

# CALIFORNIA STATE AUDITOR

Bureau of State Audits

## Implementation of State Auditor's Recommendations

Audits Released in January 2010 Through December 2011

Special Report to  
*Assembly Budget Subcommittee #4—State Administration*



March 2012 Report 2012-406 A4

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# CALIFORNIA STATE AUDITOR

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March 30, 2012

2012-406 A4

The Honorable Joan Buchanan, Chair  
Assembly Budget Subcommittee No. 4  
State Capitol  
Sacramento, California 95814

Dear Assemblymember Buchanan:

The California State Auditor presents this special report for the Assembly Budget Subcommittee No. 4—State Administration. The report summarizes the audits and investigations we issued during the previous two years that are within this subcommittee's purview. Additionally, the report includes the major findings and recommendations, along with the corrective actions entities reportedly have taken to implement our recommendations. To facilitate the use of the report, we have included a table that summarizes the status of each entity's implementation efforts based on its most recent response.

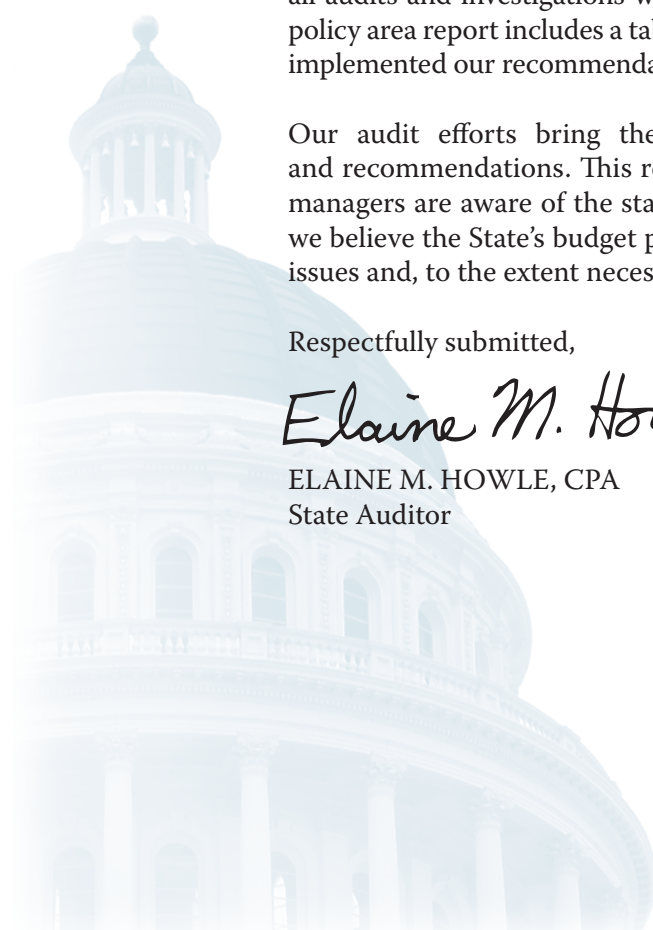
This information is also available in a special report that is organized by policy area that summarizes all audits and investigations we issued from January 2010 through December 2011. The special policy area report includes a table that identifies monetary values that entities could realize if they implemented our recommendations, and is available on our Web site at [www.bsa.ca.gov](http://www.bsa.ca.gov).

Our audit efforts bring the greatest returns when the entity acts upon our findings and recommendations. This report is one vehicle to ensure that the State's policy makers and managers are aware of the status of corrective action entities report they have taken. Further, we believe the State's budget process is a good opportunity for the Legislature to explore these issues and, to the extent necessary, reinforce the need for corrective action.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor





# Contents

Introduction	1
Table	
<i>Recommendation Status Summary</i>	1
California Housing Finance Agency	
<b>Report Number 2010-123, California Housing Finance Agency:</b> <i>Most Indicators Point to Continued Solvency Despite Its Financial     Difficulties Created, in Part, by Its Past Decisions</i>	3
California Recovery Task Force	
<b>Report Number 2010-601, High Risk Update—American     Recovery and Reinvestment Act of 2009: The California Recovery     Task Force and State Agencies Could Do More to Ensure the Accurate     Reporting of Recovery Act Jobs</b>	5
California Technology Agency	
<b>Report Number 2010-112, Employment Development     Department: Its Unemployment Program Has Struggled to Effectively     Serve California's Unemployed in the Face of Significant Workload     and Fiscal Challenges</b>	7
Employment Development Department	
<b>Report Number 2010-106, Dymally-Alatorre Bilingual Services     Act: State Agencies Do Not Fully Comply With the Act, and Local     Governments Could Do More to Address Their Clients' Needs</b>	13
<b>Report Number 2010-112, Employment Development     Department: Its Unemployment Program Has Struggled to Effectively     Serve California's Unemployed in the Face of Significant Workload     and Fiscal Challenges     (see summary on page 7)</b>	
Finance, Department of	
<b>Report Number 2010-117, General Obligation Bonds: The     Departments of Water Resources and Finance Should Do More     to Improve Their Oversight of Bond Expenditures</b>	21

**General Services, Department of**

**Report Number 2009-114, Department of General Services:**  
*It No Longer Strategically Sources Contracts and Has Not Assessed  
Their Impact on Small Businesses and Disabled Veteran  
Business Enterprises* 25

**Report Number 2011-116.1, Department of General Services:**  
*The Division of the State Architect Lacks Enforcement Authority and  
Has Weak Oversight Procedures, Increasing the Risk That School  
Construction Projects May Be Unsafe* 31

**Report Number I2010-2, Investigations of Improper Activities by  
State Employees:** *Delay in Reassigning an Incompetent Psychiatrist,  
Misuse of State Resources, Failure to Protect the Security of Confidential  
Documents, Theft of Registration Fees, and Other Violations of State  
Law, January 2010 Through June 2010*

**Allegation [I2008-1024]** 37

**Housing and Community Development, Department of**

**Report Number 2010-106, Dymally-Alatorre Bilingual Services  
Act:** *State Agencies Do Not Fully Comply With the Act, and Local  
Governments Could Do More to Address Their Clients' Needs  
(see summary on page 13)*

**Letter Report Number 2009-119.3, Department of Housing and  
Community Development:** *Despite Being Mostly Prepared, It Must  
Take Additional Steps to Better Ensure Proper Implementation  
of the Recovery Act's Homelessness Prevention Program* 39

**Industrial Relations, Department of**

**Report Number I2010-1, Investigations of Improper Activities by  
State Employees:** *Misuse of State Time and Resources, Improper Gifts,  
Inadequate Administrative Controls, and Other Violations of State Law,  
January 2009 Through December 2009*

**Allegation [I2008-1066]** 43

**Report Number I2011-1, Investigations of Improper Activities  
by State Agencies and Employees:** *Waste of State Funds, Misuse of  
State Resources, Falsification of Records, Inexcusable Neglect of Duty,  
Failure to Monitor Time Reporting, and Other Violations of State Law,  
July 2010 Through March 2011*

**Allegation [I2008-0902]** 45

**State Controller's Office**

**Report Number I2011-1, Investigations of Improper Activities by State Agencies and Employees: *Waste of State Funds, Misuse of State Resources, Falsification of Records, Inexcusable Neglect of Duty, Failure to Monitor Time Reporting, and Other Violations of State Law, July 2010 Through March 2011***

**Allegation [I2009-1476]** 47


**State Personnel Board**

**Report Number 2010-106, Dymally-Alatorre Bilingual Services Act: *State Agencies Do Not Fully Comply With the Act, and Local Governments Could Do More to Address Their Clients' Needs***  
(see summary on page 13)





## Introduction

This report summarizes the major recommendations from audit and investigative reports we issued from January 2010 through December 2011<sup>1</sup>, that relate to agencies and departments under the purview of the Assembly Budget Subcommittee No. 4—State Administration. The purpose of this report is to identify what actions, if any, these entities have taken in response to our findings and recommendations. We have placed this symbol  in the margin of the entity’s action to identify areas of concern or issues that we believe have not been adequately addressed.

For this report, we have relied upon periodic written responses prepared by entities to determine whether corrective action has been taken. The California State Auditor’s (state auditor) policy requests that the entity 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 entities to provide updates on their implementation of audit recommendations. The state auditor requests these updates at 60 days, six months, and one year after the public release of the audit report. However, we may request an entity to provide a response beyond one year or we may 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 entity for corrective action. These entities are required to report the status of their corrective actions every 30 days until all such actions are complete.

Unless otherwise noted, we have not performed any type of review or validation of the corrective actions reported by the entities. All corrective actions noted in this report were based on responses received by our office as of December 31, 2011. The table below summarizes the status of an entity’s implementation of our recommendations based on its most recent response received from each one. Because an audit or investigation may cross over several departments, it may be accounted for on this table more than one time. For instance, the Dymally-Alatorre Bilingual Services Act report, 2010-106, is reflected under the Employment Development Department, the Department of Housing and Community Development, and the State Personnel Board.

**Table**  
**Recommendation Status Summary**

AUDIT REPORTS	FOLLOW-UP RESPONSE				STATUS OF RECOMMENDATION				PAGE NUMBERS
	INITIAL RESPONSE	60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
<b>California Housing Finance Agency</b>									
Affordable Housing Solvency Report 2010-123			●		2				3
<b>California Recovery Task Force</b>									
Reporting of Recovery Act Jobs Report 2010-601			●		5				5
<b>California Technology Agency</b>									
Unemployment Program Report 2010-112			●				1		7
<b>Employment Development Department</b>									
Dymally-Alatorre Bilingual Services Act Report 2010-106				●	1	1			13

*continued on next page...*

<sup>1</sup> We have modified the format of this report from prior years’ reports. Specifically, in previous reports, we often grouped multiple recommendations under one finding and, when determining the total number of recommendations by status, we counted findings rather than recommendations. In this report, we have chosen to modify our calculations counting each individual recommendation by its status rather than findings. Thus, the total numbers by status are higher than those from previous reports and, therefore, are not comparable.

AUDIT REPORTS	FOLLOW-UP RESPONSE				STATUS OF RECOMMENDATION				PAGE NUMBERS
	INITIAL RESPONSE	60-DAY	SIX-MONTH	ONE-YEAR	FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN	
Unemployment Program Report 2010-112			●				8	1	7
<b>Finance, Department of</b>									
Oversight of Bond Expenditures Report 2010-117			●			1		2	21
<b>General Services, Department of</b>									
Sourced Contracts Report 2009-114				●	2	6			25
School Construction Projects Report 2011-116.1	●						14		31
<b>Housing and Community Development, Department of</b>									
Dymally-Alatorre Bilingual Services Act Report 2010-106				●	2				13
Recovery Act Funds Letter Report 2009-119.3				●	9				39
<b>State Personnel Board</b>									
Dymally-Alatorre Bilingual Services Act Report 2010-106				●	4		1		13
<b>INVESTIGATIVE REPORTS</b>									
<b>General Services, Department of</b>									
Misuse of State Resources Investigations Report I2010-2, Allegation I2008-1024	June 2011				2				37
<b>Industrial Relations, Department of</b>									
Misuse of State Time and Resources, Incompatible Activities, Inadequate Administrative Controls Investigations Report I2010-1, Allegation I2008-1066	December 2010				3				43
Failure to Monitor Adequately Employee's Time Reporting Investigations Report I2011-1, Allegation I2008-0902	September 2011				1				45
<b>State Controller's Office</b>									
Failure to Report Absences, Failure to Monitor Adequately an Employee's Time Reporting Investigations Report I2011-1, Allegation I2009-1476	September 2011				3				47

# California Housing Finance Agency

## Most Indicators Point to Continued Solvency Despite Its Financial Difficulties Created, in Part, by Its Past Decisions

### REPORT NUMBER 2010-123, ISSUED FEBRUARY 2011

This report concludes that, although the California Housing Finance Agency (CalHFA) will continue to face significant risks, its major housing programs and the fund it uses to pay its operating expenses should remain solvent under most foreseeable circumstances. The report also concludes that past decisions by CalHFA, such as its decisions to significantly increase its use of variable-rate bonds and interest-rate swap agreements, and to launch new mortgage products that were easier for borrowers to qualify for, but that eventually proved to have high delinquency rates, contributed to its current difficulties. These decisions revealed the need for changes in how its board of directors (board) governs the agency. In particular, CalHFA's board should approve any new debt-issuance strategy or mortgage product prior to its implementation, which is something it had not always done in the past, and should include language in its annual resolutions delegating authority to CalHFA staff restricting staff's actions to the debt strategies and mortgage products specified in the annual delegations themselves, approved business plans, or subsequent board resolutions.

