

Joint Legislative Audit Committee

# 2013-14 End of Session Report

*Assemblymember* Adam C. Gray, Chair

*Senator* Ricardo Lara, Vice Chair



## *Assemblymembers*

Katcho Achadjian  
Tim Donnelly  
Bonnie Lowenthal  
Allan Mansoor  
Adrin Nazarian  
Anthony Rendon

## *Senators*

Jim Beall  
Anthony Cannella  
Mark DeSaulnier  
Jean Fuller  
Cathleen Galgiani  
Hannah-Beth Jackson

## *Staff*

Debbie Meador, Chief Consultant  
Emily Towner, Committee Secretary

# Joint Legislative Audit Committee

## 2013-2014 END OF SESSION REPORT

Introduction	1
Summary of Hearings on Audit Requests	3
Listing of Audits Released by the State Auditor's Office	8
Summary of Oversight Hearings	14
Chapered Legislation Impacting the State Auditor's Office	16
<u>5-year Data and Trends</u>	
Total Audits Heard in Committee	17
Committee Action on Audits Heard in Committee	17
Audits Heard in Committee, House of Origin	18
Scope of Audits Heard in Committee	18
JLAC & Mandated Audits Released by the State Auditor's Office	19
JLAC Audits Released by the State Auditor's Office	19
Mandated Audits Released by the State Auditor's Office	19

# **JOINT LEGISLATIVE AUDIT COMMITTEE**

## **2013-2014 Legislative Session**

### ***INTRODUCTION***

With a goal of improving government performance, the Joint Legislative Audit Committee (JLAC) independently and through the work of the California State Auditor's Office (Auditor's Office) oversees the operations and finances of government and publicly created entities. JLAC reviews and takes action on audit requests, which are submitted to the Committee from any Member of the Legislature. It also monitors government operations through oversight hearings.

JLAC is established through the Legislature's rulemaking authority under the California Constitution, Government Code Section 10501 and the Joint Rules of the Senate and Assembly, Rule 37.3. Duties and responsibilities in the Joint Rules of the Senate and Assembly apply to JLAC as well as all powers conferred upon committees by Article IV, Section 11 of the California Constitution.

JLAC is a 14-member committee consisting of seven Assembly Members and seven Senators. The Chair of the Committee is a member of the Assembly and the Vice Chair a member of the Senate. JLAC can meet and conduct its business at any time and at any location within the State, including during recess and the interim period between sessions.

The Chair sets the schedule of hearings, directs the order of presentation for topics for consideration, permits questions to be asked by members of the Committee, and solicits public comment at each hearing. During hearings that require Committee action on any matter, four members from each house constitute a quorum and the number of votes necessary for an action.

JLAC considers each audit request as analyzed by the Auditor's Office and takes one of four actions on each request: approve, deny, retain, or refer to another agency. Audit requests approved by JLAC are forwarded to the Auditor's Office and are commonly referred to as committee or discretionary audit requests. For these discretionary audits, JLAC sets the priorities for the Auditor's Office.

Audits considered by JLAC include performance audits, which examine whether state agencies and programs are efficiently and effectively operating as the Legislature intended; accomplishing their goals and objectives; complying with laws, regulations and policies; and, using state resources properly. Performance audits are on a variety of topics, which range from broad to very specific in scope. JLAC also considers financial and financial-related audits of government and publicly created entities.

During the 2013-14 Legislative Session, JLAC held 6 hearings in which 47 audit requests were heard. The Committee approved 41 of these audit requests, held 1 in Committee, and 5 failed passage. Refer to pages 3 to 7 for detailed listings of these hearings and audit requests and pages 17 to 18 for data and trends on audit requests covering the past 5 years. JLAC also held 4 oversight hearings on multiple topics during the 2013-14 Legislative Session. For a detailed listing of these hearings see pages 14 to 15. Additional information about the Committee is available online at: <http://legaudit.assembly.ca.gov/>.

## *The California State Auditor's Office*

The California State Auditor's Office (Auditor's Office) promotes the effective and efficient management of public funds and programs by providing audits of state and local government operational and financial activities to the Legislature, governmental officials, and citizens. The Auditor's Office is the only California state agency statutorily authorized to perform independent, nonpartisan external audits (Government Code, Section 8453 et al.). As the State's independent auditor, state law exclusively grants the Auditor's Office unfettered access to records of state and local agencies, special districts, school districts, and any publicly-created entity.

The Auditor's Office is responsible for annually conducting California's statewide Single Audit, a combination of the audit of the State's basic financial statements and the numerous federal programs administered by California entities. Further, when resources are available, the Auditor's Office has the authority to initiate evaluations of state issues and entities identified as being high-risk for waste, fraud, abuse, and mismanagement or that have major challenges related to efficiency and effectiveness. Similar to the state high-risk program, the Auditor's Office, to the extent resources are available, identifies local government agencies—including city, county, special districts or publicly-created entities—as being high-risk. When approved by JLAC, the Auditor's Office can audit these local entities.

Additionally, the Auditor's Office is statutorily authorized to administer California's Whistleblower Protection Act, where the public can report allegations of improper governmental activities committed by the courts, state agencies, departments, or employees (Government Code Section 8547 et al.). The Auditor's Office has the authority to investigate and report on improper governmental activities.

To support the activities of the Auditor's Office, during fiscal years 2013-14 and 2014-15, its budget averaged about \$26.5 million. The Auditor's Office staffing averaged about 169 employees in 2013 and 173 in 2014.

