

# CALIFORNIA STATE AUDITOR

Bureau of State Audits

## Data Reliability

State Agencies' Computer-Generated Data Varied in  
Their Completeness and Accuracy



October 2012 Report 2012-401

SPECIAL REPORT

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# CALIFORNIA STATE AUDITOR

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October 25, 2012

2012-401

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This letter report presents a summary of the results of the California State Auditor's (state auditor) assessments of the reliability of data in a wide variety of databases used by the state auditor for the purposes of its audits. The U.S. Government Accountability Office (GAO), whose standards we follow, requires us to assess and report on the reliability of computer-processed information that we use to support our audit findings, conclusions, and recommendations. *Data reliability* refers to the accuracy and completeness of the data, given our intended purposes for the data's use. The State uses these data in many ways, which include reporting on its programs, processing payroll and personnel transactions, and managing state licensing. Although we disclosed these data reliability assessments in 20 audit reports that we issued during 2010 and 2011, this report is intended to call attention both to areas of concern, where important data are not always reliable, and to instances in which information has been reliable.

Many systems had reliable data for our purposes, but some important systems did not. During the 20 audits covered by this report, we assessed the reliability of specific data in 53 instances. For 13 assessments, we concluded that the data were reliable and that the likelihood of significant errors or incompleteness is minimal and using the data would not lead to an incorrect or unintentioned conclusion. We found, for example, that the California Department of Corrections and Rehabilitation's payroll data maintained by the State Controller's Office was reliable, allowing us to present information related to employee overtime.

However, for 14 assessments, we reported the data were not sufficiently reliable, meaning that using the data would probably lead to an incorrect or unintentioned conclusion and that key data fields have significant errors or are incomplete, given the audit topics and intended uses of the data. For instance, we found significant errors in the accuracy of the data in the Department of Mental Health's (Mental Health) Sex Offender Commitment Program Support System (Mental Health's database), which Mental Health uses to track information related to each inmate the Sex Offender Commitment Program evaluates to determine if the inmate meets the sexually violent predator criteria. Specifically, we found that in our random sample of 29 records Mental Health's database contained an unacceptably high number of errors in six key fields.

For 26 assessments, circumstances prevented us from concluding one way or the other as to the reliability of the data. In many cases, our conclusion that data were of undetermined reliability arose from our decision to limit testing due to the prohibitively high cost to fully test a database when source documents were housed at numerous locations throughout the State. For instance, we did not conduct accuracy or completeness testing for

the Department of Health Care Services' California Medicaid Management Information System because the source documents required for this testing are stored at medical providers' offices located throughout the State, making such testing cost-prohibitive.

The table on pages 8 through 11 summarizes selected information from the pages referenced in the Appendix. The data reliability assessment relates to the purpose for which we tested the system's data during the audit, as described in the Appendix. The agency's use of the system's data usually, but not always, is similar to our use of the system's data.

## Introduction

Information technology (IT) systems are increasingly important for efficient and effective business practices. The State has an ongoing need for its IT systems to keep pace with technological changes and to develop and use systems and databases where they have not existed in the past. Equally important, however, is state agencies' day-to-day use of existing IT systems for purposes that can have significant impacts on the State's operations, such as reporting on programs, processing payroll and personnel transactions, tracking and monitoring licensees, disbursing funds, and reaching program decisions. In October 2008 and in August 2010 we issued reports that addressed the reliability of the data from systems we tested as part of audits issued in 2006 through 2009. The reliability of the data from systems tested during audits issued in 2010 and 2011 is the subject of this report.

The U.S. Government Accountability Office (GAO), whose standards we follow, requires us to assess and report on the reliability of computer-processed information that we use to support our audit findings, conclusions, and recommendations. *Data reliability* refers to the accuracy and completeness of the data, given the intended purposes for their use. The GAO defines the three possible assessments we can make—*sufficiently reliable data*, *not sufficiently reliable data*, and *data of undetermined reliability*. (See the text box for definitions.) In assessing data reliability, we take several factors into consideration, including the degree of risk involved in the use of the data and the strength of corroborating evidence. A single database may have different assessments because information that we use for one purpose is accurate and complete, whereas data fields needed for a separate purpose are not.

### Definitions Used in Data Reliability Assessments

**Sufficiently Reliable Data**—Based on audit work, an auditor can conclude that the likelihood of significant errors or incompleteness is minimal and that using the data would not lead to an incorrect or unintentional message given the research question and intended use of the data.

**Not Sufficiently Reliable Data**—Based on audit work, an auditor can conclude that results indicate significant errors or incompleteness in some or all the key data elements, and that using the data would probably lead to an incorrect or unintentional message, given the research question and the intended use of the data.

**Data of Undetermined Reliability**—Based on audit work, an auditor can conclude that use of the data may or may not lead to an incorrect or unintentional message, given the research question and intended use of the data.

We may employ various procedures for determining the reliability of computer-processed data we report and use to reach audit conclusions. For example, if we want to use data to identify the costs of contracted specialty health care for inmates, we might test the California Prison Health Care Services<sup>1</sup> Contract Medical Database in the following ways:

<sup>1</sup> In January 2011 California Prison Health Care Services changed its name to California Correctional Health Care Services.

- Performing electronic testing of key fields to identify any issues with the fields which would materially affect our analysis. For example, we might verify that all records contain valid types of services.
- Verifying the accuracy of the data by selecting a random sample of inmate health care costs and agreeing the data to source documents. For example, we might verify the amounts paid in the data agree with the invoice or contract amounts for a specified service.
- Ensuring the completeness of data by selecting a sample of source documents and verifying that corresponding entries exist in the data. For example, we might haphazardly select hard copy invoices and verify they are included in the data.

In the case of the California Prison Health Care Services, we tested its Contract Medical Database for all these elements and found it to be reliable for the purposes of our audit.

To provide the appropriate perspective about information derived from computer-based systems, GAO standards require us to disclose the results of our data reliability testing and the limitations of the data we use.

## Audit Results

### Many Automated Systems Had Reliable Data for the Purposes of the Audits

In assessing data reliability for audit purposes in 53 instances, we determined that the data were reliable in 13 assessments. Therefore, for these assessments, we were able to use the data to draw conclusions and to quote the data without qualifications about the accuracy or completeness of the information. For example, we were able to use the Employment Development Department's leave accounting data maintained by the State Controller's Office's (SCO) California Leave Accounting System to identify the amount of leave used and accrued by unemployment insurance program representative staff. We also concluded that the California Department of Corrections and Rehabilitation's (Corrections) payroll data maintained by the SCO's Uniform State Payroll System were sufficiently reliable for us to report data on overtime. At the California Housing Finance Agency, we were able to identify bond issuance amounts and dates, rate types, and hedge status for our audit period because we found the data from its debt management system sufficiently reliable.

### Many Automated Systems Were Not Sufficiently Reliable for the Purposes of the Audits

For 14 data reliability assessments, we concluded that the data were not sufficiently reliable. One reason for this conclusion was that the errors caused by inaccurate data exceeded the acceptable number of errors we established for the audit data to be deemed reliable for our purposes. For instance, we found significant errors in the accuracy of the data in the Department of Mental Health's (Mental Health) Sex Offender Commitment Program Support System (Mental Health's database), which Mental Health uses to track information related to each inmate the Sex Offender Commitment Program evaluates to determine if the inmate meets the sexually violent predator criteria. Specifically, we tested a random sample of 29 records and found that Mental Health's database contained three errors in six of 21 key fields. At Corrections, our electronic testing revealed that its CalParole Tracking System (CalParole) contained a significant amount of erroneous data that prevented us from drawing conclusions using the data. For example, of the nearly 645,000 parolee employment records from CalParole that we reviewed, at least 33,000 (5 percent of all records) contained errors in the data field that is designed to identify a parolee's current employer. Additionally, the employer address fields were blank for more than 20,000 of the more than 290,000 records that appeared to contain a valid employer. Our testing of hard-copy parolee files further confirmed the limitations of CalParole employment data. We

reviewed the files of 36 parolees from 12 parole units located across the State whom CalParole listed as employed. For 31 of 36 parolees, the hard-copy files did not contain pay stubs, letters from employers, or any other reliable documents that would offer proof of employment to support the employment information recorded in CalParole.

In some circumstances we recommended that the audited agency take corrective action. For example, to improve the reliability of employment data contained in CalParole, we recommended that Corrections ensure that parole agents correctly follow procedures related to populating the data fields and maintaining CalParole. In addition, we recommended that supervisors of parole agents conduct periodic reviews of parolee files to verify whether employment fields are completed appropriately and whether employment is documented adequately. Finally, as Corrections prepares to move CalParole data into the planned Strategic Offender Management System (SOMS), which will consolidate existing databases and records to provide a fully automated system and replace manual paper processes, we recommended it modify existing employment related fields and add to SOMS new fields that are currently not available in CalParole so that Corrections can minimize the opportunity for erroneous data entries and make employment data more reliable.

### **We Were Unable to Determine the Reliability of Data for Some Audits**

For 26 data reliability assessments, we concluded that the data had undetermined reliability. For 17 of the 26 assessments for which the data were of undetermined reliability, the causes were not reasons for concern. In many cases, the determination that data were of undetermined reliability arose from our decision to limit testing due to the prohibitively high cost to fully test a database when source documents were housed at numerous locations throughout the State. In other cases, testing was not possible because the department, in accordance with its record retention policy, did not retain the source documentation.

For example, data from two Department of Health Care Services' (Health Care Services) systems were of undetermined reliability. We did not conduct accuracy or completeness testing for Health Care Services' California Medicaid Management Information System because the source documents required for this testing are stored at medical providers' offices located throughout the State, making such testing cost-prohibitive. For Health Care Services' Service Utilization Review, Guidance, and Evaluation (SURGE) computer application, we could not assess data reliability by tracing to and from supporting documents because the system is partly paperless. Alternatively, following GAO guidance, we could have reviewed selected system controls—the underlying structures and processes

of the computer where data are maintained—to determine whether data were entered reliably. However, the SURGE data was provided from a data warehouse<sup>2</sup>, rather than from production data taken directly from the SURGE database. System controls that apply to the SURGE database can be overridden in a data warehouse, so in this instance a test of system controls would not have been meaningful; therefore, we did not test these controls.

For nine of the 26 data reliability assessments where the data were of undetermined reliability, we identified concerns associated with the audited agencies' data or practices. For example, data from the Department of General Services' Division of the State Architect's (division) Tracker database was of undetermined reliability in part because the dates it records in its database for the start and end of construction can come from different and sometimes undocumented sources. For example, the division may draw on several sources for the construction end date, which may not accurately or consistently represent the actual end of construction. Because the division did not have a consistent method for identifying the date construction ended, we were unable to test the accuracy of this field.

### **The Appendix Provides Specific Information About Each of the Data Assessments That We Reported**

The Appendix to this report contains tables that summarize the results of the data reliability assessments for state-administered programs we discuss in audit reports issued in 2010 and 2011. The tables in the Appendix are preceded by brief summaries of their related reports and are organized by oversight agency, if applicable, and date order of reports issued. They indicate the agency audited and the name of the database we examined. The tables also include the following:

- Our purpose (or intended use) of testing the data, our assessment based on our intended use, the audited agency's purpose for the data, and recommendations for corrective actions, if any. Although our purpose for the data is sometimes the same as that of the agency, our purpose occasionally differs. We report the results of these assessments to inform others who may try to use the data.
- The agency's response to our recommendations, if applicable. The response date listed generally corresponds to the date noted in the annual report to legislative subcommittees about the corrective actions that the agency took to address our data reliability recommendations. We issued our most recent report to the subcommittees in March 2012. Therefore, some agencies may have taken more recent corrective actions that we do not report here.

<sup>2</sup> A data warehouse is a system that stores, retrieves, and manages large volumes of data.

Finally, the tables disclose information that provides context about the significance of the data we obtained during our audits. For example, the data from the California Department of Education's Consolidated Application Data System, which we used to determine the number of traditional and charter schools and their students eligible for free and reduced-price meals, indicated that nearly 3.3 million of the more than 6.1 million students enrolled were eligible to receive free or reduced-price meals.

The table below summarizes the 36 data reliability assessments included in the Appendix. We excluded the 17 data reliability assessments associated with systems where the data were of undetermined reliability because we chose to limit our testing. We made this choice either because it was too costly to conduct the tests or the source documents needed for testing were no longer available due to the department's retention policy. We do not consider these instances to be problematic. The table lists the agency and department associated with each database, our data reliability assessment, the agency or department's purpose for the database, and the page number for each database's data reliability assessment table in the Appendix. In some cases we performed more than one data reliability assessment of a database. If a database with multiple assessments received the same rating more than once, we list that rating only once in the summary table. For example, we found Corrections' Offender Based Information System was not sufficiently reliable in one assessment and of undetermined reliability in three other assessments; thus, in the table we list the assessment simply as "No, Undetermined" to summarize the results of the four assessments.

