

CALIFORNIA STATE AUDITOR

Bureau of State Audits

Recommendations Not Fully Implemented After One Year

The Omnibus Audit Accountability Act of 2006



January 2012 Report 2011-041

SPECIAL REPORT

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January 12, 2012

2011-041

Dear Governor and Legislative Leaders:

Consistent with the Omnibus Audit Accountability Act of 2006 (California Government Code, Sections 8548.7 and 8548.9), the Bureau of State Audits (bureau) presents its special report to the Joint Legislative Audit Committee, Joint Legislative Budget Committee, and Department of Finance. This report notes that from January 2005 through October 2010, the bureau issued 98 reports on audits of state agencies. In those reports, the bureau made 990 recommendations and state agencies had implemented 822, or 83 percent. The remaining 168 recommendations made to 32 state agencies had been outstanding for at least a year and not fully implemented. However, based on recent responses obtained from those state agencies, the bureau determined that 40 have been fully implemented and only 128 remain outstanding. In addition to identifying which recommendations have and have not been fully implemented, this report contains written responses from each state agency explaining the status of each recommendation. For recommendations that have not been fully implemented, this report also provides agency responses regarding when or if these recommendations will be fully implemented.

Our audit efforts bring the greatest returns when agencies act upon our findings and recommendations. For example, in April 2008 the bureau reported that the program the Department of Social Services (Social Services) administers under the state's Safely Surrendered Baby Law (safe-surrender law) would have greater impact if Social Services were to implement several changes to the program. Specifically, the bureau recommended that Social Services clarify the definition of safe surrender for county and state agencies, and then monitor their use of the clarified definition. The bureau also recommended that Social Services revoke the erroneous guidance it had previously issued on the waiver of the privilege of confidentiality by individuals who safely surrender babies. Additionally, the bureau recommended that Social Services consider ways to improve the availability of medical information for surrendered babies. Social Services fully implemented these recommendations in November 2010 by releasing a notice to all county welfare directors that clarified the definition of safe surrender and corrected the erroneous information regarding the waiver of confidentiality. Furthermore, the letter provided an updated form for use by safe surrender site staff designed to improve the availability of medical information that could be vital to the health of a surrendered child. According to Social Services, between January 1, 2001—the date of the safe-surrender law's implementation—and March 31, 2011, parents safely surrendered 407 newborns, while 151 other newborns were found alive following their illegal abandonment. While Social Services has not yet implemented all of the bureau's recommendations, its ongoing improvements to its administrative practices will help to ensure the continuing viability of this life-saving program.

If you would like more information or assistance regarding any of the recommendations or background provided in this report, please contact Margarita Fernández, Chief of Public Affairs, at (916) 445-0255.

Sincerely,



ELAINE M. HOWLE, CPA
State Auditor

Recommendations Not Fully Implemented After One Year

The Omnibus Audit Accountability Act of 2006

Contents

Introduction	1
K Through 12 Education	
Department of Education (Report Number 2004-120, June 2005) School Districts' Inconsistent Identification and Redesignation of English Learners Cause Funding Variances and Make Comparisons of Performance Outcomes Difficult	25
California Department of Education (Report Number 2008-109, December 2008) Although It Generally Provides Appropriate Oversight of the Special Education Hearings and Mediations Process, a Few Areas Could Be Improved	27
California Department of Education (Report Number 2010-104, October 2010) California's Charter Schools: Some Are Providing Meals to Students, but a Lack of Reliable Data Prevents the California Department of Education From Determining the Number of Students Eligible for or Participating in Certain Federal Meal Programs	29
Higher Education	
California State University (Report Number 2007-102.1, November 2007) It Needs to Strengthen Its Oversight and Establish Stricter Policies for Compensating Current and Former Employees	31
California State University (Report Number 2007-102.2, December 2007) It Is Inconsistent in Considering Diversity When Hiring Professors, Management Personnel, Presidents, and System Executives	35
California Community Colleges (Report Number 2007-116, August 2008) Affordability of College Textbooks: Textbook Prices Have Risen Significantly in the Last Four Years, but Some Strategies May Help to Control These Costs for Students	39
California State University, Chancellor's Office (Investigation Report Number I2007-1158, December 2009) Failure to Follow Reimbursement Policies Resulted in Improper and Wasteful Expenditures	41

Health and Human Services

Department of Health Services

(Report Number 2004-125, August 2005)

Participation in the School-Based Medi-Cal Administrative Activities Program Has Increased, but School Districts Are Still Losing Millions Each Year in Federal Reimbursements

43

Department of Social Services

(Report Number 2005-129, May 2006)

In Rebuilding Its Child Care Program Oversight, the Department Needs to Improve Its Monitoring Efforts and Enforcement Actions

47

Department of Health Services

(Report Number 2006-035, February 2007)

It Has Not Yet Fully Implemented Legislation Intended to Improve the Quality of Care in Skilled Nursing Facilities

49

Department of Health Services

(Report Number 2006-106, April 2007)

Its Licensing and Certification Division Is Struggling to Meet State and Federal Oversight Requirements for Skilled Nursing Facilities

51

Department of Social Services

(Report Number 2007-124, April 2008)

Safely Surrendered Baby Law: Stronger Guidance From the State and Better Information for the Public Could Enhance Its Impact

55

Department of Public Health

(Report Number 2007-114, June 2008)

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

57

Department of Health Care Services

(Report Number 2007-122, June 2008)

Although Notified of Changes in Billing Requirements, Providers of Durable Medical Equipment Frequently Overcharged Medi-Cal

63

Department of Public Health

(Report Number 2007-040, September 2008)

Laboratory Field Services' Lack of Clinical Laboratory Oversight Places the Public at Risk

65

Department of Health Care Services

(Report Number 2009-103, September 2009)

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

73

<p>Department of Public Health (Report Number 2009-103, September 2009) 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</p>	75
<p>Department of Mental Health (Report Number 2009-608, October 2009) High Risk Update—State Overtime Costs: A Variety of Factors Resulted in Significant Overtime Costs at the Departments of Mental Health and Developmental Services</p>	77
<p>Department of Social Services (Report Number 2009-101, November 2009) For the CalWORKS and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts</p>	79
<p>Department of Community Services and Development (Letter Report Number 2009-119.2, February 2010) Delays by Federal and State Agencies Have Stalled the Weatherization Program and Improvements Are Needed to Properly Administer Recovery Act Funds</p>	87
<p>Department of Health Care Services (Report Number 2009-112, May 2010) It Needs to Streamline Medi-Cal Treatment Authorizations and Respond to Authorization Requests Within Legal Time Limits</p>	91
<p>Department of Public Health (Report Number 2010-108, June 2010) It Reported Inaccurate Financial Information and Can Likely Increase Revenues for the State and Federal Health Facilities Citation Penalties Accounts</p>	93
<p>Department of Public Health (Report Number 2010-103R, July 2010) It Faces Significant Fiscal Challenges and Lacks Transparency in Its Administration of the Every Woman Counts Program</p>	99
<p>Department of Developmental Services (Report Number 2009-118, August 2010) A More Uniform and Transparent Procurement and Rate-Setting Process Would Improve the Cost-Effectiveness of Regional Centers</p>	103

Corrections and Rehabilitation

Department of Corrections

(Report Number 2005-105, September 2005)

It Needs to Better Ensure Against Conflicts of Interest and to Improve Its Inmate Population Projections 105

California Department of Corrections and Rehabilitation

(Report Number 2005-111, November 2005)

The Intermediate Sanction Programs Lacked Performance Benchmarks and Were Plagued With Implementation Problems 109

California Department of Corrections and Rehabilitation

(Report Number 2009-107.1, September 2009)

It Fails to Track and Use Data That Would Allow It to More Effectively Monitor and Manage Its Operations 111

California Prison Health Care Services

(Report Number 2009-107.1, September 2009)

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 117

California Department of Corrections and Rehabilitation

(Report Number 2009-107.2, May 2010)

Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs 121

California Prison Health Care Services

(Report Number 2009-107.2, May 2010)

California Department of Corrections and Rehabilitation: Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs 125

Business, Transportation and Housing

California Highway Patrol

(Report Number 2007-111, January 2008)

It Followed State Contracting Requirements Inconsistently, Exhibited Weaknesses in Its Conflict-of-Interest Guidelines, and Used a State Resource Imprudently 129

Department of Housing and Community Development

(Report Number 2009-037, November 2009)

Housing Bond Funds Generally Have Been Awarded Promptly and in Compliance With Law, but Monitoring Continues to Need Improvement 131

Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun (Report Number 2009-043, November 2009) It Needs to Develop Procedures and Controls Over Its Operations and Finances to Ensure That It Complies With Legal Requirements	133
High-Speed Rail Authority (Report Number 2009-106, April 2010) It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management	137
 Resources	
Department of Parks and Recreation (Report Number 2004-126, August 2005) Off-Highway Motor Vehicle Recreation Program: The Lack of a Shared Vision and Questionable Use of Program Funds Limit Its Effectiveness	141
Department of Fish and Game (Report Number 2008-102, August 2008) 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	143
Department of Fish and Game (Investigation Report Number I2009-1, April 2009) Office of Spill Prevention and Response—Investigations of Improper Activities by State Employees: July 2008 Through December 2008 (Case #I2006-1125)	147
California Energy Resources Conservation and Development Commission (Letter Report Number 2009-119.1, December 2009) It Is Not Fully Prepared to Award and Monitor Millions in Recovery Act Funds and Lacks Controls to Prevent Their Misuse	149
Department of Resources Recycling and Recovery (Report Number 2010-101, June 2010) Deficiencies in Forecasting and Ineffective Management Have Hindered the Beverage Container Recycling Program	151
 Environmental Protection	
State Water Resources Control Board (Report Number 2005-113, March 2006) Its Division of Water Rights Uses Erroneous Data to Calculate Some Annual Fees and Lacks Effective Management Techniques to Ensure That It Processes Water Rights Promptly	155

State and Consumer Services

State Athletic Commission

(Report Number 2004-134, July 2005)

The Current Boxers' Pension Plan Benefits Only a Few and Is Poorly Administered 159

Medical Board of California

(Report Number 2007-038, October 2007)

It Needs to Consider Cutting Its Fees or Issuing a Refund to Reduce the Fund Balance of Its Contingent Fund 161

Franchise Tax Board

(Report Number 2007-107, December 2007)

Nonprofit Hospitals: Inconsistent Data Obscure the Economic Value of Their Benefit to Communities, and the Franchise Tax Board Could More Closely Monitor Their Tax-Exempt Status 165

Victim Compensation and Government Claims Board

(Report Number 2008-113, December 2008)

It Has Begun Improving the Victim Compensation Program, but More Remains to Be Done 167

State Personnel Board

(Report Number 2009-103, September 2009)

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 171

Department of General Services

(Report Number 2009-114, July 2010)

It No Longer Strategically Sources Contracts and Has Not Assessed Their Impact on Small Businesses and Disabled Veteran Business Enterprises 173

General Government

California Department of Veterans Affairs

(Report Number 2007-121, April 2008)

Veterans Home of California at Yountville: It Needs Stronger Planning and Oversight in Key Operational Areas, and Some Processes for Resolving Complaints Need Improvement 179

Commission on State Mandates

(Report Number 2009-501, October 2009)

State Mandates: Operational and Structural Changes Have Yielded Limited Improvements in Expediting Processes and in Controlling Costs and Liabilities 181

California Department of Veterans Affairs (Report Number 2009-108, October 2009) 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	183
Legislative, Judicial, and Executive	
State Bar of California (Report Number 2009-030, July 2009) It Can Do More to Manage Its Disciplinary System and Probation Processes Effectively and to Control Costs	187
State Controller's Office (Report Number 2009-501, October 2009) State Mandates: Operational and Structural Changes Have Yielded Limited Improvements in Expediting Processes and in Controlling Costs and Liabilities	191
California Emergency Management Agency (Letter Report Number 2009-119.4, May 2010) Despite Receiving \$136 Million in Recovery Act Funds in June 2009, It Only Recently Began Awarding These Funds and Lacks Plans to Monitor Their Use	193

INTRODUCTION

As required by the Omnibus Audit Accountability Act of 2006 (Accountability Act), the Bureau of State Audits (bureau) presents its report on the status of recommendations made during audits or investigations that are more than one year old and have not been fully implemented by state agencies.

RESULTS IN BRIEF

From January 2005 through October 2010, the bureau issued 98 reports for audits requested through the Joint Legislative Audit Committee, legislation, or as the result of an investigation.¹ The bureau made 990 recommendations to the audited state agencies in those reports.² While the state agencies implemented many of the recommendations, the bureau identified 168 recommendations made to 32 state agencies that had been outstanding at least one year and not fully implemented. Of the 168 recommendations, 97 appeared in last year's report. Based on recent responses obtained from state agencies, the bureau determined that 128 of the 168 recommendations remain not fully implemented.

The bureau's audits bring the greatest returns when auditees act upon findings and recommendations. For example, in April 2008 the bureau reported that the program the Department of Social Services (Social Services) administers under the state's Safely Surrendered Baby Law (safe-surrender law) would have greater impact if Social Services were to implement several changes to the program. For example, the bureau recommended that Social Services clarify the definition of safe surrender for county and state agencies, and then monitor their use of the clarified definition. The bureau also recommended that Social Services revoke the erroneous guidance it had previously issued on the waiver of the privilege of confidentiality by individuals who safely surrender babies. Additionally, the bureau recommended that Social Services consider ways to improve the availability of medical information for surrendered babies. Social Services fully implemented these recommendations in November 2010 by releasing a notice to all county welfare directors that clarified the definition of safe surrender and corrected the erroneous information regarding the waiver of confidentiality. Furthermore, the letter provided an updated form for use by safe surrender site staff designed to improve the availability of medical information that could be vital to the health of a surrendered child. According to Social Services, between January 1, 2001—the date of the safe-surrender law's implementation—and March 31, 2011, parents safely surrendered 407 newborns, while 151 other newborns were found alive following

¹ Excludes the statewide single audit (financial and federal compliance audits), which is mandated as a condition of California receiving federal funding. The recommendations made in those audits are followed up and reported each year in the bureau's annual report on California's Internal Control and State and Federal Compliance.

² Excludes recommendations for legislative changes. We report such recommendations in a separate report to the Legislature. As of January 1, 2010, the bureau began reporting as required on the status of recommendations made in investigative reports. The 98 reports include four investigative reports issued during 2009 and one issued in 2010.

their illegal abandonment. While Social Services has not yet implemented all of the bureau's recommendations, its ongoing improvements to its administrative practices will help to ensure the continuing viability of this life-saving program.

State agencies' failure to fully implement the bureau's recommendations can inhibit needed improvements. For example, in a report issued in September 2008, the bureau made several recommendations to Laboratory Field Services (Laboratory Services) within the Department of Public Health (Public Health) to improve its oversight of the state's clinical laboratories. While Laboratory Services has implemented some of the report's recommendations, it has yet to fully implement a number of recommendations aimed at improving its oversight of clinical laboratories statewide. Laboratory Services' oversight is important because the state's clinical laboratories provide an essential service—producing test results for medical diagnoses and treatment—for which the consequences of mistakes can be very serious.

The tables beginning on page 3 summarize and provide information on recommendations issued between January 2005 and October 2010. Table 1 shows recommendations that were not fully implemented as of the agencies' latest response for audits issued between January 2005 and October 2005. The recommendations shown in Table 1 will not be reassessed by the bureau in subsequent reports because of the length of time these recommendations have been outstanding. Table 2 on page 5 summarizes recommendations that have not been fully implemented for audits issued between November 2005 and October 2010. As indicated on tables 1 and 2, the bureau did not always agree with agency assertions that certain recommendations were fully implemented. Two columns in tables 1 and 2 provide the bureau's reason for disagreement. Finally, Table 3, beginning on page 17, summarizes recommendations that have been fully implemented since last year's report or the agencies' one-year response.

Table 1
Recommendations More Than Five Years Old That Are Still Not Fully Implemented
(Audits Issued Between January 2005 and October 2005)

AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	ESTIMATED DATE OF COMPLETION	BUREAU'S ASSESSMENT			PAGE NUMBER
					AUDITEE DID NOT SUBSTANTIATE ITS CLAIM OF FULL IMPLEMENTATION	AUDITEE DID NOT ADDRESS ALL ASPECTS OF THE RECOMMENDATION		
K THRU 12 EDUCATION								
Department of Education	School Districts' Inconsistent Identification and Redesignation of English Learners Cause Funding Variances and Make Comparisons of Performance Outcomes Difficult 2004-120 (June 2005)	1. Review the evaluators' recommendations, subsequent to the submission of the final report in October 2005, and take necessary actions to implement those recommendations it identifies as having merit.	5	August 2012				25
HEALTH AND HUMAN SERVICES								
Department of Health Services	Participation in the School-Based Medi-Cal Administrative Activities Program Has Increased, but School Districts Are Still Losing Millions Each Year in Federal Reimbursements 2004-125 (August 2005)	1. b. Require consortia and local governmental agencies to prepare annual reports that include performance measures Health Services determines to be useful. 1. c. Annually compile the content of these reports into a single, integrated report that is publicly available. 2. Develop policies on the appropriate level of fees charged by consortia to school districts and the amount of excess earnings and reserves consortia should be allowed to accumulate. 3. Reduce the number of entities it must oversee and establish clear regional accountability by eliminating the use of local governmental agencies from Medi-Cal Administrative Activities.	5	June 2014				43
			5	June 2014				44
			5	Will not implement				45
			5	Will not implement				45
CORRECTIONS AND REHABILITATION								
Department of Corrections	It Needs to Better Ensure Against Conflicts of Interest and to Improve Its Inmate Population Projections 2005-105 (September 2005)	1. The department should require contractor staff to complete statements of economic interests. 2. If the department intends to continue using the projections for long-term decision making, it should ensure that it employs statistically valid forecasting methods and consider seeking the advice of experts in selecting and establishing the forecasting methods. 3. To increase the accuracy and reliability of its inmate projection, the department should update its variable projections with actual information. 4. The department should continue its recent efforts to enhance its communications with local government agencies to better identify changes that may materially affect prison populations. 5. The department should fully document its projection methodology and model.	5	*		●		106
			5	*		●		106
			5	*		●		107
			5	Will not implement				107
			5	*		●		108

continued on next page...

AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	ESTIMATED DATE OF COMPLETION	BUREAU'S ASSESSMENT			
					AUDITEE DID NOT SUBSTANTIATE ITS CLAIM OF FULL IMPLEMENTATION	AUDITEE DID NOT ADDRESS ALL ASPECTS OF THE RECOMMENDATION	PAGE NUMBER	
STATE AND CONSUMER SERVICES								
State Athletic Commission	The Current Boxers' Pension Plan Benefits Only a Few and Is Poorly Administered 2004-134 (July 2005)	<ol style="list-style-type: none"> 1. Consider eliminating the break in service requirement and/or reducing from four to three the number of calendar years that a boxer must fight. 2. a. Raise the ticket assessment to meet targeted pension contributions as required by law and promptly remit pension contributions to the boxers' pension fund. 2. b. Require promoters to remit pension fund contributions on checks separate from other boxing show fees so that deposits of checks and subsequent remittances to the boxers' pension fund are not delayed. 	5	Will not implement			159	
			5	Will not implement			160	
			5	Will not implement			160	

* Contrary to the Bureau of State Audits' determination, the auditee believes it has fully implemented this recommendation.

Table 2
Recommendations More Than One Year Old That Are Still Not Fully Implemented
(Audits Issued Between November 2005 and October 2010)

AUDITEE	REPORT TITLE, NUMBER, AND ISSU DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	ESTIMATED DATE OF COMPLETION	BUREAU'S ASSESSMENT			PAGE NUMBER
					AUDITEE DID NOT SUBSTANTIATE ITS CLAIM OF FULL IMPLEMENTATION	AUDITEE DID NOT ADDRESS ALL ASPECTS OF THE RECOMMENDATION	AUDITEE DID NOT ADDRESS ALL ASPECTS OF THE RECOMMENDATION	
K THRU 12 EDUCATION Department of Education	California's Charter Schools: Some Are Providing Meals to Students, but a Lack of Reliable Data Prevents the California Department of Education From Determining the Number of Students Eligible for or Participating in Certain Federal Meal Programs 2010-104 (October 2010)	1. To ensure the reliability of the Con-App database fields related to the number of students enrolled at the school level, the number of those enrolled students who are eligible to receive free meals, and the number of those students who are eligible to receive reduced-price meals, Education should establish an internal control process such as a systematic review of a sample of the local educational agencies' and direct-funded charter schools' supporting documentation.	1	*	●			29
		2. To ensure that it maximizes the benefits from the State's investment in the CNIPS database, Education should require the school food authorities to submit a monthly Claim for Reimbursement for each site under their jurisdiction in addition to their consolidated claims.	1	*		●		29
		3. To ensure that it maximizes the benefits from the State's investment in the CNIPS database, Education should establish a timeline for the school food authorities to comply with the requirement.	1	December 2011				30
HIGHER EDUCATION California State University	It Needs to Strengthen Its Oversight and Establish Stricter Policies for Compensating Current and Former Employees 2007-102.1 (November 2007)†	<p>1. Create a centralized information structure to catalog university compensation, and use the data to monitor the campuses' implementation of systemwide policies and to measure the impact of systemwide policies on university finances.</p> <p>3. Work through the regulatory process to develop stronger regulations governing paid leaves of absence for management personnel. The university should also maintain appropriate documentation supporting any leaves of absence it grants.</p> <p>4. Strengthen its policy governing the reimbursement of relocation expenses. Additionally, the board should require the chancellor to disclose the amounts of relocation reimbursements to be offered to incoming executives.</p> <p>5. Continue to work with California Faculty Association representatives during the collective bargaining process to strengthen its dual-employment policy by imposing disclosure and approval requirements for faculty, and impose similar requirements for other employees.</p>	3	Will not implement				32
			3	*		●		32
			3	*		●		33
			3	Unknown				33

BUREAU'S ASSESSMENT

AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	ESTIMATED DATE OF COMPLETION	AUDITEE DID NOT SUBSTANTIATE ITS CLAIM OF FULL IMPLEMENTATION	AUDITEE DID NOT ADDRESS ALL ASPECTS OF THE RECOMMENDATION	PAGE NUMBER	
California State University	It Is Inconsistent in Considering Diversity When Hiring Professors, Management Personnel, Presidents, and System Executives 2007-102.2 (December 2007)	1. Issue systemwide guidance that devises and implements a uniform method for campuses to use when calculating availability data.	3	Will not implement			35	
		2. Issue systemwide guidance that directs campuses to develop hiring policies that establish consistency among searches and ensures that searches are conducted in a fair and equitable manner.	3	January 2012				36
		3. Issue systemwide guidance that encourages campuses to identify alternatives to broaden the perspective of search committees and to ensure that women and minorities have equal opportunity to serve on search committees.	3	January 2012				36
		4. Issue systemwide guidance that instructs campuses to compare the proportions of women and minorities in the total applicant pool with the proportions in the labor pool to help assess their outreach efforts.	3	January 2012				36
		5. Issue systemwide guidance that advises campuses to compare and report the gender and ethnicity of their current workforce, and directs campuses to have search committees review affirmative action plans.	3	January 2012				37
		6. Develop policies regarding the diversity of the trustees committee and the advisory committee and consider alternatives on the manner in which to increase committee diversity.	3	Will not implement				37
California Community Colleges	Affordability of College Textbooks: Textbook Prices Have Risen Significantly in the Last Four Years, but Some Strategies May Help to Control These Costs for Students 2007-116 (August 2008)	1. Reevaluate bookstores' pricing policies to ensure that markups are not higher than necessary.	3	Unknown			39	
		2. Direct bookstores to publicly disclose on an annual basis any amounts they use for purposes that do not relate to bookstore operations.	3	Unknown			40	
California State University, Chancellor's Office	Failure to Follow Reimbursement Policies Resulted in Improper and Wasteful Expenditures 2007-1158 (December 2009)	1. The university should revise its travel policy to establish defined maximum limits for reimbursing the costs of lodging and to establish controls that allow for exceptions to such limits only under specific circumstances.	1	Will not implement			41	
HEALTH AND HUMAN SERVICES								
Department of Social Services	In Rebuilding Its Child Care Program Oversight, the Department Needs to Improve Its Monitoring Efforts and Enforcement Actions 2005-129 (May 2006)	1. Continue its efforts to make all nonconfidential information about its monitoring visits more readily available to the public.	5	Will not implement			47	
		1. Include information on any savings to the General Fund in the reports its licensing division is required to prepare.	4	Will not implement			49	
Department of Health Services	It Has Not Yet Fully Implemented Legislation Intended to Improve the Quality of Care in Skilled Nursing Facilities† 2006-035 (February 2007)†							

AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	ESTIMATED DATE OF COMPLETION	BUREAU'S ASSESSMENT			PAGE NUMBER
					AUDITEE DID NOT SUBSTANTIATE ITS CLAIM OF FULL IMPLEMENTATION	AUDITEE DID NOT ADDRESS ALL ASPECTS OF THE RECOMMENDATION	AUDITEE DID NOT ADDRESS ALL ASPECTS OF THE RECOMMENDATION	
Department of Health Services	Its Licensing and Certification Division Is Struggling to Meet State and Federal Oversight Requirements for Skilled Nursing Facilities 2006-106 (April 2007)†	2. To ensure that district offices consistently investigate complaints and include all relevant documentation in the complaint files, Health Services should clarify its policies and procedures, provide training as necessary, and periodically monitor district office performance to ensure compliance.	4	Will not implement			52	
		3. Consider working with the Department of Personnel Administration to adjust the salaries of its staff to make them more competitive with those of other state agencies seeking similarly qualified candidates.	4	Will not implement			53	
		1. Work with the Department of Public Health and county agencies to gain access to the most accurate and complete statistics on abandoned babies.	3	January 2013			55	
Department of Social Services	Safely Surrendered Baby Law: Stronger Guidance From the State and Better Information for the Public Could Enhance Its Impact 2007-124 (April 2008)	1. Begin complying with the Executive Order D-62-02 and develop dose-based decommissioning standards formally or ask the governor to rescind this 2002 executive order.	3	Will not implement			57	
		2. Develop and maintain adequate documentation related to data storage, retrieval, and maintenance.	3	2012			58	
		3. Evaluate the branch's current fee structure using analyses that consider fiscal and workload factors.	3	*	●	●	60	
Department of Public Health	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 2007-114 (June 2008)	4. Develop a staffing plan for the branch based on current, reliable data. The plan should reevaluate the branch's assumptions about workload factors, assess backlogged work, and assess all currently required work and the human resources necessary to accomplish it.	3	*		●	61	
		5. a. Establish and communicate a timeline describing when the report required by Section 115000.1 of the Health and Safety Code will be available. The department should also discuss with appropriate members of the Legislature the specific information required by state law that it cannot provide.	3	*		●	61	
		5. b. Develop an updated low-level waste disposal plan.	3	Will not implement			62	
Department of Health Care Services	Although Notified of Changes in Billing Requirements, Providers of Durable Medical Equipment Frequently Overcharged Medi-Cal 2007-122 (June 2008)	1. Develop an administratively feasible means of monitoring and enforcing current Medi-Cal billing and reimbursement procedures for medical equipment.	3	*		●	63	
		2. Design and implement a cost-effective approach that adequately addresses the risk of overpayment and ensures that all providers are potentially subject to an audit.	3	December 2011			64	

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AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	ESTIMATED DATE OF COMPLETION	BUREAU'S ASSESSMENT			PAGE NUMBER
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Department of Public Health	Laboratory Field Services' Lack of Clinical Laboratory Oversight Places the Public at Risk 2007-040 (September 2008)	1. Perform its mandated oversight responsibilities, including inspecting licensed laboratories every two years; sanctioning laboratories, and handling complaints.	3	June 2013				65
		2. Adopt and implement proficiency-testing policies and procedures regarding the review and notification of proficiency-testing results, timelines for responding to laboratories, monitoring of out-of-state laboratories, and verification of laboratories' enrollment and receipt of proficiency-testing scores.	3	June 2013				67
		3. Update its regulations, including requirements such as time frames on the laboratory community.	3	June 2015				68
		4. Continue its efforts to license California laboratories and take steps to license out-of-state laboratories that use specimens originating in California, as the law requires.	3	June 2013				68
		5. Identify necessary controls and incorporate them into its complaints policies. Develop and implement corresponding procedures for each control, and establish procedures to ensure that it promptly forwards complaints.	3	June 2014				69
		6. Maximize opportunities to impose sanctions, justify and document money penalties, ensure the collection of penalties, ensure corrective action is taken, and ensure that it notifies appropriate agencies.	3	June 2013				70
		7. Ensure that Laboratory Services has sufficient resources to meet its oversight responsibilities.	3	June 2013				71
		8. Work with appropriate parties to ensure that its data systems supports its needs. Develop and implement appropriate controls if Laboratory Services continues to use its internally developed databases.	3	June 2014				71
		9. Leverage existing processes and procedures, including developing a process to share state concerns identified during federal inspections.	3	June 2013				71
Department of Health Care Services	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 2009-103 (September 2009) [†]	2. To comply with requirements in the <i>State Administrative Manual</i> , Health Care Services should refrain from funding permanent full-time employees with the State's funding mechanism for temporary-help positions.	2	Will not implement				74
		3. To readily identify active IT and other contracts, Health Care Services should either revise its existing contract database or develop and implement a new contract database.	2	Will not implement				74
		2. Public Health should demonstrate its compliance with General Services' policies and procedures. Specifically, in its requests for offer, it should provide potential suppliers with the criteria and points that it will use to evaluate their offers.	2	December 2011				76
Department of Mental Health	High Risk Update—State Overtime Costs: A Variety of Factors Resulted in Significant Overtime Costs at the Departments of Mental Health and Developmental Services 2009-608 (October 2009)	1. Mental Health should implement the Legislative Analyst's suggestion of hiring an independent consultant to evaluate the current staffing model for Mental Health's hospitals. The staffing levels at Mental Health should then be adjusted, depending on the outcome of the consultant's evaluation.	2	Unknown				77

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Department of Social Services	For the CalWORKS and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts 2009-101 (November 2009)†	1. To ensure that all counties consistently gauge the cost-effectiveness of their early fraud activities and ongoing investigation efforts for the CalWORKS and food stamp programs. Social Services should work with the counties to develop a formula to regularly perform a cost-effectiveness analysis using information that the counties currently submit.	1	July 2012				79	
		2. To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKS and food stamp cases, Social Services should do the following: Using the results from the recommended cost-effectiveness analysis, determine why some counties' efforts to combat welfare fraud are more cost-effective than others.	1	Fall 2012					80
		3. Social Services should seek to replicate the most cost-effective practices among all counties.	1	Spring 2012					81
		4. Social Services should continue to address the recommendations of the steering committee and promptly act on the remaining recommendations.	1	Spring 2012					81
		5. To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should remind counties that they are responsible for reviewing the accuracy and consistency of investigation activity reports before submission.	1	July 2012					82
		7. Social Services should provide counties with feedback on how to correct and prevent errors that it detects during this review.	1	July 2012					83
		8. Social Services should continue with regular meetings of its workgroup to further its efforts to clarify its instructions for completing the counties' investigation activity reports.	1	July 2012					83
		9. To ensure that counties are consistently following up on all match lists, Social Services should remind counties of their responsibility under state regulations to follow up diligently on all match lists. Further, it should work with counties to determine why poor follow-up exists and address those reasons.	1	April 2012					83
		10. Social Services should revive its efforts to work with counties and federal agencies to address the counties' concerns about match-list formats and criteria.	1	Unknown					84
		12. Social Services should track how counties determine prosecution thresholds for welfare fraud cases and determine the effects of these thresholds on counties' decisions to investigate potential fraud, with a focus on determining best practices and cost-effective methods. It should then work with counties to implement the consistent use of these cost-effective methods.	1	July 2012					85
		13. Social Services should either ensure that counties follow state regulations regarding the use of administrative disqualification hearings or pursue changing the regulations.	1	July 2012					85
		2. Once Community Services has received plans from local service providers, it should make any necessary adjustments in its state plan to accurately reflect average costs per home for weatherization assistance and the estimated number of homes to be weatherized under the program.	1	December 2011					88

Delays by Federal and State Agencies Have Stalled the Weatherization Program and Improvements Are Needed to Properly Administer Recovery Act Funds
2009-119.2 (February 2010) †

Department of Community Services and Development

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Department of Health Care Services	It Needs to Streamline Medi-Cal Treatment Authorizations and Respond to Authorization Requests Within Legal Time Limits 2009-112 (May 2010)	1. To ensure that Medi-Cal recipients receive timely access to prescribed drugs, Health Care Services should abolish its policy of responding to drug TARs by the end of the next business day and should instead ensure that prior-authorization requests to dispense drugs are processed within the legally mandated 24-hour period. Alternatively, it should seek formal authorization from CMS to deviate from the 24-hour requirement, and should seek a similar modification to state law. In addition, Health Care Services should begin recording the actual time it receives paper TARs so that it can begin to measure accurately its processing times.	1	Will not implement			91
		2. To ensure that Medi-Cal recipients are receiving timely medical services from providers, Health Care Services should start tracking prior-authorization medical TARs separately and should ensure that such TARs are processed within an average of five working days. Although state law and regulations specifically require prior authorization for certain medical services, Health Care Services generally does not require prior authorizations in practice. Consequently, Health Care Services should seek legislation to update existing laws and amend its regulations to render them consistent with its TAR practices.	1	Will not implement			
Department of Health Public Health	It Reported Inaccurate Financial Information and Can Likely Increase Revenues for the State and Federal Health Facilities Citation Penalties Accounts 2010-108 (June 2010) [†]	1. To increase revenue for the state account, Public Health should seek legislation authorizing it to require facilities that want to contest the monetary penalty to pay the penalty upon its appeal, which could then be deposited into an account within the special deposit fund. The original monetary penalty deposited, plus interest accrued in the account, should then be liquidated in accordance with the terms of the decision.	1	Will not implement			93
		2. To ensure consistency with federal guidance related to federal requirements, and that it is not creating incentives for facilities to appeal citations issued for noncompliance with state requirements, Public Health should provide guidance to its staff that discourages settling appealed monetary penalties for a better term than had the facility not contested the citation and paid the penalty within the time frame specified in law to receive a 35 percent reduction. If Public Health believes instances occur when it is appropriate to reduce a monetary penalty by more than 35 percent, it should document which statutory or regulatory factors that formed the basis for concluding that the original class of citation and corresponding monetary penalty amount were no longer considered valid or relevant.	1	Will not implement			
		3. To ensure that citation review conferences are completed expeditiously, Public Health should continue to take steps to eliminate its backlog of appeals awaiting a citation review conference.	1	Unknown			94
		5. To increase revenue for the penalty accounts, Public Health should seek legislation authorizing it to revise periodically the penalty amounts to reflect an inflation indicator, such as the CPI.	1	January 2013			95
		6. To increase revenue for the penalty accounts, Public Health should ensure that it conducts all state surveys of facilities every two years, as required by state law.	1	Unknown			96
		8. To increase revenue for the penalty accounts, Public Health should seek legislation specifying a time frame within which facilities with nonappealed citations that do not qualify for a 35 percent reduction must pay their monetary penalties and allowing Public Health to collect interest on late payments of monetary penalties.	1	Will not implement			97
		9. To ensure that it complies with current state law and increases transparency, Public Health should adopt regulations for the administration of temporary management companies.	1	December 2016			97

		BUREAU'S ASSESSMENT					
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Department of Public Health	It Faces Significant Fiscal Challenges and Lacks Transparency in Its Administration of the Every Woman Counts Program 2010-103R (July 2010)	1. To the extent that Public Health continues to fund its various contracts, it should establish clearer expectations with its contractors concerning how much money is to be spent directly on the different aspects of the EWC program and should monitor spending to confirm that these expectations are being met.	1	*	●		99
		2. To ensure better public transparency and accountability for how the EWC program is administered, Public Health should comply with state law to develop regulations, based on input from the public and interested parties, that will direct how Public Health administers the EWC program. At a minimum, such regulations should define the eligibility criteria for women seeking access to EWC screening services.	1	June 2012			100
Department of Developmental Services	A More Uniform and Transparent Procurement and Rate-Setting Process Would Improve the Cost-Effectiveness of Regional Centers 2009-118 (August 2010)	1. To ensure that consumers receive high-quality, cost-effective services that meet the goals of their IPPs consistent with state law, Developmental Services should require the regional centers to document the basis of any IPP-related vendor selection and specify which comparable vendors (when available) were evaluated.	1	Will not implement			103
		2. Developmental Services should review a representative sample of this documentation as part of its biennial waiver reviews or fiscal audits to ensure that regional centers are complying with state law—and particularly with the July 2009 amendment requiring selection of the least costly available provider of comparable service.	1	Will not implement			104
CORRECTIONS AND REHABILITATION							
California Department of Corrections and Rehabilitation	The Intermediate Sanction Programs Lacked Performance Benchmarks and Were Plagued With Implementation Problems 2005-111 (November 2005)	1. Decide on appropriate benchmarks for monitoring performance, identify the data needed to measure performance against those benchmarks, and ensure that reliable data collection mechanisms are in place. Analyze the data it has collected and, if relevant, use the data in existing databases to monitor and evaluate the program's effectiveness on an ongoing basis.	5	July 2012			109
		1. Corrections should ensure that its new data system will address its current lack of data available for statewide analysis, specifically data related to identifying the custody staffing cost by inmate characteristics such as security level, age, and custody designation. <ul style="list-style-type: none"> if implementation of its new system continues to be delayed, or if Corrections determines that the new system will not effectively replace the current assignment and scheduling systems used by the institutions, it should improve its existing data related to custody staffing levels and use the data to identify the related costs of various inmate populations. 	2	December 2013			112
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 2009-107.1 (September 2009)†	2. Corrections should communicate to the Department of Personnel Administration—which is responsible for negotiating labor agreements with employee bargaining units—the cost of allowing any type of leave to be counted as time worked for the purpose of computing overtime compensation.	2	Unknown			113
		3. Corrections should encourage the Department of Personnel Administration to not agree to provisions in bargaining unit agreements that permit any type of leave to be counted as time worked for the purpose of computing overtime compensation.	2	Unknown			114

continued on next page...