In 2013, the Auditor's Office released 19 discretionary audits and 13 mandated audits; in 2014, it released 17 discretionary and 11 mandated audits. Refer to page 19 for data and trends on the number of audits released during the most recent five years. Audit and investigation reports as well as a listing of Work In Progress are available on the Auditor's Office Web site at: [www.auditor.ca.gov](http://www.auditor.ca.gov).

## **Joint Legislative Audit Committee 2013 Hearing Results Summary**

### **March 13 Hearing:**

- 2013-101     **Department of Water Resources & Department of Fish & Wildlife: Salton Sea Restoration Fund (Assemblymember V. Manuel Pérez)**  
Approved 12-0
  
- 2013-102     **Employment Development Department: Military Veterans Employment (Senator Correa)**  
Approved 12-0
  
- 2013-103     **Department of Justice: Armed Prohibited Persons System (Assemblymembers Achadjian, Gray, & Mansoor)**  
Approved 13-0
  
- 2013-105     **High-Speed Rail Authority: Construction Package 1 (Assemblymember Harkey et al.)**  
Failed 4-8
  
- 2013-106     **City College of San Francisco: Accreditation (Assemblymember Ting)**  
Held in Committee
  
- 2013-107     **State Treasury: Outside Accounts (Assemblymember Gray)**  
Approved 12-0

### **June 5 Hearing:**

- 2013-109     **California Public Utilities Commission: Balancing Accounts (Assemblymembers Bloom & Bradford; Senators Padilla & Beall)**  
Approved 12-0
  
- 2013-110     **Child Protective Services: Policies and Procedures for Removing Children From Their Residence (Assemblymembers Donnelly & Gatto)**  
Approved 12-0
  
- 2013-111     **University of California Los Angeles and University of California San Francisco Medical Centers: Finances and Staffing (Assemblymember Gray)**  
Approved 9-0
  
- 2013-115     **Department of General Services: Disabled Veteran Enterprise Program (Senators Correa & Hueso)**  
Approved 10-0
  
- 2013-116     **Los Angeles County Measure B Funds (Assemblymember Hernández)**  
Approved 10-0

**August 21 Hearing:**

- 2013-118     **San Francisco Bay Area Rapid Transit District  
(Assemblymember Quirk et al.)  
Approved 10-1**
- 2013-119     **Drug Medi-Cal Programs (Senator Lieu & Assemblymember Gray)  
Approved 13-0**
- 2013-120     **Correctional Health Care Services: Sterilization of Female Inmates  
(Assemblymember Lowenthal & Senator Jackson)  
Approved 13-0**
- 2013-122     **Department of Toxic Substances Control: Hazardous Waste Clean Up Projects  
(Assemblymember Alejo)  
Approved 11-0**
- 2013-123     **California Community Colleges: Accreditation Process (Senators Beall & Nielsen)  
Approved 10-0**
- 2013-124     **Postsecondary Higher Education Institutions: Sexual Harassment  
(Assemblymember Rendon)  
Approved 12-0**
- 2013-125     **Department of Health Care Services: Medi-Cal Dental Program  
(Senators Emmerson & DeSaulnier)  
Approved 11-0**
- 2013-126     **Antelope Valley Water Rates (Assemblymember Fox)  
Approved 12-0**
- 2013-129     **High-Speed Rail Authority: Right-of Way Acquisition  
(Assemblymembers Patterson & Bigelow)  
Failed 5-8**
- 2013-130     **California Public Utilities Commission: Charter-Party Carriers  
(Senator Corbett)  
Approved 12-0**

Total Audits Heard: 21  
Audits Approved: 18  
Audits Failed: 2  
Held: 1

## **Joint Legislative Audit Committee 2014 Hearing Results Summary**

### **March 12 Hearing:**

- 2014-101     **Employment Development Department: Unemployment Insurance Benefit Determination Process (Assemblymember Perea et al.)**  
Approved 10-0
- 2014-105     **Los Angeles Department of Water and Power: Customer Information System and Billing System (Assemblymember Bocanegra)**  
Approved 12-0
- 2014-107     **Judicial Branch: State Operation Expenditures (Assemblymember Jones-Sawyer)**  
Approved 12-0
- 2014-108     **Board of Equalization: Cost v Benefit of Maintaining the Headquarter Building (Assemblymember Dickenson)**  
Approved 11-0
- 2014-109     **Backlog of Untested Rape Kits (Senator Corbett)**  
Approved 10-0
- 2014-110     **Department of Resources Recycling and Recovery: Beverage Container Recycling Program (Senators Galgiani & Lara)**  
Approved 10-0
- 2014-111     **Department of Public Health: Long-Term Care Facilities (Assemblymember Yamada)**  
Approved 10-0

### **July 01 Hearing:**

- 2014-113     **Department of Public Health: California Diabetes Program (Assemblymember Beth Gaines)**  
Approved 13-0
- 2014-115     **Superintendent of Public Instruction: Inglewood Unified School District (Senator Huff)**  
Failed 9-1
- 2014-116     **Department of Consumer Affairs: BreEZE System (Assemblymember Olsen)**  
Approved 13-0
- 2014-117     **California Department of Corrections and Rehabilitation: Retired Annuitants and State Owned Vehicles (Senator Galgiani)**  
Approved 12-0

