

CALIFORNIA LEGISLATURE

2013–14 REGULAR SESSION

ASSEMBLY JOURNAL

RECESS JOURNAL NO. 11

SUMMER RECESS

Assembly Chamber, Sacramento
Friday, July 12, 2013

Pursuant to the provisions of Joint Rule 59, the following Assembly Journal for the 2013–14 Regular Session was printed while the Assembly was in Summer Recess.

COMMUNICATIONS

The following communication was presented by the Speaker, and ordered printed in the Journal:

July 12, 2013

The Honorable Darrell Steinberg
President pro Tempore
California State Senate
State Capitol, Room 205
Sacramento, California

The Honorable Bob Huff
Minority Leader
California State Senate
State Capitol, Room 305
Sacramento, California

The Honorable John A. Pérez
Speaker
California State Assembly
State Capitol, Room 219
Sacramento, California

The Honorable Connie Conway
Minority Leader
California State Assembly
State Capitol, Room 3104
Sacramento, California

RE: Tentative Agreement/Memorandum of Understanding (MOU) for the California Association of Psychiatric Technicians (CAPT)

Dear Senators Steinberg and Huff, and Assembly Members Pérez and Conway: Recently, the Department of Human Resources (CalHR) reached a new Tentative Agreement/MOU with CAPT, representing Bargaining Unit 18-Psychiatric Technicians in State service. Upon approval of the Legislature and the Governor, and ratification by the membership, this agreement will be effective July 1, 2013, through July 1, 2016.

This agreement represents savings in pension changes for employees as enacted last year by the Legislature in the Public Employee Pension Reform Act (PEPRA). This agreement also allocates a prudent salary increase of 4.25%, based on state revenues, and a .25% increase for benefits and shift differentials. Lastly, there are no mandatory furloughs or Personnel Leave Program (PLP) days in this contract.

In accordance with Government Code Sections 3517.5, 19829.5, and Senate Rule 29.4, I am forwarding copies of this tentative agreement, including a legislative and fiscal summary. The Legislative Analyst will be forwarded a copy, and the Secretary of the Senate and the Chief Clerk of the Assembly will be forwarded copies to make them noted as available for review in the daily journals.

The above mentioned tentative agreement and summaries can also be found by going to the following link: <http://www.calhr.ca.gov/state-hr-professionals/Pages/bargaining-contracts.aspx>.

It is anticipated that a legislative vehicle will be identified in the coming weeks to approve the terms of this agreement.

Respectfully,

JULIE CHAPMAN

Director, California Department of Human Resources

Receipt of Memorandum of Understanding

I acknowledge receipt this 12th day of July, of the Memorandum of Understanding for Bargaining Unit 18, the California Association of Psychiatric Technicians (effective July 1, 2013, through July 1, 2016), delivered to me personally by Jodi LeFebre.

E. DOTSON WILSON

Chief Clerk of the Assembly

The following communication was presented by the Chief Clerk, and ordered printed in the Journal:

Per Diem Waived

July 12, 2013

E. Dotson Wilson

Chief Clerk of the Assembly

State Capitol, Room 3196

Sacramento, California

Dear Chief Clerk Wilson: This letter is to inform you that I am waiving my session per diem for the remainder of the 2013–2014 legislative session. If you have any questions, please contact me at 916-319-2009. Thank you for your assistance in this matter.

Sincerely,

RICHARD PAN, Assembly Member
Ninth District

SPECIAL COMMITTEE MEETINGS

By unanimous consent, the following committee was permitted to meet:

Higher Education, on Wednesday, August 14, 2013, at 9:45 a.m., in Room 444.

REPORTS

The following letters of transmittal were presented by the Chief Clerk and ordered printed in the Journal:

California State Auditor

2012-121.1
February 14, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the Department of Parks and Recreation's (department) oversight and management of the state park system and budgeting practices. This report concludes that for years the department has continually reported different fund balance amounts to the Department of Finance (Finance) than it reported to the State Controller's Office (State Controller) for both the State Parks and Recreation Fund (parks fund) and the Off-Highway Vehicle Trust Fund (off-highway vehicle fund). In most cases, the fund balance amounts that the department's budget office reported to Finance for use in preparing the governor's budget were less than the amounts its accounting office reported to the State Controller. Although the department has known about these differences for years, neither current staff nor documentation we reviewed in the department's accounting and budget files could explain what originally caused the differences or why the issue was not resolved until the fall of 2012. The former acting chief deputy director for the department told us that he was informed about the difference in reporting for the parks fund when he started at the department in 2003 by the budget officer at the time and that the difference was the result of an error made several years earlier that understated the amount reported to Finance.