**Table**  
**Summary of Reliability Assessments for Audits Issued in 2010 and 2011**

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
<b>BUSINESS, TRANSPORTATION AND HOUSING</b>				
California Housing Finance Agency (CalHFA)	Debt management system	Yes	To serve as a repository for CalHFA's bond and swap information, and as a reporting and analysis tool.	16
	Mortgage reconciliation system	Yes	To reconcile the loan payments received and to serve as a source for reporting.	16
Transportation, California Department of (Caltrans)	California Transportation Improvement and Programming System	Undetermined	To provide a shared database for Caltrans District Offices, Headquarters, Regional Transportation Planning Agencies, Federal Highway Administration, and Metropolitan Planning Organizations to manage the programming and allocation of funds for the State Transportation Improvement Program, State Highway Operation and Protection Program, and local projects.	18

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
<b>CORRECTIONS AND REHABILITATION, CALIFORNIA DEPARTMENT OF</b>				
Corrections and Rehabilitation, California Department of (Corrections)	Offender Based Information System	No, Undetermined	To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge.	20 25 28 30
	Offender Based Information Tracking System	No	To record and track youth offender information such as demographics, movement within and between facilities, and the occurrence and processing of youth behavioral violations.	20
	Corrections' payroll data maintained by the State Controller's Office's (SCO) Uniform State Payroll System	Yes	To process the State's payroll and personnel transaction documents.	20
	Corrections' leave accounting data maintained by the SCO's California Leave Accounting System	Yes	To perform a variety of functions necessary to accurately track leave system eligibility, state service credits, and leave benefit activity.	21
	Corrections' authorized positions maintained by the SCO's Position Roster File for fiscal years 2004–05 through 2008–09	Yes	The Position Roster File is a file of authorized positions used by departments to track positions.	21
	CalParole Tracking System (CalParole)	No	To track parolee progress through the parole process and to update, add, or retrieve parolee information. In addition, CalParole shares parolee data through interfaces with the Department of Justice and local law enforcement agencies.	24
	Correctional Offender Management Profiling for Alternative Sanctions database	No	To assist criminal justice practitioners in the placement, supervision, and case management of offenders in community and secure settings.	30
<b>EDUCATION, CALIFORNIA DEPARTMENT OF</b>				
Education, California Department of (Education)	Consolidated Application Data System	No	To provide a process for local educational agencies to complete Education's Consolidated Application for Funding Categorical Aid Programs, which Education uses to distribute categorical funds from various state and federal programs.	32
	Child Nutrition Information and Payment System (CNIPS) database	No	To help local program sponsors administer state and federal nutrition programs. CNIPS enables sponsors to submit online reimbursements, view the status of applications and meal reimbursement claims, and access site and sponsor information across programs.	33
<b>HEALTH AND HUMAN SERVICES</b>				
Public Health, Department of (Public Health)	Electronic Licensing Management System	Undetermined	To provide Public Health's Licensing and Certification Division with an intranet application tool to manage the State's licensing of over 30 types of health care facilities.	36
	Uniform Fiscal System	Yes	To establish and track regional center authorization and billing data including vendor number, purchase authorization number, consumer identification and eligibility information, service code, service rate, claim amount, and claim date.	38
Mental Health, Department of	Sex Offender Commitment Program Support System	No	To track data related to each inmate that meets the sexually violent predator criteria and all of their referrals for civil commitment.	28

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
<b>LABOR AND WORKFORCE DEVELOPMENT</b>				
Employment Development Department (EDD)	Streamline Tracking System (streamline database)	No	To track the length of time required for EDD's training benefits program determinations. The streamline database also captures information related to the training and sponsoring program provided on a training benefits program application, the reason that an application cannot be processed, and the final processing status of a n application (completed, unprocessed, or denied).	40
	EDD's position information maintained by the SCO's Position Roster File	Yes	The Position Roster File is a file of authorized positions used by departments to track positions.	41
	EDD's leave accounting data maintained by the SCO's California Leave Accounting System	Yes	To perform a variety of functions necessary to accurately track leave system eligibility, state service credits, and leave benefit activity.	41
	EDD's payroll data maintained by the SCO's Uniform State Payroll System	Yes	To process the State's payroll and personnel transaction documents.	41
<b>STATE AND CONSUMER SERVICES</b>				
General Services, Department of	iVOS	Yes, No	To document claims information for all of its insurance programs, including the Foster Family Home and Small Family Home Insurance Fund.	44
	Tracker database	Undetermined	To manage the projects submitted by school districts. The Tracker database tracks project applications, key dates, the inspectors assigned to projects, and the types of project closure. The database also generates invoices and calculates the various fees owed to the Division of the State Architect for certain aspects of its work.	46
<b>OTHER DEPARTMENTS, JUDICIARY &amp; COMMISSIONS</b>				
California Prison Health Care Services	Contract Medical Database	Yes	To combine data from 33 institutions into a centralized database to provide real-time access to information, and to streamline the maintenance of contracts and vendor data.	21
Marin Superior Court	Beacon case management database	No, Yes	To manage civil, family law, juvenile, probate, and small claims cases and to maintain filing and disposition data about these cases in accordance with direction provided by the Administrative Office of the Courts (AOC).	48
Sacramento Superior Court	Sustain case management database	No, Undetermined	To generate calendars, minute orders, out cards, and statistics.	48
	Office of Family Court Services' database	No	To assign cases to mediators, to send notices regarding upcoming mediation appointments, to track activities performed by mediators related to cases, and to generate bills for evaluation services.	49
AOC	Oracle financial system	Undetermined	To record, process, and store AOC's financial transactions	52
	AOC's payroll data maintained by the SCO's Uniform State Payroll System	Yes	To process the State's payroll and personnel transaction documents.	52
Commission on Teacher Credentialing	Credentialing Automation System Enterprise data	No	To track teacher data, applications, documents, exams, case information, and organization information.	54

AGENCY	SYSTEM	RELIABLE FOR AUDIT PURPOSES?	AGENCY PURPOSE OF DATA	PAGE
State Lands Commission (commission)	Application Lease Information Database (ALID)	No	To store the commission's lease information, including the lessee name, lease term and type, lease location, rental amount, lease history, and bond and insurance information. The commission also uses tickler dates within ALID to remind staff when leases are eligible for a five-year rent review.	56
Justice, Department of	Sex and Arson Registry	Undetermined	To serve as the statewide repository for all sex and arson offender registration information.	58

Respectfully submitted,



ELAINE M. HOWLE, CPA  
 State Auditor

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## Appendix

The tables on the following pages detail the results of the California State Auditor’s assessments of the reliability of data discussed in audits issued during 2010 and 2011. In addition, the tables briefly summarize the main conclusions of each assessment. We excluded the 17 data reliability assessments for which we did not identify concerns but, because we chose to limit our testing, we categorized the data as of undetermined reliability.

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**CALIFORNIA HOUSING FINANCE AGENCY**  
*Most Indicators Point to Continued Solvency Despite Its Financial Difficulties Created,  
in Part, by Its Past Decisions*

Date: February 24, 2011

Report: 2010-123

**BACKGROUND**

Overseen by a 14-member board, the California Housing Finance Agency (CalHFA) uses the proceeds from the sale of bonds to fund low-interest-rate home loans for single-family and multifamily housing for low- and moderate-income persons and families. CalHFA repays the bonds that it issues with revenues generated through borrowers' repayment of mortgage loans and uses the remaining funds for its operating costs and other programs that promote affordable housing for low-income Californians. Unless a loan is otherwise insured by the federal government, CalHFA carries the risk if a borrower stops paying. With plummeting home values and high levels of unemployment, CalHFA has experienced increased delinquencies in mortgage payments from its borrowers. Although profitable for many years, CalHFA suffered losses of \$146 million and \$189 million in fiscal years 2008–09 and 2009–10, respectively. Because CalHFA is self-sustaining, its financial problems will not affect the State's General Fund.

**KEY FINDINGS**

Our review of CalHFA's financial position, including decisions and actions that contributed to its current financial condition and its future solvency, revealed the following:

- Although it will continue to face significant risks, such as its high level of variable-rate debt, CalHFA's major housing programs and its operating fund should remain solvent under most foreseeable circumstances. However, the fund that provides insurance on its mortgages will become insolvent by summer 2011.
- Past decisions by CalHFA, such as its use of variable-rate bonds and launching new mortgage products in 2005 and 2006, contributed to its current financial difficulties.
  - » One of the biggest threats to CalHFA's solvency is the amount of variable-rate bond debt it holds—as of June 30, 2010 it accounted for \$4.5 billion or 61 percent of its total bond debt.
  - » Although CalHFA's new mortgage products—a 35-year and a 40-year loan launched in 2005 and 2006—were easier for borrowers to qualify for, the delinquency rates for borrowers with these loans are presently twice as high as CalHFA's traditional mortgages.
  - » The decision to implement what turned out to be risky loan products was never brought before the board for a vote because CalHFA's board delegates these decisions to staff.
- The composition of the CalHFA board specified in statute does not appear to require certain financial expertise necessary to provide adequate guidance to CalHFA on complex financial matters.

**KEY RECOMMENDATIONS**

We recommended that the Legislature consider amending statutes regarding the composition of the CalHFA board so that appointees include individuals that have knowledge of housing finance agencies, single-family mortgage lending, bonds and related instruments, and risk management. We also recommended that CalHFA's board provide better oversight of CalHFA including writing policies for approving new debt-issuance strategies or mortgage products prior to implementation, and that it restrict staff's actions regarding debt strategies and mortgage products to those specified in its annual delegations, approved business plans, and resolutions.

**California Housing Finance Agency (2010-123, February 24, 2011)**

<b>Description of Data</b>	<b>Agency Purpose of Data</b>
An extract from the California Housing Finance Agency's (CalHFA) debt management system for the period January 1998 through June 2010.	To serve as a repository for CalHFA's bond and swap information, and as a reporting and analysis tool.  The debt management system contained information for nearly 2,200 bonds.
<b>Purpose of Testing</b>	<b>Data Reliability Determination</b>
To identify bond issuance amounts, dates, rate types, and hedge statuses.	<i>Sufficiently reliable.</i>
<b>Description of Data</b>	<b>Agency Purpose of Data</b>
An extract from CalHFA's mortgage reconciliation system for the period January 2000 through August 2010.	To reconcile the loan payments received and to serve as a source for reporting.  The mortgage reconciliation system contained information for more than 59,000 single-family mortgage loans purchased between January 1, 2000, and September 1, 2010, in the amount of nearly \$11.1 billion.
<b>Purpose of Testing</b>	<b>Data Reliability Determination</b>
To compare lending volumes and delinquency rates among CalHFA's different loan products.	<i>Sufficiently reliable.</i>

**CALIFORNIA DEPARTMENT OF TRANSPORTATION**  
***Its Capital Outlay Support Program Should Strengthen Budgeting Practices, Refine its Performance Measures,  
and Improve Internal Controls***

Date: April 28, 2011

Report: 2010-122

**BACKGROUND**

Providing support activities—engineering, design, environmental studies, right-of-way, and construction management of state highway projects—for nearly 2,500 capital outlay projects, the California Department of Transportation (Caltrans) and its 12 districts provide the funding and resources through its Capital Outlay Support Program (support program) to develop and deliver the projects to construction as well as to administer and oversee the projects once they are under construction. Support program functions for a project begin after the California Transportation Commission (commission) programs funding for a project and continue until the project is complete. Caltrans has two primary programs that provide funding for capital outlay projects: the State Transportation Improvement Program (STIP), which is a five-year plan of projects, and the State Highway Operation and Protection Program (SHOPP), which is a four-year plan. Each project receives funding through multiple budget acts, and the support program budget reflects the total for the support activities in a given year.

**KEY FINDINGS**

During our review of the performance, management, efficiency, and budget of Caltrans' support program, we noted the following:

- The capital outlay support costs for 62 percent of the projects that completed construction in fiscal years 2007–08 through 2009–10 exceeded their respective budgets—such overruns totaled more than \$305 million of the \$1.4 billion in total support costs for these projects.
  - » The average support cost overrun for STIP projects we reviewed was about \$1.5 million per project and \$329,000 for the SHOPP projects, which is more than 25 percent of their respective budgets.
  - » Caltrans has done little analysis to determine the frequency or magnitude of support cost budget overruns and has not notified stakeholders of overruns.
  - » An increase in the hourly rate for support costs was the primary cause for the cost overruns in the projects we reviewed—one project was about 14,600 hours under budget yet exceeded its budgeted cost by nearly \$6.8 million, or 83 percent.
  - » Some of the districts' project managers monitor their budgets based primarily on the hours charged and not the dollars spent, while others monitor budgets using a combination of hours and the planned versus actual project schedule.
- Although Caltrans has established a goal of reducing total support costs to 32 percent of total capital costs, it has historically failed to use a consistent method to calculate the ratio over time, and has generally not met its goal for the last three fiscal years.
- Caltrans' time-reporting system does not prevent its employees from charging time to projects to which they are not assigned, and lacks strong internal controls to ensure that its employees charge their time appropriately.

**KEY RECOMMENDATIONS**

We make numerous recommendations to Caltrans including that it improve accountability internally and with the public such as by creating and incorporating an analysis of support cost budget overruns and reporting it quarterly and annually to the Legislature and governor. Further, we recommend various actions to improve performance metrics related to the support program including developing and publicizing the goals. Moreover, we provide recommendations geared at better developing, managing, and monitoring support budgets for projects.

## Transportation, California Department of (2010-122, April 28, 2011)

<p><b>Description of Data</b></p> <p>California Department of Transportation's (Caltrans) California Transportation Improvement and Programming System (CTIPS)</p>	<p><b>Agency Purpose of Data</b></p> <p>To provide a shared database for Caltrans District Offices, Headquarters, Regional Transportation Planning Agencies, Federal Highway Administration, and Metropolitan Planning Organizations to manage the programming and allocation of funds for the State Transportation Improvement Program (STIP), State Highway Operation and Protection Program (SHOPP), and local projects.</p> <p>For fiscal years 2004–05 through 2009–10, CTIPS showed more than \$5.6 billion in STIP and SHOPP budgeted support costs for projects that reached either the ready to list milestone or the construction contract complete milestone.</p>
<p><b>Purpose of Testing</b></p> <p>To obtain budgeted project support costs and hours.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Undetermined reliability</i>—To ensure the data Caltrans provided us was accurate, we compared the data provided to the actual information in Caltrans' systems for a random sample of 36 projects. We were able to verify project programmed budget data in CTIPS for 26 of the 36 projects by comparing the information to actual STIP and SHOPP documents. However, we were unable to verify the project budget data for the remaining 10 projects because, according to the information provided by Caltrans, these projects were generally the result of projects that subsequently divided into multiple projects or combined with existing projects. Thus, information for these types of projects was no longer available.</p>
<p><b>Agency Response Date</b></p>	<p><b>October 2011</b></p>
<p><b>Corrective Action Recommended</b></p> <p>To improve accountability internally and with the public, Caltrans should develop a system to report on the total budgets of support program projects—including initial project support budgets—of projects that have been divided into multiple projects or combined into a larger project.</p>	<p><b>Status of Corrective Action</b></p> <p><i>Fully implemented</i>—Caltrans stated that it has developed improved business practices to allow for easier tracking of project budgets. Specifically, Caltrans provided a project management directive outlining a process for managing project funding and costs when projects are split or combined into one or more construction contracts. The process allows for tracking the origin of projects split into multiple projects or combined into one project. That directive took effect in August 2011.</p>

**CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION**  
*Inmates Sentenced Under the Three Strikes Law and a Small Number of Inmates Receiving Specialty Health Care Represent Significant Costs*

Date: May 18, 2010

Report: 2009-107.2

**BACKGROUND**

With annual expenditures of \$10 billion or 10 percent of the State's General Fund in fiscal year 2007–08—a 32 percent increase over the previous three years—the California Department of Corrections and Rehabilitation (Corrections) operates California's prisons, oversees community correctional facilities, supervises parolees, and operates the juvenile justice system. Health care to inmates is provided at each adult facility and through external contractors. The inmate health care function transitioned to a federal court-appointed receiver and is now overseen by the California Prison Health Care Services (Health Care Services). In reviewing the effect of California's prison population on the State's budget and its operations, the state auditor issued the first of this two-part report in September 2009 and concluded that Corrections fails to track and use data that would allow it to more effectively monitor and manage its operations.

