


## Introduction

This report summarizes the major findings and recommendations from audit and investigative reports we issued from January 2007 through December 2008. The purpose of this report is to identify what actions, if any, these auditees have taken in response to our findings and recommendations. We have placed this symbol  in the margin of the auditee's action to identify areas of concern or issues that we believe an auditee has not adequately addressed.

Policy areas that generally correspond to the Assembly and Senate standing committees organize this report. Under each policy area we have included report summaries that relate to an area's jurisdiction. Because an audit or investigation may involve more than one issue or because it may cross the jurisdictions of more than one standing committee, a report summary could be included in more than one policy area. For example, for an audit of the Grade Separation Program, the audit report summary would be listed under three policy areas—Energy, Utilities, and Communications; Privacy and Public Safety; and Transportation.

We have compiled the recommendations we directed to the Legislature and have summarized them in a separate report we issued in January 2009 (report number 2008-701). Additionally, we have summarized monetary benefits such as cost recoveries, cost savings, or increased revenues that we estimated auditees could realize if they implement our recommendations or take appropriate corrective action in the Appendix of this report. We estimate that auditees could have realized roughly \$1.26 billion of monetary benefits during the period July 1, 2001, through December 31, 2008, if they implemented our recommendations. For example, in our audit of the Department of Public Health (department) we determined that Laboratory Services had raised its fees improperly one year and failed to impose two subsequent fee increases called for in the budget act. As a result, Laboratory Services did not collect more than \$1 million in fees from clinical laboratories; though it would need spending authority to be able to spend the additional revenue.

In addition to these issues of fiscal responsibility, the department has not overseen clinical laboratories as state law and regulations mandate. For example, Laboratory Services is not inspecting laboratories every two years as state law requires and has no plans to do so unless it receives additional resources. State law requires that Laboratory Services investigate consumer complaints, however, in late 2007 Laboratory Services had a backlog of complaints it had received, and it closed many cases without taking action. Particularly troubling was one complaint regarding a laboratory that was believed to have cross-contaminated blood samples, leading a medical professional to reportedly misdiagnose tuberculosis in a patient who consequently was hospitalized twice for complications from the prescribed tuberculosis treatments she received. One reason Laboratory Services cited for not pursuing the case was sparse resources. However, if Laboratory Services had correctly collected fees it was due, it could potentially use those funds to obtain the resources necessary to comply with the state laws and regulations that it reports it cannot comply with at current resource levels.

For this report we have relied upon periodic written responses prepared by auditees to determine whether corrective action has been taken. The California State Auditor's Office (office) policy requests that the auditees provide a written response to the audit findings and recommendations before the audit report is initially issued publicly. As a follow-up, state law requires the auditee to respond at least three times subsequently: at 60 days, six months, and one year after the public release of the audit report. However, we may request that an auditee provide a response beyond one year or initiate a follow-up audit if deemed necessary.

We report all instances of substantiated improper governmental activities resulting from our investigative activities to the cognizant state department for corrective action. These departments are required to report the status of their corrective actions every 30 days until all such actions are complete. During 2007 and 2008 our investigations have identified over \$1 million in state governmental improper acts and spending including improper overtime payments, failure to accurately report absences, and mismanagement of state resources and funds. These investigations are typically initiated via tips to the office's Whistleblower hotline, 1.800.952.5665.



