

# Investigations of Improper Activities by State Agencies and Employees

Misuse of State Resources, Forgery, False Time Reporting, Financial Interests Disclosure Violations, and Waste of State Funds

Report I2016-1

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February 11, 2016

Investigative Report I2016-1

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

Pursuant to the California Whistleblower Protection Act, the California State Auditor (state auditor) presents this investigative report summarizing investigations that were completed between July 2015 and December 2015 concerning allegations of improper governmental activities.

This report details 10 substantiated allegations involving several state agencies. Through our investigations, we found misuse of state resources, forgery, false time reporting, violations of financial interests disclosure, and waste of state funds. In total, we identified \$372,000 in wasted funds, financial interests not disclosed, and misuse of state time and resources.

For example, four psychiatrists at Patton State Hospital failed to work sufficient hours when they regularly averaged from 22 to 29 hours of work per week from July 2014 through June 2015 rather than the 40-hour per week average required by their collective bargaining agreement. In total, these psychiatrists worked 2,254 fewer hours than necessary to average 40 hours per week at a total cost to the State of \$296,800. In another example during the same one-year period, the Porterville Developmental Center failed to charge 566 hours of leave to 12 employees who missed scheduled nine-hour or 10-hour workdays but were only charged for eight hours of leave. These wasted funds totaled \$25,600.

At California Correctional Health Care Services a supervising nurse, who also serves in the United State military reserve force, forged military documents and deceived Correctional Health Care Services regarding the dates of his reservist duties. As a result of his dishonesty, the supervising nurse received compensation and benefits totaling \$6,000 to which he was not entitled.

State agencies must report to the state auditor any corrective or disciplinary action taken in response to recommendations made by the state auditor. Their first report is due no later than 60 days after we notify the agency or authority of the improper activity and monthly thereafter until corrective action is completed.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

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## Summary

### Results in Brief

The California Whistleblower Protection Act (Whistleblower Act) empowers the California State Auditor (state auditor) to investigate and report on improper governmental activities by agencies and employees of the State. Under the Whistleblower Act, an *improper governmental activity* is any action by a state agency or employee during the performance of official duties that violates a law, is economically wasteful, or involves gross misconduct, incompetence, or inefficiency.<sup>1</sup>

This report details the results of six particularly significant investigations completed by the state auditor between July 1, 2015, and December 31, 2015. This report also outlines the investigative results from another four investigations that were best suited for other state agencies to investigate on our behalf during the same six-month period. The following paragraphs briefly summarize the investigations, which the individual chapters of this report discuss more fully.

### Department of State Hospitals, Patton State Hospital

Four psychiatrists at Patton State Hospital regularly worked an average of 22 to 29 hours per week from July 2014 through June 2015 rather than the average of 40 hours per week required by their collective bargaining agreement. In total, these psychiatrists worked 2,254 fewer hours than necessary to average 40 hours per week. The portion of their salaries associated with these missed work hours totaled \$296,800. In addition, two of these psychiatrists engaged in other employment during their regularly scheduled state work hours. Further, the psychiatrists were dishonest regarding their attendance and outside employment. We also learned that psychiatrists and other staff at Patton may also regularly work less than an average of 40 hours per week. Although supervisors and executive management were generally aware of psychiatrists' failure to work a weekly average of 40 hours, they did not act to resolve the situation.

### Investigative Highlights . . .

*State employees and agencies engaged in various improper governmental activities, including the following:*

- » *Four psychiatrists worked significantly fewer than 40 hours per week during a one-year period. The cost of their missed work hours totaled \$296,800.*
- » *A supervising nurse, who also served as a military reservist, forged military documents and falsely claimed he performed reservist duties; as a result, he received compensation and benefits of \$6,000 to which he was not entitled.*
- » *A psychiatrist violated the California Political Reform Act of 1974 by failing to disclose income of \$29,800 that he received from a pharmaceutical company.*
- » *A state agency wasted state funds when it improperly reimbursed three employees \$4,500 in excess of the allowed amount for training.*
- » *A state agency wasted \$25,600 in state funds during a one-year period when it charged only eight hours of leave for 12 employees who missed scheduled nine-hour or 10-hour workdays.*
- » *A state agency failed to update an outdated policy related to rental vehicle use for state travel; as a result, another state agency inadvertently wasted state funds totaling \$4,200 when it followed the outdated policy.*

<sup>1</sup> For more information about the California State Auditor's investigations program, please refer to the Appendix.

### **California Correctional Health Care Services**

A supervising nurse at California Correctional Health Care Services (Correctional Health Care), who also serves in the United States military reserve force, forged multiple military documents and deceived Correctional Health Care regarding the dates of his reservist duties. He submitted the forged documents to his supervisor at Correctional Health Care and claimed military leave from work on the dates the documents specified, even though he did not perform reservist duties on 10 of the 34 days. The supervising nurse subsequently signed and submitted time sheets to Correctional Health Care in which he falsely claimed that he had performed reservist duties on those 10 days. In addition, the supervising nurse falsely claimed that he was on active duty for another four days; consequently, the State compensated him for these days although he was actually on inactive duty and thus should not have been compensated. As a result of the supervising nurse's dishonesty, he received compensation and benefits totaling \$6,000 to which he was not entitled.

### **Department of State Hospitals**

A psychiatrist at one of California's state hospitals (facility) violated the financial disclosure requirements of the California Political Reform Act of 1974 by failing to disclose his financial interests in a pharmaceutical company. Specifically, the psychiatrist failed to disclose income totaling at least \$29,800 that he received from a pharmaceutical company while he was acting as the facility's medical director from May 2013 to September 2014. In addition, the filing officials at the facility responsible for the collection of the required disclosure forms failed to ensure that the psychiatrist submitted those forms.

### **Department of Water Resources**

The Department of Water Resources (Water Resources) wasted state funds when it improperly reimbursed three employees \$4,500 in excess of the allowed amount for training as a result of its staff's inconsistent practices and failure to follow its training policies and procedures. These same issues also led its staff to questionably categorize training courses for another seven employees. Water Resources potentially could have saved \$50,800 had its staff appropriately categorized courses for these seven employees and had the staff followed its policy of limiting certain training reimbursements to \$2,000 per calendar year for each full-time employee.



### **California Department of Developmental Services, Porterville Developmental Center**

The Porterville Developmental Center (Porterville) wasted state funds when it charged only eight hours of leave to certain employees who missed scheduled nine-hour or 10-hour workdays. When we reviewed the time sheets and leave records for 12 employees from July 2014 through June 2015, we found Porterville did not charge 566 hours of leave to them, which cost the State at least \$25,600. Because Porterville did not deduct the leave from the employees' leave balances, the extra hours remain available for these employees to use for additional paid time off from work or for conversion to a cash payment when they leave state service.

### **Department of General Services**

By following a state policy established by the Department of General Services (General Services) related to rental vehicle use for state travel, the Department of Resources Recycling and Recovery (CalRecycle) inadvertently wasted state funds. The outdated policy required CalRecycle and all other state agencies to use General Services' rental services for short-term vehicle rentals in the Sacramento area. However, we found that CalRecycle could have saved \$4,200 from July 2014 through June 2015 had its employees rented vehicles from Enterprise Rent-A-Car, the private company with which the State has a contract, instead of General Services on 86 occasions.

### **Other Investigative Results**

In addition to the investigations described previously, the state auditor referred numerous investigations to state agencies to perform in response to Whistleblower Act complaints that the agencies were best suited to investigate. The following investigations that substantiated improper governmental activities have particular significance.

### **California Department of Public Health**

A supervisor at the California Department of Public Health misused state time from January 2015 through July 2015 by leaving for several hours during his shift almost every day without using leave and without management approval. We estimated that the supervisor did not account for 234 hours of his work time, valued at \$3,800.

### Department of Industrial Relations

From October 2013 through June 2014 an engineer at the Department of Industrial Relations submitted travel claims for more mileage than permitted by state law. The overcharges allowed him to collect \$1,300 more than he was due for his travel reimbursements.

### California Department of Fish and Wildlife

An employee of the California Department of Fish and Wildlife received an improper reimbursement for \$300 in expenses related to a two-day retirement planning seminar that he did not attend. The employee deceived his supervisor about his failure to attend the seminar and submitted a falsified time sheet that showed his attendance.

### California Department of Public Health

An associate governmental program analyst at the California Department of Public Health misused her state computer and email to operate her residential rental business for at least five years.

Table 1 summarizes the improper governmental activities appearing in this report, the financial impact of the activities, and their status.

**Table 1**  
Issues, Financial Impact, and Status of Recommendations for Cases Described in This Report

CHAPTER	DEPARTMENT	ISSUE	COST TO THE STATE AS OF DECEMBER 31, 2015*	STATUS OF RECOMMENDATIONS			
				FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN
1	Department of State Hospitals, Patton State Hospital	Failure to work sufficient hours; misuse of state resources	\$296,790		✓		
2	California Correctional Health Care Services	Forgery of military documents; false time reporting	5,988			✓	
3	Department of State Hospitals	Violations of the California Political Reform Act of 1974	29,782		✓		
4	Department of Water Resources	Waste of state funds	4,490			✓	

CHAPTER	DEPARTMENT	ISSUE	COST TO THE STATE AS OF DECEMBER 31, 2015*	STATUS OF RECOMMENDATIONS			
				FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	PENDING	NO ACTION TAKEN
5	California Department of Developmental Services, Porterville Developmental Center	Waste of state funds	25,634			✓	
6	Department of General Services	Waste of state funds	4,216	✓			
7	California Department of Public Health	Misuse of state resources	3,793	✓			
7	Department of Industrial Relations	Inaccurate time sheet, dishonesty, misuse of state resources	1,322	✓			
7	California Department of Fish and Wildlife	Misuse of state resources	323			✓	
7	California Department of Health Care Services	Misuse of state resources	NA			✓	

Source: California State Auditor.

NA: Not applicable because the situation did not involve a dollar amount or because the finding did not allow us to quantify the financial impact.

\* We estimated the costs to the State as noted in individual chapters of this report.

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# Chapter 1

## DEPARTMENT OF STATE HOSPITALS, PATTON STATE HOSPITAL: FOUR PSYCHIATRISTS FAILED TO WORK SUFFICIENT HOURS AND MISUSED STATE RESOURCES CASE I2014-0948

### Results in Brief

From July 2014 through June 2015, four psychiatrists at Patton State Hospital (Patton) regularly worked an average of 22 to 29 hours per week instead of the average of 40 hours per week required by their collective bargaining agreement. In total, these psychiatrists worked 2,254 fewer hours than necessary to average 40 hours per week, and the portion of their salaries associated with these missed hours totaled \$296,790. In addition, two of the psychiatrists engaged in other employment during their regularly scheduled state work hours. When interviewed, the psychiatrists were dishonest regarding their attendance and outside employment during their state work hours. Moreover, we learned that other psychiatrists and staff members may also regularly work less than an average of 40 hours per week. Although supervisors and executive management at Patton were generally aware of psychiatrists' failure to work an average of 40 hours, they did not act to resolve the situation.

### Background

The Department of State Hospitals (State Hospitals) treats patients who have committed crimes linked to mental illness, who are often violent or unstable, and who have been committed to one of its facilities because they are a danger to themselves and others. Psychiatrists who have extensive and specialized training in the treatment of such patients naturally play a critically important role within the facilities. Because they are the primary employees who can address some of this population's most important needs by prescribing medication and recommending other treatments, it is crucial that the psychiatrists be immediately available during the hours they are scheduled to work.

### About the Department

The Department of State Hospitals serves mentally ill patients who are mandated for treatment by a criminal or civil court judge. It oversees five hospitals and three psychiatric programs located in state prisons. In addition, it employs more than 200 psychiatrists who belong to Collective Bargaining Unit 16 (bargaining unit 16).

### Relevant Criteria

The collective bargaining agreement between the State and bargaining unit 16 states that employees will be scheduled to work for an average of 40 hours per week and must receive management approval for absences of any duration.

Government Code section 19851, subdivision (a), states that it is the policy of the State that the workweek of state employees is 40 hours.

Government Code section 8314 states that it is unlawful for state employees to use public resources, including state-compensated time, for personal purposes. Personal purposes include activities that are for private gain or advantage or for outside endeavors not related to state business.

Government Code section 19990 deems the use state time for private gain as incompatible with state employment.

Government Code section 19572 cites dishonesty as a cause for disciplinary action.

State Hospitals' psychiatrists fall within a class of professional employees that is exempt from the federal Fair Labor Standards Act (FLSA). This means that they are not paid on an hourly basis for each hour worked, do not earn overtime pay if they work more than a 40-hour work week, and are expected to work however many hours necessary to perform their jobs. State law establishes a 40-hour work week policy for state employees. Consistent with this law, the union representing State Hospitals' psychiatrists entered into a collective bargaining agreement with the State requiring its members to be scheduled to work a 40-hour week on average during a 12-month period. Accordingly, the psychiatrists at Patton are scheduled to work 40 hours a week, with nearly all of them scheduled to work four 10-hour days rather than a standard schedule of five eight-hour days. Although the collective bargaining agreement provides its member psychiatrists with some flexibility to vary their work schedules, it requires the psychiatrists who are the subject of this report to receive supervisory approval to alter their work schedules.

#### **Four Psychiatrists Failed to Work the Hours Required by Their Collective Bargaining Agreement**

Our investigation of the period from July 2014 through June 2015 revealed that four psychiatrists at Patton failed to work an average of 40 hours per week. These doctors often arrived late, left early, and they sometimes left hospital grounds for long periods of time during the middle of their workdays. Although their official schedules required them to work 10-hour shifts, they sometimes worked five hours or less. In fact, two of the psychiatrists we investigated did not work a single 10-hour workday during the entire year we reviewed. The other two psychiatrists worked 10-hour workdays only two times and 14 times, respectively. The average number of hours the psychiatrists worked per week ranged from 22 to 29 hours, excluding days when they used vacation or other leave.

