Data</b></p> <p>To generate various reports for California Human Resources staff, including position inventory and employment history reports.</p> <p>The appeals board had 639 employees and seven board members as of April 23, 2008.</p>
<p><b>Purpose of Testing</b></p> <p>To ensure that we had a complete listing of all staff employed by the appeals board as of April 23, 2008.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Sufficiently reliable.</i></p>

## Employment Development Department

<p><b>Description of Data</b></p> <p>Employment Development Department accounting system reports.</p>	<p><b>Agency Purpose of Data</b></p> <p>To process payments for the appeals board, including reimbursements of travel claims and payments for the procurement of goods. In addition, the system maintains the appeals board's operating and equipment expense records. The appeals board requested the accounting system reports from the Employment Development Department that we used to pull our sample of equipment, furniture, and travel expenses.</p> <p>From July 2005 through March 2008, the appeals board operating and equipment expenses totaled \$35 million, of which \$25 million, or 71 percent, was for travel costs, office space rent, office equipment, and information technology and communications equipment. Travel expenses totaled \$2.5 million.</p>
<p><b>Purpose of Testing</b></p> <p>To select a sample of office equipment and furniture procurements and travel expense reimbursements and test their compliance with applicable laws and other requirements, Department of Personnel Administration regulations, and the appeals board's travel policies and procedures.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Sufficiently reliable.</i></p>

**DNA IDENTIFICATION FUND*****Improvements Are Needed in Reporting Fund Revenues and Assessing and Distributing DNA Penalties, but Counties and Courts We Reviewed Have Properly Collected Penalties and Transferred Revenues to the State***

Date: November 29, 2007

Report: 2007-109

**BACKGROUND**

The voter-approved DNA act of 2004 expanded the existing statewide program that created a database and data bank of DNA samples for certain qualifying offenses. State, county, and municipal law enforcement agencies identify persons qualifying for entry into the state DNA database and data bank, collect DNA samples, and send the samples to the Department of Justice (Justice) to process and store the information. To offset the cost of increased DNA testing, the DNA act also levies a penalty on all fines, penalties, or forfeitures imposed and collected by the courts for all criminal offenses and traffic violations. Counties collect the revenue and deposit the payments into a DNA Identification Fund (DNA fund) and quarterly transfer the appropriate percentage, plus interest earned, to the state DNA fund.

**KEY FINDINGS**

Our review of the DNA fund revealed that the counties we visited appropriately used their DNA funds. Our audit did identify several issues including:

- Reporting data on county DNA funds needs to be improved.
  - » Counties are not required to include all DNA fund revenues in their annual report; thus, the State cannot be fully assured that counties are assessing and collecting all required DNA penalties.
  - » Many counties (22 and 24) failed to submit annual reports in 2005 and 2006, yet Justice did not follow up with those nonreporting counties.
- Justice's Web site is incorrect—it indicates that nonreporting counties did not collect and transfer DNA fund money to the State when, in fact, the counties transferred \$1.6 million and \$3.8 million, respectively, in those years.
- Judicial discretion and state laws can affect the amount and timing of DNA penalties assessed and collected.
  - » The State does not receive DNA fund money for every criminal and traffic violation—courts can waive the penalties under certain circumstances, and in others the penalty does not apply.
  - » Court decisions and state law can allow several months to lapse before fines must be paid and transferred to the State—it took between 114 to 250 days from the date of the citation to the date the county transferred the funds to the State in our sample of 48 items.
- Some weaknesses exist in some courts' automated case management systems and internal controls.

**KEY RECOMMENDATIONS**

We recommended that the Legislature consider revising state law to require counties to report on all DNA penalties as part of their annual report. Additionally, we made numerous recommendations to Justice to ensure data on county DNA fund activities are accurate. We also made other recommendations to the Administrative Office of the Courts, which is developing a statewide case management system for all counties.

