

SUITE 750

**JOINT LEGISLATIVE AUDIT COMMITTEE
OFFICE OF THE AUDITOR GENERAL
CALIFORNIA LEGISLATURE**



1975 ACTIVITIES

COMMITTEE MEMBERS

VICE CHAIRMAN

CLARE BERRYHILL

SENATORS

ANTHONY BEILENSON

GEORGE DEUKMEJIAN

JAMES R. MILLS

CHAIRMAN

MIKE CULLEN

ASSEMBLYMEN

EUGENE A. CHAPPIE

DANIEL BOATWRIGHT

BOB WILSON

1975 ACTIVITIES

Report of the Auditor General
to the
Joint Legislative Audit Committee

California Legislature



CONTENTS

	Page
ORIGIN	1
Joint Legislative Audit Committee	2
Auditor General	3
WHAT WE DO	5
Responsibilities and Objectives	5
Audit Standards	9
The Staff	9
INTERACTION WITH THE LEGISLATURE	11
Loans to Committees	11
Committee Hearings	12
Legislation Affecting Us	14
REPORT SUMMARIES	15
REPORTS ISSUED 1973-1975	39
AUTHORITY	53



Twenty years ago California's Legislature created the Joint Legislative Audit Committee and the Office of the Auditor General, and made us responsible for the independent audit function in California (Stats. 1955, Ch. 1699).

In 1954, the legislative and executive branches of state government recognized the need for two types of audits in California -- internal and independent. To establish sound fiscal and administrative policies, both branches of government needed straightforward information about program operations and expenditures.

Internal audits, coordinated within the executive branch would be directed by the Governor. Independent audits would be under the policy direction of a legislative committee.

Today, there are internal auditors in every major state agency studying, analyzing and recommending improvements in their own operations. Legislative committees are annually confronted with budget decisions affecting state agencies. Some of these decisions are made easier because independent reports on agency operations are available to the legislators.

Together, internal and independent audits complement rather than duplicate each other, acting as a system of checks and balances to improve the operating efficiency, economy and effectiveness of state agencies.

Joint Legislative Audit Committee

The Joint Legislative Audit Committee is bipartisan, and consists of four members of the Senate and four members of the Assembly. Under the Legislature's Joint Rules, the Senate and Assembly fiscal committee chairpersons are two of the eight members of the Joint Legislative Audit Committee. Senate members are appointed by the Senate Committee on Rules, and Assembly members are appointed by the Speaker of the Assembly.

Any legislative committee may request the Auditor General's Office to conduct an audit or special investigation. However, all such requests must first be authorized by the Joint Legislative Audit Committee. The Committee then establishes work priorities and directs the Auditor General to commence the audit.

Auditor General

Once a specific request is approved by the Audit Committee the Auditor General may "make such special audits and investigations, including performance audits, of any state agency whether created by the Constitution or otherwise". Our professional staff is trained to conduct in-depth interviews, to observe, and to review and analyze records to get the facts.

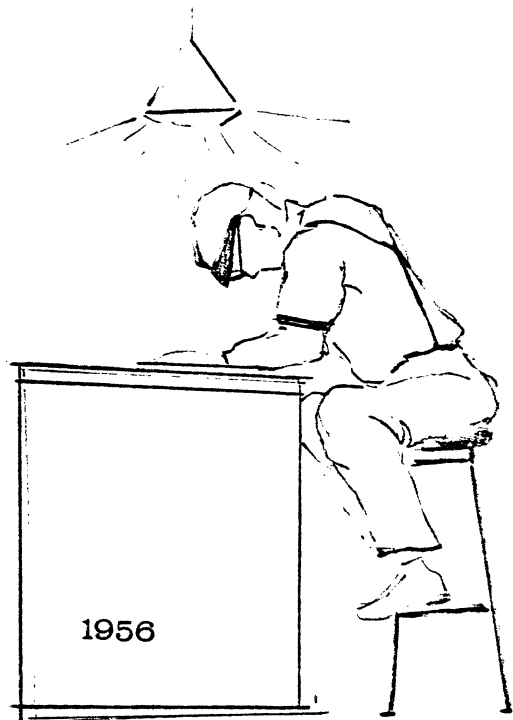
When we have assembled the facts, we submit to the Audit Committee an objective and nonpartisan report of our findings and recommendations. Our reports are a valuable resource, providing legislators systematic and timely information about executive program operations and results, unaffected by political pressures.

WHAT WE DO

Responsibilities & Objectives

As directed by the Joint Legislative Audit Committee, the Auditor General conducts financial audits of state agencies determining if fiscal operations are properly conducted and if their financial statements are presented fairly.

When our work began in 1956 our audits concentrated on the traditional review of financial statements. After 1956, however, financial reporting in the executive branch improved; the scope of their own internal audits broadened to better serve management and the Legislature.



While financial reporting improved, legislators required more complete information on the Governor's programs. Moreover, they wanted to have this information provided, or at least concurred in, by someone who was not an advocate of the program but who was independent and objective. The Joint

Legislative Audit Committee responded to the Legislature and directed the Auditor General to conduct performance audits. In the past 10 years we have experienced a dramatic shift and development of our work from the traditional financial audits to the broad-scope performance audits.



The potential benefit from performance audits is tremendous:

- increased legislative understanding of selected programs
- improved government operations and services
- identification of ways to save money by increasing revenues or decreasing expenditures.

The objective of performance audits is to evaluate:

Legal Compliance

- Are programs administered in accordance with their governing laws?
- Do agency programs comply with legislative intent?

Efficiency and Economy

- Are programs administered using the least cost combination of public funds and other resources?
- Do programs duplicate or overlap each other?

Program Results

- Are desired program results or benefits being achieved?
- Do program costs exceed benefits?

Our goal is to help achieve the most efficient, effective and economical government possible. We provide the Legislature and the taxpayers with quality, independent audit reports presenting thoroughly documented facts and appropriate recommendations in an objective and timely manner.

The Chairman of the Joint Legislative Audit Committee may publicly release our audit reports 48 hours after the Committee members receive their copies. Reports are distributed to all legislators, the Governor and other elected officials, heads of state agencies, the press and anyone else who asks for them. We encourage wide distribution of our reports, understanding that it is public response that frequently brings about -- or speeds up -- needed governmental reform.

We serve as an independent source of information on the accountability of public administrators for their programs. The public -- who pays for and whose good is expected to be served by such programs -- should be able to hold public officials accountable for their performance. The Joint Legislative Audit Committee and the Office of the Auditor General provide the Legislature and the public one important means of accomplishing this objective.

Audit Standards

The Office of the Auditor General has adopted the standards developed and issued by the United States General Accounting Office (GAO), our counterpart at the national level. These standards are the product of extensive study of the auditing needs and practices of federal, state, and local governments, and are printed in the GAO booklet, Standards for Audit of Governmental Organizations, Programs, Activities and Functions.

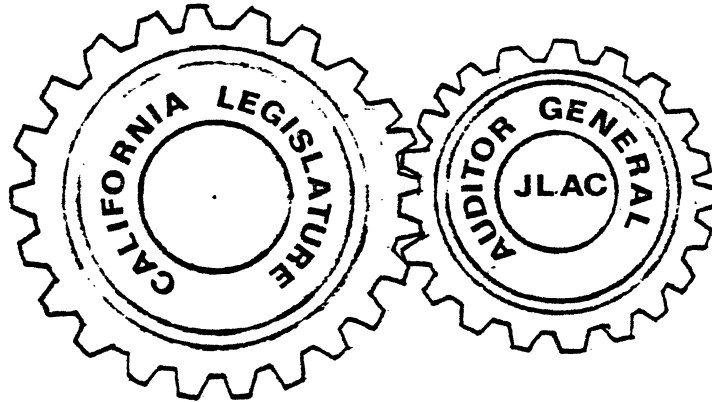
The Staff

Our professional audit staff is composed of men and women with a rich variety of backgrounds. Of the 39 positions currently filled, 16 are certified public accountants and one is a lawyer. Our staff has professional expertise in such fields as social welfare, budgeting, economics, electronic data processing, banking and finance, statistics, education, writing and editing, health, investments, and marketing.

