



California State Auditor

Summary of Recommendations for Legislative Consideration



January 2006

State Auditor Recommendations for Legislative Consideration by Policy Area

This table presents a summary of the recommendations the Bureau of State Audits directed to the Legislature from January 2004 through December 2005. The State Auditor reports describing these recommendations are also identified in this table. Complete versions of each of these reports is also available online at www.bsa.ca.gov. This table will be included as an appendix, in the State Auditor’s special report to the Legislature on January 24, 2006. The special report summarizes the major findings and recommendations from audit reports issued during the previous two years and provides the actions auditees have taken to implement those recommendations.

Recommendations Directed to the Legislature

Policy Area/Report Number and Title	Recommendation
Aging and Long-Term Care	
<p>2003-111, Oversight of Long-Term Care Programs: Opportunities Exist to Streamline State Oversight Activities</p>	<p>We recommended that to minimize duplication of effort in adult day health care oversight and potentially lessen the resulting burden on health care centers, the Department of Health Services should incorporate the Department of Aging’s certification review into its licensing review, combine the licensing and certification regulations, and coordinate to the extent possible any Medi-Cal field office oversight activities to occur during the licensing and certification reviews. If the Department of Health Services determines a statutory change is necessary to implement our recommendation, it should ask the Legislature to consider changing the statutes governing the adult day health care program.</p> <p>We also recommended that the Legislature should consider allowing a single license that authorizes all the long-term care services a PACE provider offers, regardless of the facility that provides the services.</p>
Agriculture and Water Resources	
<p>2002-016, Water Replenishment District of Southern California: Although the District Has Addressed Many of Our Previous Concerns, Problems Still Exist</p>	<p>To ensure that the district has sufficient funds to meet its statutory responsibilities and to show its commitment to its reserve-funds policy, we recommended that the Water Replenishment District of Southern California (district) set its assessment rate at a level that will support the district’s planned activities and allow it to replenish its reserve funds, if necessary, and keep them at an appropriate level. We also recommended that the district reevaluate the assumptions that underlie the amount it targets to have available as reserve funds and, if necessary, seek legislative approval to revise the amount allowed as reserve funds.</p>

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	<p>In addition, to ensure that the district continues to collaborate with ratepayers on projects, we recommended that the district pursue its plan to revise its administrative code to make the technical advisory committee part of its process for reviewing and approving capital improvement projects. If the district fails to implement this recommendation, the Legislature should consider extending the committee at least until the committee has had the opportunity to participate in the process of periodically updating the district's capital improvement plan.</p>
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2003-137, California's Independent Water Districts:
Reserve Amounts Are Not Always Sufficiently Justified, and Some Expenses and Contract Decisions Are Questionable

We recommended that the Legislature consider amending the California Water Code to require all water districts to develop and implement comprehensive reserve policies that include the key elements discussed in this report and outlined in our recommendation to the water districts.

Appropriations

2004-140, Department of Transportation: *Various Factors Increased Its Cost Estimates for Toll Bridge Retrofits, and Its Program Management Needs Improving*

We recommended that the Legislature require Caltrans to submit quarterly reports within a given time period, and that it require Caltrans to certify these reports and to include additional financial information in them. Also, in reviewing the options to complete the East Span of the Bay Bridge, we recommended that the Legislature consider requesting that Caltrans provide sufficient detail to understand the financial implications of each option, including a breakdown of costs for capital outlay, support, and contingencies at the project and program level.

Business and Professions and Governmental Organization
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2003-122, California Gambling Control Commission:
Although Its Interpretations of the Tribal-State Gaming Compacts Generally Appear Defensible, Some of Its Actions May Have Reduced the Funds Available for Distribution to Tribes

If the governor concludes the Gambling Control Commission's (Gambling Commission) interpretation and policies do not meet the intended purposes of the compact, the governor should consider renegotiating the compact with the tribes to clarify the intent of the compact language, to help resolve disputes over the interpretation of compact language, and to enable the efficient and appropriate administration of the trust fund in each of the following areas:

- The maximum number of licensed gaming devices that all compact tribes in the aggregate may have.
- The offset of quarterly license fees by nonrefundable one-time prepayments.
- The number of licensed gaming devices for which each tribe should pay quarterly license fees.
- The date at which tribes should begin paying quarterly license fees.
- Automatic placement of a tribe into a lower priority for subsequent license draws.

The Gambling Commission should ensure that all staff are informed of its conflict-of-interest policy. Additionally, the Gambling Commission should seek clarification of the law governing the outside financial activities that commissioners may engage in.

