



making its own preliminary estimates of the value of services being sought.

-The Department should ensure that its project directors consistently enforce its requirement that the program management firm delivers timely, periodic cost control reports.

In response to the OAG report, the Youth and Adult Correctional Agency agreed to immediately implement audit recommendations. It specifically countered some of OAG's findings, however, including the auditors' contention that the Department of Corrections does not adequately prepare for negotiations with its program and construction management contractors.

Report No. P-582.5 (January 1987) concerns the Department of Health Services' (DHS) encouragement of alternatives to land disposal of hazardous waste, its waste classifications and clean-up site scheduling processes, and its pursuit of federal funds for site clean-up.

Among auditors' specific findings were the following:

-DHS can do more to promote alternatives to land disposal of hazardous waste. Specifically, DHS (1) is not effectively studying hazardous waste generated by industry to encourage recycling of the waste; (2) is not reviewing records of waste transported to disposal facilities; and (3) has not established an effective information clearinghouse or a technical reference center, which would facilitate more waste treatment or recycling as opposed to disposal.

-DHS is slow to respond to requests to classify waste. Although Title 22 of the California Administrative Code requires that DHS respond to such requests within a 60-day period, the average response time is 223 days.

-Because of its failure to use adequate methods to establish site clean-up priorities, DHS is conducting clean-up at some sites which may pose less of a public or environmental threat than do other sites not scheduled for clean-up.

-DHS does not always pursue federal funds for clean-up of hazardous sites. As a result, it has not yet received up to \$1.7 million for assessing sites and may not receive up to \$33.5 million for site clean-up.

DHS largely concurred with the OAG audit findings. As to the issue of prioritizing site clean-ups, DHS responded that it believes its interim management decisions and reliance upon professional judgment are reasonable and responsive to public health,

safety, and environmental concerns.

Report No. P-642 (February 1987) reveals audit results regarding procedures used by the California Department of Youth Authority (CYA) and the California Department of Corrections (CDC) to assign prisoners to correctional facilities.

Specifically, auditors found that CYA has assigned some potentially violent wards to minimum security programs, posing a danger to the public, CYA staff, and other wards. Such assignments occur, says OAG, because CYA relies too heavily on staff judgments in determining the security level of its wards. Also, CYA does not routinely obtain criminal records from other states; thus, security assignments are sometimes made without knowledge of crimes committed outside of California. Finally, auditors determined that some CYA wards have been assigned to minimum security facilities even though staff had determined the wards belonged in higher-level security programs.

Regarding CDC assignment of its adult prisoners, the OAG audit report concludes that methods used by CDC for assigning inmates to minimum security facilities appear adequate.

The Youth and Adult Corrections Agency, parent to CYA and CDC, agrees with OAG's specific conclusions that CYA should obtain FBI records for wards and routinely evaluate assignment of wards who are involved in serious incidents.

Report No. P-659 (February 1987) consists of a letter to the Joint Legislative Audit Committee, in which OAG reported that it has aborted its audit of underground storage tanks containing hazardous materials. Auditors found that while there are problems in enforcing laws and regulations governing such tanks, it is not clear who is responsible for this enforcement.

Specifically, auditors were stymied by a lack of criteria on which to base a comprehensive performance audit of either the state Water Resources Control Board or the regional water quality boards. OAG claims current law does not clearly define the enforcement responsibilities or authority of any water quality board regarding registration and monitoring of underground storage tanks.

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

Executive Director: Robert O'Neill (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 real, 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:

Review of the Organization, Operation, and Performance of the State Lottery. In January, the Commission issued a report which concluded that "the lottery's rapid growth and meteoric sales have placed tremendous demands on the lottery's staff in conducting its business operations." The Commission found an absence of certain necessary business controls and systems, resulting in little assurance that lottery operations are efficient or that education funding is being maximized.

The study enumerated specific concerns, including the following:

- The lottery has not provided timely or complete monthly financial reports required by law to provide public accountability for the lottery's activities.

- Because the lottery is exempt from an independent budget review by the legislature, legislators do not have the same level of assurance that the lottery is operating in an economical manner as they have with other state agencies.

