



1989) p. 28, and Vol. 9, No. 2 (Spring 1989) p. 37 for background information on this case.)

OFFICE OF THE AUDITOR GENERAL

Acting Auditor General: Kurt Sjoberg
(916) 445-0255

The Office of the Auditor General (OAG) is the nonpartisan auditing and investigating arm of the California legislature. OAG is under the direction of the Joint Legislative Audit Committee (JLAC), which is comprised of fourteen members, seven each from the Assembly and Senate. JLAC has the authority to "determine the policies of the Auditor General, ascertain facts, review reports and take action thereon...and make recommendations to the Legislature...concerning the state audit...revenues and expenditures..." (Government Code section 10501.) OAG may "only conduct audits and investigations approved by" JLAC.

Government Code section 10527 authorizes OAG "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...and any public entity, including any city, county, and special district which receives state funds...and the records and property of any public or private entity or person subject to review or regulation by the agency or public entity being audited or investigated to the same extent that employees of that agency or public entity have access."

OAG has three divisions: the Financial Audit Division, which performs the traditional CPA fiscal audit; the Investigative Audit Division, which investigates allegations of fraud, waste and abuse in state government received under the Reporting of Improper Governmental Activities Act (Government Code sections 10540 *et seq.*); and the Performance Audit Division, which reviews programs funded by the state to determine if they are efficient and cost effective.

RECENT AUDITS:

Report No. P-821 (December 1989) concerns the Laboratory Field Services (LFS) within the state Department of Health Services (DHS). DHS administrators California's clinical laboratory

licensing program. Clinical laboratories conduct diagnostic tests on tissue and other substances obtained from the human body at the request of physicians. The LFS, within DHS' Division of Laboratories, is responsible for ensuring that clinical laboratories comply with the laws and regulations governing clinical laboratories. State law and regulations require that all licensed clinical laboratories are maintained and operated without injury to the public and that laboratories have proper facilities, quality control procedures, and licensed personnel. The LFS determines compliance through on-site inspections and a program of proficiency testing services, in which laboratories are sent test samples to analyze once per quarter.

The Auditor General's report indicates a need for increased monitoring of the proficiency test results and prompt action by the LFS against laboratories which have failed proficiency tests during three or more quarters. In 1988, only about 22% of the test results were evaluated. OAG also found that a new statutory formula for the annual calculation of license fees for clinical laboratories and clinical laboratory personnel is not being implemented, resulting in undercharging of licensees. These licensing fees, once received by DHS, are not promptly endorsed and deposited.

OAG made several recommendations to DHS, which the Department plans to follow. OAG and DHS agree that there is a need for additional manpower until the Department can implement the automated system currently in development to evaluate proficiency test results. Also, legislation which would allow for staggered expiration of licenses would even out the workload over the year, allowing the cashiering group to promptly endorse and deposit fees. Another recommendation is to require all laboratories that fail proficiency tests to stop providing the applicable diagnostic tests to the public as soon as the staff at LFS determines that the laboratories are not passing the proficiency tests.

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

Executive Director: Jeannine L. English
Chairperson: Nathan Shapell
(916) 445-2125

The Little Hoover Commission 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 independent watchdog agency. However, in spite of its statutory independence, the Commission remains a purely advisory entity only empowered to make recommendations.

The purpose and duties of the Commission are set forth in Government Code section 8521. The Code states: "It is the purpose of the Legislature in creating the Commission, to secure assistance for the Governor and itself in promoting economy, efficiency and improved service in the transaction of the public business in the various departments, agencies, and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies, and instrumentalities and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives..."

The Commission seeks to achieve these ends by conducting studies and making recommendations as to the adoption of methods and procedures to reduce government expenditures, the elimination of functional and service duplication, the abolition of unnecessary services, programs and functions, the definition or redefinition of public officials' duties and responsibilities, and the reorganization and or restructuring of state entities and programs.

MAJOR PROJECTS:

Report on California's Fish and