**KEY FINDINGS**

Further review of the effect of Corrections' operations on the budget revealed the following:

- 43,500 inmates currently sentenced under the three strikes law (striker inmates) make up 25 percent of the total inmate population. Further, with regards to striker inmates:
  - » On average, they receive sentences that are nine years longer—resulting in approximately \$19.2 billion in additional costs.
  - » More than half are currently imprisoned for convictions that are not classified as strikes.
  - » Many were convicted of committing multiple serious or violent offenses on the same day, while some committed one or more of these offenses as a juvenile.
- Health Care Services has not fully estimated potential savings from its proposed cost containment strategies. Further, a significant portion of the cost of housing inmates is for providing health care, which includes contracted specialty health care.
  - » Roughly 41,000 of the 58,700 inmates that incurred specialty health care costs averaged just more than \$1,000 per inmate and cost \$42 million in total. The remaining 17,700 inmates incurred costs of more than \$427 million in the same year.
  - » Specialty health care costs averaged \$42,000 per inmate for those inmates that incurred more than \$5,000 for such costs and were age 60 and older.
  - » The specialty health care costs associated with inmates that died during the last quarter of the fiscal year were significantly greater than any specific age group—ranging from \$150 for one inmate to more than \$1 million for another.
- Nearly 32 percent of overtime costs in fiscal year 2007–08, or \$136 million, were related to medical guarding and transportation for health care.
- Custody staff's growing leave balances—due in part to vacancies, errors in Corrections' staffing formula, and exacerbated by the State's furlough program—represent a future liability to the State of at least \$546 million and could be more than \$1 billion.

**KEY RECOMMENDATIONS**

We made several recommendations to Health Care Services including that it continue to explore methods of reducing the cost of inmate medical care and to monitor overtime to ensure that it does not pose a safety issue. We also recommended that Corrections provide staff the opportunity to use leave by updating its staffing formulas. Further, we recommended Corrections better communicate to policy makers information concerning its annual leave balance liability.

**Corrections and Rehabilitation, California Department of (2009-107.2, May 18, 2010)**

<b>Description of Data</b> California Department of Corrections and Rehabilitation's (Corrections) Offender Based Information System (OBIS)	<b>Agency Purpose of Data</b> To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge.  OBIS contained information related to nearly 28 million inmate movement and status change records.
<b>Purpose of Testing</b> To identify the striker inmates incarcerated for a current offense that is a nonserious and nonviolent felony and striker inmates who committed multiple strikes during one criminal offense. Further, to determine the additional cost of inmates incarcerated under the three strikes law.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —To test the accuracy of the data, we selected a random sample of inmates and traced key data elements to source documents. During the testing, we identified errors in the inmate identification information that we used for associating striker inmates with crimes they committed in the past. Further, we did not conduct completeness testing because the source documents required for this testing are stored at the 33 institutions located throughout the State.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A
<b>Description of Data</b> Corrections' Division of Juvenile Justice's Offender Based Information Tracking System (OBITS)	<b>Agency Purpose of Data</b> To record and track youth offender information such as demographics, movement within and between facilities, and the occurrence and processing of youth behavioral violations.  OBITS contained more than 76,000 records of youth offenders and nearly 79,000 records of youth offenders' initial and subsequent referrals.
<b>Purpose of Testing</b> To identify striker inmates who received a strike as a juvenile.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —To test the data's accuracy, we selected a random sample of inmates and traced key data elements to source documents. During the testing, we identified errors in the inmate identification information that we used for associating striker inmates with crimes they committed in the past. In addition, we did not conduct completeness testing because the source documents required for this testing are stored at multiple juvenile facilities throughout the State.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A
<b>Description of Data</b> Corrections' payroll data maintained by the State Controller's Office's (SCO) Uniform State Payroll System (payroll system)	<b>Agency Purpose of Data</b> To process the State's payroll and personnel transaction documents.  The payroll system contained nearly 47.4 million state payroll transactions for the period July 2003 through September 2009.
<b>Purpose of Testing</b> To present data on overtime.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

<p><b>Description of Data</b> Corrections' leave accounting data maintained by the SCO's California Leave Accounting System (leave accounting system)</p>	<p><b>Agency Purpose of Data</b> To perform a variety of functions necessary to accurately track leave system eligibility, state service credits, and leave benefit activity.  For the period July 2004 through January 2010, the leave accounting system contained nearly 6.7 million leave benefit transactions for Corrections' employees.</p>
<p><b>Purpose of Testing</b> To identify the amount of leave used and accrued by custody staff.</p>	<p><b>Data Reliability Determination</b> <i>Sufficiently reliable.</i></p>

<p><b>Description of Data</b> Corrections' authorized positions maintained by the SCO's Position Roster File for fiscal years 2004-05 through 2008-09</p>	<p><b>Agency Purpose of Data</b> The Position Roster File is a file of authorized positions used by departments to track positions.  The Position Roster File indicated an average of 2,700 vacant Corrections' custody staff positions for fiscal years 2004-05 through 2008-09.</p>
<p><b>Purpose of Testing</b> To identify the number of custodial positions authorized by Corrections.</p>	<p><b>Data Reliability Determination</b> <i>Sufficiently reliable.</i></p>

**California Prison Health Care Services (2009-107.2, May 18, 2010)**

<p><b>Description of Data</b> California Prison Health Care Services' Contract Medical Database (CMD) for fiscal year 2007-08</p>	<p><b>Agency Purpose of Data</b> To combine data from 33 institutions into a centralized database to provide real-time access to information, and to streamline the maintenance of contracts and vendor data.  CMD contained nearly 403,000 expenditure transactions.</p>
<p><b>Purpose of Testing</b> To identify the costs associated with adult health care.</p>	<p><b>Data Reliability Determination</b> <i>Sufficiently reliable.</i></p>

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**CALIFORNIA PRISON INDUSTRY AUTHORITY**  
*It Can More Effectively Meet Its Goals of Maximizing Inmate Employment, Reducing Recidivism, and Remaining Self-Sufficient*

Date: May 24, 2011

Report: 2010-118

**BACKGROUND**

Created to offer inmates the opportunity to develop effective work habits and occupational skills and to reduce the operating costs of the California Department of Corrections and Rehabilitation (Corrections), the California Prison Industry Authority (CALPIA) employs over 5,000 inmates statewide. The inmates produce various products including license plates, furniture, and agricultural commodities; and provide services such as laundry and printing through CALPIA's 25 manufacturing, service, and agricultural enterprises located at 20 of the 33 correctional institutions in the State. CALPIA sells primarily to state agencies with the majority of its revenue—66 percent—coming from Corrections and 10 percent from purchases by the Department of Motor Vehicles. Although state agencies may purchase goods from the private sector that may be available from CALPIA, if cost-beneficial, they must first consider whether CALPIA can meet their needs.

**KEY FINDINGS**

Our review of the operations of CALPIA revealed the following:

- It lacks the ability to measure the quantity and types of post-release employment that its participants obtain and thus, cannot determine the effectiveness of its programs.
  - » Although its new tracking system contains information about inmate workers' assignments and training, neither it nor a consultant it hired could match employment data from the Employment Development Department with data in the tracking system to determine post-release employment.
  - » Corrections' parole tracking system—CalParole—could provide employment information for parolees; however, we found that it often contained erroneous, inappropriate data. Of nearly 645,000 parolee employment records we reviewed, at least 33,000 contained erroneous data.
- It developed comprehensive performance indicators for fiscal year 2010–11, however, it did not finalize a matrix to track these indicators until March 2011—limiting their usefulness—and, some indicators are not measurable or are vague.
- The recidivism rates for inmates who worked at a CALPIA enterprise are lower than those for Corrections' general-population parolees, but other factors may have contributed to the lower recidivism rates.
- Even though the prices for almost half of CALPIA's products and services that we evaluated were above the average prices for comparable items, its five largest state agency customers saved an estimated \$3.1 million during fiscal year 2009–10 by purchasing those products and services from CALPIA.
- Participation in CALPIA's enterprises has declined by 9.3 percent from June 2004 to June 2010: since 2004 CALPIA has closed, deactivated, or reduced the capacity of six existing enterprises at 10 locations.

**KEY RECOMMENDATIONS**

We made several recommendations to CALPIA to allow it to measure progress in meeting its goals, including that it ensure all its performance indicators are clear, measurable, and consistently tracked, and that it create a process for management to review performance results. We further recommend that it maintain source documentation when performing analyses for establishing product prices and calculating savings it brings to the State. We also made recommendations to Corrections that were aimed at improving the reliability of the employment data contained in CalParole, conducting periodic reviews of the parolee files to verify accuracy, and ensuring certain modifications are made to its new Strategic Offender Management System database before CalParole data is transferred to the new system.

## Corrections and Rehabilitation, California Department of (2010-118, May 24, 2011)

<b>Description of Data</b> California Department of Corrections and Rehabilitation's (Corrections) CalParole Tracking System (CalParole)	<b>Agency Purpose of Data</b> To track parolee progress through the parole process and to update, add, or retrieve parolee information. In addition, CalParole shares parolee data through interfaces with the Department of Justice and local law enforcement agencies.  CalParole data contained more than 300 records pertaining to parole units, more than 508,000 records pertaining to parolees, and nearly 645,000 records pertaining to parolees' job information.
<b>Purpose of Testing</b> To assess an inmates' post-release employment success.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —Our electronic testing revealed that CalParole contains a significant amount of erroneous data that precluded us from performing any viable analysis. In addition, our review of hard-copy parolee files further confirmed the limitations of CalParole employment data.  Specifically, our review found that the employment fields within CalParole often contained erroneous, inappropriate data. For example, of the nearly 645,000 parolee employment records from CalParole that we reviewed, at least 33,000 (5 percent of all records) contain erroneous data in the records' field that is designed to identify a parolee's current employer.  Moreover, employer address fields for employed parolees often show no information at all. Specifically, for more than 290,000 records that appeared to contain a valid employer, the employer address fields for more than 20,000 of these records are blank. Our testing of hard-copy parolee files further confirmed the limitations of CalParole employment data. We reviewed the files of 36 parolees from 12 parole units located across the State whom CalParole listed as employed. For 31 of the 36 parolees, the hard-copy files did not contain pay stubs, letters from employers, or any other reliable documents that would offer proof of employment to support the employment information recorded in CalParole.
<b>Agency Response Date</b>	<b>January 2012</b>
<b>Corrective Action Recommended</b>	<b>Status of Corrective Action</b>
To improve the reliability of employment data contained in CalParole, Corrections should ensure that parole agents correctly follow procedures related to populating the data fields and maintaining CalParole.	<i>Pending</i> —According to Corrections, it intends to release a policy memorandum in April 2012 to provide direction to field staff about entering offender data into CalParole, which will include detail on the integrity of employment information. Further, Corrections indicates that it will release another policy memorandum in April 2012 outlining the use of the parole performance index (PPI), a new tool used to monitor data input within CalParole. The policy memorandum is to include instructions for managers to audit the frequency and quality of CalParole updates. As of January 12, 2012, Corrections indicates that executive management is using PPI while it is being finalized for release to parole staff for general use.
In addition, supervisors of parole agents should conduct periodic reviews of parolee files to verify whether employment fields are completed appropriately and whether employment is documented adequately.	<i>Pending</i> —In addition to existing department procedures that require parole agent supervisors to review all cases subject to active supervised parole, Corrections indicated that the new PPI is a secondary monitoring tool for parole agent supervisors to ensure data put into CalParole is correct. As previously stated, currently the PPI is being used by executive management while being finalized for release to parole staff for general use.
As Corrections prepares to move CalParole data into the Strategic Offender Management System (SOMS), it should modify existing employment-related fields and add to SOMS new fields that are currently not available in CalParole so that Corrections can minimize the opportunity for erroneous data entries and make employment data more reliable.	<i>Pending</i> —According to Corrections, it is in the process of modifying existing employment-related fields in SOMS in a thorough, more detailed manner than that currently captured within CalParole.

<p><b>Description of Data</b></p> <p>Corrections' Offender Based Information System (OBIS)</p>	<p><b>Agency Purpose of Data</b></p> <p>To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge.</p> <p>OBIS contained more than 29.3 million inmate movement and status change records.</p>
<p><b>Purpose of Testing</b></p> <p>To track inmate movements into and out of Corrections' institutions for the purpose of calculating the recidivism rates for both Corrections' general-population parolees and the California Prison Industry Authority's (CALPIA) parolees.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Undetermined reliability</i>—To test the accuracy of the data, we randomly selected a sample of 29 records from the OBIS data files obtained from Corrections and conducted tests to ensure the data contained in those records could be matched to source documents. We found that Corrections was unable to provide documentation that supported the entries it keyed into data fields used to specify the type of inmate movement, the date those movements occurred, and the institution reporting the movements for five of our 29 sample items. However, we did not test the completeness of the OBIS data due to the lack of a centralized storage location and because the source documents required for this testing are stored at the 33 institutions located throughout the State.</p>
<p><b>Corrective Action Recommended</b></p> <p>We did not recommend corrective action.</p>	<p><b>Status of Corrective Action</b></p> <p>N/A</p>

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**SEX OFFENDER COMMITMENT PROGRAM**  
*Streamlining the Process for Identifying Potential Sexually Violent Predators Would Reduce  
Unnecessary or Duplicative Work*

Date: July 12, 2011

Report: 2010-116

**BACKGROUND**

Sex offenders who are identified and designated, through the Sex Offender Commitment Program (program), as sexually violent predators (SVPs)—those that represent the highest risk to public safety due to mental disorders—may be committed by the courts to a state hospital for treatment rather than released from prison. The program consists of various key players. The Department of Corrections and Rehabilitation (Corrections) and its Board of Parole Hearings (Parole Board) review certain sex offenders scheduled for release or parole to determine whether the offenders meet the criteria for SVPs as defined by law. If Corrections and its Parole Board determine an offender meets the criteria, the law requires that they refer the offender to the Department of Mental Health (Mental Health). Mental Health assesses potential SVPs using administrative reviews, clinical screenings, and evaluations to determine whether to recommend an offender to the designated county counsel, who files a petition to commit the offender if the counsel agrees with the recommendation.