In 1975 we hired four new auditors. Richard Howard had previous experience both with a law firm and national CPA firm. Linda Huffman joined us after graduation from college; Tommy Torres came to us from a local CPA firm, and Edwin Shepherd from the United States General Accounting Office.

During 1975 we bid farewell to eleven of our auditors who pursued various opportunities. Our losses included Brian Cahill, California Association of Children's Residential Centers; Tommy Torres, Assistant Manager, Mid-Cal Periodicals; C. Rud Felter; Jerry L. Bassett, Legislative Counsel's Office; Harvey M. Rose, Budget Analyst, City and County of San Francisco; Virgil W. Woods; Department of Finance; Phillip D. Freedman, teacher and student; Richard J. Nuanes; John H. McConnell; John P. Knapp; and William DeFazio, California Cascade.

INTERACTION WITH THE LEGISLATURE



Loans to Committees

Assembly Committee on Finance, Insurance and Commerce -- Thomas P. Friery was assigned temporarily to work with other financial experts and committee staff. His time was spent helping to draft legislation allowing state and local investment authorities to lend investment securities through "security loans" and "reverse repurchase agreements." Mr. Friery devoted over 75 hours to this work.

Assembly Health Committee -- Donald P. Musante was temporarily assigned (40 hours) to provide technical assistance to the staff of the Assembly Health Committee. As a certified public accountant, Mr. Musante was able to advise the Committee on the financial status of the Mt. Diablo District Hospital.

Committee Hearings

During the past year we testified or appeared at numerous committee hearings on subjects covered by our audit reports. The Committees were often considering legislation originally recommended in our reports. Although we have no authority to implement our recommendations, we can contribute to the process by responding to legislative requests to participate.

1975 Appearances or Testimony Before Committees

<u>Date</u>	<u>Committee and (Chairman)</u>	<u>Subject</u>
February 17	Assembly Ways and Means (Foran)	Teale Data Center EDP Consolidation
February 18	Senate Agriculture and Water Resources (Way)	State Department of Food and Agriculture
March 17	Senate Finance (Beilenson)	California Milk Marketing Program
April 3	Senate Finance Subcommittee (Alquist)	Franchise Tax Board
April 3	Assembly Education (Greene)	Conejo Valley Unified School District Financial Problems
April 7	Assembly Finance, Insurance and Commerce (McAlister)	Southern Pacific Transportation Company's
December 18	Special Subcommittee on San Francisco Peninsula Rail Commuter Service (Papan)	Request to the Public Utilities Commission for a 111 percent rate increase

<u>Date</u>	<u>Committee and (Chairmen)</u>	<u>Subject</u>
May 7 August 20, 25	Senate Health and Welfare (Gregorio) Assembly Health (Keene)	Prepaid Health Plans under contract with the State Department of Health
May 6	Assembly Ways and Means (Foran)	Financial operations of horse racing associations
May 12 June 10 August 6	Assembly Finance, Insurance and Commerce (McAlister) Assembly Ways and Means (Foran) Senate Industrial Relations (Zenovich)	Policies and Practices of the Employment Development Department for investing cash reserves of the Unemployment Compensation Disability Fund
August 5	Senate Governmental Organization (Dills)	Negotiable certificates of deposit and commercial paper
June 16 August 12 August 22	Assembly Finance, Insurance and Commerce (McAlister) Assembly Ways and Means (Foran) Senate Governmental Organization (Dills)	Proposals to allow California state and local investment authorities to increase interest income by temporarily lending investment securities through "Security Loans" and "Reverse" Repurchase Agreements"
October 28	United States Senate Joint Hearing, Subcommittee on Health and Long-Term Care. (Congressmen Frank Moss and Claude Pepper)	Home-Health Agencies and Homemaker-Chore Services Program
November 10	Joint Committee on Fairs Allocation and Classification (Davis)	Exclusive Food and Beverage Contract-California State Exposition and Fair
December 12	Joint Committee on Aging (Chel)	Operations of the area agencies on aging. Alternative and less expensive methods of delivering services
December 18	Assembly Permanent Subcommittee on Energy (Goggin)	Public Utilities Commission Adjustment of electric rates for fuel-cost changes

Legislation Affecting Us

BILLS CHAPTERED IN 1975

Assembly Concurrent Resolution No. 83, Chapter 57

Directed the Joint Legislative Audit Committee to use the staff of the Office of the Auditor General to investigate medical malpractice insurance underwriting and claims in California.

Assembly Concurrent Resolution No. 98, Chapter 69

Made \$1,763,000 available for expenses of the Joint Legislative Audit Committee.

Assembly Bill No. 2283, Chapter 1214

Authorized some state agencies to enter into security loan agreements. Required the Auditor General to audit the results of these security loan agreements and report to the Legislature on or before March 1, 1979.

ACTIVE BILLS THAT COULD AFFECT THE AUDITOR GENERAL'S OFFICE

Assembly Bill No. 210 (Cullen)

Creates a new Joint Legislative Audit Committee with expanded responsibility for directing governmental auditing in California.

Assembly Bill No. 2586 (Cullen)

Allows employees of the Office of the Auditor General to participate in civil service promotional examinations.

Assembly Concurrent Resolution No. 90 (Papan)

Requires the Auditor General to review the proposal to increase retirement benefits of law enforcement and firefighters.

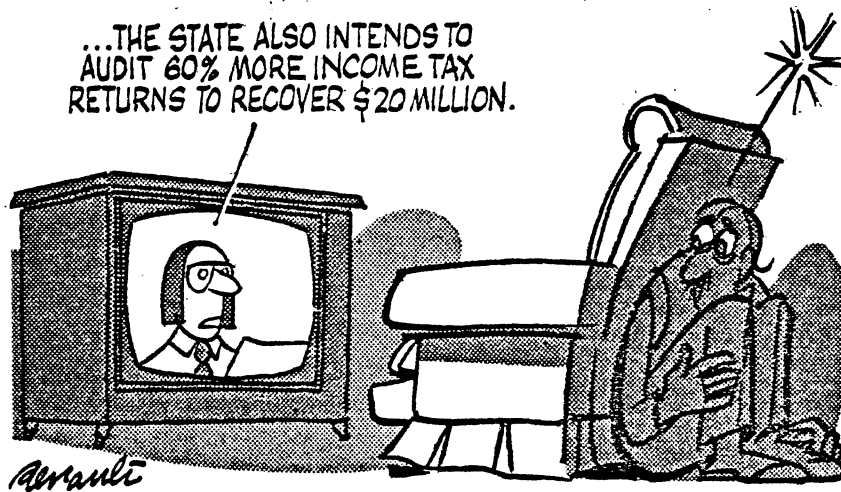
Senate Concurrent Resolution No.6 (Roberti)

Directs the Auditor General to perform specific reviews of the Marketing Act of 1937 and make findings and recommendations to the Legislature. Would have required a report by December 2, 1975.

Senate Concurrent Resolution No. 7 (Roberti)

Requests the Auditor General to audit the expenditures of the Southern California Rapid Transit District. The report would have been due April 1, 1975.