Policy Area/Report Number and Title	Recommendation
<p>2004-106, Wireless Enhanced 911: <i>The State Has Successfully Begun Implementation, but Better Monitoring of Expenditures and Wireless 911 Wait Times Is Needed</i></p>	<p>The Legislature should consider the effects on future 911 projects when diverting funds from the 911 program.</p>
<p>2004-108, California Commission on Teacher Credentialing: <i>It Could Better Manage Its Credentialing Responsibilities</i></p>	<p>We recommended that the Legislature consider giving the California Commission on Teacher Credentialing a specific policy directive to obtain and use data on teacher retention to measure the performance of the process and preparation programs and provide this information in its annual reports.</p>
<p>2004-115, The State's Offshore Contracting: <i>Uncertainty Exists About Its Prevalence and Effects</i></p>	<p>If the Legislature desires information and data on offshoring of state services to be more readily available, it may consider granting General Services the authority to require contractors to disclose, as part of their bid on state work or during performance of the contract, details on any and all portions of the project that subcontractors or employees outside the United States will perform.</p>
<p>2004-033, Pharmaceuticals: <i>State Departments That Purchase Prescription Drugs Can Further Refine Their Cost Savings Strategies</i></p>	<p>The Legislature should consider enacting legislation that would allow CalPERS to obtain relevant documentation to ensure that it is receiving all rebates to which it is entitled to lower the prescription drug cost of the health benefits program established by the Public Employees' Medical and Hospital Care Act.</p>
<p>2004-134, State Athletic Commission: <i>The Current Boxers' Pension Plan Benefits Only a Few and Is Poorly Administered</i></p>	<p>The Legislature may want to reconsider the need for a pension plan for retired professional boxers since so few boxers annually meet the current criteria of a professional boxer.</p>

Education

<p>2004-108, California Commission on Teacher Credentialing: <i>It Could Better Manage Its Credentialing Responsibilities</i></p>	<p>This audit is also included in the Business and Professions and Governmental Organization policy area. See that policy area for the wording of our recommendation.</p>
<p>2004-120, Department of Education: <i>School Districts' Inconsistent Identification and Redesignation of English Learners Cause Funding Variances and Make Comparisons of Performance Outcomes Difficult</i></p>	<p>The department, in consultation with stakeholders, should establish required initial designation and redesignation criteria related to statewide tests that would provide greater consistency in the English learner population across the State. The department should pursue legislative action, as necessary, to achieve this goal.</p> <p>The department should continue to work with the Department of Finance, the Legislative Analyst's Office, and the Legislature to revise the Impact Aid funding formula to include statistics that better measure the number of students in poverty.</p>

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2003-125, Department of Health Services: *Participation in the School-Based Medi-Cal Administrative Activities Program Has Increased, but School Districts Are Still Losing Millions Each Year in Federal Reimbursements*

If Health Services believes it does not have a clear directive from the Legislature to increase participation and reimbursements, it should seek statutory changes.

To simplify and improve program oversight, and to increase the efficiency of MAA operations, Health Services should do the following:

- Reduce the number of entities it must oversee and establish clear regional accountability by eliminating the use of local governmental agencies from MAA. Because current state law allows school districts to use either a consortium or a local governmental agency, Health Services will need to seek a change in the law.
- Require a school district that chooses to use the services of a private vendor, rather than developing the expertise internally, to use a vendor selected by the consortium through a competitive process. Depending on the varying circumstances within each region, a consortium may choose to use a single vendor or to offer school districts the choice from a limited number of vendors, all of which have been competitively selected. Health Services should seek a statutory change if it believes one is needed to implement this recommendation.

Health and Human Services

2003-124, Department of Health Services: *Some of Its Policies and Practices Result in Higher State Costs for the Medical Therapy Program*

We recommended that the Department of Health Services seek specific statutory authority from the Legislature to fully fund county personnel whose jobs include coordinating the MTP with special education agencies as required by AB 3632. Should the Legislature decide to reduce the State's current funding for these activities, it should consider the implications of such an action on the State's responsibility under the federal Individuals with Disabilities Education Act to maintain a level of funding for special education and related services at least equal to the level of funding the State provided in the preceding fiscal year.

2004-111, Sex Offender Placement: *Departments That Are Responsible for Placing Sex Offenders Face Challenges, and Some Need to Better Monitor Their Costs*

To most appropriately provide services and support to its consumers, we recommended that the Department of Developmental Services (Developmental Services) consider seeking legislation to enable it and the regional centers to identify those consumers who are sex offenders by obtaining criminal history information from the attorney general. If the Legislature chooses not to allow access to criminal history information, Developmental Services should seek to modify its laws and regulations governing the individual program plan process to include a question that asks potential consumers if they must register as sex offenders.