- 2014-118     **Department of Developmental Services: Parental Fees  
(Assemblymember Eggman)**  
Approved 12-0
- 2014-119     **City of Indio: Community Facilities District  
(Assemblymember V. Manuel Pérez & Senator Hueso)**  
Approved 12-0
- 2014-124     **California Alternative Energy and Efficiency Initiatives  
(Assemblymember Gray)**  
Approved 11-0
- 2014-125     **Department of State Hospitals: Sexually Violent Predator Law (Assemblymember  
Fox)**  
Approved 12-0
- August 14 Hearing:**
- 2014-120     **California Public Utilities Commission: Customer Complaint Data  
(Senator Padilla et al.)**  
Approved 12-0
- 2014-121     **University of California Davis: Strawberry Breeding Program (Assemblymember  
Alejo)**  
Approved 11-0
- 2014-122     **Ross Valley Sanitary District (Assemblymember Levine)**  
Approved 12-0
- 2014-126     **Covered California Outreach and Marketing Plan and Finances  
(Assemblymember Gray & Senator Ted Gaines)**  
Failed 4-0
- 2014-127     **Superintendent of Public Instruction: Inglewood Unified School District (Senator  
Huff)**  
Failed 8-2
- 2014-130     **California Department of Health Care Services: School-Based Medi-Cal  
Administrative Activities Program (Senator Liu)**  
Approved 12-0
- 2014-131     **Section 508 of the Rehabilitation Act of 1973 (Senator Anderson)**  
Approved 12-0
- 2014-132     **Apple Valley Water Rates (Senator Knight)**  
Approved 12-0



- 2014-134     **Department of Health Care Services & Department of Managed Health Care:  
Oversight of Provider Directories (Senator Lara)**  
Approved 12-0
- 2014-135     **Magnolia Education and Research Foundation and Magnolia Science Academies  
(Assemblymember Nazarian)**  
Approved 8-2
- 2014-136     **Coastal Improvement Fund (Assemblymember Bradford)**  
Approved 12-0

Total Audits Heard: 26

Audits Approved: 23

Audits Failed: 3

**California State Auditor's Office**  
**Audits Released In 2013**

**Financial Information System for California (FI\$Cal):** *Status Letter*; 2012-039.1 (January 8, 2013)

**State of California:** *Treasurer's Cash Count as of June 30, 2012*; 2012-006 (January 11, 2013)

**Southeastern Los Angeles County:** *Various Reasons Affect the Rates Water Suppliers Charge and the Rate Increases They Have Imposed*; 2012-104 (January 29, 2013)\*

**Department of Parks and Recreation:** *Weak Procedures Have Led to Inconsistent Budgetary Reporting and Difficulties in Measuring the Impact of Efforts to Keep Parks Open*; 2012-121.1 (February 14, 2013)\*

**California Department of Education:** *Despite Some Improvements, Oversight of the Migrant Education Program Remains Inadequate*; 2012-044 (February 28, 2013)

**Judicial Branch Procurement:** *Six Superior Courts Generally Complied With the Judicial Branch Contracting Law, but They Could Improve Some Policies and Practices*; 2012-301 (March 19, 2013)

**State Athletic Commission:** *Its Ongoing Administrative Struggles Call Its Future Into Question*; 2012-117 (March 21, 2013)\*

**State of California:** *Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2012*; 2012-002 (March 26, 2013)

**State of California:** *Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2012*; 2012-001.1 (March 26, 2013)

**State of California:** *Financial Report Year Ended June 30, 2012*; 2012-001 (March 26, 2013)

**Special Interest License Plate Funds:** *The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*; 2012-110 (April 18, 2013)\*

**City of San Diego:** *Although It Generally Followed Requirements for Reviewing Permits, It Could Do More to Protect Historical Resources and to Notify the Public Properly About Its Actions*; 2012-109 (April 25, 2013)\*

**California Department of Veterans Affairs:** *It Has Initiated Plans to Serve Veterans Better and More Cost-Efficiently, but Further Improvements Are Needed*; 2012-119 (May 9, 2013)\*

\*Audit Approved by the Joint Legislative Audit Committee  
Reports Available Online at [www.auditor.ca.gov](http://www.auditor.ca.gov)

**State of California:** *Treasurer's Cash Count as of December 31, 2012; 2013-005 (May 30, 2013)*

**State Water Resources Control Board:** *It Should Ensure a More Consistent Administration of the Water Quality Certification Program; 2012-120 (June 6, 2013)\**

**California Department of Public Health:** *It Needs to Improve Accuracy in Accounting and Charging for Compliance Inspections Designed to Reduce Youth Access to Tobacco and It Could Enhance Its Compliance Inspections; 2012-111 (June 18, 2013)\**

**State of California:** *Statement of Securities Accountability of the State Treasurer's Office December 31, 2012; 2013-008 (June 25, 2013)*

**State Bar of California:** *It Complies With Contracting Requirements, but It Could Improve Certain Practices to Ensure It Receives Best Value; 2013-030 (July 2, 2013)*

**Developmental Centers:** *Poor-Quality Investigations, Outdated Policies, Leadership and Staffing Problems, and Untimely Licensing Reviews Put Residents at Risk; 2012-107 (July 9, 2013)\**

**California Public Utilities Commission:** *Despite Administrative Weaknesses, It Has Generally Awarded Compensation to Interveners in Accordance With State Law; 2012-118 (July 23, 2013)\**

**Office of the Secretary of State:** *It Must Do More to Ensure Funds Provided Under the Federal Help America Vote Act Are Spent Effectively; 2012-112 (August 8, 2013)\**

