



*Recommendations for  
the Legislature From  
Audits Issued During  
2017 and 2018*

*January 2019*

**REPORT 2018-701**





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January 17, 2019  
2018-701

Dear Governor and Legislative Leaders:

The California State Auditor's Office provides oversight to help ensure the accountability of government operations. As such, my office conducts independent audits as mandated by the Legislature through statute, the budget process, or requests directed by the Joint Legislative Audit Committee. While our recommendations are typically directed to the agencies we audit, we also make recommendations for the Legislature in the interest of more efficient and effective government operations. This special report summarizes those recommendations we made during calendar years 2017 and 2018 for the Legislature to consider.

In this special report, we include recommendations intended to address the issue of housing in California. In one report we assessed the oversight of housing bonds by the Department of Housing and Community Development (HCD), which we found has a long-standing history of inadequate monitoring for some of its programs. We recommended that the Legislature require HCD to disclose information about such monitoring. In another report regarding homeless in California, we found that the State does not have a single entity charged specifically with addressing homelessness, nor does it invest significantly in administering and funding homeless services. To address these concerns, we recommended that the Legislature provide statewide leadership to agencies at all levels to improve coordination of efforts to address homelessness and provide funding for the Homeless Coordinating and Financing Council.

In some instances, we make recommendations intended to improve the cost-effectiveness of state programs. For example, our audit of the California Medical Assistance Program (Medi-Cal) found that the Department of Health Care Services (Health Care Services) paid at least \$4 billion in questionable Medi-Cal payments from 2014 through 2017 because it does not actively monitor identified eligibility discrepancies between the county data systems and the State's Medi-Cal Eligibility Data System and ensure that the discrepancies are resolved. We recommended that the Legislature require Health Care Services to report publicly on counties' compliance with the statutory performance standards, as well as Health Care Services' actions taken in response to counties not complying with the standards.

The Appendix that starts on page 75 includes a listing of legislation chaptered or vetoed during the second year of the 2017–18 Regular Legislative Session that was related to the subject matter discussed in our audit reports.

If you would like more information or assistance regarding any of the recommendations or the background provided in this report, please contact Paul Navarro, Chief Deputy State Auditor - Operations, at (916) 445-0255.

Respectfully submitted,

A handwritten signature in black ink that reads 'Elaine M. Howle'.

ELAINE M. HOWLE, CPA  
California State Auditor

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# Charter Schools

## Clarify Existing Law and Strengthen Requirements for Establishment of Out-of-District Charter Schools

### Recommendations

1. To ensure that districts obtain community support for charter schools that they authorize, the Legislature should amend state law to further clarify the conditions prospective charter schools must meet to qualify for the geographic exception. For example, the Legislature could clarify whether prospective charter schools qualify for the exception when their petitions indicate that they will serve primarily students residing outside the authorizing district's jurisdiction.

**Status:** Not implemented.

2. To ensure that districts obtain community support for charter schools that they authorize, the Legislature should amend state law to require any district that is considering authorizing an out-of-district charter school to notify the school's host district 30 days in advance of the board meeting at which the potential authorizing district is scheduled to make its authorization decision. The Legislature should also require the potential authorizing district to hold the public hearing within the host district's boundaries, notwithstanding restrictions in the State's Ralph M. Brown Act that would otherwise require the hearing to occur in the authorizing district.

**Status:** Not implemented.

3. To reduce the need for litigation between authorizing districts and host districts, the Legislature should establish an appeals process through which districts can resolve disputes related to establishing out-of-district charter schools.

**Status:** Not implemented.

4. To ensure charter school accountability, the Legislature should amend state law to require districts to strengthen their authorization processes by using the State Board of Education's (State Education Board) criteria for evaluating charter school petitions.

**Status:** Not implemented.

5. To ensure charter school accountability, the Legislature should amend state law to require charter schools to report annually all of their school locations—including school sites, resource centers, and administrative offices—to their authorizers and the California Department of Education (Education).

**Status:** Not implemented.

6. To remove the financial incentive for districts to authorize out-of-district charter schools, the Legislature should amend state law to prohibit districts from charging fees for additional services above the actual cost of services provided.

**Status:** Not implemented.

7. To ensure that authorizers have adequate tools and guidance for providing effective financial oversight, the Legislature should require the State Education Board and Education to work with representatives from county offices of education, representatives from districts, and subject-matter experts such as California's Financial Crisis and Management Assistance Team (FCMAT), to either establish a committee or work with an existing committee to report to the Legislature recommendations on establishing a minimum reserve requirement for charter schools, defining criteria that would allow authorizers to revoke or deny renewal of schools' charters for financial mismanagement despite increases in academic achievement, and developing a template that authorizers can use to provide their charter schools with annual feedback on their financial condition.

**Status:** Not implemented.

8. To ensure that districts are aware of significant issues that may impact the out-of-district charter schools they authorize, the Legislature should amend state law to require each district to place a district representative as a nonvoting member on each out-of-district charter school's governing board and allow such a representative to attend all meetings of the charter school's governing board.

**Status:** Not implemented.

9. To ensure that charter schools improve the educational outcomes of their students, the Legislature should amend state law to require authorizers to annually assess whether their charter schools are meeting the academic goals established in their charters.

**Status:** Not implemented.

## Background

The Charter Schools Act of 1992 (Charter Schools Act) allows teachers, parents, students, and community members to initiate the establishment of charter schools that operate independently of existing school district (district) structures. To grant charter schools autonomy and allow them to try innovative teaching methods, state law generally exempts charter schools from most requirements governing districts. However, charter schools must comply with select statutes and meet certain conditions for funding. Further, state law holds each charter school accountable to the authorizing entity (authorizer)—which could be a district, a county office of education, or the State Education Board—that approves its charter petition (petition). A petition must include a comprehensive description of the proposed charter school's educational program, measurable student outcomes, governance structure, and manner of conducting annual financial audits, among other things. To demonstrate community support, a petition must also include a minimum number of parent or teacher signatures. Once approved, a petition becomes an agreement—or charter—between the authorizer and the charter school. Later, if the authorizer's oversight activities indicate that the established charter school has not fulfilled the charter's agreements, the authorizer then has the authority to revoke or deny the renewal of the school's charter.

Although state law sets some requirements related to districts' authorizations of charter schools outside their geographical boundaries, many of these requirements are vague and ineffective. Specifically, state law requires charter schools to be located within the geographical boundaries of the districts that authorize them unless the schools are unable to locate sites or facilities in the area in which the school chooses to locate or unless the site is for temporary use during construction.

However, the districts we visited authorized charter schools outside of their districts that, in effect, expanded the districts' reach into neighboring communities. Additionally, we found that districts that authorize out-of-district charter schools are not accountable to the communities in which the schools are located (host districts) because residents in host districts cannot vote for an authorizing district's school board. Further, we found that authorizing districts can significantly increase their enrollments and revenue by authorizing out-of-district schools.

Moreover, we found that the State is unable to determine how many out-of-district charter school locations exist. Because state law does not require charter schools to report all their school locations—including school sites, resource centers, and administrative offices— some charter schools that operate multiple sites report only their in-district addresses to Education. When we analyzed data from multiple sources, we found that 165 of the State's 1,246 charter schools operated at least one of their school locations outside their respective authorizing districts' geographic boundaries in fiscal year 2016–17. These 165 charter schools operated in a total of 495 out-of-district locations statewide. However, complete data are not available, and additional out-of-district charter school locations may exist.

Further, the three districts we visited—Acton-Agua Dulce Unified, Antelope Valley Union High School District, and New Jerusalem—did not have written procedures for reviewing their charter schools' financial information. State law requires districts to monitor the financial conditions of the charter schools they authorize, but it does little to address what effective oversight should entail beyond requiring the districts to perform school site visits and to obtain financial reports. Regardless of whether charter schools operated inside or outside their authorizing districts' jurisdictions, the level of financial oversight conducted by the districts we visited varied significantly. These inconsistencies likely occurred because state law is vague; thus, authorizers may have interpreted their responsibilities differently. Although state law directs authorizers to monitor the financial conditions of charter schools under their authority, it does not specify what procedures authorizers should perform to fulfill this oversight responsibility. We believe that school districts could improve their financial oversight by combining best practices, such as those that FCMAT recommends, with their current processes.

The authorizing districts we visited also provided inconsistent levels of academic oversight to charter schools because state law does not identify specific oversight activities that districts must perform. Although state law requires authorizers to conduct annual site visits at their charter schools, it does not clearly define the minimum level of oversight that authorizer's must provide with any specificity. In addition, state law only requires authorizers to assess a charter school's academic performance once every five years, when the school seeks to renew its charter. Although each of the districts we visited established requirements for academic oversight that exceed those in state law, the districts did not always perform the academic monitoring identified in their agreements with their charter schools. As a result, none of the districts held their charter schools accountable for measurable student outcomes outside the process of revoking a school's charter.

## Report

**2016-141** *Charter Schools: Some School Districts Improperly Authorized and Inadequately Monitored Out-of-District Charter Schools* (October 2017)

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# California Department of Education School Safety Plans

## Require Safety Plans to Include Procedures Recommended by Federal and State Agencies, Require Education to Conduct An Annual Statewide Survey, Require Audits of Approved Safety Plans, and Require Education and Justice to Periodically Review Safety Plan Requirements

### Recommendations

1. To ensure that students and staff are prepared to respond to violent incidents on or near school sites, the Legislature should require that comprehensive school safety plans (safety plans) include procedures, such as lockdowns, recommended by federal and state agencies. The Legislature should also require schools to hold periodic training and drills on these procedures.

**Status:** Not implemented.

**Note:** Assembly Bill (AB) 1747 (Chapter 806, Statutes of 2018) requires school site councils to consult with a fire department and other first responder entities in the writing and development of the comprehensive school safety plan and to share the plan and any updates with the law enforcement agency, the fire department, and the other first responder entities. Additionally, this statute requires a comprehensive school safety plan to include procedures for conducting tactical responses to criminal incidents.

2. To ensure that districts and county offices are complying with state law each year, the Legislature should require the California Department of Education (Education) to conduct an annual statewide survey to determine whether schools have submitted plans and whether those plans have been reviewed and approved by their respective district or county office. The Legislature should also require Education to issue an annual report detailing the survey's results.

**Status:** Not implemented.

3. To ensure that districts and county offices are complying with state laws related to safety plans, the Legislature should add a requirement to the Education Audit Appeals Panel (EAAP) audit guide for districts and county offices to receive audits of their approval of safety plans.

**Status:** Not implemented.

4. The Legislature should require that the partnership between Education and California Department of Justice (Justice) periodically review safety plan requirements to ensure that the plans keep pace with evolving school environments and updated educational research.

**Status:** Not implemented.

**Note:** AB 1747 would have required the School/Law Enforcement Partnership to periodically review comprehensive school safety plan requirements to ensure that they keep pace with evolving school environments and updated educational research. This provision was removed from the bill prior to its enactment.

## Background

Our review of data obtained from the Federal Bureau of Investigation found that active shooter incidents became more common between 2000 and 2015, and that kindergarten through grade 12 facilities and institutions of higher education have been the second most common location for those shootings to occur, both nationally and within California. However, state law does not require schools to include procedures for responding to active shooter events in their safety plans, a collection of procedures schools use in the event of emergencies and to promote a safe learning environment. State law could improve safety plans by requiring that they include procedures for responding to violent incidents, such as active shooters.

Additionally, we found that Education is not providing sufficient guidance to districts or county offices to help them ensure that their schools comply with safety plan requirements. Although Education has provided some guidance to school districts and county offices of education related to safety plans, given the number of errors we identified in our review and the responses we received to our interview and survey questions, its guidance appears to be insufficient.

Further, Education has never conducted any oversight activities, such as audits, to ensure that districts and county offices are appropriately approving safety plans that their schools submit. State law requires county offices and districts to notify Education annually of schools that have failed to comply with safety plan requirements. However, Education stated that it has not received one notification of noncompliance since the Legislature implemented the requirement in 1997. If Education had conducted a survey or audit similar to the work we performed for this report, it would have found that districts' and county offices' schools were failing to submit safety plans. We believe the State could use a separate oversight process, such as the audit process guided by the EAAP, to ensure that districts and county offices review and approve safety plans annually. Until the State takes steps to increase oversight of districts' and county offices' compliance with state laws related to safety plans, it will not know whether these entities need to do more to safeguard students and staff at California's schools.

Finally, Education and Justice failed to maintain the activities of the school-law enforcement partnership (partnership). Established by state law, this partnership requires Education and Justice to provide safety plan training and guidance to districts and county offices, including holding regional conferences and conducting assessments. Even though only two of the partnership's activities were contingent upon appropriations from the Legislature, Education and Justice staff stated that they ceased conducting these functions due to budget cuts. Because neither entity actively participates in the partnership, none of these important activities have taken place in recent years.

## Report

**2016-136** *School Violence Prevention: School Districts, County Offices of Education, and the State Must Do More to Ensure That School Safety Plans Help Protect Students and Staff During Emergencies* (August 2017)

# California Department of Education Federal Buy American Compliance

## Require Education to Track Foreign-Sourced Food Item Purchases and Request Congress to Direct the United States Department of Agriculture to Establish a Voluntary Food Product Certification Program

### Recommendations

1. To ensure effective oversight of the meal programs and to increase public transparency, the Legislature should require Education to track school food authorities' purchases of foreign-sourced food items and post this information to its website.

**Status:** Not implemented.

**Note:** Senate Bill 730 (Chapter 571, Statutes of 2017) requires Education to distribute to school food authorities guidance or regulations from the United States Department of Agriculture (USDA) for Buy American requirements for the school meal program; make requirements, resources, and best practices for the Buy American provision available on its Internet website; and fulfill its obligations in accordance with federal regulations for monitoring school food authorities' compliance with the Buy American provision.

2. To address the challenges food labels present to ensuring that California's school food authorities purchase domestic food items, the Legislature should work with the California congressional delegation and request that Congress direct the USDA to establish a voluntary certification program through which the USDA could certify that food products are compliant with the Buy American requirement.

**Status:** Not implemented.

### Background

As a result of federal law authorizing grant funding to states in support of the School Breakfast and National School Lunch programs (meal programs), California receives nearly \$2 billion each year to provide meals to children throughout the State. In 1998 Congress amended federal law to include the Buy American requirement in the meal programs, which requires school districts and other entities that participate in the meal programs—known as school food authorities—to purchase, to the maximum extent practicable, domestic commodities or domestic products. Domestic commodities are agricultural goods that are produced in the United States. Domestic products are foods that are processed in the United States substantially using agricultural commodities produced in the United States.

Because California has the largest agricultural economy in the country, compliance with the Buy American requirement offers the State significant benefits. However, despite these benefits, Education has not taken adequate steps to ensure that California's school food authorities comply with the

Buy American requirement. For example, until recently, Education did not monitor school food authorities' compliance with the Buy American requirement when it assessed their compliance with other federal requirements related to the meal programs.

Further, our audit found that Education's efforts do not allow it to identify all foreign-sourced food that school food authorities purchase annually. Education would need to go beyond the USDA's minimum requirements to identify the magnitude of the foreign-sourced food items that school food authorities are procuring. This information is potentially valuable to different stakeholders. For example, it could provide local food producers opportunities to market to school food authorities. It could also provide information for policymakers to consider when making decisions regarding food policy. Finally, it could better allow parents to make informed choices regarding the food their children eat while at school.

Moreover, federal food labeling laws do not always mandate that the country of origin for food items or their ingredients be included on their labels; in fact, we found that 241 of the 375 food items we reviewed at the six school districts had labels that did not clearly identify country of origin for those items or their ingredients. Instead, these products were often labeled with information about where a product was distributed from or the location of the distributing company. This language does not provide sufficient information about whether the items or their ingredients are domestic commodities or products, making it difficult to determine compliance with the Buy American requirement.

California's economy stands to gain from increased compliance with the Buy American requirement; accordingly, resolving the challenges created by these federal requirements is in the State's best interest. California lawmakers could work with their counterparts in the California congressional delegation to petition Congress for changes that would add clarity about the origins of food products that school food authorities purchase. For example, Congress could direct the USDA to develop a certification program that would indicate whether food products were compliant with the Buy American requirement.

## Report

**2016-139** *California Department of Education: It Has Not Ensured That School Food Authorities Comply With the Federal Buy American Requirement* (July 2017)

## K-12 High Speed Network

### Limit Funds to the K-12 High Speed Network Program to an Appropriate Level for Fiscal Year 2017-18

#### Recommendation

To help ensure continuous network operations while preserving state resources, the Legislature should appropriate to the California K-12 High Speed Network (K12HSN) program an amount that does not exceed \$10.4 million for fiscal year 2017-18. If the Legislature wishes to appropriate a lower amount for the program, it should direct the Imperial County Office of Education (ICOE) to modify one or more of the planned network upgrades highlighted in the audit report, either by delaying the upgrade to a subsequent fiscal year or by pursuing a less expensive option.