Although the department correctly used its year-end financial statements for reporting that it received \$117.5 million in transfers for the off-highway vehicle fund in fiscal year 2010-11, Finance made an adjustment reducing the transfer amount to \$62.6 million based on proposed legislation. This reduction—totaling nearly \$55 million—contributed to the understatement of the department's ending fund balance when compared to the State Controller's budgetary report. The department lacked policies and procedures to handle such changes by Finance and to ensure that the department's highest levels of management were informed of the change and the effects on its fund balance.

The department's announcement of its plan to close up to 70 parks may have been premature. State law that became effective March 2011 requires the department to determine the amount of a required budget reduction in future budget acts by using as its baseline the amount necessary to fully operate its 278 parks at the 2010 level. However, the department has not yet determined that baseline amount nor has it compared the baseline to its appropriation to determine whether the results created a condition that would trigger required park service reductions or closures.

Finally, the department does not budget or track expenditures at the park level. As part of its analysis to select parks for closure, the department estimated the cost of each park. However, these estimates were outdated and incomplete, making it difficult to measure the impact of its efforts to keep parks open through its partnership agreements.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Water, Parks and Wildlife.

California State Auditor

2012-044
February 28, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As required by Chapter 21, Statutes of 2012, the California State Auditor (state auditor) presents this audit report concerning the administration of the federally funded migrant education program (migrant program) by the California Department of Education (Education).

This report concludes that, despite recent efforts to improve its oversight of the migrant program, Education has not provided adequate guidance to the regional offices that administer the program's services (regions). While federal law and regulations broadly outline the allowable services migrant children can receive, they depend largely on state educational agencies to set more defined program guidelines. However, Education has not clearly defined what is necessary and reasonable for a variety of expenditure categories. This lack of formal guidance has created disagreements regarding allowable expenses as well as wide variation in how regions classify expenses. Despite the lack of robust guidance, most of the expenditures we reviewed at eight program regions appear allowable. In a review of 320 randomly selected expenditures, we questioned six expenditures, totaling roughly \$14,800. The majority of this total relates to excessive food costs, when compared to federal per diem rates, incurred at a state parent conference sponsored by Education. We estimate that, for the last three annual conferences, the amount spent on food beyond what we would consider reasonable totals \$200,000. Additionally, we question \$144,000 in janitorial and catering costs at one region because the former director of this region approved contracts with janitorial and catering companies that she or her then-husband owned.

Education's migrant office has experienced frequent changes in leadership and high staff turnover at the same time it has been tasked with a heavy workload in response to federal reviews of the program. Moreover, the data collected on a statewide level about the migrant program are likely insufficient in detail to thoroughly evaluate whether the program is effective in addressing the academic needs of migrant children. These data limitations also prevent Education from effectively evaluating the services it provides through statewide contracts or the regional structure used to carry out the program. Finally, because of a lack of trust, Education has also had difficulty making productive use of a state parent advisory council whose purpose is to advise and assist the program.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Education.

California State Auditor

2012-301
March 19, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As required by Chapter 36, Statutes of 2011, the California State Auditor (state auditor) presents this audit report on a pilot audit assessing the compliance of six superior courts with the requirements of the California Judicial Branch Contract Law (judicial contract law), Public Contract Code, sections 19201 through 19210. We reviewed the extent to which the applicable *Judicial Branch Contracting Manual* (judicial contracting manual) was consistent with the Public Contract Code and substantially similar to the *State Administrative Manual* and the *State Contracting Manual*, as required by law. We also assessed whether the Administrative Office of the Courts' (AOC) *Semiannual Report on Contracts for the Judicial Branch for the Reporting Period January 1 Through June 30, 2012* (semiannual report) to the Legislature and the state auditor complied with the requirements of the judicial contract law.