**Mental Health Services Act:** *The State's Oversight Has Provided Little Assurance of the Act's Effectiveness, and Some Counties Can Improve Measurement of Their Program Performance; 2012-122 (August 15, 2013)\**

**School Safety and Nondiscrimination Laws:** *Most Local Educational Agencies Do Not Evaluate the Effectiveness of Their Programs, and the State Should Exercise Stronger Leadership; 2012-108 (August 20, 2013)\**

**Department of Parks and Recreation:** *Flaws in Its Budget Allocation Processes Hinder Its Ability to Effectively Manage the Park System; 2012-121.2 (September 10, 2013)\**

**Financial Information System for California (FI\$Cal):** *Status Letter; 2013-039 (September 24, 2013)*

**Accounts Outside the State's Centralized Treasury System:** *Processes Exist to Safeguard Money, but Controls for These Accounts Need Strengthening; 2013-107 (October 15, 2013)\**

\*Audit Approved by the Joint Legislative Audit Committee  
Reports Available Online at [www.auditor.ca.gov](http://www.auditor.ca.gov)

**Armed Persons With Mental Illness:** *Insufficient Outreach From the Department of Justice and Poor Reporting From Superior Courts Limit the Identification of Armed Persons With Mental Illness;* 2013-103 (October 29, 2013)\*

**Employment Development Department:** *It Needs to Address Data Issues to Better Evaluate and Improve the Performance of Its Employment Programs for Veterans;* 2013-102 (October 31, 2013)\*

**Salton Sea Restoration Fund:** *The State Has Not Fully Funded a Restoration Plan and the State's Future Mitigation Costs Are Uncertain;* 2013-101 (November 21, 2013)\*

**California State University's Extended Education:** *It Is Unclear Whether Supplanting Occurred, and Campuses Did Not Always Document Their Adherence to Laws, Policies, and Procedures;* 2012-113 (December 10, 2013)\*

**State of California:** *Treasurer's Cash Count as of June 30, 2013;* 2013-006 (December 17, 2013)

**Judicial Branch Procurement:** *Semiannual Reports to the Legislature Are of Limited Usefulness, Information Systems Have Weak Controls, and Certain Improvements in Procurement Practices Are Needed;* 2013-302/2013-303 (December 19, 2013)

\*Audit Approved by the Joint Legislative Audit Committee  
Reports Available Online at [www.auditor.ca.gov](http://www.auditor.ca.gov)

**California State Auditor's Office**  
**Audits Released In 2014**  
**As of November 30, 2014**

**UCLA and UCSF Medical Centers:** *Although They Supply Significant Monetary Support to Their Campuses' Schools of Medicine, Their Finances and Key Measures of Patient-Care Quality Have Remained Stable;* 2013-111 (January 30, 2014)\*

**Disabled Veteran Business Enterprise Program:** *Meaningful Performance Standards and Better Guidance by the California Departments of General Services and Veterans Affairs Would Strengthen the Program;* 2013-115 (February 18, 2014)\*

**Los Angeles County:** *Lacking a Comprehensive Assessment of Its Trauma System, It Cannot Demonstrate That It Has Used Measure B Funds to Address the Most Pressing Trauma Needs;* 2013-116 (February 20, 2014)\*

**California Medicaid Management Information System (CA-MMIS):** *Status Letter;* 2013-043 (February 25, 2014)

**Financial Information System for California (FI\$Cal):** *Status Letter;* 2013-039.1 (February 26, 2014)

**Cafeteria Funds:** *Local Education Agencies Generally Use the Funds for Appropriate Purposes;* 2013-046 (February 27, 2014)

**California Public Utilities Commission:** *Improved Monitoring of Balancing Accounts Would Better Ensure That Utility Rates Are Fair and Reasonable;* 2013-109 (March 4, 2014)\*

**Indian Gaming Special Distribution Fund:** *Counties' Benefit Committees Did Not Always Comply With State Laws for Distribution Fund Grants;* 2013-036 (March 6, 2014)

**Bureau for Private Postsecondary Education:** *It Has Consistently Failed to Meet Its Responsibility to Protect the Public's Interests;* 2013-045 (March 18, 2014)

**Child Welfare Services:** *The County Child Welfare Services Agencies We Reviewed Must Provide Better Protection for Abused and Neglected Children;* 2013-110 (April 8, 2014)\*

**State of California:** *Financial Report Year Ended June 30, 2013;* 2013-001 (April 21, 2014)

**State of California:** *Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2013;* 2013-002 (May 27, 2014)

\*Audit Approved by the Joint Legislative Audit Committee  
Reports Available Online at [www.auditor.ca.gov](http://www.auditor.ca.gov)

**State of California:** *Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2013;* 2013-001.1 (May 27, 2014)

**State of California:** *Statement of Securities Accountability of the State Treasurer's Office December 31, 2013;* 2014-008 (June 12, 2014)

**California Public Utilities Commission:** *It Fails to Adequately Ensure Consumers' Transportation Safety and Does Not Appropriately Collect and Spend Fees From Passenger Carriers;* 2013-130 (June 17, 2014)\*

**Sterilization of Female Inmates:** *Some Inmates Were Sterilized Unlawfully, and Safeguards Designed to Limit Occurrences of the Procedure Failed;* 2013-120 (June 19, 2014)\*