**Status:** Implemented. Assembly Bill (AB) 97 (Assembly Budget Committee, Chapter 14, Statutes of 2017)—The Budget Act of 2017—provides no additional funding for the K12HSN program but instead directs ICOE to support the program's operations through a combination of \$2.5 million in reserve funds and \$8 million in state grant moneys already allocated to K12HSN in a prior year. In addition, AB 99 (Assembly Budget Committee, Chapter 15, Statutes of 2017)—The Education Omnibus Trailer Bill—adopts several of the audit recommendations made to ICOE for improving the efficiency and transparency of the K12HSN program.

#### Background

The K12HSN is a state-funded program that was established to enrich pupil educational experiences and improve academic performance by providing high-speed, high-capacity Internet connectivity to California's public school system. Until 2000 California's kindergarten through 12th-grade (K-12) schools, school districts, and county offices of education were individually responsible for obtaining access to the Internet and for connecting with other educational entities and resources as needed. In 2000 the program that would later be known as K12HSN was established to connect the State's public school system to the high-speed network created for use by California's universities and community colleges. Between fiscal year 2000-01 and 2003-04, the University of California (UC) received more than \$93 million in state appropriations to expand the universities' network infrastructure to K-12 schools and county offices of education for K12HSN.

In July 2004, the Legislature shifted funding from UC to the California Department of Education (Education). It also required that a lead county office of education be selected to administer the K12HSN program. Subsequently, in September 2004, Education selected ICOE via a grant application process to administer the program on the State's behalf.

The annual expenditures ICOE incurred for the K12HSN program have historically been considerably lower than the amount of the state appropriation for the program, which led to the program's accumulating large operating reserves. According to ICOE's fiscal year 2015-16 audited financial statements, the amount of its state appropriation that ICOE spent annually averaged about \$7 million from fiscal years 2010-11 through 2014-15, while the state appropriation remained steady at about \$8.3 million per fiscal year—the amount that ICOE continued to request despite accumulating a substantial reserve. For fiscal year 2015-16, the State withheld the appropriation to the program

because of this large reserve. As a result, ICOE used most of its reserve to operate the program. At the end of fiscal year 2015–16, ICOE’s operating reserve for the program totaled approximately \$5.7 million. Our analysis indicates that to avoid program deficits, ICOE will require an increase in the State’s historical appropriation in fiscal year 2017–18. We estimated that with an \$8 million appropriation, the program would begin the 2017–18 fiscal year with an operating reserve of nearly \$600,000 and end the year with a deficit of \$2.2 million. In contrast, with a \$10.4 million appropriation, the program would end the year with a reserve of slightly more than \$200,000.

## Report

**2016-129** *K-12 High Speed Network: Improved Budgeting, Greater Transparency, and Increased Oversight Are Needed to Ensure That the Network Is Providing Reliable Services at the Lowest Cost to the State* (May 2017)

# College Readiness of California's High School Students

## Devote Resources to College Preparatory Coursework, Require School Districts to Analyze Access to Coursework, Require Coordination of Statewide Efforts, and Require County Offices of Education to Monitor School Districts Efforts to Provide Coursework

### Recommendations

1. If the Legislature wishes to further prioritize students' completion of college preparatory coursework, it should ensure grade nine students are ready for the rigors of such work by devoting additional resources or reallocating existing resources for educational efforts beginning in kindergarten and continuing through grade eight.

**Status:** Not implemented.

2. To ensure that school districts throughout the State comply with existing law, the Legislature should require districts to conduct analyses to verify that all high school students receive acceptable levels of access to the full range of college preparatory coursework. If the Legislature decides to require these analyses, it should also consider whether additional funding may be necessary to support the districts' associated administrative costs. If implemented, the analyses should require the districts to report the results of their analyses to Education, and require Education to issue an annual report to the Legislature detailing all districts with high schools that have failed to demonstrate sufficient access.

**Status:** Not implemented.

3. To increase college preparatory completion rates, the Legislature should require Education or another state entity to coordinate statewide college readiness efforts focusing on increasing college preparatory completion rates.

**Status:** Not implemented.

4. To ensure that high school graduates are eligible for admission to the State's public university systems, the Legislature should require county offices of education (county offices) to monitor districts to determine whether they offer students adequate access to college preparatory coursework.

**Status:** Not implemented.

5. To ensure districts' accountability plans are accurate and informative, the Legislature should require county offices to review districts' accountability plans and monitor the actions the districts take to implement the goals in those plans.

**Status:** Not implemented.

## Background

In recent years, California's state and local educational agencies have increasingly focused on the importance of preparing the State's students for college. The Public Policy Institute of California projects that 38 percent of California's jobs will require at least a bachelor's degree by 2030, while population and education trends suggest that only 33 percent of working-age adults in California will have a bachelor's degree at that time—a shortfall of 1.1 million college graduates. To fill this gap, the State will need to significantly increase the number of college-ready students who graduate from its high schools each year. One measure of college readiness is a high school student's completion of the college preparatory courses necessary for admission to the UC and California State University (CSU). In 2014–15 less than half of high school students statewide completed the college preparatory coursework that would qualify them to enroll in a UC or CSU school upon high school graduation.

At each of three districts we reviewed—San Francisco Unified School District, Stockton Unified School District, and Coachella Valley Unified School District, we found that of the students who fell off track for completing the necessary coursework, up to 80 percent did so during grade nine, indicating that districts should ensure that students enroll in and complete college preparatory coursework beginning in their first year of high school. Furthermore, an average of only 9 percent of the students who fell off track in grade nine in those three districts graduated with the coursework necessary to gain admission to the State's public university systems.

Although our analysis suggests that the schools we selected were able to provide students with sufficient access to college preparatory coursework during certain of the years that we reviewed, we encountered significant barriers to assessing students' levels of access for all years because of the limited data the districts maintained. Moreover, the districts we reviewed do not conduct analyses that demonstrate that they provided all students access to college preparatory coursework. Our analysis suggests that students attending school districts that establish higher student expectations, coupled with relevant tools and student support, are more likely to meet those expectations.

Further, Education and county offices could provide additional oversight, support, and guidance to districts to ensure they provide sufficient access to college preparatory coursework and adequately assist their students in completing those courses. Although each of the three districts we visited stressed the importance of college preparatory coursework completion, no clear statewide framework exists for ensuring that districts meet that goal. State law requires the superintendent of public instruction, who heads Education, to assist districts to ensure that all public high school students have access to a core curriculum that meets the admission requirements of UC and CSU. However, Education currently provides only minimal assistance to districts: over the last four years, the only guidance it has offered was one letter.

## Report

**2016-114** *College Readiness of California's High School Students: The State Can Better Prepare Students for College by Adopting New Strategies and Increasing Oversight* (February 2017)

# Department of Education Uniform Complaint Procedures

## Codify UCP Regulations to Provide Consistent Time Frames and Emphasize Use of Alternative Resolution Methods

### Recommendations

1. To ensure the requirements of the Uniform Complaint Procedures (UCP) are consistent for complaints and appeals Education handles, the Legislature should codify the UCP regulations to, among other things:
  - a) Prescribe consistent time frames for completing all investigations of complaints and reviews of appeals by Education, and
  - b) Identify a consistent time limit for filing UCP complaints.

**Status:** Not implemented.

2. To make the provisions for extending investigations consistent between Education and local educational agencies (LEAs), when codifying the UCP regulations, the Legislature should allow LEAs to extend investigations. Specifically, in the absence of an agreement from the complainant, allow LEAs to extend an investigation under exceptional circumstances that constitute good cause if the LEAs document and support with evidence the reasons for the extensions.

**Status:** Not implemented.

3. To emphasize LEAs' ability to use alternative methods to resolve complaints, including mediation, alternative dispute resolution, or restorative practices, when codifying the UCP regulations, the Legislature should specify these as possible methods for resolving complaints.

**Status:** Not implemented.

### Background

In 1990 Education proposed new regulations to establish a UCP for its then-existing educational programs that required complaint procedures—the Special Education and Consolidated Categorical Aid programs—as well as for numerous other programs. The UCP became effective in September 1991 and provides a formal system for processing complaints from individuals, public agencies, or organizations alleging violations of state or federal laws that govern specified educational programs.

Under the UCP, LEAs—which are primarily school districts and county offices of education—are responsible for investigating most complaints, while Education is responsible for processing any appeals of LEA investigation results. In addition, to comply with federal requirements, Education directly investigates complaints related to two programs—Special Education and Nutrition Services—and in certain instances, it may intervene to investigate other complaints as well.

State regulations require that LEAs have policies and procedures for the investigation and resolution of UCP complaints. However, the regulations do not include such a requirement for Education's divisions. When we asked Education's chief deputy why Education has not required its divisions to have UCP policies and procedures, she responded that Education follows specific guidelines set forth for handling appeals in its regulations. However, Education's divisions are not always following the regulations, and the regulations do not always specify time frames for completing reviews of appeals.

Further, all three of the LEAs we reviewed—Los Angeles Unified School District (Los Angeles Unified), San Juan Unified School District, and San Diego Unified School District—had instances when they did not meet the requirement that they complete investigations within 60 days of receiving complaints. Additionally, the LEAs did not always secure agreements from complainants before extending investigations as required by UCP regulations. Los Angeles Unified staff told us that complainants often do not respond when the LEA requests an extension. However, the UCP regulations do not allow an LEA to extend the investigation timeline without first obtaining a written extension agreement from complainants.

To better understand how well the UCP process works, we surveyed 98 LEAs throughout the State, and received responses from 84 of those surveyed. Of the 84 LEAs that responded to our survey, 77 indicated that they attempt to informally resolve complaints. In addition to informally resolving complaints, two of the LEAs that responded to our survey indicated that they were aware of other complaint process models that might serve the State more effectively than the UCP. One suggested alternative dispute resolution, which its assistant superintendent described as a structured process in which the parties involved in a dispute agree to meet and work together to resolve the issues with an uninvolved third party who mediates and gives each party an opportunity to speak and share their side of the dispute. She also explained that the mediator then helps the parties brainstorm ideas to resolve the issues, which often requires compromises by both parties. She further explained that if the parties are unable to reach an agreement, they discuss what the next steps would be, for example, filing a UCP complaint.

The other district that responded to our survey suggested restorative practices, or mediation. The district's superintendent explained that this process is one in which the parties involved acknowledge a wrongdoing and meet to restore the situation or relationship. She also explained that in relation to the UCP, the restorative practice would be an informal first step to resolve an issue or complaint before a formal UCP complaint is filed. Under UCP regulations, LEAs have the ability to use alternative methods to resolve complaints, including mediation.

## Report

**2016-109** *Uniform Complaint Procedures: The California Department of Education's Inadequate Oversight Has Led to a Lack of Uniformity and Compliance in the Processing of Complaints and Appeals* (January 2017)

# Home-Generated Sharps and Pharmaceutical Waste

## Establish CalRecycle as the Lead State Agency, Provide Municipal Solid Waste Incinerators Limited Authority to Burn Waste, and Adopt Standard Requirements for Extended Producer Responsibility Programs

### Recommendations

1. To foster consumers' proper disposal of sharps and pharmaceutical waste, the Legislature should provide the California Department of Resources, Recycling and Recovery (CalRecycle) statutory oversight responsibility for home-generated sharps and pharmaceutical waste disposal and provide CalRecycle additional resources to the extent that it can justify the need.

**Status:** Not implemented.

**Note:** Assembly Bill 2277 (Mathis) would have vested CalRecycle with the primary responsibility for the disposal of home-generated pharmaceutical waste and, on or before January 1, 2020, would have required CalRecycle, in collaboration with the State Department of Public Health, the Department of Toxic Substances Control, and the California State Board of Pharmacy, to adopt regulations for the incineration of home-generated pharmaceutical waste by solid waste facilities. This bill died in the Assembly Environmental Safety and Toxic Materials Committee.

2. To increase in-state options for processing California's home-generated pharmaceutical waste, the Legislature should expressly authorize municipal solid waste incinerators to burn limited quantities of home-generated pharmaceutical waste, but only after considering environmental impacts.

**Status:** Not implemented.

3. To ensure consistency throughout the State, the Legislature should adopt standard requirements for counties to follow when implementing extended producer responsibility programs (EPR) programs. These requirements should limit any additional costs the programs may impose on consumers.

**Status:** Not implemented.

**Note:** Senate Bill 212 (Chapter 1004, Statutes of 2018) requires manufacturers of drugs or medical sharps to develop and implement a statewide pharmaceutical or sharp stewardship plan for the collection and proper disposal of home generated pharmaceutical or sharps waste. This statute requires CalRecycle to oversee and enforce the stewardship plan.

### Background

When consumers improperly dispose of home-generated sharps and pharmaceutical waste, the waste can pose an unnecessary risk to others and to the environment. Sharps waste—which consists of used needles, lancets, and other medical devices with sharp points or edges—can potentially result in disease transmission. On the other hand, pharmaceutical waste—which consists of prescription and

over-the-counter medications—can harm water quality or be misused. Agencies that provide advice offer consumers different, and sometimes conflicting, guidance about how and where to dispose of these types of waste.

Conflicting guidance regarding the disposal of sharps and pharmaceutical waste is in part the result of the fact that the State has not assigned oversight of this issue to a specific state agency. Rather, a number of different agencies have related responsibilities depending on how the waste is collected and processed. Specifically, CalRecycle, the California Department of Public Health (Public Health), the California State Board of Pharmacy, and the Department of Toxic Substances Control all play roles related to the processing of this waste. By placing oversight responsibility with a single agency, the State could ensure the creation of a unified educational campaign promoting consistent and proper disposal methods. We believe CalRecycle may be best-positioned to oversee household pharmaceutical and sharps waste because it already provides oversight for all state-managed solid waste-handling programs.

California has more than sufficient capacity to process all of the State's home-generated sharps and pharmaceutical waste; however, laws and regulations discourage processing pharmaceutical waste within the State. In California, sharps are generally sterilized at one of the State's 18 medical waste facilities and then deposited in landfills. Home-generated sharps waste represents less than 1 percent of the available capacity of these facilities. If pharmaceutical waste includes controlled substances, the federal Drug Enforcement Agency requires collectors to ensure that such waste is rendered irretrievable, which usually means some form of incineration. Although three incinerators operate in the State that could dispose of pharmaceutical waste, government recommendations and legal requirements discourage these in-state incinerators from accepting pharmaceutical waste. Consequently, collection programs dispose of pharmaceutical waste by hauling it to out-of-state incinerators. Both the out-of-state and in-state incinerators have more than sufficient capacity to handle any future increases in the amount of the State's home-generated pharmaceutical waste.

Additionally, California could improve its collection and disposal of home-generated sharps and pharmaceutical waste by adopting programs and practices that other states and countries use. For example, the state of New York requires all pharmacies to display that state's approved pharmaceutical disposal methods and requires all hospitals to accept household sharps for disposal. Canada uses EPR programs to assign the cost for disposal of pharmaceutical and sharps waste to the producers or manufacturers of the products, although in California these costs could ultimately be transferred to consumers through price increases. Several California counties have also begun implementing EPR programs but have encountered delays, mainly due to the resistance of the sharps and pharmaceutical industries.

## Report

**2016-127** *Home-Generated Sharps and Pharmaceutical Waste: By Designating a Lead Agency, the State Could Increase Proper Disposal* (May 2017)

# California Department of Resources Recycling and Recovery

## Require CalRecycle to Establish Goals for the Mattress Recycling Program, and Amend the Recycling Act to Limit the Duration of the Recycling Plan and Improve Oversight of the Mattress Council

### Recommendations

1. The Legislature should amend the recycling act to require CalRecycle to establish goals for the mattress recycling program (mattress program) that relate to increasing consumer convenience, encouraging source reduction, and reducing illegal mattress dumping, as well as for any other areas that CalRecycle identifies as critical to the mattress program achieving the intent of the recycling act. It should require CalRecycle to establish goals in the first three specified areas by July 2020.

**Status:** Not implemented. (Note: Report issued in August 2018)

2. The Legislature should amend the Used Mattress Recovery and Recycling Act (recycling act) to limit the time period for which the recycling plan is valid and to require the Mattress Recycling Council (Mattress Council) to regularly submit new plans to CalRecycle that are subject to its review and approval.

**Status:** Not implemented. (Note: Report issued in August 2018)

3. The Legislature should amend the recycling act to require the Mattress Council to submit with its annual budget any additional details that CalRecycle determines are reasonable for its effective oversight of the mattress program. The Legislature should amend the recycling act to prohibit the Mattress Council from spending the recycling charges it collects in a year for which CalRecycle has not approved the mattress program's budget. Further, the Legislature should clarify that the Mattress Council's operating without an approved budget is a violation of the recycling act.

**Status:** Not implemented. (Note: Report issued in August 2018)

4. The Legislature should amend the recycling act to require the Mattress Council to maintain a reserve equal to no more than six months of the mattress program's budgeted expenses. Further, the Legislature should amend the recycling act to provide CalRecycle the ability through its budget approval process to direct the spending of any amount of funding that the Mattress Council accumulates in excess of this amount or to adjust the mattress recycling charge.

**Status:** Not implemented. (Note: Report issued in August 2018)

5. The Legislature should amend the recycling act to require the Mattress Council to include in its recycling plan measurable goals in the areas of consumer awareness and research on new technology. Further, the Legislature should require that the Mattress Council's annual report include information about the mattress program's progress toward meeting those goals.