	INITIAL RESPONSE	FOLLOW-UP RESPONSE			STATUS OF RECOMMENDATION				PAGE NUMBERS
		60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
<b>Department of Corporations</b>					2	4	1	0	
License Applications and Complaints Report 2005-123				●					29
<b>Department of Consumer Affairs, Contractors State License Board</b>					0	1	0	0	
Investigations Report I2008-2 [I2007-1046]	●								109
<b>Education</b>									
<b>Universities and Community College California Postsecondary Education Commission</b>					24	5	1	0	
Crime Statistics Report 2006-032				●	1				111
<b>Department of Education</b>					0	0	0	1	
Home-to-School Transportation Report 2006-109				●					119
<b>California State Polytechnic University, Pomona</b>					0	1	0	0	
Investigations Report I2007-2 [I2007-0671]				●					121
<b>California State University</b>									
CSU Compensation Report 2007-102.1				●	0	5	1	0	123
CSU Hiring Practices Report 2007-102.2				●	0	4	1	0	129
<b>University of California California State University Community Colleges</b>					0	0	2	3	
College Textbooks Affordability Report 2007-116		●			0	1	4	0	137
<b>Department of Education</b>					0	1	2	0	
Special Education Hearings Report 2008-109	●								145
<b>Department of Social Services</b>					0	1	5	0	
Safely Surrendered Baby Report 2007-124			●						59
<b>Elections, Reapportionment, and Constitutional Amendments</b>									
<b>Office of the Secretary of State County Registrars</b>					0	1	0	0	
Poll Workers Training Report 2008-106		●			14	1	17	0	149
<b>Energy, Utilities, and Communications</b>									
<b>Department of Transportation</b>					0	1	0	0	
Grade Separation Program Report 2007-106				●					159
<b>Environmental Safety and Toxic Materials</b>									
<b>Air Resources Board Local Air Quality Districts</b>					3	1	0	0	
Carl Moyer Program Report 2006-115				●	1	5	0	3	161
<b>Office of Spill Prevention and Response</b>					0	2	4	0	
Cosco Busan Report 2008-102		●							169
<b>California Highway Patrol Department of Motor Vehicles Department of Transportation Employment Development Department Department of Justice Department of General Services Department of Toxic Substance Control Waste Management Board</b>					0	0	1	0	
E-Waste Report 2008-112	●				0	0	3	0	
					0	0	2	0	
					0	0	2	0	
					0	0	1	0	
					0	0	1	0	
					0	0	1	0	
					0	0	1	0	
					0	0	1	0	
					0	0	1	0	
<b>California Environmental Protection Agency</b>					0	2	0	0	
Investigations Report I2008-2 [I2008-0678]	●								103
<b>Department of Public Health</b>					0	5	1	0	
Low-Level Radioactive Waste Report 2007-114			●						175
<b>Governmental Organization</b>									
<b>State Board of Chiropractic Examiners</b>					11	11	0	0	
Chiropractic Board Report 2007-117			●						85

	INITIAL RESPONSE	FOLLOW-UP RESPONSE			STATUS OF RECOMMENDATION				PAGE NUMBERS
		60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
<b>Medical Board of California</b>									
Physician Diversion Program Report 2006-116R			●		Program discontinued				183
Assessment of Fees Report 2007-038				●	1	0	1	0	75
<b>California Highway Patrol</b>					2	2	0	0	
<b>Department of General Services</b>					3	1	0	0	
CHP Contracting Report 2007-111			●						77
<b>California Highway Patrol</b>					0	0	1	0	
<b>Department of Motor Vehicles</b>					0	0	3	0	
<b>Department of Transportation</b>					0	0	2	0	
<b>Employment Development Department</b>					0	0	2	0	
<b>Department of Justice</b>					0	0	1	0	
<b>Department of General Services</b>					0	0	1	0	
<b>Department of Toxic Substance Control</b>					0	0	1	0	
<b>Waste Management Board</b>					0	0	1	0	
E-Waste Report 2008-112	●								103
<b>Indian Gaming Benefit Committees</b>					17	0	2	4	
<b>Gambling Commission</b>					0	0	0	1	
Indian Gaming Report 2006-036				●					51
<b>Department of Consumer Affairs, Contractors State License Board</b>					0	1	0	0	
Investigations Report I2008-2 [I2007-1046]	●								109
<b>Health and Human Services</b>									
<b>Department of Health Care Services</b>					4	1	0	0	
Medi-Cal Providers Report 2006-110				●					187
<b>Medical Board of California</b>					Program discontinued				
Physician Diversion Program Report 2006-116R			●						183
<b>Department of Mental Health-Coalinga</b>					1	0	0	0	
Investigations Report I2007-2 [I2006-1099]				●					193
<b>Department of Health Care Services</b>					2	0	0	0	
Investigations Report I2007-2 [I2006-1012]				●					195
<b>Board of Equalization</b>					1	0	0	0	
<b>Franchise Tax Board</b>					1	1	0	0	
Nonprofit Hospitals Report 2007-107				●					197
<b>Department of Corrections and Rehabilitation</b>					1	1	1	0	
<b>Department of Social Services</b>					1	0	0	0	
<b>Department of Justice</b>					1	0	0	0	
Sex Offender Placement Report 2007-115				●					203
<b>Department of Public Health</b>					1	0	0	0	
<b>Department of Veterans Affairs</b>					4	2	0	0	
<b>Veterans Board</b>					1	0	0	0	
Yountville Veterans Home Report 2007-121				●					207
<b>Department of Social Services</b>					0	1	5	0	
Safely Surrendered Baby Report 2007-124				●					59
Investigations Report I2008-1 [I2006-1040]		●			0	1	0	0	201
<b>Department of Public Health</b>					0	5	1	0	
Low-Level Radioactive Waste Report 2007-114				●					177
<b>Department of Health Care Services</b>					1	1	0	1	
Durable Medical Equipment 2007-122				●					215
<b>Department of Public Health</b>					0	9	0	0	
Clinical Laboratories Report 2007-040		●							67