- Because the lottery does not have an independent review and appeals process in place to review vendor bid proposals, the current bid protest process lacks an appearance of independence and objectivity.

- The lottery has not established an adequate contract management system to monitor contract performance and payments, which has resulted in contract payments which exceed allowable limits in some cases.

- An estimated \$13.8 million to \$34.6 million has been lost to the state's educational system during the lottery's first nine instant ticket games because the lottery does not have a system in place to identify and recover unclaimed low-tier prizes paid by lottery ticket retailers.

- The lottery has relied too heavily on sole-source contracts to purchase goods and services.

The Commission concluded that while "the lottery has unprecedented flexibility as a state agency in how it conducts its business operations," it has "an ethical obligation to meet or exceed the state's operating guidelines" to protect its integrity.

The lottery report listed numerous recommendations to improve the organization, operation, and performance of the lottery, including the following:

- The lottery should be required to utilize competitive bidding for purchases of goods and services of \$10,000 or more, and it should establish a centrally-administered contracts management system.

- It should develop and maintain consistent and comprehensive contracting procedures and should be required to use an independent review and appeals process to resolve contract disputes.

- The Governor and legislature should require the lottery to provide more timely and complete financial reports.

- All lottery funds should be subject to legislative review through the state's usual budget process.

The Commission's report also noted that Scientific Games, Inc. (the current instant game ticket contractor) and its parent company, Bally Manufacturing, Inc., apparently have made conflicting statements to the legislature and the Little Hoover Commission regarding business involvement in South Africa. The Commission recommended that the Lottery Commission review these inconsistencies.

Pending Fiscal Crisis in the K-12 Public School System. On December 5, the Little Hoover Commission sent a letter to the Governor and legislative leaders expressing its extreme distress at the failure of public officials to recognize the pending fiscal crisis in the state's K-12 public school system. The Commission claimed this crisis is the result of (1) a continuing lack of financial accountability and responsibility in the system; and (2) the "drastic impact that the Gann spending limitation may have on the level of school funding in the upcoming year."

The Commission's letter elaborated upon shortcomings in the K-12 school system's financial management systems and offered numerous recommendations for an immediate campaign to "overhaul and improve...financial accountability, reporting, and control..."

PUBLIC HEARINGS:

Access of the Disabled to Drug and Alcohol Abuse Programs. On January 29, the Commission heard testimony on whether the disabled population has adequate access to drug and alcohol abuse treatment programs. Topics of discussion included the availability and extent of drug and alcohol treatment programs, the barriers experienced by the disabled, and possible solutions to these problems.

Quality of Care Provided in California's Nursing Homes. On February 18, the Commission held a hearing to receive testimony on four topics: whether the voluntary decertification of skilled nursing facilities from the Medi-Cal program has caused the forced eviction of Medi-Cal patients; the effect of the Nursing Home Patients Protection Act on the enforcement of nursing home regulations; suggestions for methods to prevent theft and loss of private possessions of nursing home residents; and methods of tracking the performance of nursing home administrators.

The hearing is part of a third Little Hoover investigation into the state's nursing homes. (See CRLR Vol. 7, No. 1 (Winter 1987) p. 29 for more information on this investigation.)

DEPARTMENT OF CONSUMER AFFAIRS

Director: Marie Shibuya-Snell
(916) 445-4465

In addition to its functions relating to its forty boards, bureaus and commissions, the Department is charged with the responsibility of carrying out the provisions of the Consumer Affairs Act of 1970. In this regard, the Department educates consumers, assists them in complaint mediation, advocates their interests in the legislature, and represents them before the state's administrative agencies and courts.

MAJOR PROJECTS:

Sunrise Model. The DCA has completed a document for regulation proposal review called the "Sunrise Model." The Sunrise Model provides a means of objectively weighing benefits and detriments of occupational licensure. The model contains nine criteria used to judge the need for proposed regulation and a questionnaire for the requesting group which allows a presentation of arguments on the merits of regulation.

The Sunrise Model is being used by the Department's boards and bureaus to assess requests for new or expanded programs and is also available to legislators and administrators to assist them in their decisionmaking.

Choosing A Long Distance Carrier. The Department has published a booklet which assists consumers in comparing the services provided and fees charged by the various long distance