**Status:** Not implemented. (Note: Report issued in August 2018)

## Background

The Legislature enacted the recycling act to reduce illegal dumping, increase recycling, and substantially reduce public agency costs for the management of discarded mattresses and box springs (mattresses). Effective January 2014, the recycling act established a framework for the mattress program using an EPR approach. Under an EPR approach, product manufacturers or other industry groups are responsible for operating a program to recycle or safely dispose of products consumers no longer want. In this instance, the Mattress Council—a nonprofit entity founded by a mattress trade association—operates the mattress program. To pay for the mattress program’s costs, the Legislature authorized the Mattress Council to collect a recycling charge, which is currently \$10.50, from each consumer who purchases a new mattress in California. Effective oversight of the Mattress Council—a nongovernmental entity—is crucial to ensure that it uses the funding it collects from consumers effectively so that the State can realize its goals for waste diversion. However, CalRecycle has not provided the oversight necessary to ensure that the mattress program’s performance aligns with legislative intent and that the State meets its mattress recycling goals.

CalRecycle did not establish goals for the mattress program in three critical areas: increasing convenience for consumers, reducing illegal dumping of mattresses, and ensuring consistency with the State’s overall approach to waste management, which prioritizes source reduction. By not setting these goals, CalRecycle missed a critical opportunity to ensure that the Mattress Council’s implementation of the mattress program aligns with the legislative intent behind the recycling act.

Although the Mattress Council has collected millions of dollars in revenue from California consumers to operate the mattress program, it has used a significant portion of this revenue to amass a reserve rather than spending the funds to ensure that the mattress program achieves the program goals. At the end of December 2017, the Mattress Council had already accumulated net assets of more than \$42 million—an amount that is about equal to 12 months of the mattress program’s budgeted expenses. Our analysis suggests that this amount is much higher than necessary. Further, California’s paint EPR program, which CalRecycle also oversees, defines its reserve as an amount equal to six months of expenses, and the Government Finance Officers Association of the United States and Canada recommends government organizations establish a minimum reserve of two months of expenses. Although the recycling act does not currently prohibit the Mattress Council from accumulating its existing level of net assets, the law intends the Mattress Council to operate the program over a multiyear period in a prudent and responsible manner. We believe it can do so with less in reserve than it had at the end of 2017.

## Report

**2018-107** *California Department of Resources and Recycling: It Has Not Provided the Oversight Necessary to Ensure That the Mattress Recycling Program Fulfills Its Purpose* (August 2018)

# Financial Information System for California

## Require the Project Office to Include Specified Metrics in Its Annual Reports to the Legislature

### Recommendation

To ensure successful implementation of the Financial Information System for California (FI\$Cal), the Legislature should require the project office to include the following metrics in its annual reports to the Legislature:

- Status of month-end close for all entities, indicating whether each entity produced its monthly financial statements for the preceding six months, and a description of the project office's corrective actions for each entity with delays exceeding 30 days after month-end.
- The identities of any entities that did not prepare year-end financial statements using FI\$Cal by the State Controller's deadline.
- Total number of users' service requests by priority level, the number of service requests successfully resolved, and the number of resolutions that took longer than the service level objectives defined by the project.
- Number and length of unplanned outages that occurred during normal business hours since the July 2018 release.
- Number of entities that reported concerns with using FI\$Cal to meet federal requirements and descriptions of the project office's efforts to resolve those concerns.
- Project office's vacancy rate for staff positions, including technical support center positions, and a description of the project office's efforts to fill vacancies since the July 2018 release.
- Number of entities that are operating their legacy systems, including each entity's projected date to retire its legacy system, and the volume of backlog transactions that entities still need to input into FI\$Cal.

**Status:** Not implemented. (Note: Report issued in August 2018)

### Background

FI\$Cal is a \$918 million information technology (IT) project, which is scheduled to end in July 2019 and will combine the State's accounting, budgeting, cash management, and procurement operations into a single, unified financial management system intended for use by most state entities. State law established the Department of FI\$Cal in July 2016 to provide a permanent administrative structure for the project after implementation. Multiple entities oversee different aspects of the project. As the project's system integrator, Accenture LLP is responsible for merging various components of FI\$Cal into a single product and ensuring that those components function together. Additionally, the project has two oversight entities that perform Independent Project Oversight and Independent Verification and Validation.

FI\$Cal is governed by a steering committee comprised of stakeholders from various entities: the Department of Finance, the Department of General Services, the State Controller's Office, and the State Treasurer's Office. Additionally, state law requires the California State Auditor to independently monitor the FI\$Cal project throughout its development and to report at least annually on issues we deem appropriate.

As part of our most recent review, we surveyed select state entities to assess the magnitude of issues that we previously reported related to FI\$Cal. Our survey found that many entities that have implemented FI\$Cal struggle with producing financial statements on time and are unsatisfied with system performance, training and documentation, and technical support. We also found from our survey that some of the 64 entities scheduled to begin using FI\$Cal in fiscal year 2018–19 may face similar challenges.

## **Report**

**2017-039.1** *FI\$Cal Status Letter* (August 2018)

# Department of General Services and Department of Technology Competitive Bidding Process

## Require General Services and Technology to Submit an Annual Legislative Report on Noncompetitive Contract Requests

### Recommendation

To promote accountability for and transparency of the State's noncompetitive request process, the Legislature should require the Department of General Services (General Services) and the Department of Technology (Technology) to submit an annual report of all noncompetitive requests they approve with values over \$1 million. This report should include performance metrics such as the percentage of procurement dollars approved as noncompetitive requests. This could be a published annual report or the two agencies could provide this information publicly on their websites. In addition, the Legislature could require agencies to publicly justify their noncompetitive requests in Legislative hearings when it sees fit. For each noncompetitive request listed in the annual report, General Services and Technology should include—at a minimum—the following information:

- Contracting agency.
- Original contract value (if applicable).
- Noncompetitive request value.
- Numbers and values of noncompetitive amendments (if applicable).
- Mechanisms applied to enforce compliance.

**Status:** Not implemented.

**Note:** Assembly Bill 2157 (Oberholte) would have required General Services to, until January 1, 2023, submit an annual report to the Legislature of all noncompetitive bid contract requests it approved during the preceding year with a value over \$1 million and the mechanisms the department employed during the previous year to enforce compliance with noncompetitive procurement laws and policies. This bill was held in the Senate Appropriations Committee.

### Background

The Legislature has charged General Services and Technology with overseeing the State's procurement of goods and services on a statewide level. Specifically, General Services is responsible for overseeing the majority of the State's procurements, while Technology is responsible for overseeing acquisitions of certain IT and telecommunications goods and services. Nonetheless, neither entity provided adequate oversight of the billions of dollars the state agencies awarded through noncompetitive contracts during our audit period from fiscal years 2011–12 through 2015–16. Although noncompetitive contracts are appropriate in some situations, state law generally requires agencies to use the competitive bidding process when possible in order to ensure fair competition and to eliminate favoritism, fraud, and corruption. Further, economic experts agree that competition in

public procurement benefits taxpayers and consumers by providing lower prices, greater innovation, and improved products and services. However, General Services and Technology failed to ensure that agencies under their oversight used competitive bidding as state law requires, potentially putting the State at risk of not receiving the best value.

**Report**

**2016-124** *Department of General Services and California Department of Technology: Neither Entity Has Provided the Oversight Necessary to Ensure That State Agencies Consistently Use the Competitive Bidding Process* (June 2017)

# State Assistance Fund for Enterprise, Business and Industrial Development Corporation

## Establish SAFE-BIDCO As a Program Within the State Treasurer's Office and Require an Annual Legislative Report on Revenues and Expenses

### Recommendations

1. To ensure that the State Assistance Fund for Enterprise, Business and Industrial Development Corporation's (SAFE-BIDCO) operations are subject to appropriate oversight and to fulfill its mission of providing financing to small businesses, the Legislature should establish SAFE-BIDCO as a program within the State Treasurer's Office (Treasurer's Office).

**Status:** Resolved. SAFE-BIDCO was seized by the California Department of Business Oversight (Business Oversight) in September 2017 and is no longer in operation. On September 15, 2017, Business Oversight issued an order taking possession of SAFE-BIDCO and appointing an agent to assist in liquidating the entity. Business Oversight noted in its order many of the same concerns we identified in our audit, including SAFE-BIDCO's operating losses, declining capital, and declining loan production. Business Oversight's action to liquidate SAFE-BIDCO has effectively resolved the need for our recommendations.

2. To track SAFE-BIDCO's performance in fulfilling its mission to provide assistance to California small businesses, the Legislature should require SAFE-BIDCO to report to the Legislature annually on its revenue and expenses and the success of its programs.

**Status:** Resolved.

### Background

The Legislature authorized the creation of SAFE-BIDCO, a nonprofit organization, in 1981 to provide financing assistance to small business through loans for the manufacture or purchase of alternative energy equipment. In 1990 the Legislature expanded its statutory purpose to make more financial assistance available to the State's small businesses, with a goal of increasing the competitiveness of small businesses and of creating jobs. SAFE-BIDCO is overseen by a governing board, and has over the years operated eight programs designed to help small businesses obtain financing in the form of direct loans and loan guarantees. SAFE-BIDCO estimates that it has helped create more than 13,000 jobs during that time.

However, in the past five years, SAFE-BIDCO has spent more than it has earned, and its net assets have declined from \$3.7 million to \$1.3 million. SAFE-BIDCO has not taken sufficient steps to raise additional capital on its own to address its financial condition. SAFE-BIDCO's management of its operations raises concerns about whether the State should appropriate any funding to it without increasing the State's direct oversight of SAFE-BIDCO's expenses and performance. Existing oversight by the State is limited to an annual examination by the Department of Business Oversight, which focuses on determining the soundness of SAFE-BIDCO's lending.

Although it is clear that SAFE-BIDCO needs capital to continue its mission to assist small businesses, we are reluctant to recommend that the State appropriate funding without increased direct oversight of SAFE-BIDCO to ensure adequate reporting and controlled expenses. We believe direct oversight could occur by the Legislature's establishing SAFE-BIDCO as a program within the Treasurer's Office. Additionally, reporting on the success of SAFE-BIDCO's programs is critical for the Legislature to make decisions regarding this nonprofit organization. Thus, SAFE-BIDCO should report to the Legislature even if it does not become part of a state department.

### **Report**

**2016-133** *SAFE-BIDCO: At Risk of Insolvency, It Needs Increased Oversight if It Is to Receive State Funding and Continue to Help Small Businesses in California Gain Financing* (April 2017)

# San Diego's Hepatitis A Outbreak

## Clarify the Role of Local Health Officers During a Disease Outbreak and Require Local Health Officers to Promptly Notify and Update Public Health Entities of a Communicable Disease Outbreak

### Recommendations

1. To better ensure that local health officers can promptly respond to disease outbreaks, the Legislature should clarify existing state law to specify that the local health officer for each geographic jurisdiction may issue directives to other governmental entities within that jurisdiction to take action as the officer deems necessary to control the spread of communicable diseases.

**Status:** Not implemented. (Note: Report issued in December 2018)

2. To ensure that each local public entity has the information necessary to adequately respond and protect the public health of its residents during disease outbreaks, the Legislature should enact legislation requiring local health officers to promptly notify and update local public entities within the health officers' jurisdictions about communicable disease outbreaks that affect them. The legislation should also require health officers to make available relevant information to these local public entities, including the locations of concentrations of cases, the number of residents affected, and the measures that the local public entities should take to assist with outbreak response efforts.

**Status:** Not implemented. (Note: Report issued in December 2018)

### Background

In early March 2017, the county of San Diego Health and Human Services Agency (HHSA) announced an increase in the number of reported hepatitis A cases. Hepatitis A is a highly contagious liver disease, which can, in rare cases, cause liver failure and death. The outbreak that HHSA identified was disproportionately affecting two at-risk populations—individuals experiencing homelessness and individuals using illegal drugs—and the majority of the cases had occurred within the city of San Diego (city). State laws and regulations place the responsibility for treating and containing outbreaks of communicable diseases on local health officers, but county and city governments are also required to take necessary measures to preserve and protect the public health in their jurisdictions. Shortly after the county of San Diego (county) detected the increase in reported cases, it took steps to understand the outbreak, determine the necessary interventions to contain it, and identify the characteristics and size of the at-risk populations. However, its failure to adequately plan and quickly implement certain aspects of its response led to unnecessary delays in its execution of critical actions. As a result, the county was slow to mitigate the risk that more members of the two at-risk populations might acquire the highly contagious disease and spread it to others.

Our audit found that the county did not do enough to inform and involve the city, and, therefore, the city lacked information that would have enabled it to understand the severity of the outbreak and the need to implement sanitation measures. State law requires the governing bodies of cities to protect the public health of their residents, which the city does in part by contracting with the county to address specified public health matters within the city. Nonetheless, we expected the

city to have taken some additional steps to understand the actions needed related to sanitation to protect the public health of the at-risk populations, such as requesting updates from the county regarding the response and coordinating the implementation of sanitation efforts with the county. Regarding sanitation measures for the outbreak, the county health officer stated that she had never issued a directive before, and that based on discussions with county legal counsel, the directive on its own did not carry any legal authority.

As a result of San Diego's hepatitis A outbreak, the Public Health, the county, and the city have identified changes they believe will improve their response efforts to future incidents. However, we believe room for additional improvement remains. For instance, Public Health created a draft Public Health and Medical Emergency Powers guide that more clearly identifies the powers and responsibilities of local health officers. However, this guide does not identify or provide examples of the measures local health officers are authorized to take during outbreaks.

### **Report**

**2018-116** *San Diego's Hepatitis A Outbreak: By Acting More Quickly, the County and City of San Diego Might Have Reduced the Spread of the Disease* (December 2018)

# California Department of Health Care Services

## Require Health Care Services to Publicly Report on Counties' Compliance with Performance Standards

### Recommendation

To ensure that Department of Health Care Services (Health Care Services) adequately monitors the counties' resolution of system discrepancies, the Legislature should require Health Care Services to report publicly on counties' compliance with the performance standards set forth in state law, as well as Health Care Services' actions taken in response to counties not complying with the standards.

**Status:** Not implemented. (Note: Report issued in October 2018)

### Background

The federal Medicaid program provides funds to states to pay for the medical treatment for a variety of groups, including the aged, disabled, and people with low income. California participates in the federal Medicaid program through its California Medical Assistance Program (Medi-Cal). Overseen by Health Care Services, the program provides a safety net of health care services, such as hospitalization, preventive care, pregnancy services, emergency care, dental care, and mental health and substance abuse treatment. Medi-Cal benefits come in two forms: fee for service and managed care. Under fee for service, medical providers bill Health Care Services directly for approved services they provide to a Medi-Cal beneficiary. In managed care, Health Care Services pays a managed care plan a monthly capitation payment to provide eligible services needed for a Medi-Cal beneficiary's health care. Over the last five years, the number of beneficiaries who are on managed care plans has increased, while the number of beneficiaries in the fee-for-service model has decreased. The increase in the use of managed care plans is a result of Health Care Services' focus on shifting patients from fee for service to managed care plans as well as pushing to expand the managed care option to all California counties.

Our audit found that Health Care Services paid at least \$4 billion in questionable Medi-Cal payments from 2014 through 2017 because it failed to ensure that it provided benefits only to eligible beneficiaries. The key reason for these questionable payments is that Health Care Services failed to ensure that the counties resolved discrepancies between the state and county Medi-Cal eligibility systems. Counties are generally responsible for determining Medi-Cal eligibility and for recording this information in one of the three data systems—collectively known as the Statewide Automated Welfare System—which then transmit the beneficiaries' information and Medi-Cal eligibility to Health Care Services' Medi-Cal Eligibility Data System (MEDS). Health Care Services uses the information in MEDS to determine the amount that it pays for Medi-Cal beneficiaries. However, instead of actively monitoring identified eligibility discrepancies between the county systems and MEDS and then working with the associated county Medi-Cal office (county office) to ensure that the discrepancies are resolved, Health Care Services relies on county offices to address the discrepancies identified in automated reports from MEDS. However, we found that this process does not always resolve mismatches between state and county systems in a timely manner or at all in many instances.

### Report

**2018-603** *Department of Health Care Services: It Paid Billions in Questionable Medi-Cal Premiums and Claims Because It Failed to Follow Up on Eligibility Discrepancies* (October 2018)

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# Department of Rehabilitation

## Prohibit State Agencies from Selecting Grant Application Evaluators Who Have an Actual or Perceived Bias

### Recommendation

To avoid bias or the perception of bias, the Legislature should enact legislation that prohibits state agencies from selecting as an evaluator of grant applications a representative, former member, or former staff of any organization or person that is applying to receive grant funding from the state agency.

**Status:** Not implemented.

### Background

The Department of Rehabilitation (Rehabilitation) provides services and advocacy to Californians with disabilities. As part of this responsibility, it works in cooperation with 28 independent living centers, which are nonresidential, nonprofit, community-based agencies designed and operated within a local community by individuals with disabilities, to provide services and advocacy. Rehabilitation supports these services through a combination of federal and state funding. Its process for soliciting and evaluating grant applications and awarding grant funds (grant process) came under scrutiny.

