



February 12, 2019
2019-406 S

Dear Members of the Senate Budget & Fiscal Review Committee:

The California State Auditor (State Auditor) presents this special report which summarizes for the legislative budget subcommittees audit and investigation reports we issued from January 2017 through December 2018. 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, 2018. To better assist you, we have highlighted those recommendations that remain not fully implemented.

Our policy is to request 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 entities to provide updates on their implementation of audit recommendations, and we request these updates 60 days, six months, and one year after the report's public release. For investigations, state law requires that entities 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 and Fiscal Review Subcommittees. For example, the section for the Senate Subcommittee 3 on Health and Human Services identifies report recommendations our office made on issues ranging from the Mental Health Services Act funding to questionable Medi-Cal payments made by the Department of Health Care Services. The section for Senate Subcommittee 2 on Resources, Environmental Protection, Energy, and Transportation identifies report recommendations on issues ranging from cost overruns by the California High Speed Rail Authority to oversight of the Toll Bridge Seismic Retrofit Program.

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.

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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 from reports we issued during the period January 1, 2011, through December 31, 2018. 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, the State of California could realize more than \$3.5 billion in monetary value either by reducing costs, increasing revenues, or avoiding wasteful spending.

For example, in our October 2018 audit of the Department of Health Care Services' eligibility system for the California Medical Assistance Program (Medi-Cal), we found that the department had paid billions in questionable Medi-Cal premiums and claims because it failed to follow-up on eligibility discrepancies between the State's eligibility system and the counties' eligibility systems. To recover inappropriately spent funds, prevent future erroneous payments, and ensure eligible individuals' access to care, we recommended that the department resolve the discrepancies we identified and recover erroneous payments where allowable. We estimate that the department could avoid paying \$1.7 billion per year if it resolved the discrepancies.

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–Operations, at (916) 445-0255.

Respectfully submitted,



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California State Auditor