

# APPENDIX B

## **Summary of Monetary Benefits Identified In Audit Reports Released From July 1, 2001, Through December 31, 2003**

We estimate that auditees could have realized more than \$441 million of monetary benefits during the period July 1, 2001, through December 31, 2003, if they implemented our recommendations. Table B.1 provides a brief description of the monetary benefits we found such as cost recoveries, cost savings, and increased revenues. Finally, many of the monetary benefits we have identified are not only one-time benefits; they are monetary benefits that could be realized each year for many years to come.

**TABLE B.1**

### **Monetary Benefits July 1, 2001, Through December 31, 2003**

<b>Audit Number/ Date Released</b>	<b>Audit Title/Basis of Benefit</b>	<b>Monetary Benefit</b>
<b>July 1, 2001, Through June 30, 2002</b>		
2001-102 (July 2001)	<b>Department of Insurance Conservation and Liquidation Office: Stronger Oversight Is Needed to Properly Safeguard Insurance Companies' Assets</b>  <i>Cost savings and cost recovery</i> —Recovery of overpayment to a contractor for \$43,000 and recovery of reinsurance not yet billed at \$1,385,000. In addition, cost savings of \$300,000 under CLO's new contract with its investment managers, which will recur for many years. The CLO reported that it recovered the overpayment as of December 21, 2001.	\$1,728,000
2001-107 (October 2001)	<b>Port of Oakland: Despite Its Overall Financial Success, Recent Events May Hamper Expansion Plans That Would Likely Benefit the Port and the Public</b>  <i>Increased revenue</i> —If the real estate division were to renegotiate its below-market leases to approximately 25 percent of their aggregate estimated fair market value, it could increase annual revenues. In 2002, three of the Port's below-market leases expired. If the Port renegotiated these leases to 25 percent of market value, the Port would realize over \$7.5 million annually.	7,500,000
2001-108 (November 2001)	<b>California Department of Corrections: Its Fiscal Practices and Internal Controls Are Inadequate to Ensure Fiscal Responsibility</b>  <i>Cost savings and cost recovery</i> —Recover \$24,000 of overpayment on overhead, save \$150,000 of future overhead costs through fiscal year 2002–03, save \$733,000 by eliminating unneeded contractor, which will recur for many years, and save \$42 million spent on overtime by filing vacant positions, which will recur for many years. We estimate that savings for fiscal year 2002–03 could be \$883,000 (\$150,000 plus \$733,000) and savings of \$733,000 annually for periods thereafter. However, since it may take CDC a few years to fill its vacant positions, it is not unreasonable to expect CDC to incrementally realize overtime cost savings over a five-year period starting in fiscal year 2001–02.	907,000