In our review of four grants that Rehabilitation awarded from fiscal years 2014–15 through 2017–18, we found that Rehabilitation had some deviations from or gaps in its grant process that raised questions about its fairness. Specifically, we found that Rehabilitation inappropriately accepted certain information from some grant applicants after deadlines stipulated in its requests for applications had passed. Additionally, it limited its pool of prospective evaluators and did not always ensure that they were free from conflicts of interest or bias before selecting them. Further, Rehabilitation did not always follow its appeals process, and the review committees did not always conduct comprehensive reviews to determine whether errors or omissions occurred, evaluator biases affected the scoring process, or evaluators supported their scores.

Finally, Rehabilitation's grant manual states that the department should publish a solicitation for evaluators on its website that includes the essential and desirable qualifications for evaluators. However, Rehabilitation could not demonstrate that it issued a solicitation for evaluators with a list of qualifications for three of the four grants we reviewed. For one of these three grants, it selected two evaluators with previous ties to one of the applicants, creating at least the appearance of potential bias. Consistent with state law, Rehabilitation's grant manual states that evaluators must be free of financial interests in any of the applicant organizations. Although the grant manual states that evaluators must be free of personal relationships with any of the applicants' principals or employees, state law is largely silent on prohibiting or disclosing personal bias in grant decision makers. We did not identify any evaluators with financial conflicts of interest; however, we found one grant in which Rehabilitation selected evaluators who had held leadership positions in an organization that had a known affiliation to the grant applicant that ultimately received the grant award.

### Report

**2017-129** *Department of Rehabilitation: Its Inadequate Guidance and Oversight of the Grant Process Led to Inconsistencies and Perceived Bias in Its Evaluations and Awards of Some Grants* (July 2018)

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## Skilled Nursing Facilities

### Require Nursing Facilities to Demonstrate Quality-of-Care Improvements, Require Public Health to Improve the Licensing Review Process and Increase Citation Penalty Amounts, and Require Health Care Services, Public Health and Health Planning to Collaborate

#### Recommendations

1. The Legislature should require the Public Health to develop by November 2018 a proposal for legislative consideration that outlines the factors it will consider when approving or denying applications from nursing facilities of the same class based on each applicant's ability to provide quality patient care. This proposal should outline the specific criteria—including relevant quality-of-care metrics—that Public Health will consider and the specific thresholds at which higher-level management must approve decisions. Public Health should review its proposal with its stakeholders before forwarding it to the Legislature. The Legislature should codify Public Health's proposal as appropriate.

**Status:** Not implemented.

2. The Legislature should require Public Health to conduct state and federal inspections concurrently by aligning federal and state timelines. Specifically, because federal inspections must occur no later than 15 months since the last federal inspection, the Legislature should require that state inspections occur every 30 months.

**Status:** Not implemented.

3. The Legislature should require that Public Health increase citation penalty amounts annually by—at a minimum—the cost of inflation.

**Status:** Not implemented.

4. To ensure that the State supports and encourages nursing facilities' efforts to improve their quality of care, the Legislature should modify the quality assurance fee by requiring nursing facilities to demonstrate quality-of-care improvements to receive all or some of their quality assurance fee payments. If nursing facilities do not demonstrate adequate quality-of-care improvements, Health Care Services should redistribute their quality assurance fee payments to those nursing facilities that have improved. In modifying this program, the Legislature should consider the best practices identified in the report and the feedback that Health Care Services receives from stakeholders.

**Status:** Not implemented.

5. The Legislature should require nursing facilities to submit annually their related-parties' profit and loss statements to Health Care Services when total transactions exceed a specified monetary threshold. The purpose of these statements would be to assist Health Care Services in its audits.

**Status:** Implemented. Assembly Bill 1953 (Chapter 383, Statutes of 2018), effective January 1, 2020, requires an organization that operates, conducts, owns, or maintains a skilled nursing facility (SNF) to report to the Office of Statewide Health Planning and Development (OSHPD) whether the licensee, or a general partner, director, or officer of the licensee, has an ownership or control interest of 5 percent or more in a related-party that provides any service to the SNF. Specifically, the licensee is required to disclose all services provided to the SNF, the number of individuals who provide that service at the SNF and any other information requested by OSHPD. If goods, fees, and services collectively worth \$10,000 or more per year are to be delivered to the SNF, the disclosure must include the related-party's profit and loss statement and the Payroll-Based Journal public use data for the previous quarter for the SNF's caregivers.

6. To improve coordination and efficiency among the state agencies that oversee nursing facilities, the Legislature should require that OSHPD, Public Health, and Health Care Services collaborate to assess the information that each collects from nursing facilities and to develop a proposal by May 2019 for any legislative changes that would be necessary to increase the efficiency of their collection and use of the information. The agencies' goals should include the collection of information by only one agency and the development of a method to share that information with each other. By May 2020, the three agencies should report to the Legislature on the results of implementing their proposal, such as the efficiencies gained through their increased coordination.

**Status:** Not implemented.

7. To more effectively communicate with consumers about nursing facilities' financial conditions and quality of care, the Legislature should require a state entity—such as OSHPD, Public Health, or Health Care Services—to develop, implement, and maintain for consumers by May 2020 an online dashboard that includes at a minimum information about nursing facilities' net income and quality of care.

**Status:** Not implemented.

## Background

Tens of thousands of elderly and disabled Californians rely on nursing facilities to provide them 24-hour inpatient care. Generally operated by private companies, nursing facilities collect payments for the services they provide from Medicare, Medi-Cal, private insurance, and patients. The importance of nursing facilities will only increase as the State's population ages and demand rises. Of particular concern, from 2006 through 2015, the number of instances in which Public Health cited California nursing facilities for deficiencies related to substandard care increased by 31 percent from a total of 445 in 2006 to 585 in 2015, while deficiencies associated with nursing facility noncompliance that caused or were likely to cause, serious injury, harm, impairment, or death to residents increased by 35 percent from 46 in 2006 to 62 in 2015.

Our audit found that the State has not adequately addressed ongoing deficiencies related to the quality of care that nursing facilities provide. California assigns oversight responsibilities for nursing facilities to three separate state agencies: Public Health, OSHPD, and Health Care Services.

Public Health, through its Center for Health Care Quality, licenses nursing facilities and periodically inspects them to ensure that the facilities are meeting quality-of-care standards. OSHPD collects annually a variety of financial information from nursing facilities and performs limited desk audits of that information. Health Care Services audits the financial data collected by OSHPD, sets each facility's Medi-Cal payment rate, and makes Medi-Cal payments to each facility. Public Health and Health Care Services also conduct investigations into allegations of fraud, abuse, and quality-of-care concerns at nursing facilities.

In 2004 the Legislature passed Assembly Bill 1629, which imposed a quality assurance fee on nursing facilities. According to this state law, the quality assurance fee is meant to obtain additional federal funding for the Medi-Cal program, provide additional reimbursements to nursing facilities, and support quality improvement efforts at nursing facilities. The State currently uses the quality assurance fee to obtain federal matching funds in order to increase payments to nursing facilities but not to incentivize quality improvements. To this end, when it adopted the regulations to implement the quality assurance fee, Health Care Services accepted a proposal by long-term care stakeholders ensuring that nursing facilities would be refunded a portion of the funds generated by the fee based on the number of Medi-Cal patients in the nursing facilities. By modifying this program to require that nursing facilities demonstrate improvement to receive all or a portion of their quality assurance fee payments, the Legislature could better ensure that nursing facilities provide the quality of care that Californians deserve.

Our audit also found that Public Health's licensing decisions appear inconsistent because of its poorly defined review processes and failure to document adequately its rationale for approving or denying license applications. Furthermore, Public Health has not performed all of the state inspections of nursing facilities that it is required to perform and has not issued citations for facilities' noncompliance with federal and state requirements in a timely manner. It has also failed to seek legislative actions to increase the penalties associated with those citations by the cost of inflation, after we recommended in 2010 that it take this action. Together, these oversight failures increase the risk that nursing facilities may not provide adequate care to some of the State's most vulnerable residents.

Finally, we found that Public Health, OSHPD, and Health Care Services have not coordinated their oversight efforts adequately. For example, the three agencies collect duplicative ownership, facility, and financial information from nursing facilities, creating inefficiencies for both the agencies and the nursing facilities. Additionally, OSHPD and Health Care Services each conduct audits that could be more efficient if the agencies better coordinated their efforts. Improved coordination among the three agencies would also enable them to develop new methods to share information with consumers and stakeholders.

## Report

**2017-109** *Skilled Nursing Facilities: Absent Effective State Oversight, Substandard Quality of Care Has Continued* (May 2018)

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# Homelessness in California

## Provide Funding to Address Homelessness and Require the State Homeless Council to Develop a Statewide Strategic Plan

### Recommendations

1. To better serve the needs of homeless Californians, and to provide statewide leadership to agencies at all levels for better coordination of efforts to address homelessness, the Legislature should enact legislation and include funding within the Budget Act of 2018 that will allow for the following actions:

- The Homeless Coordinating and Financing Council (state homeless council) to hire permanent staff, including the appointment of an executive director.

**Status:** Partially implemented. Senate Bill (SB) 850 (Chapter 48, Statutes of 2018) requires the Business, Consumer Services, and Housing Agency (housing agency) to staff the state homeless council rather than the Department of Housing and Community Development, and provides for an Executive Director under the direction of the housing agency.

- California's Continuum of Care areas (CoCs) to obtain the state funding necessary to better implement U.S. Department of Housing and Urban Development (HUD) recommended activities, including annually counting the unsheltered homeless population, improving efforts to raise nonfederal funding, and improving their coordination with other agencies; and to more fully meet HUD requirements, including implementation and administration of the Homeless Management Information System (HMIS) and coordinated entry system (entry system).

**Status:** Partially implemented. SB 850 establishes the Homeless Emergency Aid program for the purpose of providing localities with one-time flexible block grant funds to address their immediate homelessness challenges, and requires the housing agency to administer the program in consultation with the state homeless council.

2. The Legislature should require the state homeless council to take the following actions:

- By April 1, 2019, develop and implement a statewide strategic plan for addressing homelessness in California, including goals and objectives and timelines for achieving them, and metrics for measuring their achievements. Included among the goals and objectives should be the identification of additional funding sources that state and local agencies can use to better address California's homelessness issues.

**Status:** Not implemented. SB 792 (Wilk) would have required, by July 1, 2020, the state homeless council to develop and implement a statewide strategic plan for addressing homelessness in the State. The plan would have been required to include goals and objectives and timelines for achieving them, and metrics for measuring their achievements. Included among the goals and objectives would have been the identification of additional funding sources that state and local agencies could use to better address homelessness issues in the state. This bill was held in the Assembly Appropriations Committee.

- By January 1, 2019, implement steps to assist CoC lead agencies in better implementing HUD-recommended activities, including conducting annual counts of the unsheltered homeless population, raising nonfederal funding, and coordinating with other agencies.
- By January 1, 2019, implement steps to assist CoC lead agencies in better meeting HUD requirements, including implementation of the HMIS and entry systems. The state homeless council should include among its considerations the establishment of a balance-of-state CoC area to help alleviate the administrative burdens imposed on CoC lead agencies, especially in rural areas.

**Status:** Not implemented. SB 792 would have required, by January 1, 2020, the state homeless council to implement two strategic plans to assist CoC lead agencies to better implement HUD-recommended activities, including conducting annual counts of the unsheltered homeless population, raising nonfederal funding, coordinating with other agencies, and assisting lead agencies in meeting HUD requirements, including implementation of the HMIS.

## Background

California leads the nation with both the highest number of homeless persons—24 percent of the nation’s total—and the highest proportion of unsheltered homeless persons (68 percent) of any state. Two reasons may explain why California’s unsheltered homeless population exceeds that of other entities. First, other entities have a single entity charged specifically with addressing homelessness. Furthermore, other entities invest significantly in administering and funding homeless services.

Until recently, California lacked a single entity to oversee an effective and efficient system to address homelessness and had no single mechanism by which to coordinate the multitude of homeless programs that the State funds. In 2016 state law created the state homeless council, with goals that include aligning existing state homeless service programs and creating partnerships among state agencies and departments, local government agencies, and participants in HUD’s CoC program to arrive at specific strategies to end homelessness. Although creating the state homeless council is a first step toward addressing California’s homelessness at a statewide level, it could face critical challenges because it has no permanent staff and no funding for such staff.

To address homelessness at a local level, California currently has 43 CoC areas that cover the entire state. Lead agencies in each CoC area are responsible for planning the administration of homeless services. Lead agencies reported that they lacked funding, staff, and other resources to implement HUD-recommended activities such as conducting annual counts of unsheltered homeless, raising funds from nonfederal sources, and coordinating with other homeless service agencies. Rural CoC lead agencies also reported difficulties in implementing HUD requirements related to developing an entry system and administering their HMIS. Some lead agencies stated that a single state entity could help them resolve issues to implement HUD requirements and recommended activities.

## Report

*2017-112 Homelessness in California: State Government and the Los Angeles Homeless Services Authority Need to Strengthen Their Efforts to Address Homelessness (April 2018)*

# California Department of Social Services Caregiver Background Checks

## Require the California Department of Justice to Provide Sentencing Information for All Convictions, Require Specified State Entities to Share Administrative Actions, and Expand the List of Nonexemptable Crimes

### Recommendations

1. To ensure that the California Department of Social Services (Social Services) receives all necessary information for making exemption decisions, the Legislature should amend state law to require Justice to send Social Services all available sentencing information for all convictions. Additionally, the Legislature should amend state law to require Justice to send juvenile criminal history information related to serious and violent felony offenses as well as any other juvenile criminal history that Social Services identifies as valuable to its exemption reviews.

**Status:** Implemented. Assembly Bill (AB) 2461 (Chapter 300, Statutes of 2018) requires Justice to provide subsequent state or federal arrest notification to Social Services, the Medical Board of California, and the Osteopathic Medical Board of California to assist in fulfilling employment, licensing, or the duties of approving relative caregivers upon the arrest of a person whose fingerprints are on file at Justice or the Federal Bureau of Investigation as the result of an application for licensing or employment. The statute also authorizes Justice to also provide that information to any other entity authorized by state or federal law to receive state or federal summary criminal history information.

2. To ensure that any entity authorized by state or federal law to receive state or federal criminal history information subsequent to receiving the individual's initial record of arrests and prosecutions (RAP sheet) is informed of all criminal activity of an individual, the Legislature should do the following:
  - Amend state law to clearly direct Justice to transmit all convictions it receives to the entities authorized to receive subsequent criminal history.
  - Require Justice to obtain and transmit subsequent federal RAP sheets to all entities authorized to receive subsequent California criminal history information and to report to the Legislature periodically about its implementation efforts.

**Status:** Not implemented.

3. To ensure that all applicable entities share their administrative actions with each other as state law intends, the Legislature should amend state law to require that Social Services, the California Department of Aging (Aging), Public Health, Health Care Services, the Emergency Medical Services Authority (Medical Services), and county agencies provide each other their administrative action information.

**Status:** Not implemented. AB 2397 (Obernolte) would have required Social Services and a county child welfare agency to share information regarding administrative actions against individuals subject to background checks by state-licensed facilities. Additionally, this bill would have required Social Services, Aging, Public Health, Health Care Services, and Medical Services to share this information. This bill was vetoed by the Governor.

4. To better ensure the safety of clients in the care facilities Social Services licenses (licensed facilities), the Legislature should amend state law to do the following:

- Require that Social Services receive state and federal RAP sheets for individuals before allowing them access to licensed facilities.
- Expand the list of crimes for which Social Services cannot issue an individual an exemption to be present in a facility to include the eight crimes we identified and any other crimes it deems appropriate.

**Status:** Not implemented.

## Background

Social Services is responsible for protecting the health and safety of vulnerable populations—such as children, adults, and seniors—in licensed facilities. Its Caregiver Background Check Bureau (CBCB) is responsible for evaluating the character of individuals with criminal records who apply to have access to a licensed facility, such as employees or volunteers. To decide whether it will grant an individual an exemption that will allow him or her to be present in a facility, the CBCB receives criminal history information from Justice as well as other information related to the individual's character. For this audit, we reviewed how well Social Services and Justice fulfill their roles in the background check process and found that Justice and other state departments do not send Social Services certain information it needs to protect vulnerable clients.

In 2016 Justice stopped providing Social Services sentencing information because state law does not explicitly require that it share this information. It also did not forward information about certain convictions because it believed it was not authorized to share that information. However, this information is valuable for Social Services in deciding whether to allow an individual with a criminal history to be present in a licensed facility, known as an exemption decision.

The CBCB reviews the RAP sheet to determine whether state law prohibits the individual from having contact with licensed facility clients. To safeguard clients' health and safety, state law prohibits anyone with a criminal conviction for any crime—other than a minor traffic violation—from caring for or living with clients in a licensed facility. However, state law gives Social Services the authority to grant an individual an exemption to this prohibition if it determines that the individual is of good character and therefore not a health and safety risk to vulnerable populations. Social Services cannot exempt individuals who have been convicted of certain crimes, such as kidnapping or murder. We believe Social Services could better protect clients in licensed facilities if the Legislature amended state law to add additional crimes to the current list of crimes for which Social Services cannot issue an individual an exemption to be present in a facility.