REPORT SUMMARIES



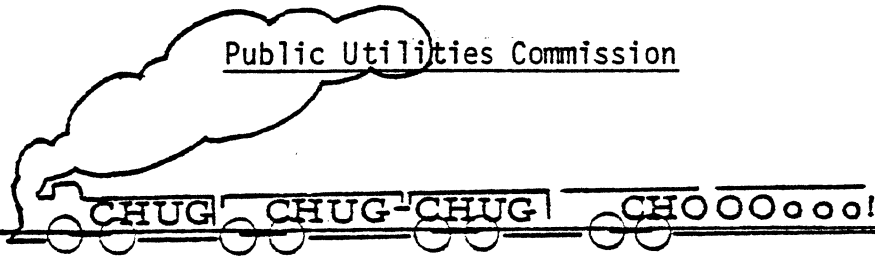
Alvarez

Courtesy of THE SACRAMENTO BEE

Personal Income Tax

If you pay State income tax, you deal with the Franchise Tax Board. We reviewed the Board's practices and found that the State was not collecting millions of dollars in tax revenues each year. Computer tapes, information returns and partner returns were not being used to identify and collect taxes due from people who either underreported income or who did not even file a tax return. We further noted that the Board audited only about 50 percent of the tax returns necessary to achieve optimum coverage. Because of low staffing levels, many of 1974's 245,000 delinquent tax accounts -- representing over \$100 million -- will never be collected. Following release of our report, the Franchise Tax Board requested and received a budget augmentation to hire more staff and implement some of our recommendations. The Board itself estimates that this will result in at least \$10 million and possibly as much as \$20 million in additional revenue the first year.

215.1



The Southern Pacific Transportation Company operates a commuter train service between San Francisco and San Jose. When Southern Pacific asked the Public Utilities Commission for a 111 percent rate increase, outraged Peninsula commuters prompted a request for the Auditor General's staff to review the records included in Southern Pacific's rate increase application.

About half of the expenses we reviewed were either inadequately supported or incorrectly charged to the commute operations. For example:

- salaries of some employees were charged twice
- nearly \$400,000 for depreciation was included as an expense for locomotives and passenger cars already depreciated to their salvage value.

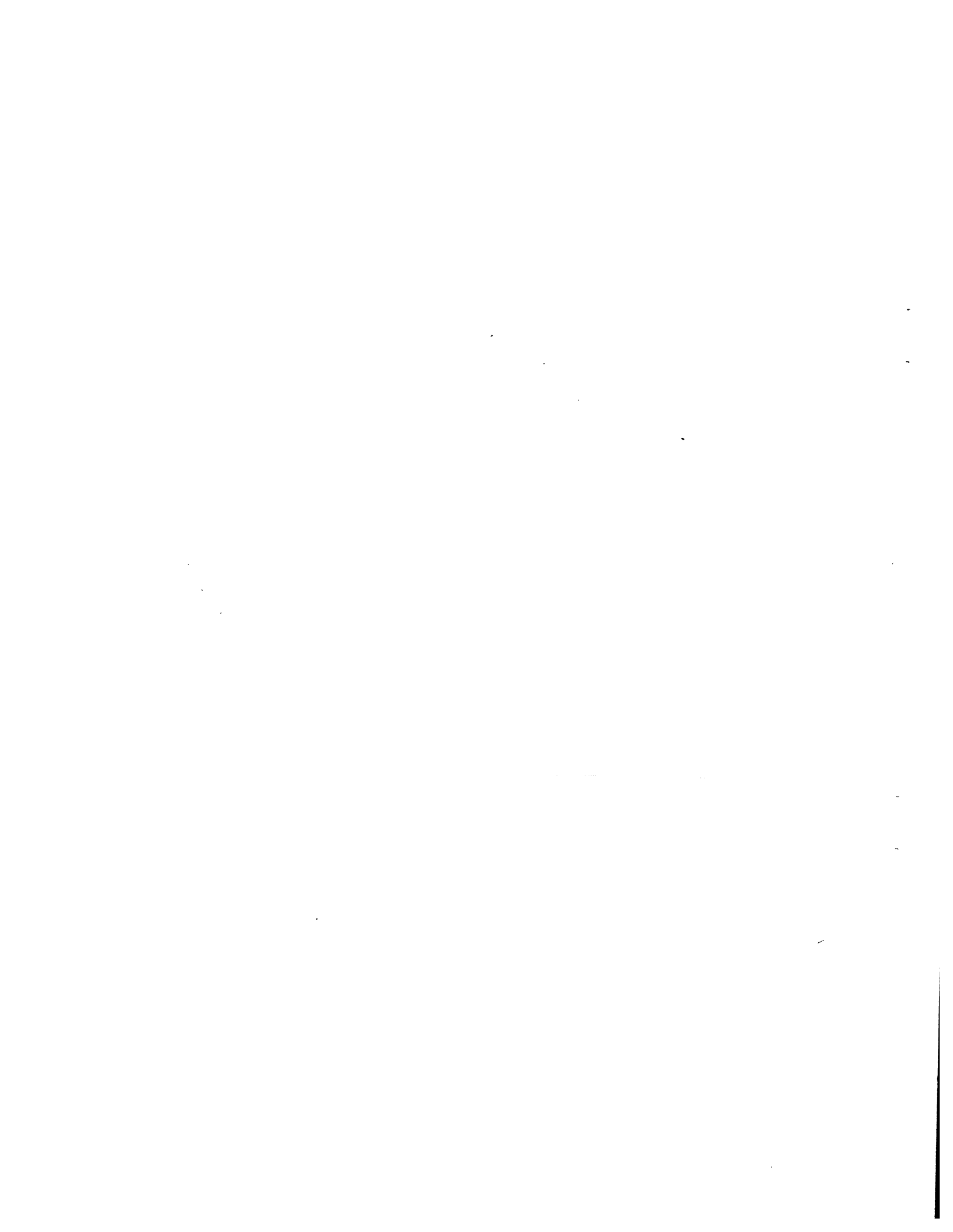
While some rate increase might be justified, we recommended that the PUC defer any increase until Southern Pacific presents their request supported by adequate and correct records.

Transportation

The primary objectives of the Division of Aeronautics are to encourage the development of air transportation and to foster and promote aeronautics safety. Management personnel at the Department of Transportation have not required the Division of Aeronautics to adequately enforce aviation laws. Instead, they have allowed some airports to operate without permits and in violation of aeronautics laws. Reasons for this lack of enforcement are (1) formalized enforcement policy or procedures have not been developed, (2) the objectives and responsibilities of the Division may be incompatible, and (3) only a small enforcement staff is assigned to cover the entire state.

239.1



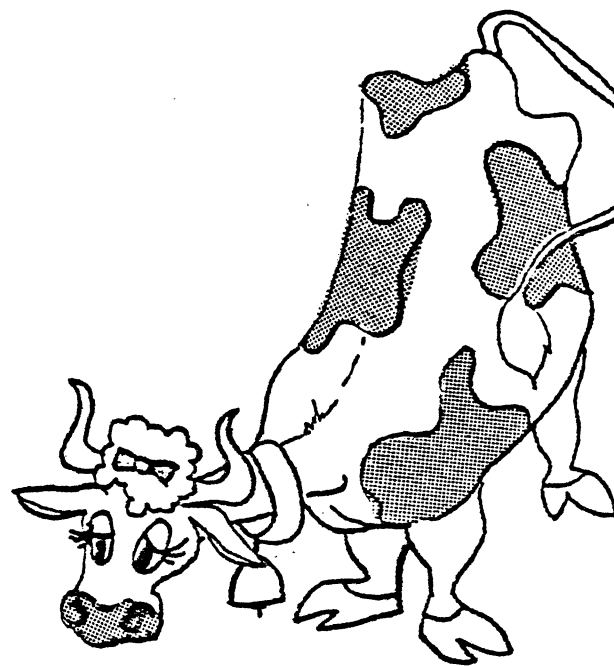


Agriculture

Unhappy consumers brought the California Milk Marketing Program of the Department of Food and Agriculture to our attention. The State establishes minimum producer, wholesale and retail prices for milk.

A statewide survey of 204 supermarkets disclosed that because of the state-established minimums, the gross profit

from milk is higher than the gross profit from 44 of 47 other basic foods. Although State law prohibits selling dairy products at less than cost, the average retail price for such other staples as mayonnaise, flour, sugar, shortening, tuna and coffee was less than the average wholesale price for these items. Our reports recommended that minimum wholesale and retail prices be eliminated, and that the law prohibiting sale of dairy products below cost be repealed, so that California consumers, like consumers in some other states, might be offered specials of dairy products at prices below cost.