This report concludes that the judicial contracting manual lacks policies related to the State's small business preference for the procurement of information technology goods and services and noted several instances where data in AOC's semiannual report was inaccurate. Specifically, we noted that in some cases the report did not include data describing the good or service purchased. Finally, we noted other cases where the report included inaccurate data on the amounts courts paid for goods and services.

Further, the six courts in the pilot audit—the superior courts of Napa, Orange, Sacramento, Stanislaus, Sutter, and Yolo counties—generally complied with the judicial contract law. However, we identified isolated instances where courts could improve. For example, we noted individual procurements where court managers approved transactions valued above established authorization levels. We also found instances

where courts did not justify using sole-source contracts or did not advertise for competitive bids. Moreover, none of the six courts had procedures to implement the Disabled Veteran Business Enterprise program, as required by the judicial contracting manual.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Judiciary.

California State Auditor

2012-117
March 21, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the California State Auditor (state auditor) presents this audit report concerning the financial management and administrative operations of the State Athletic Commission (commission). The commission is one of 40 regulatory entities within the Department of Consumer Affairs (Consumer Affairs) and its primary duty is to protect the health and safety of athletes by regulating approximately 200 combative events annually. The commission's revenues are generally derived from taxes, assessments, and fees collected from the events it regulates.

This report concludes that the commission's lack of leadership on the part of the former executive officer and his failure to promptly communicate with the commissioners regarding the state of its operating budget, likely contributed to the commission's near insolvency. As a result, the commission did not formally begin to take steps to address its financial instability until June 2012, at which time the commission had a fund balance of just \$23,000. At that point, the commission attempted to resolve its financial situation by developing a solvency plan outlining its cash-flow situation and containing its proposed efforts to reduce its costs. However, we are concerned that the plan is not practical and that the commission lacks a comprehensive approach to ensuring its financial stability in the long term. For example, the plan proposes drastic cuts to expenses related to athletic inspectors' (inspectors) wages and travel and effectively prevents the commission from increasing its staffing level, which is likely unrealistic given it has struggled to adequately perform its functions with its current staffing level. Further, the plan eliminates funding for training inspectors on how to properly regulate events, even though state law requires that inspectors receive training within six months of an event that they are scheduled to work. Because of these and other concerns, we do not believe that the commission can use the plan as a long-term solution to ensure its future financial stability.

Moreover, the commission seems ill-prepared to accurately estimate its costs and revenues because, until recently, it has consistently failed to adequately track key components of its operations, including the number of events that it regulates, the revenues and expenditures associated with those events, the number of inspectors assigned to each event, and the number of athletes that it licenses. Finally, deficiencies in the commission's processes for collecting, recording, and reporting revenues from events suggest that it lacks assurance that it has collected and accounted for all of the revenues it is due.

The commission also lacks assurance that it has consistently protected the health, safety, and welfare of athletes as the law requires. For example, in violation of state law, the commission has at times failed to maintain supporting documentation demonstrating that it ensured the safety of athlete's gear and equipment. State law also requires the commission to administer the Neurological Examination Account (neurological account), which the Legislature established in 1986 to pay for athletes' neurological examinations and the Boxers' Pension Plan, which the Legislature established to provide some financial security to retired boxers; however, the commission has not effectively managed either of them. Specifically, the commission has not used the neurological account to pay for any neurological examinations since at least 1998 and, from fiscal years 2002–03 through 2008–09, it failed to make any pension payments to eligible boxers or their beneficiaries. The current executive officer, who began working at the commission in November 2012, has made noteworthy strides in addressing several of the issues we discuss in this report. However, if the commission is unable to correct its most significant deficiencies within a reasonable time frame, we believe the Legislature should consider transferring its responsibilities to Consumer Affairs.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Business, Professions and Consumer Protection.