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California Department of Corrections and Rehabilitation (cont.)	It Fails to Track and Use Data That Would Allow It to More Effectively Monitor and Manage Its Operations 2009-107.1 (September 2009)†	4. Corrections should encourage the Department of Personnel Administration to negotiate a reduction in the amount of voluntary overtime a correctional officer is allowed to work in future collective bargaining unit agreements, in order to reduce the likelihood that involuntary overtime will cause them to work more than 80 hours of overtime in total during a month.	2	*	●	●	114	
		5. Corrections should better ensure that it prevents the instances in which correctional officers work beyond the voluntary overtime limit in a pay period.	2	*	●	●	114	
		6. Corrections should develop a staffing plan that allocates teacher and instructor positions at each institution based on the program needs of its inmate population.	2	Unknown				115
		7. Corrections should track, maintain, and use historical program assignment and waiting list data by inmate.	2	December 2013				115
		1. To minimize costs through the use of telemedicine, Health Care Services should review the effectiveness of telemedicine consultations to better understand how to use telemedicine.	2	*	●	●	117	
		2. Health Care Services should perform a more comprehensive comparison between the cost of using telemedicine and the cost of traditional consultations, beyond the guarding and transportation costs, so that it can make informed decisions regarding the cost-effectiveness of using telemedicine.	2	*	●	●	118	
		3. To increase the use of the telemedicine system, Health Care Services should continue to implement the recommendations that it has adopted from the consultant's review of telemedicine capabilities.	2	*	●	●	119	
California Prison Health Care Services	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 2009-107.1 (September 2009)†	1. Corrections should complete its cleanup of data that will be transferred into the new system in its data system.	1	Late Summer 2012			121	
		2. Corrections should create a schedule for regular checks of the accuracy of existing sentencing information in its data system.	1	May 2012			122	
		3. To ensure that custody staffing meets institutional needs, and to provide staff the opportunity to use the amount of leave that they earn in the future, Corrections should update its staffing formulas to accurately represent each of the factors for which custody staff are unavailable to work, such as vacation or sick leave. In addition, Corrections should create a policy for regularly scheduled reviews of the data used in the staffing formulas.	1	January 2012			122	
		4. To better communicate to policy makers the annual cost of incarceration, and to provide a more accurate estimate of expenditures associated with changes in the large leave balances of custody staff, Corrections should provide the relevant legislative policy and fiscal committees a calculation of the annual increase or decrease in its liability for the leave balances of custody staff.	1	January 2012			123	
		5. Corrections should provide the relevant legislative policy and fiscal committees an estimate of the annual cost of leave balances likely to be paid for retiring custody staff.	1	Will not implement			123	
California Department of Corrections and Rehabilitation	Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs 2009-107.2 (May 2010)	1. Corrections should complete its cleanup of data that will be transferred into the new system in its data system.	1	Late Summer 2012			121	
		2. Corrections should create a schedule for regular checks of the accuracy of existing sentencing information in its data system.	1	May 2012			122	
		3. To ensure that custody staffing meets institutional needs, and to provide staff the opportunity to use the amount of leave that they earn in the future, Corrections should update its staffing formulas to accurately represent each of the factors for which custody staff are unavailable to work, such as vacation or sick leave. In addition, Corrections should create a policy for regularly scheduled reviews of the data used in the staffing formulas.	1	January 2012			122	

BUREAU'S ASSESSMENT

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California Prison Health Care Services	Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs 2009-107.2 (May 2010)	1. To determine whether the additional expansion of telemedicine is cost-effective within the California correctional system, Health Care Services should identify and collect the data it needs to estimate the savings of additional telemedicine through an analysis of the cost of specialty care visits currently provided outside of the institution that could be replaced with telemedicine.	1	*	●	●	126
		2. To determine whether the additional expansion of telemedicine is cost-effective within the California correctional system, Health Care Services should further analyze the cost-effectiveness of telemedicine through a more robust estimate of savings, including considering factors such as the percent of telemedicine consultations that required subsequent in-person visits because the issue could not be addressed through telemedicine.	1	March 2012			126
		3. To ensure that the total amount of overtime worked by custody staff does not unduly reduce their effectiveness and result in unsafe operations, Health Care Services should monitor overtime closely. If its efforts to reduce the number of referrals of inmates to outside specialty services do not reduce the amount of overtime worked by custody staff for the purpose of medical guarding and transportation, Health Care Services should explore other methods of reducing the total amount of overtime worked by custody staff.	1	Unknown			126

BUSINESS, TRANSPORTATION AND HOUSING

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 2009-037 (November 2009)	1. To ensure that data maintained in CAPES are accurate and complete, HCD should complete its review of the accuracy of the data transferred to CAPES.	1	May 2013			131
		2. HCD should also ensure that its cleanup efforts are thoroughly documented and retained for future reference.	1	May 2013			132
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun	It Needs to Develop Procedures and Controls Over Its Operations and Finances to Ensure That It Complies With Legal Requirements 2009-043 (November 2009)†	1. To ensure that it consistently adheres to requirements in state law when licensing pilots, the board should establish and implement a procedure for approving and monitoring board-appointed physicians.	1	June 2013			133
		6. To ensure that its expenditures are appropriate, the board should competitively bid contracts with physicians who perform physical examinations of pilots.	1	June 2013			135
High-Speed Rail Authority	It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management 2009-106 (April 2010)†	1. To ensure that it can respond adequately to funding levels that may vary from its business plan, the Authority should develop and publish alternative funding scenarios that reflect the possibility of reduced or delayed funding from the planned sources. These scenarios should detail the implications of variations in the level or timing of funding on the program and its schedule.	1	*		●	137
		3. In order to respond effectively to circumstances that could significantly delay or halt the program, the Authority should ensure that it implements planned actions related to managing risk.	1	January 2012			138
		4. To avert possible legal challenges, the Authority should ensure that the review group adheres to the Meeting Act or seek a formal opinion from the Office of the Attorney General regarding whether the review group is subject to this act.	1	September 2012			139
		5. To ensure that it does not run out of funds for administrative and preconstruction tasks prematurely, the Authority should track expenditures for these activities and develop a long-term spending plan for them. It also should develop procedures and systems to ensure that it complies with Recovery Act requirements.	1	December 2012			139

continued on next page . . .

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RESOURCES								
Department of Resources Recycling and Recovery	Deficiencies in Forecasting and Ineffective Management Have Hindered the Beverage Container Recycling Program 2010-101 (June 2010)	<ol style="list-style-type: none"> The department should continue with its efforts to implement regulation changes that will require beverage distributors to register with the department and to notify the department if another entity has agreed to report and make payments on behalf of that beverage distributor. To improve management of its fraud investigations, the department should formalize the approach used to analyze recycling data for potential fraud and develop criteria for staff to use when deciding whether to refer anomalies for investigation. Because DORIS will be a central data source for recycling activities once it is implemented, the department should continue with its plan to automate the review of recycling data within DORIS to identify potential fraud. To improve oversight of grants and ensure that the intended value is received from the grant funds it awards, the department should, for recipients of market development grants that are unable to meet the goals of their grants, maintain contact with grantees after the project is completed to determine if the goals may ultimately be achieved. The department should weave benchmarks, coupled with metrics to measure the quality of its activities, into the strategic plan for the beverage program to allow it to better measure progress in meeting goals. The department should ensure that the strategic plan incorporates all relevant activities of the beverage program. 	1	*	●		151	
			1	*	●			152
			1	*	●			153
			1	June 2012				153
			1	June 2012				154
STATE AND CONSUMER SERVICES								
Medical Board of California	It Needs to Consider Cutting Its Fees or Issue a Refund to Reduce the Fund Balance of Its Contingent Fund 2007-038 (October 2007)	<ol style="list-style-type: none"> Consider refunding physicians' license fees or consider temporarily reducing them to ensure that its fund balance does not continue to significantly exceed the level established in law. 	4	Will not implement				161
Victim Compensation and Government Claims Board	It Has Begun Improving the Victim Compensation Program, but More Remains to Be Done 2008-113 (December 2008) †	<ol style="list-style-type: none"> The board should address the structural and operational flaws that prevent identification of erroneous information and implement edit checks and other system controls sufficient to identify errors. To ensure that the board appropriately carries out its outreach efforts, it should define the specific procedures to accomplish its action strategies for outreach and establish quantitative measures to evaluate the effectiveness of its outreach efforts. 	2	December 2013				167
			2	Unknown				168
Department of General Services	It No Longer Strategically Sources Contracts and Has Not Assessed Their Impact on Small Businesses and Disabled Veteran Business Enterprises 2009-114 (July 2010)	<ol style="list-style-type: none"> To ensure that it determines savings to the State going forward for strategically sourced contracts, General Services should examine the State's recent purchasing patterns when determining whether to rebid or extend previously strategically sourced contracts and when estimating expected savings. It should subsequently compare the savings it achieves to the expected savings for those contracts. To ensure that it maximizes the savings to the State for future purchases, General Services should follow the procedures for identifying strategic sourcing opportunities included in the IAU's procedures manual. To ensure that it is effectively identifying new strategic sourcing opportunities, General Services should work to obtain comprehensive and accurate data on the specific items that state agencies are purchasing, including exploring options for obtaining such data for agencies that do not have enterprise-wide systems and therefore would not be using the additional functionality of the eProcurement system. 	1	Last Quarter 2012				174
			1	April 2012				174

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Department of General Services (Cont.)	It No Longer Strategically Sources Contracts and Has Not Assessed Their Impact on Small Businesses and Disabled Veteran Business Enterprises 2009-114 (July 2010)	Until it obtains such data, General Services should work with state agencies to identify detailed purchases for categories that it identifies through SCPRS as viable opportunities for strategic sourcing. For example, if based on its review of SCPRS data, General Services identifies a particular category that it believes is a good candidate for strategic sourcing, it should work with those state agencies that accounted for the most purchases within the category to determine the types and volume of specific goods purchased to further analyze the types of goods to strategically source. General Services should assess any need for additional resources based on the savings it expects to achieve.	1	September 2012			175	
		3. To provide decision makers with the information necessary to determine the true costs and benefits of strategic sourcing, General Services should evaluate any impact strategic sourcing has on small business and DVBE participation in terms of number of contracts awarded and amounts paid to small businesses and DVBEs within the categories being strategically sourced. Specifically, for goods that were strategically sourced, General Services should compare the number of contracts awarded to small businesses and DVBEs before they were strategically sourced with those awarded through such contracts after they were strategically sourced. This effort should include contracts awarded by General Services and other state agencies.						
		4. To evaluate the effectiveness of the off ramp in providing opportunities for small business and DVBE participation, General Services should track the number and dollar amounts of contracts that state agencies award through the use of the off ramps in strategically sourced and other mandatory statewide contracts. General Services' evaluation also should consider the extent to which an off ramp affects the monetary benefits that result from statewide contracts designed to leverage the State's purchasing power.	1	September 2012				175
		5. To ensure that small business and DVBE subcontractors comply with the commercially useful function requirements, General Services should develop guidance for state agencies on how to ensure that subcontractors perform commercially useful functions if it believes state agencies making the purchases through statewide contracts should be responsible for this task. In addition, General Services should monitor, on a sample basis, whether state agencies are ensuring compliance with these requirements. General Services could leverage its efforts by working with other state agencies to ensure that subcontractors claiming to have provided the goods and services to the purchasing agency did, in fact, perform the work for which they are invoicing the state agencies.	1	January 2012				176
		6. To improve the integrity of its monitoring of pricing compliance, General Services should implement procedures to help ensure that usage reports reflect the actual items received and prices paid by the state agencies that purchased the items. For example, on a periodic basis, it could select a sample of purchases from the usage reports and work with purchasing state agencies to confirm that the prices and quantity of items reported reconcile with the invoices submitted by the contractor.	1	December 2011				176

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GENERAL GOVERNMENT							
California Department of Veterans Affairs	Veterans Home of California at Yountville: It Needs Stronger Planning and Oversight in Key Operational Areas, and Some Processes for Resolving Complaints Need Improvement 2007-121 (April 2008)	1. Develop and update a plan that identifies areas of noncompliance with federal ADA regulations and includes the appropriate steps for achieving full compliance. In addition, the Veterans Home should develop grievance procedures and identify a specific employee as its ADA coordinator.	3	*	●		179
			2	Unknown			181
Commission on State Mandates	State Mandates: Operational and Structural Changes Have Yielded Limited Improvements in Expediting Processes and in Controlling Costs and Liabilities 2009-501 (October 2009)	1. To ensure that it resolves sufficiently its backlog of test claims, incorrect reduction claims, and the boilerplate amendment request, the Commission should work with Finance to seek additional resources to reduce its backlog, including test claims and incorrect reduction claims. In doing so, Commission staff should prioritize its workload and seek efficiencies to the extent possible.	2	Summer 2012			184
			2	January 2013			184
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 2009-108 (October 2009) [†]	1. Veterans Services should require the CVSOs to submit information on the number of claims filed for C&P benefits and information on their outreach activities. 2. As Veterans Services expands its efforts to increase veterans' participation in C&P benefits, it should use veterans' demographic information, such as that available through the U.S. Census Bureau, and the information it plans to obtain from the CVSOs using its SAIM system, to focus its outreach and coordination efforts on those counties with the highest potential for increasing the State's rate of participation in C&P benefits. 3. Continue its efforts to pursue the SAIM system to enable it to monitor the quantity and quality of claims processed by the CVSOs, and ensure it meets legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers. To the extent that Veterans Services is unsuccessful in implementing the SAIM system, the department will need to develop other avenues by which to meet its legal requirements. 5. Continue working with the Federal Housing Administration and the Ginnie Mae to lower its interest rates on loans.	2	Summer 2012			185
			2	Will not implement			186
LEGISLATIVE, JUDICIAL, AND EXECUTIVE							
State Controller's Office	State Mandates: Operational and Structural Changes Have Yielded Limited Improvements in Expediting Processes and in Controlling Costs and Liabilities 2009-501 (October 2009)	1. To ensure that it can meet its responsibilities, including a heightened focus on audits of state mandates, the Controller should work with Finance to obtain sufficient resources. Additionally, the Controller should increase its efforts to fill vacant positions in its Mandated Cost Audits Bureau.	2	March 2012			191

* Contrary to the Bureau of State Audits' determination, the auditee believes it has fully implemented the recommendation.

[†] Other recommendations pertaining to this audit, which have been fully implemented, can be found in Table 3.

On July 1, 2007, the Department of Health Services was reorganized and became two departments—the Department of Health Care Services and the Department of Public Health. The Department of Public Health is now responsible for monitoring skilled nursing facilities.

Table 3
Recommendations More Than One Year Old That Were Fully Implemented Since Last Year's Report or the Auditee's One-Year Response

AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	PAGE NUMBER
K THRU 12 EDUCATION				
California Department of Education	Although It Generally Provides Appropriate Oversight of the Special Education Hearings and Mediations Process, a Few Areas Could Be Improved 2008-109 (December 2008)	1. 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.	2	27
HIGHER EDUCATION				
California State University	It Needs to Strengthen Its Oversight and Establish Stricter Policies for Compensating Current and Former Employees 2007-102.1 (November 2007)*	2. Consider total compensation received by comparable institutions, rather than just cash compensation, when deciding on future salary increases for executives, faculty, and other employees.	3	32
HEALTH AND HUMAN SERVICES				
Department of Health Services	It Has Not Yet Fully Implemented Legislation Intended to Improve the Quality of Care in Skilled Nursing Facilities† 2006-035 (February 2007)*	2. Begin recouping duplicate payments.	4	50
Department of Health Services	Its Licensing and Certification Division Is Struggling to Meet State and Federal Oversight Requirements for Skilled Nursing Facilities 2006-106 (April 2007)*	1. Periodically evaluate the timeliness with which district offices initiate and complete complaint investigations. Based on this information, Health Services should identify strategies to address workload imbalances occurring among district offices.	4	51
Department of Health Care Services	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 2009-103 (September 2009)*	1. To vet more thoroughly the Section 19130(b) justifications put forward by the departments' contract managers, to ensure the timely communication of board decisions to the contract managers, and to make certain that disapproved contracts have been appropriately terminated, legal services should review the Section 19130(b) justifications put forward by the contract managers for proposed personal services contracts deemed high risk, such as subsequent contracts for the same or similar services as those in contracts disapproved by the board.	2	73
Department of Public Health	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 2009-103 (September 2009)*	1. Continue its efforts to develop and implement a new contract database.	2	75

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AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	PAGE NUMBER
Department of Social Services	For the CalWORKS and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts 2009-101 (November 2009)*	6. To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should perform more diligent reviews of the counties' investigation activity reports to verify the accuracy of the information submitted. 11. To ensure that counties are consistently following up on all match lists, Social Services should perform IEVS reviews of all counties regularly and better enforce the counties' implementation of its recommendations to correct any findings and verify implementation of the corrective action plans submitted.	1	82
Department of Community Services and Development	Delays by Federal and State Agencies Have Stalled the Weatherization Program and Improvements Are Needed to Properly Administer Recovery Act Funds 2009-119.2 (February 2010)*	1. To ensure it receives the remaining 50 percent of its \$186 million award for the Weatherization program, Community Services should seek federal approval to amend its plan for implementing the Weatherization program and seek an extension from Energy for fulfilling the progress milestones. In addition, it should promptly develop and implement the necessary standards for performing weatherization activities under the program and develop a plan for monitoring subrecipients that includes all requirements called for by the Recovery Act. 3. To comply with federal cash management regulations that govern Recovery Act Block Grant funds, Community Services should define the financial hardship under which it will provide cash advances to subrecipients. In addition, Community Services should implement procedures to ensure that it draws federal program funds from the correct grant.	1	87
Department of Public Health	It Reported Inaccurate Financial Information and Can Likely Increase Revenues for the State and Federal Health Facilities Citation Penalties Accounts 2010-108 (June 2010)*	4. To ensure that citation review conferences are completed expeditiously, Public Health should seek legislation amending its citation review conference process to more closely reflect the federal process by prohibiting facilities from seeking a delay of the payment of monetary penalties on the grounds that the citation review conference has not been completed before the effective date of the monetary penalty. 7. To increase revenue for the penalty accounts, Public Health should seek authorization from the Legislature both to impose a monetary penalty and to recommend that CMS impose a monetary penalty when the division determines that a facility is not complying with both state and federal requirements.	1	95
CORRECTIONS AND REHABILITATION				
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 2009-107.1 (September 2009)*	8. Corrections should continue its efforts to update its adult education program policies.	2	116
California Prison Health Care Services	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 2009-107.1 (September 2009)*	4. Health Care Services should maintain a focus on developing and improving its computer systems, such as the Health Care Scheduling System, to increase the efficiency of using telemedicine.	2	120

AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	PAGE NUMBER
BUSINESS, TRANSPORTATION AND HOUSING				
California Highway Patrol	It Followed State Contracting Requirements Inconsistently, Exhibited Weaknesses in Its Conflict-of-Interest Guidelines, and Used a State Resource Imprudently 2007-111 (January 2008)	1. Include as designated employees for filing the Form 700, all personnel who help to develop, process, and approve procurements.	3	129
Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun	It Needs to Develop Procedures and Controls Over Its Operations and Finances to Ensure That It Complies With Legal Requirements 2009-043 (November 2009)*	2. To ensure that it consistently adheres to requirements in state law when licensing pilots, the board should review and update its regulations regarding the frequency of pilot physical examinations to ensure that they are consistent with state law. 3. To ensure that it fully complies with state law regarding investigations, the board should develop and enforce regulations establishing minimum qualifications for its investigators. 4. To ensure that all pilots complete required training within the specified time frames, the board should include in its contracts with institutions providing continuing education for pilots, a provision requiring those institutions to prepare an evaluation of pilots' performance in the training. 5. To ensure that its expenditures are appropriate, the board should cancel its lease for two parking spaces that it entered into in 2009, or require its staff or board members to reimburse the board for their use of those parking spaces. 7. To ensure that its expenditures are appropriate, the board should cease reimbursing pilots for business-class travel when they fly for training and amend its contract with the Bar Pilots accordingly.	1	134
High-Speed Rail Authority	It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management 2009-106 (April 2010)*	2. In order to plan adequately for private investment, the Authority should further specify the potential costs of planned revenue guarantees and who would pay for them.	1	138
RESOURCES				
Department of Parks and Recreation	Off-Highway Motor Vehicle Recreation Program: The Lack of a Shared Vision and Questionable Use of Program Funds Limit Its Effectiveness 2004-126 (August 2005)	1. Prepare and submit the required biennial program reports when they are due.	5	141
Department of Fish and Game	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 2008-102 (August 2008)	1. Determine whether the postspill reviews are an effective means for identifying areas for plan improvement, and then take steps to either ensure the reviews are submitted or eliminate them from its regulations. 2. Continue plans to develop qualification standards for liaison officers and to train more staff for that role, and ensure that staff in its operations center provide all necessary support to liaison officers in the field. 3. Take steps to ensure that spill prevention wardens' time is charged appropriately.	3	143
			3	144
			3	144

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AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	PAGE NUMBER
Department of Fish and Game	Office of Spill Prevention and Response— Investigations of Improper Activities by State Employees, July 2008 Through December 2008 I2009-1 (Case #I2006-1125) (April 2009)	<p>1. To improve Fish and Game's review process for travel claims submitted to its accounting office, it should do the following:</p> <ul style="list-style-type: none"> Require all employees to list clearly on all travel expense claims their headquarters address and the business purpose of each trip. Ensure that the headquarters address listed on travel expense claims matches the headquarters location assigned to the employee's position. For instances in which the listed headquarters location differs from the location assigned to the employee's position, require a Fish and Game official at the deputy director level or above to provide a written explanation justifying the business need to alter the headquarters location. This justification must also include a cost-benefit analysis comparing the two locations and should be forwarded to Personnel Administration for approval. 	2	147
California Energy Resources Conservation and Development Commission	It Is Not Fully Prepared to Award and Monitor Millions in Recovery Act Funds and Lacks Controls to Prevent Their Misuse 2009-119;1 (December 2009)	<p>1. As expeditiously as possible, the Energy Commission should take the necessary steps to implement a system of internal controls adequate to provide assurance that Recovery Act funds will be used to meet the purposes of the Recovery Act. These controls should include those necessary to collect and verify the data needed to measure and report on the results of the programs funded by the Recovery Act and to mitigate potential fraud, waste, and abuse. Such steps should include quickly performing the actions already planned, such as assessing the Energy Commission's existing controls and the capacity of its resources and systems, and promptly implementing all needed improvements.</p> <p>2. The Energy Commission should promptly solicit proposals from entities that could provide the allowable services and should execute contracts, grants, or loan agreements with these entities so that California can realize the benefit of the Recovery Act funds.</p>	1	149
ENVIRONMENTAL PROTECTION				
State Water Resources Control Board	Its Division of Water Rights Uses Erroneous Data to Calculate Some Annual Fees and Lacks Effective Management Techniques to Ensure That It Processes Water Rights Promptly 2005-113 (March 2006)	<p>1. Consider revising its emergency regulations to assess each fee payer a single minimum annual fee plus an amount per acre-foot.</p> <p>2. Revise its emergency regulations to assess annual fees consistently to all fee payers with diversion limitations.</p>	5	156
			5	157
STATE AND CONSUMER SERVICES				
Franchise Tax Board	Nonprofit Hospitals: Inconsistent Data Obscure the Economic Value of Their Benefit to Communities, and the Franchise Tax Board Could More Closely Monitor Their Tax-Exempt Status 2007-107 (December 2007)	<p>1. Consider developing methodologies to monitor nonprofit hospitals. These methodologies should include a review of the financial data and other information on the Form 199 annually submitted by tax-exempt hospitals.</p> <p>2. Consider developing methodologies to monitor nonprofit hospitals. These methodologies should include activities that ensure that the annual Form 199 contains all the information required to determine eligibility for an income tax exemption in accordance with state law.</p>	3	166
			3	166
Victim Compensation and Government Claims Board	It Has Begun Improving the Victim Compensation Program, but More Remains to Be Done 2008-113 (December 2008)*	<p>2. The board should develop and maintain system documentation sufficient to allow the board to address modifications and questions about the system more efficiently and effectively.</p>	2	168

AUDITEE	REPORT TITLE, NUMBER, AND ISSUE DATE	RECOMMENDATION	NUMBER OF YEARS IN ANNUAL REPORT OF NOT FULLY IMPLEMENTED RECOMMENDATIONS	PAGE NUMBER
State Personnel Board	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 Department's Contracting for Information Technology Services 2009-103 (September 2009)	1. The State Personnel Board should explicitly state at the end of its decisions if and when state agencies must terminate disapproved contracts. Additionally, the board should obtain documentation from the state agencies demonstrating the terminations of disapproved contracts.	2	171
GENERAL GOVERNMENT				
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 2009-108 (October 2009)*	4. To ensure that it properly identifies and prioritizes the needs of the veteran community, the department should conduct a formal assessment of those needs, including soliciting input from the County Veteran Service Offices.	2	186
LEGISLATIVE, JUDICIAL, AND EXECUTIVE				
State Bar of California	It Can Do More to Manage Its Disciplinary System and Probation Processes Effectively and to Control Costs 2009-030 (July 2009)	1. Complete a cost-benefit analysis to determine whether the benefits associated with using collection agencies outweigh the costs. If it determines that the collection agencies are, in fact, cost-effective, the State Bar should redirect in-house staff to other disciplinary activities. 2. Research the various collection options available to it, such as the Franchise Tax Board's intercept program. 3. The State Bar should continue acting on recommendations from our 2007 report related to taking steps to reduce its inventory of backlogged cases. 4. The State Bar should continue acting on recommendations from our 2007 report related to improving its processing of disciplinary cases by more consistently using checklists and performing random audits.	2 2 2 2	187 188 188 189
California Emergency Management Agency	Despite Receiving \$136 Million in Recovery Act Funds in June 2009, It Only Recently Began Awarding These Funds and Lacks Plans to Monitor Their Use 2009-119.4 (May 2010)	1. To ensure that it meets the monitoring requirements of its Recovery Act JAG Program, CalEMA should plan its monitoring activities to provide reasonable assurance that its Recovery Act JAG Program subrecipients administer federal awards in accordance with laws, regulations, and the provisions of contracts or agreements.	1	193

* Other recommendations pertaining to this audit, which have not been fully implemented, can be found in Table 2.
† On July 1, 2007, the Department of Health Services was reorganized and became two departments—the Department of Health Care Services and the Department of Public Health. The Department of Public Health is now responsible for monitoring skilled nursing facilities.

IMPLEMENTATION OF CHAPTER 452, STATUTES OF 2006 (SB 1452)

The Accountability Act requires state agencies audited by the bureau to provide updates on their implementation of audit recommendations. The bureau's long-standing practice, which is consistent with generally accepted government auditing standards, is to request audited state agencies to provide written updates on their implementing audit recommendations 60 days, six months, and one year after the audit report's public release date. As the bureau implemented the Accountability Act, it retained these prescribed time frames as the intervals at which agencies must report back on their implementation of audit recommendations.

As a courtesy, in May 2007, the bureau notified all state agencies of their responsibilities under the Accountability Act and the bureau's plans for implementing these requirements. In September 2007 the bureau provided written notice to relevant state agencies regarding recommendations issued since January 1, 2005, that were more than a year old and not fully implemented. The bureau made this determination using the agencies' one-year responses. The bureau requested that each of the affected agencies notify the bureau as to whether the agency had fully implemented the recommendation, planned to begin or continue implementation within 90 days and the estimated date of completion, or did not intend to implement the recommendation and the reasons for making that decision. Following this process, on January 16, 2008, the bureau published its first report on the status of recommendations that are more than a year old and not yet fully implemented.

FIFTH ANNUAL REPORT

In fall 2011 the bureau provided written notice to state agencies regarding recommendations that were more than a year old and not fully implemented related to audits issued from January 2005 through October 2010. Table 1, which begins on page 3, shows recommendations that were not fully implemented as of the agencies' latest response for audits issued between January 2005 and October 2005. The recommendations shown in Table 1 will not be reassessed by the bureau in subsequent reports because of the length of time these recommendations have been outstanding. Table 2, which begins on page 5, summarizes and provides information on recommendations that the bureau determined have not been fully implemented. Table 3, beginning on page 17, summarizes information on recommendations that have been fully implemented since last year's report or since the agencies' one-year response.

On pages 25 through 193, the report provides high-level summaries of the scope of each respective audit and lists the recommendations that the bureau determined were not fully implemented as of last year's report or as of the agency's one-year response. Immediately following each recommendation is the bureau's assessment, based on the agency's response, supporting documentation and inquiries, of whether the agency has fully implemented the recommendation. Finally, the bureau includes each agency's response as to the current status of outstanding recommendations. This section of the report is organized by area of government to closely match the Governor's Budget. Because an audit may involve more than one area of government, audit details may be included in multiple locations within this report. For example, the bureau's audit report regarding contracting for information technology services involved both the departments of Health Care Services and Public Health as well as the State Personnel Board. Therefore, this report can be found in both the section on Health and Human Services and the section on State and Consumer Services.

K THROUGH 12 EDUCATION

DEPARTMENT OF EDUCATION

(Report Number 2004-120, June 2005)

School Districts' Inconsistent Identification and Redesignation of English Learners Cause Funding Variances and Make Comparisons of Performance Outcomes Difficult

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the administration and monitoring of state and federal English learner program (English learner) funds at the Department of Education (Education) and a sample of school districts. Specifically, the audit committee asked us to examine the processes Education and a sample of school districts use to determine the eligibility of students for the English learner programs, including an evaluation of the criteria used to determine eligibility for these programs and a determination of whether school districts redesignate students once they become fluent in English. In addition, the audit committee asked us to review and evaluate the Education's processes for allocating program funds, monitoring local recipients' management and expenditure of program funds, and measuring the effectiveness of the English learner programs. Lastly, the audit committee asked us to, for selected school districts, test a sample of expenditures to determine whether they were used for allowable purposes. We focused our audit on the three main English learner programs whose funds are distributed by Education—federal Title III-Limited English Proficient and Immigrant Students, state Economic Impact, and the state English Language Acquisition Program (ELAP).

The following table summarizes Education's progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Education had not fully implemented five of those recommendations. Based on Education's most recent response, one recommendation still remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	5	1	1

Following is the one recommendation that we determined was not fully implemented, followed by Education's most recent response.

Recommendation #1:

Education should review the evaluators' recommendations, subsequent to the submission of the final report in October 2005, and take necessary actions to implement those recommendations it identifies as having merit to ensure that the State benefits from recommendations in reports on the effects of the implementation of Proposition 227 and ELAP.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Requirements for the identification and redesignation of English learners are prescribed by Federal and State law; the CDE has limited latitude in terms of modifying existing statutory ELAP requirements. However, in regard to the implementation of Proposition 227 and the evaluators' recommendations that the CDE identified as having merit, the CDE: (1) publicized identification and redesignation criteria via conference presentations in numerous statewide settings; (2) provided technical assistance via phone and e-mail; and (3) created an annual California English Language Development Test (CELDT) publication which includes current requirements related to these two topics located at <http://www.cde.ca.gov/ta/tg/el/documents/celdto9astpkt1.pdf>.

In addition, the CDE published a comprehensive, user-friendly review and analysis of the research evidence called "*Improving Education for English Learners: Research Based Approached*." The information and data in this publication is intended to help local educational agencies improve instructional practices for English learners.

Furthermore, by the summer of 2012, the CDE plans to disseminate identification and re-designation requirements to local educational agencies via the existing Bilingual Coordinator Network; this network has membership from all county offices of education and the 15 largest English learner enrolling districts. The CDE also plans to use the Title III Accountability Institute and regional support structure to also disseminate ELAP requirements statewide.

Identification and redesignation criteria are established in law and the CDE has no latitude to make changes absent legislation that modifies the current requirements or provides the CDE with the authority to modify the current requirements. However, the CDE will continue to provide technical assistance to districts and schools and will continue to explore what modifications might be permissible under current federal and state laws.

Estimated date of completion: August 2012

CALIFORNIA DEPARTMENT OF EDUCATION

(Report Number 2008-109, December 2008)

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

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) examine how the Department of General Services' Office of Administrative Hearings (Administrative Hearings) has conducted its operations since it began administering the special education hearings and mediations process. Specifically, the audit committee requested that we review and evaluate applicable laws, rules, and regulations specific to special education hearings and mediations and determine the roles and responsibilities of both the California Department of Education (Education) and Administrative Hearings, including any oversight responsibilities Education has related to Administrative Hearings' performance under the interagency agreement. The audit committee also requested that we make recommendations related to the future provisions of special education mediation and adjudication functions, as appropriate.

The following table summarizes Education's progress in implementing the three recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Education had not fully implemented one recommendation. Based on Education's most recent response, all recommendations are fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
3	1	1	0

Following is the one recommendation that we determined was fully implemented, followed by Education's most recent response.

Recommendation #1:

To ensure that Administrative Hearings complies with state and federal law, as well as with the specifications in its interagency agreement, 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.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

In order to ensure that the Office of Administrative Hearings (OAH) reports all the required information and complies with all reporting requirements dictated by law and the interagency agreement, since January 2009, the CDE has been routinely reconciling the data elements contained in the quarterly reports submitted by OAH to the data elements required by the interagency agreement between CDE and OAH.

In addition, the CDE reports data to the federal government through the yearly submission of our Annual Performance Report (APR). The CDE is consistently successful in obtaining all accurate information from the OAH to report to the federal government. The most recent submissions of the APR can be accessed by visiting the following Web site: <http://www.cde.ca.gov/sp/se/qa/> (please see Appendix 1 – Table 7, for dispute resolution data).

To ensure that the OAH database contains accurate and complete information, the CDE regularly conducts on-site reviews of OAH records and compares information from the electronic reporting “Practice Manager System” with hard copy files at the OAH office in Sacramento. The most recent on-site visit and file review took place on June 29, 2011. To date, the CDE has found that the OAH has accurately and completely reported the following information fields for those sample files reviewed: (1) student name; (2) case name; (3) subject matter type; (4) subject matter number; (5) date case opened; and (6) case jurisdiction. In addition, the CDE reviews the chronology of cases included in the review to ensure compliance with all state and federal timelines governing the adjudication of due process hearings.

CALIFORNIA DEPARTMENT OF EDUCATION

(Report Number 2010-104, October 2010)

California's Charter Schools: Some Are Providing Meals to Students, but a Lack of Reliable Data Prevents the California Department of Education From Determining the Number of Students Eligible for or Participating in Certain Federal Meal Programs

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) conduct an audit of how the nutritional needs of charter school students are met, so that the Legislature can make future decisions regarding the health and education of California's children.

The following table summarizes the California Department of Education's (Education) progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Education had not fully implemented three of those recommendations. Based on Education's most recent response, three recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	3	3

Following are the recommendations that we determined were not fully implemented, followed by Education's most recent response for each.

Recommendation #1:

To ensure the reliability of the ConApp database fields related to the number of students enrolled at the school level, the number of those enrolled students who are eligible to receive free meals, and the number of those students who are eligible to receive reduced-price meals, Education should establish an internal control process such as a systematic review of a sample of the local educational agencies' and direct-funded charter schools' supporting documentation.

Bureau's assessment of status: **Not fully implemented***

Auditee's Response:

In strengthening existing internal control processes, Education reviews a sample of the LEAs' and direct-funded charter schools' supporting documentation as part of Coordinated Review Effort (CRE) processes.

Recommendation #2:

To ensure that it maximizes the benefits from the State's investment in the Child Nutrition Information and Payment System (CNIPS) database, Education should require the school food authorities to submit a monthly Claim for Reimbursement for each site under their jurisdiction in addition to their consolidated claims.

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

Bureau's assessment of status: **Not fully implemented**[†]

Auditee's Response:

All new agencies, schools, and Residential Child Care Institutions (RCCIs) are submitting monthly Claims for Reimbursement that have site-level meal data (this is referred to as "Site Level [Claim] Reporting"). In addition, for the fiscal year 2011–12 renewals (between May-October 2011), Education required all single-site school districts, charter schools, and RCCIs to switch to site level claim reporting. Furthermore, Education updated the "New Sponsor Applications" desk manual for staff to require all new sponsors to site level reporting.

Recommendation #3:

To ensure that it maximizes the benefits from the State's investment in the CNIPS database, Education should establish a timeline for the school food authorities to comply with the requirement.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Currently, existing public schools may select site-level reporting for the current school year (2011–12); however, on July 1, 2012, site-level reporting will become mandatory for all school food authorities. Education has communicated the transition to site-level reporting via personal discussions and mass e-mails during the annual application renewal/update period (this process began May 1, 2011). Education continues to have these discussions with districts/agencies, and follows up with e-mails when deemed necessary. Also, Education distributed mass e-mail messages in June, July, and September 2011 that included information regarding the mandatory site level reporting requirement.

In addition, Education announced the July 1, 2012, site-level reporting start date during training presentations at the: (1) California State Nutrition Association (CSNA) conferences on January 14-16, 2011, and on November 11-14, 2011; (2) California Association of School Business Officials Conference on April 6-9, 2011; and (3) CSNA chapter meetings on September 8, 16, and 21, 2011. Furthermore, Education has drafted a Management Bulletin specifically about the site level reporting requirement, and plans to distribute and post it to Education's Web site by the end of December 2011.

Estimated date of completion: December 2011

[†] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not address all aspects of the recommendation.

HIGHER EDUCATION

CALIFORNIA STATE UNIVERSITY

(Report Number 2007-102.1, November 2007)

It Needs to Strengthen Its Oversight and Establish Stricter Policies for Compensating Current and Former Employees

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the compensation practices of the California State University (university).³ Specifically, the audit committee asked us to identify systemwide compensation by type and funding source, to the extent data are centrally maintained and reasonably consistent among campuses. The audit committee also asked us, subject to the same limitations, to categorize by type and funding source, the compensation of highly paid individuals receiving funds from state appropriations and student tuition and fees. In addition, for the most highly paid individuals, the audit committee asked us to identify any additional compensation or employment inducements not appearing in the university's centrally maintained records, such as those recorded in any employment agreements with the university. Further, the audit committee asked us to review any postemployment compensation packages and identify the terms and conditions of transitional special assignments for highly paid individuals, including top executives and campus presidents, who left the university in the last five years. Finally, the audit committee asked us to determine the extent to which the university's compensation programs and special assignments are disclosed to the board of trustees (board) and to the public, including the types of programs that exist, the size and cost of each, and the benefits that participants receive. To the extent that this information is available and is not publicly disclosed, the audit committee asked us to include these items in our report.

The following table summarizes the university's progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its latest responses, the university had not fully implemented four of the recommendations.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	6	5	4

Following are the recommendations that we determined were and were not fully implemented, followed by the university's most recent response.

³ The audit committee also requested that we review the university's hiring practices and employment discrimination lawsuits. The results of our review of these areas were included in a separate report (2007-102.2), issued December 11, 2007.

Recommendation #1:

To provide effective oversight of its systemwide compensation policies, the university should create a centralized information system structure to catalog university compensation by individual, payment type, and funding source. The university should then use this information to monitor the campuses' implementation of systemwide policies and measure the impact of these policies on university finances.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

As explained in past responses, after management conferred with the CSU Board of Trustees in January 2008, the CSU opted not to create a new centralized data system that would require more than 100 additional support staff. Instead, CSU required campus presidents to seek approval of initial compensation offers to new vice presidents and approval of changes in compensation for existing vice presidents. Reports have been made to the CSU Board of Trustees since November 2008, September 2009, September 2010, and September 2011. In addition the CSU created and delivered a training program to 939 CSU personnel (both campuses and Chancellor's Office) involved in keying salary and payroll data. This training has also been converted to an online e-learning module and new employees involved in data entry relating to payroll and salary are required to take this training.

Recommendation #2:

The board should consider total compensation received by comparable institutions, rather than just cash compensation, when deciding on future salary increases for executives, faculty, and other employees. The university should work with interested parties, such as the California Postsecondary Education Commission and the Legislative Analyst's Office, to develop a methodology for comparing itself to other institutions that considers total compensation. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The CSU contracted Mercer Consulting to survey comparable institutions to obtain total compensation data to determine pay / salary increases.

Recommendation #3:

The university should work through the regulatory process to develop stronger regulations governing paid leaves of absence for management personnel. The improved regulations should include specific eligibility criteria, time restrictions, and provisions designed to protect the university from financial loss if an employee fails to render service to the university following a leave. For example, the regulations should require all employees applying for a paid leave of absence to submit a bond that would indemnify the university if the employee fails to render service to the university following a leave of absence. The university should also maintain

appropriate documentation supporting any leaves of absence it grants. Finally, the board should establish a policy on the extent to which it wants to be informed of such leaves of absence for management personnel.

Bureau's assessment of status: **Not fully implemented**[†]

Auditee's Response:

As previously reported, this recommendation was implemented through an amendment to Title 5 adopted by the CSU Board of Trustees in September 2008. The amendment defined terms for paid leaves of absence for management personnel. Campuses are responsible for collecting and retaining appropriate documentation to adhere to state, federal, and CSU policy. The policy was reviewed in the first quarter of 2011. As part of this review, Systemwide Human Resources audited all management personnel on a leave of absence for the past 12 months (calendar year 2010) and determined that we are in compliance with the existing 2008 policy and have had zero financial loss. As a result of these audit findings, we concluded that no policy revision was necessary; therefore, we consider the finding fully implemented.

Recommendation #4:

The university should strengthen its policy governing the reimbursement of relocation expenses. For example, the policy should include comprehensive monetary thresholds above which board approval is required. In addition, the policy should prohibit reimbursements for any tax liabilities resulting from relocation payments. Finally, the board should require the chancellor to disclose the amounts of relocation reimbursements to be offered to incoming executives.

Bureau's assessment of status: **Not fully implemented**[†]

Auditee's Response:

As previously reported, this recommendation was acted upon in January 2008 and first reported to the CSU Board of Trustees in July 2008. Furthermore, the CSU does not reimburse individuals for anything that would result in a tax liability for the individual. The relocation policy will be redistributed.

Recommendation #5:

The university should continue to work with California Faculty Association representatives during the collective bargaining process to strengthen its dual-employment policy by imposing disclosure and approval requirements for faculty. It should also impose similar requirements for other employees, including management personnel. If the university believes it needs a statutory change to facilitate its efforts, it should seek it.

Bureau's assessment of status: **Not fully implemented**

[†] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not address all aspects of the recommendation.

Auditee's Response:

This has to be vetted with the faculty. The CSU has been in successor contract negotiations with the California Faculty Association since August 2010 and are still in negotiations. Compliance with the BSA recommendation is dependent on the outcome of and acceptance of the CSU's proposal to require disclosure of dual-employment of faculty.

Estimated date of completion: The CSU has proposed a change to the collective bargaining agreement with CFA. If agreement is reached, the change will be effective with the beginning of the new contract.