*Two of the psychiatrists we investigated did not work a single 10-hour workday during the entire year we reviewed, and the other two worked 10-hour workdays only two times and 14 times, respectively.*

To determine how many hours each psychiatrist worked, we obtained from Patton electronic data that recorded the psychiatrists' activity on the hospital campus. Specifically, we used data from Patton's Personal Duress Alarm System (alarm system), which tracks employees' physical locations on the hospital campus. Although Patton does not use the system as a timekeeping tool, it provided useful data regarding the psychiatrists' daily whereabouts. We also used electronic data from the hospital's security gates. Before entering and exiting the hospital's secured areas, employees must scan their ID badges. Because the vast majority of the work the psychiatrists perform occurs within the secured areas, this data also provided valuable information regarding their arrival and

departure times. Finally, we spoke to witnesses to verify patterns we saw, and we found their general observations coincided with the data.

Table 2 summarizes the data we analyzed and illustrates the monetary value of the psychiatrists' missed hours. As displayed, the psychiatrists' average hours worked per day ranged from 5.5 to 7.2 hours, or between 2.8 and 4.5 hours short of the 10-hour expectation. Although Patton paid the full-time psychiatrists their entire salaries, as FLSA required, they were effectively working part-time schedules. Even though FLSA generally does not permit a reduction in the salaries of professional employees who work fewer than 40 hours per week, we calculated the loss to the State as though the psychiatrists were hourly employees to determine the value of the missed hours. We recognize that the State cannot recoup this money because these employees were not hourly employees. Nonetheless, we determined that the psychiatrists' 2,254 hours of missed work had a value of \$296,790.

**Table 2**  
**Summary of Four Psychiatrists' Average Hours Worked and the Value of Those Missed Hours**

EMPLOYEE	TOTAL WORKDAYS ANALYZED*	AVERAGE HOURS WORKED PER DAY†	AVERAGE HOURS MISSED PER DAY†	TOTAL HOURS MISSED	MONETARY VALUE OF MISSED HOURS
Psychiatrist A	128	5.6	4.4	557	\$73,392
Psychiatrist B	112	5.5	4.5	507	66,729
Psychiatrist C	181	6.0	4.0	716	94,314
Psychiatrist D	172	7.2	2.8	474	62,355
<b>Totals</b>	<b>593</b>	<b>6.2</b>	<b>3.8</b>	<b>2,254</b>	<b>\$296,790</b>

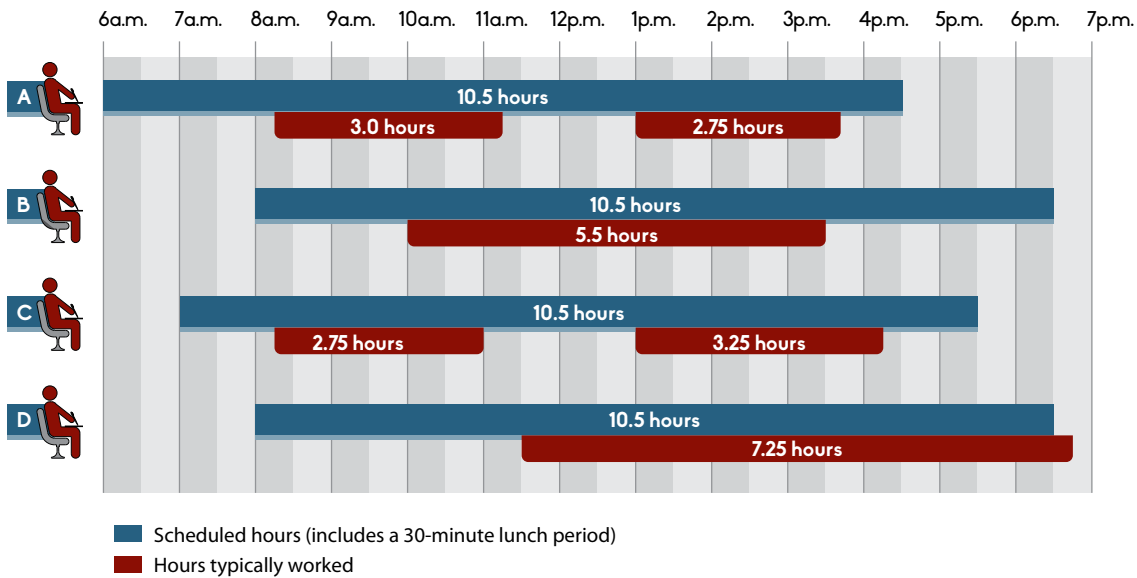
Sources: California State Auditor's analysis of Patton State Hospital data and California State Controller's Office salary records.

\* Data was not available for all dates within the period of our review; therefore, we only analyzed the workdays for which data was available.

† The total average hours worked per day and the total average hours missed per day are weighted averages that take into account the number of workdays we analyzed for each psychiatrist.

When interviewed, all four psychiatrists asserted that they nearly always arrived and departed on time and maintained 40-hour per week averages. However, they were unable to provide reliable witnesses who could corroborate their claims, and the evidence we collected proved contrary to their assertions. Figure 1 on the following page provides examples of the psychiatrists' typical workdays according to evidence we obtained, and it helps to illustrate that they failed to follow their official schedules and did not work average 40-hour workweeks.

**Figure 1**  
Examples of the Four Psychiatrists' Typical Workdays Compared to Their Scheduled Hours



Sources: Patton State Hospital personnel records and California State Auditor's analysis of Patton State Hospital electronic data.

For example, Psychiatrist B, who earned \$274,900 during the 12-month period of our review, claimed to stick to his regular schedule of 8 a.m. to 5:30 p.m. or 6:30 p.m. (depending on whether he took a lunch hour), but evidence supports that on an average day he arrived around 10 a.m. and departed at roughly 3:30 p.m. In an attempt to explain his whereabouts, Psychiatrist B maintained that he worked in the staff library outside the secured area for two hours every day. However, staff situated near the library refuted this claim and estimated that he visited the library only about twice a month.

As illustrated in Figure 1, Psychiatrist D, who also earned \$274,900 during the 12-month period of our review, asserted that he regularly arrived at 8 a.m. but actually typically arrived at 11:30 a.m., the latest of the four psychiatrists. In addition to the alarm system and security gate data we analyzed, we also obtained attendance records for daily meetings held in each clinical unit. These critical meetings, in which clinicians discussed important issues related to patient care, occurred daily at 9 a.m. in Psychiatrist D's unit. The attendance records for the meetings revealed that Psychiatrist D never attended the meetings. In fact, alarm system data supported that he arrived at the hospital after 9 a.m. on 98 percent of his workdays. He acknowledged that he did not attend the meetings, but he claimed to be at the hospital doing other work because his supervisor told him he did not have to attend the meetings. However, his supervisor informed us this claim was not true.



In addition, all four psychiatrists failed to inform their supervisors of any changes to their normal schedules, as required by their collective bargaining agreement. Although they all stated they notified their supervisors when they needed to arrive late or leave early, their supervisors attested that the psychiatrists only occasionally notified them of late arrivals or early departures.

### **Two of the Psychiatrists Performed Work for Other Employers During Their Scheduled State Work Hours**

In addition to his state employment, Psychiatrist C worked as a private psychiatrist at a different public health care facility, and his work hours for that employment sometimes overlapped with his scheduled state work hours. From July 2014 through June 2015 we identified 40 occasions during which his other work hours overlapped with his state work hours. The overlap mostly occurred in the mornings after Psychiatrist C worked a graveyard shift for the other facility. His schedule at Patton required him to arrive at 7 a.m., but his shifts at the other facility did not end until 8 a.m., according to the other facility's employment records. He told us the travel time from the other facility to Patton is 30 minutes, which explains why he arrived at Patton on these occasions around 8:30 a.m., even later than his overall average arrival time of 8:15 a.m. Further, on one occasion, Psychiatrist C left Patton during the middle of his workday to work a short shift at the other facility and then returned to Patton a few hours later. When confronted regarding his other employment, Psychiatrist C denied that his work hours for the other facility ever overlapped with his scheduled state work hours at Patton even though the evidence clearly indicates otherwise.

In addition, Psychiatrist B worked as an independent contractor for a private health care provider and provided some services for that other employer during his regular state hours on three days during May and June 2015. When we interviewed Psychiatrist B, he told us he had not engaged in any secondary employment in more than a year, including with the health care provider. However, after our interview, we contacted the health care provider and discovered that he had, in fact, performed contract work as recently as four months before our interview.

The evidence makes clear that both Psychiatrists B and C misused their state-compensated time to engage in non-state employment, thereby violating Government Code sections 8314 and 19990, which prohibit state employees from using state time for personal gain and from engaging in activities that are incompatible with their state employment. Further, when confronted regarding their other employment, they were both dishonest. The other two psychiatrists

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*Managers identified nearly 35 employees whom they believe regularly arrived late, left early, or worked fewer than 40 hours per week.*

we investigated also held secondary employment during the period we reviewed, but we found no evidence that their hours at these other positions overlapped with their state work hours.

### **Misuse of State Time at Patton May Be Pervasive**

During our investigation we learned that the practice of failing to work an average of 40 hours per week and misusing state resources may not be isolated to the four psychiatrists we investigated. The staff we interviewed, including supervisors, managers, and officials, informed us that the majority of psychiatrists, as well as some psychologists and social workers, average less than 40-hour workweeks. They based their comments on their own observations and on information provided to them by other employees. Managers were able to list nearly 35 employees whom they believe regularly arrived late, left early, or worked fewer than 40 hours per week.

A senior executive at Patton informed us that his observations suggest that none of the psychiatrists at Patton work the 10-hour days for which they are scheduled and that the average is probably closer to 6 hours per day. He also told us that officials at the other state hospitals have shared with him that the attendance patterns of their psychiatrists and other doctors is similar to, or even worse than, those at Patton.

Almost universally, managers and supervisors told us that many psychiatrists come and go as they please and do not inform their supervisors of their whereabouts as required. They told us that psychiatrists believe that being available by pager or phone is sufficient. The four psychiatrists we interviewed confirmed this by emphasizing that they were always available by pager or phone. However, an official informed us that Patton expects psychiatrists to be present during their scheduled work hours to address patient needs and that simply being available by phone or pager is not equivalent to being physically present at the hospital. For example, when a patient has a psychiatric emergency, he or she may require immediate intervention by a psychiatrist.

Managers also told us that the problem of psychiatrists failing to work their required hours has existed since the 1990s and that over the years it has become part of the culture at Patton that psychiatrists can come and go as they please without accountability. They stated that the psychiatrists have a sense of entitlement and do not believe that the 40-hour workweek applies to them.

Perhaps the most disconcerting aspect of the psychiatrists' attendance behavior is the negative impact it could have on patient care and staff safety. Supervisors, managers, and hospital officials pointed out that when psychiatrists work fewer hours, it limits patient care. Although we found no specific examples of patient neglect, the hospital could provide more robust care to its patients if the psychiatrists worked the hours in their regularly scheduled shifts. An official in charge of medical services explained that when psychiatrists work fewer hours, they have limited interactions with their patients. Conversely, if they were to work their required number of hours, they could see more patients, interact with them longer, and provide more therapeutic treatment. The official also noted that the risk to staff and patients increases when the most highly trained and skilled clinicians are not present. Supervisors and staff also reported that the attendance abuse reduces employee morale for support staff members who try to fill in for the absent psychiatrists.

### **Supervisors and Management at Patton Did Little to Resolve the Attendance Problem**

Despite being aware of the attendance issues identified in this investigation, supervisors at Patton did little to resolve the problem. Discussions during our interviews revealed that supervisors apparently accept that psychiatrists generally do not work 40 hours per week and they do not believe they can take action to address the issue. Most supervisors supervise 30 or more staff and find it difficult to monitor attendance. Furthermore, the time-reporting process at Patton does not require the psychiatrists to list their specific hours worked each day. Instead, the process requires that the psychiatrists only list the days on which they did not report to work. Thus, supervisors have no way to track how many hours the psychiatrists actually work. More importantly, most supervisors stated that they felt that executive management at Patton would not support their efforts to hold the psychiatrists accountable based on past incidents when executive management did not support managers in such efforts.

Executive management at Patton likewise did little to address the psychiatrists' attendance issues. Although executive management officials we interviewed stated they were concerned about the psychiatrists' attendance and were committed to supporting supervisors' efforts to hold them accountable, they were unable to demonstrate that they had taken any significant action to address the problem.

*Most supervisors stated that they felt that executive management at Patton would not support their efforts to hold the psychiatrists accountable based on past incidents when executive management did not support managers in such efforts.*

Supervisors and management also noted that they felt constrained by union pressure. They expressed that some psychiatrists are vehemently opposed to any efforts to hold them accountable for their work hours and, when challenged, will cite a provision in the bargaining agreement that limits the use of timekeeping devices. Supervisors explained that some psychiatrists have filed grievances when supervisors attempted to use security gate data to address attendance issues or even to keep attendance records for mandatory meetings. Although the bargaining agreement allows the State to adequately assess the hours worked by employees, the union and its members nevertheless have attempted to severely limit the State from holding psychiatrists accountable.

