

February 13, 2014

2014-406 S

Members of the Senate Budget & Fiscal Review Committee
State Capitol
Sacramento, California 95814

Dear Members of the Senate Budget & Fiscal Review Committee:

The California State Auditor presents this special report for the legislative budget subcommittees, which summarizes audits and investigations we issued from January 2012 through December 2013. The purpose of this report is to assist the Senate Budget & Fiscal Review Committee in identifying issues it may want to explore in subcommittee hearings. It is intended to provide transparency in what actions, if any, audited and investigated entities have taken in response to our specific findings and recommendations. This report includes the major findings and recommendations along with the status of corrective actions the audited and investigated entities reportedly have taken to implement our recommendations. To better assist you, we have highlighted those recommendations that remain not fully implemented.

Our policy requests that entities provide a written response to the audit findings and recommendations before the audit report is issued publicly. As a follow-up, state law requires the entity to provide updates on their implementation of audit recommendations, and we request these updates at 60 days, six months, and one year after the report's public release. For investigations, state law requires state agencies that are the subject of an investigation to provide updates on their implementation of recommendations within 60 days of receiving the report and monthly thereafter until the agency has taken final action. Further, we follow up with every entity that we determine has not fully implemented one or more recommendations within one year of the issuance of an audit or investigative report and request an update on the entity's plans to implement the outstanding recommendations.

This report is organized by recommendations that fall within the jurisdiction of each of the individual Senate Budget Subcommittees. For example, the section for Senate Subcommittee 1 on Education identifies recommendations our office made on issues ranging from the proper reporting of campus crimes to migrant education. The section for Senate Subcommittee 3 on Health and Human Services identifies recommendations on issues such as the timely resolution of child abuse allegations and the implementation of the Mental Health Services Act.

Please note that some reports may involve more than one issue or cross the jurisdictions of more than one subcommittee. In Table 1, we provide the report title, recommendations, and action taken by the entity. A more detailed description of the auditor's assessment of the entity's actions can be accessed on our Web site at www.auditor.ca.gov under the "Publications" tab.

Our audit efforts bring the greatest return when the entity acts upon our findings and recommendations. Table 2 summarizes the monetary value associated with certain findings

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from reports we issued during the period January 1, 2006, through December 31, 2013. We have indicated the nature of the monetary value in the following categories: cost recovery, cost savings, cost avoidance, increased revenue, and wasted funds. We estimate that if entities implemented our recommendations contained in these reports, they could realize more than \$1.5 billion in monetary value either by reducing costs, increasing revenues, or avoiding wasteful spending. For example, our April 2013 report on special interest license plate funds found that the Department of Motor Vehicles (Motor Vehicles) has a policy to collect retention fees for special license plates only when the plate owner notifies the department that he or she will again use the special plate on a vehicle. Using Motor Vehicles' unaudited available data and the fees prescribed in statutes, we estimate that, because of this policy, it did not collect retention fees of \$12 million during fiscal years 2010–11 and 2011–12. We estimate that by implementing our recommendation to collect retention fees for all special plates retained by plate owners, Motor Vehicles could realize up to \$6 million in increased revenue annually.

We believe the State's budget process is a good opportunity for the Legislature to explore these issues in a public forum and, to the extent necessary, reinforce the need for corrective action. If you would like more information or assistance regarding this report, please contact Paul Navarro, Legislative Affairs, at (916) 445-0255.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE, CPA
State Auditor