

February 6, 2018

2018-406 S

Dear Members of the Senate Budget & Fiscal Review Committee:

The California State Auditor (State Auditor) presents this special report for the legislative budget subcommittees, which summarizes audit and investigation reports we issued from January 2016 through December 2017. 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 status of actions taken to implement our recommendations as reported to us by the audited and investigated entities and evaluated by our office as of December 31, 2017. 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 that an entity report within 60 days of receiving an investigative report and monthly thereafter until it has completed all of the actions it intends to take in response to the recommendations. 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 & Fiscal Review Subcommittees. For example, the section for the Senate Subcommittee 1 on Education identifies report recommendations our office made on issues ranging from the availability of library services in public schools to the budgeting and contracting policies of the University of California Office of the President. The section for Senate Subcommittee 5 on Public Safety identifies report recommendations on issues ranging from CalGang Criminal Intelligence System to the issuance of licenses for carrying concealed weapons.

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 State Auditor's assessment of the entity's actions can be accessed on our website 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, 2010, through December 31, 2017. 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 \$1.7 billion in monetary value either by reducing costs, increasing revenues, or avoiding wasteful spending.

For example, in our April 2017 on an audit of the Department of Motor Vehicles' (DMV) disabled person parking placard program, we reported that the DMV does not sufficiently ensure that applications for placards or plates are legitimate and identified several improvements the DMV and the Legislature can make that will reduce fraud and misuse or increase revenue. We recommended that the DMV assist local parking enforcement officials by informing them of the ability to increase its placard misuse penalty by an additional \$100 because state law allows local governments to pass ordinances to increase such penalties by \$100 per citation. We estimated that Los Angeles alone might have raised nearly \$190,000 in additional revenue for placard enforcement while also deter placard misuse.

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, Chief Deputy State Auditor of Operations, 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
California State Auditor