### Recommendations

To address the improper governmental activities identified in this report, State Hospitals should take the following actions by July 1, 2016, or as otherwise specified:

- Take appropriate action to address the insufficient hours worked by the four psychiatrists and their dishonesty by April 1, 2016.
- Determine whether other psychiatrists or other staff consistently work less than an average of 40 hours and take appropriate disciplinary and corrective action where needed.
- Ensure that by March 1, 2016, all exempt employees understand the requirement to work an average of 40 hours per week over the course of a year and to seek prior approval for arriving late, leaving early, or taking an extended break.
- Create and implement a system that will allow supervisors to adequately assess the hours worked by psychiatrists and other exempt employees.
- Provide training and coaching to supervisors and management regarding how to hold psychiatrists and other exempt employees accountable for their hours worked and how to pursue disciplinary action if necessary.
- Provide formal guidance about state laws and departmental policies relevant to misuse of state resources and incompatible activities to staff at Patton and at other State Hospitals facilities by March 1, 2016.

- Seek to persuade the State to enter into collective bargaining agreements that provide for time monitoring to ensure that the State obtains full value from its employees exempt from FLSA requirements.

### Agency Response

In January 2016 State Hospitals reported that it agreed with the results of our investigation and stated that it would implement an aggressive corrective action plan to immediately address the identified deficiencies and to ensure that psychiatrists and other employees exempt from FLSA requirements adhere to their established work schedules. State Hospitals provided the following information in response to each recommendation:

- Regarding the recommendation that it take appropriate action to address the insufficient hours worked by the psychiatrists as well as their dishonesty, State Hospitals indicated that Patton had already consulted with its legal, labor relations, and human resources departments regarding the appropriate disciplinary action. State Hospitals stated that by March 1, 2016, Patton plans to request the data and records we relied upon to support our findings against the psychiatrists and to commence with appropriate disciplinary action.
- To determine whether other psychiatrists or other staff consistently worked less than an average of 40 hours and take appropriate disciplinary and corrective action where needed, State Hospitals stated that by March 1, 2016, Patton plans to initiate a review of data and records from the past calendar year for the nearly 35 employees identified as potentially working consistently fewer than 40 hours per week. State Hospitals stated that Patton would consult with appropriate staff and commence appropriate corrective or disciplinary action for employees who it finds have consistently worked fewer than 40 hours per week.
- In response to the recommendation regarding the average 40-hour workweek requirement and seeking approval for departures from scheduled work hours, State Hospitals explained that Patton has taken steps to ensure that its staff are aware of the expectations and requirements regarding work schedules and seeking approval for shift adjustments. However, it agreed that Patton must reinforce these expectations for exempt employees. In addition, State Hospitals reported that Patton has already prepared a memorandum on absence and attendance reporting that reinforces attendance expectations. The memorandum will be signed by all employees and supervisors and will be retained in each employee's training records. It also stated that

Patton had begun a formal training process that will occur in phases to ensure that all employees are trained regarding the attendance expectations. Patton expects to complete the training process by March 31, 2016. Further, State Hospitals stated that in February 2016, its director plans to issue an email to all exempt employees and an administrative letter to all employees regarding the expectation that exempt employees work an average of 40 hours per week and that they seek supervisory approval for work schedule adjustments, including arriving late, leaving early, and taking extended breaks.

- To create and implement a system that will allow supervisors to adequately assess the hours worked by psychiatrists and other exempt employees, State Hospitals reported that by March 1, 2016, Patton plans to review and assess the work schedules of psychiatrists and all other exempt employees to ensure that those schedules are consistent with workweek schedule guidelines and that they meet its operational needs. State Hospitals stated that Patton will consult with appropriate staff to address recommended schedule changes and will notify employees and unions of those changes, if required. State Hospitals also stated that it will inform all exempt staff through an email that they are required to write down the times of day when they sign in and out of secured areas. State Hospitals further stated that the email will inform supervisors that they are required to periodically review the sign-in and sign-out records and perform random observations to ensure that their subordinates are complying with their assigned schedules.
- To provide training and coaching to supervisors and management regarding how to hold psychiatrists and other exempt employees accountable for their hours worked and how to pursue disciplinary action if necessary, State Hospitals explained that the absence and attendance reporting memorandum will be signed by supervisors at Patton and will reinforce their responsibilities to ensure that employees comply with the attendance expectations and to pursue corrective action, if necessary. In addition, Patton will include the supervisors in one of the phases of the training process described previously. Further, Patton will confirm that its training module for supervisors provides sufficient direction and guidance regarding attendance issues.
- With regard to the recommendation that it provide formal guidance about state laws and departmental policies relevant to misuse of state resources and incompatible activities to staff at Patton and at other State Hospitals facilities, State Hospitals stated that it has revised and reposted an existing administrative letter regarding incompatible activities. In addition,

State Hospitals stated that by February 2016, its director will issue an email to all employees that reinforces the expectations of responsible stewardship and reiterates the relevant state laws and departmental policies regarding the misuse of state resources and incompatible activities.

- To seek to persuade the State to enter into collective bargaining agreements that provide for time monitoring to ensure that the State obtains full value from its employees exempt from FLSA requirements, State Hospitals reported that it is working collaboratively with the California Department of Human Resources to enhance wording in the collective bargaining agreement and thus improve time monitoring for exempt state employees.

In response to our finding that supervisors and managers at Patton did little to resolve the attendance problems, State Hospitals provided additional information in support of management's actions. In particular, State Hospitals explained that Patton issued an administrative directive in 1992 (updated in 2005) that requires clinical staff to sign in and out each day; issued a memorandum in 2011 explaining that it would conduct random audits and reviews of attendance documents and take disciplinary action as necessary; and provided training to its management in 2014 regarding how to identify and address attendance issues. Further, it informed us that during the past few years, Patton has investigated a number of instances of employees failing to adhere to their mandated work times and has taken disciplinary action as necessary. State Hospitals reported that Patton uncovered some of these instances as the result of random audits and that it is currently investigating attendance issues for several psychiatrists, including one identified in our investigation. While we commend State Hospitals and Patton for these efforts, they appear to have been insufficient to curb the attendance problems identified by our investigation.

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## Chapter 2

### CALIFORNIA CORRECTIONAL HEALTH CARE SERVICES: A SUPERVISING NURSE FORGED MILITARY DOCUMENTS AND FALSELY REPORTED HIS TIME CASE I2015-0084

#### Results in Brief

A supervising nurse at California Correctional Health Care Services (Correctional Health Care), who also serves as a reservist in the United States military (military), forged multiple military documents and deceived Correctional Health Care regarding the dates of his reservist duties. The supervising nurse submitted to his supervisor at Correctional Health Care the forged documents that showed he needed to perform reservist duties on a total of 34 days, and he subsequently claimed military leave from work on the specified dates. However, he was not scheduled to perform reservist duties on 10 of the 34 days. Upon returning to work, the supervising nurse signed and submitted time sheets to his state employer, falsely claiming that he had performed reservist duties on those 10 days. In addition, the supervising nurse falsely claimed that he was on active duty for another four days; as a result, the State compensated him for these days, even though he had actually been on inactive duty and thus should not have been compensated. As a result of his dishonesty, the supervising nurse received compensation and benefits totaling \$5,988 to which he was not entitled.

#### Background

State law grants paid, short-term military leave to state employees for active military duty. State employees who are also reservists in the military typically perform their reservist duties on two days each month and on 14 additional days each year. Reservists are entitled to pay from the State when they perform their 14 annual days of service, which is considered active duty, but are not entitled to pay from the State for their monthly service, which is considered inactive duty.

#### About the Department

California Correctional Health Care Services provides medical care to inmates throughout California's 34 adult prisons. It employs more than 7,000 medical professionals and administrative staff. It currently operates under the direction of a federal court-appointed receiver.

#### Relevant Criteria

United States Code, title 10, section 907, states that any member of the military, including reservists, who, "with intent to deceive, signs any false record, order, or other official document, knowing it to be false, shall be punished as a court-martial may direct."

Penal Code section 470, subdivision (a), states that a person who, with intent to defraud, knowing that he or she has no authority to do so, signs the name of another person is guilty of forgery.

Government Code section 19775.1 states that when a state employee is granted short-term military leave for active military duty, the employee is entitled to full pay for the first thirty days of the absence.

Government Code section 19838 states that overpayments made by the State to an employee shall be recouped, provided that action taken by the State to recover the overpayment is initiated within three years from the date of overpayment.

Government Code section 19572, subdivision (f), states that dishonesty is a cause for disciplining a state employee.

Because of the important role members of the military play in protecting and safeguarding the country, they are held to a high standard of conduct. Related to this high standard, Congress enacted specific laws that subject members of the military, including reservists, to court martial if they make or sign a false military document. Forgery is also a crime under California law.

Correctional Health Care policy requires its employees to submit monthly time sheets indicating the days they actually worked. An employee who misses a workday must indicate the type of leave he or she has used to account for that day, e.g., annual leave, sick leave, jury duty, etc. An employee who is a reservist with the military can use a special leave category to indicate that he or she was performing military duties.

### **A Supervising Nurse Forged Military Documents and Falsified Time Sheets**

In 2014 a supervising nurse at Correctional Health Care forged seven military documents. Specifically, the supervising nurse changed dates on the documents and reused the printed names or signature block names of military employees who coordinated schedules for reservists. When we interviewed the military official whose signature was on four of the seven documents and who was the person ordinarily responsible for signing such documents, the military official stated that he had not drafted or signed any of them. The supervising nurse also changed dates and forged the remaining three military documents, which included the printed name of another military employee. Official military attendance records show that the nurse did not work for the military on 10 of the days identified in the forged documents. The cost to the State for these 10 workdays totaled \$4,277.

*Official military attendance records show that the nurse did not work for the military on 10 of the days identified in the forged documents, costing the State \$4,277.*

In addition, the forged documents inaccurately indicated that the supervising nurse performed four additional days of active duty services when he actually performed inactive duty services on those days and should not have received compensation from the State. The State paid him \$1,711 to which he was not entitled for these four days. Table 3 shows the months and number of days in each month for which the supervising nurse made false claims of work related to his reservist duties.

In our interview with the supervising nurse, he acknowledged that he forged all of the documents and did not work for the State or the military on at least 6 of the 10 workdays specified in the forged military documents. For four of the 10 workdays, the supervising nurse could not recall where he was or provide any evidence as to his whereabouts. Because the military's official records show that

the supervising nurse did not perform reservist duties on those days and he could not adequately confirm where he was, we concluded that he missed all 10 workdays.

**Table 3**  
**Days on Which the Supervising Nurse Falsely Claimed He Performed Military Duties**

MONTH/YEAR	NUMBER OF DAYS FALSELY CLAIMED AS WORKED	NUMBER OF DAYS FALSELY CLAIMED AS BEING ON ACTIVE DUTY
August 2014	1	
September 2014	3	1
October 2014		3
December 2014	6	
<b>Totals</b>	<b>10</b>	<b>4</b>

Sources: California State Auditor's analysis of military documents and the supervising nurse's monthly time sheets.

In addition to forging military documents, the supervising nurse submitted time sheets in which he falsely claimed that he had performed reservist duties on these 10 workdays. Consequently, he was able to avoid using his earned leave balances. The supervising nurse should have used his vacation or another earned leave category for these 10 days.

The supervising nurse acknowledged that he signed and delivered false time sheets to his supervisor at Correctional Health Care. In addition, he was aware that he had improperly received his full pay from the State for the days he claimed to be on active duty as a reservist but was not. He acknowledged that he should have used his earned leave hours instead. Nevertheless, the supervising nurse did nothing to correct his time sheets or return the improper pay during the nearly 11 months that elapsed between his most recent falsification and our interview with him.

Before the completion of our investigation, the supervising nurse transferred to another state agency.

### Recommendations

To address the improper governmental activities identified in this report, Correctional Health Care should take the following actions:

- Work, as necessary, with the state agency that currently employs the supervising nurse to require him either to correct his 2014 time sheets by using earned leave for the 14 workdays when he improperly claimed military leave or to pay the State \$5,988 for the leave he improperly claimed on the 14 workdays.
- Work with the state agency that currently employs the supervising nurse to coordinate the appropriate disciplinary action to address the supervising nurse's improper activities, including his forging of documents and his dishonesty.
- Notify the proper military officials regarding the supervising nurse's creation of falsified and forged military documents.

### Agency Response

In January 2016 Correctional Health Care reported that it intends to implement all of our recommendations. Specifically, it stated that it will work with the state agency that currently employs the supervising nurse and the California Department of Corrections and Rehabilitation (Corrections), which processed time sheets and payroll for the supervising nurse, to require either the correction of time sheets and leave balances or the repayment for the improperly claimed leave. Similarly, Correctional Health Care stated that it would collaborate with Corrections and the other state agency regarding the appropriate disciplinary action. Finally, Correctional Health Care stated that it planned to notify military officials of the results of this investigation.

## Chapter 3

### DEPARTMENT OF STATE HOSPITALS: AN ACTING MEDICAL DIRECTOR FAILED TO DISCLOSE HIS FINANCIAL INTERESTS CASE I2014-0430

#### Results in Brief

A psychiatrist at one of California's state hospitals (facility) violated the financial disclosure requirements of the California Political Reform Act of 1974 (Reform Act) by failing to disclose his financial interest in a pharmaceutical company. Specifically, the psychiatrist failed to disclose at least \$29,782 in income he received from a pharmaceutical company while acting as the facility's medical director from May 2013 to September 2014. In addition, the filing officials at the facility responsible for the collection of the required disclosure forms failed to ensure that the psychiatrist submitted all of those forms.

#### Background

The Reform Act is the primary law that governs conflicts of interests by public officials in California. It requires certain state employees to disclose personal financial interests that might be affected when they perform official duties, such as making governmental decisions. Disclosure also helps inform the public about potential conflicts of interest. According to the Fair Political Practices Commission (FPPC), which enforces the Reform Act, individuals in an acting capacity must disclose their financial interests if holding their positions on a permanent basis would require them to do so.