## Justice, California Department of

<b>Description of Data</b> State Controller's Office (State Controller) DNA Identification Fund (DNA fund) database	<b>Agency Purpose of Data</b> To record the amount of DNA fund penalties that counties and courts transfer to the State. Each county must make a quarterly transfer of money from its DNA fund to the State Treasurer's Office for deposit in the state DNA fund. At the same time, each county must submit a Report to State Controller of Remittance to State Treasurer to notify the State Controller of the amount transferred. Counties contributed \$8 million to the state DNA fund for 2005, and \$14.6 million to the fund for 2006.
<b>Purpose of Testing</b> To determine if counties were transferring DNA fund money to the State.  To ensure that counties were correctly transferring DNA fund money to the State and reporting the appropriate amounts in their annual reports.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>  <i>Sufficiently reliable.</i>

**STATE BAR OF CALIFORNIA**  
*It Can Do More to Manage Its Disciplinary System and Probation Processes  
Effectively and to Control Costs*

Date: July 21, 2009

Report: 2009-030

**BACKGROUND**

With a membership of more than 217,000 attorneys, the State Bar of California (State Bar) is responsible for admitting new members, investigating and resolving complaints against members, disciplining attorneys who violate laws or rules, and performing various administrative and support duties. Each year the State Bar collects an annual membership fee plus additional fees that fund specific programs—in 2009, each active member paid \$410 in required fees. Approximately 80 percent of the State Bar's general fund revenue goes toward financing the costs of the attorney disciplinary system: receiving complaints, investigating cases, prosecuting a case, and trying a case in the State Bar Court. The Office of Probation (probation office) monitors disciplined attorneys.

**KEY FINDINGS**

During our review of the State Bar's attorney disciplinary system, we noted the following:

- It does not track its discipline costs by key disciplinary function and thus, cannot determine how efficiently it operates or what impact salary increases or policy changes have on each function.
- The total costs for its disciplinary system have increased by 30 percent or \$12 million from 2004 through 2008—outpacing both inflation and growth in the State Bar's active membership—while the number of inquiries that the State Bar opened declined.
  - » Salaries for staff have risen significantly over the past five years.
  - » The number of cases that proceeded to trial has increased.
  - » The investigation processing time has increased from an average of 168 days in 2004 to 202 days in 2007.
- Information it reports annually regarding case processing time and backlog of disciplinary cases is misleading. Its methodology for calculating its average processing time has led to understating the average processing time, and its approach for determining the backlog has resulted in incomplete and inconsistent information from year to year.
- It has not updated its formula to bill for discipline costs since 2003 despite the 30 percent increase in costs. Further, it does not consistently include due dates when billing disciplined attorneys. In 2007 and 2008, the State Bar reported that it collected an average of 63 percent of the amount it billed for those years. However, only an average of 17 percent of the amount received was billed in that same year.
- The number of attorney disciplinary cases the probation office monitors has grown nearly 10 percent in the five-year period ending in 2008, yet the number of probation deputies was only recently increased by one.
- It still needs to fully implement recommendations made in a consultant's report, in the periodic audits conducted by its internal audit and review unit, and in our 2007 audit.

**KEY RECOMMENDATIONS**

We made numerous recommendations to the State Bar to separately track expenses associated with its disciplinary system to allow it to explain and justify cost increases and measure the efficiency of the system. We also outlined several changes to improve its billing process and to maximize the amounts that it could recover to defray the expense of disciplining attorneys. Further, we identified other improvements for its probation office and control processes.

## State Bar of California

<p><b>Description of Data</b></p> <p>State Bar of California (State Bar) disciplinary tracking system</p>	<p><b>Agency Purpose of Data</b></p> <p>To track cases brought against attorneys from the public and other sources.</p> <p>The State Bar processes most cases from the intake stage through the investigation stage within six months. The number of inquiries opened at the intake stage declined slightly from 2004 to 2007, and the average intake case processing time has decreased in recent years.</p> <p>The State Bar had 867 probation cases at the end of 2008.</p>
<p><b>Purpose of Testing</b></p> <p>To review case processing times and the disciplinary case backlog. Our analysis demonstrates that the length of time to process cases proceeding beyond intake is generally increasing.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Sufficiently reliable.</i></p>