	INITIAL RESPONSE	FOLLOW-UP RESPONSE			STATUS OF RECOMMENDATION				PAGE NUMBERS
		60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
<b>Victim Compensation and Government Claims Board</b>					0	0	10	0	
Victim Compensation Program 2008-113	●								219
<b>Department of Health Care Services</b>					0	5	0	1	
Skilled Nursing Facilities Report 2006-035				●					9
<b>California Institute for Regenerative Medicine</b>					7	4	0	1	
Stem Cell Report 2006-108				●					227
<b>Department of Health Care Services</b>					0	1	0	0	
Investigations Report I2007-1 [I2006-0731]			●						237
<b>Medical Board of California</b>					1	0	1	0	
Assessment Fees Report 2007-038				●					75
<b>Higher Education</b>									
<b>Universities and Community College</b>					24	5	1	0	
<b>California Postsecondary Education Commission</b>					1	0	0	0	
Crime Statistics Report 2006-032				●					111
<b>California State Polytechnic University, Pomona</b>					0	1	0	0	
Investigations Report I2007-2 [I2007-0671]				●					121
<b>California State University</b>									
CSU Compensation Report 2007-102.1				●	0	5	1	0	123
CSU Hiring Practices Report 2007-102.2				●	0	4	1	0	129
<b>University of California</b>					0	0	2	3	
<b>California State University</b>					1	0	5	0	
<b>Community Colleges</b>					0	1	4	0	
College Textbooks Affordability Report 2007-116		●							137
<b>Housing and Community Development</b>									
<b>Department of Housing and Community Development</b>					2	1	0	0	
Housing Bonds Report 2007-037				●					239
<b>Insurance</b>									
<b>Department of Insurance</b>					3	1	0	0	
Executive Life Insurance Report 2005-115.2			●						243
<b>Unemployment Insurance Appeals Board</b>					0	3	3	0	
Unemployment Insurance Report 2008-103	●								247
<b>Judiciary</b>									
<b>State Bar of California</b>					0	3	0	0	
State Bar Report 2007-030				●					255
<b>Department of Justice</b>					1	0	0	0	
<b>Administrative Office of the Courts</b>					1	0	0	0	
<b>State Controller</b>					1	0	0	0	
<b>County Superior Courts</b>					3	0	0	0	
DNA Identification Fund Report 2007-109				●					261
<b>Department of Justice</b>					2	0	0	0	
Investigations Report I2008-1 [I2007-0958]			●						265
<b>Labor, Employment, and Industrial Relations</b>									
<b>California Exposition and State Fair</b>					1	0	0	0	
Investigations Report I2007-1 [I2006-0945]				●					271
<b>Department of Health Care Services</b>					0	1	0	0	
Investigations Report I2007-1 [I2006-0731]			●						237
<b>Department of Justice</b>					1	0	0	0	
Investigations Report I2008-1 [I2007-0728]			●						267
<b>Department of Corrections and Rehabilitation</b>					0	0	1	0	
Investigations Report I2008-2 [I2006-0826]	●								269