In the report, the California State Auditor (state auditor) made the following recommendations to CalHFA. The state auditor's determination regarding the current status of recommendations is based on CalHFA's response to the state auditor as of August 2011.

#### **Recommendation 2.1—See page 50 of the audit report for information on the related finding.**

To ensure that CalHFA's business plans and strategies are thoroughly vetted by an experienced and knowledgeable board, the Legislature should consider amending the statute that specifies the composition of CalHFA's board to include appointees with specific knowledge of housing finance agencies, single-family mortgage lending, bonds and related financial instruments, interest-rate swaps, and risk management.

#### ***Legislative Action: Legislation enacted.***

Chapter 408, Statutes of 2011 (Assembly Bill 1222), allows individuals affiliated with the housing, banking, insurance, and other specified industries to serve on the CalHFA board, even though they may have a conflict of interest, provided they publicly disclose the interest and do not attempt to influence or participate in the decision in which they have an interest.

#### **Recommendation 2.2—See pages 49, 50, 58, and 59 of the audit report for information on the related finding.**

To provide better oversight of CalHFA, its board should issue a policy stating that it must approve any new debt-issuance strategy or mortgage product prior to its implementation, either directly or by inclusion in CalHFA's annual business plan. The board should, where appropriate, prescribe limits on how much of the debt portfolio can be fixed- or variable-rate bonds, and what proportion of the loans it purchases can consist of mortgage products it identifies as riskier than other mortgage products.

#### ***CalHFA's Action: Fully implemented.***

A board resolution approved May 2011 requires staff to present new financing strategies and new loan products for full discussion and approval by majority vote of the board prior to implementation by CalHFA. This resolution also specifies that proposed annual business plans submitted to the board by CalHFA staff shall address limitations on the use of variable rate debt and identification of loan products that CalHFA identifies as involving higher levels of risk than traditional CalHFA loan products.

**Recommendation 2.3—See pages 49, 50, 58, and 59 of the audit report for information on the related finding.**

Within its annual resolutions delegating authority to CalHFA staff, the CalHFA board should include language restricting staff's actions regarding debt strategies and mortgage products to those specified in the annual delegations themselves, the approved business plans, or subsequent board resolutions.

***CalHFA's Action: Fully implemented.***

Board resolutions approved in January 2011 and amended in March 2011 include restrictions on actions CalHFA staff may take regarding debt strategies and mortgage products. When taken together with the May 2011 board resolution (mentioned above), these actions restrict CalHFA staff to implementing only financing strategies and loan products approved by the board.

# High Risk Update—American Recovery and Reinvestment Act of 2009

## The California Recovery Task Force and State Agencies Could Do More to Ensure the Accurate Reporting of Recovery Act Jobs

### REPORT NUMBER 2010-601, ISSUED DECEMBER 2010

Our report concludes that although the federal Office of Management and Budget (OMB) and the California Recovery Task Force (task force) provide explicit guidance to Recovery Act recipients on how to calculate the jobs data each quarter—as mandated by the American Recovery and Reinvestment Act of 2009 (Recovery Act)—state agencies do not always report their jobs data accurately. Of the five state agencies we reviewed that reported recipient-level jobs data, two did not follow this guidance. For example, one state agency reported triple the actual number of jobs created and retained, which resulted in an overstatement of 71 full-time equivalent positions. In addition, that same state agency calculated its jobs data using incorrect months. Further, three of the five state agencies did not include paid time off in the total number of hours worked as specified in the task force guidance.

Additionally, we found that although OMB advises recipients to be prepared to justify their jobs data estimates and the task force provides recommendations to state agencies on how to ensure that data submitted by their subrecipients is accurate and supported, state agencies do not follow the guidance completely. Specifically, all of the state agencies conducted an analysis for reasonableness of their subrecipients' data, whereas only one state agency reviewed their subrecipients' jobs data calculation methodology, and none of the state agencies reviewed supporting documentation to ensure the accuracy of the jobs data. In one example, a state agency tripled the number of actual jobs reported by its subrecipient in addition to other errors, which resulted in a net overstatement of 545 jobs for the quarter. Furthermore, we identified jobs data errors for two of the five local subrecipients we reviewed.

In the report, the California State Auditor (state auditor) made the following recommendations to the task force. The state auditor's determination regarding the current status of recommendations is based on the task force's response to the state auditor as of June 2011. In its response, the task force indicated that the 2011–12 Governor's Budget May Revision included elimination of the task force as of January 1, 2012. It also stated that beginning in October 2011 departments will report directly to the federal reporting Web site rather than the task force's reporting system. Finally, it explained that this six-month response will be the only response to the state auditor's recommendations.

#### **Recommendation 1.1—See pages 11 and 12 of the audit report for information on the related finding.**

The task force should provide targeted technical assistance and training to state agencies that are not calculating their jobs data in accordance with OMB guidance.

#### ***Task Force's Action: Fully implemented.***

The task force indicated that it individually communicated with representatives and reporting personnel from all of the programs found to have reporting errors in their jobs data. Further, the task force stated that it held a meeting with departments to review how to accurately calculate and report jobs, the logistics of the federal reporting period, and addressed questions raised by users.

#### **Recommendation 1.2.a— See page 14 of the audit report for information on the related finding.**

The task force should issue clarifying guidance to state agencies to ensure jobs are not triple-counted because monthly totals have been summed and not averaged.

***Task Force's Action: Fully implemented.***

On December 21, 2010, the task force issued a bulletin to agency secretaries, department directors, departmental budget officers, departmental accounting officers, and the Department of Finance budget staff communicating job calculation errors discovered by our audit. This bulletin directed state departments to review the previously released bulletins that detail the appropriate job calculation methodology. It also directed departments to ensure that their methodologies conform with the one outlined in the previous bulletins.

**Recommendation 1.2.b— See pages 12—14 of the audit report for information on the related finding.**

The task force should issue clarifying guidance to state agencies to ensure jobs data estimates are reported for the correct reporting months and state agencies use the correction period to revise their estimates when actual data becomes available.

***Task Force's Action: Fully implemented.***

The December 2010 bulletin directed departments to take advantage of the continuous quality assurance period to update and more accurately report Recovery Act data. In addition, as stated under Recommendation 1.1, the task force held a meeting with departments to review the methodology for reporting jobs data.

**Recommendation 1.2.c—See page 13 of the audit report for information on the related finding.**

The task force should issue clarifying guidance to state agencies to ensure state agencies understand the task force's guidance on including paid time off in the quarterly jobs estimates.

***Task Force's Action: Fully implemented.***

The December 2010 bulletin reiterated information outlined in its previous bulletin on the hours that should be included when calculating jobs funded by Recovery Act funds. In addition, as stated under Recommendation 1.1, the task force held a meeting with departments to review the methodology for reporting jobs data.

**Recommendation 1.3—See page 17 of the audit report for information on the related finding.**

The task force should instruct state agencies to review their subrecipients' methodologies for calculating jobs data and, at least on a sample basis, review supporting documentation to ensure the accuracy of the subrecipients' jobs data reported, or use alternative procedures that mitigate the same risks before certifying their jobs data report.

***Task Force's Action: Fully implemented.***

The December 2010 bulletin pointed out that departments were not ensuring that subrecipients calculated jobs correctly. It reiterated the steps the task force had provided in a previous bulletin that departments should take to ensure the accuracy of the reported jobs data.

# Employment Development Department

## Its Unemployment Program Has Struggled to Effectively Serve California's Unemployed in the Face of Significant Workload and Fiscal Challenges

### REPORT NUMBER 2010-112, ISSUED MARCH 2011

This report concludes that over the last 10 years the Employment Development Department (department) has consistently failed to perform at a level the United States Department of Labor considers acceptable regarding its timely delivery of unemployment benefits. The department's attempts to resolve its performance deficiencies have had mixed results. Although increasing its staff and allowing them to work overtime has enabled the department to process significantly more claims, mitigate the effects of furloughs, and likely improve its performance, it has not fully implemented certain key corrective actions and the impact of others has been minimal or remains unclear. In addition, historical data the department provided us indicated that its previous phone system did not have the capacity to handle the necessary volume of calls and a high percentage of callers requesting to speak to an agent were unable to do so. The department activated its new phone system at its six main call center locations by December 2010. Although it is too early to tell using data from the new system, our limited capacity analysis suggests that the new system should be able to handle a substantially higher volume of calls; however, access to agents may continue to be a challenge. Moreover, in order to receive \$839 million in federal stimulus funds, the department must implement an alternate base period no later than September 2012 that would allow certain unemployed workers (claimants) to qualify for benefits if their earnings are not sufficient under the standard base period. Although the department stated that it will implement the alternate base period in April 2012, it is critical that it does so before the federal deadline. Finally, the department's process for determining California Training Benefits program eligibility for claimants has taken an average of four or more weeks, during which time the claimants did not receive unemployment benefits. Although the department has streamlined this process for some claimants, it does not appear to have a clear plan to improve its procedures for 80 percent of its determinations that involve claimants who desire to participate in self-arranged training.

In the report, the California State Auditor (state auditor) made the following recommendations to the department and the California Technology Agency. The state auditor's determination regarding the current status of the recommendations is based on the department's response to the state auditor as of September 2011, and the California Technology Agency's response as of November 2011.

#### **Recommendation 1.1.a—See pages 27—34 of the audit report for information on the related finding.**

To further enhance its corrective action planning process as a means of improving the unemployment program, the department should identify corrective actions that specifically address the timeliness measures it is trying to meet.

#### ***Department's Action: Pending.***

In the department's six-month response, it acknowledged that it has not yet met federal timeliness measures for promptly issuing initial unemployment payments (first payment timeliness) and making nonmonetary determinations of claimants' eligibility for benefits. However, it indicated that it has made significant improvements in these areas from July 2010 through June 2011 based on its annualized performance for this period. Nevertheless, the department did not tie this improvement in performance to the results of specific corrective actions in its response.

Further, although the department indicated it will continue its efforts to further improve performance in these areas, it provided only one example of a corrective action plan that it is taking to do so. Specifically, the department believes that its launch of EDD Debit Cards<sup>sm</sup> in July 2011 will improve its first payment timeliness by at least one day once it implements a programming change to calculate this measure using the electronic payment date. However, the department provided no milestone indicating when it expects this change to be implemented.



**Recommendation 1.1.b—See pages 27—34 of the audit report for information on the related finding.**

To further enhance its corrective action planning process as a means of improving the unemployment program, the department should develop milestones that are specific and are tied to corrective actions to allow for monitoring the incremental progress of its corrective actions, similar to the milestones it established for some of the activities in its federal fiscal year 2011 corrective action plans.