Under the Reform Act, each agency must adopt a conflict-of-interest code, which determines the list of employees who must disclose their financial interests—also known as *designated filers*—and prescribes the types of financial interests they must disclose. The Department of State Hospitals' (State Hospitals) conflict-of-interest code requires its medical directors to disclose their sources

#### About The Department

The Department of State Hospitals (State Hospitals) serves patients who are mandated for psychological treatment by a criminal or civil court judge.

#### Relevant Criteria

The California Political Reform Act of 1974, at Government Code section 81000, et seq., requires that state agencies adopt conflict-of-interest codes and that *designated employees* disclose income that may materially affect their work on behalf of the State.

Government Code section 82019 provides that a *designated employee* is any officer, employee, member, or consultant of any agency whose position with the agency is designated in a conflict-of-interest code because he or she makes or participates in the making of decisions that may foreseeably have a material effect on any financial interest.

The California Code of Regulations, title 9, section 400, and State Hospitals' conflict-of-interest code indicate that medical directors are *designated employees* and are therefore *designated filers* of Form 700, on which they must disclose, among other things, all sources of income, including loans, gifts, and travel payments.

Government Code section 87207 defines sources of income that must be disclosed by a designated filer to include each source of income aggregating \$500 or more, and each source of gifts aggregating \$50 or more.

Government Code section 87302 requires each newly designated filer to file a Form 700 within 30 days after assuming office, disclosing relevant financial interests during the 12 months before the designated filer assumed the position, and annually thereafter until he or she leaves office, at which time the designated filer is required to submit a final Form 700.

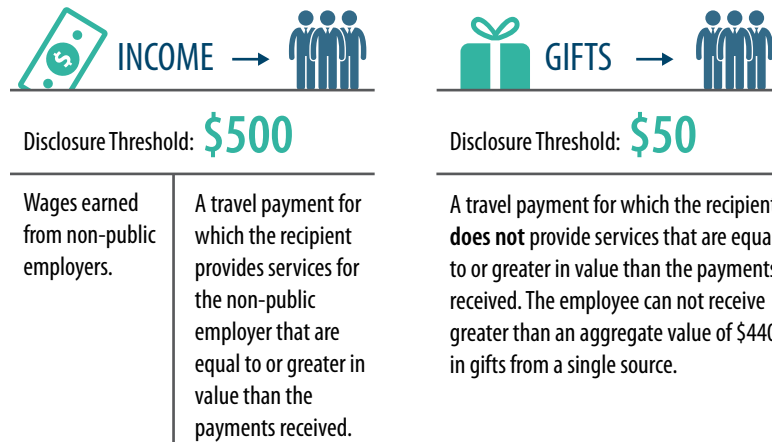
Government Code section 82028 defines *gift* to mean any payment that confers a personal benefit on the recipient to the extent that consideration of equal or greater value is not received.

Government Code section 89503 prohibits designated filers from accepting gifts from a single source that exceeds an established maximum value, which was \$440 in 2013 and 2014.

Government Code section 89506, subdivision (d)(3), and California Code of Regulations, title 2, sections 18950, subdivision (a) and 18950.2, establish that payments for travel made in connection with personal services rendered by officials are reportable as income, rather than gifts, if the services are provided in connection with a bona fide profession, including medicine, and the services are customarily provided in connection with the profession.

of income amounting to \$500 or more in a calendar year from employment outside their public employment, including wages and travel reimbursements received during the normal course of employment, as well as other financial interests. Medical directors are also required to disclose any gifts totaling \$50 or more from any one source during the calendar year if the filers did not provide anything of equal or greater value. In addition to the requirement to disclose any gifts with a value of \$50 or more, medical directors were also prohibited in 2013 and 2014 from accepting gifts from a single source with an aggregated total value of \$440 or more. Figure 2 describes the relevant payments that State Hospitals’ medical directors are required to disclose.

**Figure 2**  
**Partial List of Payments Requiring Disclosure on a Medical Director’s Form 700**



Source: Fair Political Practices Commission.

Those employees who are designated filers must file a Statement of Economic Interests, commonly referred to as Form 700, to disclose their interests within 30 days of assuming a designated position—the “assuming office” form—and annually thereafter until they leave the position, at which time they must fill out a “leaving office” Form 700. When filling out the form, employees must disclose all relevant financial interests from the prior 12-month period. When designated filers sign their Form 700s, they are asserting that they have prepared the forms using reasonable diligence and are certifying under penalty of perjury that the information in their statements is true and correct.

State Hospitals annually provides to the facility’s filing official the list of positions that are required to file a Form 700. The filing official—who is part of the facility’s human resources division—

is responsible for notifying and ensuring that designated filers complete the Form 700 annually and upon assuming or leaving a designated position. Each designated filer must complete the form and return it to the filing official, who then retains a copy and submits the form to State Hospitals.

### **While a Designated Filer, the Psychiatrist Failed to Disclose \$16,315 in Income on His Form 700 for 2013**

When the facility's former executive director asked this psychiatrist to step in as the acting medical director at the facility in May 2013 and he accepted, the psychiatrist assumed a position that required disclosure of his financial interests. At the same time, the psychiatrist was also employed by a pharmaceutical company, a position that required him to give speeches to other medical professionals regarding its products. As the acting medical director, the psychiatrist was required to disclose on his Form 700 within 30 days of assuming office any income that he accepted from the pharmaceutical company, including the wages and travel reimbursements he had received when he gave speeches over the previous 12-month period, as well as other financial interests.<sup>2</sup> However, the psychiatrist did not file an "assuming office" Form 700 within 30 days of assuming the medical director position.

In March 2014 the psychiatrist filed an annual Form 700 in which he should have disclosed his financial interests from 2013. Although he earned income well in excess of the \$500 disclosure threshold in 2013, he reported on his annual Form 700 that he had no financial interests to report. Moreover, when he filed this Form 700, it only covered the period from May 2013 through December 2013, and not the full calendar year, as required by law.

To determine the payments that the psychiatrist received, we used information from pharmaceutical companies and other organizations that the federal Centers for Medicare & Medicaid Services (CMS) collects and makes available to the public, which shows the payments these entities make to doctors. Our review of CMS's data and other records indicated that the psychiatrist received \$16,315 in payments for speeches and associated travel reimbursements from May 2013 through December 2013 from the pharmaceutical company that employed him.<sup>3</sup> Table 4 on the following page shows the breakdown of the psychiatrist's financial interests that he failed to disclose.

*The psychiatrist received \$16,315 in payments for speeches and associated travel reimbursements from May 2013 through December 2013 from the pharmaceutical company that employed him.*

<sup>2</sup> The position that the psychiatrist held before he assumed his acting position—and to which he returned after ending his role as the acting medical director—is not a designated position in State Hospitals' conflict-of-interest code.

<sup>3</sup> We attempted to identify the payments received by the psychiatrist from May 2012 to May 2013; however, CMS did not have any data for this time period.

**Table 4**  
**Income the Psychiatrist Failed to Report**  
**From May 2013 Through December 2013**

TYPE	AMOUNT
Payment for speeches	\$15,500
Travel reimbursements	815
<b>Total</b>	<b>\$16,315</b>

Sources: California State Auditor's analysis of Centers for Medicare & Medicaid Services data and the psychiatrist's records.

Note: Because payment information for the period from May 2012 through April 2013 was incomplete, it is not included in this table.

In addition to the income in Table 4, the psychiatrist received \$3,117 in payments for transportation, lodging, and food. However, based on the evidence the psychiatrist provided to us, we could not determine whether these payments were made in connection with speeches that he gave as part of his employment for the pharmaceutical company, or whether they were gifts. Thus, although the psychiatrist failed to publicly disclose the \$3,117, we could not determine with sufficient certainty whether these unreported payments should have been disclosed on his Form 700 as income or gifts. Any travel payment not associated with a speech would have been subject to the 2013 established gift limit of no more than an aggregate of \$440 from a single source.

When we interviewed the psychiatrist regarding these payments, he stated that he did not recall ever seeing or filling out the Form 700, although he admitted that the document contained his signature. Moreover, when we questioned him regarding his duty to file, he appeared surprised and claimed that he was unaware of this obligation even though he filed a Form 700 for 2013 in March 2014. He also said he did not believe he needed to disclose his financial interests since he did not consider there to be any potential conflict of interest between his state employment and the work he did for the pharmaceutical company.

**Filing Officials Failed to Ensure That the Psychiatrist Submitted Form 700 on Other Occasions, Resulting in His Failure to Disclose Income of at Least \$13,467 for 2014**

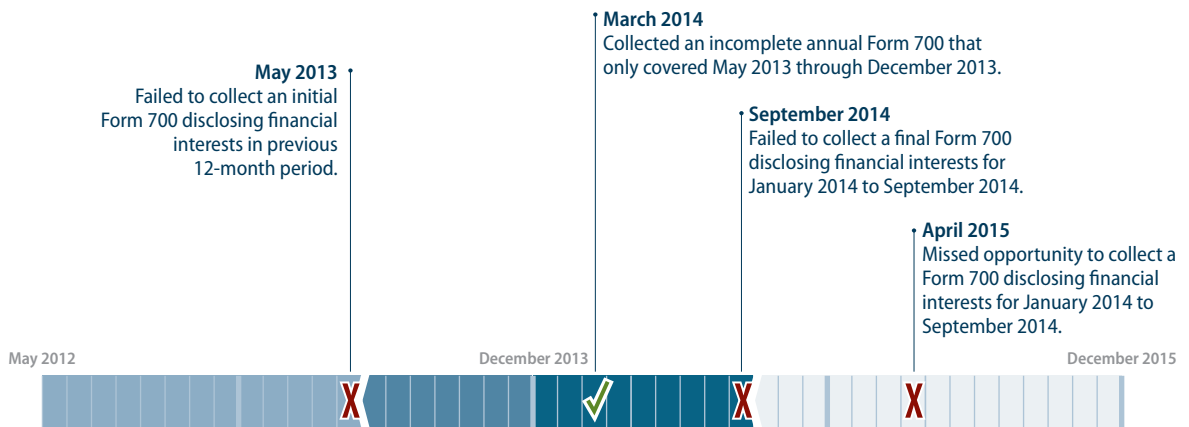
The facility's filing official, who is now retired, was responsible for instructing the psychiatrist to fill out and submit a Form 700 when he first assumed the acting medical director position in May 2013. This Form 700 would have required that the psychiatrist disclose all of his financial interests for the 12 months before he assumed the



acting medical director position, or from May 2012 to May 2013. However, as previously discussed, he did not submit this Form 700. The psychiatrist did, however, submit an annual Form 700 in March 2014, but it indicated that the psychiatrist had no financial interests to disclose for May 2013 through December 2013. The filing official was also required to obtain the psychiatrist's Form 700 when he left the position in September 2014, but we were unable to find any Form 700 submitted by the psychiatrist from this date.

Although the psychiatrist did not file a final Form 700 in September 2014, the facility had another chance to obtain his disclosures for 2014 when it began its preparations for the annual submission of Form 700s in the spring of 2015. However, the facility did not include the psychiatrist on the list of employees required to file even though he had acted as the medical director for most of 2014. Figure 3 shows the instances in which the filing officials failed to ensure that the psychiatrist submitted the necessary Form 700.

**Figure 3**  
Dates on Which the Facility's Filing Officials Failed to Ensure That the Psychiatrist Submitted His Form 700s



Source: California State Auditor's analysis of the Department of State Hospitals facility's records.

According to State Hospitals, in early 2015 the facility's human resources director, who has since been promoted, maintained the ultimate responsibility as its filing official for ensuring that employees submitted the annual Form 700s for 2014. Nevertheless, when we interviewed the human resources director, she stated that she had delegated the task to the personnel officer, who had been recently appointed to the position. However, the personnel officer received no training from the human resources director to ensure that all employees who held designated positions

throughout the year—even if they were no longer in the position at the time—were included in the notification to file. Because the personnel officer had no previous experience with the task, we expected that the human resources director would have reviewed the list of employees the personnel officer compiled to ensure its completeness and accuracy, but that was not the case. As a result, the human resources director failed to notify the psychiatrist that he needed to submit a Form 700 disclosing his financial interests for 2014 and to subsequently ensure that the psychiatrist did so.

As a consequence of this lack of appropriate oversight, the psychiatrist did not disclose the outside income he earned while he was the acting medical director in 2014. Our review of the CMS data and other records we obtained determined that the psychiatrist earned a total of \$13,467 in income from sources other than his state job from January 2014 to September 2014. However, the psychiatrist did not disclose any of the outside income he received from his secondary employer as required by the Reform Act. Table 5 shows the breakdown of the psychiatrist’s income from wages and travel reimbursements that he failed to disclose.

**Table 5**  
**Income the Psychiatrist Failed to Report**  
**From January 2014 to September 2014**

TYPE	AMOUNT
Payment for speeches	\$13,000
Travel reimbursements	467
<b>Total</b>	<b>\$13,467</b>

Sources: California State Auditor’s analysis of Centers for Medicare & Medicaid Services data and the psychiatrist’s records.

The psychiatrist also received other payments in 2014 totaling \$2,290 for transportation, lodging, and food. However, as discussed previously, we do not have enough information to determine whether these payments were made in connection with speeches that he gave as part of his employment, which prevents us from concluding whether he should have disclosed these transactions as income or gifts. Just as with the payments we identified for 2013, any payments not associated with a speech would be subject to the aggregate \$440 gift limit received from a single source.

When we questioned the psychiatrist regarding these payments, he stated that he did not recall any filing officials notifying him of the need to fill out a Form 700 and that he had not received any related training. Although his failure to fulfill the responsibility of filing the

appropriate Form 700 violated several government codes intended to prevent conflicts of interest, we did not find any evidence that he participated in a governmental decision that affected his financial interests.