CALIFORNIA STATE UNIVERSITY

(Report Number 2007-102.2, December 2007)

It Is Inconsistent in Considering Diversity When Hiring Professors, Management Personnel, Presidents, and System Executives

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) review the California State University's (university) practices for hiring to determine how it ensures that faculty and executives reflect the gender and ethnicity of the university they serve, the State, and the academic marketplace.⁴ As part of our audit, we were asked to determine how the university develops hiring goals and how it monitors progress in meeting those goals. In addition, we were to gather and review the university's statistics on its hiring practices and results over the last five years and, to the extent possible, present the data collected by gender, ethnicity, position, and salary level.

The following table summarizes the university's progress in implementing the 14 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the university had not fully implemented 12 of those recommendations. Based on the university's most recent response, the university had not fully implemented six of those recommendations.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
14	12	6	6

Following are the recommendations that we determined were not fully implemented, followed by the university's most recent response for each.

Recommendation #1:

To ensure that campuses employ hiring practices that are consistent with laws and regulations and among campuses, the university should issue systemwide guidance on the hiring process for professors. In developing this guidance, the university should devise and implement a uniform method for campuses to use when calculating availability data to better enable the university to identify and compare availability and placement goals systemwide and among campuses. Additionally, direct campuses to compare and report the gender and ethnicity of their current workforce to the labor pool by individual department to ensure that placement goals are meaningful and useful to those involved in the hiring process.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

While some variation in analytical methodology from campus to campus exists, a university task force concluded that allowing campuses some flexibility in carrying out their analysis and developing the campus affirmative action plan was appropriate and did not recommend a system-wide mandate. However, the training module described in our response and available at <http://centralstationu.calstate.edu/howthingswork> (Module 1, Non-discrimination and Affirmative Action Programs) provides a step by step description of an availability analysis and the development of placement goals.

⁴ The audit committee also requested that we review the university's compensation practices. The results of our review of those practices were the subject of a separate report (2007-102.1), issued November 6, 2007.

Recommendation #2:

To ensure that campuses employ consistent search processes and develop appropriate policies, the university should issue systemwide guidance on the hiring process for management personnel. In developing this guidance, the university should direct campuses to develop hiring policies for management personnel that address key steps to establish consistency among searches and to ensure that searches are conducted in a fair and equitable manner.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Recruitment and Hiring Guidelines for Staff and MPP positions have been developed and are being vetted with constituents for review and input. Implementation of these guidelines is scheduled for January 2012.

Estimated date of completion: January 2012

Recommendation #3:

The university should encourage campuses to identify alternatives to broaden the perspective of search committees and increase the reach of the search for management personnel positions. For instance, campuses could appoint women and minorities to search committees lacking diversity. Additionally, to ensure that it is meeting its responsibilities under federal regulations, the university should provide guidance to campuses on special efforts to ensure that women and minorities have equal opportunity to serve on search committees

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The CSU has not yet issued a separate "guidelines" document specifically for management searches. However, we believe the training modules themselves serve the same purpose, laying out recommendations for the conduct of administrative as well as faculty searches. In addition, the resources provided in the training module as downloads include those system-wide policies that currently apply to management searches, including CSU policies on employment applications, background checks, and nepotism, the Executive Order on affirmative action and non-discrimination, and applicable state and federal resources. In order to fully comply with this recommendation, we will amend the tenure-track recruitment guidelines to include recommendations for management searches as well as faculty recruitments and re-issue those guidelines by January 2012.

Estimated date of completion: January 2012

Recommendation #4:

The university should instruct campuses to compare the proportions of women and minorities in the total applicant pool with the proportions in the labor pool to help assess the success of their outreach efforts in recruiting female and minority applicants. To help ensure that they

have sufficient data from applicants to effectively compare these proportions, campuses could send reminders to applicants requesting them to submit information regarding their gender and ethnicity.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The university provided the same response as it did under Recommendation #3.

Estimated date of completion: January 2012

Recommendation #5:

The university should advise campuses to compare and report the gender and ethnicity of their current workforce to the labor pool by separating management personnel positions into groups based on the function of their positions to ensure that placement goals are meaningful and useful to those involved in the hiring process. Direct campuses to have search committees review affirmative action plans so they are aware of the availability and placement goals for women and minorities when planning the search process. The guidance should address the purpose of placement goals and the affirmative action plan in general so that the search committees have the appropriate context and do not misuse the information.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The university provided the same response as it did under Recommendation #3.

Estimated date of completion: January 2012

Recommendation #6:

To broaden the perspective of the committees and increase the reach of the search for presidential positions, the university should develop policies regarding the diversity of the trustees committee and the advisory committee and consider alternatives on the manner in which to increase committee diversity.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

As explained in past responses, it remains the position of the CSU that because the composition of the Board of Trustees is determined by the governor, the CSU administration will likely never be in a position to fully implement this recommendation through a policy change. The Trustees are mindful of the importance of diverse search committees and make efforts to achieve such diversity within the existing composition of the Board.

CALIFORNIA COMMUNITY COLLEGES

(Report Number 2007-116, August 2008)

Affordability of College Textbooks: Textbook Prices Have Risen Significantly in the Last Four Years, but Some Strategies May Help to Control These Costs for Students

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the affordability of college textbooks in California's public universities and colleges. As part of our audit, we were to evaluate the textbook industry and its participants—including faculty, students, and others involved with the three public postsecondary educational systems in the State—to determine how the participants' respective roles affect textbook prices. In addition, the audit committee asked that we survey a sample of publishers to ascertain as much as possible about the methods that publishers use to set prices and market textbooks, including any incentives offered and the publishers' decisions about textbook packaging and the need for revisions. Further, we were asked to determine and evaluate how the three postsecondary educational systems identify, evaluate, select, and approve textbooks for courses on their campuses. The audit committee also asked us to identify and evaluate the success of the processes and practices that the University of California (UC), California State University (CSU), and the California Community Colleges (community colleges) use to keep the costs of textbooks affordable.

The following table summarizes community colleges' progress in implementing the 10 recommendations the bureau made to it in the above referenced report. As shown in the table, as of its latest responses, community colleges had not fully implemented two recommendations.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
10	3	2	2

Following are the recommendations that we determined were not fully implemented, followed by community colleges' most recent response for each.

Recommendation #1:

To increase awareness and transparency about the reasons campus bookstores add markups to publishers' invoice prices for textbooks, UC, CSU, and the community colleges should reevaluate bookstores' pricing policies to ensure that markups are not higher than necessary to support bookstore operations. If the campuses determine that bookstore profits are needed to fund other campus activities, the campuses should seek input from students as necessary to determine whether such purposes are warranted and supported by the student body, particularly when higher textbook prices result.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Initial conversations with the Executive Board of the California Community College Association of Chief Business Officers (ACBO) were held on the topic of increasing transparency in textbook markup policy. However the discussions were placed on hold while College Chief Business Officers and other college leadership groups dealt with the unprecedented cuts sustained by college budgets. The Chancellor's Office will resume discussions with ACBO in February 2012 and hopes to issue guidance to colleges on these issues by Spring, 2012.

Estimated date of completion: Unknown

Recommendation #2:

To increase awareness and transparency about the reasons campus bookstores add markups to publishers' invoice prices for textbooks, UC, CSU, and the community colleges should direct bookstores to publicly disclose on an annual basis any amounts they use for purposes that do not relate to bookstore operations, such as contributions they make to campus organizations and activities.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The Chancellor's Office and the Board of Governors do not have the authority to *direct* colleges to provide this information, but the College Finance and Facilities Planning Division of the Chancellor's Office has initiated a conversation with the Association of College Business Officers (ACBO) on how this recommendation can be implemented voluntarily at local campuses. The discussions were placed on hold, however, while College Chief Business Officers and other college leadership groups dealt with the unprecedented cuts sustained by college budgets. The Chancellor's Office will resume discussions with ACBO in February 2012.

Estimated date of completion: Unknown

CALIFORNIA STATE UNIVERSITY, CHANCELLOR'S OFFICE

(Investigation Report Number I2007-1158, December 2009)

Failure to Follow Reimbursement Policies Resulted in Improper and Wasteful Expenditures

A former official at the California State University (university), Chancellor's Office, received \$152,441 in improper expense reimbursements over a 37-month period from July 2005 through July 2008. The improper reimbursements included expenses for unnecessary trips, meals that exceeded the university's limits, the official's commute expenses between his home in Northern California and the university's headquarters in Long Beach, living allowances, home office expenses, duplicate payments, and overpayments of claims. The official consistently failed to follow university policies in submitting requests for reimbursement. In addition, the official's supervisor and the university failed to adequately review the official's expense reimbursement claims and follow long-established policies and procedures designed to ensure accuracy and adequate control of expenses. As a consequence, the university allowed the official to incur expenses that were unnecessary and not in the best interest of the university or the State.

The following table summarizes the university's progress in implementing the five recommendations the bureau made in the above referenced investigation. As shown in the table, as of its one-year response, the university had not fully implemented four of those recommendations. Based on the university's most recent response, one recommendation still remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
5	1	1

Following is the one recommendation that we determined was not fully implemented, followed by the university's most recent response.

Recommendation #1:

The university no longer employs the official, so it has limited ability to take disciplinary action against him. Nevertheless, to recover improper payments and improve its review process over travel claims submitted to its accounting department, the university should revise its travel policy to establish defined maximum limits for reimbursing the costs of lodging and to establish controls that allow for exceptions to such limits only under specific circumstances.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

Regarding the BSA recommendation to establish defined limits for lodging cuts, the CSU's full response clarified that lodging costs at the breadth of locations where the university does business makes it extraordinarily difficult to establish a reasonable ceiling. Nevertheless, all expenditures are carefully monitored by supervisors to ensure the prudent spending of resources.

HEALTH AND HUMAN SERVICES

DEPARTMENT OF HEALTH SERVICES

(Report Number 2004-125, August 2005)

Participation in the School-Based Medi-Cal Administrative Activities Program Has Increased, but School Districts Are Still Losing Millions Each Year in Federal Reimbursements

The Joint Legislative Audit Committee (audit committee) asked the Bureau of State Audits (bureau) to review the Department of Health Services' (Health Services)⁵ administration of the Medi-Cal Administrative Activities (MAA) program. Specifically, we were asked to assess the guidelines provided by Health Services to local educational consortia (consortia) and local governmental agencies that administer MAA at the local level. Additionally, the audit committee asked us to evaluate the process by which Health Services selects consortia and local governmental agencies to contract with, how it established the payment rates under the terms of the contracts, and how it monitors and evaluates performance of these entities.

We were also asked to evaluate the effectiveness of a sample of consortia and local governmental agencies in administering MAA and in ensuring maximum participation by school districts. Furthermore, we were requested to conduct a survey of school districts regarding their participation in the program.

The following table summarizes Health Services' progress in implementing the seven recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Health Services had not fully implemented three of those recommendations. Based on Health Services' most recent response, all three recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
7	3	3	3

Following are the recommendations that we determined were not fully implemented, followed by Health Services' most recent response.

Recommendation #1:

- b. To ensure that school districts receive as much of the federally allowable funds as possible and to protect against federal disallowances, Health Services should require consortia, and local governmental agencies, to prepare annual reports that include performance measures Health Services determines to be useful.

⁵ On July 1, 2007, the Department of Health Services was reorganized and became two departments—the Department of Health Care Services and the Department of Public Health.

- c. To provide state decision makers with valuable program information, Health Services should annually compile the content of these reports into a single, integrated report that is publicly available.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response to Recommendation (b):

The Department of Health Care Services has not fully implemented this recommendation because the MAA automation project, which was expected to be implemented by March 2012, was dropped due to funding cuts to the Local Educational Consortia and local educational agencies.

The Department of Health Care Services has re-visited the Medi-Cal Administrative Activities (MAA) automation concept and presented a proposal to the Local Government Agencies to implement a revised MAA automation project which is intended to keep the costs low, reasonable, and manageable. The Department of Health Care Services has proposed implementing and introducing MAA automation in phases: starting first with the County Based MAA program, then integrating and finishing with the School Based MAA program.

Upon CMA approval of California's County Based MAA/Targeted Case Management Implementation Plan, the Department of Health Care Services will begin the process of obtaining bids for a MAA automation system specific to the County Based MAA program. Once the County Based MAA claiming automation system is functional, the School Based MAA program will be added to the system.

This MAA automation project is expected to begin in FY 2012/13 and be completed by the end of FY 2013/14.

Estimated date of completion: June 2014

Auditee's Response to Recommendation (c):

The Department of Health Care Services has not implemented this recommendation because the MAA automation project, which was expected to be implemented by March 2012, was dropped due to funding cuts to the Local Educational Consortia and local education agencies.

The Department of Health Care Services has re-visited the Medi-Cal Administrative Activities (MAA) automation concept and presented a proposal to the Local Governmental Agencies to implement a revised MAA automation project which is intended to keep the costs low, reasonable, and manageable. The Department of Health Care Services has proposed implementing and introducing MAA automation in phases: starting first with the County Based MAA program, then integrating and finishing with the School Based MAA program.

The MAA automation system will be implemented with controls to compile the content into a single, integrated report that is publicly available on an annual basis.

This MAA automation 'phasing' project is expected to begin in FY 2012/13 and be completed by the end of FY 2013/14.

Estimated date of completion: June 2014

Recommendation #2:

To ensure that school districts receive as much of the federally allowable MAA funds as possible and to protect against federal disallowances, Health Services should develop policies on the appropriate level of fees charged by consortia to school districts and the amount of excess earnings and reserves consortia should be allowed to accumulate. Health Services should do the same for local governmental agencies if such entities continue to be part of the program structure.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

The recommendation to develop policies on the appropriate level of fees charged by consortia to school districts and to limit the amount of excess earnings and reserves the consortia should be allowed to accumulate limits local flexibility to administer programs. Health Care Services has no expressed authority to implement policies for the fees charged to school districts.

Recommendation #3:

Health Services should reduce the number of entities it must oversee and establish clear regional accountability by eliminating the use of local governmental agencies from MAA. Because current state law allows school districts to use either a consortium or a local governmental agency, Health Services will need to seek a change in the law. Additionally, Health Services should require school districts that choose to use the services of a private vendor, rather than developing the expertise internally, to use a vendor selected by the consortium through a competitive process. Depending on the varying circumstances within each region, a consortium may choose to use a single vendor or to offer school districts the choice from a limited number of vendors, all of which have been competitively selected. Health Services should seek a statutory change if it believes one is needed to implement this recommendation.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

Health Care Services continues to disagree with the recommendations. Recommendations to eliminate the use of local governmental agencies from School-Based Medi-Cal Administrative Activities (MAA) and that school districts should be required to use a billing vendor selected by the consortium limits local flexibility to administer programs.

DEPARTMENT OF SOCIAL SERVICES

(Report Number 2005-129, May 2006)

In Rebuilding Its Child Care Program Oversight, the Department Needs to Improve Its Monitoring Efforts and Enforcement Actions

The Joint Legislative Audit Committee (audit committee) requested the Bureau of State Audits (bureau) to review the Department of Social Services' (Social Services) oversight of licensed child care facilities. Specifically, the audit committee requested that we assess Social Services' progress in meeting facility inspection requirements and determine whether Social Services' authority and resources were adequate to fully enforce the required health and safety standards in child care facilities. Additionally, we were asked to review Social Services' process for investigating and resolving complaints regarding facilities. Further, the audit committee asked us to examine Social Services' policies and procedures for categorizing health and safety risks identified at child care facilities and to review the reasonableness of Social Services' processes and practices for informing parents of problems it had identified. Finally, the audit committee requested that we review the disciplinary process Social Services uses when it identifies deficiencies in facilities.

The following table summarizes Social Services' progress in implementing eight recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Social Services had not fully implemented five of those recommendations. Furthermore, based on Social Services' most recent response, one recommendation remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
8	5	1	1

Following is the one recommendation that we determined was not fully implemented, followed by Social Services' most recent response.

Recommendation #1:

Social Services should continue its efforts to make all nonconfidential information about its monitoring visits more readily available to the public.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

Full implementation of this recommendation is contingent upon obtaining the necessary information technology approvals and funding for this project. However, in preparation for sharing reports electronically, the Department developed standardized language for all licensing citations. This was developed in a way that would allow the public to better understand all citations issued once they are made available on the web. Additionally, public documents from facility files continue to be available for public review in the Regional Offices and the public may also receive verbal reviews over the telephone. This week, the Administration and the Superintendent of Public Instruction jointly submitted an application to the federal government under its Race to the Top initiative, the CDSS portion of which would be used to enhance public access to licensing information via the internet.

Estimated date of completion: Unknown

DEPARTMENT OF HEALTH SERVICES

(Report Number 2006-035, February 2007)

It Has Not Yet Fully Implemented Legislation Intended to Improve the Quality of Care in Skilled Nursing Facilities

The Skilled Nursing Facility Quality Assurance Fee and Medi-Cal Long-Term Care Reimbursement Act (Reimbursement Act), Chapter 875, Statutes of 2004, directed the Bureau of State Audits (bureau) to review the Department of Health Services' (Health Services)⁶ new facility-specific reimbursement rate system. Until the passage of the Reimbursement Act, facilities received reimbursements for Medi-Cal services based on a flat rate. The Reimbursement Act required Health Services to implement a modified reimbursement rate methodology that reimburses each facility based on its costs. In passing the Reimbursement Act, the Legislature intended the cost-based reimbursement rate to expand individual's access to long-term care, improve the quality of care, and promote decent wages for facility workers. The Reimbursement Act also imposed a Quality Assurance Fee (fee) on each facility to provide a revenue stream that would enhance federal financial participation in the Medi-Cal program, increase reimbursements to facilities, and support quality improvement efforts in facilities.

The Reimbursement Act required the bureau to evaluate the progress Health Services has made in implementing the new system for facilities. It also directs the bureau to determine if the new system appropriately reimburses facilities within specified cost categories and to identify the fiscal impact of the new system on the State's General Fund.

The following table summarizes Health Services' progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Health Services had not fully implemented five of those recommendations. Based on Health Services' most recent response, one recommendation remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	5	2	1

Following are the recommendations that we determined were and were not fully implemented, followed by Health Services' most recent response for each.

Recommendation #1:

To provide more complete information to the Legislature on the reimbursement rate and fee systems, Health Services should include information on any savings to the General Fund in the reports its licensing division is required to prepare.

Bureau's assessment of status: **Will not implement**

⁶ On July 1, 2007, the Department of Health Services was reorganized and became two departments—the Department of Health Care Services and the Department of Public Health.

Auditee's Response:

DHCS will not be able to implement recommendation No 1, the recommendation that general fund savings associated with the AB1629 rate-setting methodology and quality assurance fee (QAF) be noted in the report the licensing division is required to prepare. General fund savings can no longer be determined as a result of the AB1629 methodology having significantly changed facility spending practices when compared to the previous rate setting methodology. Specifically, the previous methodology, which was a flat-rate methodology, reimbursed facilities at the same rate, regardless of their spending patterns, whereas the AB 1629 methodology, which is a facility-specific methodology, reimburses facilities based on their individual costs, which encourages facilities to increase spending to improve their infrastructure. Since the AB 1629 methodology has been in place for six years and current spending patterns have changed significantly from the previous methodology, a comparison of the two different methodologies is no longer valid.

Recommendation #2:

To ensure that its contract consultant authorizes disbursements of Medi-Cal funds only to facilities entitled to them, Health Services should research and identify all the duplicate payments authorized by its contractor and recoup those payments.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

Recovery from one overpaid Medi-Cal provider remains outstanding. Recovery is dependent upon offsetting any future state income taxes overpayments which normally take place during the month of April. The provider has been unresponsive to the Department's demands for voluntary repayment.

The Third Party Liability Recovery Division has an offset in place to obtain any State Income Tax Refund the provider may receive in the future until the debt is fully satisfied. To date, this offset has resulted in the recovery of \$1,181.00 of the original \$2,344.32 identified as a duplicate overpayment. The current balance being pursued is \$1,643.49 including interest.

A total of 63 separate provider overpayment cases were referred to the Third Party Liability Recovery Division (TPLRD) for collection action. A total of \$197,355.71 has been recovered by the TPLRD as of October 14, 2011.

DEPARTMENT OF HEALTH SERVICES

(Report Number 2006-106, April 2007)

Its Licensing and Certification Division Is Struggling to Meet State and Federal Oversight Requirements for Skilled Nursing Facilities

The Joint Legislative Audit Committee requested the Bureau of State Audits (bureau) to conduct an audit assessing the Department of Health Services' (Health Services)⁷ oversight of skilled nursing facilities.

The following table summarizes Health Services' progress in implementing the nine recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Health Services had not fully implemented five of the nine recommendations. Based on Health Services' most recent response, two recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
9	5	3	2

Following are the recommendations that we determined were and were not fully implemented, followed by Health Services' most recent response for each.

Recommendation #1:

To proactively manage its complaint workload, Health Services should periodically evaluate the timeliness with which district offices initiate and complete complaint investigations. Based on this information, Health Services should identify strategies, such as temporarily lending its staff to address workload imbalances occurring among district offices.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

CDPH has fully implemented corrective action.

CDPH agrees with BSA's recommendation to "proactively manage its complaint workload, Health Services should periodically evaluate the timeliness with which District Offices initiate and complete complaint investigations. Based on this information, Health Services should identify strategies, such as temporarily lending its staff to address workload imbalances occurring among District Offices."

CDPH has and continues to routinely conduct quality improvement studies and monitors initiation and completion of complaint investigations. Also, CDPH continues to send out weekly alerts to district offices regarding long-term care complaints that are approaching the statutory timeframe for initiation. CDPH routinely re-deploys surveyor staff to other district offices to help complete mandated survey workload.

⁷ On July 1, 2007, the Department of Health Services was reorganized and became two departments—the Department of Health Care Services and the Department of Public Health. The Department of Public Health is now responsible for monitoring skilled nursing facilities.

In addition to these activities, this year CDPH has participated in a complaint policy workgroup with the Centers for Medicare and Medicaid (CMS) Regional IX Office and the 14 states that compose the CMS Western Consortia of state surveying agencies. This workgroup seeks to identify the challenges that face the state surveying agencies in CMS Regions VIII, IX, and X. The workgroup has compiled statistics, on complaint intake and completion of investigations and has identified complaint investigations best practices among the Western Consortia states. The workgroup has prepared a “white paper” that it will present to the CMS Survey and Certification Director on October 5, 2011 during the annual Association of Health Facility Survey Agency Conference in Seattle. In addition, CMS selected CDPH Licensing and Certification (L&C) to participate in a separate project commissioned by CMS to identify barriers to complaint investigations and identify recommendations to streamline and improve the complaint investigation process. The CMS Western Consortia will request that its white paper be reviewed and folded into the CMS complaint project for consideration.

CDPH management directed district office managers during its monthly call meeting (September 21, 2011) to implement a policy for closing state entity reported incidents that mirrors direction included in the CMS State Operations Manual (SOM) 5070. This policy provides that “events occurring more than 12 months prior to the intake date may not require the State Agency to conduct an investigation” and that “an on-site survey may not be required if there is sufficient evidence that the facility does not have continued noncompliance and the alleged event occurred before the last standard survey.” District Office Managers will use the SOM instructions to determine which incidents do not need on-site investigations and close these events. Those events that are received prior to a survey will be reviewed as part of the off-site survey preparation for any upcoming recertification survey and any substantiated findings will be documented as part of the recertification survey.

Recommendation #2:

To ensure that district offices consistently investigate complaints and include all relevant documentation in the complaint files, Health Services should clarify its policies and procedures, provide training as necessary, and periodically monitor district office performance to ensure compliance. At a minimum, Health Services should clarify its 45 working-day policy for closing complaints by establishing target time frames for facility evaluators, supervisors, and support staff to complete key stages in the complaint process.

Bureau’s assessment of status: **Will not implement**

Auditee’s Response:

As stated in previous correspondence to BSA, CDPH disagrees with the recommendation “to ensure that district offices consistently investigate complaints and include all relevant documentation in the complaint files, Health Services should clarify its policies and procedures, provide training as necessary, and periodically monitor district office performance to ensure compliance. At a minimum, Health Services should clarify its 45 working-day policy for closing complaints by establishing target timeframes for facility evaluators, and support staff to complete key stages in the complaint process.” Specifically, CDPH disagrees with the recommendation to establish target timeframes to complete complaint investigations.

In 2009, the L&C complaint policy underwent revision to clarify and more clearly establish when a complaint was completed and when it should be closed. The new Policy and Procedure (P&P) considers a complaint closed when the supervisor has approved the findings and written a report of the investigation. This is the date L&C uses to notify the complainant within 10 days of the outcome of the investigation. Although the P&P no longer references closing a complaint within 45 days of receipt, L&C continues to work diligently to resolve these investigations as timely as possible and monitors closure rates.

Recommendation #3:

To fill its authorized positions and manage its federal and state workloads, Health Services should consider working with the Department of Personnel Administration to adjust the salaries of its staff to make them more competitive with those of other state agencies seeking similarly qualified candidates. In addition, Health Services may want to consider hiring qualified candidates who are not registered nurses.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

CDPH has partially implemented corrective action.

CDPH partially agrees with BSA's recommendation, "to fill its authorized positions and complete its Federal and State workloads, Health Services should consider working with the Department of Personnel Administration to adjust the salaries of its staff to make them more competitive with other state agencies seeking similarly qualified candidates. CDPH disagrees that in addition, Health Services may want to consider hiring qualified candidates who are not registered nurses."

CDPH continues to work with DPA on the specification revisions for the Health Facilities Evaluator series that would adjust salaries to make them more competitive. CDPH submitted the first half of the proposal addressing the entry, first line supervisor, and specialist levels to DPA in the fall of 2010. CDPH expects to submit the second half of the proposal addressing the management levels by the end of November 2011. Both proposals address realignment of salaries. In addition to the specification revisions, CDPH recently reorganized the field offices to address the increasing numbers of staff by establishing two subordinate managers in each of the district offices allowing for smaller, more manageable units.

CDPH intends to fully implement the plans to realign and address the salaries of the nurse staff. The next step includes obtaining approval from DPA and State Personnel Board (SPB) via an SPB Board Item. Once approval is obtained, the salaries will be appropriately adjusted by the State Controller's Office.

Nurse staff provides critical clinical expertise needed in the surveying process to ensure the health and safety of the residents in regulated health facilities. Therefore, CDPH disagrees with the BSA recommendation to consider hiring qualified candidates who are not registered nurses.

DEPARTMENT OF SOCIAL SERVICES

(Report Number 2007-124, April 2008)

Safely Surrendered Baby Law: Stronger Guidance From the State and Better Information for the Public Could Enhance Its Impact

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the Department of Social Services' (Social Services) administration of the Safely Surrendered Baby Law (safe-surrender law). The Legislature, responding to a growing number of reports about the deaths of abandoned babies in California, enacted the safe-surrender law, which became effective in January 2001. The law provides a lifesaving alternative to distressed individuals who are unwilling or unable to care for a newborn by allowing a parent or other person having lawful custody of a baby 72 hours old or younger to surrender the baby confidentially and legally to staff at a hospital or other designated safe-surrender site. The audit committee asked us to identify funding sources and review expenditures for the safe-surrender program since 2001 and determine how much has been used for public awareness, printing and distribution of materials, and for personnel. We were also asked to determine how Social Services sets its annual goals, examines its process for determining which outreach and public awareness strategies are the most effective, and identifies its plans for future and enhanced outreach to increase the public awareness of the law. In addition, the audit committee asked us to gather information regarding safely surrendered and abandoned babies and determine whether the public outreach efforts appear to be appropriately targeted in light of this information.

The following table summarizes Social Services' progress in implementing seven recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Social Services had not fully implemented any recommendations. Based on Social Services' most recent response, one recommendation is still not fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
7	7	1	1

Following is the one recommendation that we determined was not fully implemented, followed by Social Services' most recent response.

Recommendation #1:

To ensure that it is aware of and can appropriately react to changes in the number of abandoned babies, Social Services should work with the Department of Public Health and county agencies to gain access to the most accurate and complete statistics on abandoned babies.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Interdepartmental discussions continue regarding data sharing between the Department of Public Health (CDPH) and Social Services, not only for abandoned baby information, but for other data that would be of benefit to Social Services. A Memorandum of Understanding between Social Services and DPH was executed on January 12, 2010 that the departments use to examine administratively useful information related to child abuse and neglect leading to injury and death. Social Services provides DPH with child death records reported in Child Welfare Services/Case Management System, which DPH reconciles with multiple data sources including Vital Statistics, Child Abuse Central Index, Supplemental Homicide Files, and Child Death Review Teams.

Current law requires on or before January 1, 2013, that Social Services report to the Legislature effects of the Safely Surrendered Baby (SSB) Law. Among other data, this report would include the number of children one year of age or younger that are found abandoned, dead or alive, in the state.

Estimated date of completion: January 2013

DEPARTMENT OF PUBLIC HEALTH

(Report Number 2007-114, June 2008)

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

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) conduct an audit assessing the management and oversight of low-level radioactive waste (low-level waste) by the Department of Health Services (now the Department of Public Health (Public Health)), the Radiologic Health Branch (branch), and the Southwestern Low-Level Radioactive Waste Commission (Southwestern Commission). Although we reviewed the Southwestern Commission's policies and practices, we did not have recommendations for it and, as a result, we do not mention the Southwestern Commission further.

Public concern related to the disposal of low-level waste will likely increase in the near future because entities in California that generate this waste are losing access to one of the two disposal facilities they currently use. In June 2008 the disposal facility in Barnwell, South Carolina, was scheduled to cease accepting low-level waste from generators in many states, including California. Generators of low-level waste will need to consider alternative methods, including long-term or off-site storage, to deal with their most radioactive low-level waste. Unfortunately, for decision makers in California, the implications of this pending closure and what it means for the State's public policy are not clear-cut.

The following table summarizes Public Health's progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Public Health had not fully implemented any of the recommendations. Based on Public Health's most recent response, five recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	6	5	5

Following are the recommendations that we determined were not fully implemented, followed by Public Health's most recent response for each.

Recommendation #1:

To provide greater public transparency and accountability for its decommissioning practices, Public Health should begin complying with the Executive Order D-62-02 and develop dose-based decommissioning standards formally. If Public Health believes that doing so is not feasible, it should ask the governor to rescind this 2002 executive order.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

The California Department of Public Health (CDPH) has determined that it will not seek rescission of Executive Order D-62-02. The implementation of the Bureau of State Audits recommendation to develop a dose-based decommissioning standard following the California Environmental Quality Act (CEQA) process and the rescinding of Executive Order (EO) D-62-02 will not further enhance or improve current decommissioning standards upheld by the court in the Committee to Bridge the Gap lawsuit. The development of a new dose-based standard will likely result in protracted litigation and raise uncertainty as to the effectiveness of the standards currently in place to protect public health. It should be emphasized that following the Court's decision in Committee to Bridge the Gap, CDPH applied a decommissioning process standard under existing law that has consistently provided a more protective public health clean-up outcome measure than the U.S. Nuclear Regulatory Commission (NRC) decommissioning standard of 25 millirem (mrem)/year. None of the clean-up levels following the process required by CDPH approach the 25 mrem/year NRC federal decommissioning standard. California has been able to consistently achieve a decommissioning level of radioactive material under 10 mrem/year, with a large majority of the analyses in the nondetectable range. The current process has been proven to be protective of public health and has remained free from legal challenges as to the public health protective outcome of the current standard.

In June 2003, the Department explored the costs of promulgating a dose-based decommissioning standard. CDPH explored this option through an interagency agreement with the Department of General Services (DGS) to develop a CEQA-compliant decommissioning standard. This feasibility assessment continued through September 2004. Through this collaboration, the Department concluded by February 2005, that it would not move forward with this effort. This decision was informed by:

- The costs that DGS estimated for developing and promulgating the dose-based standard was approximately \$5 million, with the likelihood of additional annual costs. Program funding has remained insufficient to fully support the regulatory development while maintaining CDPH inspection and response operations; and
- CDPH's assessment that public and environmental health and safety are rigorously protected through the current decommissioning process and have been shown to be health protective and legally compliant, making pursuit of a CEQA-based decommissioning standard unwarranted.

Recommendation #2:

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.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

1) California Department of Public Health (CDPH) Radiologic Health Branch (RHB) agrees with the Bureau of State Audits; CDPH-RHB will make functional system modifications to address data reliability and quality concerns with existing systems. CDPH-RHB has continued to take specific quality control steps on the existing data in the Health Application Licensing (HAL) system to identify and subsequently correct any anomalies. Current statuses of RHB's implementation of recommendations are noted below.

a. To assist in decisions on managing data reliability and quality

i. Completed, does not require status update.

ii. Completed, does not require status update.

iii. Completed, does not require status update.

iv. Change Request (CR) in progress include the following:

1) Implementing Delinquent billing for Licentiatees

a. Completed April 2011

2) Implementing Delinquent billing for Nuclear Medicine

a. Completed April 2011

3) Correcting fee cap issue on facility renewals

a. Corrected November 2010

4) Correcting association issues with specific license types

a. Request for Information (RFI) submitted to CDPH Internal Technology Services Division in July 2010 was rescinded September 2010 due to workload impact. RFI will be resubmitted November 2011. Estimated completion date pending response to RFI.

5) Inactivating expired certificate records

a. Change Requests (CR) are in progress as of September 2011, to administratively inactivate certificate records for licentiatees and limited permit technicians. Estimated date of completion 2012. CR to administratively inactivate certificate records for technologists is in queue to begin 2012.

Estimated date of completion: 2012

Recommendation #3:

To ensure that the branch can sufficiently demonstrate that the fees it assesses are reasonable, Public Health should evaluate the branch's current fee structure using analyses that consider fiscal and workload factors. These analyses should establish a reasonable link between fees charged and the branch's actual costs for regulating those that pay specific fees. Further, the analyses should demonstrate how the branch calculated specific fees.

Bureau's assessment of status: **Not fully implemented**[‡]

Auditee's Response:

California Department of Public Health (CDPH) Radiologic Health Branch completed its evaluation of workload and staffing data. To ensure a reasonable link between fees charged and the actual costs associated for administering the program, CDPH-RHB has completed and continues to conduct routine thorough fiscal and workload analysis. Workload standards were developed and implemented that identify responsible classifications, tasks to be accomplished, time and allocated resources (e.g., on an average, one inspector can perform approximately 300 inspections annually). Based on this information, CDPH-RHB developed cost and revenue information for the various program components and demonstrated that the fees assessed are appropriate and have a link to the actual costs associated with administering the programs.

A recent review of CDPH-RHB revenues and expenditures continues to support the program assessment and the established fee schedule.

In addition, to ensure transparency and accountability when submitting future fee proposals for adoption CDPH-RHB initiates a fiscal and workload analysis for the particular fee proposal. For example, CDPH-RHB recently adopted regulations requiring users of certain devices that contain radioactive material to register as possessing the device and to pay an annual registration fee. The adoption of these regulations also pertained to maintaining regulatory compatibility with the U.S. Nuclear Regulatory Commission (NRC) as required by California's agreement with NRC and as specified in law. The following supporting documents, from the official rulemaking file can be accessed at <http://www.cdph.ca.gov/services/DPOPP/regs/Pages/DPH07-002GeneralLicenseRequirements.aspx>:

- 1) Notice of Proposed Rulemaking
- 2) Initial Statement of Reasons (ISR)
- 3) Proposed Regulations

The following supporting document is attached to this response.

- 4) STD-399 including the Cost Estimating Methodology (CEM) signed by CDPH, Agency, and Department of Finance.

[‡] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation and did not address all aspects of the recommendation.

Recommendation #4:

To make certain that it can identify and address existing work backlogs and comply with all of its federal and state obligations, Public Health should develop a staffing plan for the branch based on current, reliable data. The plan should involve a reevaluation of the branch's assumptions about workload factors, such as how many inspections an inspector can perform annually. The plan should also include the following components:

- An assessment of all backlogged work and the human resources necessary to eliminate that backlog within a reasonable amount of time.
- An assessment of all currently required work and the human resources necessary to accomplish it.

Bureau's assessment of status: **Not fully implemented**[†]

Auditee's Response:

California Department of Public Health (CDPH) Radiologic Health Branch (RHB) implemented and continues to use a plan that identifies existing inspection backlogs. The plan ensures that CDPH measures and validates compliance with federal and state inspection frequency and quality requirements. Furthermore, the implementation of an on-line licensing system will provide a timelier, more accurate, and more complete data analysis. CDPH is currently able to review production and staffing information that reflects monthly management program inspection activities.

In September 2009, CDPH completed its data backlog correction plan and continues to resolve backlog associated with the Health Application Licensing (HAL) system. Both managers and staff continue to conduct data quality checks using independent and computerized data edit checks. Management routinely evaluates error rates and the need for new procedures or quality assurance checks to ensure an error rate of less than five percent. Using information technology tools and procedures, this error rate reduction has been achieved.

In addition, CDPH-RHB has completed a reevaluation of the X-ray Inspection, Compliance, and Enforcement (ICE) program. As part of this reevaluation, the existing inspection database was modified to allow real time tracking of each inspector's inspection history (HAL does not track inspector workload).

CDPH-RHB has implemented procedures that routinely evaluate workload and staff resources.

Recommendation #5:

- a. To inform the Legislature when it is likely to receive the information to evaluate the State's need for its own disposal facility, Public Health should establish and communicate a timeline describing when the report required by Section 115000.1 of the Health and Safety

[†] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not address all aspects of the recommendation.

Code will be available. Public Health should also see that its executive management and the branch discuss with appropriate members of the Legislature as soon as possible the specific information required by state law that it cannot provide. Further, to the extent that Public Health cannot provide the information required by law, it should seek legislation to amend the law.

- b. Finally, when the branch has an understanding of the disposal needs for generators in California based on this data, it should develop an updated low-level waste disposal plan.

Bureau's assessment of status: **Not fully implemented for (a)[†] and will not implement for (b)**

Auditee's Response to Recommendation (a):

California Department of Public Health (CDPH) Radiologic Health Branch (RHB) agrees with the Bureau of State Audits. The 2007 annual reports required by Health and Safety (H&S) Code section 115000.1 were completed in April 2010. Pursuant to H&S Code section 115000.1, the report summarized by type of generator and county location of generation within the State, the nature, characteristics, and quantities of low-level radioactive waste (LLRW) generated in California. The report for public review is posted on the CDPH-RHB website, while the other confidential report contains specific information about the location of radioactive materials and is available to members of the Legislature upon request. The 2008 LLRW report is currently in the review process. CDPH intends for these reports to be generated annually.

Auditee's Response to Recommendation (b):

CDPH continues to collect data from California's low-level radioactive waste (LLRW) producers across the State and make that data available to legislators and interested parties. The Energy Solution disposal facility in Clive, Utah, remains available for California generators of class A LLRW. In August 2011, CDPH performed a survey of California generators of their storage capacity for class B and C LLRW. Based on the responses of these generators, the storage capacity for class B and C LLRW will last for the next 10 to 20 years provided the options for thermal destruction and the Texas LLRW disposal facility remain available. CDPH remains committed to collecting data and working with the regulated community to inform any future updates that may be necessary to the LLRW disposal plan.

[†] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not address all aspects of the recommendation.

DEPARTMENT OF HEALTH CARE SERVICES

(Report Number 2007-122, June 2008)

Although Notified of Changes in Billing Requirements, Providers of Durable Medical Equipment Frequently Overcharged Medi-Cal

The Joint Legislative Audit Committee requested the Bureau of State Audits (bureau) to conduct an audit of the Department of Health Care Services' (Health Care Services) Medi-Cal billing system with particular emphasis on the billing instructions and coding for durable medical equipment (medical equipment). Although Health Care Services adequately notified medical equipment providers of changes to the reimbursement rates and codes for medical equipment, we noted other findings.

The following table summarizes Health Care Services' progress in implementing the three recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Health Care Services had not fully implemented two of the recommendations. Based on Health Care Services' most recent response, two recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
3	2	2	2

Following are the recommendations that we determined were not fully implemented, followed by Health Care Services' most recent response for each.

Recommendation #1:

To maintain control over the cost of reimbursements, Health Care Services should develop an administratively feasible means of monitoring and enforcing current Medi-Cal billing and reimbursement procedures for medical equipment. If unsuccessful, Health Care Services should consider developing reimbursement caps for medical equipment that are more easily administered.