***Department's Action: Pending.***

As described in response 1.1.a above, the department provided only one example of a corrective action in its six-month response. Therefore, the development of related milestones is pending the department's identification of additional corrective actions.

**Recommendation 1.1.c—See pages 27—34 of the audit report for information on the related finding.**

To further enhance its corrective action planning process as a means of improving the unemployment program, the department should establish several key performance targets or benchmarks that are tied to each specific corrective action, to effectively gauge the impact of the actions on its goal of achieving the acceptable levels related to the timeliness measures.

***Department's Action: Pending.***

As described in response 1.1.a above, the department provided only one example of a corrective action in its six-month response. Therefore, establishment of key performance targets or benchmarks is pending the department's identification of additional corrective actions.

**Recommendation 1.2.a —See pages 34—40 of the audit report for information on the related finding.**

As part of an overall strategy to limit the number of calls it receives while still providing timely and effective customer service, the department should use existing data and additional data from the new phone system to gain a better understanding of why people request to speak to an agent. Using this information, the department should further develop strategies and measurable goals related to achieving a reduction in call volumes. For example, to ensure that virtually all calls are able to gain access to the voice response portion of its new phone system, the department should monitor the volume of blocked call attempts and work with its phone system vendor if necessary to increase the system's capacity.

***Department's Action: Pending.***

The department indicated that its unemployment customers have experienced greatly improved access to call center services. For example, the department stated that in the first six months of calendar year 2011, there was an 88.5 percent decrease in call attempts and a 97 percent decrease in the number of customers unable to access the interactive voice response system for benefit and other program information when compared to the same six month period in 2009. The department attributed these results to service level improvements related to this recommendation, but did not provide specifics. In addition, the department indicated that in the first half of calendar year 2011, it had a 124.6 percent increase in the number of unemployment customers who received services from a department representative compared to the same period in 2009. However, as we show in Table 4 of our report, 89 percent of the calls requesting an agent were unable to access an agent for the first



half of fiscal year 2009–10 through May 2010. This means that only about 11 percent of the calls were answered by agents. Thus, despite the improvement it reports, it appears the department continues to struggle in this area.

The department also reported that it has finished implementing its Call Center Network Platform and Application Upgrade Project to all six of the Primary Call Centers and eight Primary Adjudication Centers. The department stated that it added a final unemployment center that was not part of the original project scope in June 2011. The department believes that the call center network, combined with an increase in staffing and self-service options, provides better service to unemployment customers and a reduction in call volume.

Finally, the department indicated it continues to analyze data from the new system including network performance and the volume of blocked call attempts to ensure call needs are being met. Although the department indicated that early data analysis and call volume trends are being used to develop strategies to continue to improve services to unemployment customers and reduce call volume, it did not identify any specific new strategies in its response.

**Recommendation 1.2.b—See pages 34—40 of the audit report for information on the related finding.**

To evaluate the effectiveness of its other efforts to provide services to claimants in ways that do not require them to speak to agents, such as Web-Cert and Tele-Cert, the department should periodically summarize and assess the more robust management information available under its new phone system.

***Department's Action: Pending.***

As described in response 1.2.a above, the department stated that it continues to analyze data from the new phone system. However, it provided no specifics about the results of its analysis thus far.

**Recommendation 2.1—See pages 44—47 of the audit report for information on the related finding.**

To maximize federal funding and provide unemployment benefits to those eligible under the alternate base period, the department should closely monitor its resources and project schedule to avoid any further delays in implementing the client database and ensure that it completes the alternate base period project by the federal deadline.

***Department's Action: Pending.***

The department indicated that the Alternate Base Period project is on schedule to be implemented in April 2012; thus, it expects to meet the federally-required implementation date of September 2012. The department stated that it is committed to continuously manage the project schedule and resources to ensure that California meets the target date. In addition, the department asserted that in June 2011, California received the \$838.7 million in Unemployment Modernization Incentive Funds made available through the American Recovery and Reinvestment Act of 2009. The department believes that receipt of these funds illustrates the United States Department of Labor's confidence that California will complete the project timely. As we reported, the department will need to implement the alternative base period by September 22, 2012, at the latest, or risk losing the \$839 million in incentive payments.

**Recommendation 2.2—See pages 44—47 of the audit report for information on the related finding.**

To help ensure that the department completes the alternate base period project by the federal deadline so that the State preserves its eligibility to receive \$839 million in incentive funds, the California Technology Agency should closely monitor the department's progress toward implementing the client database and alternate base period projects and provide assistance to the department, as necessary.

***California Technology Agency's Action: Pending.***

The California Technology Agency indicated that, in addition to monitoring monthly project status reports and schedules, it meets with the department bi-weekly to review progress, issues and risks specific to the alternate base period and the client database projects. Further, the California Technology Agency stated that it has standing weekly checkpoints with the department's Chief Information Officer and bi-weekly briefings from the department Portfolio Division Chief for targeted focus on these projects.

The California Technology Agency stated that the department reported that it is on target to meet the implementation dates for both projects. The California Technology Agency indicated that because the department continues to meet the additional reporting requirements described in the Special Project Reports for these projects, it continues to support these projects.

**Recommendation 2.3.a—See pages 48—57 of the audit report for information on the related finding.**

To better track and improve the timeliness of determinations for the training benefits program and to assist claimants in understanding self-arranged training requirements, the department should take measures to ensure that its staff correctly enter all data into the training benefits program's streamline database.

***Department's Action: Pending.***

The department indicated in its 60-day response that it has taken actions involving both procedures and updates to automated processes to ensure staff correctly enter all data into the training benefits program's streamline database to better track determination timeliness for training program participants. After we asked the department to support this assertion, it was unable to demonstrate that the actions it has taken thus far have fully addressed our recommendation. Specifically, despite its claims related to taking actions involving procedures, the department was only able to provide us with the same procedures that were in place at the time of our audit, and thus, are not indicative of a corrective action. In addition, the department provided a "guide card" which it asserted is a comprehensive guide to processing incoming streamline mail. However, our review concluded that it provides a high level overview of processing steps, and it does not clearly identify the data fields that are required for processing.

Moreover, the department provided us with a compact disc that we found to be a source code dump that did not include programmer's notes or other documentation explaining the code. Thus, without investing a considerable amount of time by our Information Technology Audit Support unit, we cannot confirm that the streamline database is working as intended.

**Recommendation 2.3.b—See pages 48—57 of the audit report for information on the related finding.**

To better track and improve the timeliness of determinations for the training benefits program and to assist claimants in understanding self-arranged training requirements, the department should track and report the number of claimants it determines are both eligible and ineligible for the self-arranged training and the reasons for these determinations, to better focus some of its recommendations toward how it can assist claimants in understanding the program's criteria.

***Department's Action: Pending.***

The department stated that it implemented provisions of Assembly Bill 2058 (AB 2058) by July 1, 2011, as statutorily required. According to the department, now that it has implemented AB 2058, it can expand the automated streamline process to individuals in self-arranged training. However, the department indicated that during the review to implement this phase, it discovered that a larger database is necessary to support the expansion of the streamline system and that it is currently in

the process of developing a solution to this issue. As we concluded in our audit report, this is the area where we believe the department faces the most significant challenges in expediting eligibility determinations for these claimants.

The department stated that from February 2010 through August 2011, it processed over 12,000 streamline training enrollment applications and determined eligibility for the two programs it implemented in 2010—the Workforce Investment Act and the Trade Adjustment Assistance programs. As we discuss in our report, these two programs represent a much smaller portion of the determinations the department makes when compared to the remaining training benefits program determinations. The department asserts that it is processing these applications within two days, which exceeds the department’s goal of three to five days. The department stated that its streamline effort has resulted in a more efficient way to expedite the training program determinations for customers and eliminates the need to schedule a non-monetary determination interview. However, as we indicated in response 2.3.a, the department has been unable to demonstrate that its staff correctly enter all data into the training benefits program’s streamline database, and therefore, we continue to question whether the streamline database is sufficiently reliable for the purposes of determining the average duration for the department to process an application from receipt until a determination is made.

In addition, the department indicated it continues to track the results of eligibility determinations, which show if the claimant was training benefits program eligible or ineligible for self-arranged training, including the specific subsections of the unemployment code cited when a claimant was ineligible to participate in the training benefits program for self-arranged training. In its one-year response, we look forward to the department discussing the results and reasons for these determinations and its efforts to assist claimants in understanding the program’s criteria.

**Recommendation 2.3.c—See pages 48—57 of the audit report for information on the related finding.**

To better track and improve the timeliness of determinations for the training benefits program and to assist claimants in understanding self-arranged training requirements, the department should track the number of claimants that it finds to be both ineligible for self-arranged training and ultimately ineligible for unemployment benefits and develop strategies to expedite the determination process for these claimants.

***Department’s Action: No action taken.***

The department did not specifically address this recommendation in its initial response, its 60-day response, or its six-month response.





# Dymally-Alatorre Bilingual Services Act

## State Agencies Do Not Fully Comply With the Act, and Local Governments Could Do More to Address Their Clients' Needs

### REPORT NUMBER 2010-106, ISSUED NOVEMBER 2010

This report concludes that the State Personnel Board (Personnel Board) is not meeting most of its responsibilities under the Dymally-Alatorre Bilingual Services Act (Act). The Personnel Board has not informed all state agencies of their responsibilities under the Act and has not ensured that state agencies conduct language surveys to assess their clients' language needs. In addition, the Personnel Board does not obtain necessary information from state agencies that would allow it to evaluate their compliance with the Act and does not order deficient agencies to take the necessary actions to ensure they have sufficient qualified bilingual staff and translated written materials to address the language needs of their substantial populations of limited-English-proficient (LEP) clients. Moreover, the Personnel Board's complaint process needs improvement because it does not ensure that complaints are resolved in a timely manner and its report to the Legislature does not adequately address whether state agencies are complying with the Act.

We also found that state agencies are not fully complying with the Act. Although nine of the 10 agencies we reviewed conducted language surveys in 2008, four reported inaccurate survey results for one or more of their local offices, and two did not have sufficient documentation to support their survey results. In addition, only one of the state agencies we reviewed formally analyzed its survey results to determine whether the use of other available options, in addition to qualified bilingual staff in public contact positions, was serving the language needs of its clients as the Act requires. Further, none of the state agencies we reviewed had adequate procedures in place to determine whether they met the Act's requirements to translate certain written materials for their substantial LEP populations. Furthermore, most of the state agencies we reviewed have not developed plans to address their staffing deficiencies and translated written materials deficiencies. We also found that some state agencies are not maximizing opportunities to reduce their costs of providing bilingual services by leveraging existing state contracts for interpretation and translation services.

Finally, our survey of local government administrators and department managers in 25 counties and cities throughout California found that some are not fully addressing their clients' bilingual needs. As a result, their clients may not be receiving the government services to which they are entitled.

In the report, the California State Auditor (state auditor) made the following recommendations to the Personnel Board and other state and local agencies. The state auditor's determination regarding the current status of recommendations is based on the 11 audited state agencies' and three local agencies' responses to the state auditor as of November 2011.

#### **Recommendation 1.1—See page 17 of the audit report for information on the related finding.**

To ensure that all state agencies subject to the Act are aware of their potential responsibilities to provide bilingual services, the Personnel Board should improve its processes to identify and inform all such state agencies of the Act's requirements.

#### ***Personnel Board's Action: Fully implemented.***

The Personnel Board used the Department of Finance's Uniform Codes Manual to create a comprehensive state agency listing and has developed procedures to ensure that all state agencies are properly notified of the Act's requirements.

**Recommendation 1.2—See pages 17—19 of the audit report for information on the related finding.**

The Personnel Board should make certain that every state agency required to comply with the Act conducts language surveys and submits implementation plans unless the Personnel Board exempts them from these requirements. The Personnel Board should also ensure that it adheres to the specific criteria contained in the Act when exempting agencies from conducting language surveys or preparing implementation plans.