In addition, Social Services and four other state departments—Aging, Public Health, Health Care Services, and Medical Services—do not promptly share information with one another about the administrative actions they take against individuals. This is, in part, because their interagency agreements lack specificity about when to share this information. As a result, Social Services cannot be assured that it receives the information it needs to protect vulnerable populations.

**Report**

**2016-126** *California Department of Social Services: Its Caregiver Background Check Bureau Lacks Criminal History Information It Needs to Protect Vulnerable Populations in Licensed Care Facilities* (March 2017)

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# In-Home Supportive Services

## Statutorily Define the Pay Period for In-Home Supportive Services Program Providers

### Recommendation

To facilitate providers' efforts to report their time, and to reduce the potential for providers to be inadvertently suspended from the In-Home Supportive Services (IHSS) program, the Legislature should amend state law to define the pay period as two workweeks. Moreover, the Legislature should modify state law to require weekly hours as the basis for authorizing services but continue to allow flexibility for recipients to adjust the hours their providers work across workweeks in a manner similar to the provisions of the current law.

**Status:** Not implemented.

### Background

The IHSS program employs individuals who provide in-home services to eligible people so they may remain in their homes as an alternative to receiving out-of-home care. These caregivers, known as IHSS providers, perform ongoing services for eligible IHSS recipients and receive payment for these services. More than 460,000 providers in California deliver in-home services to nearly 548,000 eligible individuals—low-income people who are also aged, blind, or disabled located throughout the State.

State law requires that providers record and track work time both semi-monthly and weekly. However, these time frames do not align for most of the year and create obstacles to providers' ability to accurately plan or report their in-home services. Providers are required to follow certain rules that limit the number of hours they may claim in a workweek. State law defines the IHSS workweek as starting on Sunday and ending on Saturday. A provider must adhere to specified workweek hour limits to avoid receiving a violation from the IHSS program. Adding complexity to the workweek issue, providers complete two timesheets each month for pay periods that generally do not coincide with the start of the workweek. State law establishes for IHSS providers a structure consisting of two pay periods per month. As specified by state regulations, one pay period starts on the first day of the month and ends on the 15th, and the other begins on the 16th and ends on the last day of the month. However, in most cases, the first day of a pay period does not coincide with the first day of the IHSS workweek.

To address these concerns, a coalition of county organizations and provider and consumer advocates created a proposal in February 2016 requesting that the workweek and pay period issue be simplified. The proposal pointed out that despite the collective efforts of stakeholder groups to educate providers on the implementation of overtime rules, the current time-reporting rules were too complex for recipients and providers. The coalition recommended that the State change the pay periods to two-week periods that would directly align with the workweek defined in state law.

### Report

**2016-128** *InHome Supportive Services: The State Could Do More to Help Providers Avoid Future Payment Delays* (March 2017)

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# The University of California Contract Policies

## Specify the Conditions Under Which the University May Amend Contracts and Define Professional and Personal Services That May Be Exempt from Competitive Bidding

### Recommendation

To ensure that the University of California (UC) maximizes the use of competition, the Legislature should revise the Public Contract Code to specify the conditions under which the university may amend contracts without competition and more narrowly define the professional and personal services that the university may exempt from competitive bidding.

**Status:** Not implemented.

**Note:** Senate Bill 574 (Lara) would have prohibited an amendment, renewal, or extension of an existing contract involving annual expenditures of \$100,000 or more unless specified conditions are met. Additionally, this bill would have provided that to qualify as a lowest responsible bidder or best value awardee on any contract for specified services a bidder must certify in writing to the UC that the bid includes, for all employees who work for more than 10 days at the UC in any 12-month period under the contract, a total employee compensation package that is valued on a per-employee basis at a level sufficient that it does not undercut by more than 5 percent the average per-employee value of total compensation for employees of the UC who perform comparable work at the relevant campus, medical center, or laboratory at which the bidder proposes to perform the work. This bill was vetoed by the Governor.

### Background

The UC's Office of the President manages the university's fiscal and business operations. A chancellor at each campus is responsible for managing campus operations. At applicable campuses, those chancellors delegate management authority over the medical centers—which are semiautonomous, self-supporting operations—to chief executive officers. Although the campuses and medical centers must follow the UC's systemwide procurement policies, they have significant autonomy over their contracting decisions. The Office of the President reported that in fiscal year 2015–16, the UC spent \$8 billion through contracts on goods and services.

For this audit, we reviewed 30 services contracts at three campuses, two medical centers, and the Office of the President. Although our review determined that the campuses and medical centers generally adhered to the Office of the President's contract policy, we identified certain areas in which they could make improvements. Our review of these 30 contracts found that some UC locations did not consistently use competitive bidding to ensure that they procured services at the lowest cost or best possible value. For example, we found that some locations used amendments to repeatedly extend services contracts far beyond their original parameters. In one instance, the University of California, Davis, campus amended its contract with a food service vendor 24 times, extending the contract's term from seven years to 19 and increasing its value from \$71 million to \$237 million. The Office of the President only provides vague guidance on the appropriate use of amendments, which hinders the UC locations' ability to fulfill their services needs at the lowest cost or best possible value while

maximizing opportunities for vendors wishing to contract with them. In addition, some UC locations appear to have misused sole-source exemptions to avoid the competitive bidding process. For example, the University of California, San Francisco medical center asserted to us that it used a sole-source contract to hire a janitorial services vendor because it had an urgent need for the services, yet its contract file lacked sufficient justification for the need to forego competitive bidding.

**Report**

**2016-125.1** *The University of California Office of the President: It Has Not Adequately Ensured Compliance With Its Employee Displacement and Services Contract Policies (August 2017)*

# California State University Management Compensation and Hiring

## Require CSU to Submit an Annual Report Regarding Student Success

### Recommendation

To improve its budget oversight of the California State University (CSU), the Legislature should require CSU to submit an annual report that provides information on specific activities that CSU engaged in during the previous year to meet the State's goals for student success.

**Status:** Not implemented.

**Note:** Senate Bill 1351 (Hernandez) would have required the Chancellor of the California State University to submit a report to both houses of the Legislature and the appropriate fiscal and policy committees, on or before July 1, 2019, and every year thereafter, that provides information relating to specific activities that the university engaged in during the previous year to meet the state's goals for student success. This bill also would have required the trustees to establish a policy to prepare written justifications of any proposed additional management positions and to prepare merit evaluation plans for management personnel. This bill died in the Senate Education Committee.

### Background

The CSU is a system of 23 campuses throughout the State and is governed by a 25-member Board of Trustees. The CSU's executive officer is the chancellor. In addition to faculty members who teach students and conduct research, CSU employs executive and management personnel and nonfaculty support staff such as payroll technicians, cooks, parking officers, and student workers. For this audit, we reviewed CSU's hiring and compensation of management personnel, its compensation of CSU executives, and its budget oversight.

The CSU Office of the Chancellor delegates near complete budget responsibility and authority to the CSU campuses. However, our audit found that many campuses cannot demonstrate that they are adequately monitoring their budgets. Despite campus officials asserting that their central budget offices follow informal policies to review division and department budgets periodically, four of the six campuses we visited do not document the results of their reviews. Also, state law exempts CSU from many budget oversight mechanisms applicable to other state agencies and requires CSU to periodically submit certain reports to the Legislature regarding its performance. However, none of the reports we examined require CSU to specify how it used state appropriations to improve student success.

### Report

**2016-122** *California State University: Stronger Oversight Is Needed for Hiring and Compensating Management Personnel and for Monitoring Campus Budgets* (April 2017)

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# University of California Office of the President

## Appropriate Funds Directly to the Office of the President and Require the Regents to Contract with An Independent Third Party to Monitor A Corrective Action Plan

### Recommendations

1. To ensure that the UC Office of the President's actions align with the UC's primary mission, the Legislature should appropriate an amount directly to the Office of the President through the annual state budget process that eliminates the need for a campus assessment. Based on the Office of the President's actions as it implements its three-year plan, evaluate the amount of the direct appropriation annually. Once the Office of the President has completed the three-year plan, evaluate the necessity of a continued direct appropriation after assessing the strength of the Office of the President's new budget, accounting, and staffing policies, as well as its demonstrated commitment to ongoing transparency.

**Status:** Implemented. Assembly Bill 97, the Budget Act of 2017, appropriates \$296 million to the Office of the President and provides that the funds may only be encumbered if the President certifies in writing to the California Department of Finance that there will be no campus assessment for support of that office for the 2017–18 fiscal year and overall campus revenues will be greater in the 2017–18 fiscal year than in the previous fiscal year.

2. To ensure that the Office of the President's actions align with the UC's primary mission, the Legislature should, from the funds appropriated, require the regents to contract with an independent third party that can assist the regents in monitoring the three-year corrective action plan for the Office of the President. The Legislature should hold annual hearings that include a status report by the independent third party regarding the Office of the President's progress, challenges, and barriers to success in implementing the three-year corrective action plan.

**Status:** Implemented. Legislation was not introduced to address this recommendation; however the Office of the President entered into a contract with an independent third party to assist in monitoring the three-year corrective action plan.

### Background

The Office of the President's budgeting practices are of concern because its disclosed discretionary budget is almost entirely funded by an annual charge, called the campus assessment, that it levies on the campuses. The Office of the President allows campuses to pay this assessment using any funding source, and campuses paid about a third of the \$288 million fiscal year 2015–16 assessment—up to \$106 million—using their portion of the money from the State's General Fund. Over the past five years, the Office of the President has underspent the revenue it received from the campus assessment by \$32 million, and as a result, a significant portion of the Office of the President's discretionary reserve consists of funds the campuses could have retained and spent for other purposes. Moreover, the Office of the President increased the campus assessment in two of the

four years we reviewed, a decision we find problematic given that it consistently failed to spend all of the revenue it received from the campuses. We believe the Office of the President might be able to refund at least \$38 million of its uncommitted reserve funds to campuses.

Furthermore, because the Office of the President provides so little information about its budget—and the information it does provide is sometimes misleading—the regents and Legislature are likely to find it difficult, if not impossible, to understand its operations. In fact, we found the Office of the President made inaccurate and unsubstantiated claims about its budget during regents' meetings, such as claiming the Office of the President is not funded using state money even though campuses use money from the State's General Fund to pay for the campus assessment. The Office of the President's inability to substantiate its public claims is due to its lack of strong, consistent budgeting processes, which would help to provide transparency and accountability.

As a result of the nature and number of the concerns we identified in the course of this audit, we believe that significant reforms are necessary to ensure that the Office of the President makes prudent decisions that reflect the interests of those that it serves. Specifically, the Legislature should directly appropriate funds to the Office of the President that eliminates the need for levying an assessment on campuses. This change would increase the Office of the President's accountability by requiring it to justify both its budget levels and fiscal decisions, such as the level of compensation it provides for its staff. Additionally, we believe that the Legislature should, from the funds appropriated, require the regents to contract with an independent third party that can assist the regents in monitoring a three-year corrective action plan focused on addressing the many issues we identify in this report. This plan would help to ensure the Office of the President's accountability and transparency and give campuses a better ability to plan for expenses that should benefit them.

## Report

**2016-130** *The University of California Office of the President: It Failed to Disclose Tens of Millions in Surplus Funds, and Its Budget Practices Are Misleading* (April 2017)

# Department of Housing and Community Development

## Require HCD to Report Annually on Its Monitoring of CalHome and BEGIN Awards and Include Loan Issuance Performance Metrics, Require Business, Consumer Services, and Housing Agency to Report Annually on HCD's Implementation of Audit Recommendations

### Recommendations

1. Given the California Department of Housing and Community Development's (HCD) long-standing history of inadequate monitoring for some of its programs and the additional funds HCD could receive for CalHome under the November 2018 ballot measure, the Legislature should require HCD to disclose information about such monitoring in its annual report, which it should submit to the Assembly Committee on Housing and Community Development and the Senate Committee on Transportation and Housing. The report should identify all of the awards that HCD monitors for the CalHome and Building Equity and Growth in Neighborhoods (BEGIN) programs and should include performance metrics such as the amount of funds awarded but not disbursed to recipients and therefore not issued to potential homeowners. The Legislature should also require HCD to disclose in its annual report—at a minimum—the following information for all awards that HCD is responsible for monitoring in the CalHome and BEGIN programs:

- The amount of the original awards to recipients, the portions not yet disbursed to recipients, and an estimate of how many individuals could benefit from the remaining balance.
- Any extensions HCD granted to the standard agreement and the number of and reason for those extensions.
- The total balance of all recipients' CalHome and BEGIN reuse accounts, detailing the loan repayments recipients are required to reissue for program purposes and an estimate of how many households could benefit from the balance.
- A section describing HCD's monitoring efforts, including the collection of performance reports and the results of the risk assessments and on-site monitoring.

**Status:** Not implemented. (Note: Report issued in September 2018)

2. The Legislature should require the Business, Consumer Services and Housing Agency to monitor HCD's efforts and to submit a report annually to the Legislature demonstrating that HCD is continuing to implement our recommendations.

**Status:** Not implemented. (Note: Report issued in September 2018)

### Background

In 2002 and 2006, Californians voted to provide a total of nearly \$5 billion in bonds for use in financing affordable housing. HCD oversees the majority of housing bond programs for the State and is responsible for ensuring that target populations receive bond-funded housing. Since 2007 the California State Auditor's Office has performed five required audits of HCD's housing bond

program management. In each audit, we found similar problems related to HCD's monitoring of certain housing bond programs, particularly CalHome and BEGIN, both of which generally enable low-income and very low-income households to become or remain homeowners. To ensure HCD addressed the problems we identified, we made a total of 28 recommendations in the first four reports, which HCD previously asserted that it implemented. However, during this most recent review, we determined that HCD had not followed through on half of these recommendations.

As stated previously, we found continuing problems with HCD's oversight of CalHome and BEGIN. These two programs—which total about \$505 million and \$106 million, respectively, of the housing bond funds—generally help moderate-income, lower-income, and very low-income households to become first-time homebuyers or to remain homeowners. Our audit found that HCD did not always perform the monitoring required to ensure that recipients used the funds to assist target populations with homeownership or home rehabilitation. We reviewed five CalHome awards, which totaled nearly \$5.3 million, and found that HCD did not collect or review all required reports, perform risk assessments, or conduct on-site visits. We also reviewed one BEGIN award of \$2.8 million and found similar problems related to the collection and review of required reports.

Without adequate monitoring of its grant-based programs, HCD may prevent households that are in need from receiving the limited funds available. Further, addressing these chronic monitoring issues is important because HCD could receive an additional \$900 million for the CalHome, IIG, and the farmworker housing programs under a new ballot measure going before voters in November 2018. Many of the problems we identified with CalHome have been ongoing for nearly a decade. Despite HCD's earlier assertions that it had implemented our recommendations to fix these problems, we found that it had not followed through on necessary changes. Because HCD has failed to follow through on our recommendations and because it may receive significant additional funding for these programs, additional oversight of HCD is necessary.

## Report

**2018-037** *California Department of Housing and Community Development: Its Oversight of Housing Bond Funds Remains Inconsistent* (September 2018)

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Note: Proposition 1 was approved by the voters at the November 6, 2018, general election. This proposition authorizes \$4 billion in general obligation bonds for existing affordable housing programs for low-income residents, veterans, farmworkers, manufactured and mobile homes, infill, and transit-oriented housing. The California State Auditor may conduct periodic audits to ensure that bond proceeds are awarded in a timely fashion and in a manner consistent with statutory requirements and that awardees are using bond funds in compliance with state law.

# Workers' Compensation Insurance

## Require Insurers to Periodically Provide Explanation of Benefits Statements to Injured Workers

### Recommendation

To better ensure that the payments insurers issue to providers for workers' compensation insurance (workers' compensation) claims are based on valid services, the Legislature should require workers' compensation insurers to periodically provide explanation of benefits statements (EOB statements) to injured employees.

**Status:** Not implemented.

### Background

The system for workers' compensation in California requires employers to provide benefits to employees who are injured or disabled in the course of employment. These benefits include covering the costs associated with health care and other services necessary for injured employees to return to work, providing disability payments, and compensating injured employees who cannot fully return to work. In exchange, employers generally have protection against law suits filed by employees related to workplace injuries. The Department of Industrial Relations (Industrial Relations) is responsible for monitoring the administration of claims filed through the workers' compensation system, which California has had in place for over 100 years. A 2016 report by Industrial Relations indicates that the workers' compensation system cost the State's employers—who pay for the system by either purchasing workers' compensation policies or self-insuring—\$25.1 billion in 2015.

In part because of its size and complexity, the workers' compensation system creates ample opportunity for fraud. This fraud can take many forms, including employees who claim to be injured when they are not or health care providers who bill insurers for services or treatments they did not provide.