To enable the State to measure the success of the sexually violent predators component of the Conditional Release Program, we recommended that the Legislature consider directing the Department of Mental Health to conduct an evaluation of the program.

Policy Area/Report Number and Title	Recommendation
2003-111, Oversight of Long-Term Care Programs: <i>Opportunities Exist to Streamline State Oversight Activities</i>	This audit is also included in the Aging and Long-Term Care policy area. See that policy area for the wording of our recommendation.
2004-033, Pharmaceuticals: <i>State Departments That Purchase Prescription Drugs Can Further Refine Their Cost Savings Strategies</i>	This audit is also included in the Business and Professions and Governmental Organization policy area. See that policy area for the wording of our recommendation.
2003-125, Department of Health Services: <i>Participation in the School-Based Medi-Cal Administrative Activities Program Has Increased, but School Districts Are Still Losing Millions Each Year in Federal Reimbursements</i>	This audit is also included in the Education policy area. See that policy area for the wording of our recommendation.
Jobs, Economic Development, and the Economy	
2002-018, Workers' Compensation Fraud: <i>Detection and Prevention Efforts Are Poorly Planned and Lack Accountability</i>	<p>If the Fraud Assessment Commission believes that altering the funding formula from the statutorily required levels—under which 40 percent of fraud assessment funds are automatically awarded to both the fraud division and the district attorneys—would increase accountability over the use of antifraud program funds, we recommended that the fraud commission encourage legislation that would allow it more discretion in how these funds are distributed.</p> <p>We recommended that the Department of Insurance should seek the necessary legal and regulatory changes in the fraud-reporting process. Barriers to adequate referrals include the following:</p> <ul style="list-style-type: none"> • Lack of a uniform methodology and standards for assessing and reporting suspected fraud. • Regulations that poorly define when insurers should report suspected fraud to the fraud division. • Perceived exposure to civil actions when criminal prosecutions of referrals are not successful. <p>To make certain that insurers do not withhold any portion of the fraud assessment surcharge, we recommended that the Department of Industrial Relations seek the authority and establish a method to verify that insurers report and submit the fraud assessment surcharges they collect from employers.</p>
Labor, Employment, and Industrial Relations	
2002-018, Workers' Compensation Fraud: <i>Detection and Prevention Efforts Are Poorly Planned and Lack Accountability</i>	This audit is also included in the Jobs, Economic Development, and the Economy policy area. See that policy area for the wording of our recommendation.
Local Government	
2003-137, California's Independent Water Districts: <i>Reserve Amounts Are Not Always Sufficiently Justified, and Some Expenses and Contract Decisions Are Questionable</i>	This audit is also included in the Agriculture and Water Resources policy area. See that policy area for the wording of our recommendation.
2002-016, Water Replenishment District of Southern California: <i>Although the District Has Addressed Many of Our Previous Concerns, Problems Still Exist</i>	This audit is also included in the Agriculture and Water Resources policy area. See that policy area for the wording of our recommendation.

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2003-101, County Emergency Medical Services Funds: *Despite Their Efforts to Properly Administer the Funds, Some Counties Have Yet to Reach Full Compliance With State Laws*

To clarify the law governing deposits of Maddy revenues in counties' Emergency Medical Services Funds (EMS Funds), we recommended that the Legislature consider taking one of the following actions:

- Change the current statute to require counties to use the same standards for the amount of Maddy revenues counties can deposit in their EMS Funds, regardless of when the funds were established.
- Specify how to calculate the allowable amount of growth in Maddy revenues from year to year, including which revenue sources to include and how to account for incomplete data from the years since June 1, 1991.

To ensure that counties' use of EMS Funds is consistent with legislative intent, we recommended that the Legislature clarify whether counties may use the discretionary portion of their EMS Fund to pay for administrative costs.

To provide greater consistency in the annual EMS Fund report that counties submit to the Legislature, we recommended that the Legislature consider directing the Emergency Medical Services Authority to revise the report format to specify the basis—preferably the accrual basis—they must use to report their fund balances. In addition, the revised format should include a requirement that counties explain any differences between the remaining balance of the prior year and the beginning balance of the year being reported.

Natural Resources	
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2004-138, Department of Parks and Recreation: *It Needs to Improve Its Monitoring of Local Grants and Better Justify Its Administrative Charges*

Should it choose to appropriate General Fund grants in the future, the Legislature should specifically define what is to be accomplished with the funds. In cases where Parks is unclear as to the expected results or deliverables from grant funds appropriated by the Legislature, Parks should continue with its new policy of stopping action on these grants and seeking further statutory language clarifying the intended use of these funds.