John Doe

235.1

235.2

Social Services



In two years we issued three reports identifying serious problems in the State Office on Aging. The most recent report raised serious questions about the management of federal funds appropriated for elderly support services and nutrition programs, including such problems as (1) lack of professional staff, (2) high personnel turnover, (3) fiscal irresponsibility, (4) failure to actively encourage project applications from the elderly communities, and (5) unnecessary funding delays resulting in fewer meals for the elderly. For these programs to provide vital services to low-income and minority elderly, a few basic improvements -- stable leadership, strong direction, adequate fiscal control, and full assistance to the elderly community -- must be made.

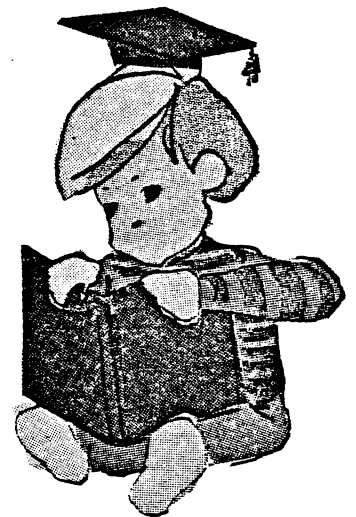
Social Services

California's Homemaker-Chore Services Program provides in-home care to certain aged, blind, or disabled adults. Services, such as household cleaning, shopping, cooking, laundry and other non-medical care, enable the recipients to remain in their own homes instead of an institution. We found that the Department of Health had not specified a means for classifying the services needed or the proper rate of payment for the services. In one county, "chore" services cost \$2.50 per hour, and in another county essentially the same services were called "homemaker" and cost \$6.00 per hour. Most recipients hire helpers directly, at salaries ranging from \$1.65 to \$2.51 per hour. The balance of the help is provided by county staff or by agencies under contract with the counties - with hourly rates of from \$3.39 to \$7.75. In addition to paying higher wage rates, contract agencies incur administrative expenses and make profits; therefore counties pay 105 to 209 percent more to contract agencies than they pay to recipient-employed providers. Members of our staff were called to Washington, D.C. to testify on this matter before a Joint Senate and House Subcommittee considering rules to expand the use of profit-making organizations. As a result of this testimony, a number of issues were brought to light with the expectation that the proposed rules will be revised to assure adequate controls over the services and their costs.

Education

The effectiveness of the state's Mentally Gifted Minors Program could not be evaluated, because neither the Legislature nor the Department of Education developed goals or criteria to measure achievements. The program was not adequately administered by the State. Subjects selected by school districts for mentally gifted minors included pitching horse shoes, tennis lessons, guitar lessons, free choice of activities, juggling, supper-theatre tickets, meals and lodging in San Francisco, water fowl observation, gardening and knitting. Some of these subjects were only given for short periods of time, and, in the case of juggling, it was given in connection with hand-eye coordination. While we did not criticize or question the propriety of any of these subjects, we did point out that without good program administration, virtually any subject could qualify as appropriate for mentally gifted minors.

224



Education

Legislative budget questions resulted in our review of the 22 state-owned residences provided to 17 administrators of the University of California and 5 administrators of the State University and Colleges. These residences not only house the administrators, but also are used for official functions. Our report did not contain findings or recommendations, and was issued for information purposes only.

Built in 1928 and renovated in 1969, this 3-story structure has 3 bedrooms and 3 baths, and an area of 12,434 square feet. The 21-room house is in Kensington, about 3 miles from the Berkeley campus. The 10-acre site is used as an outdoor teaching and research laboratory by the University's Department of Landscape Architecture.



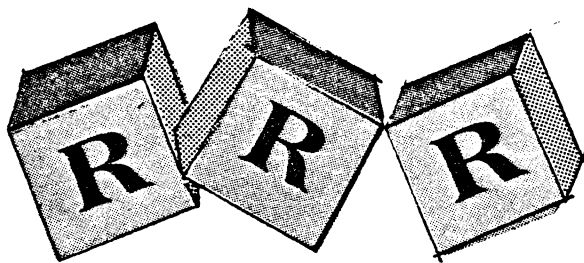
President, University of California

Chancellor, State University and Colleges

Built in 1953, this single-story residence has four bedrooms, 4½ baths, and an area of 4,586 square feet. There is an attached 3-car garage, swimming pool, bath house, fenced tennis court, and separate guest cottage. The 10-room house is in a residential area of Los Angeles known as Bel Aire. The 1.94-acre lot is landscaped extensively with a variety of plants, trees and shrubs.



Education



Financial operations of the Fremont Unified School District were found seriously deficient of internal controls. To a large extent, the district's records were unauditible because of these deficiencies. Our report showing what can happen if control systems are not enforced is recommended to school board members, district superintendents and independent auditors alike.

Medical Malpractice Insurance

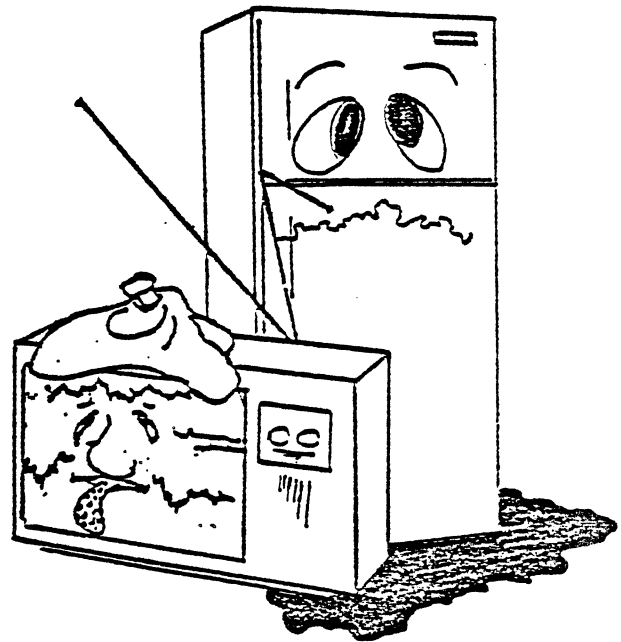
On June 20, 1975, by Assembly Concurrent Resolution No. 83, the Legislature directed its Joint Legislative Audit Committee to investigate medical malpractice insurance underwriting and claims affecting physicians and surgeons in California. The staff of the Office of the Auditor General, with the services of Booz, Allen Consulting Actuaries, reviewed seven insurance companies which collected \$262 million in physician malpractice insurance premiums in California during the 15 years 1960 through 1974. Through 1974, these companies paid out approximately \$115 million in claims and claim expenses from this \$262 million revenue. However, there is an extended period between the year for which an insurance policy is written and the time a malpractice claim is made and settled. In some instances, this "tail", as the time-lag is referred to, may be as long as 16 years. Therefore, not all of the claims that may be made for those 15 years have been settled. Based on actuarial evaluations, the companies reviewed will actually incur ultimate losses of \$183 to \$400 million.

One underlying cause of the current "Malpractice Crisis" is that historically insurance companies have charged inadequate rates for malpractice insurance. Several insurance carriers stopped selling insurance in California because they were sustaining losses. In each case, another insurance company would enter the malpractice insurance field and continue charging inadequate rates even though loss data from previous carriers were made available to them. Apparently, the insurance companies have now realized that they can no longer continue this pattern, and are attempting to charge actuarially sound rates. Because these are, in some cases, 300 to 500 percent higher than the rates previously charged, the "crisis" has loudly surfaced.

Consumer Affairs

If you own a television, refrigerator or radio antenna, you may find yourself dealing with the Bureau of Repair Services. The Bureau of Repair Services, as part of the Department of Consumer Affairs, regulates the practices of electronic service repair dealers, appliance service dealers and antenna service dealers. People in these fields repair or service television, records and playback equipment; refrigerators, freezers, ranges, washers, dryers, dishwashers and room air conditioners; and install, repair or service television and radio antennas or rotors. Although the Bureau of Repair Services is doing an adequate job representing consumers, our review disclosed administrative practices that do not promote effectiveness. The Bureau lacks the means to act effectively against incompetent service dealers, because there are no repair standards and anyone can enter the service field without being required to demonstrate technical competence.