Bureau's assessment of status: **Not fully implemented***

Auditee's Response:

The California Department of Health Care Services (DHCS) continues to maintain control over the cost of reimbursement through the application of edits and audits to claims for payment submitted to the fiscal intermediary consistent with Medi-Cal policy. Additionally, DHCS conducts a variety of post-payment audits to monitor and enforce Medi-Cal billing and reimbursement procedures for medical equipment. As a result of these efforts it is not necessary to implement reimbursement caps for medical equipment.

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

Recommendation #2:

If Health Care Services continues using audits to ensure that providers comply with Medi-Cal billing procedures for medical equipment, including the upper billing limit, it should design and implement a cost-effective approach that adequately addresses the risk of overpayment and ensures that all providers are potentially subject to an audit, thereby providing a deterrent for noncompliance.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The Medical Review Branch has completed 85 DME audits in addition to 40 audits in progress. Total demand amount is approximately \$2,560,324. Civil money Penalty assessments equal \$452,255.

Estimated date of completion: December 2011

DEPARTMENT OF PUBLIC HEALTH (Report Number 2007-040, September 2008)

Laboratory Field Services' Lack of Clinical Laboratory Oversight Places the Public at Risk

Chapter 74, Statutes of 2006, required the Bureau of State Audits (bureau) to review the clinical laboratory oversight programs of the Department of Health Services (now the Department of Public Health and referred to here as Public Health). Specifically, the law directed us to review the extent and effectiveness of Public Health's practices and procedures regarding detecting and determining when clinical laboratories are not in compliance with state law and regulations; investigating possible cases of noncompliance, including investigating consumer complaints; and imposing appropriate sanctions on clinical laboratories found noncompliant. The law also specified we review the frequency and extent of Public Health's use of its existing authority to assess and collect civil fines and refer violators for criminal prosecution and bar their participation from state and federally funded health programs, and its use of any other means available to enforce state law and regulations regarding clinical laboratories. Laboratory Field Services (Laboratory Services) within Public Health is responsible for licensing, registering, and overseeing clinical laboratories.

The following table summarizes Public Health's progress in implementing the 11 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Public Health had not fully implemented nine of the recommendations. Furthermore, based on Public Health's most recent response, nine recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
11	9	9	9

Following are the recommendations that we determined were not fully implemented, followed by Public Health's most recent response for each.

Recommendation #1:

Laboratory Services should perform all its mandated oversight responsibilities for laboratories subject to its jurisdiction operating within and outside California, including, but not limited to, the following:

- Inspecting licensed laboratories every two years.
- Sanctioning laboratories as appropriate.
- Reviewing and investigating complaints and ensuring necessary resolution.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Laboratory Field Services (LFS) continues its efforts to inspect licensed laboratories every two years, sanction laboratories as appropriate, review and investigate complaints, and ensure necessary resolution.

LFS has leveraged existing staff by utilizing the state portion of federal Clinical Laboratory Improvement Amendments (CLIA) surveys to biennially inspect licensed laboratories. Between August 2008 and November 19, 2009, LFS performed 823 biennial inspections during CLIA surveys. Between August 2008 and November 1, 2010 LFS inspected a total of 1,439 laboratories (or 97.5 percent of the 1,476 non-accredited laboratories). Between November 1, 2010 and September 30, 2011, state surveyors conducted 200 initial surveys of laboratories applying for licensure and approximately 85 validation inspections of accredited laboratories in California. During that same time period, LFS also performed 760 biennial inspections and is on target to inspect almost 100 percent of the 1,476 non-accredited laboratories within a two-year period.

Senate Bill (SB) 744 was enacted in 2009 and allows for laboratories accredited by a private, nonprofit organization to be deemed by the Department to meet state licensure or registration requirements. Once the accrediting organizations are approved, the state will be able to leverage its ability to perform biennial inspections of accredited laboratories through the use of accrediting organizations. This will add to the number of licensed laboratories that are inspected every two years. In December 2010, the Department added submission information to the LFS Web site for accrediting organizations to apply for approval to inspect laboratories for issuance of a certificate of deemed status from the Department. Beginning January 2011, the Department has accepted accrediting organization applications to conduct state surveys. Currently the Department has received two applications and two more accrediting agencies have contacted the Department for information concerning the process.

LFS is working to develop the staffing needed to ensure that all laboratories are sanctioned as appropriate. In 2010, LFS received budget change approval to add 35.5 additional Examiner and program support staff. In July 2010, LFS conducted written Examiner tests. LFS continues to identify new candidates and will move forward in the future. LFS continues to work on a recruitment and retention bonus proposal that will enhance its ability to recruit and retain qualified candidates. LFS is working with the Department of Personnel Administration (DPA) to remove the requirement for supervisory experience for entry level Examiners to allow more scientists to qualify for the Examiner series.

LFS redirected staff to review and investigate complaints and ensure necessary resolution. In Fiscal Year 2009–10, LFS received 196 complaints, investigated and closed 114, referred 50 to other responsible agencies, and conducted two onsite complaint investigations. From July 1, 2010 to October 4, 2011, LFS received 171 complaints, investigated and closed 114, referred 37 to other responsible agencies, and conducted one onsite complaint investigation. LFS continues to monitor staff workload to ensure timely completion.

Estimated date of completion: June 2013

Recommendation #2:

Laboratory Services should adopt and implement proficiency-testing policies and procedures for staff to do the following:

- Promptly review laboratories' proficiency-testing results and notify laboratories that fail.
- Follow specified timelines for responding to laboratories' attempts to correct proficiency-testing failures and for sanctioning laboratories that do not comply.
- Monitor the proficiency-testing results of out-of-state laboratories.
- Verify laboratories' enrollment in proficiency testing, and ensure that Laboratory Services receives proficiency-testing scores from all enrolled laboratories.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

LFS continues to promptly review and notify laboratories of proficiency test results, and to follow specified timelines for responding to proficiency testing failures. Proficiency testing results are reviewed every 30 days for two out of three failed proficiency test events. A warning letter is generated within 10 days after review and mailed to the laboratory. The laboratory must respond within 10 days of receipt of the letter. If a response is not received, a second letter is sent 10 to 15 days after the first letter was sent. If there is no response to the second letter, sanction action is initiated. LFS monitors out-of-state laboratory proficiency test results once a year during the annual license renewal. LFS continues to verify laboratory enrollment in proficiency testing appropriate to the testing performed when it conducts biennial inspections. Since September 1, 2008, LFS has conducted 2,199 biennial inspections by using the state portion of the federal CLIA surveys to staff inspections of licensed laboratories and perform validation inspections of accredited laboratories.

The Department has accepted applications from two accrediting organizations to conduct state surveys and is in the process of reviewing those submissions with a crosswalk of state and federal clinical laboratory law. Once approved, the accrediting organizations will be able to conduct biennial inspections on behalf of the Department and the Department will issue the laboratories a certificate of deemed status. Once approved, the accrediting organizations will be responsible for reviewing proficiency test results for their accredited laboratories, monitoring proficiency test results and referring LFS laboratories that have failed proficiency testing for possible sanction action.

In December of 2010, the Department added to the LFS Web site application submission information for the accrediting organizations. Currently, the Department has received two applications and two more accrediting agencies have contacted the Department for information concerning the process. The state will leverage its ability to review and enforce proficiency test results through the use of accrediting organizations.

LFS continues to work to develop a method of monitoring the proficiency testing results of out-of-state laboratories without performing an on-site inspection of the laboratories to ensure that the laboratories are enrolled in proficiency testing appropriate for the testing performed.

Estimated date of completion: June 2013

Recommendation #3:

To update its regulations, Laboratory Services should review its clinical laboratory regulations and repeal or revise them as necessary. As part of its efforts to revise regulations, Laboratory Services should ensure that the regulations include requirements such as time frames it wants to impose on the laboratory community.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

LFS continues to review its clinical laboratory regulations and repeal or revise them as necessary. LFS submitted changes to the HIV regulations and the regulations were signed by the Secretary of State on October 15, 2009. These regulations are now in effect. In addition, LFS leveraged resources by hiring the former LFS Chief and Section Chief as retired annuitants to draft regulation changes to the personnel certification and licensing requirements. LFS is revising the regulation text based on the 15,000 comments that were received on the personnel regulations published in September 2010.

In 2009, SB 744 (Strickland, Chapter 201, Statutes of 2009), authorized a sliding fee schedule for laboratory license fees based on the volume of testing performed by a laboratory and increased the registration fee for registered laboratories. SB 744 increased funding and improved LFS efficiency to allow better enforcement of clinical laboratory standards. The Department expects to use a portion of the \$3.5 million generated by SB 744 to fund additional legal staff to review regulations.

Estimated date of completion: June 2015

Recommendation #4:

Laboratory Services should continue its efforts to license California laboratories that require licensure. Further, it should take steps to license out-of-state laboratories that perform testing on specimens originating in California but are not licensed, as the law requires.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

LFS continues its efforts to license California laboratories and those outside California performing testing on California patients. Since September 2008, LFS has inspected and licensed 470 new laboratories performing non-waived testing and registered 4,183 laboratories performing waived or provider performed microscopy testing. As of September 20, 2011, LFS has registered 10,809 of the estimated 12,266 laboratories required to be registered. LFS has also licensed 249 out-of-state laboratories performing testing on California patients.

In 2009, SB 744 (Strickland, Chapter 201, Statutes of 2009), authorized a sliding fee schedule for laboratory license fees based on the volume of testing performed by a laboratory and increased the registration fee for registered laboratories. SB 744 increased funding and improved LFS efficiency to allow better enforcement of clinical laboratory standards. The Department expects to use the additional \$3.5 million generated by SB 744 to fund additional staff positions needed to identify and license laboratories within and outside of California.

To help LFS continue its efforts to license California laboratories and those outside California, LFS received budget change approval in 2010 to add 35.5 additional Examiner and program support staff. In July 2010, LFS conducted written Examiner tests. LFS continues to work on a recruitment and retention bonus proposal that will enhance its ability to recruit and retain qualified candidates. LFS is working with DPA to remove the requirement for supervisory experience for entry level Examiners to allow more scientists to qualify for the Examiner series.

Estimated date of completion: June 2013

Recommendation #5:

To strengthen its complaints process, Laboratory Services should identify necessary controls and incorporate them into its complaints policies. The necessary controls include, but are not limited to, receiving, logging, tracking, and prioritizing complaints, as well as ensuring that substantiated allegations are corrected. In addition, Laboratory Services should develop and implement corresponding procedures for each control. Further, Laboratory Services should establish procedures to ensure that it promptly forwards complaints for which it lacks jurisdiction to the entity having jurisdiction.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

LFS redirected staff to perform complaint investigations and strengthen the complaint process by posting on the CDPH and LFS websites. The LFS complaint form is available in a downloadable format for use by the public; in addition, the complaint form can be requested by mail, e-mail, or telephone. In March 2009, LFS developed a master complaint register that tracks the following for each complaint: the facility or professional identified by the complaint, the sequential case number, date opened, date closed, acuity/priority, acknowledgement of receipt, disposition (letter to facility/professional, referral to outside agency or internal section). In Fiscal Year 2009–10, LFS received 196 complaints, investigated and closed 114, referred 50 to other responsible agencies, and conducted two onsite complaint investigations. From July 1, 2010 to October 4, 2011, LFS received 171 complaints, investigated and closed 114, referred 37 to other responsible agencies, and conducted one onsite complaint investigation.

LFS continues to monitor staff workload to ensure timely completion. A complaint investigation may be conducted by a telephone call or a letter to the laboratory, in lieu of an onsite inspection. If the complaint is substantiated, the laboratory must submit a report indicating the corrective action that was taken. On-site investigations that substantiate the complaint result in a statement of deficiencies that requires a written plan of correction with documentation of corrections. Procedures are being written to ensure that complaints are promptly forwarded to the entity having jurisdiction.

In, 2009, SB 744 (Strickland, Chapter 201, Statutes of 2009), authorized a sliding fee schedule for laboratory license fees based on the volume of testing performed by a laboratory and increased the registration fee for registered laboratories. SB 744 increased funding and improved LFS efficiency to allow better enforcement of clinical laboratory standards. The Department expects to use a portion of the additional \$3.5 million generated by SB 744 to fund additional staff positions needed to investigate complaints.

To help LFS continue its efforts to investigate all complaints, in 2010, LFS received budget change approval to add 35.5 additional Examiner and program support staff. LFS continues to seek ways to enhance its ability to recruit and retain qualified candidates.

LFS will participate in the Feasibility Study Report that the Department submits to replace our existing database system to improve logging, prioritizing, tracking, and follow up of substantiated allegations.

Estimated date of completion: June 2014

Recommendation #6:

To strengthen its sanctioning efforts, Laboratory Services should do the following:

- Maximize its opportunities to impose sanctions.
- Appropriately justify and document the amounts of the civil money penalties it imposes.
- Ensure that it always collects the penalties it imposes.
- Follow up to ensure that laboratories take corrective action.
- Ensure that when it sanctions a laboratory it notifies other appropriate agencies as necessary.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

LFS initiated enforcement action against four laboratories and four laboratory personnel in 2008. LFS continues to notify other appropriate agencies such as the Centers for Medicare and Medicaid Services of sanctions. LFS has developed written procedures to maximize its opportunities to impose sanctions, appropriately justify and document the amounts of the civil money penalties it imposes, ensure penalties imposed are always collected, to ensure laboratories take corrective action, and notify other appropriate agencies when we sanction laboratories. To help LFS strengthen its sanctioning, LFS received budget change approval in 2010 to add 35.5 additional Examiner and program support staff. Although a statewide hiring freeze has been imposed, LFS continues to identify and interview new candidates and will move forward with hiring once the freeze is lifted. LFS continues to work on a recruitment and retention bonus proposal, approval that will enhance its ability to recruit and retain qualified candidates.

In, 2009, SB 744 (Strickland, Chapter 201, Statutes of 2009), authorized a sliding fee schedule for laboratory license fees based on the volume of testing performed by a laboratory and increased the registration fee for registered laboratories. SB 744 increased funding and improved LFS efficiency to allow better enforcement of clinical laboratory standards. The Department expects to use the additional \$3.5 million generated by SB 744 to fund additional staff to maximize opportunities to impose sanctions and for legal support.

Estimated date of completion: June 2013

Recommendation #7:

Public Health, in conjunction with Laboratory Services, should ensure that Laboratory Services has sufficient resources to meet all its oversight responsibilities.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

In 2009, SB 744 (Strickland, Chapter 201, Statutes of 2009), authorized a sliding fee schedule for laboratory license fees and increased phlebotomy certification fees. The Department expects to use the additional \$3.5 million dollars generated by SB 744 to provide resources necessary to meet LFS oversight responsibilities.

In 2010, LFS received budget change approval to add 35.5 additional Examiner and program support staff. LFS continues to work on a recruitment and retention bonus proposal that will enhance its ability to recruit and retain qualified candidates.

Estimated date of completion: June 2013

Recommendation #8:

Laboratory Services should work with its Information Technology Services Division and other appropriate parties to ensure that its data systems support its needs. If Laboratory Services continues to use its internally developed databases, it should ensure that it develops and implements appropriate system controls.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

In 2010, LFS hired the most qualified candidate from a small pool of applicants to provide Information Technology support for the program. An additional Information Technology Services Division position at a higher level has been filled as of October 2011 to provide LFS with database support. Staff continues to identify and correct data inaccuracies within the existing databases and develop and implement appropriate system controls; this task is necessary whether LFS transitions to a new system or continues with its current system. LFS continues to prepare for transition to a new system.

Estimated date of completion: June 2014

Recommendation #9:

To demonstrate that it has used existing resources strategically and has maximized their utility to the extent possible, Laboratory Services should identify and explore opportunities to leverage existing processes and procedures. These opportunities should include, but not be limited to, exercising clinical laboratory oversight when it renews licenses and registrations, developing a process to share state concerns identified during federal inspections, and using accreditation organizations and contracts to divide its responsibilities for inspections every two years.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

LFS implemented several mechanisms to leverage existing processes and procedures. LFS uses the state portion of CLIA surveys for review of state issues when biennial inspections of unaccredited laboratories are performed. LFS also initiated validation surveys of accredited laboratories by state surveyors. Since September 2008, LFS staff inspected 2,522 laboratories. LFS implemented reviews of facility license renewal applications to verify ownership and qualifications of the director and ten percent of testing personnel and this is ongoing.

In, 2009, SB 744 (Strickland, Chapter 201, Statutes of 2009), authorized a sliding fee schedule for laboratory license fees based on the volume of testing performed by a laboratory and increased the registration fee for registered laboratories. LFS added information to its web site for accrediting organizations to submit applications to conduct state surveys. In 2011 two accrediting organizations submitted applications and two more are in the process of submitting applications. The state will leverage its ability to perform biennial inspections through the use of accrediting organizations.

LFS meets quarterly with the Centers for Medicare and Medicaid Services to share state concerns identified during federal and state inspections and to provide an update on LFS programs.

LFS continues to work with the Information Technology Services Division to prepare for possible transition to a new IT system. LFS continues to correct data duplications and inaccuracies in current databases so that they may be transitioned to the current Health Application Licensing (HAL) or other supportable system.

Estimated date of completion: June 2013

DEPARTMENT OF HEALTH CARE SERVICES

(Report Number 2009-103, September 2009)

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

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) examine the use of information technology (IT) consulting and personal services contracts (IT contracts) by the departments of Health Care Services (Health Care Services) and Public Health. The audit committee specifically asked the bureau to review and assess the two departments' policies and procedures for IT contracts to determine whether they are consistent with state law. The audit committee also requested that we identify the number of active IT contracts at each department and—for a sample of these contracts—determine whether the departments are complying with California Government Code, Section 19130, and with other applicable laws, rules, and regulations. For the sample of contracts, the audit committee also requested that we collect various data and perform certain analyses, including determining whether the two departments are enforcing the knowledge-transfer provisions contained in the contracts.

Furthermore, the audit committee asked us to identify the number, classification, and cost of IT positions budgeted at each department for each of the most recent five fiscal years. In addition, we were to determine the number of vacant IT positions, the turnover rate, and any actions that the departments are taking to recruit and retain state IT employees.

For a sample of contracts under review by the State Personnel Board (Personnel Board), the audit committee asked us to identify the California Government Code section that the departments are using to justify an exemption from the implied civil service mandate emanating from Article VII of the California Constitution. For the contracts overturned by the Personnel Board, we were asked to review the two departments' responses and determine whether corrective action was taken. Finally, the audit committee requested that we review and assess any measures that the two departments have taken to reduce the use of IT contracts.

The following table summarizes Health Care Services' progress in implementing the nine recommendations the bureau made to it in the above referenced report. As shown in the table, as of its one-year response, Health Care Services had not fully implemented three recommendations. Based on Health Care Services' most recent response, two recommendations have been not fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
9	3	3	2

Following are the recommendations that we determined were and were not fully implemented, followed by Health Care Services' most recent response for each.

Recommendation #1:

To vet more thoroughly the California Government Code, Section 19130(b), justifications put forward by the departments' contract managers, to ensure the timely communication of Personnel Board decisions to the contract managers, and to make certain that disapproved contracts have been appropriately terminated, legal services should review the Section 19130(b) justifications put forward by the contract managers for proposed personal services contracts deemed high risk, such as subsequent contracts for the same or similar services as those in contracts disapproved by the Personnel Board.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The department has fully vetted the provisions of the Section 19130(b) with its contract managers and the legal office now reviews all high risk personal services contracts for compliance with the Section 19139(b). All contracts subject to board actions have been terminated.

Recommendation #2:

To comply with requirements in the *State Administrative Manual*, Health Care Services should refrain from funding permanent full-time employees with the State's funding mechanism for temporary help positions.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

DHCS has taken, and will continue to take, proactive steps to identify positions for those individuals in the temporary help blanket that requires a permanent position. DHCS will endeavor to limit use of the temp help blanket to those instances which meet the definition in the SAM, Ch. 6500, Sect 6518. However, contrary to the BSA recommendation, it is not inappropriate to place permanent full-time employees in the temp help blanket. There are a variety of instances and specifically provided for in SAM 6518 to place perm full-time employees in the temp help blanket and as such, DHCS reserves the right to continue as needed.

Recommendation #3:

To readily identify active IT and other contracts, Health Care Services should either revise its existing contract database or develop and implement a new contract database.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

DHCS current contract database sufficiently meets the department's needs. As stated in the one-year status report, based on the results of DHCS' business requirements assessment and the current low volume of contracts it is not economically feasible to create a new database. In addition, Budget Letter 08-05 placed a moratorium on the development and enhancement of information technology systems that duplicate functionality of the Financial Information System for California (FI\$Cal). The FI\$Cal system will encompass procurement issues including contracts, requisitions, and purchase orders. It will be a comprehensive information exchange system that will be used to generate, administer, and manage all contracts, purchases, and grant agreements from initiation through final payment. In the interim DHCS' Purchasing Unit will add a "Term Date" column to the Excel spreadsheet that records all Information Technology (IT) purchase requisitions that result in a purchase order. Start and end dates will be logged for those purchases that include or involve an IT service. Term information will be recorded for all IT services procured on or after July 1, 2010. Contract Management Unit staff will continue to record IT service transactions obtained via a Standard Agreement into DHCS' existing service contract tracking system.

DEPARTMENT OF PUBLIC HEALTH (Report Number 2009-103, September 2009)

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The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) examine the use of information technology (IT) consulting and personal services contracts (IT contracts) by the departments of Health Care Services and Public Health (Public Health). The audit committee specifically asked the bureau to review and assess the two departments' policies and procedures for IT contracts to determine whether they are consistent with state law. The audit committee also requested that we identify the number of active IT contracts at each department and—for a sample of these contracts—determine whether the departments are complying with California Government Code, Section 19130, and with other applicable laws, rules, and regulations. For the sample of contracts, the audit committee also requested that we collect various data and perform certain analyses, including determining whether the two departments are enforcing the knowledge-transfer provisions contained in the contracts.

Furthermore, the audit committee asked us to identify the number, classification, and cost of IT positions budgeted at each department for each of the most recent five fiscal years. In addition, we were to determine the number of vacant IT positions, the turnover rate, and any actions that the departments are taking to recruit and retain state IT employees.

For a sample of contracts under review by the State Personnel Board (Personnel Board), the audit committee asked us to identify the California Government Code section that the departments are using to justify an exemption from the implied civil service mandate emanating from Article VII of the California Constitution. For the contracts overturned by the Personnel Board, we were asked to review the two departments' responses and determine whether corrective action was taken. Finally, the audit committee requested that we review and assess any measures that the two departments have taken to reduce the use of IT contracts.

The following table summarizes Public Health's progress in implementing the seven recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Public Health had not fully implemented three recommendations. Based on Public Health's most recent response, one recommendation remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
7	3	2	1

Following are the recommendations that we determined were and were not fully implemented, followed by Public Health's most recent response for each.

Recommendation #1:

To readily identify active IT and other contracts, Public Health should continue its efforts to develop and implement a new contract database.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The California Department of Public Health (CDPH) has implemented the Contracts and Purchasing System (CAPS) for tracking and monitoring contract activities. Effective July 1, 2011, all CDPH programs are required to use CAPS for developing and monitoring contracts in process and are required to use CAPS to monitor fully executed contracts.

Recommendation #2:

To promote fairness and to obtain the best value for the State, Public Health should demonstrate its compliance with the Department of General Services' policies and procedures. Specifically, in its requests for offer, it should provide potential suppliers with the criteria and points that it will use to evaluate their offers.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

California Department of Public Health (CDPH) discontinued its previous plan to revise the existing CDPH Request for Offer (RFO) template. CDPH will use the Department of General Services (DGS) RFO template/model. The use of the DGS template will ensure potential suppliers are aware of the criteria and points used to evaluate bids. CDPH will issue a Contracts and Policy Memorandum to guide CDPH programs to begin using the DGS RFO template for all California Multiple Award Schedule bids by December 1, 2011.

Estimated date of completion: December 2011

DEPARTMENT OF MENTAL HEALTH

(Report Number 2009-608, October 2009)

High Risk Update—State Overtime Costs: A Variety of Factors Resulted in Significant Overtime Costs at the Departments of Mental Health and Developmental Services

California Government Code, Section 8546.5, authorizes the Bureau of State Audits (bureau) to establish a process for identifying state agencies or issues that are at high risk for potential waste, fraud, abuse, and mismanagement or that have major challenges associated with their economy, efficiency, or effectiveness. The law also authorizes the bureau to audit any state agency that it identifies as being at high risk and to publish related reports at least once every two years.

In February 2009 the bureau issued a report titled *High Risk: The California State Auditor Has Designated the State Budget as a High Risk Area* (2008-603). This report concluded that the State's budget condition should be added to the bureau's list of high-risk issues because of the current fiscal crisis and history of ongoing deficits. This current report, which addresses the significant amount of overtime compensation the State pays to its employees, is part of the bureau's continuing efforts to examine issues that will aid decision makers in finding areas of government that can be modified to help improve efficiency and effectiveness.

We focused our initial review of overtime costs on five state entities: the California Highway Patrol, the Department of Forestry and Fire Protection (Cal Fire), the Department of Veterans Affairs, the Department of Mental Health (Mental Health), and the Department of Developmental Services (Developmental Services). From these five entities, we further studied three—Cal Fire, Mental Health, and Developmental Services—because each had numerous individuals in one job classification code earning more than \$150,000 in overtime pay, which represented 50 percent of their total earnings during the five fiscal year period we chose for review. We eventually narrowed our focus to two classifications of jobs—registered nurses-safety classification (nurses) at Napa State Hospital and psychiatric technician assistants at Sonoma Developmental Center—because employees in these classifications at each of the facilities earned the majority of overtime pay.

The following table summarizes Mental Health's progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Mental Health had not fully implemented one recommendation. Based on Mental Health's most recent response, one recommendation remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	1	1	1

Following is the one recommendation that we determined was not fully implemented, followed by Mental Health's most recent response.

Recommendation #1:

To ensure that all overtime hours worked are necessary, and to protect the health and safety of its employees and patients, Mental Health should implement the Legislative Analyst's Office suggestion of hiring an independent consultant to evaluate the current staffing model for Mental Health's hospitals. The staffing levels at Mental Health should then be adjusted, depending on the outcome of the consultant's evaluation.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Mental Health entered into a consent judgment with the United States Department of Justice under the Civil Rights of Institutionalized Persons Act on May 2, 2006. Since that time, Mental Health has worked diligently to implement new staffing standards included in the agreement. Once fully compliant, Mental Health will consider reevaluating staffing needs.

Mental Health had planned to request an augmentation to the State Hospitals appropriation to fund the study in Fiscal Year 2011–12; however the date has been revised to Fiscal Year 2013–14. This is necessary due to the various legislative and budgetary actions taken during Fiscal Year 2011–12. The department is undergoing and implementing these actions, which require the elimination of the State Department of Mental Health and the creation of the Department of State Hospitals effective July 1, 2012. Conducting an assessment on state hospital staffing models may prove to be premature given the current efforts to implement required legislative and budgetary actions. By July 1, 2012, management will know the organizational structure for the new Department of Hospitals and request the appropriate funding to conduct the assessment of staffing models taking into account new organizational structure.

Estimated date of completion: Unknown

DEPARTMENT OF SOCIAL SERVICES

(Report Number 2009-101, November 2009)

For the CalWORKs and Food Stamp Programs, It Lacks Assessments of Cost-Effectiveness and Misses Opportunities to Improve Counties' Antifraud Efforts

The Joint Legislative Audit Committee (audit committee) asked the Bureau of State Audits (bureau) to determine the fraud prevention, detection, investigation, and prosecution structure for the California Work Opportunities and Responsibility to Kids (CalWORKs) and the federal Supplemental Nutrition Assistance (food stamp) programs at the state and local levels and the types of early fraud detection or antifraud programs used. Additionally, the audit committee requested that the bureau determine, to the extent possible, the cost-effectiveness of the fraud prevention efforts at the state and county levels, and to review how recovered overpayments are used. Further, we were asked to estimate, to the extent possible, the savings resulting from fraud deterred by counties' antifraud activities and whether early fraud detection programs are more cost-effective than ongoing investigations and prosecutions. Lastly, we were asked to assess the Department of Social Services' (Social Services) justification for continuing to use both the Statewide Fingerprint Imaging System (SFIS) and the Income Eligibility and Verification System (IEVS).

The following table summarizes Social Services' progress in implementing the 15 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Social Services had not fully implemented 14 of those recommendations. Based on Social Services' most recent response, 11 recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
15	13	11

Following are the recommendations that we determined were and were not fully implemented, followed by Social Services' most recent response for each.

Recommendation #1:

To ensure that all counties consistently gauge the cost-effectiveness of their early fraud activities and ongoing investigation efforts for the CalWORKs and food stamp programs, Social Services should work with the counties to develop a formula to regularly perform a cost-effectiveness analysis using information that the counties currently submit.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Social Services continues to work with counties to update and improve the counties' accuracy of the data provided on the Investigative Activity Report (DPA 266). Social Services has been working to finalize the revisions to the DPA 266 format, content, and instructions based on feedback received from a county workgroup. Part of this revision will allow for cost effectiveness to be measured. An All County Information Notice (ACIN) and the revised DPA 266 will be released to counties by spring 2012, and will be implemented effective July 1, 2012. Implementation of the automated form will be deliberately delayed until the beginning of state fiscal year 2012/13, to ensure "clean" data for the upcoming fiscal year and to allot lead time to train the counties on how to accurately complete the revised DPA 266 prior to implementation.

Estimated date of completion: July 1, 2012

Recommendation #2:

To make certain that counties receive the greatest benefit from the resources they spend on antifraud efforts related to CalWORKs and food stamp cases, Social Services should use the results from the recommended cost-effectiveness analysis, determine why some counties' efforts to combat welfare fraud are more cost-effective than others.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Partially implemented: CDSS has implemented a data warehouse that collects data from county-submitted reports on fraud investigation activities and program participation to calculate fraud rates. This data warehouse enables CDSS to compare performance outcomes of like-size counties in the areas of fraud detection and prevention activities. CDSS works with counties that are under-performing to ensure that federal and state mandates are being met in a timely manner, which includes sharing other counties' best practices. In addition, as part of the mandated Income Eligibility Verification System (IEVS) review process, CDSS is continuously evaluating counties' business processes for completing IEVS matches to assess their effectiveness. Feedback is provided to the counties on the effectiveness.

CDSS has hired a vendor to develop a Feasibility Study Report (FSR) to enhance the IEVS process with the goal of eliminating the amount of redundant match information being sent to the counties and enabling the counties to report real-time data to CDSS on the outcomes of their IEVS investigations. If the FSR is funded and the new enhancements are developed and implemented, the new IEVS system will provide better information (e.g., to measure the effectiveness of individual types of matches and effectiveness for each of the public programs). Note: This effort would require additional CDSS resources to develop new written procedures for the counties and to provide training to the counties and Special Investigations Units (SIUs) on the new IEVS system.

Estimated date of completion: Fall 2012

Recommendation #3:

Social Services should seek to replicate the most cost-effective practices among all counties.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Partial Implementation: CDSS will be launching an extranet site in the spring of 2012 that will be a forum for counties to post and share their best practices with other counties, as recommended by the Program Integrity Steering Committee in 2006. This will include sharing examples of investigation techniques and working matches within the mandated 30- and 45-day time periods for the CalWORKs and CalFresh programs, respectively. CDSS Fraud Bureau will issue a letter to the Special Investigations Units (SIUs) when this extranet site is ready and invite the SIUs to post their best practices and training. The Fraud Bureau will also make available useful resources such as forms and Income Eligibility Verification System (IEVS) trainings on the website as well.

As discussed previously in Recommendation No. 2, CDSS has a data warehouse. This data warehouse allows CDSS to identify trends in county effectiveness in fraud investigations and IEVS matches. In addition, CDSS is working on a Feasibility Study Report to create a fully automated system that will allow for more detailed metrics on the counties' IEVS anti-fraud activities to identify top performing counties. CDSS will work towards replicating the best practices of top-performing counties across the state.

Estimated date of completion: Spring 2012

Recommendation #4:

Social Services should continue to address the recommendations of the steering committee and promptly act on the remaining recommendations.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CDSS has made great strides towards implementing the suggestions of the steering committee. Since the Bureau of State Audits (BSA) issued their report in November 2009, CDSS has created a data warehouse which can produce reports that compare county performance on fraud activities. Many of the BSA's recommendations, however, cannot be accomplished until automation of the Income Eligibility Verification System (IEVS) processes are completed. Towards that goal, CDSS has obtained vendor services to develop a Feasibility Study Report that is expected to be completed by spring 2012; additional state resources and funding will be needed to implement the proposal. CDSS will also be launching an extranet site in the spring of 2012 that will be a repository for counties to post their best practices and training on fraud investigations, IEVS processes, etc.

Estimated date of completion: Spring 2012

Recommendation #5:

To ensure the accuracy and consistency of the information on welfare fraud activities that counties report and that Social Services subsequently reports to the federal government, the Legislature, and internal users, Social Services should remind counties that they are responsible for reviewing the accuracy and consistency of investigation activity reports before submission.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Partially implemented: All Income Eligibility Verification System (IEVS) reviews currently include an evaluation of the counties submission of the DPA 266 report for accuracy and timeliness. This review emphasizes the counties' responsibility in ensuring accurate data is being reported on the DPA 266. Technical questions regarding how to complete the form are addressed during this review and if assessment of current processes reveal that a county is not submitting accurate data, the county is required to submit revised DPA 266 reports. This addition of a more detailed analysis of the DPA 266 was included into the CDSS IEVS review process immediately following the release of the 2009 BSA Audit in November 2009.

In addition, a revised DPA 266 report and new instructions for completion of the report will be released to the counties via All County Information Notice in spring 2012. Following this release, technical assistance and training will be provided to counties throughout the state. This will ensure counties are thoroughly trained on how to complete the report accurately upon its implementation on July 1, 2012. Regional training sessions will be provided throughout the state, as well as through existing county venues, such as the California Welfare Fraud Investigators Association's quarterly regional meetings. Limited staff resources and higher priority workload has delayed completion of this effort.

Estimated date of completion: July 1, 2012

Recommendation #6:

Social Services should perform more diligent reviews of the counties' investigation activity reports to verify the accuracy of the information submitted.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

Upon submission of the DPA 266 by the county, CDSS Data Systems and Survey Design Bureau reviews the form for accuracy and provides technical assistance as necessary. In addition, during all CDSS Income Eligibility Verification System (IEVS) reviews, the DPA 266 is reviewed for accuracy and timely submission. This review includes analysis of changes from previously submitted reports to identify potential problem areas, trends, etc. This is an on-going activity. Counties have and will continue to submit revised DPA 266 reports when inaccuracies are found during the IEVS review process.

Recommendation #7:

Social Services should provide counties with feedback on how to correct and prevent errors that it detects during this review.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The CDSS continues to work with counties to provide feedback on how to correct and prevent errors that it detects during an Income Eligibility Verification System (IEVS) review. If county reporting errors are found during the state's IEVS review, the CDSS provides immediate feedback to the county, and the county is required to submit revised reports. It is anticipated that upon implementation of the revised DPA 266 report in the summer of 2012, county staff will have already participated in training to accurately complete this form. Once training has been conducted and the revised DPA 266 report form has been implemented, CDSS will continue to provide on-going technical assistance during the IEVS review process as needed to prevent errors and detect inaccuracies.

Estimated date of completion: July 1, 2012

Recommendation #8:

Social Services should continue with regular meetings of its workgroup to further its efforts to clarify its instructions for completing the counties' investigation activity reports.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Work with the Special Investigations Units to clarify instructions on the revised DPA 266 report has been completed. The final revisions are being incorporated into the DPA 266 form and the implementing All County Information Notice (ACIN). It is anticipated the ACIN will be released to counties by spring 2012. Once the ACIN is released, county training will be rolled out statewide on how to complete the revised DPA 266 report, with full implementation by July 1, 2012.

Estimated date of completion: July 1, 2012

Recommendation #9:

To ensure that counties are consistently following up on all match lists, Social Services should remind counties of their responsibility under state regulations to follow up diligently on all match lists. Further, it should work with counties to determine why poor follow-up exists and address those reasons.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Partially implemented: CDSS had planned to issue an All County Information Notice (ACIN) this year that would remind counties of the 30- and 45-day requirements to work the CalFresh and CalWORKs Income Eligibility Verification System matches, respectively, in a timely manner. The ACIN would also remind counties to perform timely follow-ups. The development of the ACIN has been delayed due to limited staff resources and competing higher priority workload. CDSS plans to release the ACIN by April 2012; this topic is a sensitive issue with the counties, and we will need time to work through their concerns.

Estimated date of completion: April 2012

Recommendation #10:

Social Services should revive its efforts to work with counties and federal agencies to address the counties' concerns about match-list formats and criteria.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CDSS has acquired vendor services to develop a Feasibility Study Report (FSR) to automate and modernize the Income Eligibility Verification System (IEVS) and its matches. As part of the FSR effort, CDSS has worked with representatives from the counties and Statewide Automated Welfare System (SAWS) consortia to help identify problems with the current matches and IEVS processes, with the goal of working towards a solution to make the matches more efficient and effective. This includes sending the remaining IEVS matches via electronic transmissions to the counties (i.e., eliminate paper matches), improving the quality of the matches to reduce false positives that lead to extra work for the counties, and adjusting the formats of the matches to allow for ease of processing. The FSR will be completed by spring 2012. The date for implementing the study's recommended solution has not been determined and would be dependent upon approval of funds and additional staff resources.

Estimated date of completion: Unknown

Recommendation #11:

Social Services should perform IEVS reviews of all counties regularly and better enforce the counties' implementation of its recommendations to correct any findings and verify implementation of the corrective action plans submitted.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

Implemented: CDSS completed the remaining 13 county Income Eligibility Verification System (IEVS) reviews, which included Los Angeles County, by the end of June 2011. In addition, CDSS has implemented a process to stay current with county IEVS review schedules and is developing a procedure manual for conducting reviews to ensure consistency across counties. All counties are now on a three-year cycle, (i.e., they will be visited every three years which was acceptable to federal agencies). Any findings will require the county to provide a corrective action plan and, as needed, provide quarterly updates to ensure progress is being made. Procedural changes made to the IEVS review process include, but are not limited to, case file review via remote Statewide Automated Welfare System (SAWS) access (state reviewers were granted limited SAWS access for this purpose), onsite inspections, staff interviews, and quarterly check-in with counties by CDSS IEVS reviewers. All reviews are current at this time.

Recommendation #12:

Social Services should track how counties determine prosecution thresholds for welfare fraud cases and determine the effects of these thresholds on counties' decisions to investigate potential fraud, with a focus on determining best practices and cost-effective methods. It should then work with counties to implement the consistent use of these cost-effective methods.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Partially implemented: This effort is linked with the work that is being conducted to revise the DPA 266 report by spring 2012. The revised report will capture information related to prosecutions and by inference, thresholds.

In addition, CDSS continues to work on an All County Information Notice (ACIN) that details the counties' responsibilities in both the CalFresh and CalWORKs administrative disqualification hearing (ADH) processes and reminds counties of the state mandate to use the ADH process when prosecutions are not pursued. The internal and external stakeholder reviews on the draft ACIN are taking longer than originally anticipated, and meetings with the internal workgroup to develop improvements to the ADH process have been similarly delayed due to limited resources and higher priority workload. CDSS anticipates releasing the ACIN by June 30, 2012, barring any additional unforeseen delays.

Estimated date of completion: July 1, 2012

Recommendation #13:

Social Services should either ensure that counties follow state regulations regarding the use of administrative disqualification hearings or pursue changing the regulations.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Please see CDSS' response to Recommendation No. 12 for the status of this recommendation.

Estimated date of completion: July 2012

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

(Letter Report Number 2009-119.2, February 2010)

Delays by Federal and State Agencies Have Stalled the Weatherization Program and Improvements Are Needed to Properly Administer Recovery Act Funds

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) conduct a review of California's preparedness to receive and administer American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. Using selection criteria contained in the audit request, we identified for review the Department of Community Services and Development (Community Services) preparedness to administer the Recovery Act funds provided by the U.S. Department of Energy (Energy) for its Weatherization Assistance for Low-Income Persons (Weatherization) program and Recovery Act funds awarded by the U.S. Department of Health and Human Services for its Community Services Block Grant (Recovery Act Block Grant) program.

The following table summarizes Community Services' progress in implementing the seven recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Community Services had not fully implemented three of those recommendations. Based on Community Services' most recent response, one recommendation still remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
7	3	1

Following are the recommendations that we determined were resolved, not fully implemented, or fully implemented, followed by Community Services' most recent response for each.