2004-126, Off-Highway Motor Vehicle Recreation Program: *The Lack of a Shared Vision and Questionable Use of Program Funds Limit Its Effectiveness*

The division and commission should evaluate the current spending restrictions in the law to determine whether they allow for the allocation of funds necessary to implement a strategy to provide an OHV program that is balanced between the need for recreation and protection of the environment. If necessary, the division should seek changes in the law to include minimum spending guidelines that not only ensure that elements of the OHV program are addressed but also allow the commission and the division the flexibility to implement a balanced program as the law intended.

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The Legislature should consider amending the Public Resources Code to clarify whether using OHV trust fund money to restore land damaged by OHV recreation requires that the land be permanently closed to off-highway vehicles.

To ensure that money from the OHV trust fund is used appropriately, the Legislature should amend the law to clarify the allowable uses of the OHV trust fund. Specifically, the Legislature should specify whether the department's broad interpretation that any road that is not defined as a highway but is open for public use in a state park qualifies for funding by the OHV trust fund, or whether state law restricts the use of OHV trust fund money to areas where non-street-licensed vehicles can engage in traditional OHV activity.

The department should discontinue charging the director's office costs to the OHV trust fund, as the law requires. However, if the department believes that this statutory restriction is inappropriate, it should seek a statutory change to remove the requirement.

Privacy and Public Safety	
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2004-111, Sex Offender Placement: *Departments That Are Responsible for Placing Sex Offenders Face Challenges, and Some Need to Better Monitor Their Costs*

This audit is also included in the Health and Human Services policy area. See that policy area for the wording of our recommendation.

2004-106, Wireless Enhanced 911: *The State Has Successfully Begun Implementation, but Better Monitoring of Expenditures and Wireless 911 Wait Times Is Needed*

This audit is also included in the Business and Professions and Governmental Organization policy area. See that policy area for the wording of our recommendation.

2003-130, California Department of Corrections: *Its Plans to Build a New Condemned-Inmate Complex at San Quentin Are Proceeding, but Its Analysis of Alternative Locations and Costs Was Incomplete*

We recommended that if the Legislature decides that it wants a more complete analysis regarding the optimal location for housing male condemned inmates, it consider requiring the Department of Corrections (department) to assess the costs and benefits of relocating the condemned-inmate complex to each of the current prison locations possessing either adequate available land for such a facility or an existing adequate facility, including in its assessment the relative importance and costs associated with each site's remoteness.

We recommended that if the Legislature decides that it wants a more complete analysis regarding the optimal location for housing male condemned inmates, it consider requiring the department to analyze the estimated annual operating and maintenance costs of a new condemned-inmate complex at other locations with adequate available land or facilities, compared to those it expects to incur at San Quentin.

We recommended that if the Legislature decides that it wants a more complete analysis regarding the optimal location for housing male condemned inmates, it consider requiring the department, in order to provide more accurate estimates of future numbers of condemned inmates, to include all relevant factors in future estimates, such as the number of inmates who leave death row for various reasons, including commuted sentences and death.

2004-114, Department of Justice: *The Missing Persons DNA Program Cannot Process All the Requests It Has Received Before the Fee That Is Funding It Expires, and It Also Needs to Improve Some Management Controls*

As the Legislature considers Assembly Bill 940 regarding the continuation of the \$2 fee increase on death certificates, it may wish to extend the fee increase for a defined period of time and then reassess the missing persons program's accomplishments and needs.

Policy Area/Report Number and Title	Recommendation
Public Employment, Retirement, and Social Security	
<p>2004-123, California Public Employees’ Retirement System: <i>It Relied Heavily on Blue Shield of California’s Exclusive Provider Network Analysis, an Analysis That Is Reasonable in Approach but Includes Some Questionable Elements and Possibly Overstates Estimated Savings</i></p>	<p>The Legislature should consider enacting legislation that would allow CalPERS, during its contract negotiation process, to obtain relevant documentation supporting any analyses it will use to make decisions that materially affect the members of the health benefits program established by the Public Employees’ Medical and Hospital Care Act.</p>
<p>2004-033, Pharmaceuticals: <i>State Departments That Purchase Prescription Drugs Can Further Refine Their Cost Savings Strategies</i></p>	<p>This audit is also included in the Business and Professions and Governmental Organization policy area. See that policy area for the wording of our recommendation.</p>
Transportation	
<p>2004-140, Department of Transportation: <i>Various Factors Increased Its Cost Estimates for Toll Bridge Retrofits, and Its Program Management Needs Improving</i></p>	<p>This audit is also included in the Appropriations policy area. See that policy area for the wording of our recommendation.</p>