**KEY FINDINGS**

During our review of the program, we noted the following:

- Current inefficiencies in the program's process of evaluating potential SVPs are partly due to Corrections' interpretation of state law and were compounded by Jessica's Law—a proposition approved by voters in 2006.
  - » Corrections refers all offenders convicted of sexually violent offenses to Mental Health rather than assessing whether offenders' crimes were predatory and if the offenders meet other criteria before referring them as potential SVPs. Of the nearly 31,500 referrals Corrections made over a five-year period, less than 2 percent were ultimately recommended to designated counsel for commitment.
  - » Jessica's Law added more crimes to the list of sexually violent offenses and reduced the number of victims required for SVP designation, resulting in many more offenders becoming potentially eligible for commitment under the program—the number of Corrections' referrals to Mental Health ballooned from 1,850 in 2006 to 8,871 in 2007.
- Corrections does not consider whether Mental Health determined that an offender did not meet the criteria to be an SVP based on a prior referral and thus, re-refers the offender to Mental Health. Of the offenders Corrections referred between 2005 and 2010, 45 percent were referred at least twice and 8 percent of those were referred between five and 12 times.
- During a three-year period, Corrections failed to refer many offenders to Mental Health at least six months before their scheduled release as required by law—in one case, the referral came one day before the scheduled release.
- Because it has made limited progress in hiring and training more staff, Mental Health has used between 46 and 77 contractors each year to perform its evaluations and clinical screenings and has not reported to the Legislature about its efforts to hire state employees as evaluators or the effect of Jessica's Law.

**KEY RECOMMENDATIONS**

We make several recommendations aimed at eliminating duplicative effort and increasing program efficiency including that Corrections not make unnecessary referrals to Mental Health and that jointly, Corrections and Mental Health revise the screening instrument used to refer offenders to Mental Health. Further, we recommend that Corrections promptly make referrals to allow Mental Health sufficient time to complete screenings and evaluations. We also recommend that Mental Health continue its efforts to obtain enough qualified staff to perform evaluations and report its progress to the Legislature.

**Corrections and Rehabilitation, California Department of (2010-116, July 12, 2011)**

<b>Description of Data</b> California Department of Corrections and Rehabilitation's (Corrections) Offender Based Information System (OBIS)	<b>Agency Purpose of Data</b> To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge.  OBIS contained more than 1.3 million records related to offenders and more than 3 million records related to offenses.
<b>Purpose of Testing</b> To identify the number of referrals that ultimately resulted in an offender being committed as a sexually violent predator (SVP), and to calculate the recidivism rate of those not committed as SVPs.	<b>Data Reliability Determination</b> <i>Undetermined reliability</i> —For accuracy testing, we selected a random sample of 29 offenders and tested the accuracy of 12 key fields related to these offenders and found eight errors. However, we did not perform completeness testing because the documents needed are located at the 33 correctional institutions located throughout the State, so conducting such testing is impractical.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A

**Mental Health, Department of (2010-116, July 12, 2011)**

<b>Description of Data</b> Department of Mental Health's (Mental Health) Sex Offender Commitment Program Support System (database)	<b>Agency Purpose of Data</b> To track data related to each inmate that meets the SVP criteria and all of their referrals for civil commitment.  Mental Health's database contained more than 37,000 records gathered in support of identifying, screening, and evaluating a case, in addition to approximately 26,000 records related to the scheduling, disposition, and outcome of evaluations.
<b>Purpose of Testing</b> To identify the number of referrals made by Corrections to Mental Health, the number of referrals at each step in the SVP commitment process, and the extent to which contractors perform evaluations.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —For accuracy testing, we selected a random sample of 29 referrals and tested the accuracy of 21 key fields for these referrals. Of the 21 key fields tested, we found three errors in six key fields.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A

**DEPARTMENT OF CORRECTIONS AND REHABILITATION**  
*The Benefits of Its Correctional Offender Management Profiling for Alternative  
Sanctions Program Are Uncertain*

Date: September 6, 2011

Report: 2010-124

**BACKGROUND**

Charged with overseeing an estimated 163,000 inmates and 107,000 parolees, the Department of Corrections and Rehabilitation (Corrections) intends to use the Correctional Offender Management Profiling for Alternative Sanctions (COMPAS) software to identify factors that cause inmates to commit crimes so they can participate in rehabilitative programs such as substance abuse treatment or vocational education programs. The goal is to reduce the likelihood of reoffending, thereby reducing overcrowding in the State's prisons and lowering its recidivism rates. There are two assessments—a core assessment that identifies the needs of inmates entering prison and the reentry assessment evaluates inmates who are about to reenter society on parole.

**KEY FINDINGS**

During our review of Corrections' use of COMPAS we determined the following:

- It is uncertain whether COMPAS will help Corrections ultimately reduce prison overcrowding and lower its recidivism rates.
  - » Although Corrections began using COMPAS assessments at all of its 12 reception centers in 2008, eight centers indicated that these assessments do not play a significant role when deciding where inmates should be housed, and by extension, the rehabilitative programs inmates might access at those facilities.
  - » Corrections lacks rehabilitative programs that address all five COMPAS-identified needs—it currently has rehabilitative programs that only address two—academic/vocational education and substance abuse treatment.
  - » Its academic/vocational programs have more than five times the program capacity compared to substance abuse even though substance abuse is the need most often cited by COMPAS.
  - » Inmates are not consistently compelled to follow their COMPAS case plan as a condition of parole and parole agents do not routinely use the information to develop case plans or supervise parolees.
  - » Corrections has not issued the required regulations on COMPAS nor provided training to some staff on how to use the tool.
- COMPAS assessments do not seem to be a key factor in determining whether an inmate gets into the in-prison substance abuse program—only 800 of the 2,600 inmates that had a moderate to high substance abuse treatment need identified by COMPAS and are housed in the institutions that offer this program were assigned to the program. A larger number of inmates in the program either did not receive an assessment or were assessed as a low substance abuse need.
- A significant number of inmates—73.5 percent—incarcerated between July 1, 2010 and February 20, 2011, had not received a COMPAS core assessment.
- Corrections does not have records that show how much it cost to deploy and administer COMPAS to its parole units and reception centers and did not establish an accounting system to track such costs. Further, it has reported a total of \$14.6 million in actual COMPAS costs that it could not explain.

**KEY RECOMMENDATIONS**

We make many recommendations including that Corrections suspend its use of COMPAS assessments until it has issued regulations and updated its operations manual for using COMPAS. We also recommend that Corrections develop a plan to measure and report COMPAS's effect on reducing recidivism and that once it resumes its use of COMPAS, provide ongoing training to staff that administer assessments. Additionally, Corrections should disclose its lack of tracking the costs for COMPAS and develop policies to ensure appropriate tracking and reporting of the costs of future information technology projects.

## Corrections and Rehabilitation, California Department of (2010-124, September 6, 2011)

<b>Description of Data</b> California Department of Corrections and Rehabilitation's (Corrections) Offender Based Information System (OBIS)	<b>Agency Purpose of Data</b> To capture and maintain all adult offender information from the time that the offenders are committed to Corrections through the time of their discharge.  OBIS contained more than 29.8 million inmate movement and status change records.
<b>Purpose of Testing</b> To identify the number of unique inmates who were released to parole during the period of July 1, 2007, through February 20, 2011.	<b>Data Reliability Determination</b> <i>Undetermined reliability</i> —For accuracy testing, we selected a random sample of 29 transactions and tested the accuracy of nine key fields. Of the nine key fields tested, we found errors in two key fields. However, we did not perform completeness testing of OBIS because the source documents for this system are stored at the 33 adult inmate institutions located throughout the State, making such testing impractical.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A
<b>Description of Data</b> Corrections' Correctional Offender Management Profiling for Alternative Sanctions (COMPAS) database	<b>Agency Purpose of Data</b> To assist criminal justice practitioners in the placement, supervision, and case management of offenders in community and secure settings.  COMPAS contained information related to more than 221,000 core assessments and more than 43,000 reentry assessments.
<b>Purpose of Testing</b> To identify the number of inmates who received at least one COMPAS assessment and the number of inmates housed in an institution or camp on February 20, 2011, who were identified as having a moderate to high criminal risk factor in any of the five areas assessed by the COMPAS core assessment.	<b>Data Reliability Determination*</b> <i>Not sufficiently reliable</i> <sup>†</sup> —We did not perform accuracy and completeness testing of COMPAS because it is a paperless system, and thus, hard-copy source documentation was not available for us to review. Alternatively, following U.S. Government Accountability Office (GAO) guidelines, we reviewed selected system controls, which included general and business process application controls. General controls are the policies and procedures that apply to all or a large segment of Corrections' information systems and help ensure their proper operation. Business process application controls are directly related to a specific computerized application, COMPAS in this case, and help to ensure that transactions are complete, accurate, and available. In conducting our review, we identified significant weaknesses in the general controls Corrections implemented over its information systems, which we reported to them in a confidential management letter due to the sensitivity of the information provided. Further, the strength of general controls is a significant factor in determining the effectiveness of business process application controls. Therefore, because we identified pervasive weaknesses in the general controls Corrections implemented over its information systems, we did not perform any testing of the COMPAS business process application controls.
<b>Corrective Action Recommended</b> Corrections should ensure that all policy requirements included in the <i>State Administrative Manual</i> , Chapter 5300, are fully implemented and updated on a regular basis to strengthen the general controls over its information systems.	<b>Status of Corrective Action</b> Corrections' response regarding its efforts to implement our recommendation was not due until October 3, 2012; therefore, we did not include its response in this report.

\* We reported the specifics of our review of the COMPAS database in a separate management letter, rather than a publicly available report.

† Our data reliability assessment, which relied on a review of selected system controls, based the determination of *not sufficiently reliable* on Section 7.70b(1) of the GAO's July 2007 version of Government Auditing Standards, which states that evidence is not sufficient or not appropriate when using the evidence carries an unacceptably high risk that it could lead to an incorrect or improper conclusion.

**CALIFORNIA'S CHARTER SCHOOLS**  
*Some Are Providing Meals to Students, but a Lack of Reliable Data Prevents the  
California Department of Education From Determining the Number of Students Eligible  
for or Participating in Certain Federal Meal Programs*

Date: October 21, 2010

Report: 2010-104

**BACKGROUND**

Although part of the public school system and serving students in kindergarten through grade 12, California's 815 active charter schools operate independently from the existing school district structure. For example, charter schools are not subject to the law that provides for needy students to receive one nutritionally adequate free or reduced-price meal during each school day. Similar to school districts, participation by charter schools in the federal School Breakfast Program (breakfast program) and the National School Lunch Program (lunch program) is voluntary. The California Department of Education (Education) maintains several databases that provide various levels of information regarding traditional and charter schools.

**KEY FINDINGS**

Our review of the California charter schools' child nutrition programs, revealed the following:

- Although Education maintains numerous databases with varying information relating to schools, students, applications, and child nutrition, we could not rely on the databases to determine the exact number of charter schools and their students participating in the breakfast and lunch programs.
  - » Its paperless application database system lacks an internal control process to ensure the accuracy of certain data.
  - » It does not verify certain information on the schools' site applications—such as the site type—and we found errors related to certain codes and site types.
  - » It allows school food authorities to combine information for their sites before entering it into the database and thus, it cannot differentiate between charter school students and students from traditional schools who participate in the programs.
- Despite the data limitations, we identified 815 active charter schools—over half (451) that appear to participate in the breakfast and lunch programs and 151 that appear to provide instruction outside the classroom and thus would not participate in the programs.
- Of the remaining 213 charter schools, 133 responded to our survey. Of those, 39 did not provide meals because they lack resources such as funding, staff, and facilities to prepare and deliver meals, while 46 do offer an alternative meal program. The remaining schools state that they do participate in the programs, do not provide meals due to the structure of the school, or their students' ages made them ineligible to participate in the programs.

**KEY RECOMMENDATIONS**

We made several recommendations to Education regarding the charter schools' child nutrition programs, including the following:

- Establish internal control processes within its electronic application system to ensure the reliability of certain information such as the number of students enrolled and students' eligibility for receiving free and reduced-price meals.
- Ensure the accuracy of the child nutrition information and payment system by discontinuing allowing school food authorities to combine information from more than one school site, modifying its review tools to verify information on schools' applications, and requiring school food authorities to establish review procedures for data they enter into one of its systems.