**State of California:** *Treasurer's Cash Count as of December 31, 2013;* 2014-005 (June 20, 2014)

**Sexual Harassment and Sexual Violence:** *California Universities Must Better Protect Students by Doing More to Prevent, Respond to, and Resolve Incidents;* 2013-124 (June 24, 2014)\*

**California Community College Accreditation:** *Colleges Are Treated Inconsistently and Opportunities Exist for Improvement in the Accreditation Process;* 2013-123 (June 26, 2014)\*

**Antelope Valley Water Rates:** *Various Factors Contribute to Differences Among Water Utilities;* 2013-126 (July 8, 2014)\*

**California Department of Toxic Substances Control:** *Its Lack of Diligence in Cost Recovery Has Contributed to Millions in Unbilled and Uncollected Costs;* 2013-122 (August 7, 2014)\*

**California Department of Health Care Services:** *Its Failure to Properly Administer the Drug Medical Treatment Program Created Opportunities for Fraud;* 2013-119 (August 19, 2014)\*

**Employment Development Department:** *It Should Improve Its Efforts to Minimize Avoidable Appeals of Its Eligibility Determinations for Unemployment Insurance Benefits;* 2014-101 (August 28, 2014)\*

**State Board of Equalization Building:** *Despite Ongoing Health and Safety Concerns, the State Has Not Thoroughly Analyzed the Costs and Benefits of Relocating Employees;* 2014-108 (September 25, 2014)\*

**Sexual Assault Evidence Kits:** *Although Testing All Kits Could Benefit Sexual Assault Investigations, the Extent of the Benefits Is Unknown;* 2014-109 (October 9, 2014)\*

**California Department of Public Health:** *It Has Not Effectively Managed Investigations of Complaints Related to Long-Term Health Care Facilities;* 2014-111 (October 30, 2014)\*

\*Audit Approved by the Joint Legislative Audit Committee  
Reports Available Online at [www.auditor.ca.gov](http://www.auditor.ca.gov)

**California Department of Resources Recycling and Recovery—Beverage Container Recycling Program:** *The Beverage Container Recycling Program Continues to Face Deficits and Requires Changes to Become Financially Sustainable*; 2014-110 (November 6, 2014)\*

**Judicial Branch Procurement:** *Five Superior Courts Did Not Consistently Follow Judicial Branch Contracting Practices*; 2014-301 (November 18, 2014)

### **Audits Scheduled To Be Released in December 2014**

**California Department of Health Care Services—Medi-Cal Dental Program:** *The audit will compare the utilization rates of specialty, preventative, and treatment services for children enrolled in the Healthy Families Program and the Denti-Cal program*; 2013-125 (December 2014)\*

**City of Indio—Special Tax Bonds:** *The audit will examine the city of Indio's Community Facilities District Number 2004-3*; 2014-119 (December 2014)\*

\*Audit Approved by the Joint Legislative Audit Committee  
Reports Available Online at [www.auditor.ca.gov](http://www.auditor.ca.gov)

**Joint Legislative Audit Committee  
Summary of Oversight Hearings  
2013-2014 Legislative Session**

- **February 19, 2013 – *Department of Parks and Recreation***

The Joint Legislative Audit Committee discussed the findings and conclusions in an audit report by the Auditor’s Office released in February 2013, regarding the **Department of State Parks and Recreation: *Weak Procedures Have Led to Inconsistent Budgetary Reporting and Difficulties in Measuring the Impact of Efforts to Keep Parks Open***, report number 2012-121.1. The auditors concluded that for the last 20 years Parks and Recreation consistently underreported its fund balance to the Department of Finance for use in the governor’s budget when compared to the fund balance it reported to the State Controller for the annual budgetary report. Representatives from the Parks and Recreation, the Department of Finance, the State Controller’s Office, the Attorney General’s Office and the State Auditor testified on the issues and the corrective action.

- **May 1, 2013 – *Promoting Efficiency in State Government: Implementation of State Auditor Recommendations***

The Joint Legislative Audit Committee examined three state agencies’ response to audits approved by the committee and completed by the Auditor’s Office in 2011. Namely, the **State Lands Commission: *Because It Has Not Managed Public Land Effectively, the State Has Lost Millions in Revenue for the General Fund***, report number 2010-125, released in August 2011. The auditors concluded that the Commission did not manage its more than 4,000 leases in the State’s best interest resulting in missed opportunities to generate millions of dollars.

Another report on the **University of California: *Although the University Maintains Extensive Financial Records, It Should Provide Additional Information to Improve Public Understanding of Its Operations***, report number 2010-105, released in July 2011. The auditors identified significant variance in per-student funding among the University’s 10 campuses and the lack of transparency in the University’s financial operations.

The last report on the **Commission on Teacher Credentialing: *Despite Delays in Discipline of Teacher Misconduct, the Division of Professional Practices Has Not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Backlogs***, report number 2010-119, released in April 2011. Auditors identified an accumulated backlog of 12,600 unprocessed reports of arrest and prosecution. The State Auditor is on record characterizing the Commission’s Division of Professional Practices as “one of the worst run” organization she has ever investigated. In response, the Commission significantly improved its operations, which the State Auditor acknowledged at the hearing.

Note: In July 2014, the Auditor’s office released a follow-up report on the Commission’s implementation of recommendations, report number 2014-502.

Representatives from the affected agencies presented the changes they made to address the deficiencies identified in the audit of their respective agency and the State Auditor provided her assessment of those changes. Changes made by these state agencies to improve their operations, in some cases, resulted in generating new revenue, recovering lost revenue, and cutting costs.