***Personnel Board's Action: Fully implemented.***

The Personnel Board developed a system to track state agencies' participation in the language survey and implementation plan processes. The Personnel Board also incorporated accurate exemption language, as specified in the Act, into the forms for the language survey and implementation plan and instituted a tracking mechanism and review process for each exemption approval to reduce the risk of error.

**Recommendation 1.3—See pages 19—20 of the audit report for information on the related finding.**

The Personnel Board should require state agencies to provide all of the information required by the Act. For example, the Personnel Board should ensure that state agencies identify their deficiencies in staffing and translated written materials and that the state agencies' implementation plans detail sufficiently how and when they plan to address these deficiencies. In addition, the Personnel Board should assess the adequacy of state agencies' language surveys and implementation plans. If it determines that implementation plans do not address deficiencies in staffing or written materials adequately, the Personnel Board should order the agencies to revise or supplement their plans accordingly. The Personnel Board should also require state agencies to report to it every six months on their progress in addressing their deficiencies. If the Personnel Board determines that state agencies have not made reasonable progress toward complying with the Act, we recommended that it consider ordering them to comply with the Act. These actions could include ordering state agency officials to appear before the Personnel Board to explain why their agencies have not complied. If these actions or its other efforts to enforce the Act are ineffective, the Personnel Board should consider asking a court to issue writs of mandate under Section 1085 of the Code of Civil Procedure, to require agencies to perform their duties. Finally, we recommended that the Personnel Board seek enough additional staff to fulfill its obligations under the Act, or seek changes to the Act that would reduce its responsibilities and make them commensurate with its staffing levels.

***Personnel Board's Action: Fully implemented.***

The Personnel Board revised its forms to capture all of the information required by the Act. In addition, the Personnel Board has developed procedures to assess the adequacy of state agencies' language surveys and implementation plans, which includes evaluating the status of agencies' corrective action plans for addressing deficiencies in bilingual staffing and written materials. If it determines that agencies' corrective action plans do not adequately address deficiencies, the Personnel Board now requires such agencies to revise their plans accordingly. In addition, the Personnel Board requires deficient agencies to submit six-month progress reports. Further, the Personnel Board revised its procedures to invite nonexempt state agencies that do not submit language surveys or implementation plans to explain their noncompliance to its five-member board. Finally, the Personnel Board's bilingual services unit secured three student assistants to assist with its workload.

***Legislative Action: Legislation introduced.***

Assembly Bill 305 (as amended March 17, 2011) of the 2011-12 Regular Legislative Session would revise provisions relating to determining if there is a substantial number of non-English speaking people served by a state office and to expand the Personnel Board's reporting requirements under the Act.

**Recommendation 1.4—See page 20 of the audit report for information on the related finding.**

The Personnel Board should follow up with the responsible state agencies to ensure that the agencies resolve the language access complaints it receives in a timely manner.



***Personnel Board's Action: Fully implemented.***

The Personnel Board revised its bilingual services program's procedures to incorporate additional fields to its tracking system to capture the date that a complaint was resolved and how it was resolved.

**Recommendation 1.5—See pages 21 and 22 of the audit report for information on the related finding.**

The Personnel Board should improve the content of its biennial report to the Legislature to identify problems more clearly and to propose solutions where warranted. Specifically, the report should clearly indicate whether state agencies have true staffing deficiencies or deficiencies in translated materials. In addition, the report should identify any agencies that are not complying with the Act and should present key survey and implementation plan results by state agency and field office to better inform policymakers and the public about the language needs of residents in certain areas of the State and about state agencies' available resources to meet those needs.

***Personnel Board's Action: Pending.***

The Personnel Board's next biennial report is not scheduled for release until March 2012. However, it stated that it will revise the format and content of that report and all subsequent reports to reflect more comprehensive and meaningful data.

**Recommendation 2.1—See pages 26—30 of the audit report for information on the related finding.**

To ensure that they meet their constituents' language needs, state agencies should make certain that they accurately assess and report their clients' language needs to the Personnel Board. State agencies should also analyze formally their language survey results and consider other available bilingual resources to determine their true staffing deficiencies. Further, state agencies should establish procedures to identify the written materials that the Act requires them to translate into other languages and ensure that such materials are translated or made accessible to the agencies' LEP clients. Finally, state agencies should develop detailed corrective action plans describing how and when they will address their staffing and written materials deficiencies. In addition, they should submit their corrective action plans to the Personnel Board as part of the state agencies' overall implementation plans.

***California Emergency Management Agency's Action: Fully implemented.***

The California Emergency Management Agency (Emergency Management) developed procedures to help ensure the accuracy of its biennial language surveys. Emergency Management also participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. Emergency Management's language survey indicated that it did not have any staffing or written materials deficiencies. In addition, Emergency Management's implementation plan described its procedures for identifying the written materials that the Act requires it to translate into other languages and how it ensures such materials are translated or made accessible to its LEP clients. Finally, Emergency Management also provides an option on its Web site that allows LEP clients to translate its Web site content into numerous other languages.

***California Highway Patrol's Action: Fully implemented.***

The California Highway Patrol (Highway Patrol) stated that it will continue to assess its clients' language needs and to report accurate information to the Personnel Board. Highway Patrol also participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. Highway Patrol also formally analyzed its language survey results and determined that it had no true staffing deficiencies. In addition, it established procedures for identifying written materials that the Act requires it to translate into other languages and a process for monitoring its compliance with this requirement. Finally, Highway Patrol developed a detailed corrective action plan describing how and when it will address its written materials deficiencies.

***Department of Corrections and Rehabilitation's Action: Pending.***

The Department of Corrections and Rehabilitation (Corrections) reported that it has made progress in several areas to address our recommendations. For example, Corrections stated that it is developing a bilingual coordinator manual and a language services manual for its staff to use as a resource. Corrections indicated that it is also developing criteria and an evaluation tool which it will use to evaluate future language survey results. In addition, Corrections stated that it is developing a mechanism to monitor and report translated written materials and to ensure the accessibility of such materials. Corrections also participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011, reporting that it did not have any true staffing deficiencies or written materials deficiencies.

***Department of Food and Agriculture's Action: Partially implemented.***

The Department of Food and Agriculture (Food and Agriculture) participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. Food and Agriculture reported that its bilingual services program coordinator reviewed all the tally sheets from every participating division to make sure that the information gathered and reported would yield accurate survey results. Food and Agriculture also formally analyzed its language survey results and its implementation plan included a corrective action plan describing how it will address its true staffing deficiencies. However, Food and Agriculture acknowledged that it is still in the process of developing standard procedures for identifying written materials that require translation.

***Department of Housing and Community Development's Action: Fully implemented.***

The Department of Housing and Community Development (Housing) reported that beginning with the 2010 biennial language survey, it assigned responsibility for the survey to its equal employment opportunity officer, who also serves as its bilingual services program coordinator. This individual is responsible for coordinating, implementing, and overseeing the language survey, analyzing completed survey tally sheets, reporting the results of the analysis to the Personnel Board, and maintaining sufficient documentation. Housing also participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. In addition, Housing formally analyzed its language survey results and established procedures for identifying written materials that require translation. Finally, Housing's implementation plan included a corrective action plan describing how it will address its staffing and written materials deficiencies.

***Department of Justice's Action: Fully implemented.***

The Department of Justice (Justice) reported that it appointed a new bilingual services program coordinator to monitor the program, the biennial language survey, and the subsequent implementation plan. Justice also indicated that it has adopted and implemented new procedures that provide a higher level of quality control regarding reviewing and analyzing the language survey data in order to avoid future reporting errors. Justice also participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. In addition, Justice formally analyzed its language survey results and determined that it had no true staffing deficiencies. Justice also established procedures for identifying written materials that require translation and its implementation plan included a corrective action plan describing how it will address its deficiencies in written materials. Finally, Justice also provides an option on its Web site that allows LEP clients to translate its Web site content into numerous other languages.

***Department of Motor Vehicles' Action: Fully implemented.***

The Department of Motor Vehicles (Motor Vehicles) participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. Motor Vehicles reported that it implemented improved procedures and incorporated additional checks and balances for the 2010 language survey to ensure that it accurately assessed and reported its LEP clients' language needs to the Personnel Board. In addition, Motor Vehicles formally analyzed its language survey results



and established procedures for identifying written materials that require translation. Finally, Motor Vehicles' prepared a corrective action plan describing how and when it will address its staffing and written materials deficiencies.

***Department of Public Health's Action: Fully implemented.***

The Department of Public Health (Public Health) reported that it will continue to ensure that it accurately assesses and reports its clients' language needs to the Personnel Board. Public Health participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. Public Health formally analyzed its language survey results and established procedures for identifying written materials that require translation. In addition, Public Health prepared a corrective action plan describing how and when it will address its staffing and written materials deficiencies.

***Department of Toxic Substances Control's Action: Fully implemented.***

The Department of Toxic Substances Control (Toxic Substances Control) reported that it would continue to accurately assess and report its clients' language needs to the Personnel Board. Toxic Substances Control participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. In addition, it established procedures for identifying written materials that require translation and formally analyzed its language survey results, concluding that it did not have any staffing or written materials deficiencies.

***Employment Development Department's Action: Partially implemented.***

The Employment Development Department (Employment Development) participated in the 2010 language survey and submitted an implementation plan to the Personnel Board in 2011. Employment Development reported that it designed and implemented corrective actions for the 2010 language survey to ensure it collected all hard-copy documentation from all public contact employees so there would be no questions about the accuracy of data provided to the Personnel Board. In addition, Employment Development stated that it added controls over data collection, tabulation, and submission so that all information could be traced back to hard copy documentation. Employment Development also formally analyzed its language survey results and its implementation plan included a corrective action plan describing how it would address its true staffing deficiencies. However, Employment Development has not yet finalized a policy that contains provisions for ensuring that applicable written materials are translated into other languages as required by the Act.

**Recommendation 2.2—See pages 31 and 32 of the audit report for information on the related finding.**

State agencies should leverage the Department of General Services' (General Services) and the Personnel Board's contracts for interpretation and translation services to potentially reduce the costs of providing bilingual services.

***Emergency Management's Action: Fully implemented.***

Emergency Management reported that when it determines a need for translation and interpreter services which cannot be provided by one of its certified bilingual employees, it will utilize General Services' list of California Multiple Award Schedules (CMAS) vendors and consult with the Personnel Board.

***Highway Patrol's Action: Fully implemented.***

Highway Patrol reported that it complies with this recommendation and will continue to negotiate the lowest possible rates for bilingual services while ensuring quality deliverables.

***Corrections' Action: Fully implemented.***

Corrections indicated that it will routinely refer to General Services' and the Personnel Board's leveraged procurement agreements when bilingual service requests are within the ordering allowances for those contracts. In such instances, Corrections will utilize these agreements when they meet its specific business needs.

***Food and Agriculture's Action: Fully implemented.***

Food and Agriculture reported that it has explored General Services' CMAS and the Personnel Board's language service providers for cost effective translation, American Sign Language interpretation, and bilingual staff certification services.

***Housing's Action: Fully implemented.***

In an effort to achieve the best service at the lowest cost possible, Housing reported that its equal employment opportunity officer contacted the Personnel Board to obtain information and pricing on its bilingual services contracts, and compared those prices to the rates of the CMAS and other vendors that it currently uses for its bilingual services needs.

***Justice's Action: Fully implemented.***

Justice reported that it explored the state auditor's recommendation to leverage General Services' and the Personnel Board's contracts and found its current provider's services to be the most cost effective.