## Education, California Department of (2010-104, October 21, 2010)

<b>Description of Data</b> California Department of Education's (Education) Consolidated Application Data System (ConApp database)	<b>Agency Purpose of Data</b> To provide a process for local educational agencies to complete Education's Consolidated Application for Funding Categorical Aid Programs (application), which Education uses to distribute categorical funds from various state and federal programs.  The ConApp database showed enrollment of more than 6.1 million students between the ages of 5 and 17, of which nearly 3.3 million students were eligible to receive free or reduced-price meals.
<b>Purpose of Testing</b> To determine the number of traditional and charter schools and their students eligible for free and reduced-price meals.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —The ConApp database is a paperless system, meaning the local educational agencies and direct-funded charter schools enter the data directly into the database. Typically, we assess the reliability of paperless databases by reviewing the adequacy of system controls in place. However, Education has not established an internal control process over the ConApp database to ensure the accuracy of the three data fields designed to capture the number of students enrolled at the school level, the number of enrolled students who are eligible to receive free meals, and the number of enrolled students who are eligible to receive reduced-price meals. Although we expected Education to have an internal control process, such as a systematic audit or review of supporting documentation, Education had not established a process to ensure the accuracy of key data fields. Further, Education's ConApp database instructions require the local educational agencies and direct-funded charter schools to electronically certify that they have fulfilled the requirements; the instructions do not state that they should retain the documentation.  Education requires local educational agencies applying for categorical aid program funds to submit their information into the ConApp database. However, according to an administrator in its Data Management Division, there is no state or federal law that gives Education the authority to require charter schools to submit the application. Therefore, complete data on the number of charter schools and their students eligible for free and reduced-prices meals may not be available.
<b>Agency Response Date</b>	<b>November 2011</b>
<b>Corrective Action Recommended</b> To ensure the reliability of the ConApp database fields related to the number of students enrolled at the school level, the number of those enrolled students who are eligible to receive free meals, and the number of those students who are eligible to receive reduced-price meals, Education should do the following: <ul style="list-style-type: none"> <li>• Modify its ConApp database instructions to require local educational agencies and direct-funded charter schools to retain their documentation supporting the three data fields for a specified period of time.</li> <li>• Establish an internal control process such as a systematic review of a sample of the local educational agencies' and direct-funded charter schools' supporting documentation.</li> </ul>	<b>Status of Corrective Action</b>  <i>Fully implemented</i> —Education modified its ConApp instructions to require local educational agencies and direct-funded charter schools to retain documentation supporting reported data in accordance with state and federal records retention requirements. The clause requires each recipient of federal funds to maintain records that will facilitate an effective financial or programmatic audit for three years after the completion of the activity for which the funds are used.  <i>No action taken</i> —Education stated that to strengthen existing internal control processes, it reviews a sample of the local educational agencies' and direct-funded charter schools' supporting documents as a part of its Coordinated Review Effort (CRE) process. However, Education's procedures for its CRE process specifically state it does not review information in its ConApp database. Therefore, Education has yet to adequately address our recommendation.

<p><b>Description of Data</b></p> <p>Education's Nutrition Services Division's (nutrition services) Child Nutrition Information and Payment System (CNIPS) database</p>	<p><b>Agency Purpose of Data</b></p> <p>To help local program sponsors administer state and federal nutrition programs. CNIPS enables sponsors to submit online reimbursements, view the status of applications and meal reimbursement claims, and access site and sponsor information across programs.</p> <p>CNIPS contained information pertaining to 407 charter schools participating in the Federal Reduced Price Meal Program.</p>
<p><b>Purpose of Testing</b></p> <p>To identify the number of charter schools and their students currently participating in the breakfast or lunch program.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—We identified omissions in a key data field during our electronic logic testing. Specifically, we found that the county-district-school (CDS) code data field was blank in 12.5 percent of the instances. Further, we could not conduct accuracy testing because nutrition services no longer updates their hard-copy documents. Therefore, we could not verify data in the system against source documents. Nutrition services performs administrative reviews to meet federal regulations related to the lunch program. However, its review does not include the data elements we consider key to this analysis. To test the completeness of the data, we haphazardly selected a sample of 29 charter schools identified as participating in the breakfast and lunch programs by obtaining their applications on file at nutrition services to ensure that they were included in the data we received. In all but one instance we were able to find the unique identifier associated with a charter school. In that one instance the school did not appear in the data because its application was pending the school food authority's verification for fiscal year 2009–10, which had not been completed by the date of the data we received. However, we were not able to verify the charter school name in three of 29 instances due to the lack of updated source documents. We also attempted to identify charter school students participating in the breakfast and lunch programs by obtaining information from Education's CNIPS database. However, Education does not require the school food authorities to report monthly claims for each of their sites separately. Therefore, although Education can report the total number of students, it cannot differentiate between charter school students and traditional students who are participating in these programs.</p> <p>Finally, during our review we noted that nutrition services requires the school food authorities to enter the CDS codes for their public school district sites but not for other site types, such as charter schools. Consequently, three charter schools had CDS codes in the CNIPS database that did not match the CDS codes in the Charter Schools Database, and eight charter schools had no CDS codes in the CNIPS database. Also, two charter schools participating in the breakfast and lunch programs were misidentified on the school food authorities' applications, one as a private school and one as a county office of education. Nutrition services performs reviews of a sample of the schools under the jurisdiction of the school food authorities each year, in accordance with federal regulations, to ensure that the requirements of the lunch program are being met. However, nutrition services' review tool does not include a procedure for verifying the accuracy of the CDS code or the site type reflected on the schools' site applications. Nutrition services stated that it is the charter schools' responsibility to enter the CDS code into the CNIPS database but that there is no requirement for them to do so.</p>

Agency Response Date	December 2011
Corrective Action Recommended	Status of Corrective Action
<p>To ensure the accuracy of the CNIPS database, Education should do the following:</p>	<p><i>Fully implemented</i>—Education’s CNIPS application includes a “certification” check box that school food authorities must check in order to submit the application. In addition, Education posted a notice on the first screen of the CNIPS advising sponsors of their responsibility to ensure that they report accurate information. Education also stated that beginning with the 2011–12 school year it will further ensure the accuracy of the application information by including a clause in the annual instructions to remind school food authorities of their responsibility to ensure that they report accurate CNIPS information, to clarify that charter schools be identified as such and not as public schools, and to suggest that a second person review the information for accuracy before the school food authorities submit the information to Education.</p>
<ul style="list-style-type: none"> <li>• Direct the school food authorities to establish internal control procedures to ensure the accuracy of the application information they enter into the CNIPS database.</li>   <li>• Direct nutrition services to modify the tool used to review a sample of the school food authorities schools to include a procedure for verifying the accuracy of the CDS code and site type reflected on the schools applications.</li> </ul>	<p><i>Fully implemented</i>—Education’s nutrition services’ Data Management Unit has a procedure in place to run a query every month that identifies charter schools and public schools that are not displaying CDS codes in the CNIPS database. In addition, the query ensures the name and address data in the CNIPS database matches the information on the Charter School Web site and in the online Public School Directory. Education’s staff are to resolve any discrepancies.</p>
<p>To ensure that it maximizes the benefits from the State’s investment in the CNIPS database, Education should do the following:</p>	<p><i>Partially implemented</i>—Education’s nutrition services has updated its New Sponsor Applications desk manual to instruct analysts to set new agencies, schools, and Residential Child Care Institutions to site-level reporting. Education also requires these entities to submit their monthly claims for reimbursement at the site level. However, Education does not plan to require existing school food authorities to submit their monthly claims for reimbursement until July 1, 2012.</p>
<ul style="list-style-type: none"> <li>• Require the school food authorities to submit a monthly Claim for Reimbursement for each site under their jurisdiction in addition to their consolidated claims.</li>   <li>• Establish a timeline for the school food authorities to comply with the requirement.</li> </ul>	<p><i>Partially implemented</i>—Education stated that site-level reporting will be mandatory for all school food authorities on July 1, 2012. Education stated it has communicated the transition to site-level reporting via personal discussions and mass e-mails when deemed necessary. In addition, Education stated it has announced the July 1, 2012, site-level reporting start during training presentations at various conferences. Further, Education stated it expects to send a Management Bulletin in December 2011 to inform school food authorities of the mandatory site-level reporting requirement.</p>

**DEPARTMENT OF PUBLIC HEALTH**  
***It Reported Inaccurate Financial Information and Can Likely Increase Revenues for the  
State and Federal Health Facilities Citation Penalties Accounts***

Date: June 17, 2010

Report: 2010-108

**BACKGROUND**

More than 2,500 long-term health care facilities (facilities) are licensed and monitored by the Department of Public Health (Public Health)—previously known as the California Department of Health Services. In addition to ensuring that these facilities comply with state requirements, Public Health also ensures that facilities accepting Medicare and Medicaid payments meet federal requirements through a cooperative agreement with the Centers for Medicare and Medicaid Services (CMS)—an agency within the U.S. Department of Health and Human Services. Public Health may impose monetary penalties, known as a Civil Money Penalty, on facilities to address noncompliance it finds during an inspection or complaint investigation of a facility. Although Public Health determines whether facilities comply with applicable state and federal requirements, it generally issues and collects monetary penalties resulting from noncompliance with state requirements only—CMS is responsible for assessing and collecting monetary penalties resulting from noncompliance with federal requirements.

**KEY FINDINGS**

During our review of the State and Federal Health Facilities Citation Penalties accounts (state and federal accounts) and Public Health's management of those accounts, we noted that Public Health:

- Excluded certain financial information when preparing the federal account's fund condition statements for at least five years causing an overstatement of \$9.9 million as of June 30, 2009.
- Made significant prior-year adjustments attempting to resolve inaccuracies, yet the federal account fund balance will be near insolvency by June 30, 2011—the projected balance is expected to decline to roughly \$249,000.
- Inappropriately reduced the monetary penalties for 135 citations, resulting in a loss of approximately \$70,000 in revenue for the state account due to a calculation its automated system uses.
- May have created an incentive for facilities to appeal citations due to delays in processing those appeals and its history of significantly reducing original penalties imposed.
  - » As of February 2010 more than 600 citations were backlogged awaiting citation review conferences—some were contested roughly eight years ago; other types of hearings take precedence over citation review conferences.
  - » As of March 15, 2010, nearly \$9 million in monetary penalties were still under appeal, and for 243 of 313 appealed citations, Public Health granted reductions amounting to \$2.7 million. In one case, Public Health reduced the original monetary penalty from \$100,000 to just \$1,000.
- Could have generated nearly \$95,000 in interest from nearly \$6.7 million in monetary penalties under appeal if it could establish an interest-bearing account in which it would deposit appealed monetary penalties at the time the citations are contested.
- Could increase revenue—some monetary penalties have not been adjusted for inflation for as many as 25 years—nearly \$3.3 million more than it actually collected if state law had adjusted monetary penalties to reflect the Consumer Price Index. Also, it has not surveyed the majority of facilities to ensure their compliance with state requirements.

**KEY RECOMMENDATIONS**

We made several recommendations to the Legislature and Public Health to increase revenue for both the state and federal accounts through changes to state law and by ensuring Public Health adheres to the current law. Such changes to state law include periodically adjusting monetary penalties to reflect the rate of inflation and amending the citation review conference process to reflect the federal process more closely; and to require facilities that contest their monetary penalties to pay the penalties upon their appeal and allow Public Health to deposit penalties in an interest-bearing account. Further, other recommendations include making changes to its policies and procedures to ensure funds are not overstated, and conducting all state surveys of facilities every two years, as required by law.

**Public Health, Department of (2010-108, June 17, 2010)**

<p><b>Description of Data</b></p> <p>Department of Public Health's (Public Health) Electronic Licensing Management System (ELMS) for the period covering fiscal year 2003–04 through March 15, 2010</p>	<p><b>Agency Purpose of Data</b></p> <p>To provide Public Health's Licensing and Certification Division with an intranet application tool to manage the State's licensing of over 30 types of health care facilities.</p> <p>ELMS contained information related to approximately 5,400 penalties from July 1, 2003, through March 15, 2010, and more than 18,000 health care facilities.</p>
<p><b>Purpose of Testing</b></p> <p>To determine the number of citations for which penalties were imposed and collected, the amounts of the penalties imposed and collected, the number of appeals and the monetary amounts associated with them, and the timeliness of payments.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Undetermined reliability</i>—In our electronic testing of key data elements, we identified seven instances where ELMS indicated that a citation had received a decision by Public Health or an external party, but was not coded as having first appealed the citation. Further, other ELMS coding issues prevented us from determining which entity (i.e., Public Health or an external party) rendered a decision on 48 appealed citations. Finally, we did not conduct completeness testing because the source documents required for this testing are stored at Public Health's Licensing and Certification Division's 18 district offices located throughout the State.</p>
<p><b>Corrective Action Recommended</b></p> <p>We did not recommend corrective action.</p>	<p><b>Status of Corrective Action</b></p> <p>N/A</p>

**DEPARTMENT OF DEVELOPMENTAL SERVICES**  
***A More Uniform and Transparent Procurement and Rate-Setting Process Would Improve the  
Cost-Effectiveness of Regional Centers***

Date: August 24, 2010

Report: 2009-118

**BACKGROUND**

Approximately 240,000 Californians with developmental disabilities (consumers) receive community-based services from California's network of 21 regional centers, which are private, nonprofit entities created by law in order to allow the State to meet its responsibility for providing services and support to consumers. The Department of Developmental Services (Developmental Services) oversees the regional centers through five-year contracts. Regional centers authorize vendors to provide services to consumers, and establish many reimbursement rates for the vendor services. Regional centers can also enter into contracts for certain services.

**KEY FINDINGS**

During our review of Developmental Services and six regional centers, we noted the following:

- Developmental Services conducts various reviews of regional centers, but provides little oversight of vendor selection and how rates are negotiated or established even though regional centers set the rates for 96 of the 155 types of services.
- Although the regional centers' expenditures that we reviewed were generally allowable, they did not always maintain documentation of their processes.
- Regional centers set rates using different methodologies, often do not keep documentation demonstrating how rates were set, and in certain instances gave the appearance of favoritism or fiscal irresponsibility. Of the 61 rates we examined, we found the following:
  - » We could not determine how rates were set for 26, and only 18 were established using a detailed cost statement from the vendor—a method we considered a best practice.
  - » Five rates set at four of the six regional centers we visited appeared to violate a rate freeze required by law—in two instances the regional center approved rates almost twice as high as the statewide median rate for the same service.
- Regional centers do not have written policies indicating when they are to use rate agreements and when they are to use contracts, nor do they document their rationale for selecting certain vendors. One regional center paid a vendor almost \$1 million through a rate agreement without adequately specifying the deliverables to be received.
- Of the 33 contracts we evaluated, only nine were advertised with four showing evidence of a competitive process—the type of process that ensures that the State is getting the best value.
- Almost half of the roughly 400 regional center employees who responded to our survey do not feel safe to report suspected improprieties. Also, many indicated that the regional centers do not create an atmosphere of mutual trust or establish open communication.
- At the time of our fieldwork, we were unable to test Developmental Services' process for responding to complaints from regional center employees because it did not log, track, or have a written process for such complaints.

**KEY RECOMMENDATIONS**

We made numerous recommendations to Developmental Services including that it should provide more oversight and issue more guidance to regional centers for preparing and adhering to written procedures regarding rate-setting, vendor selection, and procurement processes to ensure consumers receive high-quality, cost-effective services that meet the goals of the consumers and the program. Other recommendations included that Developmental Services monitor the regional centers' adherence to laws, regulations, and new processes by enhancing the level of reviews to include examining rate-setting, vendor selection, and procurement practices at the regional centers and to adhere to its newly documented process for receiving, tracking, and investigating complaints from regional center employees.

