

February 2, 2016

2016-406 S

Dear Members of the Senate Budget Committee:

The California State Auditor presents this special report for the legislative budget subcommittees, which summarizes audits and investigations we issued from January 2014 through December 2015. The purpose of this report is to assist the Senate Budget and Fiscal Review Committee in identifying issues it may want to explore in subcommittee hearings. It is intended to provide transparency in what actions, if any, audited and investigated entities have taken in response to our specific findings and recommendations. This report includes the status of actions taken to implement our recommendations that were reported to us by the audited and investigated entities and evaluated by our office as of December 31, 2015. To better assist you, we have highlighted those recommendations that remain not fully implemented.

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

This report is organized by recommendations that fall within the jurisdiction of each of the individual Senate Budget and Fiscal Review Subcommittees. For example, the section for Senate Subcommittee 1 on Education identifies report recommendations our office made on issues ranging from addressing sexual violence on college campuses to the appropriate use of cafeteria funds at K-12 school districts. The section for Senate Subcommittee 3 on Health and Human Services identifies report recommendations on issues ranging from investigations of complaints against Long-Term Health Care facilities to oversight of school-based Medi-Cal programs.

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

Our audit efforts bring the greatest return when the entity acts upon our findings and recommendations. Table 2 summarizes the monetary value associated with certain findings from reports we issued during the period January 1, 2008, through December 31, 2015. We have indicated the nature of the monetary value in the following categories: cost recovery,

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cost savings, cost avoidance, increased revenue, and wasted funds. We estimate that if entities implemented our recommendations contained in these reports, they could realize more than \$1.9 billion in monetary value either by reducing costs, increasing revenues, or avoiding wasteful spending.

For example, in our January 2015 report on an audit of the Judicial Branch of California's administrative functions, we reported that the Judicial Council and its Administrative Office of the Courts (AOC) did not maximize the funds available for the courts due to questionable fiscal and operational decisions. We identified nearly \$14 million that the AOC used to provide its employees excessive salaries and generous benefits compared to similar executive branch salaries and benefits. Additionally, the AOC made other costly decisions such as using contractors rather than using state employees in comparable positions and maintaining three work locations rather than maintaining one where property lease rates are lower.

In another example, in August 2015 we reported that the Department of Health Care Services has lost out on claiming federal reimbursements of nearly \$14.8 million applicable to the School-Based Medi-Cal Administrative Activities program. The department has not adequately maximized schools' participation and could have increased the reimbursement rate for translation activities to the rate allowed by federal law.

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

Respectfully submitted,



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State Auditor