- **December 16, 2013 – *Accounts Outside of the State’s Centralized Treasury System; Armed Prohibited Persons; and, the Women, Infants and Children Program***

The Joint Legislative Audit Committee discussed the findings and conclusions in two audits completed in October 2013 by the Auditor’s Office. Namely, *Accounts Outside the State’s Centralized Treasury System, Processes Exist to Safeguard Money, but Controls for These Accounts Need Strengthening*, report number 2013-107. The auditors concluded that most of the \$8.9 billion in outside accounts is held in accounts authorized by statute. A large number of these accounts with large balances have been established to hold money in trust for others.

The second report titled: *Armed Persons with Mental Illness, Insufficient Outreach From the Department of Justice and Poor Reporting From Superior Courts Limit the Identification of Armed Person With Mental Illness*, report number 2013-103, concluded that insufficient outreach from the Department of Justice and poor reporting from Superior Courts limited the identification of armed persons with mental illness.

The Committee also discussed the moratorium imposed by the United States Department of Agriculture on new vendors for the Women, Infants, and Children program (WIC), its impact on the State’s most vulnerable population, and challenges administering the program at the Department of Public Health.

- **June 30, 2014 – *Sexual Assault on College Campuses: Are California’s Institutions Meeting Their Obligations to Comply with Title IX and to Protect Students. (Joint Hearing with Assembly Committee on Higher Education)***

The Joint Legislative Audit Committee and the Assembly Committee on Higher Education discussed the serious deficiencies identified in a report issued by the Auditor’s Office on June 24, 2014, titled: *Sexual Harassment and Sexual Violence: California Universities Must Better Protect Students by Doing More to Prevent, Respond to, and Resolve Incidents*. The auditors concluded that although some staff in key roles of incident-reporting receive adequate training, others who may be the first point of contact, including resident advisors and athletic coaches, do not receive adequate training on responding to and reporting student incidents of sexual harassment and sexual violence. Auditors also determined that none of the universities provide its sexual harassment policy to all employees at the start of each academic year, nor do they post the policies in certain places where a large number of students can see them. The State Auditor, university students, a legal expert, and representatives from the University of California, Office of the President and the California State University Chancellor’s Office provided testimony. Representatives from the universities described the immediate action they were taking to address the deficiencies.

## **Legislation Impacting the California State Auditor's Office 2013-2014 Legislative Session**

### **Chaptered in 2013**

**Assembly Bill 117 (Chapter 193), Cooley:** Directs the Department of Finance, in consultation with the Controller and State Auditor, to establish guidelines for agencies to ensure proper internal monitoring, accounting, and administrative controls within the agencies. Existing law (the Financial Integrity and State Manager's Accountability Act of 1983, Government Code Sections 13400 through 13407), requires each state agency to maintain effective systems of internal accounting and administrative control, to evaluate the effectiveness of these controls on an ongoing basis, and to biennially review and prepare a report on the adequacy of the agency's systems of internal accounting and administrative control. *Chaptered August 28, 2013.*

**Assembly Bill 1218 (Chapter 189), Gray:** Clarifies existing law authorizing the Auditor's Office to conduct follow-up audit work on findings and recommendations related to audits previously performed by the Auditor's Office. *Chaptered August 28, 2013.*

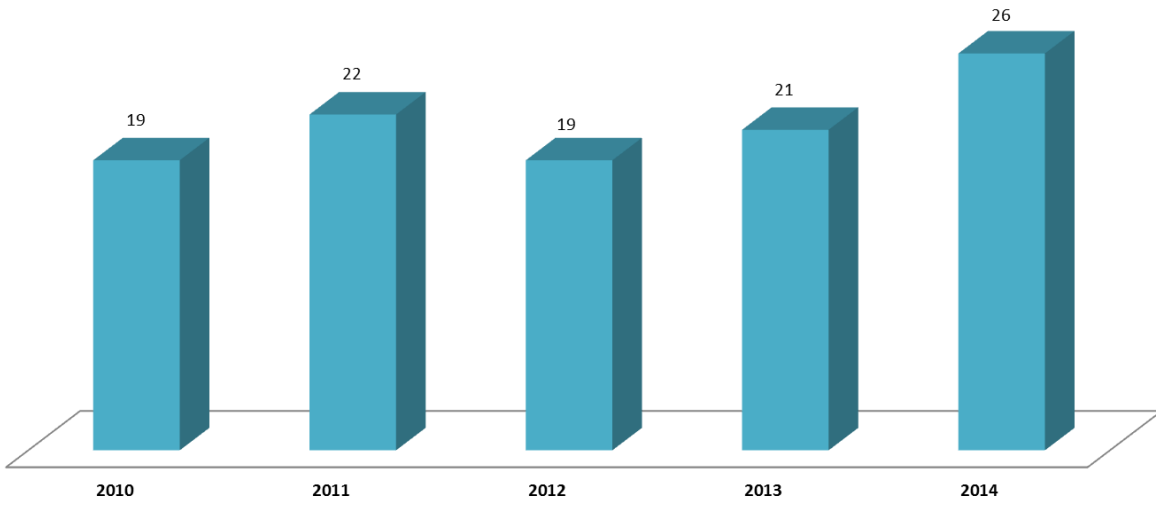
**Senate Bill 75 (Chapter 31), Committee on Budget and Fiscal Review, Courts:** Provides for an appropriation to the Auditor's Office for the costs to conduct contract and procurement audits of the courts that were authorized in 2011 legislation. SB 75 specifies that the Auditor's Office use a risk-based approach to select five judicial branch entities biennially, notify the Joint Legislative Audit Committee of the entities selected, and continue the biennial audit of the Administrative Office of the Courts. In 2011, legislation passed establishing the Judicial Branch Contract Law, which requires, among other things, the Judicial Branch to follow essentially the same procurement and contracting policies that apply to state agencies. Also, established oversight by the Auditor's Office and the AOC to report contracting activity to the Legislature and the Auditor's Office. *Chaptered June 27, 2013.*