**Developmental Services, Department of (2009-118, August 24, 2010)**

<b>Description of Data</b> Department of Developmental Services' Uniform Fiscal System (UFS)	<b>Agency Purpose of Data</b> To establish and track regional center authorization and billing data including vendor number, purchase authorization number, consumer identification and eligibility information, service code, service rate, claim amount, and claim date.  The UFS contained nearly 340,000 regional center vendors.
<b>Purpose of Testing</b> To identify the total expenditures for claims against purchase-of-service expenditures.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

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

Date: March 24, 2011

Report: 2010-112

**BACKGROUND**

Unemployed workers (claimants) who meet certain requirements find temporary financial assistance through the unemployment insurance program (unemployment program). Administered by the Employment Development Department (department), the unemployment program is financed by employers who pay state unemployment taxes. A federal unemployment tax goes directly to the federal government to pay for administering the unemployment program. The combination of the rising unemployment rate—132 percent from June 2007 to June 2010—and the 148 percent increase in the number of claims the department processed over the same time period, were two reasons why, in January 2009, the State's Unemployment Fund became insolvent. To continue making benefit payments, the department obtained loans from the federal government. However, this outstanding loan balance could ultimately cost California employers an estimated \$6 billion annually.

**KEY FINDINGS**

Our review of the department's administration of the unemployment program, revealed the following:

- Due to its prolonged poor performance related to core measures, the United States Department of Labor (federal labor department) designated California as an "At Risk" state. From 2002 to 2011, the department did not meet acceptable performance levels as set by the federal labor department.
  - » It failed to make timely first payments to claimants—in 2007 the department was making fewer than 80 percent of its first payments within 14 days of the first allowable week and only reached this goal 62 percent of the time in 2010.
  - » It did not determine whether a claimant could receive benefits within 21 days from when it detected issues—by 2010 only 43 percent of these determinations were made timely.
- Recently, the department improved its performance when it increased the number of staff and allowed overtime. However, most of its long-term corrective actions have not improved its ability to issue timely first payments or promptly determine eligibility.
  - » Only one of its nine major information technology projects has been fully implemented and is available to claimants.
  - » Two other projects may ultimately improve the department's performance, but have not been implemented.
  - » Despite developing a new phone system to increase the public's access to unemployment services, callers may continue to experience difficulties in reaching agents.
- The State may risk forfeiting \$839 million in federal stimulus funds if the department does not implement, by September 2012, certain changes to its base period that could allow additional claimants to qualify for benefits.
- The department has taken an average of four or more weeks to determine if a claimant is eligible for the California Training Benefits program (training benefits program), during which time the claimant did not receive unemployment benefits.

**KEY RECOMMENDATIONS**

We made numerous recommendations to the department, including the following:

- Enhance its corrective action planning process to improve the unemployment program by identifying those actions that address timeliness measures, developing specific milestones for corrective action, and establishing key performance benchmarks.
- Assess its more robust management information now available to develop strategies and measurable goals related to limiting calls that require agent intervention and to ensure callers are able to access the voice response portion of the new phone system.
- Maximize federal funding by closely monitoring its resources and project schedule to avoid delays in implementing the alternate base period by the federal deadline.
- Better track and improve timeliness and assist claimants in understanding requirements to enroll in the training benefits program.

## Employment Development Department (2010-112, March 24, 2011)

<p><b>Description of Data</b></p> <p>Employment Development Department's (EDD) California Training Benefits program's (training benefits program) Streamline Tracking System (streamline database)</p>	<p><b>Agency Purpose of Data</b></p> <p>To track the length of time required for EDD's training benefits program determinations. The streamline database also captures information related to the training and sponsoring program provided on a training benefits program application, the reason that an application cannot be processed, and the final processing status of an application (completed, unprocessed, or denied).</p> <p>The streamline database contained nearly 2,900 records related to training benefits program applications for the period March 2010 through June 2010.</p>
<p><b>Purpose of Testing</b></p> <p>To determine the average duration for EDD to process an application from receipt until a determination was made.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—We identified omissions in three key data fields during our electronic logic testing. In 5 percent of the records we analyzed, we found that although the determination status indicated it was complete, the fields for the training benefits program determination decision and the date EDD made the eligibility determination were blank. Similarly, in 6 percent of the records we analyzed, we found claim records identified as complete in which the field specifying the program the training was conducted under was blank. Finally, to test the accuracy of the streamline database data, we randomly selected a sample of 29 records from the streamline database and traced key data elements to source documents. We identified several errors during this accuracy test. We found two instances in which the data fields identifying the date EDD completed a determination and the training benefits program determination decision did not match hard-copy source documents. In addition, we found one instance in which the field containing the date EDD received a Training Enrollment Verification (TEV) form did not match the source documentation. After finding this error, we increased our accuracy sample from 29 to 46 records for this particular data field. Our testing subsequently identified another error, for a total of two of 46 records containing errors related to the date EDD received a TEV form.</p>
<p><b>Agency Response Date</b></p>	<p><b>November 2011</b></p>
<p><b>Corrective Action Recommended</b></p> <p>To better track and improve the timeliness of determinations for the training benefits program and to assist claimants in understanding self-arranged training requirements, EDD should take measures to ensure that its staff correctly enter all data into the training benefits program's streamline database.</p>	<p><b>Status of Corrective Action</b></p> <p><i>Pending</i>—EDD indicated in its 60-day response that it has taken actions involving both procedures and updates to automated processes to ensure staff correctly enter all data into the training benefits program's streamline database to better track determination timeliness for training program participants. After we asked EDD to support this assertion, it was unable to demonstrate that the actions it has taken thus far have fully addressed our recommendation. Specifically, despite its claims related to taking actions involving procedures, EDD was only able to provide us with the same procedures that were in place at the time of our audit, and thus, are not indicative of a corrective action. In addition, EDD provided a "guide card," which it asserted is a comprehensive guide to processing incoming streamline mail. However, our review concluded that it provides a high-level overview of processing steps, and it does not clearly identify the data fields that are required for processing.</p> <p>Moreover, EDD provided us with a compact disc that we found to be a source code dump that did not include programmer's notes or other documentation explaining the code. Thus, without investing a considerable amount of time by our Information Technology Audit Support unit, we cannot confirm that the streamline database is working as intended.</p>

<p><b>Description of Data</b>                  EDD's position information maintained by the State Controller's Office's (SCO) Position Roster File</p>	<p><b>Agency Purpose of Data</b>                  The Position Roster File is a file of authorized positions used by departments to track positions.                   The Position Roster File contained nearly 34,000 records related to EDD's positions for the period July 2007 through April 2010.</p>
<p><b>Purpose of Testing</b>                  To identify the number of paid employment program representative (program representative) positions by month for the period July 2007 through June 2010.</p>	<p><b>Data Reliability Determination</b>  <i>Sufficiently reliable.</i></p>

<p><b>Description of Data</b>                  EDD's leave accounting data maintained by the SCO's California Leave Accounting System (leave accounting system)</p>	<p><b>Agency Purpose of Data</b>                  To perform a variety of functions necessary to accurately track leave system eligibility, state service credits, and leave benefit activity.                   For the period July 2007 through June 2010, the leave accounting system contained nearly 1.5 million leave benefit transactions for EDD's employees.</p>
<p><b>Purpose of Testing</b>                  To identify the amount of leave used and accrued by EDD's program representative staff.</p>	<p><b>Data Reliability Determination</b>  <i>Sufficiently reliable.</i></p>

<p><b>Description of Data</b>                  EDD's payroll data maintained by the SCO's Uniform State Payroll System (payroll system)</p>	<p><b>Agency Purpose of Data</b>                  To process the State's payroll and personnel transaction documents.                   The payroll system contained nearly 23 million records related to state payroll transactions for the period July 2007 through May 2010.</p>
<p><b>Purpose of Testing</b>                  To present data on overtime.</p>	<p><b>Data Reliability Determination</b>  <i>Sufficiently reliable.</i></p>

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**FOSTER FAMILY HOME AND SMALL FAMILY HOME INSURANCE FUND**  
*Expanding Its Coverage Will Increase Costs and the Department of Social Services Needs to Improve Its Management of the Insurance Fund*

Date: September 29, 2011

Report: 2010-121

**BACKGROUND**

The Department of Social Services (Social Services) manages California's county-administered foster care program. It issues licenses to the foster family homes and small family homes (licensed homes), in which the county welfare departments place foster children, and to foster family agencies (FFAs)—organizations that recruit, certify, and train parents who provide foster family homes the State has not licensed (certified homes). Nearly 24,000 foster children were placed in over 11,400 homes early this year—75 percent of these children were placed in certified homes. California offers liability protection to licensed homes through the Foster Family Home and Small Family Home Insurance Fund (insurance fund), but certified homes are not eligible for coverage under the insurance fund. Social Services contracts with the Department of General Services (General Services) to process claims and perform the accounting for the insurance fund.

**KEY FINDINGS**

In our review of Social Services' administration of the insurance fund, we reported the following:

- The majority of the licensed foster parents are unaware of the insurance fund and the protections that it provides. Based on our survey, we estimate that almost 90 percent of those parents are not aware that the insurance fund exists and, for about a third of the licensed homes, the possibility of liability claims against them make them less likely to continue as foster parents.
- Most FFAs use private insurance to protect themselves and the homes they certify against liability, and those that do not frequently cite the high cost of such coverage. Expanding the insurance fund's coverage to the FFA's certified homes will significantly increase the number of homes eligible for the coverage and could cost the State approximately \$1 million each year.
- Social Services neither ensures that General Services processes claims efficiently nor that it provides certain data.
  - » Over a five and a half-year period, General Services took an average of 51 days to process the majority of the claims we reviewed, but exceeded the state-mandated 180-day deadline to process 14 percent of the claims—it took between 182 and 415 days to process these claims.
  - » General Services has not provided Social Services with claims data and thus, Social Services has not been able to accurately budget for the insurance fund's needs.
- Social Services overestimated the insurance fund's needs and, as of December 21, 2010, its fund balance had grown to \$5.4 million—significantly more than the \$1 million we estimate it needs as a reserve under current conditions.

**KEY RECOMMENDATIONS**

We make several recommendations to Social Services including that it develop more effective methods to inform and remind licensed homes about the availability of the insurance fund, that it ensure General Services approves or rejects all claims within the mandated deadline, and that it provide Social Services with the claim data per their agreement. We also recommend that Social Services determine the annual amount needed for the insurance fund to meet its anticipated liabilities, establish a written policy and procedures for determining the fund's financial needs, and set an adequate reserve amount for the insurance fund. Further, we recommend that the Legislature consider amending state law to expressly provide claimants the option of litigating against the insurance fund when claims are not processed timely.

**General Services, Department of (2010-121, September 29, 2011)**

<b>Description of Data</b> Summary report generated from the Department of General Services' (General Services) claims database, iVOS, for all general liability claims	<b>Agency Purpose of Data</b> To document claims information for all of its insurance programs, including the Foster Family Home and Small Family Home Insurance Fund (insurance fund).  The summary report contained 486 general liability claims that were entered into iVOS between July 1, 2005, and December 31, 2010.
<b>Purpose of Testing</b> To identify the number of insurance fund claims filed and paid, the types of claims, and the amounts paid for damages between July 1, 2005, and December 31, 2010.  To identify the amounts paid for legal and investigation services for the insurance fund claims.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>  <i>Not sufficiently reliable</i> —In performing our accuracy testing, we reviewed the source documentation for the 126 claims the summarized report identified as insurance fund claims. Our review found that the amounts the summarized report identified as paid for legal and investigation services were inaccurate for nine of the claims.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A

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

Date: December 8, 2011

Report: 2011-116.1

**BACKGROUND**

The Division of the State Architect (division), within the Department of General Services (General Services), is responsible for supervising the design and construction of projects at K-12 schools and community colleges to certify that they comply with the Field Act (act) and certain building standards. During fiscal years 2008–09 through 2010–11, there were nearly 18,000 school construction projects, costing an estimated \$44.5 billion active throughout the State. To oversee the construction phase, the division’s field engineers (licensed structural engineers) make periodic visits to construction sites and communicate with division-approved project inspectors who ensure that school districts comply with division-approved plans and specifications. When construction is completed according to approved plans and required documents are filed, the division certifies the projects.

**KEY FINDINGS**

During our review of the division’s implementation of the act, we noted the following:

- It has limited authority to penalize school districts for noncompliance with the act—school districts can occupy projects regardless of whether projects are certified. Nearly 25 percent of school construction projects closed during the last three fiscal years were uncertified.
- Although it can take some steps to mitigate the risks that uncertified projects may pose—such as ordering districts to stop work on projects when the division identifies a potential threat to public safety—the division rarely does. In fact, the division issued only 23 orders to comply and six stop work orders during the last three fiscal years.
- Even though over 16,000 projects remain uncertified, the division neither documents the reasons for classifying some uncertified projects as having safety issues nor prioritizes actions related to projects with safety concerns.
- Its school construction oversight is neither effective nor comprehensive. Of the 24 closed projects we reviewed, we did not see any evidence of a site visit on file for three projects—which lasted between five and 32 months and have estimated costs as high as \$2.2 million—and found evidence of only one site visit each for another eight closed projects.
- The division does not provide the same level of construction oversight in fire and life safety and accessibility as it does for structural safety, even though it reviews plans for school construction projects for all three disciplines.
- Although it relies on project inspectors to ensure proper construction, we noted concerns with the division’s oversight of inspectors.
  - » School districts sometimes proceed with projects before the division approves their inspectors—on 22 of 34 projects we reviewed, the inspector was not approved until well after construction began.
  - » It sometimes excuses inspectors from required trainings, does not always ensure inspectors have passed all parts of the latest certification examination, and has not always clearly documented verification of an inspector candidate’s prior experience.
  - » The division does not have a formal evaluation process for inspectors and thus, may not be consistently and adequately addressing performance issues, and may also be unable to defend its disciplinary actions against inspectors.