California State Auditor

2012-001
March 26, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: The State Auditor's Office presents its Independent Auditor's Report on the State of California's basic financial statements for the fiscal year ended June 30, 2012. These financial statements are presented on a basis in conformity with generally accepted accounting principles (GAAP). The financial statements show that the State's General Fund had revenues and other financing sources that were approximately \$3.1 billion less than

expenditures and other financing uses. The General Fund ended the fiscal year with a fund deficit of approximately \$23 billion. The GAAP basis government-wide statements include all liabilities owed by the State while the budgetary basis statements used to report on the State's budget do not reflect all liabilities.

We conducted the audit to comply with the California Government Code, Section 8546.4.

Respectfully submitted,

JOHN F. COLLINS II, CPA
Deputy State Auditor

Above report referred to the Committee on Budget.

California State Auditor

2012-001.1
March 26, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As required by California Government Code, Section 8543 et seq., the California State Auditor presents this audit report concerning our review of the State of California's internal controls and compliance with state laws and regulations for the year ended June 30, 2012.

This report concludes that the State continues to experience certain deficiencies in its accounting and administrative practices that affect its internal controls over financial reporting and compliance with state laws. We identified two deficiencies in internal control over financial reporting that we consider to be material weaknesses, and one other deficiency that we consider to be significant. Additionally, we identified an instance of noncompliance that is required to be reported under *Government Auditing Standards*. Deficiencies in the State's internal control system could adversely affect its ability to provide accurate financial information.

Respectfully submitted,

JOHN F. COLLINS II, CPA
Deputy State Auditor

Above report referred to the Committee on Accountability and Administrative Review.

California State Auditor

Case I2009-0640
March 28, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: Pursuant to the California Whistleblower Protection Act, the California State Auditor presents this investigative report concerning improper inexcusable neglect of duty, overpayment for overtime, testing data falsification, and misappropriation of state property.

This report concludes that a supervisor neglected his duty to supervise two technicians, which facilitated the technicians being paid for work they did not perform at an estimated cost of \$13,788 in overpayments. One of the technicians, as determined by the California Department of Transportation (Caltrans) and two federal agencies, falsified concrete pile testing data for at least three transportation projects. A subsequent review by Caltrans identified eight additional incidents of data falsification. The supervisor also misappropriated Caltrans property with assistance from the technicians and other subordinate employees.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Transportation.

California State Auditor

2012-110
April 18, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the California State Auditor (state auditor) presents this audit report concerning the collection and expenditure of revenue generated from fees from special interest license plates (special plates).

This report concludes that the State has not collected all revenue due from special plates and has spent some of the special plate revenue on expenditures that were unallowable or unsupported. We estimate that the California Department of Motor Vehicles (Motor Vehicles) did not collect \$12 million in revenue from retention fees related to special plates during fiscal years 2010–11 and 2011–12. Further, for the fees Motor Vehicles collected during these two fiscal years, it potentially undercharged some special plate owners by a total of nearly \$10.2 million. Motor Vehicles has also not accurately charged special plate programs for its administrative costs. During fiscal years 2009–10 through 2011–12, it overcharged the California Environmental License

Plate Fund (environmental fund) more than \$6.3 million and undercharged other special plate funds a net total of \$1.1 million during the same period.

In addition, the California Emergency Management Agency's (Cal EMA) administrative expenses during fiscal years 2009–10 and 2010–11 exceeded allowable levels. Moreover, Cal EMA, the California Department of Food and Agriculture, the California Department of Parks and Recreation, and the California Natural Resources Agency (Resources) could not always provide sufficient support for their expenditures or a supportable rationale for the proportion of shared costs they charged to the Antiterrorism Fund or the environmental fund.

Additionally, Resources has not submitted certain reports to the governor and Legislature as required by law. Finally, the California Victim Compensation and Government Claims Board did not identify and notify all individuals eligible for the Memorial Scholarship Program and did not verify the eligibility of three program participants, as required by law.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Transportation.

California State Auditor

2012-109
April 25, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the California State Auditor (state auditor) presents this audit report concerning the City of San Diego (San Diego) and its compliance with existing laws and regulations when it issues permits. San Diego's Development Services Department (Development Services) is responsible for managing the majority of San Diego's review of development projects, and it issues permits that allow construction or development within the city.