***Motor Vehicles' Action: Fully implemented.***

Motor Vehicles reported that it already complies with this recommendation, and therefore, no further action is required.

***Public Health's Action: Fully implemented.***

Public Health agrees that state agencies should leverage General Services' and the Personnel Board's contracts for interpretation and translation services to potentially reduce the costs of providing bilingual services. Public Health reported that it developed seven, two-hour training classes to educate its staff on various elements of the contracting and procurement process. It indicated that the fifth class in this series provides information on available leveraged procurement agreements, including General Services' and the Personnel Board's contracts for bilingual services. Public Health reported that it held the initial fifth class in October 2011, and it will repeat this training every 14 weeks.

***Toxic Substances Control's Action: Fully implemented.***

Toxic Substances Control reported that it conducted a formal analysis of General Services' and the Personnel Board's contracts to potentially reduce its costs of providing bilingual services. Based on this analysis, it has decided to obtain a new contract for bilingual services through the CMAS process.

***Employment Development's Action: Fully implemented.***

Employment Development reported that it leverages all of General Services' master and statewide contracts, including CMAS contracts, when appropriate for use. However, Employment Development stated that before contracting out for personal services with a private vendor, as is available through CMAS, it first considers an agreement with another state agency.

**Recommendation 2.3—See pages 33 and 34 of the audit report for information on the related finding.**

Public Health and Corrections should develop procedures to detect and prevent contract splitting.

***Corrections' Action: Pending.***

Corrections reported that it is in the process of developing policies, procedures, and training materials to detect and prevent contract splitting. In the interim, its office of business services will review all incoming service orders to determine if existing contracts can satisfy these requests or if there are multiple requests pending for the same services.

***Public Health's Action: Fully implemented.***

Public Health reported that it developed seven training classes to educate its staff on the elements of the state's procurement and contracting process. It indicated that the first class in this series covered general procurement and contracting policies, including those governing service orders and the limitations on their use. Public Health reported that it held the initial class in July 2011, and it will repeat this training every 14 weeks. Public Health believes that these classes will enhance its adherence to its service order policies and mitigate the risk of future contract splitting.

**Recommendation 3.1—See pages 42 and 43 of the audit report for information on the related finding.**

The cities of Fremont, Santa Ana, and Garden Grove should consider establishing complaint processes through which the public can report the absence of bilingual services or resources.

***City of Fremont's Action: Fully implemented.***

The City of Fremont developed a language access policy explaining how its clients can request language services and how they can complain if they feel these services are inadequate. The policy is available in multiple languages on the City's Web site.

***City of Santa Ana's Action: Fully implemented.***

The City of Santa Ana (Santa Ana) implemented a citywide bilingual complaint process. Santa Ana reported that each of its departments has a bilingual services representative available to respond to complaints or questions. It reported that information on the complaint process, along with bilingual services complaint forms, are available in several languages at all of its public counters and on the City's Web site.

***City of Garden Grove's Action: Fully implemented.***

The City of Garden Grove (Garden Grove) developed bilingual assessment and complaint procedures and a language barrier reporting form in November 2011. Garden Grove reported that this information will be made available to the public in all four of Garden Grove's major languages (English, Vietnamese, Spanish, and Korean) in all of its facilities and on its Web site.



# General Obligation Bonds

## The Departments of Water Resources and Finance Should Do More to Improve Their Oversight of Bond Expenditures

### REPORT NUMBER 2010-117, ISSUED MAY 2011

This report concludes that the Department of Water Resources (Water Resources) demonstrated effective oversight of general obligation bonds, but it could improve in certain areas. During our review of a sample of 10 projects, we noted that Water Resources made appropriate decisions when awarding bond funds and making payments for project activities. However, for two of the 10 projects, Water Resources could not demonstrate that it performed site visits or took other steps to ensure the projects achieved their expected outcomes. We also found that Water Resources lacks a documented review process to ensure information posted to the Bond Accountability Web site is correct. Our review of the Web site revealed instances where Water Resources posted inaccurate award information for certain projects and in some cases did not post any information at all.

We also found that the Department of Finance (Finance) should do more to ensure transparency and accountability for bond spending related to the general obligation bonds approved by voters in November 2006 to fund the State's Strategic Growth Plan. The former governor's executive order from January 2007 required Finance to establish a Bond Accountability Web site that was to include information on the amounts spent on each bond-funded project. However, Finance's approach to establishing the Web site required departments to post information on the amounts awarded and not the amounts spent. By not providing the public with periodic information on the amounts spent for each project—to then compare against amounts awarded—the public lacks a way to measure each project's progress towards completion. In addition, Finance lacks a tracking process to ensure that state departments update the Bond Accountability Web site and describe the expected or realized benefits of bond-funded projects in terms the public can readily understand. Finally, we noted that the executive order requires state agencies to either contract with Finance for audits of bond expenditures or make alternative arrangements for audits with Finance's approval. However, as of late April 2011, Finance had issued audit reports on only three of the state agencies administering the general obligation bonds that support the State's Strategic Growth Plan, and none were of Water Resources.

In the report, the California State Auditor (state auditor) made the following recommendations to the Governor and the audited agencies. The state auditor's determination regarding the current status of recommendations is based on Water Resources' response as of November 2011 and Finance's response as of July 2011.

#### **Recommendation 1.1—See pages 22—27 of the audit report for information on the related finding.**

To ensure that its expenditures of bond funds achieve the intended purposes, Water Resources needs to strengthen its monitoring of project deliverables. For example, it should review the policies and practices of its various divisions, ensuring that periodic progress reports are obtained from grant recipients, and that final site visits document the results of the reviews performed.

#### ***Water Resources' Action: Partially implemented.***

In its 60-day response to the audit, Water Resources stated that two of its divisions had developed procedure manuals for administering grant awards and meeting bond accountability reporting requirements. Water Resources also indicated that it completed all grant close-out procedures for one of the projects we reviewed during the audit that had highlighted some of Water Resources' monitoring weaknesses. Water Resources' six-month response generally stated that it had considered all of our recommendations and incorporated them into its business practices. However, neither Water Resources' 60-day update nor its six-month response clarified how its staff would ensure they obtain periodic progress reports from grant recipients. Similarly, Water Resources' responses did not discuss how it would ensure that its employees document the results of their site visits to bond-funded projects.

**Recommendation 1.2—See pages 31—34 of the audit report for information on the related finding.**

To provide the public with accurate and complete information on the bond-funded projects it administers, Water Resources should develop and consistently use a formalized, documented review process that will provide greater assurance that project information posted to the Bond Accountability Web site is regularly updated and contains accurate information.

***Water Resources' Action: Partially implemented.***

In its 60-day update to the audit, Water Resources indicated that each division is creating review guidelines in response to this recommendation, and that these guidelines will be under the authority of Water Resources' Bond Accountability Office. Water Resources' six-month response generally stated that it had considered all of our recommendations and incorporated them into its business practices. However, Water Resources did not provide examples of its new review guidelines to corroborate its response.

**Recommendation 1.3—See pages 36—42 of the audit report for information on the related finding.**

To enhance transparency and accountability regarding the State's use of general obligation bond funds, the governor should require administering agencies to report actual amounts spent on bond funded projects and update the expenditure information at least semiannually.

***Governor's Action: Unknown.***

We are unaware of any additional guidance issued by the Governor's Office.

**Recommendation 1.4.a—See pages 36—42 of the audit report for information on the related finding.**

To enhance the value of the Bond Accountability Web site, Finance should require administering agencies to provide information about the actual amounts of bond funds spent on posted projects at least semiannually.

***Finance's Action: No action taken.***

- ➔ Finance does not intend to implement this recommendation. In its 60-day update to the audit, Finance stated that its current practice requires state departments and agencies to post the amounts awarded for specific projects on the Bond Accountability Web site. Finance further explained its expectation that state departments and agencies update a project's awarded amount with actual expenditures if there is a difference once the project is complete. Finance maintains that its current policies comply with the former governor's executive order. Further, Finance questions the benefits of this recommendation and stated that it would be costly for many state departments and agencies to implement. Finance did not provide a six-month response to the audit.

**Recommendation 1.4.b—See pages 42—45 of the audit report for information on the related finding.**

To enhance the value of the Bond Accountability Web site, Finance should develop a tracking and review process to periodically assess the completeness of the project information posted to the Bond Accountability Web site. Such a process should include a review of whether state agencies are describing, in terms the public can easily understand, the expected or realized benefits of bond-funded projects.

*Finance's Action: No action taken.*

Finance does not intend to take any additional steps to implement this recommendation. In its 60-day update, Finance stated that it will continue to review state agencies compliance during department audits and during special project reporting compliance reviews. Finance explained that its audits include a review of whether state departments are appropriately reporting project information. Finance did not provide a six-month response to the audit.

**Recommendation 1.5—See pages 45—47 of the audit report for information on the related finding.**

To ensure that expenditures were consistent with bond laws and that the project achieved the intended benefits or outcomes agreed to when the project was originally awarded, Finance should conduct audits of, or approve and assure that, Water Resources and other agencies obtain audits of, Strategic Growth Plan (SGP) bond expenditures.

*Finance's Action: Partially implemented.*

In its 60-day update, Finance stated that since the audit was published, Finance has issued four additional audit reports, for a total of six SGP bond audit reports in fiscal year 2010–11. Additionally, Finance indicated that all state agencies administering SGP bonds have either entered into interagency agreements with Finance to conduct audits or have made arrangements with other entities, with the approval of Finance, to conduct the required audits. Accordingly, Finance intends to continue to conduct audits as required by the former governor's executive order. Finance's 60-day update did not provide any additional material to corroborate its assertions. Finance did not provide a six-month response to the audit.





## Department of General Services

### It No Longer Strategically Sources Contracts and Has Not Assessed Their Impact on Small Businesses and Disabled Veteran Business Enterprises

#### REPORT NUMBER 2009-114, ISSUED JULY 2010

This report concludes that documents indicate that as a result of its initial strategic sourcing efforts, the State accrued at least \$160 million in net savings from 33 contracts through June 30, 2007. The Department of General Services (General Services) stopped formally calculating savings at that time. Further, although it has not strategically sourced 20 other categories of goods or services that its consultant recommended, General Services indicates that it has used traditional methods to issue statewide contracts for many of the categories. However, it has not determined that these contracts have resulted in savings commensurate with what it would have achieved under strategic sourcing. General Services has not entered into any strategically sourced contracts since July 2006, and it is not reviewing comprehensive purchasing data that will allow it to identify new opportunities effectively.

General Services does not have all the necessary data to determine the change in the number of small businesses and Disabled Veteran Business Enterprises (DVBES) participating in a category of goods that was strategically sourced. Additionally, our review of contracts awarded to small businesses and DVBES by five large state agencies does not indicate a clear relationship. Further, General Services determines whether the planned use of subcontractors complies with statutory requirements designed to ensure that they play a meaningful role in any contract in which they participate. However, it does not monitor to ensure compliance once the contract has been awarded. Finally, General Services does not yet have standard procedures to recover state funds when it identifies a contractor that has not complied with the pricing terms of the contract.

In the report, the California State Auditor (state auditor) made the following recommendations to General Services. The state auditor's determination regarding the current status of recommendations is based on General Services' responses to the state auditor as of July through September 2011.

#### **Recommendation 1.1—See page 21 of the audit report for information on the related finding.**

To ensure that it determines savings to the State going forward for strategically sourced contracts, General Services should examine the State's recent purchasing patterns when determining whether to rebid or extend previously strategically sourced contracts and when estimating expected savings. It should subsequently compare the savings it achieves to the expected savings for those contracts.