	INITIAL RESPONSE	FOLLOW-UP RESPONSE			STATUS OF RECOMMENDATION				PAGE NUMBERS
		60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
<b>Department of Consumer Affairs, State Contractors License Board</b>					0	1	0	0	
Investigations Report I2008-2 [I2007-1046]	●								109
<b>California Environmental Protection Agency</b>					0	2	0	0	
Investigations Report I2008-2 [I2008-0678]	●								175
<b>Unemployment Insurance Appeals Board</b>					0	3	3	0	
Unemployment Insurance Report 2008-103	●								247
<b>California State University</b>									
CSU Compensation Report 2007-102.1				●	0	5	1	0	123
CSU Hiring Report 2007-102.2				●	0	4	1	0	129
<b>Local Government</b>									
<b>Department of Education</b>					0	0	0	1	
Home-to-School Transportation Report 2006-109				●					119
<b>Air Resources Board</b>					3	1	0	0	
<b>Local Air Quality Districts</b>					1	5	0	3	
Carl Moyer Program Report 2006-115				●					161
<b>Department of Justice</b>					1	0	0	0	
<b>Administrative Office of the Courts</b>					1	0	0	0	
<b>State Controller</b>					1	0	0	0	
<b>County Superior Courts</b>					3	0	0	0	
DNA Identification Fund Report 2007-109				●					261
<b>Board of Equalization</b>					1	0	0	0	
<b>Franchise Tax Board</b>					1	1	0	0	
Nonprofit Hospitals Report 2007-107				●					197
<b>Santa Clara Valley Transportation Authority</b>					1	4	1	0	
Santa Clara Valley Transportation Report 2007-129			●						275
<b>Office of the Secretary of State</b>					0	1	0	0	
<b>County Registrars</b>					14	1	17	0	
Poll Workers Training Report 2008-106		●							149
<b>Indian Gaming Benefit Committees</b>					17	0	2	4	
<b>Gambling Commission</b>					0	0	0	1	
Indian Gaming Report 2006-036				●					51
<b>Department of Transportation</b>					0	1	0	0	
Grade Separation Program Report 2007-106				●					159
<b>Victim Compensation and Government Claims Board</b>					0	0	10	0	
Victim Compensation Program Report 2008-113	●								219
<b>Department of Social Services</b>					0	1	5	0	
Safely Surrendered Baby Report 2007-124			●						59
<b>Natural Resources, Parks, and Wildlife</b>									
<b>Department of Conservation</b>					1	1	0	0	
Investigations Report I2007-1 [I2006-0908]				●					281
<b>Department of Water Resources</b>					3	0	2	0	
Flood Protection Corridor Report 2007-108				●					23
<b>Department of Fish and Game</b>					0	3	0	0	
Bay-Delta Stamp Report 2008-115		●							285
<b>Office of Spill Prevention and Response</b>					0	2	4	0	
Cosco Busan Report 2008-102		●							169
<b>Privacy and Public Safety</b>									
<b>Department of Corrections and Rehabilitation</b>					1	0	0	0	
Investigations Report I2008-1 [I2006-0665]			●						289
<b>Department of Corrections and Rehabilitation</b>					0	1	2	0	
Parole Discharge Report 2008-104		●							291