236.2



REPORTS ISSUED 1973-1975

*To Order Reports, telephone
916-445-2194 or 916-445-0255
or Mail requests to*

OFFICE OF THE AUDITOR GENERAL
*925 L Street, Suite 750
Sacramento, California 95814*

BUSINESS REGULATION - CONSUMER AFFAIRS	<u>REPORT NUMBER</u>
Public Utilities Commission, Senate Concurrent Resolution No. 14, 1972, May 1973	133
Department of Consumer Affairs, Division of Investigation, June 1973	161.1
Department of Insurance, Field Examination Procedures, May 1973	173
State Banking Department, May 1974	193
Review of Operations of the Department of Corporations, October 1974	194.1
Report on Charity Racing Days Distributing Agents (Charitable Foundations), October 1973	200
Division of Codes and Standards of the Department of Housing and Community Development, Report on Review of Operations, February 1974	206.1
Department of Housing and Community Development, Division of Research and Assistance, June 1974	206.2
State's Testing Procedures for Detecting the Reduction in Gasoline Octane Rating, May 1974	222
State Bar of California, June 1974	223.1
State Bar of California, August 1974	223.2

REPORT NUMBER

Review of Requested Rate Increases for Commuter Services, Which Could Increase Revenues by 111 Percent, Submitted by Southern Pacific Transportation Company to the Public Utilities Commission, January 1975	251
Financial Operations of California Horse Racing Association and Peninsula Horse Racing Association, April 1975	256
Disciplining of Physicians by the Board of Medical Examiners, August 1975	236.1
Public Utilities Commission -- Adjustment of Electric Rates for Fuel Cost Changes, August 1975	238.1
The Bureau of Repair Services -- A Need for Operational and Management Improvement, December 1975	236.2

CORRECTIONS

Review of Estimated 1972-73 Fiscal Year Reduction and Expenditures Through Proposed Closure of California Conservation Center at Susanville, April 1973	166
Department of Corrections' Implementation of Security and Safety Recommendations and Chapter 1020/72 Expenditures, April 1973	167
Review of the Department of Corrections' Use of a Special \$600,000 Appropriation for Training of Correctional Officers, February 1974	177.2

*To Order Reports, telephone
916-445-2194 or 916-445-0255
or Mail requests to*

OFFICE OF THE AUDITOR GENERAL
925 L Street, Suite 750
Sacramento, California 95814

EDUCATION: Elementary, Secondary, Special

	<u>REPORT NUMBER</u>
Preliminary Report on Child Nutrition Programs (In the Lunch program) as of June 30, 1972, February 1973	130.1
California School for the Deaf, Riverside -- Report on Operations, April 1973	157
Assignment of Students, Santa Ana Unified School District, June 1973	178.1
Assignment of Students, San Diego Unified School District, June 1973	178.2
Assignment of Students, Ventura Unified School District, August 1973	178.3
Assignment of Students, Berkeley Unified School District, August 1973	178.4
Assignment of Students, San Francisco Unified School District, August 1973	178.5
Procedures for Disbursement of School District Funds, June 1974	199
Review of Certificated Employee Sick Leave Usage Patterns and Related Effects of Proposed Legislation on Selected School Districts, January 1974	212
Report on the Effect of the Department of Education's Reorganization and Matrix Management System on the Vocational Education Support System, October 1974	231
School District Purchasing Procedures of Instructional Materials, October 1974	234
Special Educational Program for Mentally Gifted Minors, March 1975	224
Review of Child Care Services Administered by the Department of Education, March 1975	246
Financial Problems of Conejo Valley Unified School District, April 1975	262
Improvements Needed in Budgetary and Financial Controls and Operations of Fremont Unified School District, October 1975	261

EDUCATION: Higher

Report on Sources, Uses and Constraints on Funds Available to the Chancellor's Office or Allocated to California Community Colleges, March 1973	156.1
Review of Reported Expenditures of the Associated Students of California State Universities, June 1973	160
California State University, Long Beach, Society for the Advancement of Business Research and Education, August 1973	183
California State University and Colleges, Procurement of Student Identification Cards, January 1975	249
Evaluation of Computer Utilization at the University of California, March 1975	219
University of California, California State University and Colleges State-Owned Residences Provided to Administrative Officials, June 1975	226.2

*To Order Reports, telephone
916-445-2194 or 916-445-0255
or Mail requests to*

OFFICE OF THE AUDITOR GENERAL
*925 L Street, Suite 750
Sacramento, California 95814*

ELECTIVE OFFICES - INDEPENDENT COMMISSIONS

Report on Contracts, Agreements, and State Costs for the Governor's Tax Reduction Task Force, April 1973	170.1
--	-------

REPORT NUMBER

Report on the Office of the Lieutenant Governor for the Fiscal Years Ended June 30, 1971-72 and 1972-73, January 1974	176
California Arts Commission, March 1974	211
Operations of the Office of the Secretary of State, October 1974	247
Review of Requested Rate Increases for Commuter Services, Which Could Increase Revenues by 111 Percent, Submitted by Southern Pacific Transportation Company to the Public Utilities Commission, January 1975	251
Public Utilities Commission -- Adjustment of Electric Rates for Fuel Cost Changes, August 1975	238.1

ELECTRONIC DATA PROCESSING

Report on Business and Services Consolidation Data Center, February 1973	141.3
Review of EDP Model Contract, April 1973	141.4
Electronic Data Processing Equipment and Services Procurement Procedures for the Stephen P. Teale Consolidated Data Center, December 1973	141.5
Review of Contract Performance for the Stephen P. Teale Consolidated Data Center, May 1974	214.1
Report on the Stephen P. Teale Consolidated Data Center, February 1975	214.2
Evaluation of Computer Utilization at the University of California, March 1975	219

*To Order Reports, telephone
916-445-2194 or 916-445-0255
or Mail requests to*

*OFFICE OF THE AUDITOR GENERAL
925 L Street, Suite 750
Sacramento, California 95814*

FISCAL AFFAIRS

	<u>REPORT NUMBER</u>
State Compensation Insurance Fund, Year Ended December 31, 1972, April 1973	134
Investment Policies of the Pooled Money Investment Board and Procedures of the State Treasurer, September 1974	216
Office of the State Controller, Review of Administration of the Unclaimed Property Law Relating to Banks, October 1974	244
Report on Operations of the Franchise Tax Board, January 1975	215.1
Policies and Practices of the Employment Development Department for the Investment of the Cash Reserves of the State's Unemployment Compensation Disability Fund, March 1975	216.2
Evaluation of General Proposals to Allow State and Local Investment Authorities in California to Increase Interest Income by Temporarily Lending Investment Securities Through "Security Loans" and "Reverse Repurchase Agreements", March 1975	257
Financial Problems of Conejo Valley Unified School District, April 1975	262
Audit of Campaign Statements of Candidates, Including The State Controller, for the Board of Equalization for the 1974 Elections, June 1975	233
Review of the Department of Health Financial and Budgeting Records Pertaining to the Health Care Deposit Fund, July 1975	248
Improvements Needed in Budgetary and Financial Controls and Operations of Fremont Unified School District, October 1975	261
State Collection of Payroll Taxes and Related Administrative Practices of the Department of Benefit Payments, November 1975	216.3

FOOD AND AGRICULTURE

	<u>REPORT NUMBER</u>
Report on Review of Wine Advisory Board and Wine Institute, August 1973	186.1
Preliminary Report on Wholesale and Retail Milk Pricing Structure as Administered by the Department of Food and Agriculture, September 1974	235.1
Report on the California Milk Marketing Program as Administered by the Department of Food and Agriculture, January 1975	235.2
Review of the Marketing Order for Wine, July 1975	235.3