Recommendation #1:

To ensure it receives the remaining 50 percent of its \$186 million award for the Weatherization program, Community Services should seek federal approval to amend its plan for implementing the Weatherization program and seek an extension from Energy for fulfilling the progress milestones. In addition, it should promptly develop and implement the necessary standards for performing weatherization activities under the program and develop a plan for monitoring subrecipients that includes all requirements called for by the Recovery Act.

Bureau's assessment of status: **Resolved**

Auditee's Response:

The recommendation suggested that the department seek federal approval to amend its plan for implementing the Weatherization program and seek an extension from the Department of Energy (DOE) for fulfilling the progress milestone outlined in the Weatherization Program Notice, 10-5, and necessary to receiving the remaining 50 percent of the \$186 million DOE ARRA grant funds. The recommendation offered by the BSA, centered on concerns with program implementation delays and CSD's ability to achieve the progress milestones by the self-imposed target date of September 30, 2010. Because the September 30th date was a CSD determination, and failure to accomplish the progress milestones by this date did not pose any risk to California receiving the funding balance of DOE ARRA grant funds (i.e. only delayed

the release of funds to CSD), the Department did not see any benefit in seeking any federal approved adjustment to internal plans for achieving the progress milestones. On November 16, 2010, CSD issued an email communication (see attached November 17th email to DOE) to DOE confirming the achievement of all the performance requirements and progress achievements tied to the overarching program milestone objectives. On November 30th, DOE (see email dated November 30th from DOE) lifted the administrative hold on the remaining 50% grant funds, thus affording CSD the ability to access funds and distribute to local subgrantees. Additionally, CSD has implemented a comprehensive monitoring plan for monitoring subrecipients to verify compliance with Davis-Bacon Act, weatherization installation standards, energy audit protocols, program requirements, and whistleblower complaints. CSD plans to amend the DOE ARRA state plan to reflect changes in all facets of the program, to include an updated description of CSD's monitoring program.

Recommendation #2:

Once Community Services has received plans from local service providers, it should make any necessary adjustments in its state plan to accurately reflect average costs per home for weatherization assistance and the estimated number of homes to be weatherized under the program.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Under the Department of Energy (DOE) ARRA program CSD has introduced a number of significant changes to the protocols guiding the selection and installation of weatherization service measures. These changes are anticipated to increase the quality, effectiveness, and investment of energy-efficiency retrofits applied on all low-income housing stock within the state. One of the draw-backs associated with the service enhancement changes, is the difficulty predicting with some degree of accuracy the influences these changes will have on unit average investment and the total number of units projections under the DOE ARRA grant. Due to level of scrutiny the CSD's projected unit averages and total weatherized dwelling have received, CSD has opted to take a more conservative approach in updating these numbers – one CSD believes will more accurately account for change effects of the revisions to weatherization measure protocols on unit average costs and total weatherized dwelling projections. In addition, CSD has undertaken efforts to more effectively evaluate subgrantee performance and the expenditure of DOE ARRA contract awards, resulting in the identification of DOE ARRA contract funds at-risk of not being spent. To ensure against these funds going unexpended and reverting to DOE, CSD has completed a number of reallocation efforts – i.e., where at-risk funds are transferred to stronger performing agencies with the capacity to take on additional funds. We are in the process of finalizing the allocation plan. CSD has purposely delayed completing the final analysis of local provider activities and expenditures – both essential data points to calculating new unit average and weatherization dwelling projections to account for the reallocation (transfer) of funds among local subgrantees. On November 8th, CSD offered (see attached 11/8/2011 email to DOE) to DOE plans for amending the DOE ARRA state plan to reflect changes in all facets of the program, to include local (subgrantee) agency allocations, unit averages and total weatherization projections. On November 9th, DOE (see attached 11/9/2011 email from DOE) approved the CSD proposed plans and the department is moving forward with amending the plan and scheduling the date for the public hearing.

Estimated date of completion: December 2011

Recommendation #3:

To comply with federal cash management regulations that govern Recovery Act Block Grant funds, Community Services should define the financial hardship under which it will provide cash advances to subrecipients. In addition, Community Services should implement procedures to ensure that it draws federal program funds from the correct grant.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

This recommendation could not be implemented because CSD eliminated the "financial hardship" language in its ARRA subagreements. The financial hardship requirement was eliminated as a matter of policy and consistency with State CSBG law. There are no financial hardship prerequisites for advance payments under the applicable Recovery Act Block Grant requirements. The State CSBG statute [CA Gov. Code § 12781] provides that eligible entities are automatically entitled to advance payments of 25 percent of the contract amount. Therefore, after considering the BSA's recommendation, CSD determined that the financial hardship provision should be eliminated in the interest of avoiding unnecessary administrative requirements for agencies receiving CSBG ARRA funds.

CSD's Financial Services Unit generates a CALSTARs report each month to review to ensure that the correct grants have been charged. On a monthly basis, CSD performs a reconciliation of those CALSTARs reports against the Draw-Downs to make sure they balance and that the correct grant has been charged. Attached are Financial Services Unit desk procedures on *Reconciliation of the Unobligated Balance for Federal Grants* and related information on accessing CALSTARs and Federal payment management systems.

DEPARTMENT OF HEALTH CARE SERVICES

(Report Number 2009-112, May 2010)

It Needs to Streamline Medi-Cal Treatment Authorizations and Respond to Authorization Requests Within Legal Time Limits

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the Department of Health Care Services' (Health Care Services) administration of the California Medical Assistance Program (Medi-Cal) treatment authorization request (TAR) process. Health Care Services instituted the TAR process to monitor and control the provision of certain Medi-Cal services and drugs. The audit committee asked us to determine whether Health Care Services has performed a cost-benefit analysis or any other review of the TAR process. In addition, the audit committee requested that, for a two-year period, we identify Health Care Services' average response time for TARs by provider category and by the method used to request the TAR.

The following table summarizes Health Care Services' progress in implementing the three recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Health Care Services had not fully implemented two of those recommendations. Based on Health Care Services' most recent response, two recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
3	2	2

Following are the recommendations that we determined were not fully implemented, followed by Health Care Services' most recent response for each.

Recommendation #1:

To ensure that Medi-Cal recipients receive timely access to prescribed drugs, Health Care Services should abolish its policy of responding to drug TARs by the end of the next business day and should instead ensure that prior-authorization requests to dispense drugs are processed within the legally mandated 24-hour period. Alternatively, it should seek formal authorization from Centers for Medicare and Medicaid Services (CMS) to deviate from the 24-hour requirement, and should seek a similar modification to state law. In addition, Health Care Services should begin recording the actual time it receives paper TARs so that it can begin to measure accurately its processing times.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

The recommendation has two parts. The first is to abolish the policy of adjudicating drug TARs by the next business day instead of the legally mandated 24-hour period. As an alternative, Health Care Services should get formal authorization from the Centers for Medicare and Medicaid Services (CMS) to use the next business day timeframe and should modify state law accordingly. The second is to begin recording the time that Health Care Services receives TARs. Health Care Services will implement the second component, but not the first.

Record Time of Tar Receipt

The actual time of TAR receipt will begin being recorded when ACS, the new CA-MMIS contractor, develops and implements the new TAR submission and adjudication system. As noted in previous status reports, modifying the current system would be costly and time-intensive and not a prudent use of limited resources.

Next Business Day Adjudication of Drug TARs

As indicated in previous status reports, it is not feasible for Health Care Services to process drug TARs within 24 hours of receipt because its offices are not staffed nor budgeted for 24-hour/seven-day-per-week operations. Emergency drug supplies are available to Medi-Cal beneficiaries as needed. In addition, Health Care Services has received few complaints from providers or beneficiaries regarding the timely processing of TARs. For these reasons, Health Care Services intends to continue its practice of adjudicating drug TARs by the next business day.

Health Care Services has not sought formal authorization from CMS to deviate from the 24-hour requirement because CMS is aware of Health Care Services' "next business day" practice and that emergency drug supplies are available to Medi-Cal beneficiaries as needed.

Recommendation #2:

To ensure that Medi-Cal recipients are receiving timely medical services from providers, Health Care Services should start tracking prior-authorization medical TARs separately and should ensure that such TARs are processed within an average of five working days. Although state law and regulations specifically require prior authorization for certain medical services, Health Care Services generally does not require prior authorizations in practice. Consequently, Health Care Services should seek legislation to update existing laws and amend its regulations to render them consistent with its TAR practices.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

As reported in a previous status report, Health Care Services has not implemented a process to separately track the paper prior-authorization medical TARs it receives from providers. A process to separately track electronic prior-authorization TARs will be implemented when ACS, the new CA-MMIS contractor, develops the new TAR submission and adjudication system. As noted in previous status reports, modifying the existing system would be costly and time-intensive and not a prudent use of limited resources. Even without such a system in place, Health Care Services staff will continue the current practice of adjudicating prior-authorization TARs before retroactive TARs.

Health Care Services is not currently seeking legislation to update existing laws and regulations to make them consistent with the TAR process. The reason is that implementation of the Affordable Care Act will lead to considerable changes in the Medi-Cal program and California's entire health care system in the coming months and years, and this will likely lead to significant, as yet unknown, changes to the TAR process. Given current uncertainties and the likelihood of significant change, it would not be advisable to make this kind of modification to existing TAR-related laws or regulations at this time.

DEPARTMENT OF PUBLIC HEALTH

(Report Number 2010-108, June 2010)

It Reported Inaccurate Financial Information and Can Likely Increase Revenues for the State and Federal Health Facilities Citation Penalties Accounts

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) conduct an audit of the Department of Public Health's (Public Health) management of the State Health Facilities Citation Penalties Account (state account) and the Federal Health Facilities Citation Penalties Account (federal account), into which monetary penalties collected from long-term health care facilities are deposited.

The following table summarizes Public Health's progress in implementing the 17 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Public Health had not fully implemented nine of those recommendations. Based on Public Health's most recent response, seven recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
17	9	7

Following are the recommendations that we determined were and were not fully implemented, followed by Public Health's most recent response for each.

Recommendation #1:

To increase revenue for the state account, Public Health should do the following: seek legislation authorizing it to require facilities that want to contest the monetary penalty to pay the penalty upon its appeal which could then be deposited into an account within the special deposit fund. The original monetary penalty deposited, plus interest accrued in the account, should then be liquidated in accordance with the terms of the decision.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

CDPH disagrees with BSA recommendation to require facilities that want to contest the monetary penalty to pay the penalty upon its appeal, which could then be deposited into an account within the special deposit fund.

In January 2011, CDPH met with stakeholders to solicit their input on the BSA report. In March 2011, CDPH released those recommendations, as required, via its report to the Legislature. As a result of the input from those meetings, CDPH does not support the BSA audit recommendation to seek legislation authorizing it to require facilities that want to contest the monetary penalty to pay the penalty upon its appeal, which could then be deposited into an account within the special deposit fund. Changing the collection process to require facilities to pre-pay penalties, and placing the penalties in an interest bearing account, would result in a cost to the Department of approximately \$65,000 a year. The penalty amount would not be available

for use until the appeals were exhausted; therefore, CDPH would need to ensure the proper accounting of funds received, disbursed, and tracked. The administrative cost would need to be paid either by the imposition of a non-refundable administrative fee upon filing of an appeal or by an increase in licensing fees. Currently, in lieu of contesting a penalty, facilities may pay 65 percent of the penalty within 15 business days of the issuance of the citation. Full payment is due within 30 calendar days of issuance. CDPH recommends that the penalty collection process remain unchanged and that the time for transmittal of penalties to CDPH be increased from 15 days to 30 days after issuance of the citation. This recommendation offers facilities more flexibility in ensuring they have monies to meet their operational obligations.

Recommendation #2:

To ensure consistency with federal guidance related to federal requirements, and that it is not creating incentives for facilities to appeal citations issued for noncompliance with state requirements, Public Health should provide guidance to its staff that discourages settling appealed monetary penalties for a better term than had the facility not contested the citation and paid the penalty within the time frame specified in law to receive a 35 percent reduction. If Public Health believes instances occur when it is appropriate to reduce a monetary penalty by more than 35 percent, it should document which statutory or regulatory factors that formed the basis for concluding that the original class of citation and corresponding monetary penalty amount were no longer considered valid or relevant.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

CDPH disagrees with this recommendation to ensure that it is not creating incentives for facilities to appeal citations, and that CDPH should establish a policy that discourages settling appealed monetary penalties for better terms than had the facility not contested the citation and paid the penalty within the timeframe specified in law to receive a 35 percent reduction.

CDPH will not be implementing BSA recommendation. The right to appeal is a part of the due process afforded to all providers. CDPH does not view the outcome of negotiations as providing an incentive for facilities to appeal. CDPH must maintain maximum flexibility to negotiate citations and weigh all factors in a final settlement. Adoption of BSA's recommendation would hinder CDPH's ability to achieve equitable settlements, and force CDPH to adhere to a set policy which may not be appropriate in all circumstances. Moreover, it would put CDPH in an uneven bargaining position if the facility became aware of CDPH's settlement policy.

Recommendation #3:

To ensure that citation review conferences are completed expeditiously, Public Health should continue to take steps to eliminate its backlog of appeals awaiting a citation review conference.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CDPH agrees with the recommendation that the Department should continue to take steps to eliminate its backlog of appeals awaiting a citation review conference.

All AA citations that were pending at the time of the BSA report have been heard in a Citation Review Conference (CRC) hearing. All AA citations are being scheduled when requested and are current. However, there remains a backlog of CRCs. At the time of the BSA audit, approximately 450 B, 150 A and seven AA citations were pending review. Currently, 316 (71 added in 2011) B, and 141 (25 added in 2011) A citations are pending. Retired annuitant (RA) staff has been thoroughly trained and dedicated solely to this workload. As a result, CDPH is making progress to address the backlog.

Estimated date of completion: Unknown

Recommendation #4:

To ensure that citation review conferences are completed expeditiously, Public Health should seek legislation amending its citation review conference process to more closely reflect the federal process by prohibiting facilities from seeking a delay of the payment of monetary penalties on the grounds that the citation review conference has not been completed before the effective date of the monetary penalty.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Governor signed Assembly Bill 641 (Feuer, Chapter 729, Statutes of 2011) into law on October 9, 2011. Effective January 1, 2012, the citation review conference process is repealed. Citations issued after this date will not be afforded a citation review conference. The link to this bill is: http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0601-0650/ab_641_bill_2011009_chaptered.pdf

Recommendation #5:

To increase revenue for the penalty accounts, Public Health should seek legislation authorizing it to revise periodically the penalty amounts to reflect an inflation indicator, such as the CPI.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

As stated in the response to the BSA report, CDPH agrees with the recommendation that the Department should seek legislation authorizing it to periodically revise the current penalty amounts to reflect an inflation indicator, such as the Consumer Price Index.

A recent budget trailer bill (ABX 1-19) increased B citation penalty amounts for Skilled Nursing Facilities and Intermediate Care Facilities at a range not less than \$100 and not to exceed \$2,000; an increase of the maximum from \$1,000 for each citation. All other long-term care facilities remain subject to B citation penalty amounts not less than \$100 and not to exceed \$1,000.

Statutory change will be necessary to authorize an increase in the civil money penalty amounts for category AA, A, and B citations for all long-term care facility categories.

Estimated date of completion: January 2013

Recommendation #6:

Public Health should ensure that it conducts all state surveys of facilities every two years, as required by state law.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CDPH agrees with the recommendation that the Department should ensure that it conducts all state surveys of facilities every two years as required by state law. CDPH is making a concerted effort to comply with this requirement. Licensing and Certification (L&C) will continue to evaluate its staff resources in fiscal year 2011–2012 in an effort to meet this workload requirement. L&C agrees that conducting state surveys of facilities every two years as required by law is an important requirement.

Estimated date of completion: Unknown

Recommendation #7:

Public Health should seek authorization from the Legislature both to impose a monetary penalty and to recommend that CMS impose a monetary penalty when the Licensing and Certification Division determines that a facility is not complying with both state and federal requirements.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Governor signed Assembly Bill 641 (Feuer, Chapter 729, Statutes of 2011) into law on October 9, 2011. AB 641 repeals the prohibition against issuing both a citation under state law and recommending a civil monetary penalty (CMP) under federal law. Effective January 1, 2012, Licensing and Certification will be able to recommend a federal CMP to the Centers for Medicare & Medicaid Services and issue a state citation for the same violation. The link to this bill is: http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0601-0650/ab_641_bill_2011009_chaptered.pdf

Recommendation #8:

Public Health should seek legislation specifying a time frame within which facilities with nonappealed citations that do not qualify for a 35 percent reduction must pay their monetary penalties and allowing Public Health to collect interest on late payments of monetary penalties.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

As stated in the response to the BSA report, CDPH agrees with the recommendation that the Department should seek legislation specifying a timeframe within which non-appealed citations that do not qualify for a 35 percent reduction must be paid. However, CDPH does not agree with the recommendation to collect interest on citations that are not appealed and that do not qualify for the 35 percent reduction.

Recommendation #9:

To ensure that it complies with current state law and increases transparency, Public Health should adopt regulations for the administration of temporary management companies.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CDPH agrees it should adopt regulations for the administration of temporary management companies.

CDPH has added the administration of temporary management companies to its regulations priority list for CDPH. The Department took into account the multiple packages that need to be promulgated and prioritized each package. The Department currently anticipates completion of a package addressing temporary management companies in 2016.

Estimated date of completion: December 2016

DEPARTMENT OF PUBLIC HEALTH

(Report Number 2010-103R, July 2010)

It Faces Significant Fiscal Challenges and Lacks Transparency in Its Administration of the Every Woman Counts Program

The Joint Legislative Audit Committee asked the Bureau of State Audits (bureau) to determine how the Every Woman Counts (EWC) program ended up in a budget crisis and whether the Department of Public Health (Public Health) has operated the EWC program efficiently over the past several years.

The following table summarizes Public Health's progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Public Health had not fully implemented two of those recommendations. Based on Public Health's most recent response, two recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	2	2

Following are the recommendations that we determined were not fully implemented, followed by Public Health's most recent response for each.

Recommendation #1:

To the extent that Public Health continues to fund its various contracts, it should establish clearer expectations with its contractors concerning how much money is to be spent directly on the different aspects of the EWC program and should monitor spending to confirm that these expectations are being met.

Bureau's assessment of status: **Not fully implemented***

Auditee's Response:

Subsequent to the one year progress report site review, CDPH received a communication from BSA stating Recommendations #1 and #2 are only partially implemented.

With regards to Recommendation #1, the communication acknowledged that the EWC program had reviewed its contracts, reduced amounts under certain agreements and established expectations utilizing percent of effort amounts in Regional Contracts. In BSA's analysis, this effort did not go far enough and as a result, Public Health cannot measure the true cost of specific contractor activities and evaluate whether its spending on these areas is the best possible use of program funds.

CDPH does not agree with this analysis and believes that EWC can measure the cost and success of regional contract (RC) activities. CDPH has determined that spending on these contracts is the best use of program funds. RC activities are essential in meeting state and federal mandates and program quality performance indicators.

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

The purpose of the RCs is to place contract staff in communities (nurses and health educators) to implement program components at the local level. The RC nurses manage the regional provider network to ensure EWC women have access to primary care and specialty providers. RC nurses support EWC providers through technical assistance, training, orientation and quality assurance activities. The RC health educators collaborate with community-based agencies to reach underserved women from populations who are rarely or never screened. Health educators conduct tailored health education sessions aimed to increase awareness and knowledge of the benefits of screening and the program in diverse populations of underserved women.

The contract funding pays staff salaries and expenses, so itemizing by activity or output does not capture all that is being provided through the contract. Most of the contract funds pay salaries of nurses and health educators who working solely on EWC federal and state mandated activities. CDPH would apply any necessary budget cuts to the total hours that the contract employees work, thereby reducing the quantity of assigned deliverables (outputs). CDPH would prioritize activities and reduce assigned deliverables to stay within reduced contract funding.

RCs report outputs (or deliverables) semi-annually. CDPH monitors and tracks reported deliverables each reporting period. See Attachment 1 (Region 8 SOW Deliverables) for a sample of an RC for FY 2011–12 and the estimated expected outcome and associated cost. Note that some activities are reported by the contractor (and confirmed by CDPH during the annual site visit) and others are assigned by CDPH. Some activities, such as local collaborations, take more time to complete than others. Some activities (for example Number of Patient Complaints Completed) are performed throughout the 40 hour work week.

All RC activities support and are tied to EWC meeting state and federal mandates. Federal funding is dependent on Program meeting established standards in Core Program Performance Indicators (CPPI). CPPI also reflect program success in meeting state mandates to track abnormal cases through to needed treatment. See Attachment 2 (List of CPPI). Additionally, CDPH tracks CPPI by Region to determine the success of the deliverables reported. See Attachment 3 (Core Program Performance Indicators (CPPI) by Region).

CDPH also tracks costs for the RC and the CPPI outcome. Although the amount budgeted for the contracts have been reduced, performance on CPPI has improved. The RCs are funded at the lowest level possible to maintain program success with CPPI. See Attachment 4 (RC Funding and CPPI).

CDPH monitors both the number of deliverables reported by the RCs and program success in meeting CPPI to determine ultimate contract effectiveness. Contractors meet all deliverables and EWC meets all 11 federal CPPI. EWC can measure the cost of RC activities and has determined that spending on these contracts is the best use of program funds. Additional action beyond the above stated activities CDPH has already implemented is not needed.

Recommendation #2:

To ensure better public transparency and accountability for how the EWC program is administered, Public Health should comply with state law to develop regulations, based on input from the public and interested parties, that will direct how Public Health administers the EWC program. At a minimum, such regulations should define the eligibility criteria for women seeking access to EWC screening services.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CDPH previously reported progress on this recommendation and provided supporting documentation in its initial, sixty-day, six-month, and one-year progress reports.

During its one-year site review, the BSA concluded that this recommendation was partially implemented, stating:

“Although EWC has issued its annual report on the EWC program (June 2011), it has yet to develop regulations for the EWC program and does not yet know when such regulations will be finalized.”

CDPH agrees with this assessment and provides the following update of activities from July 2011 through October 2011. Additionally, CDPH is providing the CDPH Office of Regulations Timeline that is being used by CDS in developing the regulations. See Attachment 1 (Time Line Emergency Action Plan).

CDS is following the CDPH Office of Regulations, Emergency Regulations Process Steps and is currently on Step two of the process. See Attachment 2 (Emergency Regulation Process steps, page 3).

July 2011

- CDS met with staff from the Office of Regulations (OOR) to discuss the progress of the EWC Regulations Package documentation. See Attachment 3(Agenda for meeting held July 20, 2011).
- CDS was assigned a new Office of Legal Services (OLS) Lead to guide the Program through the Emergency Regulations Process.

Current Rulemaking Project Team (RPT) consists of the following members:

- Program Lead: Veronica Furnari-Berg (916) 449-5347
- OOR Lead: Elizabeth Reyes (916) 445-2529
- OLS Lead: Nancy Barrera (916) 440-7799
- Budget Office Lead: To Be Determined

See Attachment 4 (RPT Specific Roles and Responsibilities)

August 2011

- Informal meeting with Elizabeth Reyes, OOR Lead, to review samples of active Initial Statement of Reasons (ISOR). Ms. Reyes provided additional reference materials. See Attachment 5 (Meeting notice OOR/CDS Informal Meeting held August 3, 2011).
- Meeting with CDS Internal Regulations Team (IRT) to provide update on the EWC Draft Articles. See Attachment 6 (Agenda for CDS IRT Meeting held August 31, 2011).

September 2011

- Provided OOR staff with EWC Draft Articles and ISOR for review. See Attachment 7 (E-mail from CDS to OOR dated September 22, 2011).
- Program Lead and CDS Internal Regulations Team members continued to work on the ISOR and Finding of Emergency documents.

October 2011

- Informal meeting with Marylyn Willis and Elizabeth Reyes from OOR to discuss second revision of the EWC draft articles and ISOR. See Attachment 8 (Meeting Notice with CDS/OOR held October 20, 2011).
- CDS Program Lead and Management meeting to discuss next regulations steps to incorporate edits provided by OOR. See Attachment 9 (Agenda Points of Discussion with OOR/CDS held October 25, 2011).

CDPH recognizes the importance of establishing regulations and developing EWC regulations is a program priority. CDPH is following the Emergency Regulation Process to develop regulations in accord with the Administrative Procedure Act Chapter 3.5, Part 1, Division 3, Title 2, Government Code.

Estimated date of completion: June 2012

DEPARTMENT OF DEVELOPMENTAL SERVICES

(Report Number 2009-118, August 2010)

A More Uniform and Transparent Procurement and Rate-Setting Process Would Improve the Cost-Effectiveness of Regional Centers

The Joint Legislative Audit Committee directed the Bureau of State Audits (bureau) to examine the Department of Developmental Services' (Developmental Services) oversight responsibilities for the regional centers and to determine the extent to which Developmental Services performs oversight at a sample of regional centers selected for review.

The following table summarizes Developmental Services' progress in implementing the 17 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Developmental Services had not fully implemented two of those recommendations. Based on Development Services' most recent response, two recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
17	2	2

Following are the recommendations that we determined were not fully implemented, followed by Developmental Services' most recent response for each.

Recommendation #1:

To ensure that consumers receive high-quality, cost-effective services that meet the goals of their individual program plans (IPPs) consistent with state law, Developmental Services should require the regional centers to document the basis of any IPP-related vendor selection and specify which comparable vendors (when available) were evaluated.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

DDS does not believe it has legal authority to implement the BSA recommendation as it would place DDS in a role inconsistent with the intent of the Lanterman Act. The Lanterman Act delegates a great deal of decision making to the regional centers. By design, DDS does not have a direct role in the IPP development and if DDS required extensive documentation of one factor and not all factors considered in the IPP process, this would likely lead to litigation that DDS has overstepped its authority. Though DDS does not believe it can intercede in the IPP process, it will use its oversight authority to ensure adherence to the law. DDS has issued a directive on August 16, 2010 to regional centers to update their internal review process and associated policies and procedures to ensure the regional centers' compliance with all current statutes. The directive also requires regional centers to inform their staff of the updates to its policies and procedures.

Recommendation #2:

To ensure that consumers receive high-quality, cost-effective services that meet the goals of their IPPs consistent with state law, Developmental Services should review a representative sample of this documentation as part of its biennial waiver reviews or fiscal audits to ensure that regional centers are complying with state law—and particularly with the July 2009 amendment requiring selection of the least costly available provider of comparable service.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

As stated in the response to the previous recommendation, DDS does not believe it can intercede in the IPP process, but will use its oversight authority to ensure adherence to the law. DDS has issued a directive on August 16, 2010 to regional centers to update their internal review process and associated policies and procedures to ensure the regional centers' compliance with all current statutes. The directive also requires regional centers to inform their staff of the updates to its policies and procedures. In addition, DDS's review of regional centers' purchase-of-service policies for compliance with law is an ongoing process which includes ensuring regional centers are implementing the least costly provision contained in statute.

CORRECTIONS AND REHABILITATION

DEPARTMENT OF CORRECTIONS

(Report Number 2005-105, September 2005)

It Needs to Better Ensure Against Conflicts of Interest and to Improve Its Inmate Population Projections

The Department of Corrections⁸ (Corrections) fiscal year 2003–04 budget did not include funds to continue the contracts for three private community correctional facilities (CCFs). However, in 2004 Corrections experienced a large unexpected increase in inmate population because parole reform programs were not carried out and because new inmate admissions from counties increased. Since prior population projections had generally projected a stable population through 2009, Corrections did not expect this large increase. To respond to this situation, Corrections put thousands of added beds into use, some located in “overcrowding” areas—temporary beds placed in areas that are more difficult to secure, such as gymnasiums and dayrooms. In summer 2004 the Youth and Adult Correctional Agency⁹ and Corrections decided to reactivate two of the closed CCFs—McFarland and Mesa Verde—using one-year, no-bid contracts, while initiating a competitive bidding process for a longer term solution.

Corrections’ Population Projections Unit (projections unit) generates population projections for time frames that span six fiscal years, monitors and reports on the quality of the projections, and explains inconsistencies between actual and projected populations. The annual population projections correspond with the State’s budget cycle and drives Corrections’ annual budget request. Corrections prepares its budget request using the fall population projection and submits this request to the Department of Finance (Finance) for use in preparing the Governor’s Budget. It revises its budget request based on the spring population projection and submits the revision to Finance for inclusion in the May revision of the Governor’s Budget. Corrections also uses these projections to assess the ability of its facilities to house the inmate population over a six-year timeline.

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) evaluate the process Corrections used to negotiate and enter into two no-bid contracts for private prison facilities to determine whether its policies and procedures are consistent with and adhere to current laws and regulations, particularly in relation to conflict-of-interest rules. In addition, the audit committee asked us to analyze information Corrections used in its decision to enter into the two no-bid contracts to determine whether such information was accurate and reliable, to analyze the reasonableness and consistency of its method of tracking and projecting inmate population, and to assess the validity of any cost savings it identified.

The following table summarizes Corrections’ progress in implementing the nine recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Corrections had not fully implemented six of those recommendations. Based on Corrections’ most recent response, five recommendations still remain outstanding.

⁸ The California Department of Corrections is now the California Department of Corrections and Rehabilitation (CDCR).

⁹ The Youth and Adult Correctional Agency is now within CDCR.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
9	6	5	5

In March 2007 the bureau issued a follow-up report titled *California Department of Corrections and Rehabilitation: Inmate Population Projections Remain Questionable* (Report No. 2007-503). In this report, the bureau performed additional audit work pertaining to the status of recommendations the bureau issued in 2005.

Following are the recommendations that we determined were not fully implemented, followed by Corrections' most recent response for each.

Recommendation #1:

To strengthen controls over its processing of no-bid contracts, Corrections should require key contractor staff to complete statements of economic interests.

Bureau's assessment of status: **Not fully implemented**[†]

Auditee's Response:

CDCR, Office of Business Services addresses this through the bidders' checklist for bids and through the award-signature letter for all contracts (bid or non-bid). Paragraph 17 of the award-signature letter instructs the contractor to submit the Form 700 as a condition of the contract. This language has been a part of the contract boilerplates for several years. The Form 700 is required of the person signing the contract for that specific company.

Recommendation #2:

If Corrections intends to continue using the projections for long-term decision making, such as facility planning, it should ensure that it employs statistically valid forecasting methods and consider seeking the advice of experts in selecting and establishing the forecasting methods that will suit its needs.

Bureau's assessment of status: **Not fully implemented**[‡]

[†] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not address all aspects of the recommendation.

[‡] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation and did not address all aspects of the recommendation.

Auditee's Response:

CDCR hired two experts to review the projections process and the simulation model, which was completed in June 2009. Based on formal and informal interviews with experts and administrators from around the United States, including the two hired experts, the Office of Research's Offender Information Services Branch defines the state-of-the-art in corrections population forecasting. We are pleased with their recommendations for further modifications, but have not been able to implement them due to lack of resources. For example, the prison projection system could use new software; however, a software cost of \$1.25 million seems impractical in these tough economic times. With our current state-of-the-art system, we were able to project the prison population within a two year time period by two percent. Since this projection is accurate, we can use this projection for budgetary purposes with confidence. Because of the length of time required to plan and build new facilities, projections beyond the two-year period are requested. Most experts agree that projections beyond 3 or more years are difficult, even with the best software and models available. The projections are not infallible or absolute: changes in policy or the economy or other historical events occur that will alter the long-term trends. Even so, the solution is not to simply abandon the effort, but rather to use the best means possible to model future trends to the best of our ability and use them to shape assumptions and decisions rather than rely upon them as if they are infallible.

Recommendation #3:

To increase the accuracy and reliability of its inmate projection, at a minimum, Corrections should update its variable projections with actual information, such as the new security level data, whenever feasible to do so.

Bureau's assessment of status: **Not fully implemented***

Auditee's Response:

Changes to the model needed to fully implement the Inmate Classification Scoring System data were completed in July 2011 and the Fall 2011 Population Projections utilized this data to produce the security level projections.

Recommendation #4:

To increase the accuracy and reliability of its inmate projections, at a minimum, Corrections should continue its recent efforts to enhance its communications with local government agencies to better identify changes that may materially affect prison populations.

Bureau's assessment of status: **Will not implement**

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

Auditee's Response:

CDCR disagrees with this recommendation as there is on-going communication with the Administrative Office of the Courts and the Chief Probation Officers of California, however, further communication with counties would not be a productive use of CDCR resources to improve the projection process.

Recommendation #5:

Corrections should fully document its projection methodology and model.

Bureau's assessment of status: **Not fully implemented***

Auditee's Response:

Documentation of the projection methodology and model was completed and sent to Bureau of State Audits on January 28, 2009. In response to a follow-up request, the simulation model code and the model user's manual were sent to the Bureau of State Audits on December 14, 2009. We acknowledge that former practices allowed for overrides to the model when analysts believed results were out of range, and failed to document their use. OISB has endeavored to minimize the use of overrides and each year those that are used are documented.

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

(Report Number 2005-111, November 2005)

The Intermediate Sanction Programs Lacked Performance Benchmarks and Were Plagued With Implementation Problems

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review how the California Department of Corrections and Rehabilitation (Corrections) handles parole violators under its New Parole Model policy. Specifically, the audit committee requested that we assess the steps used and the extent to which Corrections has implemented and monitored its new parole policy, focusing on the intermediate sanction programs, including electronic monitoring, substance abuse treatment control units, and community detention houses. In addition, the audit committee asked us to determine whether Corrections has established performance measures to measure the efficacy of its parole policy in lowering the recidivism rate.

On April 11, 2005, shortly after the audit committee approved the audit, Corrections' secretary terminated its use of the intermediate sanction programs as an alternative to parole revocation and return to prison. The programs we were asked to audit had been operating for 14 months or less when they were canceled, so the data available for our analysis were limited.

The following table summarizes Corrections' progress in implementing the three recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Corrections had not fully implemented two of those recommendations. Based on Corrections most recent response, one recommendation still remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
3	2	1	1

Following is the one recommendation that we determined was not fully implemented, followed by Corrections most recent response.

Recommendation #1:

- a. When planning future intermediate sanction programs, the parole division should decide on appropriate benchmarks for monitoring performance, identify the data it will need to measure performance against those benchmarks, and ensure that reliable data collection mechanisms are in place before a program is implemented.
- b. After implementing a new intermediate sanction program, the parole division should analyze the data it has collected and, if relevant, use the data in existing databases to monitor and evaluate the program's effectiveness on an ongoing basis.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response to Recommendation (a):

In its previous responses to the Bureau of State Audits (BSA), the California Department of Corrections and Rehabilitation (CDCR) indicated that Recommendation No. 1a was fully implemented by March 15, 2007. This response was based on the fact that the community-based programs, utilized as intermediate sanctions, were fully implemented and maintained at near or full capacity. CDCR also noted that positive recidivism

outcomes were reported in the *December 2003 Evaluation of the Preventing Parolee Crime Program (PPCP)*, conducted by California State University San Marcos, and the *2010 Evaluation of Five Parole Programs in California*, conducted by San Diego State University Research Foundation. Although CDCR's main benchmark was, and still is, to realize a measurable reduction in the State's recidivism rate through the use of evidenced-based programs, the actual benchmarks necessary to measure this outcome are just now being implemented.

While all community-based programs (i.e., intermediate sanctions) were implemented with data collection mechanisms in place, these measures were not necessarily performance benchmarks.

In August 2011, these community-based programs were transferred from the CDCR, Division of Adult Parole Operations to the CDCR, Division of Rehabilitative Programs (DRP). Since DRP uses Key Performance Indicators (KPI) to evaluate the performance of the rehabilitative programs under its purview, this process will also be used to measure the outcome of the community-based programs.

Currently, DRP is in the process of establishing appropriate performance indicators/benchmarks for the community-based programs. These include, but are not limited to, the following:

- Enrollment
- Attendance
- Program Completion
- Recidivism Rate/Reduction (involves a two year delay to gather data)

Other potential performance indicators include employment, education levels, and characteristics of those served. Once the performance indicators are finalized, data reports will be created allowing DRP to evaluate and monitor program performance. DRP anticipates KPIs will be operational by July 2012.

Estimated date of completion: July 2012

Auditee's Response to Recommendation (b):

In its previous responses to the Bureau of State Audits (BSA), the California Department of Corrections and Rehabilitation (CDCR) indicated Recommendation No. 1b was fully implemented by March 15, 2007. This response was based on the fact that the community-based programs utilized as intermediate sanctions were fully implemented, maintained at near or full capacity, and had reliable data submission mechanisms in place. CDCR was able to compare program data against return to custody information to help evaluate the effectiveness of the programs. However, the benchmarks necessary to utilize collected data to measure outcomes are just now being implemented.

As stated in previous reports, CDCR receives data from contractors and field staff that includes program referrals, enrollments, occupancy/participation, placements, exits, etc. Collected data is maintained in a database, and is used with data from the Revocation Scheduling and Tracking System (RSTS) to measure program capacity/participation. The data is also compared with return to custody information from the Department's Offender Based Information System (OBIS) Data Warehouse. Although these comparisons help CDCR evaluate the effectiveness of its community-based programs, established benchmarks are necessary for CDCR to evaluate program effectiveness on an ongoing basis.

In August 2011, the community-based programs were transferred from the CDCR, Division of Adult Parole Operations to the CDCR, Division of Rehabilitative Programs (DRP). Since DRP uses Key Performance Indicators (KPI) to evaluate the performance of the rehabilitative programs under its purview, this process will also be used to measure the outcome of the community-based programs. As stated in Recommendation No. 1, DRP is in the process of establishing appropriate performance indicators for the community-based programs. Once the performance indicators are finalized, reports will be created using the currently collected data. These reports will allow DRP to better evaluate and monitor program performance. DRP anticipates KPIs will be operational by July 2012.

Estimated date of completion: July 2012

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

(Report Number 2009-107.1, September 2009)

It Fails to Track and Use Data That Would Allow It to More Effectively Monitor and Manage Its Operations

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) evaluate the effect of California's rapidly increasing prison population on the state budget. We were asked to focus on specific areas of the California Department of Corrections and Rehabilitation's (Corrections) operations to provide the Legislature and the public with information necessary to make informed decisions. Specifically, we were asked to do the following:

- Review the current cost to house inmates; stratify the costs by their security level, age, gender, or any other relevant category tracked by Corrections; and determine the reasons for any significant cost variations among such levels and categories.
- Determine the number of inmates Corrections has sent to other states and calculate the State's cost and impact on Corrections' budget.
- Analyze Corrections' budget to determine the amounts allocated to vocational training, rehabilitation, and education programs.
- For a sample of institutions offering vocational training, rehabilitation, and education programs, review Corrections' system for determining the number of instructors and custody staff needed for inmates to participate in these programs. If such staffing is inadequate, determine if any inmates have been denied access to these programs.
- To the extent possible, determine the costs for incarceration under the three strikes law. At a minimum, determine the incarceration cost for each of the following three scenarios:
 - The third strike was not a serious and violent felony.
 - One or more of the strikes was committed as a juvenile.
 - Multiple strikes were committed during one criminal offense.
- Calculate annual overtime pay since 2002 for Corrections' employees, including correctional officers and custody staff, and investigate the reasons for significant fluctuations.
- Review the number of vacant positions during the last five years and determine whether they affect the annual overtime costs and whether filling vacancies would save Corrections money.
- Determine the extent to which Corrections currently uses and plans to use telemedicine. Further, determine if by using telemedicine Corrections is reducing inmate medical and custody costs and the cost to transport and guard inmates outside the prison environment.

The following table summarizes Corrections' progress in implementing the nine recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Corrections had not fully implemented eight recommendations. Based on Corrections' most recent response, seven recommendations have been not fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
9	8	8	7

Following are the recommendations that we determined were and were not fully implemented, followed by Corrections' most recent response for each.

Recommendation #1:

To help it assess the effect of policy changes and manage operations in a cost-effective manner, Corrections should do the following:

- Ensure that its new data system will address its current lack of data available for statewide analysis, specifically data related to identifying the custody staffing cost by inmate characteristics such as security level, age, and custody designation.
- If implementation of its new system continues to be delayed, or if Corrections determines that the new system will not effectively replace the current assignment and scheduling systems used by the institutions, it should improve its existing data related to custody staffing levels and use the data to identify the related costs of various inmate populations.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

To meet the requirements of this recommendation, CDCR will need to implement the full functionality of the Business Information System (BIS), implement Phase 1a of the Strategic Offender Management System (SOMS) and implement a statistical analytical package with an external reporting component.