### **Recommendations**

To remedy the effects of the improper governmental activities described in this report and to prevent them from recurring, State Hospitals should take the following actions:

- Create a policy requiring the facility's filing official to be appropriately trained in the collection of Form 700s. In particular, this training should cover the identification of designated individuals and the requirement to collect a Form 700 upon individuals assuming designated positions, annually thereafter, and upon their leaving their designated positions.
- Conduct a review of the facility's 2014 Form 700s by April 2016 to ensure that all designated filers submitted a Form 700.
- Require all designated filers—including those working in an acting capacity in a designated position—to take the statutorily mandated state ethics training online created by the Attorney General's Office, which includes information related to the Form 700 and its disclosure and filing requirements.
- Ensure that the psychiatrist discloses past financial interests to the FPPC for the time he acted as the medical director that he did not disclose previously.

### **Agency Response**

State Hospitals reported in January 2016 that it agreed with our recommendations and stated that it intended to implement an aggressive corrective action plan for each recommendation.

With regard to our first recommendation, State Hospitals reported that it had contacted the FPPC to request focused training for its filing officers. In addition, State Hospitals stated that it committed to developing a filing official's training memorandum by January 31, 2016, that would include time frames for completion of Form 700s as well as continued training requirements for current and future filing officials. State Hospitals also stated that before March 2016, it plans to coordinate department-wide training for all of its filing officials to ensure that they understand their responsibilities. In February 2016 State Hospitals provided

us with the filing official's training memorandum it sent out in January 2016. However, the memorandum failed to specify when employees were expected to complete the FPPC's training nor did it appear to have a control in place to ensure the training is completed by its filing officers. Lastly, other than the date State Hospitals intends to notify its filing officers of the need to file, no other time frames for completion were established.

Regarding the second recommendation, State Hospitals reported that the facility would complete its review of 2014 Form 700s and identify any filers who failed to submit a Form 700 by January 31, 2016. State Hospitals later reported to us that it completed its review of 2014 Form 700s and found 13 additional employees who had failed to file 19 Form 700s. State Hospitals has notified all the filers and requested that the missing Form 700s be submitted by mid-February 2016. State Hospitals stated that it would subsequently notify the FPPC of any individuals who failed to comply.

In response to our third recommendation, State Hospitals indicated that by February 29, 2016, it would notify and require all designated filers to take the online ethics training course offered by the Attorney General's Office. In addition, it committed to maintaining the training records of all filers who complete the training. Further, State Hospitals stated that by February 29, 2016, the director plans to issue an administrative letter to all State Hospital employees regarding the Reform Act's filing requirements.

For the fourth recommendation, State Hospitals reported that by January 15, 2016, the facility would notify the psychiatrist to disclose his past financial interests and file the additional Form 700s. In February 2016 it provided evidence to us that it notified the psychiatrist in January 2016 and requested that he submit the missing Form 700s by January 22, 2016. Although the psychiatrist stated that he fully intends to submit the missing Form 700s, State Hospitals did not provide us with the forms proving that the psychiatrist had done so. State Hospitals also stated that the facility would review and maintain the psychiatrist's Form 700s and that it would follow FPPC guidelines to report noncompliance with completion of the Form 700s.

## Chapter 4

### DEPARTMENT OF WATER RESOURCES: IT WASTED STATE FUNDS ON EMPLOYEE TRAINING CASE I2014-1576

#### Results in Brief

The Department of Water Resources (Water Resources) wasted state funds when it improperly reimbursed three employees \$4,490 in excess of the allowed amount for training as a result of its staff's inconsistent practices and failure to follow its training policies and procedures. These same issues also led its staff to questionably categorize training courses for another seven employees. Water Resources potentially could have saved \$50,780 had its staff appropriately categorized courses for these seven employees and followed its policy of capping the reimbursements at \$2,000 per calendar year for each full-time employee.

#### Background

State employees are encouraged to receive training that will help them to develop knowledge and skills relevant to their current or future job performance. State laws require that each state agency establish a training policy that includes all categories of training (job-required, job-related, career-related, and upward-mobility) in which an employee can participate. The policy must also specify reimbursement amounts allowed for training expenses incurred for each training category. In accordance with this requirement, Water Resources established an appropriate training and expense policy. For job-required training, Water Resources provides full reimbursement to employees for tuition and associated necessary expenses, including travel costs and time to attend training. For job-related training, Water Resources reimburses up to \$2,000 per year and, with a division chief's approval, it can provide reimbursements beyond that amount. For career-related and upward-mobility training costs, Water Resources' policy allows for reimbursement of 50 percent of the expenses with the annual total not to exceed \$2,000. Figure 4 on the following page describes the important elements of each training category.

#### About the Department

The Department of Water Resources protects, conserves, develops, and manages much of California's water supply including the State Water Project which provides water for 25 million residents, farms, and businesses.

#### Relevant Criteria

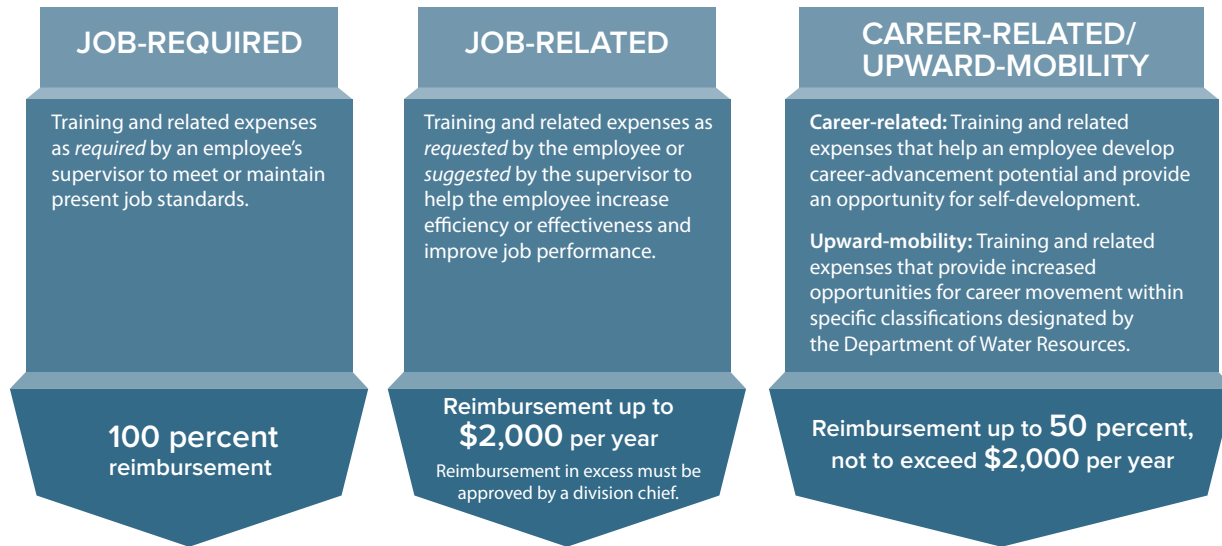
California Code of Regulations, title 2, sections 599.817 through 599.819, establish the following:

- The definition of training and each training category: job-required, job-related, career-related, and upward-mobility.
- The requirement that state agencies establish training policies and specify the amount of payment allowed for each training category.
- The provision of minimum reimbursement criteria for training expenses.

Government Code section 8547.2, subdivision (c), provides that any activity by a state agency or employee that is economically wasteful of state resources is an improper governmental activity.

Government Code section 19995.1 provides that the California Department of Human Resources may prescribe training regulations and conditions to meet the needs of the State for continuing educational development, upgrading employee skills, and improving productivity and quality service. The training must be cost effective, of value to the State, and relevant to the employee's career development in state service.

**Figure 4**  
Description of Department of Water Resources Training Categories



Source: Department of Water Resources administrative manual.

Water Resources' policy requires each employee to complete an annual training plan that details anticipated training course titles, costs, and categories; this plan requires his or her supervisor's approval. After the supervisor approves the training plan and before the employee enrolls in any training courses, the employee must submit a training request for each training course in which he or she wishes to participate, as previously identified in the plan. Departmental training coordinators are required to track and monitor each employee's training costs by category and indicate on the training request whether any costs exceed the limits for the calendar year in which the training will be completed. The employee, supervisor, training coordinator, and the cost center manager must each sign the training request, which lists the training course title, estimated and actual costs, and training category. Finally, when the employee has completed the training, he or she submits a travel expense claim (expense claim) with supporting documentation to receive the appropriate amount of reimbursement.

#### **Water Resources Wasted State Funds by Reimbursing Three Employees for Job-Related and Career-Related Training Beyond the Amounts Allowed**

From June 2013 through January 2015 Water Resources paid a total of \$11,832 in job-related and career-related training reimbursements to three employees for courses they took from 2012 through 2014.

Of this total, \$4,490 represents funds reimbursed either in excess of 50 percent of the career-related training expenses up to a yearly maximum of \$2,000 or in excess of the \$2,000 annual maximum allowed for job-related training expenses per employee each year. Table 6 shows the improper training reimbursements for the three employees.

**Table 6**  
**Improper Job-Related and Career-Related Training Expense Reimbursements Paid From June 2013 Through January 2015**

EMPLOYEE	JOB CLASSIFICATION	DEGREE PURSUED	YEAR COURSES COMPLETED	AMOUNT REIMBURSED	AMOUNT EXCEEDING REIMBURSEMENT ALLOWED
Employee A	Senior Hydroelectric Power Utility Engineer Supervisor	Master of Mechanical Engineering	2014	\$2,673	\$673
Employee B	Engineer, Water Resources	Master of Civil Engineering	2012	2,698	698
Employee C	Engineer, Water Resources	Master of Civil Engineering	2013 2014	6,461	3,119*
<b>Total costs</b>				<b>\$11,832</b>	<b>\$4,490</b>

Source: California State Auditor’s analysis of employee expense claims.

\* This amount includes a \$1,777 overpayment for 2013 and a \$1,342 overpayment for 2014 based on the reimbursement limit of 50 percent of the expenses for career-related training.

Water Resources staff’s inconsistent practices and lack of understanding of its policies and procedures contributed to \$4,490 in improper training expense reimbursements. In particular, Employees A, B, and C were not aware of Water Resources’ training reimbursement limitations and believed they had followed the proper procedures for getting their training requests approved and for requesting reimbursement. In addition, despite annual training provided by Water Resources’ training division, none of the training coordinators we interviewed were aware of the reimbursement limitations. Also, none of the training coordinators understood that they were responsible for tracking each employee’s calendar year reimbursements for job-related, career-related, and upward-mobility training expenses to ensure that they did not exceed the \$2,000 limit for each category.

Further, we found no consistency in the approval signatures on employees’ training requests, with approval signatures ranging from just the employee and his or her team leader to some that were signed by the employee, supervisor, training coordinator, branch chief, and division chief. For example, Employee B’s training request was not signed by a training coordinator or anyone else at a level above his supervisor. Moreover, none of the three initial approving officials were familiar with Water Resources’ training

reimbursement limitations; therefore, they did not realize that they had approved training request reimbursements beyond the amounts allowed by Water Resources' policy.

Finally, Water Resources staff incorrectly categorized training courses for Employee C. Specifically, Employee C's supervisor approved her graduate classes as career-related on her training plans, but she listed three of the four courses she took in 2013 and 2014 as job-related on her training requests. Water Resources subsequently reimbursed her for 100 percent of the expenses even though the cost of two of the courses exceeded the \$2,000 maximum allowed in 2013. If Water Resources had categorized all these courses appropriately as career-related, its reimbursement to her would have been limited to 50 percent of the course expenses up to \$2,000 annually, as stated in Water Resources' policy. Thus, Water Resources could have saved \$3,119.

#### **Had Water Resources Ensured It Appropriately Categorized Training Courses for an Additional Seven Employees, It Could Have Saved \$50,780**

From September 2012 through October 2014 Water Resources reimbursed an additional seven employees a total of \$76,931 for training expenses. Based on employee job descriptions, course descriptions, and statements made to us during interviews, we question Water Resources' accuracy in categorizing some, if not all, of these courses as job-required or job-related. As a result, Water Resources may have wasted as much as \$50,780 in reimbursed funds to which these employees were not entitled. For example, if Water Resources had categorized some of the training courses for employees D through J as career-related, the reimbursements would have been capped at 50 percent of their costs, up to a maximum of \$2,000 each year, as previously shown in Figure 4. Table 7 shows the amounts that Water Resources would have avoided reimbursing these seven employees had it appropriately categorized their training.

As an example, Employee D, a water resource engineering associate specialist, categorized *Introduction to Sociology I* and *Introduction to Sociology II* as job-required training on his training requests and Water Resources subsequently reimbursed 100 percent of the expenses. After reviewing Water Resources' training category definitions with us, the supervisor and the current field division chief agreed that some of Employee D's courses could have been categorized differently. If Water Resources had categorized Employee D's Sociology courses as career-related and reimbursed him for only 50 percent of the expenses, it could have saved \$795. The remaining \$11,370 for Employee D represents other

***Water Resources may have wasted as much as \$50,780 in reimbursed funds to which seven employees were not entitled.***



questionable training reimbursements. Similarly, Water Resources reimbursed Employee G, a chief construction supervisor, for 100 percent of the expenses for a history course titled *Images of America* that he listed as job-related training on his training request. Water Resources could have saved \$656 if it had categorized this class as career-related and only reimbursed Employee G for 50 percent of the cost as required by its policy. The remaining \$2,212 for Employee G represents other questionable training reimbursements.