Despite the State's efforts, we identified certain weaknesses in its processes for detecting workers' compensation fraud. For example, California could improve its efforts to detect workers' compensation fraud by requiring insurers to periodically issue EOB statements to injured employees. These statements list the types of services providers rendered to injured employees, the dates the providers rendered the services, and the fees they received for the services. Consequently, EOB statements provide injured employees with the opportunity to review the services for which providers bill and potentially identify fraudulent charges. Certain government agencies and some insurers outside of workers' compensation already use EOB statements to help fight fraud. Nonetheless, the State does not currently require workers' compensation insurers to issue EOB statements to injured employees.

### Report

**2017-103** *Workers' Compensation Insurance: The State Needs to Strengthen Its Efforts to Reduce Fraud* (December 2017)

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## South Orange County Wastewater Authority

### Require New Joint Powers Agreements to Hold Members Responsible for Unfunded Retirement Obligations and Require Existing Joint Powers Agreements to Annually Disclose Unfunded Retirement Obligations

#### Recommendations

1. The Legislature should require new joint powers authority (JPA) agreements to hold the members responsible for the JPA's unfunded pension and other postemployment benefits obligations and to specify the manner of apportioning those liabilities.

**Status:** Implemented. Assembly Bill 1912 (Chapter 909, Statutes of 2018), in part, specifies that member agencies of a JPA that participates in or contracts with a public retirement system are required to mutually agree to the apportionment of the JPA's retirement obligations among themselves prior to dissolution of the JPA, provided that the agreement equals 100 percent of the JPA's retirement liability. If the member agencies can't mutually agree to the apportionment, the JPA board is required to apportion the retirement liability to each member agency based on the share of service received from JPA, or the population of each member agency, and establish procedures allowing a member agency to challenge the board's determination through the arbitration process. If a judgment is rendered against an agency or a party to the agreement for a breach of its obligations to the retirement system, the time within which a claim for injury may be presented or an action commenced against the other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered. These provisions apply retroactively to a current or former member agency that has an agreement with the board on or before January 1, 2019, and to new agreements with the board on or after that date.

2. The Legislature should require all existing JPAs to disclose annually as part of any regularly scheduled communication to their pension and other postemployment benefits plan participants whether the JPA's members are liable for the JPA's unfunded retirement obligations.

**Status:** Not implemented.

#### Background

South Orange County Wastewater Authority (SOCWA) is a JPA founded in 2001 by 10 member agencies consisting of local water and service districts and cities. A JPA is a partnership between two or more public agencies to jointly exercise common powers. SOCWA is a public entity that is separate from its members and holds its assets, including project facilities that it acquires or constructs, in its own name. Members that withdraw from SOCWA cannot transfer any rights in those facilities without the consent of other members. In the event of SOCWA's termination or dissolution, remaining funds and project facilities in its possession would be distributed in kind or sold with the proceeds distributed to participating members as described in SOCWA's JPA agreement. However, that agreement also states that, with limited exceptions, the members are not responsible for SOCWA's debts, liabilities, or obligations. This contractual arrangement calls into question what would happen to SOCWA's outstanding liabilities in the event it were dissolved and did not have sufficient assets to fund all of those obligations.

SOCWA's largest liabilities are for unfunded retirement benefits for its employees, specifically, pensions and other postemployment benefits totaling approximately \$18 million, according to its audited financial statements for fiscal year 2016–17. SOCWA offers its employees a defined benefit pension plan through the California Public Employees' Retirement System (CalPERS), which computes employee pension benefits upon retirement using a formula that considers such factors as length of employment and salary history. SOCWA's JPA agreement does not expressly hold its members liable for its unfunded obligations for retirement benefits for its employees if SOCWA were to dissolve and did not have sufficient assets to pay those obligations.

In fact, according to a quarterly report prepared by CalPERS staff and presented to CalPERS' Finance and Administration Committee in December 2017, only 10 of 149 JPAs with CalPERS plans contained provisions in their JPA agreements that would make their agency members liable for the JPA's financial liabilities, including unfunded pension obligations. Consequently, the employees of the 139 JPAs whose members are not expressly liable for the liabilities of the JPA could be at risk of having their pension benefits reduced if their respective JPAs were to dissolve with outstanding unfunded pension obligations.

### **Report**

**2017-113** *South Orange County Wastewater Authority: It Should Continue to Improve Its Accounting of Member Agencies' Funds and Determine Whether Members Are Responsible for Its Unfunded Liabilities* (March 2018)

## State and Regional Water Boards

### Direct the State Water Board to Assess the Need for Studies of Specific Water Bodies

#### Recommendation

To promote the establishment of appropriate pollutant limits, the Legislature should amend state law to direct the State Water Resources Control Board (State Water Board) to assess whether a study of a specific water body is justified and, if so, require the appropriate regional water quality control board (regional board) to ensure that the study is conducted by the regional board or the applicable local jurisdictions. For example, a study could be justified if the water body's condition might warrant modifying a maximum pollutant level, if the study could be performed cost-effectively, and if the study's benefits are likely to reduce local jurisdictions' costs or improve protection of the water body's uses. The State Water Board should seek additional funding for local jurisdictions to conduct studies if it believes additional resources are needed.

**Status:** Not implemented.

#### Background

Storm water runoff is a significant source of water pollution, particularly in urban areas. Pollution from storm water runoff occurs when water from rain and melting snow flows over impervious surfaces such as paved streets and building rooftops and enters water bodies, including streams, rivers, lakes, and oceans, through storm drains. As it flows, the water collects a variety of pollutants, which the storm drain system subsequently deposits into local water bodies. To curb the harmful effects of pollution from storm water runoff, federal law requires states to set restrictions on the pollutants that can be discharged into water bodies and requires local jurisdictions, including cities, counties, and other public entities, to obtain storm sewer permits. The permit requires local jurisdictions to monitor their storm water discharge and take action to reduce the pollutants to safe levels. The permits also implement pollutant control plans, which the regional boards develop to improve water bodies harmed by pollution. In California, storm water pollution is regulated by the State Water Board and nine regional boards.

Water bodies throughout the State are continually contaminated by various pollutants. According to a 2017 report by the State Water Board, 1,357 of the 2,623 segments of water bodies in the State contain harmful levels of one or more types of pollutants, such as bacteria, metals, and pesticides. Regional boards adopt maximum pollutant levels based on regulation and guidance from a variety of sources. Regional boards can also use studies of specific water bodies to justify establishing their own maximum pollutant levels, which can be more or less strict than state and federal guidance. In fact, federal regulation encourages states to use site-specific information when developing maximum pollutant levels.

#### Report

**2017-118** *State and Regional Water Boards: They Must Do More to Ensure That Local Jurisdictions' Costs to Reduce Storm Water Pollution Are Necessary and Appropriate* (March 2018)

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# Department of Water Resources California WaterFix Project

## Require Agencies to Report Significant Cost or Schedule Changes Made to Complex Infrastructure Projects

### Recommendation

To improve management of large and complex infrastructure projects, the Legislature should enact legislation requiring agencies to publicly report significant changes in the cost or schedule of such projects if they are expected to exceed their established budgets by 10 percent or schedules by 12 months.

**Status:** Implemented. Assembly Bill 2543 (Chapter 918, Statutes of 2018) requires each state agency or department authorized to undertake any infrastructure project costing \$100 million or more to publicly post on its website any change in the cost or schedule of the project that would result in the project exceeding its established budget by 10 percent or more or being delayed by 12 months or longer. This statute requires the posted information to describe how much the project is expected to exceed its established budget or delay its construction schedule.

### Background

The California WaterFix Project (WaterFix) is intended to address environmental and water supply reliability issues related to pumping water from the Sacramento-San Joaquin Delta (the Delta). The Department of Water Resources (DWR) began collaborating with state and federal entities as well as local water agencies (water contractors) in 2006 to develop an approach to restoring the Delta and improving water reliability, referred to as the Bay Delta Conservation Plan (BDCP). In conjunction with developing the BDCP, DWR also initiated the Delta Habitat Conservation and Conveyance Program (conservation and conveyance program) to evaluate how to implement the BDCP, which included considering alternatives to the BDCP, performing preliminary design, and assessing environmental impacts. Through this evaluation, DWR identified one of the alternatives— referred to as WaterFix—as its preferred approach. WaterFix focuses on the construction of a new water conveyance facility to improve water reliability and separates the large-scale Delta restoration effort originally included in the BDCP into a separate program called California EcoRestore.

DWR is responsible for the construction, maintenance, and operation of State Water Project facilities while the U.S. Bureau of Reclamation (Reclamation) is generally responsible for Central Valley Project facilities. Water contractors contract for water deliveries from these two systems. Water contractors and Reclamation have primarily funded the project planning efforts that began with the BDCP and that have now shifted to WaterFix.

Because of the unexpected complexity of the project, the planning phase has experienced significant cost increases and schedule delays. In a June 2006 steering committee meeting, the finance subcommittee presented a \$13 million budget for preparation of the BDCP, which included budgeted consultant costs for completing all tasks except public outreach. Following the establishment of the budget, DWR entered into a \$1.6 million contract with Alameda County Flood Control and Water

Conservation District Zone 7 (Zone 7) to cover its share of consultant costs for December 2006 through June 2008. The scope of work in the contract included engaging the services of a BDCP consultant, the preparation of the BDCP, and the services of Zone 7 to manage the contract with the BDCP consultant. However, the parties subsequently discovered that the \$1.6 million budgeted over the 19-month term of the contract was insufficient to allow the consultant to successfully complete the BDCP. The parties first amended the contract in June 2008 to add an additional year, extending the term through June 30, 2009. In the spring of 2009, the parties agreed to amend the contract a second time, increasing the contract by \$3.5 million and the term by another two years, thus extending the contract through June 30, 2011. The parties amended the contract a third time in March 2010 to increase the contract by another \$2.6 million. These three amendments collectively increased the cost of this contract from \$1.6 million to \$7.7 million, nearly five times the original amount, and they extended its term by three years. In addition, DWR has so far spent roughly \$260 million to evaluate and plan for the possible construction of alternative conveyance facilities and habitat restoration projects, including those that constitute the BDCP and, subsequently, WaterFix. In March 2009 DWR estimated the initial budget for these activities to be \$140 million.

### **Report**

**2016-132** *Department of Water Resources: The Unexpected Complexity of the California WaterFix Project Has Resulted in Significant Cost Increases and Delays* (October 2017)

# Correctional Officer Health and Safety

## Allow Correctional Facilities Discretion in Testing Gassing Substances for Bodily Fluids

### Recommendation

To shorten the time to submit cases of gassing attacks for prosecution, the Legislature should modify state law to provide California's 35 state prisons and the 58 counties' local detention facilities (correctional facilities) the discretion to omit testing the gassing substance for the presence of a bodily fluid when the correctional facility, in consultation with its district attorney, finds that such testing is unnecessary to obtain sufficient evidence of a crime.

**Status:** Not implemented. (Note: Report issued in September 2018)

### Background

Officers and staff members who work in California's correctional facilities face threats to their health and safety, including being subject to a type of assault in which an inmate throws bodily fluids at them—commonly known as a gassing attack. A gassing attack can have serious potential health implications for the victim, including the potential transmission of communicable diseases from the bodily fluids that the inmate used. Further, the transmission of communicable diseases can threaten not only the health of victims of gassing attacks but also the health of the victims' family members, who may become unknowingly infected. To address these risks, state law requires that correctional facilities provide information to employees who are exposed to communicable diseases in the course of performing their job duties. For example, when any employee has had direct contact with the bodily fluids of an inmate, state law requires that the correctional facilities' supervisory and medical personnel notify the employee if the inmate has a communicable disease. Also under state law, victims of gassing attacks have the right to request that the inmates who attacked them be tested for a communicable disease. Test results can confirm in less than a week whether the inmate involved in the attack has an existing communicable disease, so testing the inmate can provide the victim with timely information about the risk of exposure.

State law further requires that correctional facilities use all means necessary to investigate possible gassing attacks and to refer cases for which there is probable cause to believe that a gassing attack occurred to the local county district attorney for prosecution. To prove that an inmate used bodily fluids in the attack, state law also requires correctional facilities to preserve and test the substance that struck the victim in order to confirm the presence of bodily fluids. However, the correctional facilities we reviewed have not consistently met their responsibility to ensure that their officers gather sufficient evidence for district attorneys to prosecute gassing attacks. In fact, none of the three correctional facilities we reviewed regularly collected physical evidence, such as the gassing substance or the container used to throw the substance.

### Report

**2018-106** *Correctional Officer Health and Safety: Some State and County Correctional Facilities Could Better Protect Their Officers From the Health Risks of Certain Inmate Attacks* (September 2018)

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## Hate Crimes in California

### Require Justice to Add Region-Specific Fields to Hate Crime Data, Create and Disseminate Outreach Materials, and Analyze Reported Hate Crimes and Advise Law Enforcement Agencies of Trends

#### Recommendation

To address the increase in hate crimes reported in California, the Legislature should require Justice to do the following:

- Add region-specific data fields to the hate crime database, including items such as the zip code in which the reported hate crimes took place and other fields that Justice determines will support its outreach efforts.
- Create and disseminate outreach materials so law enforcement agencies can better engage with their communities.
- Analyze reported hate crimes in various regions in the State and send advisory notices to law enforcement agencies when it detects hate crimes happening across multiple jurisdictions.

**Status:** Not implemented.

#### Background

Reported hate crimes in the State increased by more than 20 percent from 2014 to 2016, from 758 to 931. Nonetheless, law enforcement has not taken adequate action to identify, report, and respond to these crimes. State law defines hate crimes as criminal acts committed, in whole or in part, based on certain actual or perceived characteristics of the victim, referred to as protected characteristics. These protected characteristics are disability, gender, nationality, race or ethnicity, religion, sexual orientation, and association with a person or group with one or more of those actual or perceived characteristics.

Of the four law enforcement agencies we reviewed, three failed to properly identify some hate crimes in the cases we reviewed. Because they failed to correctly identify these hate crimes, these three agencies did not report them as such to Justice, thereby leading Justice to underreport to the federal government and the public the number of hate crimes in California. We also identified underreporting of hate crimes by law enforcement agencies. Justice requires law enforcement agencies, such as the California Highway Patrol, sheriff's departments, police departments, and certain school district and college police departments, to submit information on all hate crimes occurring in their jurisdictions on a monthly basis. Justice then transmits these data to the Federal Bureau of Investigation (FBI) and creates an annual report for the Legislature and the public. However, we found that the four law enforcement agencies we reviewed failed to report 97 hate crimes, or about 14 percent of all hate crimes they identified, to Justice.

Although Justice's guidance requires law enforcement agencies to submit hate crime information on a monthly basis, it has made no recent effort to ensure that all law enforcement agencies comply with this requirement. When we asked Justice to provide us with a list of agencies that it requires to report information to its hate crimes database, we found that it did not maintain a complete or accurate listing of all law enforcement agencies in the State. Specifically, a number of law enforcement agencies were not present on the list, and much of the contact information on the list was incorrect. Moreover, Justice does not verify that all law enforcement agencies it requires to report do so, nor does it review the data that the agencies submit to ensure its accuracy. Justice's lack of proactive guidance and oversight of law enforcement agencies is contributing to the underreporting of hate crime information that it provides to the public, the Legislature, and the FBI.

Justice is uniquely positioned to provide leadership for law enforcement's response to the growing number of hate crimes in California because of its statutory responsibilities to collect, analyze, and report on hate crimes. Our survey of law enforcement agencies found that they appear receptive to Justice providing additional training, outreach materials, and other types of assistance. However, to use its resources in this manner, Justice may need a clear statutory mandate. Further, to provide law enforcement agencies with additional guidance, Justice will need to revise the way it collects hate crime data. For example, Justice could use its hate crime data to provide targeted outreach and assistance to individual law enforcement agencies that may be experiencing increases in hate crimes. However, Justice's current hate crime reporting process does not capture the geographic location where each hate crime occurred; rather, it identifies only which law enforcement agency reported the hate crime. Capturing data like the geographic locations of crimes is critical to Justice's ability to provide guidance to law enforcement agencies and provide accurate information to the Legislature and the public.

## Report

**2017-131** *Hate Crimes in California: Law Enforcement Has Not Adequately Identified, Reported, or Responded to Hate Crimes* (May 2018)

# Concealed Carry Weapon Licenses

## Clarify That Licensing Authorities Can Increase Fees for Applications, Renewals, and Modifications Under Specified Conditions

### Recommendation

The Legislature should amend state law to clarify that licensing authorities —sheriffs' and police departments—can increase fees for concealed carry weapon (CCW) applications, renewals, and modifications above \$100, \$25, and \$10, the respective maximum amounts specified in state law, provided that the fee for an initial application does not exceed the authorities' actual costs and that the rate of increase for any of the fees does not exceed that of the California Consumer Price Index (CCPI).

**Status:** Not implemented.

### Background

State law outlines four broad criteria that an individual must meet to be issued a CCW license. Specifically, state law allows licensing authorities to issue a CCW license upon proof that the applicant is of good moral character, has good cause for the license, is a resident of the licensing authority's jurisdiction, and has completed firearms training. Although state law establishes these four criteria, it provides broad discretion to the licensing authority to determine whether an applicant has met the requirements. Under this discretion, each of the entities we reviewed as part of this audit—the Los Angeles County Sheriff's Department, Sacramento County Sheriff's Department (Sacramento), and San Diego County Sheriff's Department—established its own requirements for how applicants can satisfy the four criteria.