GENERAL GOVERNMENT

Review of Programming and Budgeting Systems in Selected Departments, Fiscal Year 1971-72 (Departments of Industrial Relations, Corrections, Youth Authority, Rehabilitation), February 1973	078.2
Review of the Department of General Services' Unnecessary Accumulation of Additional Working Capital, January 1974	191.1
Department of General Services, Report on Review of State Office Space Leasing Versus Construction Practices, August 1974	191.2
State Telephone Credit Cards Issuance and Use, August 1974	191.3
State Board of Control, State-Owned Residences Occupied by State Employees, December 1974	226.1
Insurance Procurement Procedures, Insurance Office of the Department of General Services, December 1974	228.1
Operations of the Department of General Services Office of Procurement, February 1975	191.4
Potential for Self-Insurance of State's Motor Vehicle Liability, August 1975	266

To Order Reports, telephone
916-445-2194 or 916-445-0255
or Mail request to

OFFICE OF THE AUDITOR GENERAL
925 L Street, Suite 750
Sacramento, California 95814

HEALTH AND WELFARE

	<u>REPORT NUMBER</u>
Preliminary Report of Review of Prepaid Health Plans for Medi-Cal Recipients, August 1973	136.2
Review of the Ventura County Community Work Experience Program, July 1 to December 31, 1972, March 1973	139
Report on Foster Care in California, June 1973	148.1
Report on the State's Role in Foster Care in California, January 1974	148.2
An Evaluation of the Accountability for Foster Care at the State Level, July 1974	148.3
Review of the Alleged 41% Rate of Welfare Fraud in the Aid to Families with Dependent Children Program, October 1 to December 31, 1971, February 1973	149.1
Review of the Medi-Cal Management System, March 1973	155
Review of Old Age Security Responsible Relatives' Contributions Collected, February through December 1972, February 1973	159
California Commission on Aging, Report on Review of Operations, September 1973	171
California Commission on Aging, Report on Review of Operations, December 1973	171.2
Department of Health, Prepaid Health Plans, April 1974	172.1
Department of Health, Prepaid Health Plans, July 1974	172.2
Report on Costs and Collections Under California's Responsible Relatives Law, August 1973	187.1

HEALTH (Continued)	<u>REPORT NUMBER</u>
A Management Review of the California Community Mental Health System, February 1975	242
Estimates of Costs and Revenues of the Responsible Relatives Program, March 1975	260
An Administrative Review of the Organization and Staffing Policies of the Department of Health, March 1975	172.3
A Review of the Causes for the Failure of the Orange County Foundation Prepaid Health Plan Administered by the Department of Health, March 1975	172.4
An Analysis of Costs and Application of Standards to Residential Child Care Facilities, April 1975	241
Review of the Administration by the Department of Health of Contracted Prepaid Health Plans with the Foundation Community Health Plan and the American Health Care Plan, April 1975	172.5
A Management Review of the Homemaker-Chore Services Program, June 1975	243
Review of the Department of Health Financial and Budgeting Records Pertaining to the Health Care Deposit Fund, July 1975	248
Disciplining of Physicians by the Board of Medical Examiners, August 1975	236.1
Report on Provider Participation in the Medi-Cal Fee-For-Service Program, May 1975	254
Doctors' Malpractice Insurance, An Interim Report, September 10, 1975	265.1
An Immediate Need for Enrichment in the Office on Aging, October 1975	263
State Collection of Payroll Taxes and Related Administrative Practices of the Department of Benefit Payments, November 1975	216.3
The Medical Malpractice Insurance Crisis in California, December 1975	265.2
California Work Experience Program (CWEP), May 1974	208
Review of Funding for 1973-74 of Alcoholism Treatment Programs in California, May 1974	210
Department of Health, California Occupational Safety and Health Plan, October 1974	245

JUSTICE

REPORT NUMBER

Report on Pre-Delinquency Programs Funded by California Council on Criminal Justice, June 1973	165.1
Report on Earnings of California Court Reporters, December 1973	201
California Crime Technological Research Foundation (CCTRF), March 1974	207

*To Order Reports, telephone
916-445-2194 or 916-445-0255
or Mail requests to*

*OFFICE OF THE AUDITOR GENERAL
925 L Street, Suite 750
Sacramento, California 95814*

LEGISLATIVE BRANCH

Joint Legislative Audit Committee's Report on Activities, December 31, 1972	153
California Legislature - Training Program for Newly Elected Legislators - Intergovernmental Personnel Act of 1970 - Grant No. 73CA02, State Plan 17 - November 15, 1972 to May 15, 1973	195
Report on the Activities of the Office of the Auditor General For the Two-Year Period Ending December 31, 1974 to the Joint Legislative Audit Committee of the California Legislature	253

RESOURCES

Report on California Oil Production and Fuel Consumption, June 1973	180
Report on Crude Oil Production and Gasoline Distribution, September 1973	180.2
Review of the Contractual Relationships Between the Department of Water Resources and LFE, Inc., May 1974	181

RESOURCES (Continued)

REPORT NUMBER

Department of Water Resources, Review of the Administration of the Construction Contract for the Castaic Dam, August 1974	192.1
San Francisco Port Commission, Interim Report on Projected Cash Deficits, December 1974	250.1
Review of the Operations of the San Francisco Port Commission, April 1975	250.2

Parks and Recreation

Report on Long-Term Contracts - California State Exposition and Fair, May 1973	163.1
Report on Exclusive Food and Beverage Contract, California State Exposition and Fair, May 1973	163.2
Report on California State Exposition and Fair, June 1973	163.3
Department of Parks and Recreation - Concession Contracts, Calendar Year 1972, July 1973	185
Department of Parks and Recreation, Review of Concession Agreements for Property Acquired for But Not Being Used for Park Purposes, August 1974	220.1
Department of Parks and Recreation Competitively Bid Concession Contracts Calendar Year 1973, November 1974	220.2
Department of Parks and Recreation Equestrian Concession Agreement at Will Rogers State Historic Park and Asilomar Conference Grounds Concession Agreement, January 1975	220.3

State Lands

Report on Transportation Allowances and in Calculating State Oil Royalties, Santa Barbara and Huntington Beach Areas, March 1973	063.5
City of Long Beach Tideland Oil Revenues and Expenditures, Report on Examination, Year Ended June 30, 1971, January 1973	091.3

REPORT NUMBER

Review of State Tidelands Leases Executed by the State Lands Commission with Oil Companies and Public Utilities, January 1974	182.2
Report on State Lands Commission Trespass Activities, November 1974	182.3
Report on State Crude Oil Royalties, December 1973	209
Review of the Investment by the City of Los Angeles in the Los Angeles Harbor and Related Expenditures, October 1974	229