The full implementation of BIS will provide the departmental cost information to operate an institution.

BIS status - BIS – Development/Implementation: Financial, Budgeting, and Supply Chain Management (SCM) functionality has successfully implemented across CDCR. Full Procure-to-Pay functionality has been in production since May 2010. Monthly Budget Planning (MBP) and reporting has been deployed CDCR enterprise wide. Human Resources (HR) functionality has been deployed for certain functionality including Organizational Management, Personnel Administration, Workers Compensation, Training and Events, and Employee Grievances. Personnel Cost Planning (PCP) budget functionality was deployed in August 2011. The BIS Project is gearing up to begin the Time/Shift effort. The solution will be TeleStaff for Shift and SAP for Time. The Revalidation, Design, Build, Pilot and Implementation of this functionality is slated for completion in one year. Stages and timeline for development and implementation are as follows: Onboarding and revalidation (November/December 2011); Development (January – April 2012); Pilot (May 2012); and implementation (June – November 2012).

Implementation of the initial phase of the Strategic Offender Management System (SOMS) will provide the inmate population data to include intake, scheduling, and movements.

SOMS Status – Development/Implementation: Intake, Movements and Counts deployment to the Female Institutions was successfully completed in March 2011 and is scheduled to be deployed to the Men’s Institutions on October 18, 2011; Additional functionality includes sentence calculation, classification, programs, holds/wants/detainers, visiting, transportation, gangs, property, appeals and grievances, and discipline and will be deployed over the next two years with full institutional deployment completed by December 2013.

The statistical analytical tool with business intelligence reporting will enable the Department to conduct correlative analysis of the data contained within the BIS and SOMS applications.

CDCR Enterprise Information Services (EIS) and the Office of Research (OR) are working together to implement a data warehouse to conduct correlative analysis of the data contained within BIS and SOMS. The basic infrastructure for the data warehouse is scheduled to be completed by December 2011 as part of the SOMS project. The SAS server for statistical analysis has been designed and built, and is currently being configured for the OR. EIS and OR have agreed to continue to work together so that as the new SOMS information systems are developed and implemented, data on assignments, waiting lists, and recidivism can be captured and archived in the enterprise data warehouse for program management and evaluation purposes.

Estimated date of completion: December 2013

Recommendation #2:

To ensure that the State is maximizing the use of funds spent on incarcerating inmates, Corrections should communicate to the Department of Personnel Administration—which is responsible for negotiating labor agreements with employee bargaining units—the cost of allowing any type of leave to be counted as time worked for the purpose of computing overtime compensation.

Bureau’s assessment of status: **Not fully implemented**

Auditee’s Response:

This recommendation is fully implemented for those Bargaining Units where negotiations are completed, and will continue for those Bargaining Units where negotiations will occur in the future.

CDCR has partnered with the Department of Personnel Administration adding GC Section 19844.1 which changed to State’s overtime provisions for bargaining units RO1, RO2, RO4, RO6, RO7, RO9, R10, R11, R12, R13, R14, R15, R17, R18, R19, R20, and R21, effective with the March 2009 pay period. The new language states “for the purpose of computing the number of hours worked, time when an employee is excused from work because of holidays, sick leave, vacation, annual leave, compensating time off, or any other leave shall not be considered as time worked by the employee for the purpose of computing cash or compensating time off for overtime.” DPA issued Personnel Management Liaisons Memorandum 2009-014 advising of the change. CDCR implemented the change accordingly. GC Section 19844.1 does not include provision for bargaining units RO5, RO8, and R16; however, RO5 and RO8 are not utilized by the CDCR. R16 is utilized and CDCR shall work toward including the language of GC Section 19844.1 in their successor memorandum of understanding, as needed.

Estimated date of completion: BU 6 negotiations were completed on April 1, 2011.

Recommendation #3:

To ensure that the State is maximizing the use of funds spent on incarcerating inmates, Corrections should encourage the Department of Personnel Administration to not agree to provisions in bargaining unit agreements that permit any type of leave to be counted as time worked for the purpose of computing overtime compensation.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The auditee provided the same response for Recommendation #2 and Recommendation #3.

Recommendation #4:

To more closely align its operations with state law and its own policy, make certain that inmates are provided with an adequate level of supervision, and protect the health and safety of employees and inmates, Corrections should encourage the Department of Personnel Administration to negotiate a reduction in the amount of voluntary overtime a correctional officer is allowed to work in future collective bargaining unit agreements, in order to reduce the likelihood that involuntary overtime will cause them to work more than 80 hours of overtime in total during a month.

Bureau's assessment of status: **Not fully implemented[‡]**

Auditee's Response:

The State's "Last, Best, and Final Offer" (LBFO) Implemented Terms of 09/18/2007 contains language in Section 12.05 "Voluntary Overtime by Seniority" that limits the overtime hours within a 7K work period to 80 hours. On 02/28/08, the CDCR issued a directive to Wardens advising them of the overtime cap, which was/is to include both voluntary and involuntary overtime. The directive further reminds Wardens of Article 12.06, which states that assignment of involuntary overtime on a rotating basis by inverse seniority, should continue to be followed to the extent the overtime cap will not be exceeded. The direction and intent of the CDCR is to avoid possible exceptions to the 80 hour cap, however, there may be times when an operational/emergency need arises that will exceed the 80 hour cap. This, however, is anticipated to be minimal, and not the "norm".

Recommendation #5:

To more closely align its operations with state law and its own policy, Corrections should better ensure that it prevents the instances in which correctional officers work beyond the voluntary overtime limit in a pay period.

Bureau's assessment of status: **Not fully implemented[‡]**

[‡] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation and did not address all aspects of the recommendation.

Auditee's Response:

The auditee provided the same response for Recommendation #4 and Recommendation #5.

Recommendation #6:

To ensure that it is addressing the program needs of its inmate population in the most cost-effective manner, Corrections should develop a staffing plan that allocates teacher and instructor positions at each institution based on the program needs of its inmate population.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CDCR has been drafting a budget methodology that determines inmate needs based on assessments, determines the necessary annual capacity to address those needs, and proposes options for growing services to the necessary capacity. However, given the State's fiscal crisis and the recent budget reductions to adult program funding, it will likely be several years before the Administration and the Legislature are able to consider adopting the type of methodology.

Estimated date of completion: Unknown

Recommendation #7:

To ensure that it can determine whether it is in compliance with state law and can measure the efficacy of its programs in reducing recidivism, Corrections should track, maintain, and use historical program assignment and waiting list data by inmate.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Implementation of the Strategic Offender Management System, Phase O, 1a and 1b; the risk assessment tool in the adult population; and a statistical analysis tool with business intelligence reporting will provide the ability to conduct the statistical historical analysis. In addition, the statistical analytical tool with business intelligent reporting will enable the Department to determine inmate needs and whether those needs were addressed, and secondly, provide individual level program data that will enable CDCR to evaluate the efficacy of programs at reducing recidivism.

SOMS Status – Development/Implementation: Intake, Movements and Counts deployment to the Female Institutions was successfully completed in March 2011 and is scheduled to be deployed to the Men's Institutions on October 18, 2011; Additional functionality includes sentence calculation, classification, programs, holds/wants/detainers, visiting, transportation, gangs, property, appeals and grievances, and discipline and will be deployed over the next two years with full institutional deployment completed by December 2013.

The statistical analytical tool with business intelligent reporting will enable the Department to conduct correlative analysis of the data contained within the BIS and SOMS applications.

CDCR Enterprise Information Services (EIS) and the Office of Research (OR) are working together to implement a data warehouse to conduct correlative analysis of the data contained within BIS and SOMS. The basic infrastructure for the data warehouse is scheduled to be completed by December 2011 as part of the SOMS project. The SAS server for statistical analysis has been designed and built, and is currently being configured for the OR. EIS and OR have agreed to continue to work together so that as the new SOMS information systems are developed and implemented, data on assignments, waiting lists, and recidivism can be captured and archived in the enterprise data warehouse for program management and evaluation purposes. The statistical analysis tool will be implemented by July 2012.

The CDCR is in the process of developing a business intelligence strategy with plans to implement by July 2012.

Estimated date of completion: December 2013

Recommendation #8:

To ensure that staff are aware of the relevant requirements related to prisoner literacy, Corrections should continue its efforts to update its adult education program policies.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

In July 2011 a detailed binder of the new academic structures with operational procedures was sent to each Principal to give specific details on how to implement.

CALIFORNIA PRISON HEALTH CARE SERVICES

(Report Number 2009-107.1, September 2009)

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

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) evaluate the effect of California's rapidly increasing prison population on the state budget. We were asked to focus on specific areas of the Department of Corrections and Rehabilitation's (Corrections) operations to provide the Legislature and the public with information necessary to make informed decisions. Related to California Prison Health Care Services (Prison Health Care Services), the audit committee specifically asked us to determine the extent to which Corrections currently uses and plans to use telemedicine. The audit committee also asked us to determine if by using telemedicine, Corrections is reducing inmate medical and custody costs and the cost to transport and guard inmates outside the prison environment. As a part of this audit, we made five recommendations to Prison Health Care Services related to the use of telemedicine.

The following table summarizes Prison Health Care Services' progress in implementing the five recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Prison Health Care Services had not fully implemented five recommendations. Based on Prison Health Care Services' most recent response, three recommendations have been not fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
5	5	4	3

Following are the recommendations that we determined were and were not fully implemented, followed by Prison Health Care Services' most recent response for each.

Recommendation #1:

To minimize costs through the use of telemedicine, Prison Health Care Services' should review the effectiveness of telemedicine consultations to better understand how to use telemedicine.

Bureau's assessment of status: **Not fully implemented**[‡]

Auditee's Response:

The goals are to increase telemedicine encounters, decrease off-site specialty consults and follow-ups, and expand telemedicine services at all California Department of Corrections and Rehabilitation adult institutions.

[‡] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation and did not address all aspects of the recommendation.

In the last update as provided in the Report No. 2010-041, CCHCS was in the process of implementing the Primary Care Pilot Project. The Primary Care Pilot Project was successfully implemented, and the following are the updated information.

- **Implement primary care via telemedicine at selected institutions** – Primary care has now been implemented at Pleasant Valley State Prison, Ironwood State Prison, and California Substance Abuse Treatment Facility and State Prison, Corcoran. This care is supported by three primary care physicians hired since the 2010 Corrective Action Plan.
- **Hire onsite specialty support to replace UCSF contracted services** – Specialty support staff for infectious disease were hired at institutions to replace UCSF contracted services. These encounters are now handled by CCHCS resources.
- **Default as many Requests for Services as safely possible through the Telemedicine Offices** – Telemedicine is now the default for all encounters for which telemedicine is appropriate. Institutional adherence to this policy, starting July 1, 2010, is measured by its use of telemedicine services as compared to offsite referrals for all specialties offered via Telemedicine.
- **Expand TM sites and their connectivity** – Internet protocol connectivity to all 33 institutions is complete. As part of this expansion, additional end-point units are deployed to support institutions with increased use of telemedicine services.
- **Improve scheduling of TM consultations** – The Office of Telemedicine Services' (OTS) scheduling team has implemented streamlined processes to ensure telemedicine scheduling responsiveness. The Telemedicine Scheduling System 2.0 was released in January 2011. Schedulers are now required to enter data with fewer screens in order to perform the same function. The system also uses RightFax and scanned images in lieu of paper processing.
- **Collaborate with the Prison Health Care Provider Network** – OTS continues to collaborate with the Prison Health Care Provider Network to manage network performance. Three staff members now provide collaboration among the HUB networks, headquarters, and institutions.
- **Improve capture of encounters and costs** – Encounters by specialty are measured on a monthly basis. The health care access team estimates that the transportation and guarding cost avoidance for telemedicine encounter for two patients/inmates is an average of \$290. CCHCS provided 14,577 specialty encounters during fiscal year 2010–11 for total cost avoidance of \$4.2 million. Although Mental Health and Primary Care do not represent transport cost savings, they do represent increased access to care.
- **Develop network availabilities for Telemedicine with Health Net** – As the Health Net network HUB offerings are secured, specialists are contracted to synchronize hours of service and Request for Services volume. The number of Telemedicine HUBs has increased by 38% from eight in 2009–10 to eleven in 2010–11, with additional HUBs on-boarding in 2011–12.

Recommendation #2:

To minimize costs through the use of telemedicine, Prison Health Care Services' should perform a more comprehensive comparison between the cost of using telemedicine and the cost of traditional consultations, beyond the guarding and transportation costs, so that it can make informed decisions regarding the cost-effectiveness of using telemedicine.

Bureau's assessment of status: **Not fully implemented**[‡]

Auditee's Response:

The value of telemedicine is in increased access to care as well as public safety and cost avoidance for partial transportation and guarding costs. Our contracts equivalently reimburse off site encounters and telemedicine encounters to provide an incentive for telemedicine routes of services.

Monthly reports are available that track each institution's telemedicine resource capacity and usage. Health Net will provide standard monthly reports based on the Third Party Administrator claims data. The reports will describe cost-based reports that include visit and encounter information by specialty, specialist, facility, and initial and follow-up breakdowns. A reports repository is available on Health Net's Web site.

Recommendation #3:

To increase the use of the telemedicine system, Prison Health Care Services' should continue to implement the recommendations that it has adopted from the consultant's review of telemedicine capabilities.

Bureau's assessment of status: **Not fully implemented**[‡]

Auditee's Response:

- **Increase defaulting of certain medical specialties** – Our current process requires institutions to consider telemedicine for any specialty that is not provided onsite. We continue to follow-up with institutions for adherence to this process.
- **Develop Health Net as a provider HUB during 2011** – Health Net is now the responsible party for management of telemedicine provider HUBs. This change was implemented in 2011.
- **Enhance scheduling system and process** – Release 2.0 of the Telemedicine Scheduling System (TMSS) was released in January 2011, thereby increasing scheduling efficiency and ease of use. In July 2011, management reports were added to the system that allow for more thorough scheduling and provider management.
- **Integrate with existing project including electronic Unit Health Records (eUHR) and the Health Care Scheduling System (HCSS)** – Integration with enterprise systems such as eUHR is an ongoing initiative. Telemedicine nurses at all institutions now use eUHR since its debut earlier this year. Office of Telemedicine Services continues to work with the HCSS team to integrate this scheduling approach into telemedicine operations, where this system is available.

[‡] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation and did not address all aspects of the recommendation.

- **Support telecommunications changes such as ISDN migration to internet protocol** – All 33 institutions now use internet protocol (IP) rather than ISDN. This has brought about cost avoidance of ISDN subscriber lines and enhanced quality of network service. Conversion from ISDN to IP was completed in July 2011. Centralized network management software now allows for pre-diagnosis of problems and statewide software updates.

Recommendation #4:

To increase the use of the telemedicine system, Prison Health Care Services should maintain a focus on developing and improving its computer systems, such as the Health Care Scheduling System, to increase the efficiency of using telemedicine.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

Telemedicine Scheduling System (TMSS) – In January 2011, TMSS was upgraded to its second major version, release 2.0. This release allows for resolution of bugs as well as functionality enhancements that improve efficiency of scheduling operations. In July 2011, management reports were added to the system that allow for more thorough scheduling and provider management.

Health Care Scheduling System (HCSS) – As of October 2011, this system has been released to all three women's institutions including California Institute for Women, Valley State Prison for Women, and Central California Women's Facility. During the pilot phase, Office of Telemedicine Services (OTS) identified areas of improvement that have since been implemented, providing a foundation for ongoing use of HCSS by institution telemedicine staff as it continues to be deployed statewide. OTS will continue to work in conjunction with the rollout of HCSS to enhance and integrate scheduling of telemedicine encounters.

MedWeb – MedWeb was successfully implemented and Telemedicine Coordinators were trained at all institutions and provider HUB sites as of October 5, 2011. MedWeb allows the institution and HUB site locations to upload, send, and view patient/inmate information and electronic files via a Health Insurance Portability Accountability Act (HIPAA) compliant transport retention medium. This increases the efficiency and reduces the time needed for data transport for telemedicine clinic preparation.

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

(Report Number 2009-107.2, May 2010)

Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) evaluate the effect of California's rapidly increasing prison population on the state budget. We were asked to focus on specific areas of the California Department of Corrections and Rehabilitation's (Corrections) operations to provide the Legislature and the public with information necessary to make informed decisions. This is our second report related to this request.¹⁰

For this report, we determined the number of striker inmates whose current offense was not a serious and violent felony, striker inmates who committed one or more serious or violent offenses as a juvenile, and striker inmates who committed multiple serious or violent offenses on the same day. We also estimated the potential cost of the additional years of incarceration imposed by the three strikes law for each of these groups. Further, we reviewed additional information regarding vacant positions and leave usage and examined state laws, policies, and procedures relevant to these subjects. In addition, to expand on the information presented in our prior report regarding the stratification of incarceration costs by inmate characteristics, we analyzed cost data for contracted specialty health care and reviewed certain characteristics of inmates receiving specialty care. We also reviewed the California Prison Health Care Services' (Prison Health Care Services) plans for containing health care costs, including its plan and associated costs for increasing the use of telemedicine.

The following table summarizes Corrections' progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Corrections had not fully implemented five of those recommendations. Based on Corrections' most recent response, five recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	5	5

Following are the recommendations that we determined were not fully implemented, followed by Corrections' most recent response for each.

Recommendation #1:

To address the erroneous sentencing information and inappropriately assigned convictions in its data system, Corrections should complete its cleanup of data that will be transferred into the new system, ensuring that this review includes a detailed evaluation of convictions that have been assigned outdated sentencing information as well as deleting erroneous sentencing information, before it begins using its new data system.

Bureau's assessment of status: **Not fully implemented**

¹⁰ We addressed many of the objectives contained in the audit committee's request in a report we published in September 2009 titled *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* (report 2009-107.1).

Auditee's Response:

The EIS/SOMS team will be performing data analysis during the data conversion activities of the Sentence Calc module of SOMS. These activities will last from the Fall 2011 through the deployment of the module in the late Summer of 2012. During this time, some of the major activities will include analysis of the statute tables to ensure that appropriate changes in law have been correctly entered in the new SOMS system and the creation of various discrepancy reports to ensure that Case Records staff have the information needed to identify and correct miscalculated data.

Estimated date of completion: Late Summer 2012

Recommendation #2:

To address the erroneous sentencing information and inappropriately assigned convictions in its data system, Corrections should create a schedule for regular checks of the accuracy of existing sentencing information, as well as the accuracy with which sentencing information has been assigned to convictions.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Case Records has dedicated a team of two Administrators to assist with the data clean up in OBIS to prepare it for migration into SOMS. Case Records staff began this project in September 2011 and the anticipated project time line for completion is May of 2012.

Estimated date of completion: May 2012

Recommendation #3:

To ensure that custody staffing meets institutional needs, and to provide staff the opportunity to use the amount of leave that they earn in the future, Corrections should update its staffing formulas to accurately represent each of the factors for which custody staff are unavailable to work, such as vacation or sick leave. Corrections should attend to this project before implementing its new business information system to ensure the updated formulas can be used as soon as practical. In addition, Corrections should create a policy for regularly scheduled reviews of the data used in the staffing formulas and update the formulas as necessary.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Training was conducted the week of November 7th on the new ratio relief formulas and the PPAS system. The institution data must now be migrated to the new system. We anticipate completing the data transfer by January 2012. The relief usage report has been developed and will be reviewed annually.

Estimated date of completion: January 2012

Recommendation #4:

To better communicate to policy makers the annual cost of incarceration, and to provide a more accurate estimate of expenditures associated with changes in the large leave balances of custody staff—many of whom require relief coverage when they are absent—Corrections should provide the following as supplemental information to the relevant legislative policy and fiscal committees: A calculation of the annual increase or decrease in its liability for the leave balances of custody staff to better explain the cause of changes in expenditures.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The new relief ratio has been developed and has been programmed into the PPAS system. Staff met with the impacted bargaining units and provided training to the end users. The existing data must now be converted into the updated PPAS system.

Estimated date of completion: January 2012

Recommendation #5:

To better communicate to policy makers the annual cost of incarceration, and to provide a more accurate estimate of expenditures associated with changes in the large leave balances of custody staff—many of whom require relief coverage when they are absent—Corrections should provide the following as supplemental information to the relevant legislative policy and fiscal committees: An estimate of the annual cost of leave balances likely to be paid for retiring custody staff.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

CDCR does not agree with this recommendation. There are a number of factors that influence retirement decisions that lead to wide variances in the likely expenditures, which make it very difficult to estimate these costs with any reliable degree of accuracy, as indicated in our response letter dated April 30, 2010.

CALIFORNIA PRISON HEALTH CARE SERVICES

(Report Number 2009-107.2, May 2010)

California Department of Corrections and Rehabilitation: Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) evaluate the effect of California's rapidly increasing prison population on the state budget. We were asked to focus on specific areas of the California Department of Corrections and Rehabilitation's (Corrections) operations to provide the Legislature and the public with information necessary to make informed decisions. This is our second report related to this request.¹¹

For this report, we determined the number of striker inmates whose current offense was not a serious and violent felony, striker inmates who committed one or more serious or violent offenses as a juvenile, and striker inmates who committed multiple serious or violent offenses on the same day. We also estimated the potential cost of the additional years of incarceration imposed by the three strikes law for each of these groups. Further, we reviewed additional information regarding vacant positions and leave usage and examined state laws, policies, and procedures relevant to these subjects. In addition, to expand on the information presented in our prior report regarding the stratification of incarceration costs by inmate characteristics, we analyzed cost data for contracted specialty health care and reviewed certain characteristics of inmates receiving specialty care. We also reviewed the California Prison Health Care Services' (Prison Health Care Services) plans for containing health care costs, including its plan and associated costs for increasing the use of telemedicine.

The following table summarizes Prison Health Care Services' progress in implementing the five recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Prison Health Care Services had not fully implemented three of those recommendations. Based on Prison Health Care Services' most recent response, three recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
5	3	3

Following are the recommendations that we determined were not fully implemented, followed by Prison Health Care Services' most recent response for each.

Recommendation #1:

To determine whether the additional expansion of telemedicine is cost-effective within the California correctional system, Prison Health Care Services should identify and collect the data it needs to estimate the savings of additional telemedicine through an analysis of the cost of specialty care visits currently provided outside of the institution that could be replaced with telemedicine.

¹¹ We addressed many of the objectives contained in the audit committee's request in a report we published in September 2009 titled: *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* (report 2009-107.1).

Bureau's assessment of status: **Not fully implemented**[‡]

Auditee's Response:

The health care access team estimates that the transportation and guarding cost avoidance for telemedicine encounter for two patients/inmates is an average of \$290. CCHCS provided 14,577 specialty encounters during fiscal year 2010–11 for total cost avoidance of \$4.2 million. Although Mental Health and Primary Care do not represent transport cost savings, they do represent increased access to care. The Office of Telemedicine Services and Utilization Management have developed a report to measure the percentage of telemedicine encounters vs. offsite consultations and continue to monitor each institution's upward trend.

Recommendation #2:

To determine whether the additional expansion of telemedicine is cost-effective within the California correctional system, Prison Health Care Services should do the following: further analyze the cost-effectiveness of telemedicine through a more robust estimate of savings, including considering factors such as the percent of telemedicine consultations that required subsequent in-person visits because the issue could not be addressed through telemedicine.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CCHCS analysts have created and are validating reports that track initial and follow-up specialist visits, using the CPT-GT modifier (Current Procedural Terminology-Telemedicine Modifier). These reports will provide trending information on telemedicine visits followed by an offsite visit. This trending report will allow for a focused chart review/audit based on data.

Estimated date of completion: March 2012

Recommendation #3:

To ensure that the total amount of overtime worked by custody staff does not unduly reduce their effectiveness and result in unsafe operations, Prison Health Care Services should monitor overtime closely. If its efforts to reduce the number of referrals of inmates to outside specialty services do not reduce the amount of overtime worked by custody staff for the purpose of medical guarding and transportation, Prison Health Care Services should explore other methods of reducing the total amount of overtime worked by custody staff.

Bureau's assessment of status: **Not fully implemented**

[‡] Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation and did not address all aspects of the recommendation.

Auditee's Response:

CCHCS will continue to work with CDCR to resolve by assessing medical guarding and transportation staffing with a focus on current policy requirements and security needs.

Estimated date of completion: CDCR has determined a need to reassess the entire Department Operations Manual (DOM) sections specific to Medical Guarding and Transportation staffing; therefore, the implementation date is contingent upon CDCR's reassessment and finalization of a policy specific to staffing efficiencies in order to reduce overtime in these areas. Meanwhile, the Health Care Access Team continues to monitor and track the overtime usage for medical guarding and transportation.

BUSINESS, TRANSPORTATION AND HOUSING

CALIFORNIA HIGHWAY PATROL (Report Number 2007-111, January 2008)

It Followed State Contracting Requirements Inconsistently, Exhibited Weaknesses in Its Conflict-of-Interest Guidelines, and Used a State Resource Imprudently

The Joint Legislative Audit Committee (audit committee) directed the Bureau of State Audits (bureau) to review the California Highway Patrol's (CHP) purchasing and contracting practices and its use of state resources. Specifically, the audit committee asked us to:

- Review CHP contracts awarded since January 1, 2004, for helicopters, motorcycles, guns and accessory equipment, patrol car electronics, and counseling services to determine whether CHP had complied with laws related to purchasing and whether the contracts were cost-beneficial and in the best interest of the State.
- Ascertain whether the State could cancel any noncompetitive purchasing agreements that were not compliant with laws or in the best interest of the State and repurchase goods using competitive bidding.
- Examine relevant internal audits and personnel policy or financial reviews to determine whether CHP responded to the issues raised and took recommended corrective actions.
- Evaluate CHP's contracts for specified goods and services and determine whether conflicts of interest existed.
- Identify CHP's policies and practices for using state equipment, including aircraft, and determine whether CHP complied with these policies and laws and whether its employees reimbursed the State for any personal use of state property.

The following table summarizes CHP's progress in implementing the eight recommendations the bureau made to it in the above referenced report. As shown in the table, as of its latest response, CHP has fully implemented all recommendations.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
8	1	1	0

Following is the one recommendation that we determined was fully implemented, followed by CHP's most recent response.

Recommendation #1:

Include as designated employees for filing the Form 700, all personnel who help to develop, process, and approve procurements.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The CHP has completed its Conflict-of-Interest Code (Code). The Code was approved by the Fair Political Practices Commission on July 27, 2011. Afterwards, the Code was forwarded to the Office of Administrative Law (OAL). The OAL filed the Code with the Secretary of State on August 16, 2011, for publication of the Code into the California Code of Regulations. Furthermore, the Human Resources Section of the CHP is placing the Code into operation.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

(Report Number 2009-037, November 2009)

Housing Bond Funds Generally Have Been Awarded Promptly and in Compliance With Law, but Monitoring Continues to Need Improvement

In 2002 and 2006 California voters passed the Housing and Emergency Shelter Trust Fund acts to provide bonds (housing bonds) for use in financing affordable housing for low- to moderate-income Californians. The Department of Housing and Community Development (HCD) and the California Housing Finance Agency (Finance Agency) primarily award, disburse, and monitor the housing bond funds received by various programs.

The California Health and Safety Code requires the Bureau of State Audits (bureau) to conduct periodic audits of housing bond activities to ensure that proceeds are awarded in a manner that is timely and consistent with legal requirements and that recipients use the funds in compliance with the law.

The following table summarizes HCD's progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, HCD had not fully implemented two of those recommendations. Based on HCD's most recent response, two recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	2	2

Following are the recommendations that we determined were not fully implemented, followed by HCD's most recent response for each.

Recommendation #1:

To ensure that data maintained in the Consolidated Automated Program Enterprise System (CAPES) are accurate and complete, HCD should complete its review of the accuracy of the data transferred to CAPES.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

HCD's initial response indicated that it had fully implemented the data validation associated with the bond programs. However, after we requested clarification from HCD related to this statement, it stated that its response associated with the bond audit should not be interpreted to mean that all data elements in CAPES are fixed. The supporting data submitted to the bureau pertained to bond information validation only and HCD recognizes that further improvements to CAPES are needed. HCD indicated that a full reconciliation of the federal HOME Investment Partnerships Program loan source documents to CAPES will not be completed until May 31, 2013.

Estimated date of completion: May 2013

Recommendation #2:

HCD should also ensure that its cleanup efforts are thoroughly documented and retained for future reference.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

HCD provided the same response as it did under Recommendation #1.

Estimated date of completion: May 2013

BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO AND SUISUN

(Report Number 2009-043, November 2009)

It Needs to Develop Procedures and Controls Over Its Operations and Finances to Ensure That It Complies With Legal Requirements

The California Harbors and Navigation Code, Section 1159.4, requires the Bureau of State Audits (bureau) to complete a comprehensive performance audit of the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun (board) by January 1, 2010, and a comprehensive financial audit by December 1, 2009. Our report combined both audits. Because state law does not specify the topics these audits should address, we identified and reviewed applicable state laws and regulations related to the form and function of the board and identified five areas on which to focus our review. Specifically, we focused on the licensing of pilots, investigations of incidents involving pilots, pilot training, board structure and administration, and the board's finances.

The following table summarizes the board's progress in implementing the 27 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the board had not fully implemented seven of those recommendations. Based on the board's most recent response, two recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
27	7	2

Following are the recommendations that we determined were and were not fully implemented, followed by the board's most recent response for each.

Recommendation #1:

To ensure that it consistently adheres to requirements in state law when licensing pilots, the board should establish and implement a procedure for approving and monitoring board-appointed physicians.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

A 101-page study entitled, "Pilot Fitness Study for the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun," prepared by Dr. Robert Kosnik, MD of the University of California, San Francisco Medical Center, was delivered to the Board on May 26, 2011. The Board formally accepted the study on that day. The study provides 20 recommendations that, if adopted by the Board, will make substantial changes to Board procedures for pilot fitness determinations, including recommendations that would establish a two-physician fitness determination in a clinic setting. The Board also directed staff to initiate the preliminary stages by contracting with a consultant to prepare a market survey of costs and other matters necessary. The Board has also directed its Pilot Fitness Committee and Rules and Regulations Committee jointly to begin a series of public workshops that will address the full range of recommendations from the study. The first workshop was held on July 19, 2011. The Board hopes in January 2012 to commence

administrative rulemaking to facilitate establishment and implementation of a procedure for approving and monitoring Board-appointed physicians, followed by a competitive procurement for Board physician services. An additional appropriation may be required in order for the Board to implement these changes. A copy of the referenced study is attached.

Estimated date of completion: June 2013

Recommendation #2:

To ensure that it consistently adheres to requirements in state law when licensing pilots, the board should review and update its regulations regarding the frequency of pilot physical examinations to ensure that they are consistent with state law.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Board's Rules and Regulations Committee commenced the process of updating the Board's regulations with respect to frequency of pilot physical examinations at its June 2010 meeting. The Office of Administrative Law approved the regulatory amendments to 7 CCR sections 217 on March 14, 2011. The changes went into effect on April 13, 2011. A copy of the amended regulation is attached.

Recommendation #3:

To ensure that it fully complies with state law regarding investigations, the board should develop and enforce regulations establishing minimum qualifications for its investigators, as state law requires.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

At its August 26, 2010, meeting, the Board adopted Commission Investigator minimum standard amendments to 7 CCR section 211.5 and they were filed with the Office of Administrative Law for final approval. They have since been approved as of March 17, 2011, and the changes went into effect April 16, 2011. A copy of the amended regulation is attached.

Recommendation #4:

To ensure that all pilots complete required training within the specified time frames, the board should include in its contracts with institutions providing continuing education for pilots, a provision requiring those institutions to prepare an evaluation of pilots' performance in the training.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Board has initiated a contract amendment to include the requirement that pilots receiving manned model training should be evaluated upon completion of the training and that the completed evaluation be forwarded to the Board for review. The Department of General Services approved an amended contract with the vendor providing manned model training January 31, 2011. The amendment took effect January 31, 2011. A copy of the amended contract is attached.

Recommendation #5:

To ensure that its expenditures are appropriate, the board should cancel its lease for two parking spaces that it entered into in 2009, or require its staff or board members to reimburse the board for their use of those parking spaces.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Department of General Services discontinued its contract with the Port of San Francisco and entered into a lease agreement with a different landlord effective April 1, 2011. The Board moved the Board office to 660 Davis Street in April of 2011. A copy of the lease agreement is attached.

Recommendation #6:

To ensure that its expenditures are appropriate, the board should competitively bid contracts with physicians who perform physical examinations of pilots.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

A 101-page study entitled, "Pilot Fitness Study for the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun," prepared by Dr. Robert Kosnik, MD of the University of California, San Francisco Medical Center, was delivered to the Board on May 26, 2011. The Board formally accepted the study on that day. The study provides 20 recommendations that, if adopted by the Board, will make substantial changes to Board procedures for pilot fitness determinations, including recommendations that would establish a two-physician fitness determination in a clinic setting. The Board also directed staff to initiate the preliminary stages by contracting with a consultant to prepare a market survey of costs and other matters necessary. The Board has also directed its Pilot Fitness Committee and Rules and Regulations Committee jointly to begin a series of public workshops that will address the full range of recommendations from the study. The first workshop was held on July 19, 2011. The Board hopes in January 2012 to commence administrative rulemaking to provide the basis for competitive bidding for physicians to perform

physical examinations of pilots. An additional appropriation may be required in order for the Board to implement these changes. A copy of the referenced study is attached.

Estimated date of completion: June 2013

Recommendation #7:

To ensure that its expenditures are appropriate, the board should cease reimbursing pilots for business-class travel when they fly for training and amend its contract with the Bar Pilots accordingly.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

On May 25, 2011, following review by the California Highway Patrol of the Board's proposed amendment, the Board and the San Francisco Bar Pilots amended their existing contract to specify that travel to Board-mandated training would be reimbursed at the rate of the most economical, refundable airfare. A copy of the amended contract is attached.

HIGH-SPEED RAIL AUTHORITY
(Report Number 2009-106, April 2010)

It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management

The High-Speed Rail Authority (Authority), created in 1996, is charged with the development of intercity, high-speed rail service that is fully integrated with existing intercity rail and bus networks. In 2008 voters approved Proposition 1A, which authorized the State to sell \$9 billion in general obligation bonds for planning, engineering, and construction of a high-speed rail network. The Joint Legislative Audit Committee asked the Bureau of State Audits (bureau) to assess the Authority’s readiness to manage funds authorized for building the high-speed rail network.

The following table summarizes the Authority’s progress in implementing the 10 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the Authority had not fully implemented five of those recommendations. Based on the Authority’s most recent response, four recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
10	5	4

Following are the recommendations that we determined were and were not fully implemented, followed by the Authority’s most recent response for each.

Recommendation #1:

To ensure that it can respond adequately to funding levels that may vary from its business plan, the Authority should develop and publish alternative funding scenarios that reflect the possibility of reduced or delayed funding from the planned sources. These scenarios should detail the implications of variations in the level or timing of funding on the program and its schedule.

Bureau’s assessment of status: **Not fully implemented**[†]

Auditee’s Response:

In our AB 115 report to the Joint Legislative Budget Committee dated October 13, 2011, we outlined three alternative financing scenarios should planned funding fall below the level presently anticipated. The scenarios are as follows:

- a. reduce the scope or delay the next phase of system development until the performance of the existing system can generate sufficient revenues to support future expansion;
- b. increase government funding of the capital cost of the system in order to reach the point in system development at which the performance of the system can attract sufficient private sector investment; or,

[†] Contrary to the bureau’s determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not address all aspects of the recommendation.

c. utilize a combination of these approaches.

Please see the attached AB 115 report for additional information. We believe the financing scenarios described above adequately address the State Auditor's recommendation.

Recommendation #2:

In order to plan adequately for private investment, the Authority should further specify the potential costs of planned revenue guarantees and who would pay for them.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

In our AB 115 report to the Joint Legislative Budget Committee dated October 13, 2011, we presented our current funding approach which includes a projection that does not result in a need for an operating subsidy to private operators. Additionally, in our planned business model we indicate that each phase of the implementation of the system would involve private sector investment only at the point that revenue risk could be transferred and we will be able to proceed without providing a revenue guarantee or other similar mechanism to reduce the risk of the private operator(s). We believe our current approach adequately addresses the State Auditor's recommendation.

Recommendation #3:

In order to respond effectively to circumstances that could significantly delay or halt the program, the Authority should ensure that it implements planned actions related to managing risk.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The PMT has established a risk management program that ranks and prioritizes project risks and mitigation strategies. (In its response to the audit recommendation the Authority provided a copy of the PMT's technical memorandum Risk Register Development Protocol TM 0.6. Attached here is a copy of the PMT's risk management plan and an example of a monthly risk register.) The program management oversight consultant reviews the PMT's risk management activities contained in the monthly progress reports. To provide oversight of the risk management program, the Authority is in the process of filling the vacant position of risk manager. The position is responsible for managing and tracking risks and risk mitigation contingencies and will monitor the PMT's risk management program. Applications are on file and interviews are taking place. (See the Chapter 9, Risk Identification and Mitigation, in the November 1, 2011 Draft Business Plan for details on the project risk management program.

Estimated date of completion: January 30, 2012

Recommendation #4:

To avert possible legal challenges, the Authority should ensure that the review group adheres to the Bagley-Keene Open Meeting Act or seek a formal opinion from the Office of the Attorney General regarding whether the review group is subject to this act.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

With the recent appointment of the Authority's Chief Counsel, the Authority has begun discussions with the Office of the Attorney General on whether the peer review group must comply with the Bagley-Keene Open Meeting Act. If and when the Authority requests a formal opinion from the Attorney General, a copy of the request will be promptly forwarded to the State Auditor.

Estimated date of completion: September 30, 2012

Recommendation #5:

To ensure that it does not run out of funds for administrative and preconstruction tasks prematurely, the Authority should track expenditures for these activities and develop a long-term spending plan for them. It also should develop procedures and systems to ensure that it complies with American Recovery and Reinvestment Act of 2009 requirements.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Presently the Authority is tracking the expenditure data associated with Administrative and Preconstruction costs specified in Prop 1A (add reference) through Calstars, the annual budget act appropriations and using Excel for long-term cost projections, which will be the basis for creating a long-term spending plan. The Authority is developing an automated accounting system to replace the current process.

To comply with Recovery Act requirements, the Authority currently has systems in place to track and report on the use of Recovery Act funds that include spreadsheets to track costs by project tasks, total funds received as of September 30, 2011 and compliance with reporting requirements. Procedures documenting the federal invoicing process and grant administrative requirements have been developed and are attached along with examples of the tracking spreadsheets. Furthermore, the Authority is updating the contract administration manual to incorporate Recovery Act contract requirements and expects the manual to be complete by June 2012 after RFP and RFQ requirements for construction and right-of-way contracts have been determined.

Estimated date of completion: December 31, 2012

RESOURCES

DEPARTMENT OF PARKS AND RECREATION

(Report Number 2004-126, August 2005)

Off-Highway Motor Vehicle Recreation Program: The Lack of a Shared Vision and Questionable Use of Program Funds Limit Its Effectiveness

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) review the Department of Parks and Recreation's (Parks and Recreation) administration and allocation of moneys in the Off-Highway Vehicle Trust Fund (OHV trust fund).

The Off-Highway Motor Vehicle Recreation Program (OHV program) was created to better manage the growing demand for off-highway vehicle (OHV) recreation while protecting California's natural and cultural resources from the damage that can occur from indiscriminate or uncontrolled OHV recreation. Parks and Recreation's Off-Highway Motor Vehicle Recreation Division (division) administers the OHV program. The division operates eight state vehicular recreation areas (SVRAs) and administers the grants and cooperative agreements program (grants program), which provides funding to local and federal government agencies for OHV recreation.

The OHV program is funded primarily through collections of the fuel tax, registration fees for OHVs, and SVRA entrance fees. The Off-Highway Motor Vehicle Recreation Commission (commission) provides for public input, offers policy guidance to the division, and approves grants and cooperative agreements. The commission also approves the division's capital outlays. The governor and the Legislature appoint the commissioners who represent varying interests in OHV recreation and serve staggered four-year terms.

The following table summarizes Parks and Recreation's progress in implementing the nine recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Parks and Recreation had not fully implemented six of those recommendations. Based on its most recent response, the bureau determined Parks and Recreation has fully implemented all recommendations.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
9	6	1	0

Following is the one recommendation that we determined was fully implemented, followed by Parks and Recreation's most recent response.