**STATE BOARD OF CHIROPRACTIC EXAMINERS**  
***Board Members Violated State Laws and Procedural Requirements, and Its Enforcement, Licensing, and Continuing Education Programs Need Improvement***

Date: March 25, 2008

Report: 2007-117

**BACKGROUND**

The State Board of Chiropractic Examiners (chiropractic board) was created in December 1922 through an initiative measure approved by the voters of California. In general, the chiropractic board is a policy-making and administrative review body consisting of seven members (board members)—five professional and two public members, each appointed by the governor. The board's paramount responsibility is to protect California consumers from fraudulent, negligent, or incompetent practices among providers of chiropractic care.

**KEY FINDINGS**

We reported numerous concerns about board members' actions and the chiropractic board's administration of its enforcement, licensing, and continuing education programs including:

- Board members violated some Bagley-Keene Open Meeting Act requirements.
- Board members invited ex parte communication and inappropriately inserted themselves into the enforcement process.
- Board members inappropriately delegated responsibility to approve or deny licenses to chiropractic board staff.
- The enforcement program has significant weaknesses:
  - » Lack of standard procedures and management oversight resulted in unexplained and unreasonable delays in processing and resolving complaints and may have contributed to staff processing complaints inconsistently.
  - » The chiropractic board's prioritization system for its complaint review process is seriously flawed. It frequently fails to designate complaints as having priority or process them promptly. Of 11 complaints we reviewed that should have been classified as having priority, only one received such a designation and staff took from one to three years to investigate and close nine, including the single case designated as having priority.
- The chiropractic board did not ensure that its designated employees, including board members, complied with the financial reporting requirements of the Political Reform Act.
- Although the chiropractic board has some effective regulations and processes to ensure the quality of continuing education, it does not follow them.

**KEY RECOMMENDATIONS**

- Continue to work with legal counsel to ensure compliance with applicable state laws and regulations.
- Establish benchmarks and more structured procedures for processing complaints.
- Establish a process to properly categorize complaints, promptly resolve them, and ensure that management monitors the status of open complaints.
- Ensure that its continuing education program complies with current regulations.



**California Board of Chiropractic Examiners**

<p><b>Description of Data</b></p> <p>California Board of Chiropractic Examiners (Chiropractic Board) data related to complaints entered into the Consumer Affairs System</p>	<p><b>Agency Purpose of Data</b></p> <p>To record information about the Chiropractic Board’s case files (complaints and licensing) .</p> <p>In fiscal year 2006–07, 708 complaints were opened and 576 were closed. The Chiropractic board issued 292 new chiropractic licenses in fiscal year 2006–07.</p>
<p><b>Purpose of Testing</b></p> <p>To select a sample of complaints closed in fiscal year 2006–07 and one complaint closed in fiscal year 2007–08.</p> <p>To determine the number of complaints opened, complaints closed, complaints opened and referred to contracted investigators, and those complaints that board staff referred to contracted investigators in fiscal years 2005–06 and 2006–07 that were closed.</p> <p>To select samples of licenses for testing, for determining the number and types of licenses issued in fiscal year 2006–07, and for determining the number and types of licenses active as of June 30, 2007.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Undetermined reliability</i>—We could not review the accuracy of some records. Thus, a potential existed for errors that could have a material effect on the number of complaints that the data indicate were opened, closed, or referred to an investigator in fiscal years 2005–06 and 2006–07 and on the number of complaints opened and closed against board members in fiscal years 2005–06, 2006–07, and 2007–08 (through August 31, 2007). Because the data could have led to incorrect or unintentional messages, these weaknesses were potentially significant. Therefore, the data are qualified because we concluded that the Chiropractic Board’s data was of undetermined reliability or insufficient reliability for our purposes.</p> <p><i>Undetermined reliability</i>—See above.</p> <p><i>Not sufficiently reliable</i>—Our testing identified errors that could have had a material effect on the number of licenses that the data indicated were issued in fiscal year 2006–07 or the number of licenses active as of June 30, 2007; therefore, the data could have led to incorrect or unintentional messages.</p>
<p><b>Agency Response Date</b></p>	<p>N/A</p>
<p><b>Corrective Action Recommended</b></p> <p>The Chiropractic Board uses the Consumer Affairs System to record information about its complaint and licensing case files. However, it does not own that system; therefore, we did not pursue data issues further.</p>	<p><b>Status of Corrective Action</b></p> <p>N/A</p>

**CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS*****Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans***

Date: October 27, 2009

Report: 2009-108

**BACKGROUND**

As of September 2008 the U.S. Department of Veterans Affairs (federal VA) estimated that approximately 2.1 million veterans resided in California, making up nearly 9 percent of the total estimated national veteran population. The mission of the California Department of Veterans Affairs (department) is to serve these veterans and their families, and it generally organizes its efforts into three divisions—the Veterans Homes division (Veterans Homes), the CalVet Home Loan program (CalVet program), and the Veterans Services division (Veterans Services). The department receives funding from various sources, including the State's General Fund, federal funds, and special funds, and spends approximately 98 percent of the funding that it receives on its Veterans Homes and CalVet program.

**KEY FINDINGS**

During our review of the department's efforts to address the needs of California veterans, we noted the following:

- The department relies on other entities to provide many of the direct services that veterans need, such as homeless or mental health services, and has only recently decided that Veterans Services should take a more active role in informing veterans about available benefits and coordinating with other entities that provide such services.
- With the State's participation in federal disability compensation and pension benefits (C&P benefits) below the national average, the department has made increasing veterans' participation in these benefits a primary goal for Veterans Services. However, Veterans Services' ability to meet this goal is hampered by various barriers, including veterans' lack of awareness of the benefits, the complexity of the claims process, and its lack of coordination with the County Veterans Service Officer programs (CVSOs).
- The department has not formally assessed veterans' needs or included key stakeholders such as the CVSOs in its strategic planning process, and it has not effectively measured its progress towards meeting the goals and objectives in its strategic plan.
- As of March 2009 the CalVet program served 12,500 veterans; however, the program is generally not designed to serve homeless veterans or veterans in need of multifamily or transitional housing.

**KEY RECOMMENDATIONS**

- The department should ensure that Veterans Services continues its various initiatives related to gathering veterans' contact information, and increasing veterans' awareness of the benefits available to them. It should also ensure that Veterans Services continues its efforts to collaborate with other entities and implements a more systematic process for identifying and prioritizing the entities with which it collaborates.
- Veterans Services should formally communicate its goal to increase veterans' participation in C&P benefits to the CVSOs. It should also require the CVSOs to submit information on the number of C&P benefit claims filed in their offices, and use this and other available data to better coordinate outreach efforts with the CVSOs.
- The department should conduct a formal assessment of veterans needs, including soliciting input from the CVSOs, and should develop measurable strategic plan goals and objectives that are directly aligned with veterans' needs.
- If the Legislature believes that the department should play a larger role in funding multifamily housing for veterans, providing transitional housing to veterans, or addressing the housing needs of homeless veterans through the CalVet program, it should modify or clarify state law to authorize the department to provide such services.

### Veterans Affairs, California Department of

<b>Description of Data</b> Mitas database maintained by the California Department of Veterans Affairs (Veterans Affairs)	<b>Agency Purpose of Data</b> To originate and service loans and to account for bonds that issued through the CalVet Home Loan program.  As of March 31, 2009, 12,518 veterans were participating in the CalVet Home Loan program.
<b>Purpose of Testing</b> To identify the number of California veterans who receive benefits from the CalVet Home Loan program and to identify recent trends in veterans' participation in the program.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

**VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD*****It Has Begun Improving the Victim Compensation Program, but More Remains to Be Done***

Date: December 9, 2008

Report: 2008-113

**BACKGROUND**

Medical and dental care, mental health services, and lost wages or support are just some of the eligible services the Victim Compensation Program (program) can cover for victims of crime. Administered by the Victim Compensation and Government Claims Board (board), the program is financed through restitution fines, penalty assessments, and other amounts collected by the State and counties and through a federal grant. The board contracts with 21 joint powers (JP) units throughout the State to aid in approving or denying applications and bills. The JP units are located within the victim witness assistance centers (assistance centers), which oversee a variety of services to victims and provide outreach for the board and the program. Verifying entities, such as law enforcement, physicians, or hospitals, provide proof of a crime or an injury resulting from a crime.

