

**ITEM 6**  
**STAFF REPORT**  
**UPDATE ON FINAL REPORT**  
**IMPLEMENTING THE RECOMMENDATIONS FROM BUREAU**  
**OF STATE AUDITS REPORT 2009-501**  
***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.

On October 7, 2010, the Commission submitted its final report to BSA on implementation of the BSA's recommendations. On November 22, 2010, Commission staff received a letter from BSA indicating that the Commission will be required to provide additional information.<sup>2</sup> In BSA's view, the Commission did not fully implement Recommendation 1:

- Work with Department of Finance to seek additional resources to reduce the backlog, including test claims and incorrect reduction claims. In doing so, prioritize workload and seek efficiencies to the extent possible.

SB 1452 (Stats. 2006, ch. 452) requires agencies that are notified by BSA that they have not fully implemented audit recommendations to continue reporting to BSA. Specifically, state agencies are required to do either of the following:

- Provide a written report to BSA, the respective policy committees and budget subcommittees of the Assembly and Senate with oversight of the agency, and the Department of Finance, explaining why the audit recommendation has not been implemented.
- Notify BSA, the respective policy committees and budget subcommittees of the Assembly and Senate with oversight of the agency, and Department of Finance that it will begin implementing the audit recommendation within 90 days of the notification by the State Auditor, and include the estimated date of implementation.

BSA requires state agencies to complete the attached form to complete their responses. The Commission's completed form is due to BSA on or before December 7, 2010.

Commission staff has completed the form.

### **Staff Recommendation**

Staff recommends the Commission approve the completed form for submission to BSA.

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<sup>2</sup> Exhibit A.