



February 11, 2020  
*2020-406 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 2018 through December 2019. The purpose of this report is to assist the Senate Budget and 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, 2019. 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 at 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 oversight of skilled nursing facilities to the provision of preventative services for children in Medi-Cal. The section for Senate Subcommittee 5 on Public Safety identifies report recommendations on issues ranging from weaknesses in oversight by the Commission on Judicial Performance to the State's need to more adequately protect its most vulnerable residents from natural disasters.

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](http://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, 2012, through December 31, 2019. 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 approximately \$4.9 billion in monetary value either by reducing costs, increasing revenues, or avoiding wasteful spending.

For example, in our July 2019 audit of the Fallen Leaf Lake Community Services District's (district) billing practices, we found that the district overbilled the California Office of Emergency Services (Cal OES). The district paid its own personnel less than the rate it told Cal OES it would and thus improperly profited from reimbursements it received from paying agencies for providing personnel to fight wildfires. We calculated that the district improperly claimed over \$700,000 in excess personnel reimbursements from Cal OES from 2016 through 2018. We recommended the district develop and implement a plan for returning the excessive reimbursements it received.

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,

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