**KEY FINDINGS**

Our review of the board and program's funding structure and accessibility of services to victims of crimes revealed the following:

- Total payments to victims and/or service providers from fiscal years 2001–02 through 2004–05 sustained a 50 percent decrease—from \$123.9 million to \$61.6 million. Despite this significant decline, the cost the board incurs to support the program increased.
- The board did not always process applications and bills promptly. Specifically, the board:
  - » Did not make a determination within its own maximum deadline of 180 days for two applications of the 49 that we tested.
  - » Took more than 250 days to resolve appeals for four of five denied applications that we reviewed and, as of October 2008, had yet to resolve the fifth after more than one year.
  - » Took more than 90 days to pay 23 bills of 77 paid bills that we reviewed.
- The board's follow-up procedures for and communications with verifying entities lack detail and lead to inconsistencies. Moreover, at times verifying entities did not cooperate in providing prompt responses to the board and JP units.
- The board has experienced numerous problems with its new system for processing applications and bills, including:
  - » Processing delays led to a reported increase in complaints.
  - » Unbeknownst to the board, data in the system related to payments appeared erroneous.
  - » Needed documentation for the new system has yet to be created, hampering efforts to resolve problems cost-effectively.
- The board's current process for managing workload lacks benchmarks, performance measures, or any written procedures.
- The board has not established a comprehensive outreach plan to assist in focusing on those in need of program services.

**KEY RECOMMENDATIONS**

We made various recommendations to the board that include establishing goals that create a target fund balance and are designed to measure its success in maximizing assistance to victims and their families. We also recommended that the board develop specific procedures for following up with verifying entities. Moreover, the board should continue to correct system problems, develop and maintain system documentation, and develop written procedures for managing workload. Further, to develop a comprehensive and focused outreach plan, the board should seek input from key stakeholders regarding underserved and vulnerable populations.