**KEY RECOMMENDATIONS**

We made several recommendations to General Services including that the division better use the enforcement tools at its disposal such as orders to comply and stop work orders to enforce compliance with the act. We also recommend that it modify current policies regarding classifying uncertified projects with safety concerns and to use the information to prioritize its efforts to follow up on projects based on risk. Further, to ensure it provides adequate oversight of school construction projects, it should develop an overall strategy that establishes specific expectations for conducting field engineers’ site visits. Additionally, it should streamline its inspector approval process to ensure they are approved prior to starting construction and should re-establish a formal process for evaluating inspectors.

**General Services, Department of (2011-116.1, December 8, 2011)**

<b>Description of Data</b> Department of General Services' Division of the State Architect's (division) Tracker database (database)	<b>Agency Purpose of Data</b> To manage the projects submitted by school districts. The database tracks project applications, key dates, the inspectors assigned to projects, and the types of project closure. The database also generates invoices and calculates the various fees owed to the division for certain aspects of its work.  The database contained information related to more than 50,000 applications for construction projects for the division since 1997.
<b>Purpose of Testing</b> To identify the number and estimated cost of projects that were in the construction oversight or project close-out phases in fiscal years 2008–09 through 2010–11. Further, to identify which projects received close-out letters and to determine the amount of time between construction completion and June 30, 2011, for projects that had not begun the close-out process as of that date.	<b>Data Reliability Determination</b> <i>Undetermined reliability</i> —Our review of existing information identified two data limitations. The division's database does not track information on any projects submitted to the division before November 1997. Further, the database does not track if projects reopen regardless of whether the project was initially recorded in the database. Because some projects are required to pay a fee when they reopen, we were able to identify a portion of the reopened projects using the fee information. In addition, we found minor errors in our electronic testing, some of which we were able to correct. We also tested the accuracy of the database by testing key data elements for a random sample of 29 projects and tracing the selected elements to the project files. In this sample, we found one error, so we continued testing until we had tested a total of 47 randomly selected projects and found no additional errors. However, because the division did not have a consistent method for identifying the date construction ended, we were unable to test the accuracy of this field.
<b>Agency Response Date</b>	<b>June 2012</b>
<b>Corrective Action Recommended</b> To ensure it is providing adequate oversight of school district construction projects, the division should establish consistent criteria for entering data into its database on key aspects of projects, such as the dates for the start and end of construction.	<b>Status of Corrective Action</b> <i>Pending</i> —According to the division, it developed proposals for a standard for the start and end dates of construction. These proposals are currently undergoing the review of the division's senior management.

**SACRAMENTO AND MARIN SUPERIOR COURTS**  
***Both Courts Need to Ensure That Family Court Appointees Have Necessary Qualifications, Improve Administrative Policies and Procedures, and Comply With Laws and Rules***

Date: January 20, 2011

Report: 2009-109

**BACKGROUND**

Every superior court in each of California's 58 counties has jurisdiction over family law matters typically within their family courts. Judges assigned to the family courts decide various family law matters, such as the dissolution of marriages, and where child custody or a determination of the legal relationship between natural or adoptive parents and a child is at issue, the family court may issue an order for child custody and visitation. At the Sacramento family court, where more than 92,500 family law cases were filed during the four-year period we reviewed, its staff conducted mediations and certain evaluations that the family court ordered and the court appointed private mediators, evaluators, and minor's counsel. In contrast, the Marin family court, which opened 2,352 cases that involved child custody and visitation during the same four-year period, had staff who performed only child custody and visitation mediations and it appoints private evaluators and minor's counsel to contested child custody and visitation cases. The Family Code requires family courts to design all child custody and visitation orders to reflect what is in the best interest of the child.

**KEY FINDINGS**

Our audit of the Sacramento and Marin County Superior Courts' processes for identifying, assessing, and evaluating court appointees in child custody disputes during the four-year period—from April 1, 2006 through March 31, 2010—revealed the following:

- The Sacramento County Superior Court could not demonstrate that its staff performing mediations and evaluations and the private mediators, evaluators, and minor's counsel it appoints are qualified or trained.
- The Marin County Superior Court could not demonstrate that the mediators always met the minimum qualifications or training requirements and that its private evaluators were qualified and met certain training requirements. Further, the family court did not ensure that minor's counsel were qualified before making appointments.
- Although both family courts have a process for reviewing and resolving complaints about their mediators or evaluators, neither court kept logs of complaints received. In addition, both family courts did not consistently follow processes for dealing with complaints about their mediators.
- Even though courts may pay for minor's counsel when it determines that the parties cannot pay, both courts need to improve their processes. The Sacramento family court did not always make the legally required determination about the parties' ability to pay and the Marin Superior Court did not have a policy outlining the costs it reimburses.

**KEY RECOMMENDATIONS**

We make numerous recommendations to the Sacramento and Marin County Superior and Family Courts to ensure that the individuals who provide mediation and evaluation services and who act as minor's counsel in cases before these family courts are qualified and trained. Further, we recommend that both the Sacramento and Marin family courts track all complaints properly and review them promptly and keep a log of complaints they receive. Moreover, both family courts need to improve their policies and rules for receiving, reviewing, and resolving complaints. We also recommend that the Sacramento Superior Court improve billing procedures and for determining and reviewing parties' ability to pay appointing minor's counsel costs.

**Marin Superior Court (2009-109, January 20, 2011)**

Description of Data	Agency Purpose of Data
Marin Superior Court's Beacon case management database (Beacon database)	To manage civil, family law, juvenile, probate, and small claims cases and to maintain filing and disposition data about these cases in accordance with direction provided by the Administrative Office of the Courts.  The Beacon database contained nearly 2,400 child custody and visitation related cases that were opened between April 1, 2006, and March 31, 2010.
Purpose of Testing	Data Reliability Determination
To identify custody and visitation cases, contested custody and visitation cases.	<i>Not sufficiently reliable</i> —For our accuracy testing, we randomly selected 29 records and traced key data elements to the source documentation in the court's case files. We identified errors in one of the key fields needed for our analysis. Specifically, we identified two errors in the data element for the case subtype. Because we relied on this field to determine if a case was a custody and visitation case or a contested custody and visitation case, we cannot be sure that we included all relevant cases in our analysis.
To identify cases opened after April 1, 2006, and cases that remained open as of March 31, 2010.	<i>Sufficiently reliable.</i>
Corrective Action Recommended	Status of Corrective Action
We did not recommend corrective action.	N/A

**Sacramento Superior Court (2009-109, January 20, 2011)**

Description of Data	Agency Purpose of Data
Sacramento Superior Court's Sustain case management database (Sustain database)	To generate calendars, minute orders, out cards, and statistics.  The Sustain database contained records of more than 430,000 Family Law cases, nearly 555,000 Civil Law cases, and more than 31,000 Probate cases.
Purpose of Testing	Data Reliability Determination
To identify custody and visitation cases, contested custody and visitation cases, and cases opened after April 1, 2006.	<i>Not sufficiently reliable</i> —For accuracy testing, we randomly selected 29 records and traced key data elements to the source documentation in the court's case files. For two of 29 case files tested, we identified inaccurate entries in the data field that indicates when a case was filed. We performed completeness testing by haphazardly selecting 29 case files and verifying that the Sustain database contained these cases. We identified three court cases that were not recorded in the Sustain database.
To identify those cases that had court-appointed minors counsel.	<i>Undetermined reliability</i> —For our accuracy testing, we selected 29 case files and traced key data elements to the source documentation in the court's case files. The results identified no errors. We performed completeness testing by haphazardly selecting 29 case files and verifying that the Sustain database contained these cases. We identified three court cases that were not recorded in the Sustain database.
Corrective Action Recommended	Status of Corrective Action
We did not recommend corrective action.	N/A

<p><b>Description of Data</b></p> <p>Sacramento Superior Court’s Family and Children department’s Office of Family Court Services’ database (FCS database)</p>	<p><b>Agency Purpose of Data</b></p> <p>To assign cases to mediators, to send notices regarding upcoming mediation appointments, to track activities performed by mediators related to cases, and to generate bills for evaluation services.</p> <p>The FCS database contained records of nearly 106,000 scheduled appointments for family court services.</p>
<p><b>Purpose of Testing</b></p> <p>To identify contested custody and visitation cases, to identify cases that remained open as of March 31, 2010, and to determine if the court ordered mediations or evaluations.</p>	<p><b>Data Reliability Determination</b></p> <p><i>Not sufficiently reliable</i>—For our accuracy testing, we randomly selected 29 records and traced key data elements to the source documentation in the court’s case files. We identified inaccurate entries in numerous data elements. Specifically, the accuracy testing identified five errors in the data element containing the case number, three errors in the field that identifies the type of court action, three errors in the child’s birth-date data element, six errors in the field that identifies whether a mediation session was held, and three errors in the field that identifies the type of mediation session. We also performed completeness testing by haphazardly selecting 29 case files and verifying that the FCS database contained these cases. We found that the FCS database did not contain two of the 29 cases tested.</p>
<p><b>Corrective Action Recommended</b></p> <p>We did not recommend corrective action.</p>	<p><b>Status of Corrective Action</b></p> <p>N/A</p>

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## ADMINISTRATIVE OFFICE OF THE COURTS

### *The Statewide Case Management Project Faces Significant Challenges Due to Poor Project Management*

Date: February 8, 2011

Report: 2010-102

#### BACKGROUND

With as many as 10 million case filings in a year, the California court system has 400 locations statewide—each county's superior court has between one and 55 courthouse branches. In 2003, after finding over 200 varieties of case management systems in use by superior courts, and wishing to improve access, quality, and timeliness of the judicial system, the Administrative Office of the Courts (AOC)—staff agency to the Judicial Council of California, the policy and rule-making body over California's judicial branch—was directed to continue developing a statewide case management system for the superior courts. That same year, the AOC entered into contracts to develop two interim systems—currently used by seven courts—and later decided to develop one comprehensive system—the California Court Case Management System (CCMS).

#### KEY FINDINGS

Our review of the AOC's management and oversight of the statewide case management project revealed the following:

- The AOC inadequately planned the project since 2003. Specifically, the AOC:
  - » Did not conduct a business needs assessment at the onset of the project nor has it performed a cost-benefit analysis to ensure that the CCMS is the most cost-effective technology solution for the courts' needs.
  - » Did not structure its contract with the development vendor to adequately control the project costs and scope—over the course of seven years, the AOC entered into 102 contract amendments and increased the cost of the contract from \$33 million to \$310 million.
- The AOC has consistently failed to develop accurate cost estimates or timelines for the project.
  - » Cost estimates have gone from \$260 million in 2004 to nearly \$1.9 billion in 2010. Moreover, this estimate excludes other significant costs such as those that the superior courts and justice partners are likely to incur in deploying CCMS.
  - » Annual reports to the Legislature did not provide complete cost information.
  - » The estimated date for complete deployment has been pushed back by seven years.
- The majority of the courts believe their current case management systems will serve them for the foreseeable future and users of interim systems expressed reservations about using CCMS. Some of these users say they will not adopt CCMS until the AOC makes significant improvements in the areas of performance, stability, and product management.
- The AOC's attempt at independent oversight came late in the life of the project and the scope of services it contracted for fell short of best practices for a project of this size and scope. Nevertheless, the AOC did not adequately address significant concerns raised by the consultant providing the oversight and thus, the project may have future quality issues.

#### KEY RECOMMENDATIONS

We made numerous recommendations to the AOC, including the following:

- Conduct a thorough analysis of the costs and benefits of the CCMS to determine the course of action to take.
- Update cost information and estimates on a regular basis and report true costs to the Legislature and others.
- Develop a realistic overall funding strategy for the CCMS in light of the current fiscal crisis facing the State.
- Take steps to fully understand and address the courts' concerns as implementation moves forward.
- Retain an independent consultant to review CCMS before deployment to determine if there are quality issues and problems.

## Administrative Office of the Courts (2010-102, February 8, 2011)

<b>Description of Data</b> An excerpt of financial data from the Administrative Office of the Courts' (AOC) Oracle financial system (financial system) for fiscal years 2000–01 through 2009–10	<b>Agency Purpose of Data</b> To record, process, and store AOC's financial transactions.  The AOC's financial system contained information related to more than 6.6 million accounting records.
<b>Purpose of Testing</b> To determine total expenditures associated with the development of the statewide case management project.	<b>Data Reliability Determination</b> <i>Undetermined reliability</i> —We could not assess the reliability of the data in the AOC financial system for fiscal years 2000–01 through 2005–06 because the AOC had previously destroyed the hard-copy source documents in accordance with its record retention policy. Further, in assessing the accuracy of the AOC financial system data for fiscal years 2006–07 through 2009–10, we found that certain key data fields included in our sample were generated by the AOC's financial system. Due to the nature of system-generated fields, there is no corroborating evidence available for our review. Therefore, we were unable to determine the accuracy of those key data fields for the purposes of this audit.  Finally, the AOC's financial system does not fully account for payroll costs associated with staff that performed a role in the most recent version of the statewide case management project—the California Court Case Management System (CCMS). Specifically, in our testing of 13 employees associated with the CCMS project, we noted that the AOC did not properly charge payroll costs for five information system division employees and one regional administrative director who spent a portion of their time working on the CCMS project during the period July 2002 through June 2010. From our analysis of the State Controller's Office's (SCO) Uniform State Payroll System (payroll system) data for this time period, we estimated the total gross salary for these six employees—excluding certain payroll expenses, such as employer contributions for retirement and Medicare—exceeded \$5.5 million. According to the AOC, except for a select group of employees working on grants, AOC employees do not complete timesheets that detail the projects they are working on. Consequently, because these six employees spent their time working on various functions, the AOC was not able to determine what portion of their time was spent on the CCMS project.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A
<b>Description of Data</b> AOC's payroll data maintained by the SCO's Uniform State Payroll System	<b>Agency Purpose of Data</b> To process the State's payroll and personnel transaction documents.  The payroll system data contained information related to nearly 60 million state payroll transactions for the period July 2002 through June 2010.
<b>Purpose of Testing</b> To determine total gross salary for a sample of employees associated with the statewide case management project.	<b>Data Reliability Determination</b> <i>Sufficiently reliable.</i>

## COMMISSION ON TEACHER CREDENTIALING

### *Despite Delays in Discipline of Teacher Misconduct, the Division of Professional Practices Has Not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Future Backlogs*

Date: April 7, 2011

Report: 2010-119

#### BACKGROUND

Receiving over 250,000 applications for teaching credentials each year, the 19-member Commission on Teacher Credentialing (commission) establishes high standards for the preparation and licensing of public school educators. The Division of Professional Practices (division) conducts investigations of misconduct on behalf of the Committee of Credentials (committee)—a commission appointed seven-member body. The committee meets monthly to review allegations of misconduct and, when appropriate, recommends that the commission discipline credential holders or applicants, including revoking or denying credentials when the committee determines holders or applicants are unfit for the duties authorized by the credential.