### **Chaptered in 2014**

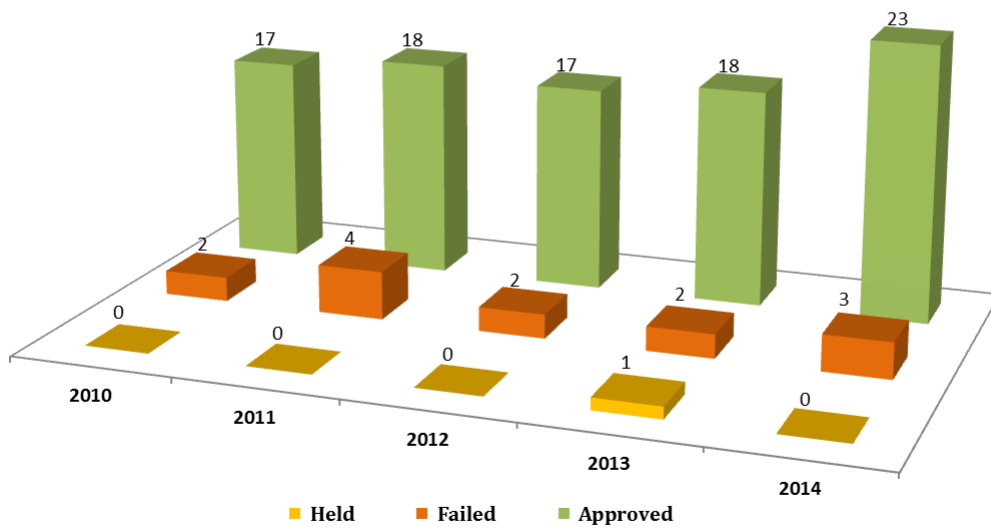
**Assembly Bill 1471 (Chapter 188), Rendon:** Authorizes the State Auditor or the Controller to conduct a full audit of the activities of any entity that receives funding from the Water Quality, Supply, and Infrastructure Improvement Act of 2014. The Department of Finance is required to provide for an independent audit of expenditures related to the Act and if an audit reveals any impropriety, a subsequent full audit may be conducted by the Auditor's or the Controller's Office. *Chaptered August 13, 2014.*

**Assembly Bill 1821 (Chapter 650), Gordon:** Through an audit request to the Joint Legislative Audit Committee, specifies the Legislature's intent that the Auditor's Office conduct an audit of the Medical Foster Home Pilot Program no sooner than January 1, 2016. The legislation establishes the pilot program beginning June 1, 2015 until January 1, 2018; authorizes the United States Department of Veterans Affairs facility to establish a medical foster home as a residential care facility for persons with chronic, life-threatening illness meeting specified criteria; and gives the Auditor's Office audit authority. *Chaptered September 27, 2014.*