Additionally, licensing authorities vary in their interpretation of the state law that limits the maximum processing fee for initial and renewal applications and amendments to CCW licenses, leading to differences in the fees they charge. State law sets the maximum fee for initial CCW application licenses at up to \$100 of actual costs to process the application. In addition, state law allows licensing authorities to charge up to \$25 for renewal applications and \$10 for license amendments, such as a change of address on the license. Furthermore, separate sections of state law allow licensing authorities to increase all three of these fees at a rate not to exceed the CCPI.

However, the Sacramento sheriff believes that state law does not allow his department to charge more than \$100 for an initial license. We disagree with this interpretation, and we calculated that the maximum allowable fee as of 2017 would be about \$156 for an initial license. If Sacramento had charged the maximum allowable fee during the three-year period we reviewed, it would have reduced its program's annual deficits by more than half. Because of licensing authorities' differing interpretations of state law governing fees for CCW licenses and the potential benefit that clarifying the law could have, we believe that the Legislature should amend state law.

### Report

**2017-101** *Concealed Carry Weapon Licenses: Sheriffs Have Implemented Their Local Programs Inconsistently and Sometimes Inadequately* (December 2017)

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# California Department of Corrections and Rehabilitation Suicide Prevention and Response

## Require Corrections to Report to the Legislature Annually on Suicide Prevention and Response Efforts

### Recommendation

To provide additional accountability for the California Department of Corrections and Rehabilitation's (Corrections) efforts to respond to and prevent inmate suicides and attempted suicides, the Legislature should require that Corrections report to it in April 2018 and annually thereafter on the following issues:

- Its progress toward meeting its goals related to the completion of suicide risk evaluations in a sufficient manner.
- Its progress toward meeting its goals related to the completion of 72-hour treatment plans in a sufficient manner.
- The status of its efforts to ensure that all mental health staff receive required training and mentoring related to suicide prevention and response.
- The status of its efforts to fill vacancies in its mental health treatment programs, especially its efforts to hire and retain psychiatrists.
- Its progress in implementing the recommendations made by the special master's experts, the court-appointed suicide expert, and its own reviewers regarding inmate suicides and attempts and Corrections should include in its report to the Legislature the results of any audits it conducts as part of its planned audit process to measure the success of changes it implements as a result of these recommendations.
- Its progress in identifying and implementing mental health programs that may ameliorate risk factors associated with suicides at the prisons.

**Status:** Partially Implemented. Senate Bill 960 (Chapter 782, Statutes of 2018) requires Corrections to submit a report to the Legislature on or before October 1 of each year on its efforts to respond to and prevent suicides and attempted suicides among inmates, including, among other things, describing Correction's progress in identifying and implementing initiatives designed to reduce risk factors associated with suicides among inmates. The report is required to be posted on Correction's website. This statute does not address our recommendation that the report include the status of Corrections' efforts to fill vacancies in its mental health treatment programs.

## Background

Despite the fact that the rates of inmate suicide in California's prisons has been higher on average than those of all U.S. state prisons for several years, Corrections has failed to provide the leadership and oversight necessary to ensure that its prisons follow its policies related to inmate suicide prevention and response. Corrections is responsible for providing mental health services to its inmates who are unable to function within the usual correctional environment because of mental illness. However, from 2005 through 2013, the average suicide rate in Corrections' prisons was 22 per 100,000 inmates—substantially higher than the average rate of 15.66 per 100,000 in U.S. state prisons during the same period. Further, in recent years, the rates of female inmates who committed suicide while in Corrections' prisons have soared: from 2014 through 2016, female inmates made up only about 4 percent of Corrections' total inmate population, yet they accounted for about 11 percent of its inmate suicides. These statistics, combined with the significant deficiencies we identified when we reviewed suicide prevention and response practices at four prisons, raise questions regarding Corrections' leadership on this critical issue.

We found significant weaknesses in compliance with suicide prevention and response policies when we reviewed 40 files on inmates who committed or attempted suicide at four prisons—California Institution for Women; California State Prison, Sacramento; Central California Women's Facility; and Richard J. Donovan Correctional Facility. The audit found that prisons failed to complete or completed inadequate risk evaluations for many of those inmates who required them, prisons did not complete or created inadequate treatment plans for some inmates—plans did not always specify medication dosage and frequency, treatment methods, provider information, or follow-up upon discharge, and prisons did not properly monitor inmates who were at risk of committing suicide. In addition, we found that some staff members at the prisons we visited had not completed required trainings related to suicide prevention and response. Although Corrections has known about many of the issues related to suicide prevention and response policies and practices that we found for a number of years, it has not fully implemented processes to address the issues that have been raised.

## Report

**2016-131** *California Department of Corrections and Rehabilitation: It Must Increase Its Efforts to Prevent and Respond to Inmate Suicides* (August 2017)

## Penalty Assessment Funds

### Reconsider the Penalty and Fee Structure, Determine Whether to Adjust or Eliminate Penalties and Fees, and Consider Revising State Law to Redirect Penalty Revenue to the State Penalty Fund

#### Recommendations

1. To ensure consistent funding streams for state and county programs, the Legislature should consider whether, and to what extent, to fund the programs that currently receive penalty and fee revenue from criminal and traffic violations. The Legislature could adjust or eliminate individual penalties and fees by considering the following factors identified in our report:

- Revenue trends and the reliability of penalties and fees as funding sources.
- The significant financial impact of penalties and fees on low-income individuals.
- How well aligned the uses of penalty and fee revenues are with the offenses that give rise to the penalty or fee.
- The seemingly arbitrary amount of the penalty or fee.

To accomplish this, over the next two-year period the Legislature should review the penalties and fees and the programs that receive the penalty and fee revenue to determine the programs' needs. If the Legislature determines that a particular penalty or fee is not appropriate for generating revenue for a particular program, it should consider requiring the affected department to identify other funding sources or reduce the program's scope of services.

**Status:** Not implemented.

2. The Legislature should consider revising state law to redirect all or part of the penalty revenue to the State Penalty Fund and using the budget process to allocate funds to align with legislative priorities.

**Status:** Not implemented.

#### Background

California's current approach to funding state and county programs through penalties and fees from criminal and traffic violations has proven problematic both for the programs that rely on those funds and for drivers who receive costly citations. The State and the county entities we reviewed spent the money for allowable purposes; however, the State's approach lacks a systematic strategy. Specifically, penalties and fees intended to help pay for various programs were added to state law in a piecemeal fashion over time, and the resulting revenue has been inconsistent. These penalties and fees also create a financial burden for drivers, particularly low-income individuals who may miss payments and thus may face additional fines.

In addition, many of the penalties are paying for programs that are not directly connected to the offense. While an individual cited for an offense, such as failing to stop at a stop sign, will pay some penalties that support court-related programs, he or she will also pay other penalties that fund emergency medical air transportation and DNA identification services, neither of which is related to the failure to stop except in very specific circumstances.

To address the problematic nature of the current approach, the Legislature would need to consider these issues and make public policy decisions about how, and to what extent, to fund the programs that currently receive penalty and fee revenue from criminal and traffic violations. The Legislature should reconsider the entire penalty and fee structure (criminal and traffic), decide whether to adjust or eliminate penalty and fee amounts, and whether to distribute the resulting revenue differently.

### **Report**

**2017-126** *Penalty Assessment Funds: California's Traffic Penalties and Fees Provide Inconsistent Funding for State and County Programs and Have a Significant Financial Impact on Drivers* (April 2018)

## Bradley-Burns Tax and Local Transportation Funds

### Allocate Internet Sales Revenue Based on Destination of Sold Goods; Regularly Review and Evaluate Tax Expenditures; Specify In Statute That Digital Goods Are Taxable

#### Recommendations

1. To ensure that the Bradley-Burns Uniform Local Sales and Use Tax Law (Bradley-Burns tax) revenue is more evenly distributed and remove the incentive for local jurisdictions to vie for commercial development as a means to increase their tax revenue, the Legislature should amend the Bradley-Burns tax to allocate revenues from Internet sales based on the destination of sold goods rather than their place of sale.

**Status:** Not implemented.

**Note:** Senate Constitutional Amendment 20 proposed that, on and after January 1, 2020, for the purpose of distributing the revenues derived under a sales tax imposed pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, the retail sale of tangible personal property by a qualified retailer that is transacted online is instead consummated at the point of the delivery of that tangible personal property to the purchaser's address or to any other delivery address designated by the purchaser. This proposal was held in the Senate Appropriations Committee.

2. To increase budgetary control and ensure that it has the information necessary to make decisions that reflect the State's best interests, the Legislature should regularly review and evaluate tax expenditures, including exemptions and exclusions to the Bradley-Burns tax and general sales and use taxes, by:

- Performing annual reviews of existing tax expenditures and eliminating those that no longer serve their intended purpose.
- Reviewing tax expenditures that have no stated legislative purpose and either adding clarifying language to those statutes or eliminating them.
- Requiring the Franchise Tax Board and the Department of Finance to include in their annual reports on tax expenditures the estimated costs of those expenditures before implementation compared to actual forgone revenues to date.

**Status:** Not implemented.

3. To increase the tax bases for the general sales and use taxes and the Bradley-Burns tax, the Legislature should amend state law to specify that digital goods are taxable.

**Status:** Not implemented.

## Background

Since 1956 the Bradley-Burns tax has imposed a tax on the retail sale of merchandise or goods within the State. The State collects the Bradley-Burns tax on behalf of cities and counties, and distributes the revenue to those local governments. The statewide rate is 1.25 percent; the State allocates 1 percent of the 1.25 percent tax to counties or incorporated cities to use at their discretion, and the other 0.25 percent to counties to support transit programs. Since 1972 the 0.25 percent has been distributed to local transportation funds (LTFs) in each county. Counties use these LTFs to operate their local transportation programs.

Our review of the Bradley-Burns Tax and LTFs revealed some counties may benefit disproportionately from the Bradley-Burns tax because of the way state law currently directs the allocation of the funds. Retailers generally allocate Bradley-Burns tax revenue based on the *place of sale*, which they identify according to their business structure. While the allocation of the tax from traditional brick-and-mortar retail sales is relatively straightforward, when retailers ship goods to customers across state, county, or city borders—as is the case with most e-commerce sales—allocation becomes more complicated. Retailers that make sales over the Internet may identify the place of sale as one of their warehouses or sales offices rather than the destination to which they ship the goods.

Further, the State could also potentially increase its revenue—including LTF funding—by routinely reviewing *tax expenditures*, which are tax exclusions, tax exemptions, preferential tax rates, tax credits, and other tax provisions that reduce the amount of tax revenue the State collects.

Tax expenditures lessen the amount of available state revenue in much the same way as direct spending does. According to the Center on Budget and Policy Priorities, most tax expenditures are written into statute and continue indefinitely unless repealed. Nonetheless, neither the Legislature, Tax Administration, nor any other state entity currently reviews the costs and benefits of tax expenditures to ensure that they are in the State's continued best interest. By not routinely reviewing exemptions, exclusions, and other tax expenditures, the Legislature has missed an opportunity to exert budgetary control over a significant portion of the State's potential spending.

Finally, taxing digital goods—such as e-books, downloadable software, and online products—could lead to significant increases in the amount of Bradley-Burns tax the State collects.

## Report

**2017-106** *Bradley-Burns Tax and Local Transportation Funds: Changing the Allocation Structure for the Bradley-Burns Tax Would Result in a More Equitable Distribution of Local Transportation Funding* (November 2017)

# Toll Bridge Seismic Retrofit Program

## Require All Publicly Funded Major Transportation Infrastructure Projects to Have Oversight Committees with Specified Duties and Risk Management Plans

### Recommendations

1. To ensure that large transportation infrastructure projects throughout the State benefit from appropriate oversight, the Legislature should require that all publicly funded major transportation infrastructure construction projects estimated to cost \$500 million or more, have oversight committees subject to open meeting laws. When practical, each oversight committee should include individuals from at least three major agencies involved in the project, with roles that reflect financial interests as well as project execution and oversight. Further, when possible, each committee should include at least five members to support its ability to conduct day-to-day business without violating open meeting law requirements. The oversight committees should act as the authorities for critical decisions and have sufficient staff to support their decision-making roles.

**Status:** Not implemented. (Note: Report issued in August 2018)

2. To ensure that oversight committees perform their duties in a manner commensurate with the demands of large transportation infrastructure projects, the Legislature should require that the oversight committees have duties similar to those of the Toll Bridge Program Oversight Committee (Oversight Committee), including the following:

- Providing project direction.
- Reviewing project status, costs, schedules, and staffing levels.
- Resolving project issues and evaluating project changes.
- Developing and regularly updating cost estimates, risk assessments, and cash-flow requirements.

**Status:** Not implemented. (Note: Report issued in August 2018)

3. To ensure that oversight committees effectively address both the fiscal and project management elements of large transportation infrastructure projects, the Legislature should require consolidated reporting at least annually detailing cost savings, cost overruns, and updates on project completion.

**Status:** Not implemented. (Note: Report issued in August 2018)

4. To ensure that oversight committees and the agencies involved in large transportation infrastructure projects engage in sufficient and appropriate risk management, the Legislature should require all publicly funded transportation infrastructure projects with a total estimated cost of \$500 million or more to develop risk management plans that use both qualitative and quantitative risk analyses throughout the course of the projects.

**Status:** Not implemented. (Note: Report issued in August 2018)

## Background

The Toll Bridge Seismic Retrofit Program (seismic program), and particularly the work completed within the program to replace a section of the San Francisco—Oakland Bay Bridge (Bay Bridge), is one of the most expensive and controversial transportation infrastructure programs in California history. It is also a valuable lesson on how a major project experienced rapid cost escalations before the implementation of robust oversight and risk management brought them under control.

By 2005 the projected costs of the seismic program had soared far beyond the initial estimates of \$2.6 billion to \$8.7 billion. In response to the seismic program's growing price tag, we recommended in a 2004 audit report that the California Department of Transportation (Caltrans) increase its risk management of the program. Following our review, the Legislature imposed certain requirements on Caltrans and the seismic program that included the establishment of the Oversight Committee, which is required to provide program management and approve significant change orders. Beginning in 2005, this legislatively mandated oversight of the seismic program successfully minimized potential delays and controlled costs.

Large-scale transportation infrastructure projects—federal law defines a major highway project as one costing over \$500 million—such as the seismic program have posed challenges for public entities in California, and we identified no state statute that generally requires all state and local sponsors of large transportation infrastructure projects to institute oversight and risk management similar to what it requires in the seismic program. With more than \$600 billion in anticipated infrastructure projects contemplated in the next several decades in just three of the State's largest metropolitan areas, a lack of mandated oversight and risk management could result in project delays and cost escalations.

## Report

**2017-104** *Toll Bridge Seismic Retrofit Program: The State Could Save Millions of Dollars Annually by Implementing Lessons Learned* (August 2018)

# Department of Motor Vehicles Disabled Person Parking Placard Program

## Amend State Law to Enable DMV to Detect and Deter Misuse of Placards and Plates

### Recommendations

1. To increase the Department of Motor Vehicles' (DMV) oversight of applications for disabled person parking placards (placards) or disabled person or disabled veteran license plates (plates), the Legislature should modify current law to require DMV to conduct at least quarterly audits of a selection of applications for disabled placards or plates and to seek the Department of Consumer Affairs' hearing arts boards' cooperation in doing so.

**Status:** Implemented. Senate Bill (SB) 611 (Hill, Chapter 485, Statutes of 2017) requires DMV to conduct a quarterly random audit of applications submitted for these plates or placards and to seek the cooperation of the Medical Board of California or the appropriate regulatory boards in conducting the audits.

2. To better align the State's disabled person parking placard program (placard program) with the needs of Californians with disabilities, the Legislature should amend state law to include podiatrists on the list of medical providers approved in state law to certify applications for disabilities related to their specialty.

**Status:** Implemented. SB 611 includes licensed podiatrists on the list of medical professionals authorized to provide disability certification.

3. To assist DMV in more accurately identifying deceased individuals with active permanent placards, the Legislature should amend state law to require DMV to use the U.S. Social Security Administration's Death Master File (master file) to inform its efforts to identify and cancel deceased individuals' placards.

**Status:** Implemented. SB 611 requires DMV to compare its record of issued placards against the master file.

4. To assist DMV in identifying deceased placard holders, the Legislature should require that all individuals with permanent placards reapply every four years.

**Status:** Implemented. SB 611 requires DMV to send a renewal form, which would not require recertification of medical disability or proof of the applicant's true full name, to each placard holder every six years.

5. To assist DMV in identifying deceased placard holders, the Legislature should require that all who apply for a placard or a plate include their full legal name and date of birth, and provide satisfactory proof of this information at the time of application.

**Status:** Implemented. SB 611 requires an applicant for a special license plate, a distinguishing placard, or a temporary distinguishing placard to provide proof of his or her true full name and date of birth at the time of application in a manner satisfactory to DMV.

6. To reduce the risk of placard misuse, the Legislature should limit to no more than two the number of replacements of permanent placards an individual may obtain during the two-year placard renewal period. The Legislature should require that those desiring replacements beyond that limit reapply and submit new certifications of disability.