#### KEY FINDINGS

During our audit of the commission's educator discipline process, we noted the following:

- As of the summer of 2009, the division had accumulated a backlog of about 12,600 unprocessed reports of arrest and prosecution—nearly three times the number of educator misconduct reports the division typically processes each year. The backlog was a result of an insufficient number of trained staff, ineffective and inefficient processes, and a lack of an automated system for tracking the division's workload.
- These conditions appear to have significantly delayed processing of alleged misconduct and potentially allowed educators of questionable character to retain a credential.
  - » In 11 of the 29 cases we reviewed, the division took more than 80 days to open a case after it received a report of misconduct, with one taking nearly two years to open and another taking nearly three years.
  - » The division does not always effectively track cases that potentially result in mandatory revocation of a credential—for two of the 23 such cases we reviewed the division took one and a half months and six months, respectively, to revoke the credentials after being notified by the court the holder was convicted of the crime charged.
  - » Because it relies on the prosecution of criminal charges rather than contemporaneously pursuing all available sources of information regarding its cases, when an individual is not convicted the division may not be able to get the information necessary to effectively investigate because some witnesses—students, teachers, and administrators—may no longer be accessible.
- The division has not effectively processed all the reports of arrest and prosecution that it receives—we could not locate in the commission's database more than half of the 30 reports we randomly selected. Further, it processes reports it no longer needs because it does not always notify the appropriate entity that the reports are unneeded.
- To streamline the committee's review of reports of misconduct, the commission allows division staff to use their discretion to decide which reports to forward to the committee for its review and which require no disciplinary action—a practice we believe constitutes an unlawful delegation of discretionary authority.
- The division lacks comprehensive written procedures for reviewing reported misconduct and the database it uses for tracking cases of reported misconduct does not always contain complete and accurate information.
- Familial relationships among commission employees may have a negative impact on employees' perceptions and without a complete set of approved and consistently applied hiring procedures, the commission is vulnerable to allegations of unfair hiring and employment practices.

#### KEY RECOMMENDATIONS

We make numerous recommendations to the commission including that it develop and formalize comprehensive procedures for reviews of reported misconduct and for hiring and employment practices to ensure consistency. We also recommend that it provide training and oversight to ensure that case information in its database is complete, accurate, and consistent. Moreover, we provide specific recommendations for the commission to revisit its processes for overseeing investigations to adequately address the weaknesses in its processing of reports of misconduct and reduce the time elapsed to perform critical steps in the review process.

**Commission on Teacher Credentialing (2010-119, April 7, 2011)**

<b>Description of Data</b> Commission on Teacher Credentialing's (commission) Credentialing Automation System Enterprise data (database)	<b>Agency Purpose of Data</b> To track teacher data, applications, documents, exams, case information, and organization information.  The database contained information pertaining to nearly 1.2 million people, 76,639 applications, and 17,206 cases.
<b>Purpose of Testing</b> To identify the number of affidavits, school reports, testing agency misconduct reports, actions taken by the Committee of Credentials (committee), recommendations for adverse action, and the number of days between the date that the commission's Division of Professional Practices (division) staff opened and closed a case for cases the committee did not review that were opened during the period of January 2007 through June 2010.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —For accuracy testing, we randomly selected a sample of 28 records of case activities and found several errors in key fields. Specifically, we found three errors in the data field that tracks the date an activity begins and the field that describes which activity is being performed, such as a request for court documents or Department of Motor Vehicles' records, and two errors in the field that describes the action that needs to be taken, such as opening a case.
<b>Agency Response Date</b> <b>August 2012</b>	<b>Status of Corrective Action</b> <i>Fully implemented</i> —As indicated in its six-month response, the commission provided training to its staff to ensure that they consistently and accurately enter information into the database. Additionally, in its one-year response, the commission stated that most of the management and supervisory team in the division were replaced and it is in the process of recruiting a new management team. According to the commission, management duties will include routine or scheduled reviews of data.  In an August 2012 update, the commission provided its newly developed policy and procedures for reviewing data to ensure its accuracy. The commission also stated that it selected a random sample of 60 case files and reviewed 23 key data points for each file, creating a possibility of 1,380 errors. According to the commission, it developed, completed, and saved documentation of this review, during which it found a very low rate of error—only seven errors in total. Finally, in keeping with the procedures that the division developed, the commission plans to complete this data audit annually.
<b>Corrective Action Recommended</b> The division should provide the training and oversight, and should take any other steps needed, to ensure that the case information in its database is complete, accurate, and consistently entered to allow for the retrieval of reliable case management information.	

**STATE LANDS COMMISSION**  
***Because It Has Not Managed Public Lands Effectively, the State Has Lost Millions in Revenue  
for the General Fund***

Date: August 23, 2011

Report: 2010-125

**BACKGROUND**

Responsible for managing millions of acres of tidelands and submerged lands, and other lands that must be used to benefit public education, the three-member State Lands Commission (commission) meets periodically to make decisions regarding leases and other matters. An executive officer—appointed by the commissioners—manages the commission's daily operations and its employees. Its divisions oversee and manage more than 4,000 leases, including approximately 900 agricultural, commercial, industrial, right-of-way, and recreational leases; 85 revenue-generating oil and gas, geothermal, and mineral leases; and 3,200 rent-free leases.

**KEY FINDINGS**

Our audit of the commission's management of leases revealed that it did not effectively manage or monitor leases:

- Some lessees remained on state land for years, sometimes decades, without paying rent. Of the 10 delinquent leases we reviewed nearly half were more than 17 years past due. The commission generally does not evict or pursue other remedies against lessees who do not pay rent—in total, the State lost \$1.6 million from those 10 delinquent leases we reviewed.
- About 140 of its nearly 1,000 revenue-generating leases are in holdover, meaning the leases had expired and the lessee continued to pay the rental amount stipulated in the expired lease. The commission could have collected an additional \$269,000 in rent for 10 expired leases we reviewed had it merely adjusted the leases to reflect the Consumer Price Index.
- The commission failed to perform timely rent reviews even though many of its lease agreements allow it to review and modify the rental amount every five years. For 18 of the 35 leases we reviewed, it could have collected an additional \$6.3 million had it conducted timely rent reviews.
- Properties are not appraised regularly—of the 35 leases we reviewed, four had not been appraised in 20 years and another nine had not been appraised for at least 10 years.
- The commission may be undervaluing certain types of leases because it is using a rate to establish rent for pipelines on state property that has not been adjusted for more than 30 years.
- It lost track of one of its leases and failed to bill a lessee for 12 years while the lessee remained on state property. This was likely due to an incorrect entry in the commission's database.
- Even though audits of oil and gas leases can result in millions of dollars in revenue to the State, the commission does not consistently conduct these audits nor does it conduct audits of 85 properties granted to local governments to ensure that they spend the funds generated from those lands as permitted.

**KEY RECOMMENDATIONS**

We make numerous recommendations to the commission including that it manage delinquent leases in a timely manner and that it ensure that as few leases as possible are in holdover by implementing its newly established procedures and periodically evaluating their effectiveness. Further, we recommend it conduct rent reviews promptly, appraise its properties as frequently as permissible to obtain a fair rental value for its leases, and amend outdated regulations for establishing pipeline rents. Additionally, to improve its monitoring of leases, we recommend the commission ensure its database is complete and accurate for retrieval of reliable lease information, and to require all divisions to use it. Moreover, it should develop an audit schedule that focuses on leases that historically generate the most revenue and recoveries to the State.

## State Lands Commission (2010-125, August 23, 2011)

<b>Description of Data</b> State Lands Commission's (commission) Application Lease Information Database (ALID)	<b>Agency Purpose of Data</b> To store the commission's lease information, including the lessee name, lease term and type, lease location, rental amount, lease history, and bond and insurance information. The commission also uses tickler dates within ALID to remind staff when leases are eligible for a five-year rent review.  ALID contained records for more than 4,000 leases, including approximately 85 oil and gas, geothermal, and mineral leases; 900 agricultural, commercial, industrial, right-of-way, and recreational leases; and 3,200 rent-free leases.
<b>Purpose of Testing</b> It was our intent to use the ALID data to determine how frequently the commission appraises the value of all of its lease properties, how much time it spends in each step of the rent review process, the total number of leases in holdover, and the total number of leases based on the price per diameter inch per linear foot of pipeline.	<b>Data Reliability Determination</b> <i>Not sufficiently reliable</i> —Based on our initial review of the data included in ALID—which found significant errors—we determined that we would not be able to make conclusions based on these data.
<b>Agency Response Date</b>	<b>October 2011</b>
<b>Corrective Action Recommended</b> To improve its monitoring of leases, the commission should do the following: <ul style="list-style-type: none"> <li>• Create and implement a policy, including provisions for supervisory review, to ensure that the information in ALID is complete, accurate, and consistently entered to allow for the retrieval of reliable lease information. To do so, the commission should consult another public lands leasing entity, such as the Department of General Services, to obtain best practices for a lease-tracking database.</li> <li>• Require all of its divisions to use ALID as its one centralized lease-tracking database.</li> </ul>	<b>Status of Corrective Action</b> <ul style="list-style-type: none"> <li>• <i>Partially implemented</i>—The commission asserts that all income-producing leases have been verified for data elements related to rent review dates, lease terms, and expiration dates. Further, commission staff is developing management reports that, according to the commission, will allow access to data in a format that will be useful for decision making. Finally, the commission is pursuing an off-the-shelf software program that could potentially replace ALID. However, the commission has not implemented a policy that includes provisions for supervisory review of the data entered into ALID. Further, the commission has not yet consulted with other public lands leasing agencies to obtain best practices for a lease tracking-database.</li> <li>• <i>Partially implemented</i>—The commission stated that the steps it has taken should reduce the need for staff to use multiple data sources.</li> </ul>

## CHILD WELFARE SERVICES

### *California Can and Must Provide Better Protection and Support for Abused and Neglected Children*

Date: October 27, 2011

Report: 2011-101.1

#### BACKGROUND

Child welfare services (CWS) agencies—which include programs for child protective services—across California’s 58 counties received 480,000 allegations of child abuse or neglect in 2010 and, along with local law enforcement, make immediate decisions about whether to remove a child from his or her home. While each county establishes and maintains its own program for CWS, the Department of Social Services (Social Services) monitors and provides support through oversight, administrative services, and development of program policies and regulations. Among other duties, Social Services provides oversight from early intervention activities to permanent placement services, and provides oversight and regulatory enforcement for more than 85,000 licensed community care facilities statewide, including licensing foster and group homes that house children removed from unsafe homes.

#### KEY FINDINGS

During our review of the child protective services programs in Sacramento, Alameda, and Fresno counties and Social Services, we noted the following:

- Despite a recommendation we made in 2008, Social Services does not use the Department of Justice’s (Justice) sex offender registry to identify sex offenders who may be inappropriately living or working in its licensed facilities and foster homes. In July 2011 we found over 1,000 address matches and alerted Social Services. Social Services and county CWS agencies investigated the matches and are taking action as needed.
- Social Services is struggling to visit community care facilities at least once every five years as required. The number of overdue inspections has been increasing since the beginning of 2010.
- Although the three counties generally performed required background checks before placing children in foster homes and appeared to remove children quickly when needed, they did not always timely notify Social Services of allegations involving its licensees and forward required information regarding instances of abuse or neglect to Justice.
- The percentage of children placed with private foster family agencies—agencies that recruit and certify foster homes and are compensated at a higher rate than state- or county-licensed foster homes—has dramatically increased over the last 10 years and resulted in an additional \$327 million in foster care payments during that time. The counties we visited admit to placing children with these agencies out of convenience rather than for elevated treatment needs as originally intended.
- Although the county CWS agencies we visited generally complied with state regulations and county policies when investigating and managing cases, they need to improve the timeliness of investigations and consistency of ongoing case management visits.

#### KEY RECOMMENDATIONS

We make numerous recommendations to Social Services including that it conduct regular address comparisons using Justice’s sex offender registry and its licensing database, and that it complete follow-up on any remaining address matches we provided. We further recommend that Social Services complete comprehensive reviews of agencies’ licensing activities more timely as well as on-site reviews of state-licensed foster homes, foster family agencies, and group homes. Moreover, Social Services should ensure that rates paid to private foster family agencies are appropriate and should monitor placements with these agencies. To the county CWS agencies, we recommend that all agencies perform child death reviews for children with CWS histories to improve their practices.

**Justice, Department of (2011-101.1, October 27, 2011)**

<b>Description of Data</b> Department of Justice's (Justice) Sex and Arson Registry (sex offender registry)	<b>Agency Purpose of Data</b> To serve as the statewide repository for all sex and arson offender registration information.  The sex offender registry contained more than 1.4 million address records for nearly 125,000 registered sex and arson offenders.
<b>Purpose of Testing</b> To identify possible matches between addresses of registered sex offenders and the addresses of state- and county-licensed facilities, such as foster family homes, family day care homes, and adult residential facilities in the Department of Social Services' Licensing Information System.	<b>Data Reliability Determination</b> <i>Undetermined reliability</i> —During electronic logic testing of key data elements, we noted that some address data fields were blank nearly 42 percent of the time. Justice informed us that these blanks are likely due to the fact that the registry is populated by data entered by over 500 agencies. Nevertheless, we decided to conduct an analysis using the available address data since it is the best available source of this information. Further, we determined that conducting accuracy and completeness testing for the sex offender registry was not feasible because the documentation supporting this data is located at over 500 agencies throughout the State.
<b>Corrective Action Recommended</b> We did not recommend corrective action.	<b>Status of Corrective Action</b> N/A

cc: Members of the Legislature  
Office of the Lieutenant Governor  
Little Hoover Commission  
Department of Finance  
Attorney General  
State Controller  
State Treasurer  
Legislative Analyst  
Senate Office of Research  
California Research Bureau  
Capitol Press