	INITIAL RESPONSE	FOLLOW-UP RESPONSE			STATUS OF RECOMMENDATION				PAGE NUMBERS
		60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
<b>Department of Public Health</b>					4	2	3	0	
Licensing and Certifications Report 2006-106				●					15
<b>California Prison Health Care Services</b>					3	9	0	2	
Medical Service Contracting Report 2006-501				●					37
<b>Medical Board of California</b>									
Physician Diversion Program Report 2006-116R				●	Program discontinued				183
<b>California Highway Patrol</b>					1	0	0	0	
Investigations Report I2007-2 [2007-0715]		●							273
<b>California Highway Patrol</b>					1	2	0	0	
<b>Department of General Services</b>					3	1	0	0	
CHP Contracting Report 2007-111			●						77
<b>Department of Justice</b>					2	0	0	0	
Investigations Report I2008-1 [I2007-0958]			●						265
<b>Department of Corrections and Rehabilitation</b>					1	1	1	0	
<b>Department of Social Services</b>					1	0	0	0	
<b>Department of Justice</b>					1	0	0	0	
Sex Offender Placement Report 2007-115			●						203
<b>Department of Public Health</b>					0	5	1	0	
Low-Level Radioactive Waste Report 2007-114			●						177
<b>Victim Compensation and Government Claims Board</b>					0	0	10	0	
Victim Compensation Program Report 2008-113	●								219
<b>Universities and Community College California Postsecondary Education Commission</b>					24	5	1	0	
Crime Statistics Report 2006-032				●	1	0	0	0	111
<b>Department of Public Health</b>					0	9	0	0	
Clinical Laboratories Report 2007-040		●							67
<b>Department of Transportation</b>					0	1	0	0	
Grade Separation Program Report 2007-106				●					159
<b>Public Employees, Retirement, and Social Security</b>									
<b>California Exposition State Fair</b>					1	0	0	0	
Investigations Report I2007-1 [I2006-0945]				●					271
<b>Department of Justice</b>					1	0	0	0	
Investigations Report I2008-1 [I2007-0728]			●						267
<b>Department of Consumer Affairs, State Contractors License Board</b>					0	1	0	0	
Investigations Report I2008-2 [I2007-1046]	●								109
<b>Unemployment Insurance Appeals Board</b>					0	3	3	0	
Unemployment Insurance Report 2008-103	●								247
<b>California State University</b>									
CSU Compensation Report 2007-102.1				●	0	5	1	0	123
CSU Hiring Practices Report 2007-102.2				●	0	4	1	0	129
<b>California Highway Patrol</b>					1	2	0	0	
<b>Department of General Services</b>					3	1	0	0	
CHP Contracting Report 2007-111			●						77
<b>Revenue and Taxation</b>									
<b>California Institute for Regenerative Medicine</b>					7	4	0	1	
Stem Cell Report 2006-108				●					227
<b>Indian Gaming Benefit Committees</b>					17	0	2	4	
<b>Gambling Commission</b>					0	0	0	1	
Indian Gaming Report 2006-036				●					51

	INITIAL RESPONSE	FOLLOW-UP RESPONSE			STATUS OF RECOMMENDATION				PAGE NUMBERS
		60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
<b>Department of Justice</b>					1	0	0	0	
Administrative Office of the Courts					1	0	0	0	
State Controller					1	0	0	0	
County Superior Courts					3	0	0	0	
DNA Identification Fund Report 2007-109				●					261
<b>Board of Equalization</b>					1	0	0	0	
Franchise Tax Board					1	1	0	0	
Nonprofit Hospitals Report 2007-107				●					197
<b>Transportation</b>									
<b>Department of Transportation</b>					0	1	0	0	
Grade Separation Program Report 2007-106				●					159
<b>California Highway Patrol</b>					1	0	0	0	
Investigations Report I2007-2 [2007-0715]		●							273
<b>Santa Clara Valley Transportation Authority</b>					1	4	1	0	
Santa Clara Valley Transportation Report 2007-129			●						275
<b>Department of Education</b>					0	0	0	1	
Home-to-School Transportation Report 2006-109				●					119
<b>Veterans Affairs</b>									
<b>Department of Public Health</b>	●				1	0	0	0	
Department of Veterans Affairs			●		4	2	0	0	
Veterans Board			●		1	0	0	0	
Yountville Veterans Home Report 2007-121									207

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