

**ITEM 12**  
**STAFF REPORT**  
**IMPLEMENTING THE RECOMMENDATIONS FROM BUREAU**  
**OF STATE AUDITS REPORT 2009-501**

**One-Year Report**

***STATE MANDATES: OPERATIONAL AND STRUCTURAL CHANGES  
HAVE YIELDED LIMITED IMPROVEMENTS IN EXPEDITING  
PROCESSES AND CONTROLLING COSTS AND LIABILITIES***

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On October 15, 2009, the Bureau of State Audits (BSA) released its follow-up audit report on the mandates process.<sup>1</sup> The audit report makes the following recommendations:

- To ensure that it resolves sufficiently its backlog of test claims, incorrect reduction claims, and the boilerplate amendment request, the Commission should do the following:
  1. Work with Finance to seek additional resources to reduce its backlog, including test claims and incorrect reduction claims. In doing so, Commission staff should prioritize its workload and seek efficiencies to the extent possible.
  2. Implement its work plan to address the Controller's boilerplate amendment.
- To promote the legislatively determined, joint, and Commission processes and to provide the necessary information to assess their success, the following actions should occur:
  1. The Commission should add additional information in its semiannual report to inform the Legislature about the status of mandates being developed under joint and Commission processes, including delays that may be occurring. If the Commission believes it needs a statutory change to implement this recommendation, it should seek it.
  2. The Commission and Finance should inform local entities of these processes by making information about the alternatives readily available on their Web sites.

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<sup>1</sup> See <http://www.bsa.ca.gov/pdfs/reports/2009-501.pdf>.

- The Commission should continue its efforts to work with the legislative subcommittee and other relevant parties to establish a reconsideration process that will allow mandates to undergo revision when appropriate.
- To improve the state mandate process, the Legislature, in conjunction with relevant state agencies and local entities, should ensure the further discussion of reforms.
- To ensure that it can meet its responsibilities, including a heightened focus on audits of state mandates, the Controller should work with Finance to obtain sufficient resources. Additionally, the Controller should increase its efforts to fill vacant positions in its Mandated Cost Audits Bureau.

The State Auditor requires the Commission to reply to the final report within 60 days, six months, and one year of the report's issue date regarding what steps the Commission has taken to implement the report's recommendations. The commission previously submitted the 60-day and six-month reports. The one-year report is due on October 15, 2010.

Attached is a description of the tasks Commission members and staff completed to implement the BSA recommendations, the person(s) responsible for managing implementation, and the dates the tasks were completed.

Staff will update the report following the hearing to clarify if the incorrect reduction claims and regulations were adopted, and whether or not the Governor signed SB 894.

**Staff Recommendation**

Staff recommends that the Commission approve the one-year report for implementing the Audit Report's recommendations.

**COMMISSION ON STATE MANDATES  
IMPLEMENTATION OF BSA REPORT NO. 2009-501**

**Adopted: October 30, 2009**

**Updated: April 14, 2010**

**Updated: September 16, 2010**

<b>BSA Recommendations and Summary of Tasks</b>	<b>Responsible Person(s)</b>	<b>Complete Date</b>
<p><b>Recommendation 1.</b></p> <p><i>To ensure that it resolves sufficiently its backlog of test claims, incorrect reduction claims, and the boilerplate amendment request, the Commission should do the following:</i></p> <ol style="list-style-type: none"> <li>1. <i>Work with Finance to seek additional resources to reduce its backlog, including test claims and incorrect reduction claims. In doing so, Commission staff should prioritize its workload and seek efficiencies to the extent possible.</i></li> <li>2. <i>Implement its work plan to address the Controller's boilerplate amendment.</i></li> </ol>	Paula Higashi Nancy Patton Camille Shelton Kerry Ortman Heidi Palchik IT staff	
<p><b>Summary of Tasks</b></p> <p><u>Staffing Needs and Resources</u>            Commission staff discuss staffing and resource needs with Department of Finance staff and our Commission members on an ongoing basis each fiscal year.</p>		Ongoing
<p>Budget Letter 10-23 allows submission of budget change proposals (BCPs) only if corresponding monetary reduction in program occurs. CSM cannot meet this criterion. No BCP will be filed for 2011-2012.</p>		
<p>Issued annual report to Director of Finance on Workload Levels. This will provide Finance and Legislature with information that will assist in assessing the Commission resource needs.</p>		09/15/2010
<p><u>Prioritization and Seeking Efficiencies</u>            Commission staff continually look for ways to make the Commission's procedures and the mandates process more efficient, and conduct the following activities on an ongoing basis:</p> <ul style="list-style-type: none"> <li>• Prioritize workload based on relationship to other pending workload and consolidate it to the extent possible so that it is completed as soon as possible.</li> <li>• Increase earlier test claim review to obtain missing documents on a timelier basis.</li> </ul>		Ongoing