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Audit Number/ Date Released	Audit Title/Basis of Benefit	Monetary Benefit
2001-120 (March 2002)	<b>School Bus Safety II:</b> <i>State Law Intended to Make School Bus Transportation Safer Is Costing More Than Expected</i>	\$235,800,000
	<u>Cost savings</u> —We recommended that the Legislature clarify what activities are reimbursable. In 2002, the Legislature passed Assembly Bill 2781, which specifies that costs associated with implementation of transportation plans are not reimbursable claims. Costs for a six-year period ending June 30, 2002, were \$235.8 million and the ongoing costs after June 30, 2002, are \$44.3 million each year thereafter.	
2001-128 (April 2002)	<b>Enterprise Licensing Agreement:</b> <i>The State Failed to Exercise Due Diligence When Contracting With Oracle, Potentially Costing Taxpayers Millions of Dollars</i>	*
	<u>Cost savings</u> —The State and Oracle agreed to rescind the contract in July 2002. As a result, we estimate the State will save \$8,120,000 per year for five years starting in fiscal year 2002–03.	
2001-116 (April 2002)	<b>San Diego Unified Port District:</b> <i>It Should Change Certain Practices to Better Protect the Public’s Interests in Port-Managed Resources</i>	*
	<u>Increased revenue</u> —We estimate an increase in revenue of \$700,000 per year by obtaining market value rents. This monetary benefit will recur for many years, however, it is not anticipated to begin until 2007.	
2001-124 (June 2002)	<b>Los Angeles Unified School District:</b> <i>Outdated, Scarce Textbooks at Some Schools Appear to Have a Lesser Effect on Academic Performance Than Other Factors, but the District Should Improve Its Management of Textbook Purchasing and Inventory</i>	1,762,000
	<u>Cost savings</u> —We found that some publishers are not equitably providing free instructional materials (commonly referred to as gratis items) to different schools within LAUSD, as state law requires. Subsequently, LAUSD reports that it negotiated with publishers and thus far one publisher has actually provided approximately \$300,000 in gratis items.	
<b>Total for July 1, 2001, Through June 30, 2002</b>		<b>\$247,697,000</b>
<b>July 1, 2002, Through June 30, 2003</b>		
2001-123 (July 2002)	<b>Deaf and Disabled Telecommunications Program:</b> <i>Insufficient Monitoring of Surcharge Revenues Combined With Imprudent Use of Public Funds Leave Less Money Available for Program Services</i>	\$268,000
	<u>Cost savings</u> —Represents \$200,000 in known unremitted collections from intrastate telecommunication charges and \$68,000 in penalties and interest due for 2000 and 2001.	
2002-101 (July 2002)	<b>California Department of Corrections:</b> <i>A Shortage of Correctional Officers, Along With Costly Labor Agreement Provisions, Raises Both Fiscal and Safety Concerns and Limits Management’s Control</i>	*
	<u>Cost savings</u> —We estimate the department could save \$58 million if it reduces overtime costs by filling unmet correctional officer needs. This estimate includes the \$42 million we identified in our November 2001 report (2001-108). The department stated in its six-month response to this audit that, following our recommendation to increase the number of correctional officer applicants, it has submitted a proposal to restructure its academy to allow two additional classes each year. This action could potentially allow the department to graduate several hundred more correctional officers each year, thereby potentially contributing to a reduction in its overtime costs. However, any savings from this action would be realized in future periods.	
2002-107 (October 2002)	<b>Office of Criminal Justice Planning:</b> <i>Experiences Problems in Program Administration, and Alternative Administrative Structures for the Domestic Violence Program Might Improve Program Delivery</i>	23,000
	<u>Cost savings</u> —Represents estimated annual savings from the elimination of duplicative work conducted by the State Controller’s Office. This savings would recur indefinitely.	