**Status:** Implemented. SB 611 prohibits DMV from issuing more than four substitute placards to a placard holder in a two-year renewal period, and requires a placard holder who requires a substitute placard in excess of this limit to reapply for a new placard and submit a new certification of disability.

## Background

California grants special parking privileges to people with certain disabilities outlined in state law. These people may apply for a placard to display in their vehicle or for a special license plate. To obtain placards or plates, they must submit a two-page application to DMV that includes a description of the disability and a certification from an authorized medical provider. Both placards and plates allow these permitted individuals to park in parking spaces designated for people with disabilities, in metered spaces without paying the meter, and in time-limited spaces without having to worry about those limitations. These benefits create a significant incentive for misuse.

In reviewing the placard program, we identified several improvements DMV and the Legislature could make that would reduce fraud and misuse. For example, DMV does not sufficiently review applications for placards and plates to ensure they are legitimate. Further, DMV issues renewal placards to many thousands of placard holders who are likely deceased because its process for identifying them is limited. Also, we found that state law provides no limitations on the number of replacement placards a person may receive, and we noted that two people each received more than 20 replacement placards over three years. In addition, we found that the enforcement of placard misuse would improve if DMV established reasonable goals for the number of enforcement activities it conducts. Finally, DMV could provide parking enforcement officials better information to determine whether a placard is valid or being misused.

## Report

**2016-121** *Department of Motor Vehicles: Administrative and Statutory Changes Will Improve Its Ability to Detect and Deter Misuse of Disabled Person Parking Placards* (April 2017)

## Appendix

### Legislation Chaptered or Vetoed During Second Year of the 2017–18 Regular Legislative Session

The table below briefly describes bills that were chaptered or vetoed during the second year of the 2017–18 Regular Legislative Session and relate to a report issued by the California State Auditor (State Auditor) in the past five years. These bills either address audit recommendations or the subject matter of the bill relates to findings in a State Auditor’s report.

**Table A**  
Legislation Chaptered or Vetoed in the 2018 Regular Session

BILL NUMBER (CHAPTERED/VETOED)	REPORT (ABBREVIATED TITLE)	SUMMARY OF LEGISLATION
<b>Education</b>		
AB 1747 Ch. 806, Stats. 2018	2016-136 <i>School Violence Prevention</i> (August 2017)	Requires schoolsite councils to consult with a fire department and other first responder entities in the writing and development of the comprehensive school safety plan and to share the plan and any updates with the law enforcement agency, the fire department, and the other first responder entities. Additionally, this statute requires charter schools to adopt school safety plans that include procedures for conducting tactical responses to criminal incidents.
<b>Elections &amp; Redistricting</b>		
AB 2352 VETOED	2017-107 <i>Santa Clara County Registrar of Voters</i> (October 2017)	Would have required the Secretary of State to promulgate regulations by January 1, 2020, establishing which events in election administration constitute “reportable events” and required county elections officials to document reportable events and to submit information about these events to the Secretary of State for review and guidance, if necessary.
<b>Health &amp; Human Services</b>		
AB 1953 Ch. 383, Stats. 2018	2017-109 <i>Skilled Nursing Facilities</i> (May 2018)	Effective January 1, 2020, requires an organization that operates, conducts, owns, or maintains a skilled nursing facility (SNF) to report to the Office of Statewide Planning and Development whether the licensee, or a general partner, director, or officer of the licensee, has an ownership or control interest of 5% or more in a related party that provides any service to the SNF. Specifically, the licensee is required to disclose all services provided to the SNF, the number of individuals who provide that service at the SNF and any other information requested by the office. If goods, fees, and services collectively worth \$10,000 or more per year are to be delivered to the SNF, the disclosure must include the related party’s profit and loss statement and the Payroll-Based Journal public use data for the previous quarter for the SNF’s caregivers.
AB 2397 VETOED	2016-126 <i>Caregiver Background Check Bureau</i> (March 2017)	Would have required, rather than permitted, the California Department of Aging, the California Department of Public Health, the Department of Health Care Services (Health Care Services), the Department of Social Services (Social Services), and the Emergency Medical Services Authority to share specified information with respect to applicants, licensees, certificate holders, or individuals who have been the subject of any administrative action resulting in the denial, suspension, probation, revocation, or rescission of a license, permit, or certificate of approval.

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BILL NUMBER (CHAPTERED/VETOED)	REPORT (ABBREVIATED TITLE)	SUMMARY OF LEGISLATION
AB 2461 Ch. 300, Stats. 2018	2016-126 <i>Caregiver Background Check Bureau</i> (March 2017)	Requires the California Department of Justice (Justice) to provide subsequent state or federal arrest notification to Social Services, the Medical Board of California, and the Osteopathic Medical Board of California to assist in fulfilling employment, licensing, or the duties of approving relative caregivers upon the arrest of a person whose fingerprints are on file at Justice or the Federal Bureau of Investigation as the result of an application for licensing or employment. The statute also authorizes Justice to provide that information to any other entity authorized by state or federal law to receive state or federal summary criminal history information.
AB 3192 Ch. 658, Stats. 2018	2014-130 <i>School-Based Medi-Cal Programs</i> (August 2015)	Requires Health Care Services, in consultation with the local educational agency (LEA) Ad Hoc Workgroup, to issue and regularly maintain a program guide for the LEA Medi-Cal Billing Option program. This statute requires Health Care Services to distribute the program guide to all participating LEAs, charter schools, and community colleges by January 1, 2020, and provide specific written notice prior to adopting a revision to the program guide. Finally, this statute requires Health Care Services to conduct an audit of a Medi-Cal billing option claim consistent with, among other things, the program guide, any revisions that are in effect at the time the service was provided, and specified principles and regulations.
SB 192 Ch. 328, Stats. 2018	2017-117 <i>Mental Health Services Act Funding &amp; Oversight</i> (February 2018)	Clarifies that the amount of a prudent reserve in the Mental Health Services Act (MHSA) fund shall not exceed 33% of the average community services and support revenue received for the fund in the preceding 5 years, and requires a county to reassess the maximum amount of the prudent reserve every 5 years and to certify the reassessment as part of its 3-year program and expenditure plan required by the MHSA. Establishes the Reversion Account within the Mental Health Services Fund, and requires that unspent MHSA funds reverting from the counties, and the interest accrued on those funds, be placed in that account. Further, counties are required to submit plans to expend reallocated MHSA funds to the Mental Health Services Oversight and Accountability Commission (mental health commission), and the reallocated funds are required to revert to the State if a county has not submitted a plan for the expenditure of the reallocated funds by January 1, 2019. Finally, reallocated funds in the plan that have not been spent or encumbered by July 1, 2020, are required to be reverted to the State.
SB 688 Ch. 403, Stats. 2018	2017-117 <i>Mental Health Services Act Funding &amp; Oversight</i> (February 2018)	Requires counties to adhere to uniform accounting standards and procedures prescribed by the State Controller's Office in preparing the Annual MHSA Revenue and Expenditure Reports, with the exception of expenditures or receipts related to capital facilities and technology needs. Receipts related to capital facilities and technology needs and expenditures are required to be reported using the cash basis of accounting.
<b>Health &amp; Human Services, continued</b>		
SB 707 VETOED	2013-125 <i>Medi-Cal Dental Program</i> (December 2014)	Would have established, until January 1, 2023, the Medi-Cal Dental Advisory Group in Health Care Services for the purpose of studying the structure, policies, and priorities of the Medi-Cal dental fee-for-service program and the Medi-Cal dental managed care program with the goal of increasing dental utilization rates among eligible child beneficiaries and improving the oral health of the Medi-Cal eligible population, providing assistance and advice to Health Care Services, the Legislature, and the Governor to ensure that the Denti-Cal program is based on sound clinical evidence and scientific evidence, and studying and evaluating how the Medi-Cal dental fee-for-service and the Medi-Cal dental managed care program policies align with and support the implementation of the state oral health plan. Also would have prohibited the advisory group from taking a position on legislation, required the advisory group to report any of its findings to the Legislature, at least annually, and required Health Care Services to post those findings on its website.
SB 850 Ch. 48, Stats. 2018	2017-112 <i>Los Angeles Homeless Services Authority</i> (April 2018)	In part, requires the Business, Consumer Services, and Housing Agency to staff the Homeless Coordinating and Financing Council (state homeless council) rather than the Department of Housing and Community Development, and provides for an Executive Director under the direction of the housing agency. Establishes the Homeless Emergency Aid program for the purpose of providing localities with one-time flexible block grant funds to address their immediate homelessness challenges, and requires the housing agency to administer the program in consultation with the state homeless council.

BILL NUMBER (CHAPTERED/VETOED)	REPORT (ABBREVIATED TITLE)	SUMMARY OF LEGISLATION
<b>SB 918</b> Ch. 941, Stats. 2018	2017-112 <i>Los Angeles Homeless Services Authority</i> (April 2018)	Requires the Homeless Coordinating and Financing Council (state homeless council) to assume additional responsibilities, including setting specific, measurable goals aimed at preventing and ending homelessness among youth in the state and defining outcome measures and gathering data related to those goals. Also requires the state homeless council, in order to coordinate a spectrum of funding, policy, and practice efforts related to young people experiencing homelessness, to coordinate with certain stakeholders and, to the extent that funding is made available, provide technical assistance and program development support.
<b>SB 1004</b> Ch. 843, Stats. 2018	2017-117 <i>Mental Health Services Act Funding &amp; Oversight</i> (February 2018)	Requires the mental health commission, on or before January 1, 2020, to establish priorities for the use of prevention and early intervention funds and to develop a statewide strategy for monitoring implementation of prevention and early intervention services, including enhancing public understanding of prevention and early intervention and creating metrics for assessing the effectiveness of how prevention and early intervention funds are used and the outcomes that are achieved. Requires the mental health commission to establish a strategy for technical assistance, support, and evaluation to support the successful implementation of the objectives, metrics, data collection, and reporting strategy. Amends the MHSa by requiring the portion of the funds in the county plan relating to prevention and early intervention to focus on the priorities established by the mental health commission.
<b>Higher Education</b>		
<b>AB 1231</b> VETOED	2016-122 <i>California State University Management and Executive Compensation</i> (April 2017)	Would have required, after completion of the first year in a position and after completion of each subsequent year thereafter, each support staff employee of the California State University to receive a merit salary intermediate step adjustment of 5 percent when he or she meets the standards for satisfactory performance of the position, as determined by the employee's appropriate administrator. Would have provided that, if a provision of the bill is in conflict with a provision of a memorandum of understanding, but is not in conflict with a provision of a collective bargaining agreement, the provision of the memorandum of understanding would prevail. Would have provided that, if a provision of the bill is in conflict with a provision of a collective bargaining agreement, or a provision of a collective bargaining agreement and a provision of a memorandum of understanding, the provision of the collective bargaining agreement would prevail.
<b>AB 1809</b> Ch. 33, Stats. 2018	2016-130 <i>University of California Office of the President</i> (March 2017)	In part, requests the University of California (UC), by April 1 of each year, to report to the Legislature on the system wide and presidential initiatives of the university, including a description of each initiative and a justification for the initiative that explains how it furthers the mission of the university, and the total expenditures and revenue sources for each initiative.
<b>Insurance</b>		
<b>AB 1697</b> VETOED	2017-103 <i>Workers' Compensation Insurance Fraud</i> (December 2017)	Would have provided statutory authorization for an analytics unit in the Department of Industrial Relations Division of Workers' Compensation (division) to use data to identify potentially fraudulent activity in the workers' compensation system. Would have also: 1) directed the unit to coordinate the division's anti-fraud efforts, including interactions with other governmental agencies; 2) operate as a repository and clearinghouse for data to be used to combat fraud; 3) required the unit to develop and implement by July 1, 2019, data analytics processes to identify the sources of previously unknown fraud and the magnitude of known or suspected fraud, as specified; and, 4) report to the Legislature, not less frequently than every three years, on the effectiveness of its data analytics efforts and to revise the data analytics processes if it identifies improved methods of detecting fraud. Finally, would have required state entities to submit the data to the unit for analysis, as specified.
<b>AB 2046</b> Ch. 709, Stats. 2018	2017-103 <i>Workers' Compensation Insurance Fraud</i> (December 2017)	Requires an authorized government agency that is provided information relating to a workers' compensation insurance fraud investigation to release or provide that information, upon request, to any other authorized governmental agency unless that disclosure would violate federal law or otherwise compromise an investigation. Requires an authorized governmental agency that seeks to disclose information received from the Employment Development Department (EDD) to any other governmental agency that is not authorized to receive that information to obtain EDD approval prior to disclosure.

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BILL NUMBER (CHAPTERED/VETOED)	REPORT (ABBREVIATED TITLE)	SUMMARY OF LEGISLATION
<b>Natural Resources</b>		
<b>AB 1912</b> Ch. 909, Stats. 2018	2017-113 <i>South Orange County Wastewater Authority</i> (March 2018)	In part, specifies that member agencies of a joint powers authority (JPA) that participates in or contracts with a public retirement system, are required to mutually agree to the apportionment of the JPA's retirement obligations among themselves prior dissolution of the JPA, provided that the agreement equals 100 percent of the JPA's retirement liability. If the member agencies can't mutually agree to the apportionment, the JPA board is required to apportion the retirement liability to each member agency based on the share of service received from JPA, or the population of each member agency, and establish procedures allowing a member agency to challenge the board's determination through the arbitration process. If a judgment is rendered against an agency or a party to the agreement for a breach of its obligations to the retirement system, the time within which a claim for injury may be presented or an action commenced against the other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered. These provisions apply retroactively to a current or former member agency that has an agreement with the board on or before January 1, 2019, and to new agreements with the board on or after that date.
<b>AB 2543</b> Ch. 918, Stats. 2018	2016-132 <i>California WaterFix Project</i> (October 2017)	Requires each state agency or department authorized to undertake any infrastructure project costing \$100 million or more to publicly post on its website any change in the cost or schedule of the project that would result in the project exceeding its established budget by 10 percent or more or being delayed by 12 months or longer. The posted information must describe how much the project is expected to exceed its established budget or delay its construction schedule.
<b>Public Safety</b>		
<b>AB 3118</b> Ch. 950, Stats. 2018	2014-109 <i>Rape Kit Backlogs</i> (October 2014)	Requires all law enforcement agencies, medical facilities, crime laboratories, and any other facilities that receive, maintain, store, or preserve sexual assault evidence kits to conduct an audit of all untested sexual assault evidence kits in their possession and report certain data to Justice by no later than July 1, 2019. Justice is required to prepare and submit a report to the Legislature regarding the results of these audits by no later than July 1, 2020.
<b>SB 960</b> Ch. 782, Stats. 2018	2016-131 <i>Department of Corrections and Rehabilitation Inmate Suicide Prevention and Response</i> (August 2017)	Requires the Department of Corrections and Rehabilitation (Corrections) to submit a report to the Legislature on or before October 1 of each year on its efforts to respond to and prevent suicides and attempted suicides among inmates, including, among other things, describing Correction's progress in identifying and implementing initiatives designed to reduce risk factors associated with suicides among inmates. The report is required to be posted on Correction's website.
<b>Utilities and Commerce</b>		
<b>SB 1410</b> Ch. 361, Stats. 2018	2013-109 <i>California Public Utilities Commission Balancing Accounts</i> (March 2014)	Requires the California Public Utilities Commission (CPUC) to inspect and audit the books and records of CPUC-regulated utilities serving over 10,000 customers at least once every three years or in accordance with the general rate case cycle, if that cycle provides for a rate case no less frequently than once every five years, and at least once every five years for utilities serving 10,000 or fewer customers.

BILL NUMBER (CHAPTERED/VETOED)	REPORT (ABBREVIATED TITLE)	SUMMARY OF LEGISLATION
<b>Veterans Affairs</b>		
<b>AB 2762</b> Ch. 654, Stats. 2018	2013-115 <i>Disabled Veteran Business Enterprise Program</i> (February 2014)	Increases the small business preference in construction, the procurement of goods, or the delivery of services from 5% to 7%. Establishes preferences in specified counties for disabled veteran businesses and social enterprises until January 1, 2024, provides for the preference to be a maximum of 7% for an individual preference and up to 15% for a single bid having two or more preferences. Limits the value of a preference to a maximum of \$150,000 for an individual preference and \$200,000 for a single bid having two or more preferences under these provisions. Authorizes a prime contractor, with the approval of the local agency and subject to meeting specified conditions, to substitute another subcontractor for the purpose of meeting specified goals. Requires the policy under which a prime contractor may substitute a subcontractor to contain, among other things, a requirement that construction subcontractors awarded construction subcontracts be afforded all the protections of the Subletting and Subcontracting Fair Practices Act and a requirement that the condition qualifying the substitution be verified with the subcontractor. Further requires each local agency within specified counties that chooses to grant a preference under these provisions to define a small business, disabled veteran business, and social enterprise to define their eligibility for the purposes of these preferences and goals, and to establish a certification process for social enterprises using specified criteria. Finally, authorizes each local agency to define a disabled veteran business and social enterprise and to define their eligibility for the purposes of these preferences and goals.