Title 1 of the CCR, a list of related statutes and legislative rules, and the text of the Permit Reform Act, Government Code section 15374–15378.

BUREAU OF STATE AUDITS

State Auditor: Kurt Sjoberg
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Created by SB 37 (Maddy) (Chapter 12, Statutes of 1993), the Bureau of State Audits (BSA) is an auditing and investigative agency under the direction of the Commission on California State Government Organization and Economy (Little Hoover Commission). SB 37 delegated to BSA most of the duties previously performed by the Office of Auditor General, such as examining and reporting annually upon the financial statements prepared by the executive branch of the state, performing other related assignments (such as performance audits) that are mandated by statute, and administering the Reporting of Improper Governmental Activities Act, Government Code section 10540 *et seq.* BSA is also required to conduct audits of state and local government requested by the Joint Legislative Audit Committee (JLAC) to the extent that funding is available. BSA is headed by the State Auditor, appointed by the Governor to a four-year term from a list of three qualified individuals submitted by JLAC.

The Little Hoover Commission reviews reports completed by the Bureau and makes recommendations to the legislature, the Governor, and the public concerning the operations of the state, its departments, subdivisions, agencies, and other public entities; oversees the activities of BSA to ensure its compliance with specified statutes; and reviews the annual audit of the State Audit Fund created by SB 37.

MAJOR PROJECTS

A Review of Service-Related Disability Retirements at Three Retirement Systems (October 1994) is BSA's audit of the Public Employees' Retirement System (PERS), the City of Los Angeles Fire and Police Pension Systems, and the San Diego County Employees' Retirement Association, each of which provides disability retirement benefits to its members. Specifically, the audit focused on industrial disability retirement (IDR) benefits available for employees in so-called "safety" occupations, such as state traffic officers, state police officers, and correctional officers, and ordinary disability retirement (ODR) benefits which are paid to members whose occupations are listed as eligible for IDR benefits but whose disability is not a result of the member's employment. According to BSA, an essential difference between ODR benefits and IDR benefits is that PERS applies an earnings limitation to ODR benefits, but not to IDR benefits.

The primary purpose of the audit was to determine the impact of applying earnings limitations currently applied only to members receiving ODR benefits to "safety" members receiving IDR benefits through PERS. According to BSA, if PERS were allowed to apply earnings limitations to members with earned income who receive IDR benefits, PERS would save approximately $1.8 million per year by reducing member pensions for the 214 members included in BSA's survey, and a total of $7.2 million by the time those members reach the age of 50. Accordingly, in response to the increasing costs of IDRs, BSA recommended that the legislature amend Government Code section 21300 to apply earnings limitations to retirees receiving IDR benefits who are earning income that, combined with their benefits, exceeds their preretirement income.

Employees of the University of California, San Francisco, Improperly and Illegally Managed the Center for Prehospital Research and Training (November 1994) is BSA's report following its investigation of a "whistleblower's" allegation of impropriety under the Reporting of Improper Governmental Activities Act. Specifically, BSA received an allegation that UCSF's Center for Prehospital Research and Training (CPRT) was improperly spending funds received from donors and from the state and paying expenses out of a secret, unauthorized checking account; further, the complainant alleged improprieties associated with contracts between UCSF and the San Francisco Fire Department. Among others, BSA found the following improper activities:

- A CPRT administrator had conflicts of interest related to contracts between UCSF and the fire department; these conflicts of interest resulted in the unauthorized use of University resources for the benefit of the fire department. For example, the CPRT administrator misspent UCSF resources by providing free paramedic training to twelve fire department employees at UCSF's expense; according to the report, the value of this paramedic training was at least $49,000.
- A CPRT administrator and other CPRT and UCSF employees conspired to submit falsified payroll documents for the purpose of paying at least 47 employees at a rate higher than approved by the University; as a result of these falsifications, UCSF paid the employees at least $72,579 more than they were entitled to receive between January 1991 and March 1994.
- UCSF charged the fire department $23,600 more than it should have under the terms of the contracts between UCSF and the fire department.
- Contrary to University policy, the CPRT opened a secret, unauthorized bank account; further, the CPRT spent most of the $62,126 deposited in the account in an improper and imprudent manner. For example, the CPRT improperly used the bank account to pay salary advances to both UCSF employees and nonemployees; the CPRT improperly made automatic teller machine withdrawals of $11,817 in cash over 18 months; and the CPRT had almost no internal controls over the bank account to help safeguard university resources.
- The CPRT established an unauthorized petty cash fund. Of the almost $12,000 in the fund, only 40% of the expenditures were support by receipts; 30% in expenditures could be explained but could not be supported by receipts; and 30% was either missing or not documented.
- The CPRT and the Foundation for Medicine illegally commingled restricted gifts totaling $186,412 with other restricted and unrestricted funds of the CPRT; as a result, neither the CPRT nor the donors have any assurance that the funds were spent in accordance with the donors' instructions.
- The CPRT improperly deposited tuition fees of $11,500 into a Foundation account instead of a UCSF account.
- When soliciting donations, the CPRT made false and misleading statements to donors concerning the CPRT's legal status.
- Both a CPRT administrator and another CPRT official misused University resources for their personal use and benefit. For example, the administrator used CPRT staff to perform personal work, such as arranging travel, performing bookkeeping, filing documents, and hiring a housekeeper and child care provider. Further the CPRT administrator used more than $18,500 deposited in the Foundation to benefit herself and her relatives.