Audit Number/ Date Released	Audit Title/Basis of Benefit	Monetary Benefit																		
2002-109 (December 2002)	<b>Department of Health Services:</b> <i>It Needs to Better Control the Pricing of Durable Medical Equipment and Medical Supplies and More Carefully Consider Its Plans to Reduce Expenditures on These Items</i>	\$ 911,000																		
	<u>Cost savings</u> —Represents savings the department would have achieved in fiscal year 2002–03 had it updated its maximum price for blood glucose test strips and volume remained the same as it was in the previous fiscal year. Also, beginning in fiscal year 2003–04, the department could save an additional \$2.7 million annually if it purchases stationary volume ventilators instead of renting them. However, because this action has not taken place, we are not adding the \$2.7 million to the monetary benefits estimate.																			
2002-009 (April 2003)	<b>California Energy Markets:</b> <i>The State's Position Has Improved, Due to Efforts by the Department of Water Resources and Other Factors, but Cost Issues and Legal Challenges Continue</i>	29,000,000																		
	<u>Cost savings</u> —In response to an audit recommendation, the department renegotiated certain energy contracts. The department's consultant estimates that the present value of the potential cost savings due to contract renegotiation efforts as of December 31, 2002, by the department and power suppliers, when considering replacement power costs, to be \$580 million. For the purpose of this analysis, we have computed the average annual cost savings by dividing the \$580 million over the 20-year period the savings will be realized. The estimated savings totaling \$580 million over 20 years varies by year from approximately -\$130 million to +\$180 million.																			
	Annualized carry forward from prior fiscal years:	64,103,000																		
	<table border="0"> <tr> <td>2000-134.2</td> <td>Energy Deregulation†</td> <td>\$ 3,000,000</td> </tr> <tr> <td>2001-102</td> <td>Department of Insurance Conservation and Liquidation Office</td> <td>300,000</td> </tr> <tr> <td>2001-107</td> <td>Port of Oakland</td> <td>7,500,000</td> </tr> <tr> <td>2001-108</td> <td>California Department of Corrections</td> <td>883,000</td> </tr> <tr> <td>2001-120</td> <td>School Bus Safety II</td> <td>44,300,000</td> </tr> <tr> <td>2001-128</td> <td>Enterprise Licensing Agreement</td> <td>8,120,000</td> </tr> </table>	2000-134.2	Energy Deregulation†	\$ 3,000,000	2001-102	Department of Insurance Conservation and Liquidation Office	300,000	2001-107	Port of Oakland	7,500,000	2001-108	California Department of Corrections	883,000	2001-120	School Bus Safety II	44,300,000	2001-128	Enterprise Licensing Agreement	8,120,000	
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2001-128	Enterprise Licensing Agreement	8,120,000																		
	Subtotal	\$64,103,000																		
<b>Total for July 1, 2002, Through June 30, 2003</b>		<b>\$94,305,000</b>																		
<b>July 1, 2003, Through December 31, 2003</b>																				
2002-121 (July 2003)	<b>California Environmental Protection Agency:</b> <i>Insufficient Data Exists on the Number of Abandoned, Idled, or Underused Contaminated Properties, and Liability Concerns and Funding Constraints Can Impede Their Cleanup and Redevelopment</i>	1,000,000																		
	<u>Increased revenue</u> —CalEPA would have received up to an additional \$1 million in revenues if it had applied for a one-time federal grant.																			
2003-106 (October 2003)	<b>State Mandates:</b> <i>The High Level of Questionable Costs Claimed Highlights the Need for Structural Reforms of the Process</i>	4,800,000																		
	<u>Cost savings</u> —If the local entities we audited file corrected claims for the errors we identified, the State will save \$4.8 million (\$4.1 million related to the Peace Officers Procedural Bill of Rights mandate and \$675,000 related to the Animal Adoption mandate). We also recommended that the State Controller's Office audit the Peace Officers Procedural Bill of Rights claims that have been filed. We believe that such audits could yield savings of up to \$159.6 million.																			
2003-102 (December 2003)	<b>Water Quality Control Boards:</b> <i>Could Improve Their Administration of Water Quality Improvement Projects Funded by Enforcement Actions</i>	301,000																		
	<u>Increased revenue</u> —We identified 92 violations that require fine issuance and collection of the fines and three fines that were issued but not collected. The board could increase its revenue if it collected these fines.																			

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	Annualized carry forward from prior fiscal years:	\$ 92,976,000
2000-134.2	Energy Deregulation	\$ 3,000,000
2001-102	Department of Insurance Conservation and Liquidation Office	300,000
2001-107	Port of Oakland	7,500,000
2001-108	California Department of Corrections	733,000
2001-120	School Bus Safety II	44,300,000
2001-128	Enterprise Licensing Agreement	8,120,000
2002-107	Office of Criminal Justice Planning	23,000
2002-009	California Energy Markets	29,000,000
	Subtotal	\$92,976,000
<b>Totals for July 1, 2003, Through December 31, 2003</b>		<b>\$98,077,000</b>
<b>Totals for July 1, 2001, Through June 30, 2003</b>		<b>\$342,002,000</b>
<b>Totals for July 1, 2001, Through December 31, 2003</b>		<b>\$440,079,000</b>

\* Although this listing identified monetary benefits the auditee could reasonably expect to realize if it implements our recommendations, these benefits would not be realized in the period covered in this listing. Therefore, the appropriate amounts will be included in future years.

† We issued report 2000-134.2 on Energy Deregulation in May 2001. Cost savings is from the annual maintenance cost of a Web site that we recommended be eliminated because it is not needed. This cost savings will recur for many years.