**Table 7**  
**Questionable Reimbursements From September 2012 to October 2014 for Training Expenses the Department of Water Resources Categorized as Job-Required or Job-Related Instead of Career-Related**

EMPLOYEE	JOB CLASSIFICATION	DEGREE PURSUED	YEAR COURSES COMPLETED	AMOUNT REIMBURSED	AMOUNT EXCEEDING REIMBURSEMENT ALLOWED
Employee D	Water Resource Engineering Associate Specialist	Bachelor of Science in Electronic Engineering	2012 2013 2014	\$18,020	\$12,165*
Employee E	Control System Technician II	Associate of Science in Information Technology	2012 2013	8,450	4,450
Employee F	Associate Governmental Program Analyst	Not applicable	2013 2014	7,841	3,841
Employee G	Chief Construction Supervisor	Bachelor of Science in Engineering	2012 2013	5,525	2,868*
Employee H	Supervising Engineer, Water Resources	Master of Business Administration	2013 2014	26,816	22,816
Employee I	Senior Environmental Scientist Specialist	Undetermined	2013 2014	7,106	3,553*
Employee J	Environmental Scientist	Master of Public Administration	2012 2013	3,173	1,087*
<b>Total costs</b>				<b>\$76,931</b>	<b>\$50,780</b>

Source: California State Auditor's analysis of employee expense claims.

\* The Department of Water Resources paid \$19,673 of the \$50,780 to four employees whose training should have been categorized as career-related and thus should have been subject to the 50 percent reimbursement limit on training expenses.

Division chiefs and higher level executives are responsible for ensuring reimbursement requests are reasonable and in accordance with established policies and procedures. Although employees F through J received approval from a division chief or higher-level executive for their reimbursements in excess of the \$2,000 annual limit, we still question whether these reimbursements were reasonable. For example, when we interviewed the deputy director who approved Employee H's training forms and expense claims, he stated that Employee H's pursuit of a master's degree was related to his job because the State Water Project was in a financial crisis in 2014, and Employee H needed to be able to manage finances at

a high level. We did not find this to be a reasonable explanation because Water Resources approved Employee H to take courses as early as September 2013, before the State Water Project's financial crisis. If Water Resources' staff had properly categorized Employee H's courses as career-related and tracked his training expenses, his reimbursements would not have exceeded the annual reimbursement cap of \$2,000, and the State could have saved \$22,816.

### **Several Other Failures and Insufficiencies Contributed to Water Resources' Excessive Reimbursements**

We also found several additional factors that contributed to the \$50,780 in questionable reimbursements. Specifically, as we previously identified as the cause of the improper reimbursements, the officials who approved training requests were unfamiliar with Water Resources' annual training reimbursement limits. In addition, the approving officials did not have a clear understanding of the differences between the training categories. Moreover, we found that Water Resources' policy does not require that training requests include justifications for selected training categories nor does it require that a division chief or higher level executive justify his or her approval for any reimbursements beyond the specified limits. Further, field divisions issue reimbursement checks for job-required training expenses without a separate review by either the training division or the division of fiscal services. Finally, some expense claims lacked the required supporting documentation—such as receipts, a course syllabus, and a grade report—that would provide evidence that an employee had actually paid for and attended training courses.

### **Recommendations**

To remedy the effects of the improper governmental activity identified by this investigation and to prevent it from recurring, Water Resources should take the following actions:

- Provide training to all officials who approve training requests regarding the difference between training categories, the maximum calendar year reimbursement limitations for each category, and the required documentation to support expense claims, including proof of attendance.
- Amend the training request form and the training plan form to require that approving officials include written justification for the selected training category.

- Amend the training request form to require that division chiefs or higher level executives provide written justification for their approval of reimbursements beyond the maximum \$2,000 per year amount allowed for job-related training.
- Provide training to all training coordinators regarding their responsibility to track each employee's total calendar year reimbursements for each training category other than job-required training.
- Require division chiefs and the training chief to review and approve training requests for all job-required and job-related training.
- Require the last official who approves an employee's expense claim for job-required and job-related training to forward that claim to the training division, the division of fiscal services, or both, for a separate review of the employee's training forms and supporting documents before Water Resources reimburses the employee.

### **Agency Response**

In January 2016 Water Resources responded that, due to the complexity and volume of data that it would need to review, it could not perform a thorough analysis of the information contained in this report to validate or disprove its content. Although we provided Water Resources with two extensions to respond, it did not contact us to request any information or documentation to assist in its analysis. Regardless, Water Resources stated that it intends to continue its analysis.

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## Chapter 5

### CALIFORNIA DEPARTMENT OF DEVELOPMENTAL SERVICES, PORTERVILLE DEVELOPMENTAL CENTER: IT WASTED STATE FUNDS BY UNDERCHARGING EMPLOYEE LEAVE BALANCES CASE I2013-1633

#### Results in Brief

The Porterville Developmental Center (Porterville) wasted state funds when it charged only eight hours of leave to certain employees who missed scheduled nine-hour or 10-hour workdays. When we reviewed the time sheets and leave records from July 2014 through June 2015 for 12 employees, we determined that Porterville did not charge 566 hours of leave to the employees, which cost the State at least \$25,634. Because Porterville did not deduct the leave from the employees' leave balances, the extra hours remain available for these employees to use for additional paid time off from work or for conversion to a cash payment when they leave state service.

#### Background

Some Developmental Services employees are exempt from the federal Fair Labor Standards Act (FLSA). These exempt employees do not receive an hourly wage, but instead receive a salary based on performing their jobs regardless of the number of hours they actually work. Exempt employees are expected to work whatever number of hours is necessary to fulfill their duties, even if that means working more than a typical 40-hour workweek. Exempt employees do not receive overtime if they work more than eight hours in one day or more than 40 hours in one week.

Developmental Services psychologists and social workers, who are exempt from FLSA, are represented by Collective Bargaining Unit 19 (unit 19) through a collective bargaining agreement (bargaining agreement) that delineates various aspects of their employment with the State. These employees can work an alternative workweek schedule (alternative schedule) such as four 10-hour days. The bargaining agreement requires these employees to use leave in whole day increments when they miss an entire day of work. The bargaining agreement, however, does not define *whole day*.

#### About the Department

The California Department of Developmental Services provides services and support to individuals with developmental disabilities. Porterville Developmental Center, one of its three state developmental centers, provides 24-hour habilitation and treatment services for residents with developmental disabilities.

#### Relevant Criteria

The collective bargaining agreement between the State and Collective Bargaining Unit 19 states that employees exempt from the Fair Labor Standards Act will not be charged paid leave or docked for absences in less than whole-day increments.

Government Code section 8547 provides that any activity by a state employee that wastes state resources constitutes an improper governmental activity.

In the absence of a clear definition in the bargaining agreement, the California Department of Human Resources (CalHR) states that the employing department should define *whole day* in accordance with departmental practice, local agreement, or another enforceable term of employment with its employees. Porterville's current practice is to allow exempt represented employees to claim eight hours of leave when they are absent for a full day from work despite the fact that the employees working an alternative schedule would normally be scheduled to work more than eight hours a day. No provisions exist in the applicable bargaining agreement that prevent Porterville from changing its current practice.

### **Porterville Wasted State Funds When It Failed to Charge Leave Accurately**

Our investigation revealed that from July 2014 through June 2015, Porterville did not charge 12 exempt represented employees working alternate workweek schedules a total of 566 hours of leave at an estimated cost of \$25,634 when it required these employees to charge only eight hours of leave for each full day of work they missed. The waste of state funds resulting from allowing each employee to charge only eight hours for a missed nine-hour or 10-hour workday can add up quickly. Because Porterville did not deduct the correct number of hours from the employees' leave balances, the extra hours remain available for employees to use for additional paid time off from work or for conversion to a cash payment when they leave state service. Moreover, employees' rates of compensation tend to increase over time as their careers in state service advance. Consequently, when state agencies pay employees for accumulated leave upon their departure from state service, they generally must pay the employees at a higher rate than they were earning at the time they accrued the leave, resulting in additional waste.

As an example, Employee A was regularly scheduled to work four 10-hour days each week. In July 2014 he took five days off over the course of three weeks. Although the employee was scheduled to work 10 hours on each of those days, Porterville required him to charge only eight hours of leave for each missed day. As a result, only 40 hours were deducted from his leave instead of the 50 hours he was scheduled to work. Based on the employee's salary, the value of those missed work hours totaled \$523 in wasted state funds. For the 12 months we reviewed, the value of Employee A's undercharged leave cost the State at least \$4,706. Table 8 shows the value of the leave hours Porterville failed to deduct from all 12 employees' leave balances.

***Porterville did not charge 12 exempt represented employees working alternate workweek schedules a total of 566 hours of leave at an estimated cost of \$25,634.***

**Table 8**  
**The Value of the Leave Hours Porterville Developmental Center Failed to Deduct During Fiscal Year 2014–15**

EMPLOYEE	HOURS OF LEAVE NOT DEDUCTED	VALUE OF LEAVE
Employee A	90	\$4,706
Employee B	12	476
Employee C	46	1,826
Employee D	12	634
Employee E	26	1,375
Employee F	74	3,912
Employee G	46	2,432
Employee H	32	1,351
Employee I	68	2,814
Employee J	42	1,667
Employee K	90	3,387
Employee L	28	1,054
<b>Totals</b>	<b>566</b>	<b>\$25,634</b>

Sources: California State Auditor’s analysis of accounting records from Porterville Developmental Center and leave records from the California State Controller’s Office.

When trying to determine why Porterville followed this practice, we found that Porterville’s human resources director had relied on an inapplicable policy document that the Department of Personnel Administration (now known as CalHR) issued more than 20 years ago. In this document CalHR indicated that a full day of work for exempt represented employees in specific bargaining units should be considered eight hours. However, the document specified that it applied only to six bargaining units, which did not include the bargaining unit to which Porterville’s employees belong. Because Porterville’s practice was wasteful and was not required by any state policy, Porterville’s human resources director should have changed its practice and charged leave to these employees according to the number of hours they were scheduled to work.

### Recommendations

To remedy the effects of the improper governmental activity described in this report and to prevent it from recurring, Developmental Services should take the following actions:

- Immediately conduct an audit of the leave accounting system from July 2015 through December 2015 to identify instances in which Porterville charged exempt represented employees working alternative schedules the incorrect number of leave hours for missed days of work.
- Adjust current employees' leave balances in the leave accounting system to correct any leave not properly charged as identified by this report and by the audit it conducts.
- By March 1, 2016, take steps to work with unit 19 to change Developmental Services' current practice and require exempt represented employees to charge leave in accordance with the number of hours they are regularly scheduled to work.
- Revise its established timekeeping audit procedures to ensure that exempt represented employees correctly charge leave according to the number of hours they are regularly scheduled to work.
- Train its personnel staff at headquarters and all developmental centers regarding the new policy and accompanying procedures.

### Agency Response

In December 2015 Developmental Services reported that it disagreed with our findings and identified three points of concern. First, it stated that its current practice of charging only eight hours of leave for whole day absences for exempt represented employees working alternate workweek schedules at Porterville is not improper. We disagree with this statement. The Whistleblower Protection Act, which is contained in Government Code section 8547 et seq., defines an "improper governmental activity" to include any action that is economically wasteful. As Developmental Services currently charges a whole day's leave for these employees in eight-hour increments rather than the nine hours or 10 hours the employees are scheduled to work, its practice is economically wasteful.

Related to this concern, Developmental Services took issue with our statement that the guidance Porterville relied upon was inapplicable for the employees we reviewed. During the investigation, the



human resources director at Porterville stated that she relied on guidance from CalHR management memo 1995-023, which we determined was specifically addressed to employees in bargaining units 1, 3, 7, 11, 20, and 21. The management memo did not include employees in unit 19 to which the employees in our investigation belong; therefore, we stand by our statement that Porterville relied upon inapplicable guidance. In its response, Developmental Services stated that it relied upon different management memos than the one Porterville identified, specifically management memos 1994-08 and 1994-32. However, neither of these management memos supports its concern. Management memo 1994-08 requires departments to charge leave in “whole day” increments only, and does not define the term “whole day” to mean a specific number of hours. Management memo 1994-32 applies only to unrepresented exempt employees and employees represented by the California State Employees Association, neither of which applies to the exempt Porterville employees represented by unit 19 whose leave balances are the subject of this investigation.

Developmental Services also asserted that its practice was not improper because leave for holiday credits, jury duty, professional developmental days, and bereavement are credited or deducted as eight-hour workdays, and thus all other leave credits and deductions should be charged as eight hours for a whole day for exempt represented employees. However, this assertion is incorrect. State laws, bargaining agreements, and other controlling language require Developmental Services to credit and deduct eight hours of leave for holiday credit, jury duty, professional development days, and bereavement. This same eight-hour restriction does not apply to vacation leave, sick leave, or annual leave, which are the types of leave addressed in this report.

Second, Developmental Services contends that our conclusion that it wasted state funds was false. Specifically, it stated that we did not provide factual proof that a waste of state funds occurred because we did not review the average number of hours the 12 employees actually worked. As noted in the Background, exempt employees are expected to work whatever number of hours is required to fulfill their duties, even if that means working more than a typical 40-hour workweek. Our investigation was not focused on whether these employees fulfilled their duties, but rather whether their leave was appropriately deducted when taking a whole day off. Regardless of whether these employees worked an average of 40, 50, or even 60 hours in a workweek, the bargaining agreement specifies that their leave should be deducted in *whole day increments*. This requirement is independent of the number of hours an employee has already worked and does not require Developmental Services to maintain or track the number of hours its exempt employees worked.

Third, Developmental Services expressed concern that following our recommendation of changing its practice of charging eight hours of leave for exempt employees working alternative workweek schedules for whole day absences would jeopardize the FLSA categorization of its exempt represented employees and could result in the requirement that it pay these employees overtime compensation for any hours they worked over 40 hours in a workweek. According to the FLSA, to be considered exempt an employee must be paid a set salary of at least \$455 per week, perform exempt job duties, and be paid on a salary basis. Deducting leave in any increment more than eight hours would not affect the first two conditions. The third condition is the only one that could be affected by such a change. The U.S. Department of Labor, California Department of Industrial Relations, as well as California case law, have all stated that it is permissible to make deductions from an exempt represented employee's leave balance for the time the employee is absent from work, in accordance with a bona fide benefits plan, as long as the employee still receives payment of his or her guaranteed salary. Therefore, Developmental Services' concern is unfounded.