Recommendation #1:

To ensure that it obtains information critical to the performance and planning for the OHV program, the commission should prepare and submit the required biennial program reports on the status and performance of the OHV program when they are due.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

As we have indicated in our prior responses regarding the status of implementing this recommendation, it should be noted that the law which required biennial reporting was revised by the legislature. Senate Bill (SB) 742 was chaptered on October 12, 2007 and became effective on January 1, 2008. The provisions of SB 742 changed the reporting requirement cited in the Bureau of State Audits recommendation. The current provisions of Public Resources Code (PRC) Section 5090.24 (h) indicate that a program report should be prepared and submitted "on or before January 1, 2011, and every three years thereafter." As a result, the first report due under the current requirements of PRC Section 2090.24 (h) is January 1, 2011. Since the required report has been completed and submitted as required, we have fully complied with this recommendation.

DEPARTMENT OF FISH AND GAME

(Report Number 2008-102, August 2008)

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

In November 2007 the Cosco Busan, an outbound container ship, hit a support on the San Francisco—Oakland Bay Bridge, releasing about 53,600 gallons of oil into the bay. This event, known as the Cosco Busan oil spill, focused public attention on California’s Office of Spill Prevention and Response (spill office), a division of the Department of Fish and Game (Fish and Game). The spill office, created in 1991, is run by an administrator appointed by the governor, who is responsible for preventing, preparing for, and responding to oil spills in California waters.

The spill office, along with the contingency plans it oversees, fits into a national framework for preventing and responding to oil spills, with entities at every level of government handling some aspect of the planning effort. When an oil spill occurs, the response is overseen by a three-part unified command consisting of representatives from the spill office; the party responsible for the spill and its designated representatives; and the federal government, represented by the U.S. Coast Guard (Coast Guard), which retains ultimate authority over the response.

The following table summarizes Fish and Game’s progress in implementing the 15 recommendations the Bureau of State Audits (bureau) made in the above referenced report. As shown in the table, as of its one-year response, Fish and Game had not fully implemented eight of the recommendations. Based on Fish and Game’s most recent response, all recommendations are now fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
15	8	3	0

Following are the recommendations that we determined were fully implemented, followed by Fish and Game’s most recent response for each.

Recommendation #1:

With regard to postspill reviews, the spill office should determine whether the postspill reviews are an effective means for identifying areas for plan improvement and then take steps to either ensure the reviews are submitted or eliminate them from its regulations.

Bureau’s assessment of status: **Fully implemented**

Auditee’s Response:

The requirement for a “post spill review” has routinely run into legal challenges; the responsible party (RP) is reluctant to admit fault or deficiencies in their plan due to liability issues. The investigations conducted by OSPR and/or the US Coast Guard as the cause of the spill is a better source for this information, which can then be addressed in the RP’s contingency plan, if appropriate. Therefore, rulemaking was promulgated that removed the requirement for a “post spill review.” These changes went into effect on June 2, 2011.

Recommendation #2:

To strengthen its role as a liaison between local governments and the unified command, the spill office should continue with its plans to develop qualification standards for liaison officers and to train more staff for that role. In addition, the spill office should ensure that staff in its operations center provide all necessary support, including communications equipment, to liaison officers in the field.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

OSPR has developed a program for expanding the liaison staff depth.

OSPR currently has identified 3 liaison position Subject Matter Experts (SME), which was the initial goal for all mission-critical ICS positions that OSPR routinely fills. These SMEs have developed a Liaison training program for staff members for serving at either the Incident Command Post or in the Operations Center in Sacramento. Currently several staff in addition to the SMEs have been trained and are getting their OJT through in-house and industry drills.

OSPR developed a liaison component for the Ops Center Manual which includes tasks, jobs and additional information. OSPR activated the Ops Center Liaison during the October 2010 Dubai Star incident in the San Francisco Bay, and the Statewide Tsunami event in March 2011. The Ops Center Liaison provided significant critical support to the field Liaison officer, and bridged the need for communication between the Command post and the Assembly, Senate, and other agencies (local, State, and Federal) that were not on-scene or directly involved with the response. The Ops Center Liaison's support removed a tremendous demand off the field Liaison officer for better on-scene focus.

Continuing education and skill development will be ongoing. OSPR plans to continue to train and drill identified Liaison staff, for both Operations Center and field positions. Designated Liaison staff will need to attend drills and exercises regularly to maintain their skills.

The recent implementation of OSPR's oil spill response website has been incorporated into the training as a tool that can be used to provide spill-specific information available to the press and general public. More sensitive information will be available to government agencies under password protection.

Recommendation #3:

To ensure that the fund is charged only for oil spill prevention activities, the spill office and Fish and Game should take steps to ensure that spill prevention wardens' time is charged appropriately, such as performing a time study of wardens to use as a basis for allocating wardens' time between the fund and other Fish and Game funding sources. Such a time study should be updated periodically to ensure that it remains valid and accurate.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Department of Fish and Game's Law Enforcement Division (LED) had completed two time studies prior to completing this third study. The BSA had determined the previous two studies did not meet the recommendation's intent. In an attempt to comply with the BSA recommendations a third time study was commissioned.

The Law Enforcement unit within the OSPR completed a time study comparing spill warden's time claimed on monthly attendance reports with the actual activity worked for the same monthly period. The time study also compared the time claimed on attendance reports of non-spill wardens verses their activity worked for the same monthly periods. The non-spill wardens used in this study worked within the same geographic areas as the spill wardens.

The time study revealed that spill wardens did not charge the OSPAF excessively. The study revealed that although spill wardens may work occasionally in areas not directly related to spill prevention and response, the use of specialized overtime not from the OSPAF allowed the spill wardens to remain within the marine zone monitoring spill activity and conducting spill prevention patrols for a longer period of time. This allowed spill wardens to work in the marine zone longer with no charge to the OSPAF. In addition, the study revealed that non-spill wardens work and completed significant amounts of spill related enforcement activity while working within the marine zone. This activity was not funded by the OSPAF. And as a result, the mission of the OSPR is benefitted by non-funded activity on an average of 60 hours per month per non-OSPAF funded officer.

In addition, the LED has developed funding management tools to help both spill and non-spill wardens charge their working time to the appropriate fund. These tools allow all wardens to code work efforts not in support of the OSPAF to other specific funding sources. Supervisors and managers review the use of these codes monthly to verify the appropriateness of the charges. These codes are then reviewed periodically by management to verify funding charges are within allotted limits and that the charges to specific funding sources are appropriate.

The OSPR Law Enforcement unit will continue to monitor activity charges to the OSPAF on a monthly and quarterly basis to verify the appropriateness of the charges. A new time study will be developed and implemented in the coming year to verify the findings of the initial study. Based on the recommendations made by the BSA, the Department of Fish and Game and OSPR believe we have fully implemented recommendation #5 of the BSA Report 2008-102. A complete copy of the Warden Time Study was submitted to the BSA in March 2011.

DEPARTMENT OF FISH AND GAME

(Report Number I2009-1, April 2009)

Office of Spill Prevention and Response—Investigations of Improper Activities by State Employees: July 2008 Through December 2008 (Case #I2006-1125)

The California Whistleblower Protection Act (Whistleblower Act) empowers the Bureau of State Audits (bureau) to investigate and report on improper governmental activities by agencies and employees of the State. Under the Whistleblower Act, an improper governmental activity is any action by a state agency or employee during the performance of official duties that violates any state or federal law or regulation; that is economically wasteful; or that involves gross misconduct, incompetence, or inefficiency.

Allegation I2006-1125

A high-level official formerly with the Office of Spill Prevention and Response (spill office) of the Department of Fish and Game (Fish and Game), received reimbursements that she was not entitled to receive for commute expenses between her Sacramento headquarters and her Southern California residence. In addition, in violation of state travel regulations, Fish and Game reimbursed the official for lodging and meal expenses incurred near her headquarters and her residence. Thus, from October 2003 through March 2008, the official incurred \$71,747 in improper expenses.

The following table summarizes Fish and Game’s progress in implementing the two recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Fish and Game had not fully implemented one recommendation. Based on Fish and Game’s most recent response, the recommendation has now been fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
2	1	1	0

Following is the one recommendation that we determined was fully implemented, followed by Fish and Game’s most recent response.

Recommendation #1:

To improve Fish and Game’s review process for travel claims submitted to its accounting office, it should do the following:

- Require all employees to list clearly on all travel expense claims their headquarters address and the business purpose of each trip.
- Ensure that the headquarters address listed on travel expense claims matches the headquarters location assigned to the employee’s position.
- For instances in which the listed headquarters location differs from the location assigned to the employee’s position, require a Fish and Game official at the deputy director level or above to provide a written explanation justifying the business need to alter the headquarters location. This justification must also include a cost-benefit analysis comparing the two locations and should be forwarded to the Department of Personnel Administration for approval.

Bureau’s assessment of status: **Fully implemented**

Auditee's Response:

The Accounting Services Branch (ASB) provides staff training on a continuous basis to ensure that the headquarter's address is clearly identified on the Travel Expense Claim (TEC) and that the business purpose for each trip is written on the designated line of the TEC.

Also, the Department of Fish and Game's (Department) Human Resources Branch together with ASB has continued to utilize the Employee's Designated Headquarters form (FG HRB-202) as a reference when approving TECs. This form identifies the employee's headquarters and, if applicable, certifies the employee's home as their headquarters upon approval by the deputy director or equivalent. On July 27, 2011, the Department responded to the Bureau of State Audit's request for a list of employees having headquarters in different locations than the location assigned to their position, including any of those whose headquarters are their residences. The Department's letter with the list is attached.

Following the receipt of our response, the Bureau of State Audit requested for additional information as follows: Each employee's headquarter location, each employee's actual position location (even if more than one, please provide the locations the employee works in), and the justification/rationale for the difference. The Department's response in spreadsheet form is attached.

CALIFORNIA ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

(Letter Report Number 2009-119.1, December 2009)

It Is Not Fully Prepared to Award and Monitor Millions in Recovery Act Funds and Lacks Controls to Prevent Their Misuse

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) conduct a review of the preparedness of the California Energy Resources Conservation and Development Commission (Energy Commission) to receive and administer federal American Recovery and Reinvestment Act of 2009 (Recovery Act) funds awarded by the U.S. Department of Energy for its State Energy Program (Energy Program).

The following table summarizes the Energy Commission's progress in implementing the two recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the Energy Commission had not fully implemented either of those recommendations. Based on the Energy Commission's most recent response, both recommendations have been fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
2	2	0

Following are the two recommendations that we determined were fully implemented, followed by the Energy Commission's most recent response for each.

Recommendation #1:

As expeditiously as possible, the Energy Commission should take the necessary steps to implement a system of internal controls adequate to provide assurance that Recovery Act funds will be used to meet the purposes of the act. These controls should include those necessary to collect and verify the data needed to measure and report on the results of the programs funded by the Recovery Act and to mitigate potential fraud, waste, and abuse. Such steps should include quickly performing the actions already planned, such as assessing the Energy Commission's existing controls and the capacity of its resources and systems, and promptly implementing all needed improvements.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Energy Commission addressed this recommendation through two contracting efforts: 1) an Audit Support Services contract with Perry-Smith LLP to provide a Commission-wide review of controls, processes, and procedures, provide recommendations on areas where controls can be improved/strengthened, and to conduct risk assessments and audits on funding recipients, and 2) a Monitoring, Evaluation, Verification and Reporting contract with KEMA, Inc. to provide programmatic/performance reviews and validation of data collected/reported by funding recipients. (Please see attached letter for specifics of contract milestones achieved to date).

Recommendation #2:

The Energy Commission should promptly solicit proposals from entities that could provide the allowable services and should execute contracts, grants, or loan agreements with these entities so that California can realize the benefits of the Recovery Act funds.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Energy Commission has allocated all ARRA SEP funds through contracts, grants and loans. Energy Commission project managers are closely monitoring project progress to ensure successful completion. Project oversight has identified recipients at risk of not fully spending their funds, and the Energy Commission has reallocated those at risk funds to other high performing recipients. The Energy Commission contracted with Department of Finance, Office of State Audits and Evaluations to perform an assessment of our ARRA recipients' ability to spend down remaining ARRA SEP funds by the April 30, 2012 deadline. As a result, the Energy Commission worked with recipients to develop viable work plans to successfully complete their projects and/or confirm the amount of fallout available for reallocation. Energy Commission project managers continue to closely monitor all projects to ensure work plans are progressing, providing anticipated energy savings and economic stimulus to California businesses and citizens.

DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

(Report Number 2010-101, June 2010)

Deficiencies in Forecasting and Ineffective Management Have Hindered the Beverage Container Recycling Program

The Joint Legislative Audit Committee (audit committee) asked the Bureau of State Audits (bureau) to review the Department of Resources Recycling and Recovery's (Resources, Recycling and Recovery) management of the Beverage Container Recycling Program (beverage program) and the financial condition of the Beverage Container Recycling Fund (beverage fund). The audit committee wanted us to determine how Resources, Recycling and Recovery forecasts revenues and expenses as well as the methodology it used to calculate the reductions in payments and fee offsets. In addition, the audit committee requested that we evaluate Resources, Recycling and Recovery's procedures for ensuring that all fees are collected from beverage distributors and how it investigates potential fraud. Further, we were asked to review a sample of grant award expenditures for the past five years and determine how Resources, Recycling and Recovery monitored these funds. Finally, the audit committee requested that we evaluate Resources, Recycling and Recovery's ability to assess the efficiency and effectiveness of the beverage program.

The following table summarizes Resources, Recycling and Recovery's progress in implementing the 18 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Resources, Recycling and Recovery had not fully implemented five of those recommendations. Based on Resources, Recycling and Recovery's most recent response, these five recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
18	5	5

Following are the recommendations that we determined were not fully implemented, followed by Resources, Recycling and Recovery's most recent response for each.

Recommendation #1:

Resources, Recycling and Recovery should continue with its efforts to implement regulation changes that will require beverage distributors to register with Resources, Recycling and Recovery and to notify it if another entity has agreed to report and make payments on behalf of that beverage distributor.

Bureau's assessment of status: **Not fully implemented***

Auditee's Response:

The finding states CalRecycle should continue efforts to implement regulation changes. CalRecycle is compliant as we continue efforts to implement new regulations that contain the changes stated in the audit recommendation to manage distributor payments "on behalf" of others.

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

CalRecycle has taken the following actions:

June 14, 2011: CalRecycle submitted a 22 page Notice of Proposed Action to the Office of Administrative Law titled, Beverage Manufacturer and Distributor Forms and Registration Permanent Regulations. Documentation provided in Final CAP June 22, 2011. CalRecycle website regulation page partial copy is attached.

July 1, 2011: The 45 day public comment period was begun and an “All Interested Parties” notice was released, a copy of the notice is attached.

August 15, 2011: Public comment ended at 5 p.m. The comments are being reviewed and if changes to the text need to be made, then a 15 day comment period will take place.

By the end of November 2011: CalRecycle is in the final stages of reviewing and responding to comments and amending the text to reflect comments. The first 15 day comment period for the revised text will begin as soon as the text is complete. This should be before the end of November.

Recommendation #2:

To improve management of its fraud investigations, Resources, Recycling and Recovery should formalize the approach used to analyze recycling data for potential fraud and develop criteria for staff to use when deciding whether to refer anomalies for investigation. Because DORIIS will be a central data source for recycling activities once it is implemented, Resources, Recycling and Recovery should continue with its plan to automate the review of recycling data within DORIIS to identify potential fraud.

Bureau’s assessment of status: **Not fully implemented***

Auditee’s Response:

As previously reported to BSA, CalRecycle is currently using a rules based Fraud Detection Report for anomaly detection of disbursement transaction data. While effective, this report and the associated processes have limitations as they are only capable of detecting known indicators/patterns of fraud. Documentation supporting implementation of the Fraud Detection Report was previously provided to BSA.

CalRecycle received approval from DGS on June 22, 2011 to contract with M Corp to pursue the design and development of a statistical model(s) for identifying patterns in disbursement program data with a statistically valid correlation to “at risk behavior.” In accordance with the project scope and timeline, the project kicked off in July 2011 and is scheduled to be completed in December 2011. Implementation of the data mining model is dependent on the functionality of the data model(s) to be provided by M Corp, the purchase and installation of SAS software in support of the contracted project, and executive management’s decision to deploy the data model. The detailed scope of work, including the applicable project timeline, and copy of the contract award letter were previously provided to BSA. A copy of the DGS approval is attached.

* Contrary to the bureau’s determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

Recommendation #3:

To improve oversight of grants and ensure that the intended value is received from the grant funds it awards, Resources, Recycling and Recovery should, for recipients of market development grants that are unable to meet the goals of their grants, maintain contact with grantees after the project is completed to determine if the goals may ultimately be achieved.

Bureau's assessment of status: **Not fully implemented***

Auditee's Response:

ABX8 7 allows the Market Development Expansion grant program to sunset on January 1, 2012. The current grants are governed by the Grant Management Procedures Manual, Section X, Project Management and Administration, Section G. Final Report and Section H. Close Out, that require CalRecycle grant managers and supervisors maintain contact with all grantees until the files are closed; both those that are on track and those that are unable to fulfill the goals of their grant. The grant files cannot be closed without explanation and final payment adjustment for any goals not met. After the grant files are closed as approved by Branch Management, CalRecycle no longer has formal contact with grantees. However program management has developed a survey that will be sent to grantees whose projects were closed, without the project being completed. Staff will contact previous grantees to encourage their participation, but completion of the survey is voluntary. Should the MDE grants be reinstated these procedures will be documented in the Grant Management Procedures Manual.

Recommendation #4:

Resources, Recycling and Recovery should weave benchmarks, coupled with metrics to measure the quality of its activities, into the strategic plan for the beverage program to allow it to better measure progress in meeting goals.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CalRecycle has developed a draft Five-Year Strategic Plan for the entire organization but is awaiting the approval of a revised organizational structure to finalize the planning process. An initial reorganization was placed in a test phase in November 2010. This was the first effort at combining the former Integrated Waste Management Board and Division of Recycling into a new 720 person organization. However, this proposal was not consistent with Senate Bill 63 (Strickland) Chapter 21, Statutes of 2009. CalRecycle worked to address those issues and a revised organizational structure has been submitted and is in the control agency review and approval process.

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

The draft strategic plan incorporates implementation plans that address the revised organizational structure. This includes measures to address effectively and efficiently merging similar activities where appropriate, and methods to track transition goals, measures of success, specific tasks, and that timelines were accomplished. Each implementation plan included a Beverage Container Program component. With the resubmittal of the reorganization structure to control agencies, CalRecycle is modifying the implementation plans and needs additional time to finalize these and to make corresponding changes to the draft Five-Year Strategic Plan with all the appropriate benchmarks and metrics to measure quality of each activity and the success of each activity. The Strategic Plan should be finalized and adopted by June 30, 2012.

Estimated date of completion: June 2012

Recommendation #5:

Resources, Recycling and Recovery should ensure that the strategic plan incorporates all relevant activities of the beverage program.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CalRecycle has developed a draft Five-Year Strategic Plan for the entire organization but is awaiting the approval of a revised organizational structure to finalize the planning process. An initial reorganization was placed in a test phase in November 2010. This was the first effort at combining the former Integrated Waste Management Board and Division of Recycling into a new 720 person organization. However, this proposal was not consistent with Senate Bill 63 (Strickland) Chapter 21, Statutes of 2009. CalRecycle worked to address those issues and a revised organizational structure has been submitted and is in the control agency review and approval process.

CalRecycle oversees programs created through two landmark initiatives – the Integrated Waste Management Act (AB 939) and the Beverage Container Recycling and Litter Reduction Act (AB 2020). CalRecycle merges the duties of the former CIWMB with those of DOC's Division of Recycling (DOR) to best protect public health and the environment by effectively and efficiently managing California's waste disposal and recycling efforts. In other words, SB 63 (Strickland), Chapter 21, Statutes of 2009, eliminated the CIWMB Board members but did not eliminate the board's regulatory and programmatic responsibilities. Similarly, SB 63 transferred DOR and its regulatory and programmatic responsibilities to the newly created department. In merging two organizations a process was put in place that included a 90 day plan, discovery and recommendation phase, and, finally an implementation phase to complete a successful integration of both solid waste and beverage container programs. These divisional Implementation Plans included several components found in a Strategic Plan; such as specific activities, timelines, and measures of success. These Plans were developed and completed. It was through this six month process that CalRecycle needed to be modified to comply with the legislative mandate of SB 63. This extended the realignment process and why additional time is necessary to finalize and adopt our Five-Year Strategic Plan.

Estimated date of completion: June 2012

ENVIRONMENTAL PROTECTION

STATE WATER RESOURCES CONTROL BOARD

(Report Number 2005-113, March 2006)

Its Division of Water Rights Uses Erroneous Data to Calculate Some Annual Fees and Lacks Effective Management Techniques to Ensure That It Processes Water Rights Promptly

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) conduct an audit of the operations of the Division of Water Rights (division) within the State Water Resources Control Board (water board). Specifically, the audit committee requested that we (1) examine the division's policies and procedures for carrying out its roles and responsibilities, including those for complying with the California Environmental Quality Act and other relevant laws; (2) evaluate the timeliness and effectiveness of the division's processing of applications for new water rights permits (petitions); (3) determine how the division allocates its resources to fulfill its responsibilities and determine if the division uses those resources to address matters other than the processing of applications and permits—including enforcement, complaint resolution, and board-initiated amendments—of the terms of permits and licenses; (4) identify the extent of any demands placed on the division's resources by other agencies, including the Department of Fish and Game, and by other interested parties that have not filed applications and petitions; (5) determine how the division established its new fee structure and assess its reasonableness and fairness, including the validity of the data the division used when it established its fees; and (6) determine what procedures and mechanisms the division has in place to review the fee structure and modify the fees when necessary.

The following table summarizes the water board's progress in implementing the six recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the water board had not fully implemented five of those recommendations. Based on the water board's most recent response, all recommendations are now resolved.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
6	5	2	0

In August 2007 the bureau issued a follow-up report titled *State Water Resources Control Board Follow-Up: The Division of Water Rights Has Reviewed and Updated Much of the Data It Uses to Calculate Its Annual Fees but Has More to Do to Institute Management Techniques That Could Aid in Processing Water Rights Promptly* (Report No. 2007-504). In this report, the bureau performed additional audit work pertaining to the status of recommendations it issued in 2006.

Following are the recommendations that we determined were resolved, followed by the water board's and the bureau's most recent response for each.

Recommendation #1:

To more precisely distribute the fees in proportion to the annual fee payers' authorized diversion, the division should consider revising its emergency regulations to assess each fee payer a single minimum annual fee plus an amount per acre-foot for the total amount of authorized diversion not exceeding 10 acre-feet, or other specified threshold.

Bureau's assessment of the status: **Resolved**

Auditee's Response:

The State Water Board does not intend to implement this recommendation. This recommendation responds to concerns raised by fee payers who hold multiple water rights that authorize the diversion of small amounts of water. These fee payers assert that they should not be required to pay the minimum fee on each water right, but rather should be entitled to sum the total amount of water that their combined permits allow, and pay a fee based on the combined amount of water they are authorized to divert. The State Water Board does not believe this recommendation will more equitably distribute fees to its water right fee payers. In initially setting its fee schedule, the State Water Board estimated the amount of money the State expends in each water right that the State Water Board administers. The minimum fee assessed per water right approximates this amount. If the State Water Board were to implement the recommendation, it could use a similar methodology to distribute fixed operating costs over each entity (rather than each water right). The minimum fee would increase because the costs would be distributed based on the number of fee payers as opposed to the number of water rights, and there are fewer fee payers than there are water rights. As a result of this change, fee payers who have only one water right would bear some of the administrative costs imposed on the agency by fee payers who have multiple water rights, despite the fact that there is an increased burden of administering multiple water rights held by the same fee payer. Alternatively, if the State Water Board did not increase the minimum fee, water right holders who divert amounts of water that result in fees higher than the minimum fee would have to pay even higher fees to make up for lost revenue that would result from implementing the recommendation. The increased administrative burden associated with a water right holder having multiple rights results from the doctrine of prior appropriation, which is codified in the Water Code as section 1270. This statute confers upon a water right permit holder a water right priority date based on the date that the application for the permit was filed. Although water rights can be changed, dates of diversion cannot be expanded, nor can the authorized diversion amount be increased. Those who seek to divert more water than they originally planned to divert must seek a new water right. In times of water shortage, which vary from year to year based on hydrology during that year, water diversions are curtailed by water right priority date, and a fee payer with multiple rights would be subject to curtailment of each right based on the priority date of that right, even if the multiple water rights were issued for the same project. In addition, conditions other than diversion amount and period (aka the "face value" of the right) which are specific to each right limit the use of water diverted under each individual right even if a fee payer holds multiple rights for the same project. Because the doctrine of prior appropriation is well established in both case law and statute, the State Water Board must administer water rights by water right, rather than by entity. Because water rights are administered by right, not by entity, it is more equitable to calculate the minimum fee based on the number of water rights administered rather than on the number of water right holders regulated, and to collect higher fees from those with multiple rights, even if the amount of water authorized for diversion under each right is small.

This determination of the State Water Board is supported by its water right fee stakeholders. The State Water Board adopts a new fee schedule each year after conferring with its Water Right Fee Stakeholder Advisory Group (Fee Stakeholder Group) and after considering any comments on the fee schedule submitted in a noticed public meeting. The new fee schedule becomes effective upon approval by the Office of Administrative Law and filing with the Secretary of State. To date there has been no support for the recommended change from members of the fee Stakeholder Group, who represent both large and small fee payers. Representatives of large water users specifically expressed concern that implementing the recommendation would inequitably increase their fees.

This determination of the State Water Board is also supported by the State of California Third District Court of Appeal (Appellate Court). On January 17, 2007, the Appellate Court ruled on the litigation filed against the State Water Board's water right fees by the California Farm Bureau Federation, Northern California Water Association, and Central Valley Project Water Association. The Appellate Court found the fee statute to be constitutional, but found fault with the State Water Board's emergency fee regulations. The Court, however, stated that it did not find the \$100 minimum fee per water right to be unreasonable.

The State Water Board will continue to meet with the Fee Stakeholder Group each year as it reviews its fee regulations. If in future the Fee Stakeholder Group supports the recommended change, the State Water Board will consider implementing such a change in its revised regulations.

Bureau's Response:

Although the State Water Board has not revised its regulations as recommended, we believe that it has given sufficient consideration to this recommendation and consider it resolved. In considering whether to revise its regulations as we recommended, the State Water Board consulted with its Water Right Fee Stakeholder group, which does not support our recommendations. Moreover, subsequent to the publication of our initial report in 2005, the State Water Board has provided a reasonable explanation as to why it believes that revising its regulations as recommended would create an administrative burden in that it would have to modify its water rights data system in order to make the necessary changes, and it does not currently have the resources to do so. In light of the fact that the State Water Board has given full consideration to this recommendation and given that this recommendation is not legally required, we consider it fully resolved.

Recommendation #2:

The division should consider revising its emergency regulations to assess annual fees consistently to all fee payers with diversion limitations, including those with combined limitations, so fee payers are not assessed based on more water than their permits and licenses authorize them to divert.

Bureau's assessment of the status: **Resolved**

Auditee's Response:

The State Water Board does not intend to implement this recommendation. The State Water Board does not believe this recommendation will more equitably distribute fees to its water right fee payers. This recommendation responds to concerns raised by water diverters who hold multiple water rights, where one or more of the water rights contains a term that “caps” the amount of water that may be diverted under that permit in combination with the other permits. By law, each water right is separately administered. As a result, the combined limitation, or cap, will not apply unless the water right containing the combined limitation term is triggered by use under that specific permit. Where multiple water rights are held, the limiting term generally appears in the most junior water rights. Water rights can be forfeited after five years of non-use. Because water holders of multiple rights preferentially use their older rights first to avoid forfeiture of these less restrictive rights, the cap often does not apply. Water users do not operate under multiple water rights where some have caps in the same manner that they would operate if they held only one water right with the priority of the lowest right and the most stringent conditions imposed on the rights collectively. The current implementation of water right diversion limitations allows water right diverters flexibility in using their water rights, and it is appropriate that diverters are assessed fees associated with each of their water rights.

Additionally, in order to implement this recommendation, the State Water Board's database, which is used to calculate fees, must contain information on the relationship between various water rights. Although the State Water Board designed its new database, eWRIMS, to contain fields in which these relationships can be noted, those fields are not populated, and the State Water Board does not have the capacity at this time to populate them and to comply with its other water rights mandates. Further, the algorithm needed to calculate the fees based on these complex relationships has not been written or tested. As a result, the State Water Board also does not have the data systems necessary to implement this recommendation.

This determination of the State Water Board is supported by its water right fee stakeholders. State Water Board staff continues to meet with its fee Stakeholder Group on an annual basis. To date there has been no support for the recommended change from members of the Fee Stakeholder Group, who represent both large and small fee payers.

On January 17, 2007, the State of California Third District Court of Appeal ordered the State Water Board to revise its water right fee regulations. The Court did not express concern over the State Water Board assessing fees based on face value of individual water right permits and licenses or over the way in which the State Water Board addressed diversion limitations. However, if in future the Fee Stakeholder Group supports this recommended change, the State Water Board will consider implementing such a change in its revised regulation. Resources to do this work would need to be provided or redirected from other programs.

Bureau's Response:

The bureau's response to Recommendation #2 is the same as its response to Recommendation #1.

STATE AND CONSUMER SERVICES

STATE ATHLETIC COMMISSION (Report Number 2004-134, July 2005)

The Current Boxers' Pension Plan Benefits Only a Few and Is Poorly Administered

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the State Athletic Commission's (athletic commission) pension plan operations. Specifically, the audit committee was interested in the condition of the current plan, the best course of action to ensure its long-term viability, how much is being spent on administrative expenses, and whether the statutory requirements for pension contributions and benefit distributions are being met.

The following table summarizes the athletic commission's progress in implementing the two recommendations the bureau made in the above referenced report. As shown in the table, as of the athletic commission's one-year and most recent response, both recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
2	2	2	2

Following are the recommendations that we determined were not fully implemented, followed by the athletic commission's most recent response for each.

Recommendation #1:

If the Legislature decides to continue the boxers' pension plan, the athletic commission should consider eliminating the break in service requirement and/or reducing from four to three the number of calendar years that a boxer must fight if it believes the current vesting criteria is excluding professional boxers for which the pension plan was intended.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

Eliminating the break in service requirement would result in an additional 218 boxers just in 2009, and would eliminate the forfeitures of the occasional boxers that come to California to fight, which is not what the pension fund was set up for. This would be a big burden on the Athletic Commission to keep track of these occasional fighters, and reduce the benefits to the existing covered and pending boxers.

Revise vesting to 3 years (instead of 4). This change is probably a benefit to the current pending boxers, but the commission can not currently provide information about how this would impact the plan or the number of people who would become vested under this change. This change would require legislative action. However, a projection analysis will be conducted to break down the impacts and benefits to athletes, and then if favorable, use this to facilitate legislation.

Recommendation #2:

- a. To maximize pension fund assets, the athletic commission should raise the ticket assessment to meet targeted pension contributions as required by law and promptly remit pension contributions from the Department of Consumer Affairs' (Consumer Affairs) bank account to the boxers' pension fund.
- b. The athletic commission should require promoters to remit pension fund contributions on checks separate from other boxing show fees so that deposits of checks and subsequent remittances to the boxers' pension fund are not delayed.

Bureau's assessment of status: **Will not implement**

Auditee's Response to Recommendation (a):

The Business and Profession Code 18881(b) does require the Athletic Commission to raise ticket prices for the boxer pension fund to be adjusted to reflect changes in the Consumer Price Index for California as set forth by the Bureau of Labor Statistics. But the language in Title IV set forth the ticket prices to be at 88 cents per tickets, up to a maximum contribution of \$4,600. The language in Title IV would need to be changed to allow the commission the ability to change the required contribution that promoters are charged per ticket to match that language in the Business and Profession Code. Now that the Athletic Commission is fully staffed, we are in the process of reviewing language in both the Business and Profession Code and Title IV to ensure that there is no contradiction between law, rule, and regulations. This topic is an ongoing topic at commission meetings.

On another note, the audit indicates that the Athletic Commission does not collect pension fund contribution from events held on tribal land, but since has changed. The commission now collects \$600 from each event it regulates on tribal land as allowed by the Business and Profession code 18828(b) (2). This has helped with offsetting the cost of not raising the ticket assessment for each boxing event.

Auditee's Response to Recommendation (b):

When the audit was conducted in 2005, the overall cashiering process for the commission was lacking a clear understanding of the proper procedure to coincide with the department's procedures. The office being so small and having some unique conditions that led to creative processes to collect funds from promoters at events has since been formalized. After the audit, the Athletic Commission worked closely with the Department of Consumer Affairs cashiering unit, and developed a procedure to ensure there is little delay with submitting funds. Furthermore, we have also developed a desk procedures manual that provides guidelines to the individual within the commission that performs cashiering transactions. Money that is received is cashiered within seven business days and sent to DCA for processing and distribution. Sending funds to DCA allows the commission to track and balance these monies, allowing us to closely monitor the processes from field operations to submitting funds to DCA. By receiving a separate check from the promoters rather than submitting the check to DCA, has been explained by the department's cashiering unit to be essentially the same process and would take about the same time.

MEDICAL BOARD OF CALIFORNIA
(Report Number 2007-038, October 2007)

It Needs to Consider Cutting Its Fees or Issuing a Refund to Reduce the Fund Balance of Its Contingent Fund

Section 2435 of the Business and Professions Code (code) directs the Bureau of State Audits (bureau) to review the Medical Board of California’s (medical board) financial status and its projections related to expenses, revenues, and reserves, and to determine the amount of refunds or licensure fee adjustments needed to maintain the reserve legally mandated for the medical board’s contingent fund. The medical board assesses fees for physicians and surgeons (physicians) according to rates and processes established in the code. In 2005 passage of Senate Bill 231 increased physicians’ license fees (fees) from a maximum rate of \$600 to \$790. In addition to establishing the rate, the code also states that the Legislature expects the medical board to maintain a reserve, or fund balance, in its contingent fund equal to approximately two months of operating expenditures.

The following table summarizes the medical board’s progress in implementing the two recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response and its most recent response, the medical board had not fully implemented one of those recommendations.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
2	1	1	1

Following is the one recommendation that we determined was not fully implemented, followed by the medical board’s most recent response.

Recommendation #1:

The medical board should consider refunding physicians’ license fees or, if successful in gaining the flexibility to adjust its fees through an amendment to existing law, consider temporarily reducing them to ensure that its fund balance does not continue to significantly exceed the level established in law.

Bureau’s assessment of status: **Will not implement**

Auditee’s Response:

The Board has partially implemented the recommendation in that it obtained a legislative change through AB 501 to the Board’s mandated fund reserve from two months operating expenditures to “not less than two nor more than four months’ operating expenditures”. As explained in the plan below, it is not appropriate for the Board to reduce fees at this time, as the Board will be in the mandated reserve of two to four months by FY 11-12.

To provide some background on the Board's implementation of these recommendations, it is important to note that Assembly Bill 547, which would have authorized the Board the flexibility to adjust the physicians' initial licensing and renewal fees in Business and Professions Code Section 2435, was vetoed in 2008. Therefore, the Board could not implement this recommendation. The Board again sought legislation in 2009 and was successful. In addition to seeking legislation that would allow the Board the flexibility to change its licensing and renewal fees, the Board also sought the flexibility to have a larger fund reserve, which was approved in AB 501.

Although the Board is not currently meeting the reserve requirement of four months, the Board's Executive Director has reported on this issue at every Board Meeting since October 2009. Board Meetings are held in a public forum, and minutes from every board meeting are public documents and available on the Board's Website. Some relevant reports from these meetings are listed below, as follows:

- At the January 29, 2010 Board meeting, it was reported that "...the reserve fund balance currently exceeds the guidelines." It was also noted that budget augmentations for 18.8 positions were being requested, and if approved, the Board would be in compliance.
- At the April 30, 2010 Board meeting, it was reported that, "Although the current estimate shows 5.9 months of reserves as of July 1, 2010, at the end of FY 2011/12 the reserve fund will be less than 4 months. Therefore, staff has not brought a proposal related to the reduction of fees to this meeting."
- At the July 30, 2010 Board meeting, it was reported that, "...FY 2009-10 is projected to have a 5.8 month balance in reserve at the end of the year, this is primarily due to reductions in staff salaries." Augmentations that were requested were discussed, which included position augmentations for the Probation Monitoring Program, augmentations to request the continuation of the Operation Safe Medicine Program, and additional augmentation requests for the BreZE project (integrated licensing and enforcement computer system). It was then stated that, "These augmentations will impact the fund reserve; hence, no proposal has been submitted to reduce fees at this time."
- At the November 5, 2010 Board meeting, it was reported that, "...FY 2010-11 is projected to have a 5.3 month balance at the end of this year; this is slightly higher than the 4 month reserve permitted by law." It was discussed that the amount may increase depending on the furloughs and a new 5% salary savings cap. It was then stated that, "At this time, the Board is not seeking any reduction in the fund condition until more information about operating costs and changes to be made by the incoming Administration is available"
- At the January 28, 2011 Board meeting, it was reported that, "...There is a 5.8 month balance in reserve; this is an increase from the estimate of 5.3 months reported at the November 2010 meeting. This difference is due to the furloughs that were in place in the first part of the fiscal year...."
- At the May 6, 2011 Board meeting, it was reported that, "Budget Year 2010-11 shows a reserve of \$26.7 million dollars, or a 5.7 month reserve. The fund condition for the Budget Year 2011-2012 drops to 2.9 months of reserve due to a proposed General Fund loan of \$9 million dollars".

The Board's budget and expenditures are affected by the actions of both the Administration and the Legislature, which can affect a special fund balance. For FY 10-11, the Board did not spend its full allocated budget amount. This was due to vacancies, the Executive Orders on the hiring freeze and travel freeze, and the personal leave program. As a result, a significant amount of the Board's allocated expenditures was reverted back into the Board's fund, which raised the amount of reserve ending FY 10-11. In addition, the Board's fund recently loaned the General Fund \$9 million. The Board is also absorbing the cost of 18.8 PYs: 6.0 positions for Operation Safe Medicine, the Board's unlicensed activity unit; 5.0 positions for Probation Monitoring; and, 7.8 positions for licensing application processing. No funding was approved for any of these positions. The cost for these positions is estimated at \$1,380,000. Further, an unfunded telemedicine study is also in place in the current year at an annual cost of \$400,000 (AB 329, Nakanishi, Statutes of 2007, Business and Professions Code Section 2028.5).

The recent General Fund loan and the unfunded positions listed above need to be factored in to project future fund reserve amounts. If funding for positions is approved in the future, it will change the Board's reserve amount. As projected, the Board's reserve amount will be 4.0 months at the end of FY 11-12, 2.8 months at the end of FY 12-13, 1.5 months at the end of FY 13-14, and .1 month at the end of FY 14-15, which is significantly under the mandated reserve amount of two to four months. Attached is the current fund condition that will be reported on at the October 28, 2011 public meeting of the Board. Please note the fund condition shows the anticipated costs for the funding of Operation Safe Medicine and also projected costs of the BreEZe Project.

Given the fact that the Board is projected to be at the required reserve amount at the end of this fiscal year and within the mandated amount in FY 12-13, it is unlikely that a fee reduction would be appropriate. If the loans to the General Fund do get paid back to the Board's fund, the Board will need to reassess the full implementation of the BSA's final audit recommendation at that time and consider the reduction or refunding of licensing fees.

FRANCHISE TAX BOARD

(Report Number 2007-107, December 2007)

Nonprofit Hospitals: Inconsistent Data Obscure the Economic Value of Their Benefit to Communities, and the Franchise Tax Board Could More Closely Monitor Their Tax-Exempt Status

The Joint Legislative Audit Committee (audit committee) requested the Bureau of State Audits (bureau) to conduct an audit to ascertain whether the activities performed by hospitals that are exempt from paying taxes because of their nonprofit status truly qualify as allowable activities consistent with their exempt purpose. Specifically, the audit committee requested that we determine the roles of the entities involved in determining tax exemptions and the extent of oversight they exercise over nonprofit hospitals to ensure that they comply with requirements for tax exemption and community benefit reporting. It also asked us to examine the financial reports and any community benefit documents prepared during the last five years by a sample of both nonprofit hospitals and hospitals that operate on a for-profit basis and determine the value and type of community benefits and uncompensated care provided. In addition, the audit committee asked us to compare the community benefits provided by nonprofit and for-profit hospitals, and compare the types of care that both types of hospitals provide without receiving compensation (uncompensated care). Further, the audit committee asked us to review the financial information and the claims submitted to the State Board of Equalization (Equalization) or other agencies by nonprofit hospitals to determine whether they meet income requirements to qualify for tax-exempt status and to assess how tax-exempt nonprofit hospitals use excess income, to ensure that the uses are permissible and reasonable in terms of expansion of plant and facilities, additions to operating reserve, and the timing of debt retirement. The audit committee also asked us to determine the most current estimated total annual value of the taxation exemptions of both state corporation income taxes (income taxes) and local property taxes for nonprofit hospitals.