TRANSPORTATION

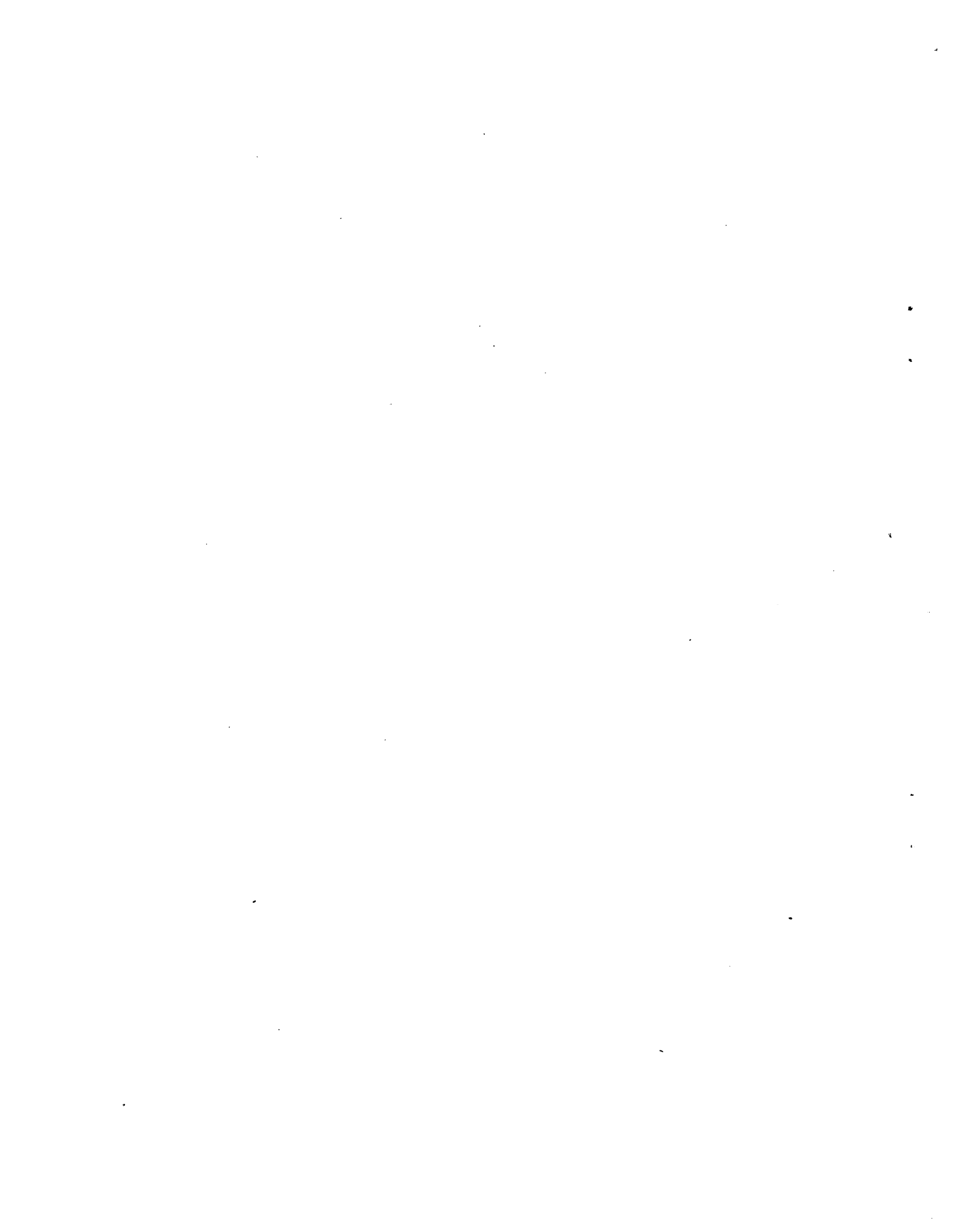
Department of Transportation Report on Highway Relocation Assistance Program, June 1973	119
Report on Southern California Rapid Transit District, February 1973	145.2
Allocation of Highway Users' Taxes, February 1973	154
State Highway Expenditures by County for the Ten-Year Period Ended June 30, 1973, August 1973	190
Proposed Financing of \$6.8 Billion Project - Southern California Rapid Transit District, November 1973	196
Critique of the Fiscal Justification for Year-Round Vehicle Registration, May 1974	217.2
San Diego Transit Corporation Pension Plan, April 1974	221.1
Public Transit Operators' Pension Plans, May 1974	221.2
Enforcement of California Aeronautics Laws by the Division of Aeronautics, California Department of Transportation, December 1975	239.1

VETERANS AFFAIRS

	<u>REPORT NUMBER</u>
Veterans Farm and Home Building Fund of 1943 - Report on Review of Operations, March 1973	146
Department of Veterans Affairs, Disability Insurance Program, November 1973	189
Veterans Farm and Home Loan Fund of 1943, Review of Operations, November 1973	202
Fire and Hazard Insurance for Farms and Homes Purchased Under the Cal-Vet Program Administered by the Department of Veterans Affairs, February 1975	228.2

*To Order Reports, telephone
916-445-2194 or 916-445-0255
or Mail requests to*

*OFFICE OF THE AUDITOR GENERAL
925 L Street, Suite 750
Sacramento, California 95814*



AUTHORITY

PERTINENT STATUTES RELATING TO THE JOINT LEGISLATIVE AUDIT COMMITTEE AND THE AUDITOR GENERAL

GOVERNMENT CODE

Article 1. Joint Legislative Audit Committee

10500. The Legislature finds that auditing is now conducted by various state agencies and recognizes the needs of the executive branch of the state government for periodic and special audits of the revenues and expenditures of any state agency, and the accounting and fiscal reporting systems established in state agencies, as a means of insuring the proper and lawful expenditure of state funds. The Legislature, also, recognizes the necessity of an independent audit, in addition to the audit conducted within the executive branch of state government, for the use of both the executive and legislative branches of the state government in establishing a sound fiscal and administrative policy for the government of the state.

Therefore, it is the desire of this Legislature that the internal auditing be coordinated in the executive branch of the government in the interest of economy and efficiency. It is also the desire of the Legislature to create the office of the Auditor General, whose primary duties shall be to examine and report annually upon the financial statements prepared by the executive branch of the state and to perform such other related assignments, including performance audits, as may be requested by the Legislature. The authority of the office under the direction of the Joint Legislative Audit Committee is confined to examining and reporting and is in no way to interfere with adequate internal audit to be conducted by the executive branch of the government.

10501. The Joint Legislative Audit Committee is hereby created. The committee shall determine the policies of the Auditor General, ascertain facts, review reports and take action thereon, and make reports and recommendations to the Legislature and to the houses thereof concerning the state audit, the revenues and expenditures of the State, its departments, subdivisions, and agencies, whether created by the Constitution or otherwise, and such other matters as may be provided for in the Joint Rules of the Senate and Assembly. The committee has a continuing existence and may meet, act, and conduct its business at any place within this State, during the sessions of the Legislature or any recess thereof, and in the interim period between sessions.

10502. The committee shall consist of three Members of the Senate and three Members of the Assembly who shall be selected in the manner provided for in the Joint Rules of the Senate and Assembly. The committee shall elect its own chairman. Vacancies occurring in the membership of the committee between general sessions of the Legislature shall be filled in the manner provided for in the Joint Rules of the Senate and Assembly. A vacancy shall be deemed to exist as to any member of the committee whose term is expiring whenever such member is not reelected at the general election.



10503. The committee is authorized to make rules governing its own proceedings and to create subcommittees from its membership and assign to such subcommittees any study, inquiry, investigation, or hearing which the committee itself has authority to undertake or hold. The provisions of Rule 36 of the Joint Rules of the Senate and Assembly relating to investigating committees shall apply to the committee and it shall have such powers, duties and responsibilities as the Joint Rules of the Senate and Assembly shall from time to time prescribe, and all the powers conferred upon committees by Section 11, Article IV, of the Constitution.

Notwithstanding any other provision of law to the contrary, the committee shall establish priorities and assign all work to be done by the Auditor General.

10504. The committee shall have authority to appoint an Auditor General, deputies and staff, who shall serve at the pleasure of the committee. The committee shall fix the salary of the Auditor General. The funds for the support of the committee shall be provided from the Contingent Funds of the Assembly and Senate in the same manner that such funds are made available to other joint committees of the Legislature.

10505. The governing board or retirement board of the retirement system of every local agency as defined in Section 54951, shall on or before six months following the close of the fiscal year transmit to the committee a report containing a description of all securities held and a comprehensive report of transactions involving the investments of their retirement funds similar to that required of a life insurance company licensed to do business in California. Such report shall include all security transactions, including whom the board purchased securities from and through whom the board purchased. The board shall also so report on all mortgage transactions, including specifically the mortgage broker, mortgage banker, and savings and loan association the board does business with, whether the transaction involved cash, and which banks or savings and loan associations the board has accounts with.

Article 2. Auditor General

10521. The Auditor General, prior to his appointment, shall possess the following minimum qualifications:

(a) He shall be in possession of a valid certificate issued by the State Board of Accountancy to practice as a certified public accountant or a public accountant, and

(b) The combination of education and experience which in the opinion of the committee is necessary.