BSA concluded that UCSF "grossly mismanaged the CPRT" and, as a result, UCSF cannot assure the state's taxpayers that the University's funds were accounted for and spent properly. According to BSA, UCSF reports that it has taken action to correct some of these problems; for example, both the outside bank account and the petty cash fund have been closed and all funds have been transferred to proper UCSF accounts. Further, UCSF will assess the need for additional corrective action, including taking possible disciplinary action against one or more UCSF employees and addressing the need for more formalized training of campus leadership in their managerial responsibilities and accountability.

The State Needs to Reengineer its Management of Information Technology (December 1994) includes a management review of the Office of Information Technology (OIT), part of the Department of Finance, which has overall responsibility for the state's information technology (IT) investment. According to BSA, although California spends an estimated \$1.3 billion annually on IT, the state's current model for managing its statewide IT does not work; BSA contends that OIT "has not provided the statewide leadership and coordination for information technology as intended by the 1983 legislation that established the office. Additionally, the OIT's oversight of information technology projects is limited and does not ensure that state departments implement projects successfully." Specifically, BSA found the following deficiencies in OIT's operations:

• The OIT has failed to effectively coordinate multi-agency projects and data center activities, and is not currently ensuring that the state's information technology community is involved in developing policy. According to BSA, these problems have occurred because the OIT has narrowly interpreted its enabling legislation in such a way that it effectively limited its authority over IT matters; additionally, the OIT's resources have not kept pace with the growth in the state's IT, and the OIT has chosen to focus these limited resources on budgetary oversight rather than statewide leadership.

• The OIT's oversight of projects is limited to reviewing documents that it requires departments sponsoring IT projects to submit; however, the OIT does not verify the accuracy of the information in the reports it receives. Also, the scope of OIT's review is limited; it views itself as an "investment committee" to ensure that proposed projects are reasonable investments of public funds. The OIT does not do an in-depth technical review of a project's viability, nor does it assess the individual qualifications of key staff members assigned to projects to ensure that they have the appropriate skills and experience for the particular project.

According to BSA, the state must reengineer the entire statewide IT program to ensure that the state's interests and assets are protected and used to their maximum potential; BSA recommended that the state establish a statewide cabinet-level chief information officer (CIO) position to initiate the reengineering process. Under BSA's plan, the CIO and the information resources office should be given the powers, duties, and responsibilities to develop and implement a statewide plan for IT; they should provide leadership and guidance to departments, manage and coordinate statewide resources, and monitor and oversee projects based on a risk assessment.

In October, the newly-created Joint Committee on Information Technology in State Government conducted an interim hearing on the state's use of IT. At that hearing, Chief Deputy State Auditor Marianne Evashenk previewed BSA's findings on the state's use of IT in general, including BSA's conclusion that OIT views itself as an investment committee instead of a policy oversight entity; in response, Senator Alfred Alquist questioned why OIT made that assumption, as "[t]hat's not why they were created." (*See* agency report on OFFICE OF THE LEGISLATIVE ANALYST for related discussion.) Senator Alquist subsequently introduced legislation to abolish OIT (*see* LEGISLATION).

State Auditor to Investigate Orange County Financial Situation. In December, Governor Wilson announced that State Auditor Kurt Sjoberg would examine the financial situation in Orange County—which filed for bankruptcy in December—in order to assess the County's current and future fiscal condition. According to the Governor's office, Sjoberg will determine whether Orange County's income will meet its current financial obligations; he may also be asked to determine whether the County can protect incoming and future revenues from claims by current creditors.

■ LEGISLATION

SB 1 (Alquist). The Office of Information Technology in the Department of Finance is charged with identifying new applications for information technology, improving productivity and service to clients, and assisting agencies in designing and implementing the use of information technology; OIT operates under the direction of the Director of the Office of Information Technology, who is prescribed specified responsibilities. As introduced December 5, this bill would replace OIT with the Information Services Agency and that Agency would be managed by the Secretary of Information Services, who would have prescribed responsibilities. The Agency would be charged with improving the state's ability to apply information technology effectively, and assisting state agencies in identifying, designing, and implementing these applications. This bill would require the Information Services Agency or its secretary to, among other things, create a Department of Information Services within the Agency to perform the operational duties and responsibilities of the Agency, including performing the duties and responsibilities of the former OIT, as modified; consolidate state information technology services in a manner to be determined by the executive branch, which may include the consolidation of existing data centers; establish policies regarding an independent validation and verification of state information technology projects; perform responsibilities currently performed by the Department of General Services with respect to the acquisition of information technology and telecommunication goods and services; and form user committees and advisory committees. *[S. GO]*

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY (LITTLE HOOVER COMMISSION)

Executive Director:
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Chair: Richard Terzian
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The Little Hoover Commission (LHC) was created by the legislature in 1961 and became operational in the spring of 1962. (Government Code sections 8501 *et seq.*) Although considered to be within the executive branch of state government for budgetary purposes, the law states that "the Commission shall not be subject to the control or direction of any officer or employee of the executive branch except in connection with the appropriation of funds approved by the Legislature." (Government Code section 8502.)

Statute provides that no more than seven of the thirteen members of the Commission may be from the same political party. The Governor appoints five citizen members, and the legislature appoints four citizen members. The balance of the membership is comprised of two Senators and two Assemblymembers.

This unique formulation enables the Commission to be California's only truly