#### ***General Services' Action: Partially implemented.***

General Services states that it has developed standards for implementing and documenting the evaluation of recent purchase patterns when determining whether to extend, rebid, or retire previously sourced contracts. It notes that it did so in July 2010 by updating its procedures manual to incorporate detailed requirements for the development of opportunity assessments and sourcing work plans.

General Services notes that it is using a benchmarking procedure that includes the estimation of expected savings for any rebid or extended contracts based on recent purchase patterns. It has developed a work plan template that contains detailed information on savings expected from a proposed sourced contract. General Services indicates that the template is currently being used on the rebid of one statewide contract. It subsequently plans to compare the baseline savings amounts to the actual pricing obtained under an executed contract to calculate achieved savings.

**Recommendation 1.2—See pages 22—25 of the audit report for information on the related finding.**

To ensure that it has maximized the savings for consultant-recommended categories that it did not strategically source, General Services should conduct its planned review of these categories to determine if there are further opportunities to achieve savings.

***General Services' Action: Fully implemented.***

General Services completed its review of consultant-recommended categories that it did not strategically source and concluded that none of the 20 categories warranted additional strategic sourcing contracting efforts. General Services noted that its review confirmed that it used other traditional acquisition techniques to acquire those goods or services that accomplished the same goal as strategic sourcing. It noted that for the remaining categories, such as architectural and engineering services, electricity, and leased real property, the review determined that the categories were of such a broad nature that strategic sourcing techniques could not be applied.

In response to our request for documentation of the analysis performed that resulted in its conclusions, General Services provided a document of about three pages. The document commented on the results of each of the categories for which it or others conducted traditional acquisition methods. For many of the categories, General Savings indicated that either savings would be measured by individual contract or savings were not measured. Additionally, General Services described the factors that it believes prevent strategic sourcing of other categories.

However, although General Services completed its planned review, we note that the review was unable to report aggregate savings information for many of the categories for which it indicated traditional acquisition techniques were used. This underscores the need for General Services, as it implements our recommendations regarding future purchases, to ensure that it is tracking actual savings in such a way that it can compare them against expected savings.

**Recommendation 1.3—See pages 25—27 of the audit report for information on the related finding.**

To ensure that it maximizes the savings to the State for future purchases, General Services should follow the procedures for identifying strategic sourcing opportunities included in the Intake and Analysis Unit's procedures manual. To ensure that it is effectively identifying new strategic sourcing opportunities, General Services should work to obtain comprehensive and accurate data on the specific items that state agencies are purchasing, including exploring options for obtaining such data for agencies that do not have enterprise-wide systems and therefore would not be using the additional functionality of the eProcurement system. Until it obtains such data, General Services should work with state agencies to identify detailed purchases for categories that it identifies through the State Contracting and Procurement Registration System (SCPRS) as viable opportunities for strategically sourcing. For example, if based on its review of SCPRS data, General Services identifies a particular category that it believes is a good candidate for strategic sourcing, it should work with those state agencies that accounted for the most purchases within the category to determine the types and volume of specific goods purchased to further analyze the types of goods to strategically source. General Services should assess any need for additional resources based on the savings it expects to achieve.

***General Services' Action: Partially implemented.***

General Services indicates that it periodically reviews databases, including the SCPRS data, for items that may indicate a strategic sourcing opportunity. Its procedures manual indicates that this review is to take place quarterly. It states that in consultation with its customers, it uses available data on purchasing patterns to identify if strategic sourcing or another procurement vehicle should be used. General Services believes that these steps are sufficient to allow it to obtain comprehensive and accurate data on the specific items that state agencies are purchasing that are of a volume that warrant an opportunity for strategic sourcing. General Services states that it goes through an extensive search for purchasing data using all available sources and that it requests copies of purchase orders from state agencies to obtain more detailed purchasing data.

However, although General Services notes that it preliminarily identified potential sourcing opportunities through its review of the SCPRS data for quarters ending March 2011 and June 2011, it states that it has not further analyzed these opportunities due to lack of resources.

**Recommendation 1.4—See pages 30—31 of the audit report for information on the related finding.**

To provide decision makers with the information necessary to determine the true costs and benefits of strategic sourcing, General Services should evaluate any impact strategic sourcing has on small business and DVBE participation in terms of number of contracts awarded and amounts paid to small businesses and DVBEs within the categories being strategically sourced. Specifically, for goods that were strategically sourced, General Services should compare the number of contracts awarded to small businesses and DVBEs before they were strategically sourced with those awarded through such contracts after they were strategically sourced. This effort should include contracts awarded by General Services and other state agencies.

***General Services' Action: Partially implemented.***

General Services states that before performing an acquisition, it includes an assessment of the number of small businesses and DVBEs that participated in the previous solicitation and the potential number of small businesses and DVBEs that will be participating in the new solicitation. As for tracking the use of small business and DVBE firms after a strategically sourced contract has been awarded, General Services has decided to capture and track that information for statewide contracts under its purview. It has added new off-ramp reporting provisions to three statewide contracts and plans to add this provision to other contracts as necessary.

However, General Services noted that it has not yet analyzed the data it has been tracking for the three contracts currently containing the new off-ramp reporting provision because enough time has not passed to allow adequate usage for analyses. It stated that it plans to conduct its evaluation of small business and DVBE usage in the summer or fall 2012 for off-ramp purchases made under the three statewide contracts.

**Recommendation 1.5—See pages 29—31 of the audit report for information on the related finding.**

To evaluate the effectiveness of the off ramp in providing opportunities for small business and DVBE participation, General Services should track the number and dollar amounts of contracts that state agencies award through the use of the off ramps in strategically sourced and other mandatory statewide contracts. General Services' evaluation also should consider the extent to which an off ramp affects the monetary benefits that result from statewide contracts designed to leverage the State's purchasing power.

***General Services' Action: Partially implemented.***

General Services is maintaining a database for tracking purposes of approved small business or DVBE off-ramp purchases, which includes pricing information. It plans to use this information to assess the impact on small businesses and DVBEs after strategic sourcing. General Services has included the new off-ramp usage reporting provisions in three statewide contracts and has begun gathering the usage data. It plans to conduct its evaluation of the off-ramp usage data in summer or fall 2012.

**Recommendation 1.6—See pages 35—37 of the audit report for information on the related finding.**

To ensure that small business and DVBE subcontractors comply with the commercially useful function requirements, General Services should develop guidance for state agencies on how to ensure that subcontractors perform commercially useful functions if it believes state agencies making the purchases

through statewide contracts should be responsible for this task. In addition, General Services should monitor, on a sample basis, whether state agencies are ensuring compliance with these requirements. General Services could leverage its efforts by working with other state agencies to ensure that subcontractors claiming to have provided the goods and services to the purchasing agency did, in fact, perform the work for which they are invoicing the state agencies.

***General Services' Action: Partially implemented.***

General Services has revised user instructions for new statewide contracts to include instructions and/or direction to user state agencies on ensuring contractors' compliance with the commercially useful function requirements. However, it states that in most cases this task is performed by General Services' staff during the solicitation process. It notes that it has implemented the use of its contract management plan process, which outlines the responsibilities of its contract administrators. Where applicable, these plans are to include a requirement for ensuring contractor compliance with commercially useful function requirements. General Services reports that it is in the early stages of implementing the contract management plan process and has not yet entered into a statewide contract that requires user state agencies to assess commercially useful functions on individual transactions.

**Recommendation 1.7—See pages 44—45 of the audit report for information on the related finding.**

To ensure prompt recovery of state funds, General Services should implement standard procedures to recover overcharges identified by the Compliance and Savings Administration system. General Services' new procedures should specify the amount of time it considers reasonable to recover funds due back to the State.

***General Services' Action: Fully implemented.***

General Services has developed standard procedures to recover any overcharges, including the amount of time considered reasonable to recover funds due back to the State. The procedures provide for the issuance of a demand notice for payment of any identified overcharges—normally within 30 days—and monthly monitoring of any outstanding amounts.

**Recommendation 1.8—See pages 45—46 of the audit report for information on the related finding.**

To improve the integrity of its monitoring of pricing compliance, General Services should implement procedures to help ensure that usage reports reflect the actual items received and prices paid by the state agencies that purchased the items. For example, on a periodic basis, it could select a sample of purchases from the usage reports and work with purchasing state agencies to confirm that the prices and quantity of items reported reconcile with the invoices submitted by the contractor.

***General Services' Action: Partially implemented.***

General Services has implemented procedures to assist in ensuring the accuracy of the usage reports submitted by contractors. The contract management plan process mentioned in General Services' comments on the recommendations related to commercially useful function requirements include steps for the contract administrator to work with state agencies to confirm the accuracy of contractor reported pricing and other relevant data. To ensure the validity of the contractor's usage reporting, the contract management plans are to include steps requiring the contract administrator to compare, when necessary, the data being reported by contractors with information from purchasing agency documents. General Services notes that the criteria for determining when to perform such comparisons would vary by individual contracts and are influenced by various factors deemed important by contract administrators. However, General Services notes that due to the recent implementation of the contract management plan process, the sampling of agency documentation has not yet occurred.

**Recommendation 1.9.a—See pages 38—41 of the audit report for information on the related finding.**

The Legislature could revise state law to provide more clarity regarding the use of small business and Disabled Veteran Business Enterprise (DVBE) subcontractors on state contracts. In doing so, the Legislature should consider whether a business relationship such as the one between Office Depot and its subcontractors is what the Legislature envisioned when it created the commercially useful function requirements. It should also consider whether a firm should be required to have demonstrated experience in a particular line of business before being allowed to participate in state contracts.

***Legislative Action: Unknown.***

The state auditor is not aware of any action taken by the Legislature as of January 5, 2012.

**Recommendation 1.9.b—See pages 38—41 of the audit report for information on the related finding.**

The Legislature could revise state law to provide more clarity regarding the use of small business and DVBE subcontractors on state contracts. In doing so, the Legislature should consider whether the State should prohibit contractors, which are capable of performing the task contracted for, from subcontracting with small businesses and DVBEs at the cost of eliminating participation opportunities for these entities.

***Legislative Action: Legislation introduced.***

Senate Bill 817, as introduced in the 2011–12 Regular Legislative Session, includes provisions to allow a vendor to meet DVBE goals from sources other than state contracts and allows the calculation to meet participation goals to include specified direct and indirect costs incurred by the vendor. The bill was held in the committee.

**Recommendation 1.9.c—See pages 38—41 of the audit report for information on the related finding.**

The Legislature could revise state law to provide more clarity regarding the use of small business and DVBE subcontractors on state contracts. In doing so, the Legislature should consider whether it is in the State's best interest to limit a particular line of business, such as office supplies, to a relatively small number of small business and DVBE subcontractors rather than the many small businesses and DVBEs that could contract with the State in the absence of strategic sourcing.

***Legislative Action: Unknown.***

The state auditor is not aware of any action taken by the Legislature as of January 5, 2012.





## Department of General Services

### The Division of the State Architect Lacks Enforcement Authority and Has Weak Oversight Procedures, Increasing the Risk That School Construction Projects May Be Unsafe

#### REPORT NUMBER 2011-116.1, ISSUED DECEMBER 2011

This report concludes that the Department of General Services' (General Services) Division of the State Architect (division) is unable to certify that a large number of completed school construction projects meet requirements in the Field Act, a law designed to protect the safety of pupils, teachers, and the public. The division reports that over 16,000 projects remain uncertified. Elements of the act hamper the division's ability to enforce the certification requirements. For example, the act allows school districts to occupy uncertified projects and does not give the division the express authority to penalize school districts that do not comply with certification requirements. Further, the division infrequently uses its authority to stop construction of projects when it determines there is a risk to public safety. In addition, the division lacks a clear system for classifying uncertified projects, increasing the risk that it will miscommunicate the true risks associated with uncertified projects and that efforts to strategically follow up on these projects will be impeded.