As further proof that following our recommendation would not jeopardize the FLSA categorization of these exempt employees, we turned to the practice employed in other bargaining units. Since 2005 the State has deducted the leave balances of exempt employees in seven bargaining units according to their work schedules. The State has followed this practice for more than 10 years and, to the best of our knowledge, no one has contended that the State has jeopardized the exempt status of the employees in these seven bargaining units by deducting more than eight hours of leave from the employees' accrued leave balances for whole-day absences. Moreover, no legal authority exists for treating exempt employees who are unrepresented differently for FLSA purposes than exempt employees who are not represented by a bargaining unit. To the contrary, the Code of Federal Regulations, title 29, section 541.4, declares that FLSA standards cannot be waived or reduced by a collective bargaining agreement.

Finally, in January 2016 Developmental Services reported that CalHR had informed it that CalHR planned to issue statewide guidance in the "near future" regarding how exempt represented employees should report time worked. Developmental Services stated that it would then work with unit 19 and CalHR to address the timekeeping issues of exempt represented employees working alternate schedules at Porterville.

## Chapter 6

### DEPARTMENT OF GENERAL SERVICES: IT DID NOT REVISE ITS STATE RENTAL CAR POLICY, WHICH LED TO THE WASTE OF STATE FUNDS CASE I2014-1285

#### Results in Brief

By following a state policy established by the Department of General Services (General Services) related to rental vehicle usage for state travel, the Department of Resources Recycling and Recovery (CalRecycle) inadvertently spent \$4,216 more than necessary from July 2014 through June 2015. The outdated policy requires CalRecycle and all other state agencies to use General Services' rental services for short-term vehicle rentals in the Sacramento area. We found that CalRecycle could have saved \$4,216 from July 2014 through June 2015 had its employees rented vehicles for trips of more than 41 miles from Enterprise Rent-A-Car (Enterprise), the private company with which the State has a contract, instead of from General Services on 86 occasions. The total waste resulting from General Services' policy may have been much greater, given that other state agencies in the Sacramento area are also subject to this policy and that CalRecycle's rentals represented only 2 percent of the vehicles rented from General Services in the one-year period we reviewed.

#### Background

General Services' Office of Fleet and Asset Management (Fleet Management) oversees the State's vehicle fleet, rental vehicles, parking facilities, and statewide travel contracts. Since 2012 General Services has rented vehicles from just one location near the State Capitol building in Sacramento. State employees in the Sacramento area often rent vehicles from Fleet Management when they need a vehicle to conduct state business.

General Services established a statewide policy several years ago that requires state agencies to use its vehicle rental services. The policy, which is found in *State Administrative Manual* (SAM) section 4100, specifies that state employees must use Fleet Management's vehicle rental services unless it does not have rental

#### About the Department

The Department of General Services (General Services) serves as a business manager for the State. Its offices and divisions provide a wide variety of services to state agencies, including the following:

- The Office of Fleet and Asset Management oversees the State's vehicle fleet, rental vehicles, parking facilities, and surplus equipment auctions.
- The Procurement Division oversees the State's procurement policies and practices.

#### Relevant Criteria

Government Code section 8547.2, subdivision (c), provides that any activity by a state agency or employee that is economically wasteful of state resources is an improper governmental activity.

*State Administrative Manual* section 4100 requires state agencies' employees to use General Services' vehicle rental services unless it does not have rental vehicles available.

vehicles available. CalRecycle, the state agency that deals with waste reduction, recycling, and reuse, created a departmental policy in 2012 that mirrored the statewide policy.

In 2011 General Services negotiated a contract with Enterprise whereby Enterprise would make rental vehicles available to state agencies at numerous locations across the State. The contract includes the specific prices that state agencies pay for various types of vehicles.

Although General Services' statewide policy clearly requires state agencies to use its vehicle rental services overseen by Fleet Management, General Services' website seems to indicate that state agencies and their employees may use either an Enterprise rental vehicle or a vehicle from Fleet Management. In fact, the website's *Quick Guide* for renting vehicles does not identify any restrictions as to when an employee may rent from Enterprise. However, the website also directs state agencies in the Sacramento area only to information about Fleet Management's location in Sacramento and makes no mention of the Enterprise rental option.

### **Renting Vehicles From General Services Can Lead to Waste**

Clear, consistent state policy guidance for the rental of vehicles for state travel is essential for state agencies to use resources efficiently. More specifically, such a policy should provide agencies and their employees with specific factors to consider when deciding which vehicles will result in the greatest economy and efficiency for state travel. Depending on the distance the state employees traveled and the price of gasoline, state agencies in the Sacramento area could have saved money by renting vehicles from Enterprise instead of General Services. As Table 9 indicates, vehicles rented from General Services from July 2014 through June 2015 were generally more cost effective when traveling shorter distances, while vehicles rented from Enterprise were more cost effective when traveling longer distances. Specifically, we calculated that at \$3 per gallon of gasoline, renting a vehicle from General Services during the period was less expensive until a state employee drove 41 miles. For distances greater than 41 miles, renting from Enterprise was less expensive. Forty-one miles is about half the distance between the State Capitol in Sacramento and San Francisco.

*We calculated that at \$3 per gallon of gasoline, renting a vehicle from General Services during the period we reviewed was less expensive until a state employee drove 41 miles. For distances greater than 41 miles, renting from Enterprise was less expensive.*

State agencies and employees should be able to consider factors other than the rental rates when deciding whether to rent a vehicle from General Services or Enterprise. These factors may include the proximity of the rental locations, availability of various types of vehicles, and business hours. According to General Services' current policy in SAM section 4100, state agencies in

the Sacramento area are unable to consider any of these factors. Instead, they are required to use General Services’ rental vehicles, even if they are more expensive or less convenient than Enterprise’s.

**Table 9**  
**Comparison of the Costs for Daily Rentals Depending on Miles Driven**  
**From January 2015 Through June 2015**

VEHICLE TYPE*	20 MILES		50 MILES		100 MILES		200 MILES	
	DEPARTMENT OF GENERAL SERVICES	ENTERPRISE RENT-A CAR	DEPARTMENT OF GENERAL SERVICES	ENTERPRISE RENT-A CAR	DEPARTMENT OF GENERAL SERVICES	ENTERPRISE RENT-A CAR	DEPARTMENT OF GENERAL SERVICES	ENTERPRISE RENT-A CAR
Compact vehicle	\$30.20	\$34.54	\$39.50	\$38.45	\$55.00	\$44.97	\$86.00	\$58.02
Mid-Size vehicle	32.20	34.54	41.50	38.45	57.00	44.97	88.00	58.02
Full-Size vehicle	33.20	37.73	42.50	41.64	58.00	48.16	89.00	61.21

Source: California State Auditor’s analysis of rental rates published by the Department of General Services (General Services).

Note: To perform the calculations in this table, we assumed that the cost of gasoline was \$3 per gallon and that the fuel efficiency of the cars was 23 miles per gallon.

\* We did not compare the costs for other types of vehicles (e.g., vans, mini vans, pickup trucks, or hybrid vehicles) because we found that they were either rarely used or not available for rent from both Enterprise Rent-A-Car and General Services.

**General Services Has Failed to Update Its Policy**

General Services has not updated its statewide policy since forming the contract with Enterprise, although it acknowledged the policy could lead to waste. During our investigation, Fleet Management committed to revising the policy and any related information. Fleet Management stated that it wanted state agencies to be aware that their employees may choose between its vehicle rental services and Enterprise’s. However, at the time of our investigation, General Services had neither revised its policy nor notified CalRecycle and other state agencies that they no longer needed to follow the policy.

**CalRecycle Wasted \$4,216 as a Consequence of the Statewide Policy That General Services Established and Failed to Update**

By appropriately making its policies and practices consistent with the statewide policy that General Services established, CalRecycle unnecessarily spent \$4,216 from July 2014 through June 2015. Over the course of 86 rentals, it would have saved the \$4,216 had it rented vehicles from Enterprise instead of General Services. When we discussed the potential savings with CalRecycle’s chief operating officer, she stated CalRecycle would have used Enterprise instead of General Services for the 86 vehicle rentals had SAM allowed it.

The total cost of General Services' failure to update its policy may be much larger than what we found at CalRecycle. CalRecycle is a relatively small state agency, employing only 0.3 percent of all state employees. Further, CalRecycle's rentals represented only 2 percent of all short-term rentals from General Services by state agencies in the Sacramento area from July 2014 through June 2015.

### **Recommendations**

To remedy the effects of the improper governmental activity substantiated in this report and to prevent it from recurring, General Services should take the following actions:

- Immediately revise the statewide policy contained in SAM Section 4100 so that state agencies are no longer required to use only General Services' vehicle rental services.
- Notify CalRecycle and all other state agencies that it has revised the requirement in SAM Section 4100.

### **Agency response**

General Services fully implemented our recommendations in January 2016. Specifically, General Services revised SAM Section 4100 and other relevant SAM sections to allow state agencies to choose between its rental services and Enterprise when renting vehicles. General Services also sent a memorandum to all state agencies notifying them of the revisions to its policies.

## Chapter 7

### OTHER INVESTIGATIVE RESULTS

During the period from July 1, 2015, through December 31, 2015, the California State Auditor (state auditor) referred numerous investigations to state agencies to perform in response to Whistleblower Protection Act complaints that those agencies appeared best suited to investigate on our behalf. Our evaluation found that four of the agencies' investigations substantiated the occurrence of improper governmental activities by one or more state employees. The following summaries identify the improper governmental activities substantiated through these investigations.

#### California Department of Public Health Case I2015-0478

From January 2015 through the end of July 2015 a supervisor misused state time by leaving for several hours during his shift nearly every day without using leave and without approval. With the investigative assistance of the California Department of Public Health (Public Health), we estimated that the supervisor did not account for 234 hours of his work time, valued at \$3,793, during this seven-month period. By leaving his work site without receiving approval and without using leave, the supervisor violated a state law that prohibits state employees from engaging in incompatible activities.

Public Health concluded that the supervisor likely left work in the middle of his shift without approval and, in so doing, failed to supervise his subordinates. The supervisor's main responsibility was to supervise a team of employees as they worked in specific areas within a state building complex in Northern California. The complex is monitored and secured by an electronic system (system) that controls and records entry at numerous controlled-entry doors; therefore, the system records when an employee on the team uses his or her card to enter an area. The team's supervisor is expected to evaluate the areas worked in to ensure the team has sufficiently performed its work. Thus, the supervisor's card record should show that he accessed the same general areas as the team. For example, during one day in May 2015 from about 4 p.m. to 6 p.m., the supervisor scanned his card nine times as he entered and moved around the building complex indicating that he accessed the same areas as his staff.

#### About the Department

The California Department of Public Health protects the public from unhealthy and unsafe environments, prepares for and responds to public health emergencies, and promotes healthy lifestyles.

#### Relevant Criteria

Government Code section 19990, subdivision (g), prohibits state employees from engaging in activities that are incompatible with their state employment, such as failing to devote their full time, attention, and effort to state employment during work hours.

Electronic records indicate that the supervisor regularly left work in the middle of his shift for several hours before returning toward the end of his shift. Specifically, the supervisor's card record from January 2015 through the end of July 2015 shows that he regularly scanned his card to enter the main building complex at the beginning of his shift and to access various locations within the complex during his work days. However, after a few hours of card activity consistent with a supervisor managing a team, the supervisor's card record shows several hours of inactivity. For instance, on one day in February 2015, the supervisor used his card six times from about 4 p.m. to 4:30 p.m. to enter and move around the building complex. After a scan at 4:30 p.m. the card record shows no activity until 9:40 p.m. when the supervisor used it at the front entry of the complex. This pattern was repeated almost daily, and Public Health concluded that it indicated that the supervisor likely reported for work for several hours, left work during his shift, and then returned through the main entry toward the end of his shift; thus, he did not follow his team as they moved through the complex. In addition to the electronic records, at least three Public Health employees stated that they observed the supervisor leave work during his shift instead of supervising his team. Based on the information provided by Public Health, we estimated that the supervisor's pattern of behavior showed that he failed to account for 234 hours of leave at a cost of \$3,793 during the seven-month period.

When confronted by Public Health, the supervisor admitted to leaving work for several hours during his shift but disputed the frequency. Public Health continued to monitor the supervisor's card record pattern and determined that the supervisor's card record shows activity consistent with supervising his team throughout his complete work shift.

We recommended that, to ensure the supervisor does not misuse state time, Public Health should take appropriate corrective or disciplinary action against him for leaving during the middle of his shift without approval. In January 2016 Public Health reported that in October 2015 it issued a counseling memorandum to the supervisor.

### About the Department

The Department of Industrial Relations works to protect and improve the health, safety, and economic well-being of wage earners. It administers and enforces laws governing wages, workplace safety and health, and benefits for injured workers, as well as other issues.

### Relevant Criteria

California Code of Regulations, title 2, section 599.626, subdivision (d), limits the amount of mileage that can be reimbursed to the distance driven from either an employee's home or headquarters, whichever is less.

### Department of Industrial Relations Case I2014-0928

We received a complaint that an associate safety engineer was overcharging the Department of Industrial Relations (Industrial Relations) for business travel mileage reimbursements, and we asked Industrial Relations to assist us in investigating the complaint. The investigation showed that from October 2013 through June 2014 the engineer



submitted travel reimbursement claims for more mileage than permitted by state law. These overcharges allowed him to collect \$1,322 more than he was due.