<b>BSA Recommendations and Summary of Tasks</b>	<b>Responsible Person(s)</b>	<b>Complete Date</b>
<ul style="list-style-type: none"> <li>• Increase the use of the Commission’s website to distribute caseload documents to reduce costs and efficiently manage document preparation and distribution.</li> <li>• Increase the use of electronic scanning for test claim correspondence, record keeping and agenda preparation.</li> <li>• Review existing Commission statutes and regulations to seek ways to make the mandates process more efficient.</li> </ul>		
The Commission continued to eliminate its test claim backlog by determining test claims and parameters and guidelines, including dismissing withdrawn and inactive test claims and parameters and guidelines		10/30/2009 01/10/2010 3/26/2010 05/27/2010 07/29/2010 09/30/2010
The Commission continued to eliminate its incorrect reduction claim backlog by making these determinations: 2 two incorrect reduction claims on the <i>Investment Reports Program</i>		05/27/2010 07/29/2010
Scheduled 13 additional incorrect reduction claims on the <i>School Crimes Reporting and School Bus Safety</i> programs for hearing.		09/30/2010
Increase the information being provided to the Commission by reporting on implementation of BSA Report, and new Commission practices at bi-monthly hearings.		02/24/2010
Uploaded “Commission Decisions” on our website that provides Statements of Decisions and parameters and guidelines for all mandates listed in the budget, test claims denied by the Commission, and copies of legislation where the Legislature declared a statute a mandate. <a href="#">This is Phase I of this project. Phase II will include adding additional documents, and is scheduled for completion in spring 2011.</a>		08/18/2010
Regulatory Amendments. Amendments to the Commission’s regulations were proposed to (1) encourage the use of electronic filing, (2) move all subvention claim matters to Article 7 quasi-judicial hearings, and (3) clarify procedures that will increase the ease and efficiency of the process, and encourage the reduction of the fiscal and environmental		09/30/2010

<b>BSA Recommendations and Summary of Tasks</b>	<b>Responsible Person(s)</b>	<b>Complete Date</b>
costs of the mandates process for all parties and interested parties. The rulemaking process is complete, and the final amendments are scheduled for Commission adoption.		
<u>Complete SCO Request for Amendment of 49 sets of Parameters and Guidelines to Include Boilerplate Language</u>		
Adopted 49 sets of parameters and guidelines amendments to include boilerplate language.		10/30/2009 01/29/2010 03/26/2010
<p><b>Recommendation 2.</b></p> <p><i>To promote the legislatively determined, joint, and Commission processes and to provide the necessary information to assess their success, the following actions should occur:</i></p> <ul style="list-style-type: none"> <li><i>The Commission should add additional information in its semiannual report to inform the Legislature about the status of mandates being developed under joint and Commission processes, including delays that may be occurring. If the Commission believes it needs a statutory change to implement this recommendation, it should seek it.</i></li> <li><i>The Commission and Finance should inform local entities of these processes by making information about the alternatives readily available on their Web sites.</i></li> </ul>	Paula Higashi Nancy Patton Kerry Ortman Heidi Palchik IT staff	
<b>Summary of Tasks</b>		
<u>Report to Legislature</u>		
Included information in our last Report to the Legislature regarding status of proposed joint requests to adopt reasonable reimbursement methodologies (RRMs) and pending Legislatively Determined Mandates (LDMs) and released report.		01/05/2010
Co-sponsored SB 894 (Senate Local Government Committee) that would require the Commission to include status of proposed joint requests to adopt RRMs and LDMs and any delays that may be occurring. SB 894 is pending on the Governor's desk		Pending
<u>Additional Information on Website</u>		
Upload information on alternative processes to the Commission's website		04/12/2010

<b>BSA Recommendations and Summary of Tasks</b>	<b>Responsible Person(s)</b>	<b>Complete Date</b>
<p><b>Recommendation 3.</b></p> <p><i>The Commission should continue its efforts to work with the legislative subcommittee and other relevant parties to establish a reconsideration process that will allow mandates to undergo revision when appropriate.</i></p>	Paula Higashi Nancy Patton Camille Shelton	
<p><b>Summary of Tasks</b></p>		
<p>Commission members and staff conducted workshops with claimants and the public, met with legislative staff on a continual basis, and assisted in drafting language for a new “redetermination process.” The language is pending in a budget trailer bill.</p>		Pending
<p><b>Recommendation 4.</b></p> <p><i>To improve the state mandates process, the Legislature, in conjunction with relevant state agencies and local entities, should ensure the further discussion of reforms.</i></p>	Paula Higashi Nancy Patton	
<p><b>Summary of Tasks</b></p>		
<p>Work with Legislature, as requested, to discuss mandate reforms.</p>		Ongoing