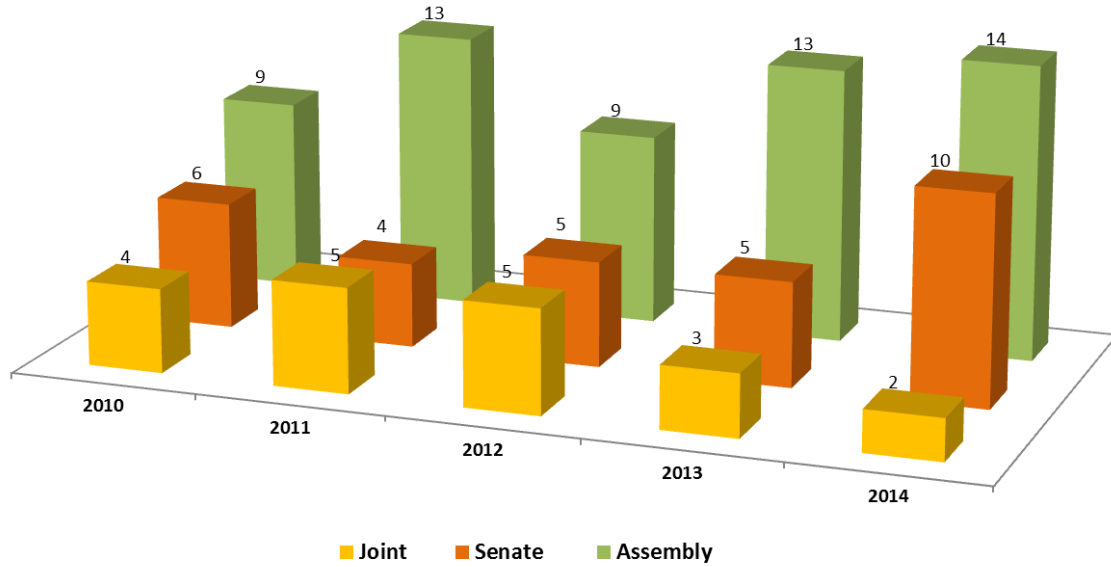
### Total Audits Heard in Committee



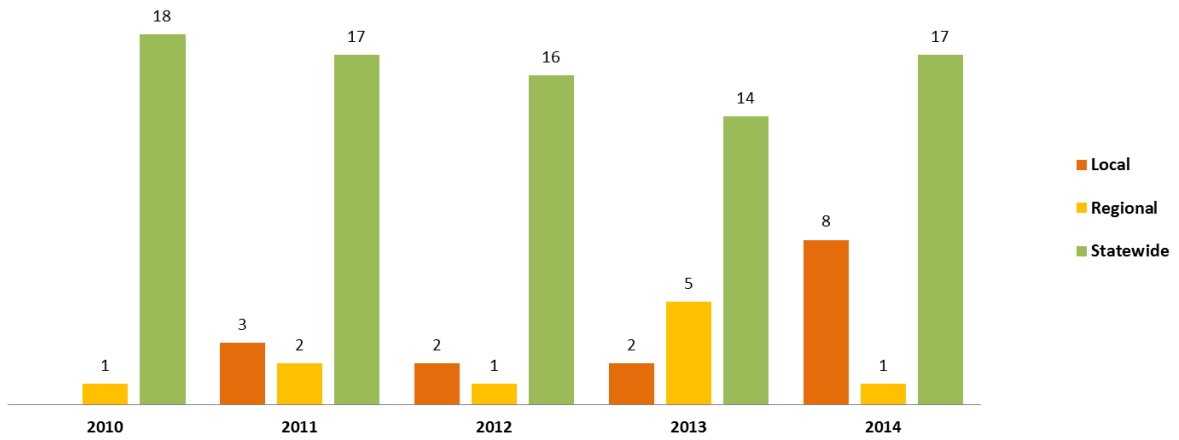
### Committee Action on Audits Heard in Committee



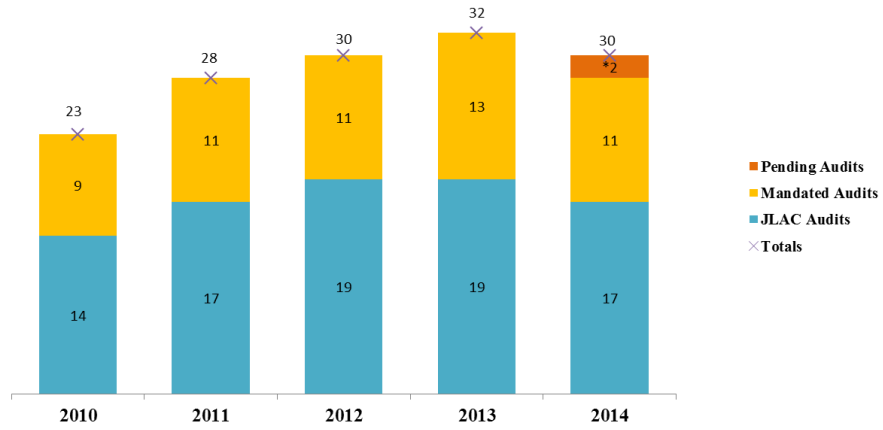
### Audits Heard in Committee House of Origin



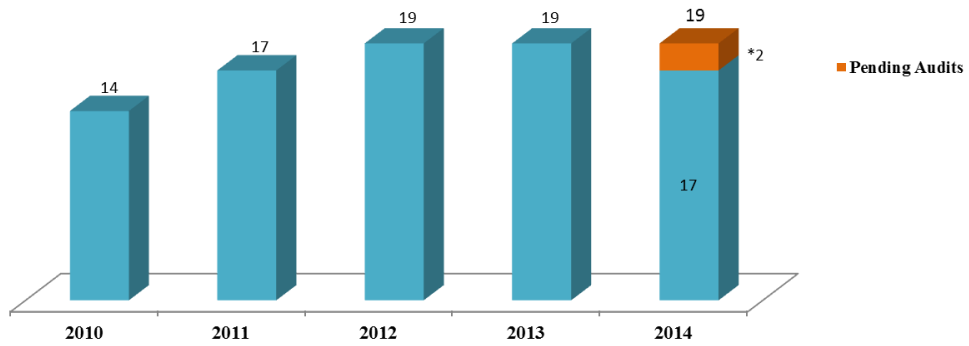
### Scope of Audits Heard in Committee



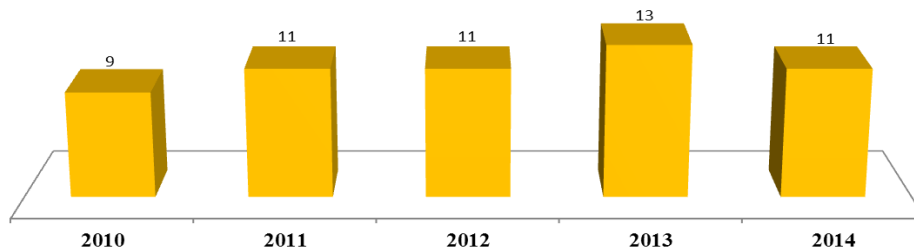
**Audits Released by the State Auditor's Office  
JLAC and Mandated**



**JLAC Audits Released by the State Auditor's Office**



**Mandated Audits Released by the State Auditor's Office**



\*See listing on page 13 for audits scheduled for release in December