From January 2014 through May 2014 Industrial Relations assigned the engineer, who was headquartered in San Bernardino, to work in Santa Ana. During this time, the engineer made 51 trips to Santa Ana and submitted travel reimbursements for each trip. State regulations limit the amount of mileage that can be reimbursed to the lesser distance from either an employee's home or headquarters. The roundtrip distance between the engineer's headquarters in San Bernardino and Santa Ana is 100 miles, while the round trip distance from the employee's home, which is south of headquarters, to Santa Ana is about 125 miles. Thus, state law permitted the engineer to be reimbursed only 100 miles for each trip to Santa Ana. However, the engineer routinely submitted reimbursement claims for 140-mile roundtrips from San Bernardino to Santa Ana. Industrial Relations also identified another eight trips that occurred outside of the period during which the engineer was temporarily assigned to Santa Ana and for which the engineer similarly overcharged Industrial Relations for mileage reimbursement.

When interviewed by Industrial Relations, the engineer initially claimed that the additional 40 miles for each trip resulted from his taking alternate routes from San Bernardino to Santa Ana due to traffic conditions. However, the engineer admitted upon further inquiry that he had, in fact, started his trips from his home; thus, his explanation about driving alternate routes is not credible.

Industrial Relations reported that it recovered the \$1,322 from the engineer in September 2015. In addition, in August 2015 it issued a memorandum about the rules regarding correct mileage calculations for employees seeking travel reimbursement.

### **California Department of Fish and Wildlife Case I2014-0970**

We received a complaint alleging that an employee received an improper reimbursement for expenses incurred for attending a two-day retirement planning fair hosted by the California Public Employees' Retirement System (CalPERS) that he did not attend. We asked the California Department of Fish and Wildlife (Fish and Wildlife) to investigate this complaint on our behalf and report its findings to us.

#### **About the Department**

The California Department of Fish and Wildlife (Fish and Wildlife) manages and protects California's diverse wildlife and the habitats on which they depend.

#### **Relevant Criteria**

California Code of Regulations, title 2, section 599.665, provides that state agencies must keep complete and accurate time and attendance records for all of their employees. To fulfill this duty, Fish and Wildlife requires employees to submit complete and accurate time sheets reflecting their time worked and to charge leave balances appropriately when they are absent.

Government Code section 19572 states that an employee may be disciplined for acts of dishonesty.

Government Code section 8314 prohibits state employees from using state resources for personal purposes or other purposes that are not authorized by law.

Fish and Wildlife determined that the employee received approval from his supervisor to attend the August 2013 Sacramento retirement planning fair as a work-related trip and that the employee did, in fact, drive a state vehicle from Modoc County to Sacramento County, where the retirement fair was held. However, the investigation revealed that the employee did not actually attend the event even though he submitted a travel expense reimbursement request, daily activity reports, and a time sheet, all of which falsely indicated that he had been in attendance. When eventually confronted by a Fish and Wildlife investigator, the employee admitted that he “ended up staying up late that night drinking ... [a]nd ... had a hangover and didn’t really feel like going anywhere” on the first day of the retirement planning fair. Further, he failed to attend the second day, stating that he was still not feeling very well.

The investigation results show that the employee began making misleading statements about his attendance immediately upon his return to work after his trip. When the employee’s supervisor asked him about the retirement planning fair, the employee stated that he “got the information he needed,” but did not explain that he had not actually attended. The employee then submitted daily activity reports that falsely indicated that he attended both days of the retirement planning fair. Additionally, he submitted a falsified time sheet, claiming that he worked 14 hours over two days by attending the event.

The employee continued to make dishonest statements about his attendance at the retirement planning fair during this investigation. When the employee was interviewed, he acknowledged that he had not actually attended the event, but told the investigator that he instead watched the live-stream interactive webinars during those two days and again stated that he received the information he needed. However, Fish and Wildlife determined that the employee did not watch the live-stream webinars. Doing so would have required the employee to register his name and email address with CalPERS, and CalPERS has no record of the employee registering the information required to access the live-stream webinars. When confronted a second time by the investigator, the employee stated that he may have been mistaken about watching the live-stream webinars but asserted that he researched information and watched some other videos on CalPERS’ website and therefore attended the retirement planning fair “in spirit.”

***The employee’s actions regarding not actually attending the event are all willful acts of dishonesty by the employee toward his employer.***

The employee’s actions—first leading his supervisor to believe that he had actually attended the event, then submitting falsified daily activity reports and a time sheet indicating his attendance, and finally, when confronted by the department investigator, claiming to have watched the event live on CalPERS’ website—are all willful acts of dishonesty by the employee toward his employer. Given the evidence described here, Fish and Wildlife concluded that the employee was dishonest, which is a cause for discipline under Government Code section 19572.

In addition, the employee submitted a travel expense claim requesting reimbursement for travel expenses he incurred for the retirement planning fair. Based on his claim, the State paid for the employee's personal expenses, including \$148 for meals and incidentals and \$175 charged on a state credit card for fuel. However, based on its investigation, Fish and Wildlife concluded that because the employee never attended the retirement planning fair, his use of a state vehicle and state time, as well as the reimbursement of travel expenses, constituted a misuse of state resources.

We recommended that Fish and Wildlife take appropriate corrective or disciplinary action against the employee for his improper governmental activities, including reducing the employee's leave balance by 14 hours to account for the two days he did not work and did not attend the retirement fair. In addition, we recommended that it recover \$323 related to the employee's inappropriate reimbursement and misuse of state resources. Finally, we recommended that in the future, Fish and Wildlife should require its employees to provide proof of their presence when attending trainings or business-related events on state time.

In January 2016 Fish and Wildlife reported that the employee retired from state service in December 2015, before it could serve him with disciplinary action. In addition, Fish and Wildlife reported that it would invoice the employee to recover the \$323 related to the misuse of state resources. Finally, Fish and Wildlife reported that it requires employees to complete a training form before attending most types of training. Employees also must complete the form after attending the training and attach any supporting certificates of completion. Due to the nature of the retirement planning fair, Fish and Wildlife stated that no training form had been necessary. However, it stated that the employee's supervisor appropriately checked with the employee upon the employee's return to work, but the employee was not forthcoming with the details of his lack of attendance at the retirement planning fair.

**California Department of Health Care Services  
Case I2014-0078**

We received a complaint that an associate governmental program analyst with the California Department of Health Care Services (Health Care Services) used her state computer and email to operate her residential rental business, and we asked Health Care Services for its assistance in investigating the allegation. Health Care Services found that from March 2010 through April 2015 the analyst exchanged 2,589 emails that were personal in nature, representing

**About the Department**

The California Department of Health Care Services funds health care for millions of low-income and disabled Californians.

**Relevant Criteria**

Government Code section 8314 prohibits state employees from using state resources for personal purposes or other purposes that are not authorized by law.

37 percent of her total emails. Of these emails, 480 related to operating her residential rental business and 170 related to her personal financial activities.

The analyst also used her state computer to store and edit personal files related to her being a property manager for at least four properties. Specifically, Health Care Services performed a forensic analysis of the analyst's hard drive and found 274 unique personal documents on the analyst's work computer related to the properties. The analyst acknowledged that she began performing some property management starting in 2007, but denied spending more than incidental time and resources on her personal matters. However, based on Health Care Services' investigation, we concluded that the analyst's use of her state computer to exchange more than 2,500 personal emails and store nearly 300 personal documents violated the prohibition against a state employee using state resources for personal purposes.

We recommended that to ensure the analyst does not continue to misuse state resources, Health Care Services should take appropriate corrective or disciplinary action for her misuse of her state computer and email for personal purposes. In January 2016 Health Care Services reported that it agreed with the recommendation and stated that it is committed to taking appropriate action against the analyst. Health Care Services stated that its human resources branch is reviewing information to determine the appropriate action to take.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Date: February 11, 2016

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

## Appendix

### THE INVESTIGATIONS PROGRAM

The California Whistleblower Protection Act (Whistleblower Act) authorizes the California State Auditor (state auditor) to investigate allegations of improper governmental activities by state agencies and employees. Contained in the Government Code, beginning with section 8547, the Whistleblower Act defines an *improper governmental activity* as any action by a state agency or employee during the performance of official duties that violates any state or federal law, is economically wasteful, or involves gross misconduct, incompetence, or inefficiency.

To enable state employees and the public to report suspected improper governmental activities, the state auditor maintains a toll-free Whistleblower Hotline (hotline) at (800) 952-5665. The state auditor also accepts reports of improper governmental activities by mail and over the Internet at [www.auditor.ca.gov](http://www.auditor.ca.gov).

The Whistleblower Act provides that the state auditor may independently investigate allegations of improper governmental activities. In addition, the Whistleblower Act specifies that the state auditor may request the assistance of any state entity in conducting an investigation. After a state agency completes its investigation and reports its results to the state auditor, the state auditor's investigative staff analyzes the agency's investigative report and supporting evidence and determines whether it agrees with the agency's conclusions or whether additional work must be done.

Although the state auditor conducts investigations, it does not have enforcement powers. When it substantiates an improper governmental activity, the state auditor confidentially reports the details to the head of the state agency or to the appointing authority responsible for taking corrective action. The Whistleblower Act requires the agency or appointing authority to notify the state auditor of any corrective action taken, including disciplinary action, no later than 60 days after transmittal of the confidential investigative report and monthly thereafter until the corrective action concludes.

The Whistleblower Act authorizes the state auditor to report publicly on substantiated allegations of improper governmental activities as necessary to serve the State's interests. The state auditor may also report improper governmental activities to other authorities, such as law enforcement agencies, when appropriate.

### Improper Governmental Activities Identified by the State Auditor

Since the state auditor activated the hotline in 1993, it has identified improper governmental activities totaling \$575.8 million. These improper activities include theft of state property, conflicts of interest, and personal use of state resources. For example, the state auditor reported in March 2014 that the Employment Development Department failed to participate in a key aspect of a federal program that would have allowed it to collect an estimated \$516 million owed to the State in unemployment benefit overpayments between February 2011 and September 2014. The investigations have also substantiated improper activities that cannot be quantified in dollars but have had negative social impacts. Examples include violations of fiduciary trust, failure to perform mandated duties, and abuse of authority.

### Corrective Actions Taken in Response to Investigations

The chapters of this report have described the specific corrective actions that the relevant agencies implemented on individual cases that the state auditor completed from July 2015 through December 2015. Table A summarizes all of the corrective actions that agencies took in response to investigations between the time that the state auditor opened the hotline in July 1993 until December 2015. In addition to the corrective actions listed, these investigations have resulted in many agencies modifying or reiterating their policies and procedures to prevent future improper activities.

**Table A**  
**Corrective Actions**  
**July 1993 Through December 2015**

TYPE OF CORRECTIVE ACTION	TOTALS
Convictions	12
Demotions	22
Job terminations	87
Resignations or retirements while under investigation	18*
Pay reductions	55
Reprimands	327
Suspensions without pay	28
<b>Total</b>	<b>549</b>

Source: California State Auditor.

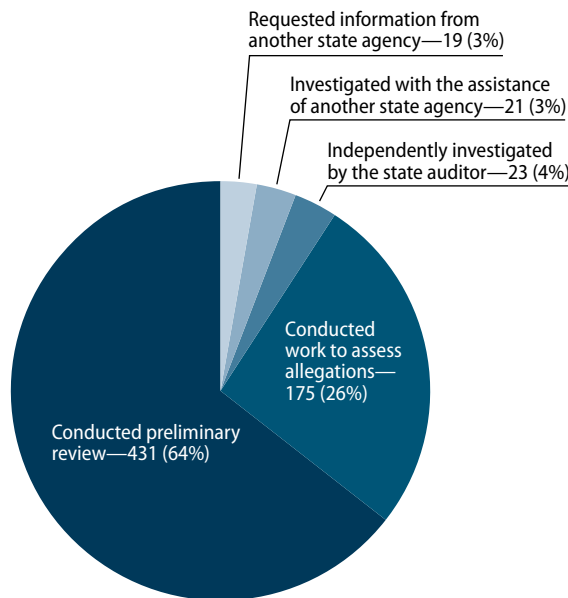
\* The number of resignations or retirements reflects those that occurred during investigations that the California State Auditor has completed since 2007.

### The State Auditor’s Investigative Work From July 2015 Through December 2015

The state auditor receives allegations of improper governmental activities in several ways. From July 1, 2015, through December 31, 2015, the state auditor received 668 calls or inquiries. Of these, 117 came through the hotline, 228 through the mail, 318 through the state auditor’s website, and 5 were generated internally. When the state auditor determined that allegations were outside its jurisdiction, it referred the callers and inquirers to the appropriate federal, local, or state agencies, when possible.

During this six-month period, the state auditor conducted investigative work on 669 cases that it opened either in previous periods or in the current period. As Figure A shows, after conducting a preliminary review of these allegations, the state auditor’s staff determined that 431 of the 669 cases lacked sufficient information for investigation. For another 175 cases, the staff conducted work—such as analyzing available evidence and contacting witnesses—to assess the allegations. In addition, the staff requested that state agencies gather information for 19 cases to assist in assessing the validity of the allegations. The state auditor’s staff investigated 23 cases independently and investigated 21 cases with assistance from other state agencies.

**Figure A**  
**Status of 669 Cases**  
**From July 2015 Through December 2015**



Source: California State Auditor.

Of the 23 cases the state auditor independently investigated, it substantiated improper governmental activities in seven of the investigations it completed during the period. In addition, the state auditor conducted analyses of the 21 investigations that state agencies conducted under its direction, and it substantiated improper governmental activities in nine of the investigations completed. The results of 10 investigations with substantiated improper governmental activities appear in this report.



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