We also found that the division's oversight of project construction is not effective. The division lacks a process for planning oversight it will perform, and in some cases could not demonstrate that it provided adequate field oversight. We found examples of projects with an estimated cost of up to \$2.2 million that had no evidence of a visit by the division's field staff. Further, the division relies on project inspectors to ensure that projects are constructed according to approved plans, but these inspectors are employees or contractors of the school districts, which increases the risk of improper influence and the division has not implemented robust strategies to mitigate this risk. Additionally, the division is not always able to approve project inspectors for work before the beginning of construction as the Field Act requires. Also, the division does not complete field oversight of school construction in the areas of fire and life safety and accessibility, raising the risk that safety issues in these areas will go uncorrected. Finally, the division lacks performance measures that could help it to improve its field oversight and certification of efforts.

In the report, the California State Auditor (state auditor) made the following recommendations to General Services and the Legislature. The state auditor's determination regarding the current status of recommendations is based on General Services' response to the state auditor as of December 2011.

#### **Recommendation 1.1.a—See pages 16—18 of the audit report for information on the related finding.**

To ensure public safety and provide public assurance that school districts construct projects in accordance with approved plans, the department, in conjunction with the division, should pursue legislative changes to the Field Act that would prohibit occupancy in cases in which the division has identified significant safety concerns.

#### ***General Services' Action: Pending.***

General Services stated that it will discuss within the administration the option of pursuing legislation that would change the Field Act to prohibit occupancy in cases in which the division has identified significant safety concerns.

#### ***Legislative Action: Unknown.***

The state auditor is not aware of any action taken by the Legislature as of January 5, 2012.

**Recommendation 1.1.b—See pages 16—18 of the audit report for information on the related finding.**

To ensure public safety and provide public assurance that school districts construct projects in accordance with approved plans, the Legislature should consider implementing additional penalties for school districts that do not provide all required documents.

***Legislative Action: Unknown.***

The state auditor is not aware of any action taken by the Legislature as of January 5, 2012.

**Recommendation 1.2—See pages 18—20 of the audit report for information on the related finding.**

To better use the enforcement tools at its disposal, the division should continue and expand its use of both orders to comply and stop work orders, as defined in its regulations. The division should also develop performance measures to assess the success of any efforts it makes to address safety concerns and reduce the number of uncertified projects.

***General Services' Action: Pending.***

General Services stated that in the near future, division headquarters management will meet with the division's regional managers to discuss the use of orders to comply and stop work orders. Subsequent to this, additional policies and procedures will be issued to assist in ensuring the appropriate and consistent use of these enforcement tools. Additionally, the division will task its Performance Metrics Unit with the responsibility for developing metrics to measure the success of the primary actions taken to address safety concerns and reduce the number of uncertified projects.

**Recommendation 1.3—See pages 20—23 of the audit report for information on the related finding.**

To ensure that it clearly justifies the reasons a project's noted issues merit a particular classification, the division should either modify its current policies regarding classifying types of uncertified projects or develop new policies, including requiring documentation of the rationale behind project-specific classifications. It should use its classifications to prioritize its efforts to follow up on uncertified projects based on risk and to better inform the public regarding the reasons it has not certified projects.

***General Services' Action: Pending.***

General Services stated that the division will modify or create new policies regarding classifying projects closed without certification, including the rationale behind the specific classification, and the use of letters to notify school districts of the reason a project was not certified. It also stated that the division will use the new process to prioritize its efforts to follow up on uncertified projects based on risk and to better inform the public regarding the reasons it has not certified projects.

**Recommendation 1.4—See pages 23 and 24 of the audit report for information on the related finding.**

To reduce the number of uncertified projects, the division should implement initiatives to follow up with school districts on uncertified projects. Those initiatives should include, at a minimum, regularly sending each district a list of its uncertified projects and assessing the success of the division's follow-up efforts.

***General Services' Action: Pending.***

General Services stated that the division plans to finish categorizing projects closed without certification by project class and school district by June 30, 2012. Once this is completed, General Services stated that a communication and outreach plan will be developed and that the division will track and regularly evaluate the success of its outreach efforts.



**Recommendation 2.1.a—See page 28 of the audit report for information on the related finding.**

To ensure it is providing adequate oversight of school district construction projects, the division should develop robust procedures for monitoring inspectors' submission of semi-monthly reports. The division should also maintain all semi-monthly reports in its project files.

*General Services' Action: Pending.*

General Services stated that the division will develop additional processes to ensure that inspectors are submitting the semi-monthly reports and that received reports are maintained in the project files. As part of this activity, the division plans to periodically reemphasize to its field engineers the importance of obtaining the reports. The division will also determine the feasibility of assigning administrative staff with responsibilities for tracking, obtaining, and filing the inspector reports.

**Recommendation 2.1.b—See pages 28 and 29 of the audit report for information on the related finding.**

To ensure it is providing adequate oversight of school district construction projects, the division should develop and document an overall strategy that establishes specific expectations for conducting site visits and monitoring construction. The division should then record and compare its actual visits and monitoring efforts to its planned actions. The division should document explanations for any deviations from its plans.

*General Services' Action: Pending.*

General Services stated that the division has implemented a policy that requires that field engineers regularly visit projects of a certain size and constructed from specific types of materials and have a face-to-face meeting with project inspectors. The division is developing a measurement tool and training program for its field engineers on this process. The division plans to carry out this policy by June 30, 2012.

**Recommendation 2.1.c—See pages 29 and 30 of the audit report for information on the related finding.**

To ensure it is providing adequate oversight of school district construction projects, the division should establish consistent criteria for entering data into its database on key aspects of projects, such as the dates for the start and end of construction.

*General Services' Action: Pending.*

General Services stated that the division will develop standard criteria for entering data into its project management system, which will include establishing clear criteria for identifying the start and end dates of construction.

**Recommendation 2.2—See pages 31 and 32 of the audit report for information on the related finding.**

To mitigate risks arising from the relationship between inspectors, school districts, and project managers, the division should develop formal procedures and explicit directions for field engineers to ensure that they establish a presence on project sites and provide adequate oversight of inspectors during construction.

***General Services' Action: Pending.***

General Services stated that the division is developing a training program to ensure that its field engineers provide consistent construction oversight. Training will include modules that address overseeing project inspector performance and record keeping during construction. For future projects, General Services indicated that field engineers will be required to conduct face-to-face meetings with project inspectors to establish a presence on the projects.

**Recommendation 2.3—See pages 32 and 33 of the audit report for information on the related finding.**

To ensure that it approves inspectors prior to the start of project construction, the division should streamline its approval process by reviewing inspectors' workloads and past experience using the data it already maintains.

***General Services' Action: Pending.***

General Services stated that the division will evaluate the inspector approval process for activities that could be streamlined to assist in approving inspectors prior to the start of project construction.

**Recommendation 2.4—See pages 33 and 34 of the audit report for information on the related finding.**

To ensure that certified inspectors are knowledgeable about current code requirements, the division should not excuse inspectors from required trainings and should improve its process for identifying expired certification exam scores. Further, the division should consistently follow and document its procedures for verifying the past employment of inspector applicants.

***General Services' Action: Pending.***

General Services stated that the division has tasked its certification unit manager with developing written policies that provide that inspectors must not be excused from required training. Further, the division will take action to strengthen existing processes regarding identifying expired certified exam scores and maintaining documentation of staff verifying the past employment history of inspector applicants.

**Recommendation 2.5—See pages 35—37 of the audit report for information on the related finding.**

To ensure that it formally monitors inspectors' performance, the division should reestablish a process for evaluating inspectors that provides consistent documentation of performance. The division should make this information accessible to appropriate staff.

***General Services' Action: Pending.***

General Services stated that the division will assign staff to review the prior inspector evaluation process to identify lessons learned and to develop a plan for the completion of performance evaluations by the field engineer at the final site visit.

**Recommendation 2.6—See pages 37 and 38 of the audit report for information on the related finding.**

To address areas in which its staff do not currently have expertise, the division should finalize its field pilot and take subsequent steps to ensure it has qualified staff to provide oversight of accessibility; fire and life safety; and the mechanical, electrical, and plumbing aspects of construction.

*General Services' Action: Pending.*

General Services stated that the division will revisit the results of the field pilot and determine the current feasibility of expanding its construction oversight for schools beyond structural safety.

**Recommendation 2.7—See pages 38 and 39 of the audit report for information on the related finding.**

To better manage its construction oversight and close-out functions, the division should develop measures to assess those functions and it should periodically report the results to the public on its Web site.

*General Services' Action: Pending.*

General Services stated that the division has developed performance measures related to the identification and categorization of projects closed without certification and to the visits and meetings held for certain types of projects. It said that the division's Performance Measurement Unit will be tasked with developing additional performance measures and related training for the construction oversight and closeout phases of projects. The results of any implemented measurement process will be posted to the division's Web site.

**Recommendation 2.8—See pages 40 and 41 of the audit report for information on the related finding.**

To address possible staffing problems, the division should use documented workload metrics to perform an assessment of its current staffing levels and determine its staffing needs. It should revisit the field pilot and make necessary changes to reflect its understanding of its current staffing situation.

*General Services' Action: Pending.*

General Services stated that the division will initiate an assessment of its current staff levels and needs based on available workload metrics. It said that the division will also revisit the results of the field pilot and determine the current feasibility of expanding its construction oversight for schools beyond structural safety.



## Department of General Services

### Misuse of State Resources (Case I2008-1024)

#### REPORT NUMBER I2010-2, CHAPTER 5, ISSUED JANUARY 2011

This report concludes that a manager with the Department of General Services (General Services) improperly used state vehicles for his daily commute for nine years. The cost of the misuse from July 2006 through July 2009, the three years for which complete records are available, totaled an estimated \$12,379. Because the records were not retained, we were not able to accurately estimate the cost to the State for the remaining six years.

In the report, the California State Auditor (state auditor) made the below recommendations to General Services. The state auditor's determination regarding the current status of recommendations is based on General Services' response to the state auditor as of June 2011.

#### **Recommendation 1—See pages 29—31 of the investigative report for information on the related finding.**

General Services should seek reimbursement from the manager for the costs associated with his misuse of state vehicles.

#### ***General Services' Action: Fully implemented.***

In June 2011 General Services and the manager signed an agreement directing the manager to reimburse the State \$12,379 in costs arising from his misuse of state vehicles. The terms of the agreement require the manager to repay the State \$200 a month from June 2011 through August 2016. The manager made his first installment payment in June 2011.

#### **Recommendation 2—See pages 15—17 of the investigative report for information on the related finding.**

General Services should issue a memorandum regarding the appropriate use of state-owned vehicles to all fleet division employees with access to state vehicles.

#### ***General Services' Action: Fully implemented.***

General Services stated that in March 2010, before the completion of our investigation, it issued a number of operating policies to its employees that prohibit the use of state-owned vehicles for travel to and from an employee's home without express permission.



# Department of Housing and Community Development

## Despite Being Mostly Prepared, It Must Take Additional Steps to Better Ensure Proper Implementation of the Recovery Act's Homelessness Prevention Program

### REPORT NUMBER 2009-119.3, ISSUED FEBRUARY 2010

The Department of Housing and Community Development (department) has taken many steps to position itself to successfully administer its portion of the Homelessness Prevention and Rapid Re-Housing Program (Homelessness Prevention program). For example, it has implemented processes to minimize the time that elapses between drawing down Homelessness Prevention funds and disbursing them to subrecipients such as cities, counties, and local nonprofit organizations, and to help ensure that these funds are spent by certain deadlines. However, the department could take additional steps to improve its administration of the program. These steps include developing and implementing processes to ensure that subrecipients do not maintain excessive balances of federal funds and finalizing and implementing guidelines for monitoring subrecipients. Additionally, the department could develop written policies for practices that it states it currently follows, such as its periodic review of its spending for administrative costs. Further, it could document actions it takes while administering the program, such as recording the date that it submits Recovery Act information to the State.