This report concludes that Development Services generally followed applicable requirements when it reviewed permits. However, Development Services cannot be certain that all project sites that require historical resource reviews are receiving those evaluations. Specifically, Development Services relies on the applicants seeking permits to provide information about the historical resources at the applicants' project sites, but it does not require them to supply documentation that supports the information on the applications. The City of San Diego Municipal Code (municipal code) requires Development Services to review all projects that include modification to structures that are 45 or more years old for potential designation as a historical resource. Of the 19 projects we examined, five had applications that lacked the year of construction for the structures on the project sites and 10 had

applications with information that conflicted with the records of the County of San Diego's assessor/recorder/county clerk (county). Consequently, Development Services risks not identifying project sites with potential historical resources.

Development Services did not consistently adhere to the municipal code when it approved four of the 10 construction changes to building permits we reviewed. Development Services did not require building permits for two construction change projects that involved adding new structures, as the municipal code requires. Moreover, Development Services did not require a construction permit, or perform a historical resource review to ensure the changes were consistent with the U.S. Secretary of the Interior's Standards for Rehabilitation, for a project with a structure located within a historic district, as the municipal code requires. For these three construction change projects, Development Services stated that it followed its *Information Bulletin 118*, issued in June 2011, which describes its process for construction changes to approved plans. However, Development Services' information bulletins cannot supersede the municipal code requirements.

Development Services is also responsible for assessing projects in accordance with the California Environmental Quality Act (CEQA). We reviewed six projects that were subject to CEQA and found that Development Services did not always provide the public with proper notice as required by state regulations that implement CEQA, known as the CEQA guidelines. In particular, the CEQA guidelines specify that, within five days of the final approval of a project, an agency must prepare and file a Notice of Determination (determination notice) with the county. Of the six projects, Development Services either did not file the determination notice or did not file it in a timely manner for four of these projects.

Finally, Development Services did not ensure that certain employees disclose their financial interests on the Statement of Economic Interests, commonly known as Form 700, in accordance with the Political Reform Act of 1974 in a timely manner. Specifically, Form 700s submitted by four of the 15 employees we selected for review were between one month and more than 12 months late.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Housing and Community Development.

California State Auditor

2012-119
May 9, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the California Department of Veterans Affairs' (CalVet) management of the California veterans homes, including its efforts to improve operational efficiencies and revenue generation, and its planning efforts to leverage resources to serve more veterans.

This report concludes that although CalVet generated revenues to offset less than half of the cost to operate its veterans homes between fiscal years 2009–10 and 2011–12, it did not begin developing standardized policies and procedures to monitor and increase the amount of revenue generated at all of the homes until 2012. In addition, state laws and CalVet policies limit its ability to recover the full cost of providing care to veterans (members) while they are living at a home and from using funds collected from members' estates after they pass away to offset the costs of their care. We further identified that statutory licensing requirements and budget constraints have limited the number of beds available in the homes, resulting in unused space. Although CalVet has taken some steps to better utilize this unused space through lease agreements and a public-private partnership agreement with another entity to serve more veterans than it currently serves, it needs to formalize its process for increasing utilization of unused space and monitoring the success of its partnership agreements. Moreover, our legal counsel identified several state and federal legal restrictions that may limit CalVet's ability to utilize the unused space at the homes.

Further, we noted that limited resources have impeded CalVet's outreach efforts to connect veterans with their benefits and services. In addition, we identified that CalVet needs to enhance its oversight and guidance for referring veterans needing long-term care to other facilities when it cannot admit them to one of its homes. We also identified weaknesses in CalVet's oversight and guidance to ensure that purchases made at the homes follow state purchasing requirements; CalVet took steps during the audit to address these weaknesses. Finally, CalVet has not conducted a formal analysis of its current purchasing model for the homes to ensure that it is the most efficient and cost-effective way to purchase goods and services.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Veterans Affairs.

California State Auditor

2012-120
June 6, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the administration of the water quality certification program (certification program) by the State Water Resources Control Board (state water board) and the regional water quality control boards (regional water boards) as it relates to the California Department of Transportation (Caltrans). Under the program, the State issues water quality certifications to certify that projects will comply with federal and state water quality laws.