Finally, the audit committee asked us to determine whether the community benefits and uncompensated care provided by nonprofit hospitals meet the requirements for exemption from local property and state income tax. However, although state law outlines the requirements a nonprofit hospital must meet to receive an exemption from paying taxes, it does not specify community benefits and uncompensated-care costs as requirements. Additionally, although state law requires most tax-exempt hospitals to annually submit to the Office of Statewide Health Planning and Development a community benefits plan (plan), which may include an uncompensated-care element, the law also clearly states that the information included in the plan a nonprofit hospital submits cannot be used to justify its tax-exempt status.

The following table summarizes the Franchise Tax Board's (FTB) progress in implementing the seven recommendations the bureau made in the above referenced report. Based on its latest response, FTB has fully implemented all of the recommendations.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
7	2	2	0

Following are the two recommendations that we determined were fully implemented, followed by FTB's most recent response for each.

Recommendation #1:

FTB should consider developing methodologies to monitor nonprofit hospitals' continuing eligibility for income tax exemption. These methodologies should include reviewing the financial data and other information on the Form 199 annually submitted by tax-exempt hospitals.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Franchise Tax Board has commenced the review of tax exempt hospitals. One is under audit and several are being reviewed as claims for refund. FTB is utilizing the State Form 199, Form 109, IRS Form 990, federal Schedule H and the IRS Form 990T for financial data along with other information that will allow for an effective review of tax exempt hospitals. In addition, FTB is working closely with the IRS to receive the federal agent reports for tax exempt hospitals. FTB has assigned several more auditors to the exempt audit program to assist with the audit of tax exempt hospitals. Staff will continue with on-going training.

Recommendation #2:

FTB should consider developing methodologies to monitor nonprofit hospitals' continuing eligibility for income tax exemption. These methodologies should include ensuring that the annual Form 199 contains all the information required to determine eligibility for an income tax exemption in accordance with state law.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Form 199 has been reviewed and it has been determined that it contains all of the information required to determine eligibility for tax exemption.

VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

(Report Number 2008-113, December 2008)

It Has Begun Improving the Victim Compensation Program, but More Remains to Be Done

The Joint Legislative Audit Committee (audit committee) requested the Bureau of State Audits (bureau) to review the Victim Compensation Program (program) to determine the overall structure of victim compensation services and the role of each entity involved, and to assess the effectiveness of the structure and communication among the entities. The audit committee also asked us to review the funding structure for the program and determine any limitations or restrictions. We were also asked to determine the types of expenses made from the Restitution Fund in each of the last four years, including identifying the annual amount used for administering the program and the annual amount reimbursed to victims.

The audit committee requested us to determine and assess the Victim Compensation and Government Claims Board's (board) process of approving or denying applications and bills, including how it communicates its decisions to applicants. Additionally, the audit committee directed us to review a sample of applications and bills that the board received from 2003 through 2007 to determine whether it adhered to proper protocols for the approval process. The audit committee also asked us to review, for the selected sample, the amount of time various steps took. In addition, it asked us to determine whether the board has a backlog of applications and bills awaiting its decision, the extent of the backlog, and any efforts taken to reduce the backlog. Finally, the audit committee directed us to review and assess the board's overall process for outreach to potential victims of violent crimes and whether it considers the demographics of the populations it serves in establishing its outreach program.

The following table summarizes the board's progress in implementing the 25 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the board had not fully implemented seven recommendations. Based on the board's most recent response, two recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
25	7	3	2

Following are the recommendations that we determined were and were not fully implemented, followed by the board's most recent response for each.

Recommendation #1:

To ensure that it maximizes its use of the Compensation and Restitution System (CaRES), the board should address the structural and operational flaws that prevent identification of erroneous information and implement edit checks and other system controls sufficient to identify errors.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

To correct the underlying database application architecture issues of CaRES and to ensure the maximum use of the system, the Board authorized the CaRES Modification Project in June 2010.

Phase I of the project, the Discovery and Validation process, was completed in June 2011 and confirmed the problems with CaRES and the corresponding impact to board operation. The implementation phase began in July 2011 and will be completed in December 2013. Upon completion of Phase II (which will be done in three increments) CaRES will be a fully functional and documented database and application architecture that will have the capability to be expanded for future functionality. It will result in improved system stability and information reliability, flexibility and extensibility.

Estimated date of completion: December 2013

Recommendation #2:

To ensure that it maximizes its use of CaRES, the board should develop and maintain system documentation sufficient to allow the board to address modifications and questions about the system more efficiently and effectively.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

To ensure that the use of CaRES is maximized, the board developed and maintains system documentation that allows the board to address modifications and questions about the system more efficiently and effectively.

During the Discovery and Validation Phase of the current CaRES Modification project, the CaRES Modification team documented the technical and business artifacts because existing CaRES documentation was limited and/or outdated. This was necessary to thoroughly understand the inner-workings of CaRES system as well as the business processes that involved interaction with the system. This process was also critical to identifying feasible options to meeting the CaRES Modification Project key objectives. The documentation is substantial and too burdensome to provide; however, it is available in the board office for review.

Recommendation #3:

To ensure that the board appropriately carries out its outreach efforts, it should define the specific procedures to accomplish its action strategies for outreach and establish quantitative measures to evaluate the effectiveness of its outreach efforts.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

As noted in previous progress reports, the board has substantially complied with this recommendation. The board's Comprehensive Communications and Outreach Plan identified metrics to establish benchmarks for awareness levels, prioritized projects and targeted underserved populations. The one outstanding piece of this recommendation that has not been fully implemented to date is the performance survey to establish a baseline from which the board may accurately measure its goals. To do this, the board must contract with a vendor to perform a statewide baseline and post-outreach campaign survey. The board had planned to contract with such a vendor in 2010; however due to budget constraints related to the fund condition of the Restitution Fund, the Request for Proposal was cancelled. Until such time that the Restitution Fund is stable and there are sufficient funds to enter into such a contract, the implementation of this portion of the recommendation is on hold.

Estimated date of completion: Unknown

STATE PERSONNEL BOARD

(Report Number 2009-103, September 2009)

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

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) examine the use of information technology (IT) consulting and personal services contracts (IT contracts) by the departments of Health Care Services and Public Health. The audit committee specifically asked the bureau to review and assess the two departments’ policies and procedures for IT contracts to determine whether they are consistent with state law. The audit committee also requested that we identify the number of active IT contracts at each department and—for a sample of these contracts—determine whether the departments are complying with California Government Code, Section 19130, and with other applicable laws, rules, and regulations. For the sample of contracts, the audit committee also requested that we collect various data and perform certain analyses, including determining whether the two departments are enforcing the knowledge-transfer provisions contained in the contracts.

Furthermore, the audit committee asked us to identify the number, classification, and cost of IT positions budgeted at each department for each of the most recent five fiscal years. In addition, we were to determine the number of vacant IT positions, the turnover rate, and any actions that the departments are taking to recruit and retain state IT employees.

For a sample of contracts under review by the State Personnel Board (personnel board), the audit committee asked us to identify the California Government Code section that the departments are using to justify an exemption from the implied civil service mandate emanating from Article VII of the California Constitution. For the contracts overturned by the personnel board, we were asked to review the two departments’ responses and determine whether corrective action was taken. Finally, the audit committee requested that we review and assess any measures that the two departments have taken to reduce the use of IT contracts.

The following table summarizes the personnel board’s progress in implementing the recommendation the bureau made in the above referenced report. As shown in the table, as of its one-year response, the personnel board had not fully implemented the recommendation. Based on the personnel board’s most recent response, the bureau determined the personnel board has fully implemented the recommendation.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
1	1	1	0

Following is the one recommendation that we determined was fully implemented, followed by the personnel board’s most recent response.

Recommendation #1:

To provide clarity to state agencies about the results of its decisions under California Government Code, Section 19130(b), the personnel board should explicitly state at the end of its decisions if and when state agencies must terminate disapproved contracts. Additionally, the personnel board should obtain documentation from the state agencies demonstrating the terminations of disapproved contracts.

Bureau’s assessment of status: **Fully implemented**

Auditee's Response:

SPB has adopted an internal policy to include provisions within any Executive Order or Board Decision disapproving a contract under Government Code section 19130, subdivision (b), requiring the contracting department to provide written proof of discontinuation of the contractual services within a specified time period. The time period may vary depending upon the type of services, the impact of immediate discontinuation of the services, the ability for the contracting department to transfer the services to an available civil service workforce, or other factors that may prevent immediate discontinuation.

No contract has been disapproved since the enactment of this policy.

DEPARTMENT OF GENERAL SERVICES

(Report Number 2009-114, July 2010)

It No Longer Strategically Sources Contracts and Has Not Assessed Their Impact on Small Businesses and Disabled Veteran Business Enterprises

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review the Department of General Services' (General Services) strategically sourced contracting practices and the effects these practices have on California small businesses and disabled veteran business enterprises (DVBEs). Specifically, the audit committee asked that we evaluate General Services' procedures for establishing strategically sourced contracts and determine how General Services ensures that small businesses and DVBEs are given an equitable opportunity to be chosen as strategically sourced contractors. We were asked to select a sample of strategically sourced contracts and determine if the justification for the contract met the applicable and established criteria; if General Services followed applicable laws, regulations, and policies and procedures when entering into contracts; and how General Services evaluated contractor compliance with laws related to providing commercially useful functions. The audit committee also requested that we evaluate General Services' policies and procedures to ensure compliance with contract terms of strategically sourced contracts.

If General Services tracks such information, the audit committee asked the bureau to calculate the ratio of strategically sourced contracts awarded to small businesses and DVBEs compared with all strategically sourced contracts. It further requested that we compare the number of small business and DVBE contracts for the two years before the implementation of strategic sourcing with the number of small business and DVBE contracts since General Services implemented strategic sourcing. The audit committee also asked us to compare the number of strategically sourced contracts during fiscal years 2007–08 and 2008–09 with all contracts entered into during the same period. We also were asked to review and assess General Services' process for evaluating and estimating benefits to the State of strategically sourced contracts, as well as to determine whether General Services compares the ultimate cost savings of the strategically sourced contracts with preliminary estimates of cost savings from its analysis. Finally, the audit committee requested that we identify the changes in the number of staff in General Services' Procurement Division since the inception of the strategic sourcing initiative and determine the reasons for any increase in staffing.

The following table summarizes General Services' progress in implementing the eight recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, General Services had not fully implemented six of those recommendations. Based on General Services' most recent response, six recommendations still remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
8	6	6

Following are the recommendations that we determined were not fully implemented, followed by General Services' most recent response for each.

Recommendation #1:

To ensure that it determines savings to the State going forward for strategically sourced contracts, General Services should examine the State's recent purchasing patterns when determining whether to rebid or extend previously strategically sourced contracts and when estimating expected savings. It should subsequently compare the savings it achieves to the expected savings for those contracts.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The DGS has fully implemented the recommendation except for the final step of comparing expected savings for a sourced contract to actual savings based on usage reports. This activity will be conducted for the maintenance, repair and operations (MRO) statewide contract. The current timeline for the MRO bid is the spring of 2012, with data for comparing achieved savings being available in the last quarter of 2012.

Estimated date of completion: Last Quarter 2012

Recommendation #2:

To ensure that it maximizes the savings to the State for future purchases, General Services should follow the procedures for identifying strategic sourcing opportunities included in the Intake and Analysis Unit's procedures manual. To ensure that it is effectively identifying new strategic sourcing opportunities, General Services should work to obtain comprehensive and accurate data on the specific items that state agencies are purchasing, including exploring options for obtaining such data for agencies that do not have enterprise-wide systems and therefore would not be using the additional functionality of the eProcurement system. Until it obtains such data, General Services should work with state agencies to identify detailed purchases for categories that it identifies through the State Contracting and Procurement Registration System (SCPRS) as viable opportunities for strategically sourcing. For example, if based on its review of SCPRS data, General Services identifies a particular category that it believes is a good candidate for strategic sourcing, it should work with those state agencies that accounted for the most purchases within the category to determine the types and volume of specific goods purchased to further analyze the types of goods to strategically source. General Services should assess any need for additional resources based on the savings it expects to achieve.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The last remaining portion of this recommendation to be fully implemented is the analysis of sourcing opportunities based on the Procurement Division's (PD) quarterly review of information obtained from the eSCPRS acquisition data base. In November 2011, the PD assigned staff to review available data on potential sourcing opportunities, i.e., to review for opportunities to establish a new statewide contract for a commodity/service. The final output is foreseen to be a detailed analysis of sourcing opportunities for one or two categories of goods.

Estimated date of completion: April 30, 2012

Recommendation #3:

To provide decision makers with the information necessary to determine the true costs and benefits of strategic sourcing, General Services should evaluate any impact strategic sourcing has on small business and DVBE participation in terms of number of contracts awarded and amounts paid to small businesses and DVBEs within the categories being strategically sourced. Specifically, for goods that were strategically sourced, General Services should compare the number of contracts awarded to small businesses and DVBEs before they were strategically sourced with those awarded through such contracts after they were strategically sourced. This effort should include contracts awarded by General Services and other state agencies.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

To allow a relevant history of usage to be obtained, the Procurement Division (PD) plans to conduct its assessment of small business and DVBE usage by September 2012 on three statewide contracts: Office Supplies, Toner/Ink Cartridges – New and Toner/Ink Cartridges – Remanufactured. To date, the PD has implemented a system to capture and track the use of small business and DVBE firms after a statewide contract has been awarded. In June 2011, SB/DVBE off-ramp reporting requirements were added to State Contracting Manual Volumes 2 (non-IT) and 3 (IT)). The off-ramp allows State departments to purchase equivalent products at the same or lower price from other sources that are certified small businesses or DVBEs. The reported information will be used to assess the impact on small businesses and DVBEs after the issuance of a statewide contract. The off-ramp reporting process is in its early stages with the first quarterly reports for the three statewide contracts received in July 2011.

Estimated date of completion: September 2012

Recommendation #4:

To evaluate the effectiveness of the off ramp in providing opportunities for small business and DVBE participation, General Services should track the number and dollar amounts of contracts that state agencies award through the use of the off ramps in strategically sourced and other mandatory statewide contracts. General Services' evaluation also should consider the extent to which an off ramp affects the monetary benefits that result from statewide contracts designed to leverage the State's purchasing power.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

To allow a relevant history of usage to be obtained, the Procurement Division (PD) plans to conduct its evaluation of small business and DVBE usage by September 2012 on three statewide contracts: Office Supplies, Toner/Ink Cartridges – New and Toner/Ink Cartridges – Remanufactured. To date, the PD has implemented a system to capture and track the use of small business and DVBE firms after a statewide contract has been awarded. In June 2011, SB/DVBE off-ramp reporting requirements were added to State Contracting Manual Volumes 2 (non-IT) and 3 (IT)). The off-ramp allows State departments to purchase equivalent products

at the same or lower price from other sources that are certified small businesses or DVBEs. The reported spend information will be used to evaluate off-ramp usage to determine its effectiveness in providing opportunities for small businesses and DVBEs to participate in contracts with State agencies even though mandatory statewide contracts exist. The information will also be used to evaluate the monetary impact of State agency off-ramp usage in contrast to using an applicable statewide contract. The off-ramp reporting process is in its early stages with the first quarterly reports for the three statewide contracts received in July 2011.

Estimated date of completion: September 2012

Recommendation #5:

To ensure that small business and DVBE subcontractors comply with the commercially useful function requirements, General Services should develop guidance for state agencies on how to ensure that subcontractors perform commercially useful functions if it believes state agencies making the purchases through statewide contracts should be responsible for this task. In addition, General Services should monitor, on a sample basis, whether state agencies are ensuring compliance with these requirements. General Services could leverage its efforts by working with other state agencies to ensure that subcontractors claiming to have provided the goods and services to the purchasing agency did, in fact, perform the work for which they are invoicing the state agencies.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The DGS has fully implemented this recommendation except, to date, the Procurement Division (PD) has not entered into a statewide contract that requires a user department to verify compliance with commercially useful function (CUF) service requirements on individual transactions. The assessment of CUF on statewide contracts is performed at the time of award by the PD and, in most instances, the verification of compliance with those provisions during contract performance also rests with the PD. However, it is foreseen that a statewide contract scheduled for release in January 2012 will have subcontracted services performed by small businesses or DVBE's that require user department verification.

Estimated date of completion: January 2012

Recommendation #6:

To improve the integrity of its monitoring of pricing compliance, General Services should implement procedures to help ensure that usage reports reflect the actual items received and prices paid by the state agencies that purchased the items. For example, on a periodic basis, it could select a sample of purchases from the usage reports and work with purchasing state agencies to confirm that the prices and quantity of items reported reconcile with the invoices submitted by the contractor.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The last remaining portion of this recommendation to be implemented at the time of our July 2011 one-year status report was the Procurement Division (PD) implementing a process for sampling State department purchasing documents to verify the accuracy of a contractor's usage reports. In November 2011, PD staff obtained transaction documentation from a State department and is currently verifying contractor compliance with the reporting and pricing requirements of a statewide contract. It is planned that the compliance testing and analysis will be completed and a report issued in December 2011.

Estimated date of completion: December 2011

GENERAL GOVERNMENT

CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

(Report Number 2007-121, April 2008)

Veterans Home of California at Yountville: It Needs Stronger Planning and Oversight in Key Operational Areas, and Some Processes for Resolving Complaints Need Improvement

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) conduct an audit of the Veterans Home of California at Yountville (Veterans Home), with an emphasis on the adequacy of health care and accommodation of members with disabilities. Specifically, the audit committee requested that we determine the roles and responsibilities of the various entities involved in the governance of the Veterans Home, including those responsible for setting guidelines for the care of residents. The audit committee asked that we determine whether any of the entities had evaluated staffing levels for medical personnel, review the Veterans Home staffing ratios, and identify any efforts the Veterans Home had taken to address personnel shortages. Additionally, the audit committee asked us to assess how the Veterans Home manages its medical equipment to ensure that it is up to date and functioning properly and evaluate efforts the Veterans Home has made to ensure that its facilities and services are meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Finally, the audit committee asked that we review and assess the policies and procedures for filing, investigating, and taking corrective action on complaints from members and review how the Veterans Home ensures members comply with its code of conduct.

The following table summarizes the Veterans Home's progress in implementing the 22 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the Veterans Home had not fully implemented two of those recommendations. Based on the Veterans Home's latest response, one of those recommendations was still outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
22	2	1	1

Following is the one recommendation that we determined was not fully implemented, followed by the Veterans Home's most recent response.

Recommendation #1:

To meet the requirements of federal ADA regulations, the Veterans Home should develop and update as needed a plan that identifies areas of noncompliance and includes the appropriate steps and milestones for achieving full compliance. In addition, the Veterans Home should develop grievance procedures and identify a specific employee as its ADA coordinator.

Bureau's assessment of status: **Not fully implemented***

* Contrary to the bureau's determination, the auditee asserted in its latest response to us that it believes it has fully implemented the recommendation. However, the auditee did not substantiate its claim of full implementation.

Auditee's Response:

- In April 2009, CDVA made arrangements with the Department General Services to contract for an American with Disabilities Act (ADA) evaluation of the Yountville Veterans Home. The complete ADA survey includes an overall survey of the buildings and the site with associated cost estimates. The survey also includes a transition plan as well as a comprehensive resident/member feedback survey. CDVA has worked with DGS in the establishment of a plan that addresses the appropriate steps to reach full compliance in both the buildings and the site of the property.

The plan to address the outstanding deficiencies has been prioritized into the following areas:

- Priority 1: Licensed Care
- Priority 2: Public Use Facilities
- Priority 3: Ancillary Buildings
- Priority 4: Recreation and Seasonal areas
- Priority 5: Plant, Storage, & Industrial areas

The current cost for the renovation project is estimated to be \$10,100,000. CalVet's plan to renovate these areas and bring the facility into ADA compliance will require a multiyear phased approach. The Department plans to request funds beginning with the next budget cycle opportunity to address the areas of non compliance based on priority over a five to ten year period. Funds for the renovation are contingent upon Department of Finance approval. A summary of the anticipated costs and associated documentation has been provided for review.

- The Yountville Veterans Home currently has grievance procedures for residential care and resident/members services. (see attachments VH 06-1400 & VH 06-1450)
- The link on the CalVet website that provides information to employees regarding ADA compliance notice compliance procedure and complaint forms is www.ccdva.ca.gov/about-us/ADA.aspx
- The ADA coordinator is the Director of Residential Programs at the Yountville Veterans Home.

CalVet considers the recommendation to have been fully implemented as of September 30, 2011. Renovation of the Yountville Veterans Home is contingent upon the State's ability to provide funding for the renovation and repairs.

COMMISSION ON STATE MANDATES

(Report Number 2009-501, October 2009)

State Mandates: Operational and Structural Changes Have Yielded Limited Improvements in Expediting Processes and in Controlling Costs and Liabilities

The California Constitution requires that whenever the Legislature or any state agency mandates a new program or higher level of service for a local entity, the State is required to provide funding to reimburse the associated costs, with certain exceptions. The Commission on State Mandates (Commission), the State Controller's Office (Controller), the Department of Finance (Finance), and local entities are the key participants in California's state mandate process. The Bureau of State Audits (bureau) examined the state mandates process under its authority to conduct both follow-up audits and those addressing areas of high risk. To follow up on our prior audits, we reviewed the status of the Commission's work backlogs and assessed how processing times had changed over the years. We also reviewed the Controller's efforts for using audits to identify and resolve problems in state mandate claims. Further, we evaluated how the State's mandate liability had changed from June 2004 to June 2008. Finally, we assessed the effect of recent structural changes on the state mandate process and summarized possible ways to accomplish the process more effectively.

The following table summarizes the Commission's progress in implementing the five recommendations the bureau made to the Commission in the above referenced report. As shown in the table, as of its one-year response, the Commission had not fully implemented one recommendation. Based on the Commission's most recent response, one recommendation remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
5	1	1	1

Following is the one recommendation that we determined was not fully implemented, followed by the commission's most recent response.

Recommendation #1:

To ensure that it resolves sufficiently its backlog of test claims, incorrect reduction claims, and the boilerplate amendment request, the Commission should work with Finance to seek additional resources to reduce its backlog, including test claims and incorrect reduction claims. In doing so, Commission staff should prioritize its workload and seek efficiencies to the extent possible.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

Commission staff discuss staffing and resource needs with Department of Finance staff and our Commission members on an ongoing basis each year. The Commission intends to submit a future Budget Change Proposal (BCP) to request additional staff if necessary, and when the Commission can meet the criterion for filing a BCP.

Please note that the Commission and its staff took several steps to reduce the test claim backlog using existing resources. First, staff established a workplan to eliminate the backlog. When the BSA audit findings were issued in October 2009, the Commission still had pending 32 of the most complicated test claims (the 2002-2003 claims). Today, the number of 2002–2003 claims has been reduced to 17, and 6 of the remaining 17 claims are analyzed and set for hearing in October and December 2011. The workplan contemplates completing all of the 2002 and 2003 test claims by the spring of 2012, and all backlogged test claims by 2014.

Staff also established a workplan to eliminate the incorrect reduction claim (IRC) backlog. The Commission made progress on the IRC backlog, completing 23 IRCs since October 2009. Commission staff continues to work with the State Controller's Office and claimants to settle an additional 68 incorrect reduction claims. The workplan contemplates eliminating the IRC backlog by 2014, using existing resources.

Estimated date of completion: Unknown

CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

(Report Number 2009-108, October 2009)

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

The Joint Legislative Audit Committee requested the Bureau of State Audits (bureau) to provide information related to the California Department of Veterans Affairs' (Veterans Affairs) efforts to effectively and efficiently address the needs of California's veterans. As part of our audit, we were asked to do the following:

- Review the goals and objectives in Veterans Affairs' current strategic plan to determine whether they adequately address the needs and issues in the veteran community, such as mental health and housing. Examine the methods Veterans Affairs uses to measure its performance and the extent to which it is meeting its goals and objectives.
- Determine the methods Veterans Affairs currently uses to identify and serve veterans, including performing a review of its interactions and agreements with other state departments and agencies that serve veterans.
- Identify the number of California veterans that received benefits from the CalVet Home Loan Program (CalVet program) for the most recent year that statistics are available and, to the extent possible, determine whether this program specifically benefits homeless veterans or veterans in need of multifamily or transitional housing.
- Review the programs administered by Veterans Affairs' Veterans Services division (Veterans Services), including whether it operates a program for homeless veterans, and determine the extent to which Veterans Affairs assists with the administration of these programs.
- Identify the federal disability benefits that qualifying veterans can receive and, for the last five years, determine the number of California veterans who annually applied for and received federal disability compensation and pension benefits (C&P benefits).
- Identify any barriers veterans may face when applying for federal disability benefits, the services Veterans Affairs offers to help veterans overcome such barriers, and the methods used by Veterans Affairs to improve the State's participation rate.

The following table summarizes Veterans Affairs' progress in implementing the 14 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, Veterans Affairs had not fully implemented five recommendations. Based on Veterans Affairs most recent response, four recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
14	5	5	4

Following are the recommendations that we determined were and were not fully implemented, followed by Veterans Affairs' most recent response for each.

Recommendation #1:

To ensure that it has the information necessary to track progress in increasing veterans' participation in C&P benefits, and to identify where and how best to focus its outreach and coordination efforts, Veterans Services should require the County Veteran Service Officers (CVSOs) to submit information on the number of claims filed for C&P benefits and information on their outreach activities.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

CalVET is continuing to implement the Subvention Accounting Information System (SAIS) to address this recommendation.

As previously reported, an MOU was executed with the vendor for the SAIS software. To date 29 new user-counties have voluntarily migrated from their current software application to SAIS under the provisions of the MOU. This migration brings the total number of CVSOs in the SAIS system to 49 out of the 56 counties with CVSOs and the three Veterans Services Division District Offices. The goal is to have the remaining 5 counties converted around June 2012. CalVet is unable to make this conversion mandatory as that would invoke state mandated local program statutes requiring CalVet to reimburse counties for the use of the software.

The SAIS will give CalVet the ability to expand its supervision of the claim activity right down to the individual veteran representative filing the claim. CalVet will be able to identify the quantity, quality and success rate of the claims being filed at the county level. This will also allow CalVet to influence the quality of the claims and track outreach activities. In addition, this automated process will allow both CalVet and the counties to implement new changes from the VA systematically, which will reduce the training and lag time in getting these changes to the field.

In the interim, "claims initiated" data is collected on the semi-annual subvention workload unit reports (DVS-16) and is being tracked.

Through the process of automation and with the future development of myCalVet, a veteran portal with user profiles, it is the intent that once a veteran enters their information into the myCalVet portal, there will be an information sharing to check the SAIS to determine if a veteran has filed a claim. This will alert the CVSO that there is a veteran within their community in need of assistance.

Estimated date of completion: Summer 2012

Recommendation #2:

As Veterans Services expands its efforts to increase veterans' participation in C&P benefits, it should use veterans' demographic information, such as that available through the U.S. Census Bureau, and the information it plans to obtain from the CVSOs using its Statewide Administration Information Management (SAIM) system, to focus its outreach and coordination efforts on those counties with the highest potential for increasing the State's rate of participation in C&P benefits.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The U.S. Census data on veterans in California was published in September 2011 and is currently being analyzed. The demographic data will be used to identify where to focus outreach efforts, and the veteran categories will be used to identify gaps within the services available to veterans and their families.

As a result of the defunding of Operation Welcome Home, CalVet has had to shift direction on outreach to veterans in connecting them with their C&P benefits. CalVet is in the development stage of myCalVet, which is an all-inclusive, web-based, one-stop shop for veteran benefits, information, and networking. MyCalVet will enable CalVet to collect veteran demographics, which will enable us to identify and track both the demographic information and request for service as CalVet implements other programs or distributes funding. In addition, veterans can use myCalVet to locate and learn about their benefits; replacing the 325 CalVet Corps Members of Operation Welcome Home.

Estimated date of completion: January 2013

Recommendation #3:

Veterans Services should continue its efforts to pursue the SAIM system to enable it to monitor the quantity and quality of claims processed by the CVSOs, and ensure it meets legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers. To the extent that Veterans Services is unsuccessful in implementing the SAIM system, Veterans Affairs will need to develop other avenues by which to meet its legal requirements.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

(Note: While the BSA report refers to this project as the SAIM, the official project title in the final FSR was revised to the Subvention Administration Information System (SAIS). To ensure consistency with other documents on the project the department will only be referring to this project by the official title submitted in the Feasibility Study Report/Reporting Exemption Request (FSR/RER).

CalVet is currently deploying the Subvention Accounting Information System (SAIS) on a voluntary basis. CalVet is unable to make this conversion mandatory as that would invoke state mandated local program statutes requiring CalVet to reimburse counties for the use of the software.

As previously reported, an MOU was executed with the vendor for the SAIS software. To date, 29 new user-counties have voluntarily migrated from their current software application to SAIS under the provisions of the MOU. This migration brings the total number of County Veteran Service Offices (CVSOs) in the SAIS system to 49 out of the 56 counties with CVSOs. The goal is to have the remaining 7 counties converted around June 2012.

Through the implementation process, there have been a number of developments made to improve the auditing process and information sharing. The two main developments were decreasing the turn around on the Veteran Services Division's ability of reviewing and adjudicating the college fee waiver appeals, and the second was the ability to transfer a veteran's case file from one location to another when a veteran relocates within the state or moves into one of the CalVet Veterans Homes.

Estimated date of completion: Summer 2012

Recommendation #4:

To ensure that it properly identifies and prioritizes the needs of the veteran community, Veterans Affairs should conduct a formal assessment of those needs, including soliciting input from the CVSOs.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The department has implemented a number of investigations to assess veteran needs for use during its strategic plan development.

The first was a series of public hearings, known as All Hands Meetings, held throughout the State to hear directly from veterans, families, and local service providers, etc., as to their perception of veteran needs. Planning and execution of the hearings involved local veteran organizations and local governmental agencies that provide veteran services. These meetings highlighted the role of the CVSO locally and allow the local leaders to highlight local needs through smaller forums that precede the public hearings.

The second effort was a statewide survey to seek input from the veteran community on veteran needs. This on-line survey began in February 2010 and closed data collection in mid-May. This survey sought input on veteran needs from three primary sub-groups: 1) active duty and veterans, 2) veteran family members, and 3) any resident interested in veteran issues. The department published a report on the findings in February 2011. (see attached)

The third effort was to conduct three surveys of veterans involved with Operation Welcome Home. These surveys addressed both customer satisfaction and veteran service needs. After the veteran was interviewed by a CalVet member during Operation Welcome Home, CalVet sent out a survey 30 days, 180 days, and one year after they entered the program.

The fourth effort was to conduct a survey of CVSOs just prior to the February 2010 training conference. This survey specifically asked the CVSOs, "In your expert opinion, what are the top three needs for veterans?"

The department has published a white paper which utilized all of these data sources as its formal assessment of veterans needs and to make recommendations to the State's policy makers as to prioritizing those needs.

Recommendation #5:

In order to attract more veterans to the CalVet program, Veterans Affairs should continue working with the Federal Housing Administration and the Ginnie Mae to lower its interest rates on loans.

Bureau's assessment of status: **Will not implement**

Auditee's Response:

The recommendation is not feasible. The department has requested approval from FHA to use our contract of sale (contract used for our loan transactions) with FHA mortgage insurance. FHA has twice denied the use of our land sales contract in conjunction with FHA insured mortgage financing. (attached copy of FHA's second denial)

LEGISLATIVE, JUDICIAL, AND EXECUTIVE

STATE BAR OF CALIFORNIA

(Report Number 2009-030, July 2009)

It Can Do More to Manage Its Disciplinary System and Probation Processes Effectively and to Control Costs

The California Business and Professions Code requires the State Bar of California (State Bar) to contract with the Bureau of State Audits (bureau) to audit the State Bar’s operations every two years, but it does not specify topics that the audit should address. For this audit, we focused on and reviewed the State Bar’s disciplinary system. To determine the efficiency and effectiveness of this system, we examined the State Bar’s discipline costs, the method by which the State Bar accounts for its discipline expenses, the outcomes of cases, the length of time that the State Bar takes to process cases, and the recovery of discipline expenses. We also evaluated the State Bar’s attorney probation system and its audit and review unit. Further, we reviewed the State Bar’s progress in addressing recommendations from reviews of its operations and the circumstances surrounding an alleged embezzlement by a former State Bar employee. Finally, we reviewed the status of the State Bar’s implementation of recommendations made in our 2007 audit titled *State Bar of California: With Strategic Planning Not Yet Completed, It Projects General Fund Deficits and Needs Continued Improvement in Program Administration*.

The following table summarizes the State Bar’s progress in implementing the 22 recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the State Bar had not fully implemented five recommendations. Based on the State Bar’s most recent response, all recommendations are now fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
22	5	4	0

Following are the recommendations that we determined were fully implemented, followed by the State Bar’s most recent response for each.

Recommendation #1:

To make sure that it is using the most cost-effective methods to recover discipline costs, the State Bar should complete a cost-benefit analysis to determine whether the benefits associated with using collection agencies outweigh the costs. If it determines that the collection agencies are, in fact, cost effective, the State Bar should redirect in-house staff to other disciplinary activities.

Bureau’s assessment of status: **Fully implemented**

Auditee's Response:

The State Bar determined it is more beneficial and effective to use collection agencies to collect all delinquent accounts for discipline costs, and has contracted with a collection agency for all delinquent discipline, Client Security Fund, and assistance program accounts. The State Bar has redirected the staff members that were working on cost recovery efforts back to their primary function of billing and collecting member dues.¹²

Recommendation #2:

The State Bar should also research the various collection options available to it, such as the Franchise Tax Board's intercept program.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

Effective in January 2011, the State Bar began referring its delinquent disciplinary debtor accounts to a professional collection agency. On an ongoing basis, the State Bar does not anticipate performing in-house collection activity.¹

Recommendation #3:

The State Bar should continue acting on recommendations from our 2007 report related to taking steps to reduce its inventory of backlogged cases.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Office of Chief Trial Counsel has undertaken a series of initiatives aimed at eliminating the backlog by the end of 2011. These included the hiring of a new management team, forming dedicated backlog teams, instituting Saturday working sessions, and proposing new rules of procedure to accelerate the Early Neutral Evaluation stage of the discipline process. Since early October, the Office of Budget, Performance Analysis and Internal Audit has been providing weekly reports on the progress of OCTC toward meeting its goal. In November, the number of cases in backlog was well below the 2007 goal of 250. As of the December 16, 2011, the backlog was down to 75. We anticipate that the backlog will approach zero by the end of 2011.

A copy of the most recent backlog report is attached. The graph reports backlog figures by week. As of the week of December 16th, the backlog was down to 75 and is expected to be even lower by the end of the year.

¹² We determined during our 2011 audit of the State Bar that Recommendations #1 and #2 were both fully implemented. We used information from that audit to describe the auditee's actions.

Recommendation #4:

The State Bar should continue acting on recommendations from our 2007 report related to improving its processing of disciplinary cases by more consistently using checklists and performing random audits.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

The Office of Chief Trial Counsel has implemented automated checklists for each phase of its functions including Intake, Investigation, and Trials. Each checklist must be completed before a case can be released in OCTC's computer system for forwarding to the next stage of the process. Screen shots of the checklists are included as well as system documentation from the Office of Information Technology.

STATE CONTROLLER'S OFFICE
(Report Number 2009-501, October 2009)

State Mandates: Operational and Structural Changes Have Yielded Limited Improvements in Expediting Processes and in Controlling Costs and Liabilities

The California Constitution requires that whenever the Legislature or any state agency mandates a new program or higher level of service for a local entity, the State is required to provide funding to reimburse the associated costs, with certain exceptions. The Commission on State Mandates (Commission), the State Controller's Office (Controller), the Department of Finance (Finance), and local entities are the key participants in California's state mandate process. The Bureau of State Audits (bureau) examined the state mandates process under its authority to conduct both follow-up audits and those addressing areas of high risk. To follow up on our prior audits, we reviewed the status of the Commission's work backlogs and assessed how processing times had changed over the years. We also reviewed the Controller's efforts for using audits to identify and resolve problems in state mandate claims. Further, we evaluated how the State's mandate liability had changed from June 2004 to June 2008. Finally, we assessed the effect of recent structural changes on the state mandate process and summarized possible ways to accomplish the process more effectively.

The following table summarizes the progress in implementing the one recommendation the bureau made to the Controller in the above referenced report. As shown in the table, as of its one-year response, the Controller had not fully implemented one recommendation. Based on the Controller's most recent response, this recommendation remains outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2010-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
1	1	1	1

Following is the one recommendation that we determined was not fully implemented, followed by the Controller's most recent response.

Recommendation #1:

To ensure that it can meet its responsibilities, including a heightened focus on audits of state mandates, the Controller should work with Finance to obtain sufficient resources. Additionally, the Controller should increase its efforts to fill vacant positions in its Mandated Cost Audits Bureau.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

When the final audit report was issued, the SCO had 33 of the 43 mandated cost audit positions filled. The 10 vacancies were held vacant due to economic uncertainties that could negatively impact the SCO's budget. As anticipated, effective June 30, 2010, the SCO lost funding for 11 positions. At that time, the SCO had 25 of the 32 mandated costs audit positions filled.

We worked closely with the Department of Finance to restore funding for the 10 vacant positions, which are indentified in the 2010 Budget Act adopted October 8, 2010. We currently have 32 filled mandated costs audit positions. We plan to fill an additional 6 vacant positions by March 2012, resulting in 38 filled mandated costs audit positions.

We are cautiously filling the vacant positions because of continued budget uncertainties. We plan to set aside the remaining four vacant positions for budget uncertainties and salary savings.

Estimated date of completion: March 2012

CALIFORNIA EMERGENCY MANAGEMENT AGENCY

(Letter Report Number 2009-119.4, May 2010)

Despite Receiving \$136 Million in Recovery Act Funds in June 2009, It Only Recently Began Awarding These Funds and Lacks Plans to Monitor Their Use

The Joint Legislative Audit Committee requested that the Bureau of State Audits (bureau) conduct a review of California's preparedness to receive and administer American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. Using selection criteria contained in the audit request, we chose to review the preparedness of the California Emergency Management Agency (CalEMA) to receive and administer the Recovery Act funds provided by the U.S. Department of Justice for its Edward Byrne Memorial Justice Assistance Grant Program (JAG Program). On February 17, 2009, the federal government enacted the Recovery Act to preserve and create jobs; promote economic recovery; assist those most affected by the recession; invest in transportation, environmental protection, and other infrastructure; and stabilize state and local government budgets. The Recovery Act also states that authorized funds should be spent to achieve its purposes as quickly as possible, consistent with prudent management. Based on our analysis, we believe that CalEMA is moderately prepared to administer its Recovery Act JAG Program award.

The following table summarizes CalEMA's progress in implementing the four recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, CalEMA had not fully implemented one recommendation. Based on CalEMA's most recent response, all recommendations are now fully implemented.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
4	1	0

Following is the one recommendation that we determined was fully implemented, followed by CalEMA's most recent response.

Recommendation #1:

To ensure that it meets the monitoring requirements of its Recovery Act JAG Program, CalEMA should plan its monitoring activities to provide reasonable assurance that its Recovery Act JAG Program subrecipients administer federal awards in accordance with laws, regulations, and the provisions of contracts or agreements.

Bureau's assessment of status: **Fully implemented**

Auditee's Response:

Limited-scope monitoring reviews have been performed on **all** 229 ARRA JAG funded projects. In addition, 7 extended scope desk reviews and 17 extended scope field reviews measuring fiscal and administrative compliance have been conducted by Monitoring staff. Program staff has performed programmatic site reviews of 223 ARRA JAG grants. All projects are in compliance with the terms and conditions outlined by the Bureau of State Audits for the ARRA JAG funds.

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
Capitol Press