10522. The Auditor General shall be paid the salary fixed by the Joint Legislative Audit Committee and shall be repaid all actual expenses incurred or paid by him in the discharge of his duties.

10523. The Auditor General may employ and fix the compensation, in accordance with Article XXIV of the Constitution, of such professional assistants and clerical and other employees as he deems necessary for the effective conduct of the work under his charge.



10524. The permanent office of the Auditor General shall be in Sacramento, where he shall be provided with suitable and sufficient offices. When in his judgment the conduct of his work requires, he may maintain offices at other places in the State.

10525. All books, papers, records, and correspondence of the bureau pertaining to its work are public records and shall be filed at any of the regularly maintained offices of the Auditor General, except:

(a) Papers or memoranda that are of no further use may be destroyed upon approval of the Joint Legislative Audit Committee.

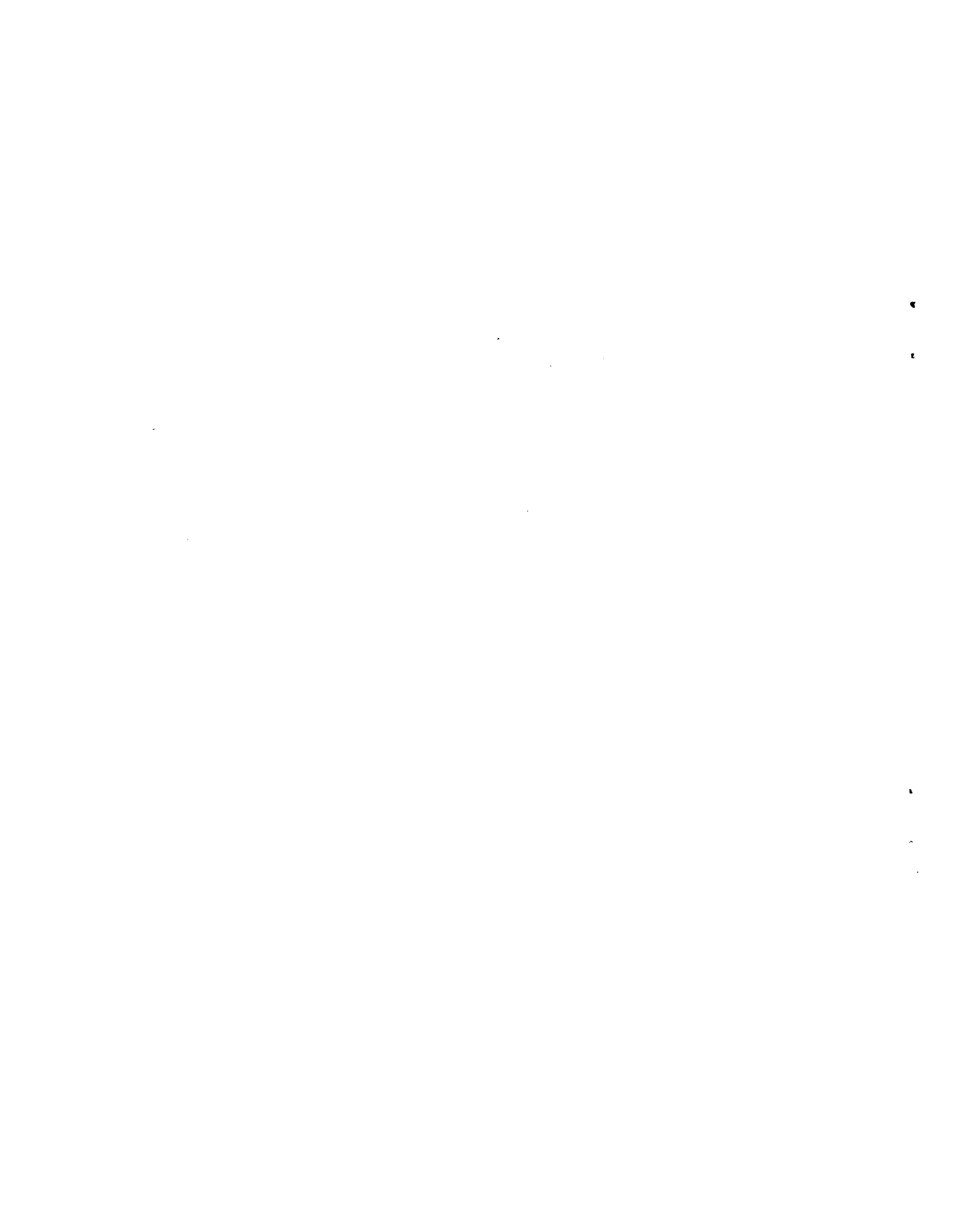
(b) Personal papers and correspondence of any person receiving assistance from the Auditor General when such person has requested in writing that his papers and correspondence be kept private and confidential. Such papers and correspondence shall become public records whenever the Auditor General or the Legislature shall so order or the written request is withdrawn.

(c) Papers, correspondence or memoranda pertaining to any audit or investigation not completed, when in the judgment of the Auditor General, disclosure of such papers, correspondence, or memoranda will impede such audit or investigation.

10526. It shall be a misdemeanor for the Auditor General or any employee of the bureau to divulge or make known in any manner not permitted by law, any particulars of any record, document, or information the disclosure of which is restricted by law.

10527. The Auditor General during regular business hours shall have access to, and authority to examine, any and all books, accounts, reports, vouchers, correspondence files and other records, bank accounts, and money or other property, of any agency of the State whether created by the Constitution or otherwise, and it shall be the duty of any officer or employee of any such agency, having such records or property in his possession or under his control, to permit access to, and examination thereof upon the request of the Auditor General or his authorized representative. Any officer or person who shall fail or refuse to permit such access and examination, shall be guilty of a misdemeanor.

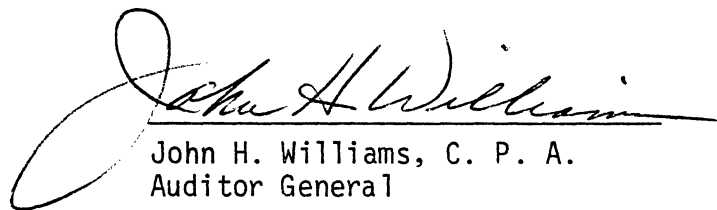
10528. The Auditor General, with the approval of the Joint Legislative Audit Committee, shall examine and report annually upon the financial statements prepared by the executive branch of the state to the end that the Legislature will be informed as to the adequacy of such financial statements in compliance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year. In making such examination, he is authorized to make such audit examination of accounts and records, accounting procedures and internal auditing performance as the Joint Legislative Audit Committee may determine and specifically designate to be necessary to disclose all material facts necessary to proper reporting to the Legislature in accordance with the statement of purposes set forth in Section 10500. He shall make such special audits and investigations, including performance audits, of any state agency whether created by the Constitution or otherwise, as requested by the Legislature or any committee of the Legislature.



JOINT RULES OF THE SENATE AND ASSEMBLY (1973-74)

37.3 The Joint Legislative Audit Committee is created pursuant to the Legislature's rulemaking authority and specific constitutional authority by Chapter 4 (commencing with Section 10500) of Part 2, Division 2, Title 2 of the Government Code. The committee shall consist of four Members of the Senate and four Members of the Assembly who shall be selected in the manner provided for in these rules, of which one shall be the Chairman of the fiscal committee for the Senate and one the chairman of the fiscal committee for the Assembly. Notwithstanding anything to the contrary in these rules, two members from each house constitute a quorum and the number of votes necessary to take action on any matter. The Chairman of the Joint Legislative Audit Committee, upon receiving a request by any Member of the Legislature or committee thereof for a copy of a report prepared or being prepared by the Auditor General, shall provide the member or committee with a copy of such report when it is, or has been submitted by the Auditor General to the Joint Legislative Audit Committee.

Respectfully submitted,



John H. Williams, C. P. A.
Auditor General

March 16, 1976

Staff: Shirley C. Orehwa
Patty Seto (Art)

•

•

•

•