This report concludes that the water quality certifications that the state water board, and the North Coast, Central Valley (Redding Office), and San Diego regional water boards issued during fiscal years 2007–08 through 2011–12 generally complied with federal and state law and regulations. However, the state water board could improve consistency in the certification program by implementing a single application form and ensuring that applications are processed within required time frames.

The state water board also needs to address inconsistent monitoring practices at the regional water boards and improve its own administration practices. The regional water boards' inconsistent monitoring practices, including not formally tracking reporting requirements and differing practices for conducting site visits, do not adequately ensure that water quality certification-holders adhere to the conditions of their water quality certifications. Additionally, staffing costs that the regional water boards include in penalty actions—fines assessed when the terms of a water quality certification are violated—are generally not supported and are inaccurate because of inflated cost rates. Further, the state water board does not adequately track the penalty amounts it receives from penalty actions and, contrary to legislative intent, over the past five fiscal years it deposited fines totaling \$374,000 into an incorrect account. Additionally, due to a significant data entry backlog and regional water boards' inconsistent use, the primary database the state water board uses to track water quality certifications does not provide the public and other stakeholders access to reliable certification program information as state law requires.

Finally, although certain of Caltrans' concerns about the administration of the certification program are valid, it was unable to support that its costs of complying with the program have increased.

Respectfully submitted,

ELAINE M. HOWLE, CPA
State Auditor

Above report referred to the Committee on Water, Parks and Wildlife.

California State Auditor

2013-008
June 25, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: The California State Auditor's Office presents this audit report of the State Treasurer's Office statement of securities accountability as of December 31, 2012.

The statement of securities accountability presents securities owned by or pledged to the State directly, and securities held for safekeeping. The State Treasurer's Office is responsible for the safe keeping of all securities held in the treasury or other depositories. It is not responsible for securities owned by or pledged to the University of California, or for securities in other depositories owned by or pledged to the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, or the Judges' Retirement System. The statement is prepared solely for purposes of accountability. The dollar amounts represent various values, including par value or face value, original principal value, and current outstanding principal balances. They do not represent cost or market value and should not be used to determine the value of investments owned by, or pledged to, the State. We found that the statement presents fairly the securities accountability of the State Treasurer's Office as of December 31, 2012.

We conducted this audit to comply with the California Government Code, Section 13299.1.

Respectfully submitted,

JOHN F. COLLINS II, CPA
Deputy State Auditor

Above report referred to the Committee on Governmental Organization.

California State Auditor

2012-107
July 9, 2013

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning resident safety at developmental centers operated by the California Department of Developmental Services (department).

This report concludes that the department needs to improve its oversight of the safety of residents housed and cared for in its developmental centers. Our review found that health care staff did not always provide timely notification of incidents to the department's Office of Protective Services (OPS), and that OPS law enforcement personnel did not consistently follow established procedures for

investigations of alleged resident abuse. Specifically, OPS often failed to collect written declarations from suspects and witnesses, take photographs of crime scenes or alleged victims, and attempt to interview alleged victims, particularly residents said to be nonverbal.

Frequent turnover in OPS management has contributed to a lack of action in addressing longstanding problems, many of which were raised in a 2002 Office of the Attorney General's report. These problems include a lack of required specialized training for OPS personnel to effectively work with residents, high vacancy rates within OPS, and OPS's lack of a cohesive recruiting plan. Furthermore, both OPS and the department's health care staff have experienced excessively high amounts of overtime, caused by staff scheduling issues and hiring freezes.

Finally, our review of the California Department of Public Health's (Public Health) oversight responsibilities has shown that it does not consistently perform all of its required duties, such as promptly performing follow-ups on certification surveys and performing state licensing surveys on time, if at all. Public Health also does not consistently conduct prompt investigations for incidents it classifies as less serious. Furthermore, because Public Health has not prepared required annual reports regarding its enforcement activities, the effectiveness of these activities on maintaining quality of care in health care facilities, including the developmental centers, remains uncertain.

Respectfully submitted,

DOUG CORDINER, CGFM
Chief Deputy State Auditor

Above report referred to the Committee on Human Services.

JOHN A. PÉREZ, Speaker

AMY LEACH, Minute Clerk