In the report, the California State Auditor (state auditor) made the following recommendations to the department. The state auditor's determination regarding the current status of recommendations is based on the department's response to the state auditor as of September 2011.

#### **Recommendation 1.1—See pages 11—14 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should develop and implement necessary policies that are currently absent. Specifically, the department should develop and implement policies for ensuring that subrecipients limit the time that elapses between receiving federal funds and disbursing them, as well as policies for ensuring that subrecipients maintain an appropriate level of federal cash balances.

#### ***Department's Action: Fully implemented.***

The department stated that to help limit the time from when the subrecipients receive the Homelessness Prevention funds to when they disburse them, it requires subrecipients to submit expenditure reports no later than 30 days after the end of each quarter. The department indicated that it reviews these quarterly expenditure reports to determine the amount of the subrecipient's next cash advance. Specifically, the department plans to reduce the amount of additional Homelessness Prevention funds that subrecipients request for a quarter by the amount of their grant funds remaining from the previous quarter. Additionally, we reviewed the most recent expenditure reports for the seven subrecipients we identified in our audit report that held excessive cash balances and found that they no longer did so.

#### **Recommendation 1.2.a—See pages 8—9 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should finalize and implement those policies that are currently in draft form. Specifically, the department should finalize and implement its draft guidelines for monitoring subrecipients, including its plans to conduct quarterly surveys of subrecipients and to perform risk assessments of the subrecipients. These guidelines should ensure that subrecipients comply with the following:

- Costs incurred are for only those services allowed by law.
- The time period between receiving and spending federal funds is minimized, which has the effect of limiting the federal cash balances that subrecipients maintain.
- Federal cash balances are maintained in interest-bearing accounts.
- Households receiving services are eligible to participate.
- Eligible households are not charged fees to participate.
- The two- and three-year spending deadlines are met.
- Administrative costs stay within applicable limits.
- Reports submitted to the department contain accurate and complete information.
- The 11 requirements identified in the March 2009 notice issued by the U.S. Department of Housing and Urban Development are met, including habitability standards for housing units, nondiscrimination and equal opportunity requirements, and requirements involving lead-based paint.
- Registration in the federal Central Contractor Register is maintained.

***Department's Action: Fully implemented.***

The department finalized and implemented its guidelines for monitoring subrecipients, including guidelines for reviewing quarterly expenditure reports to ensure subrecipients expended program funds on only those services allowed by law, and a quarterly subrecipient questionnaire to solicit contract management information and identify possible red flags. Additionally, to help ensure that subrecipients meet spending deadlines, the guidelines also include a policy and procedure for monitoring subrecipients no later than 120 days before the deadlines. The guidelines also include procedures to review information included in quarterly expenditure reports to ensure accuracy and completeness, as well as procedures for performing site monitoring and desk audits of subrecipients that incorporate the requirements identified in federal guidance.

**Recommendation 1.2.b—See pages 8—10 of the audit report for information on the related finding.**

The department should also finalize and implement its draft plan to perform site visits or desk audits of subrecipients between April 2010 and the end of March 2011.

***Department's Action: Fully implemented.***

In July 2010 the department finalized and implemented its schedule for performing site monitoring visits and desk audits. The new schedule indicates that the department plans to complete its site visits and desk audits of all subrecipients by the end of September 2011 rather than the end of March 2011, as originally planned.

**Recommendation 1.3.a—See page 11 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should put into writing those practices that it states it currently follows. Specifically, the department should put into writing its current practices for minimizing the time from the date it draws down federal funds to the date it disburses the funds to subrecipients.



*Department's Action: Fully implemented.*

The department has put into writing the current practices it states it follows. Specifically, in March 2010 the department developed written procedures for minimizing the time between the date it draws down federal funds and the date it disburses those funds to the subrecipients.

**Recommendation 1.3.b—See page 14 of the audit report for information on the related finding.**

The department should also put into writing its current practices for management's periodic review of the department's level of spending for administrative costs, to help ensure that it does not exceed the applicable limit.

*Department's Action: Fully implemented.*

The department has put into writing the current practices it states it follows. Specifically, in March 2010 the department developed written procedures for its periodic review of administrative cost spending.

**Recommendation 1.3.c—See pages 17—19 of the audit report for information on the related finding.**

The department should also put into writing its current practices for preparing, reviewing, and submitting required federal reports.

*Department's Action: Fully implemented.*

The department has put into writing the current practices it states it follows. Specifically, the department developed written procedures for preparing, reviewing, and submitting its required federal reports.

**Recommendation 1.4.a—See pages 14—15 of the audit report for information on the related finding.**

To strengthen the processes involved in its administration of the Homelessness Prevention program, the department should document actions that it takes while administering the program. Specifically, the department should document the results of management's periodic review of the department's level of spending for administrative costs.

*Department's Action: Fully implemented.*

The department indicated that it documents management's periodic review of administrative costs and the date it submits required federal reports. As a part of its budget review procedure, the department implemented a method for management to document its periodic review of administrative cost spending.

**Recommendation 1.4.b—See page 19 of the audit report for information on the related finding.**

The department should also document the date on which it submits its Recovery Act information using the State's accountability tool.

*Department's Action: Fully implemented.*

The department provided evidence that it now documents the date it submits its quarterly reports required by the Recovery Act.

**Recommendation 1.5—See page 21 of the audit report for information on the related finding.**

The department should notify its subrecipients of the federal award number for the Homelessness Prevention program.

***Department's Action: Fully implemented.***

The department notified its subrecipients of the federal award number for the Homelessness Prevention program in February 2010.

## Department of Industrial Relations

### Misuse of State Time and Resources, Incompatible Activities, Inadequate Administrative Controls (Case I2008-1066)

#### REPORT NUMBER I2010-1, CHAPTER 1, ISSUED JUNE 2010

This report concludes that for more than six years, an inspector for the Department of Industrial Relations (Industrial Relations), Division of Occupational Safety and Health (Cal/OSHA), performed duties related to her secondary employment during her Cal/OSHA work hours. In doing so, the inspector misused state time and resources and received improper payments totaling \$70,105. In addition, our review of the inspector's misconduct revealed that Cal/OSHA management did not properly implement controls that could have prevented the improper acts.

In the report, the California State Auditor (state auditor) made the below recommendations to Industrial Relations. The state auditor's determination regarding the current status of recommendations is based on Industrial Relations' response to the state auditor as of December 2010.

**Recommendation 1.a—See pages 10—15 of the investigative report for information on the related finding.**

Industrial Relations should take appropriate action against the Cal/OSHA inspector for her improper acts and against her manager for his failure to adequately manage the inspector.

***Industrial Relations' Action: Fully implemented.***

Industrial Relations informed us that the inspector resigned while still under investigation. Subsequently, it filed a civil lawsuit against her in an effort to obtain reimbursement from her. In addition, it notified us that in October 2010 it formally reprimanded the manager who was the inspector's direct supervisor.

**Recommendation 1.b—See pages 12 and 13 of the investigative report for information on the related finding.**

Industrial Relations should evaluate current controls designed to ensure that inspectors work the required number of hours and implement changes as necessary to ensure that time and attendance abuse does not recur.

***Industrial Relations' Action: Fully implemented.***

Industrial Relations reported that in October 2010 it provided training to Cal/OSHA supervisors to ensure that they understood and complied with the policies regarding accurate reporting of time and attendance.

**Recommendation 1.c—See page 14 of the investigative report for information on the related finding.**

Industrial Relations should establish controls to ensure that it does not allow employees to work schedules in which they determine their own hours and in which they track absences and make up hours informally.

*Industrial Relations' Action: Fully implemented.*

Industrial Relations stated that at the October 2010 training it provided to Cal/OSHA supervisors it reiterated the need for proper controls to ensure that employees do not determine their own work hours and make up hours informally.

# Department of Industrial Relations

## Failure to Monitor Adequately Employees' Time Reporting (Case I2008-0902)

### REPORT NUMBER I2011-1, CHAPTER 6, ISSUED AUGUST 2011

This investigation found that an official and a supervisor at a district office of the Department of Industrial Relations (Industrial Relations) failed to monitor adequately the time reporting of four subordinate employees from July 2007 through June 2009.

In reporting on the investigation, the California State Auditor (state auditor) made the following recommendation to Industrial Relations. The state auditor's determination regarding the current status of recommendations is based on Industrial Relations' response to the state auditor as of September 2011.

**Recommendation—See pages 39 and 40 of the investigative report for information about the related findings.**

To ensure that employees at this district office follow time-reporting requirements in accordance with applicable state law and department policies, Industrial Relations should continue to monitor the time-reporting practices of the official and his staff.

***Industrial Relations' Action: Fully implemented.***

Industrial Relations reported that it provided further time-reporting and record-keeping training to all of its managers and supervisors. In addition, Industrial Relations issued a memorandum about attendance and reporting requirements to all of its district offices. Finally, Industrial Relations stated that it had provided training to all attendance reporting officers about the proper documentation of all hours worked and leave taken.



## State Controller's Office

### Failure to Report Absences, Failure to Monitor Adequately an Employee's Time Reporting (Case I2009-1476)

#### REPORT NUMBER I2011-1, CHAPTER 7, ISSUED AUGUST 2011

This investigation found that an employee of the State Controller's Office (Controller's Office) failed to report an estimated 322 hours of absences over an 18-month period. Because her supervisor, a high-level official, failed to monitor adequately her time reporting, the State paid the employee \$6,591 for hours she did not work.

In reporting on the investigation, the California State Auditor (state auditor) made the following recommendations to the Controller's Office. The state auditor's determination regarding the current status of recommendations is based on the Controller's Office response to the state auditor as of September 2011.

#### **Recommendation 1.a—See pages 44—46 of the investigative report for information on the related finding.**

To address the employee's improper time reporting, the Controller's Office should seek reimbursement from the employee for the wages she did not earn.

##### ***Controller's Office's Action: Fully implemented.***

The Controller's Office reported that before the employee's retirement in August 2010, it subtracted approximately 21 days from her leave balance, equaling \$3,613 in gross payments, and applied this leave to the employee's unauthorized time off. In addition, it established an accounts receivable for the balance of the unauthorized leave, and it notified the employee of the remaining \$2,978 owed to the State. In August 2011 the Controller's Office told us that the employee had repaid the amount owed.

#### **Recommendation 1.b—See page 46 of the investigative report for information on the related finding.**

To address the supervisor's failure to monitor the employee's time adequately, the Controller's Office should take appropriate disciplinary action against the supervisor.

##### ***Controller's Office's Action: Fully implemented.***

The Controller's Office informed us that management representatives counseled the official because it acknowledged that the official was responsible for monitoring the employee's time and that he provided insufficient oversight. It also stated that because the official's busy schedule did not allow him to monitor adequately his support staff's time, his staff was placed under the direct supervision of an office manager effective August 2010.

#### **Recommendation 1.c—See pages 43—46 of the investigative report for information on the related finding.**

The Controller's Office should provide training to the supervisor on proper time-reporting and supervisory requirements.

##### ***Controller's Office's Action: Fully implemented.***

The Controller's Office reported that its chief of Human Resources provided the supervisor with additional training on proper time-reporting and related supervisory requirements. It also provided evidence to us that it had conducted training for all supervisors on proper time-reporting and related supervisory requirements.