## Victim Compensation and Government Claims Board

<p><b>Description of Data</b></p> <p>The Compensation and Restitution System (CaRES) of the Victim Compensation and Government Claims Board (Victim Compensation Board), which includes data on application and bill processing</p>	<p><b>Agency Purpose of Data</b></p> <p>To process victim compensation applications and bills.</p> <p>The joint powers units and the Victim Compensation Board made an eligibility determination for 47,260 applications processed solely through CaRES between June 30, 2006, and June 30, 2008.</p>
<p><b>Purpose of Testing</b></p> <p>To determine whether the Victim Compensation Board has a backlog of applications and bills awaiting decisions.</p> <p>To assess how long the Victim Compensation Board and joint powers units took to process completed applications and bills that had been entered into CaRES.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—The reporting function in CaRES is not operable. As a result, the Victim Compensation Board was unable to provide us with any useful reports that would enable us to identify the extent to which a backlog exists. Although we attempted to present inventory information for fiscal year 2007–08 using the board’s electronic data from both its old system, VOX, and CaRES, some applications existed in both systems, and determining the total population of applications without duplicating them was not possible. Therefore, the data are qualified because we concluded that the board’s CaRES data were not sufficiently reliable.</p> <p><i>Not sufficiently reliable</i>—We assessed the reliability of the Victim Compensation Board’s data entered into CaRES by performing electronic testing of selected data elements and testing the accuracy and completeness of the data. To test the completeness of the data, we reviewed it to identify gaps in the sequence of application numbers. To test the accuracy of the application and billing data, we traced key data elements to source documentation for 29 items. Based on that testing, we concluded that the data were not sufficiently reliable for determining the length of time taken to process applications and bills.</p>
<p><b>Agency Response Date</b></p>	<p><b>May and December 2009</b></p>
<p><b>Corrective Action Recommended</b></p> <p>To ensure that the Victim Compensation Board has accurate information to measure its success in meeting statutory deadlines for processing applications, it should correct the problems with the accepted-date field in CaRES.</p> <p>To ensure that it maximizes its use of CaRES, the Victim Compensation Board should do the following:</p> <ul style="list-style-type: none"> <li>• Develop goals, objectives, and benchmarks related to the functions it carries out under CaRES that will allow it to measure its progress in providing prompt, high-quality service.</li> <li>• Continue identifying and correcting problems with the system as they arise.</li> <li>• Address the structural and operational flaws that prevent identification of erroneous information and implement edit checks and other system controls sufficient to identify errors.</li> </ul>	<p><b>Status of Corrective Action</b></p> <p><i>Corrective action taken</i>—In its one-year response, the Victim Compensation Board stated that programming for the accepted-date field had been completed, tested, and installed in CaRES.</p> <p><i>Partial corrective action taken</i>—In its six-month response, the Victim Compensation Board reported that it implemented monitoring tools to measure key performance indicators of CaRES system health and that the measures are tracked daily to provide real-time and trend information on CaRES performance. Additionally, the board reported that it completed the data dictionary for CaRES.</p> <p>In its one-year response, the Victim Compensation Board stated that it was continuing its effort to maximize its use of CaRES. It stated that it had developed a corrective action plan it uses for identifying issues that must be addressed and that it was tracking the progress of issues. Additionally, the board stated that it hired a database architect to identify structural problems and to provide detailed recommendations on how to address these issues in CaRES. It expected the architect’s final assessment and recommendations in December 2009. The Victim Compensation Board further stated that it established a CaRES Change Control Board to review and prioritize modifications and that this is an ongoing process. The board also reported that it is in the process of developing system documentation and dependency diagrams of CaRES.</p>

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- Seek input from and work with relevant parties, such as assistance centers and joint powers units, to resolve issues with the transition.
- Develop and maintain system documentation sufficient to allow the board to address modifications and questions about the system more efficiently and effectively.

To ensure that the Victim Compensation Board effectively manages the program workload and can report useful workload data, it should do the following:

- Develop written procedures for its management of workload.
- Implement the reporting function in CaRES as soon as possible.
- Establish benchmarks and performance measures to evaluate whether it is effectively managing its workload.
- Review the applications and bills converted to CaRES from VOX that are showing excessively lengthy processing periods and determine whether problems with the data exist or whether the board has significant time-processing problems.

Finally, the Victim Compensation Board reported that it continues to work closely with joint powers office staff to resolve CaRES issues as they arise. It stated that it conducts regular conference calls with county joint powers offices and that problems relative to CaRES are communicated and tracked in a biweekly operational meeting. The board also stated that it actively solicits feedback from a cross-section of representatives about CaRES performance problems.

*Corrective action taken*—In its one-year response, the Victim Compensation Board reported that it had developed an inventory monitoring system that identified minimum and maximum workload acceptable at each processing center and the steps to take if any of the centers are outside of the normal processing parameters. The board stated that program managers meet periodically to discuss the workload and to transfer work among centers using established transfer criteria. Additionally, the board stated that its joint powers offices and its headquarters staff are monitoring the number of applications and bills processed and that beginning in early November 2009, management have met weekly to evaluate the inventory and production across the entire program. The board also reported that CaRES is now capable of and is producing reports as needed. Finally, the board stated that it identified 1,655 bills converted from VOX that needed additional review after the conversion to CaRES and that all of these bills have been addressed.

cc: Members of the Legislature  
Office of the Lieutenant Governor  
Milton Marks Commission on California State  
Government Organization and Economy  
Department of Finance  
Attorney General  
State Controller  
State Treasurer  
Legislative Analyst  
Senate Office of Research  
California Research Bureau  
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