



BIENNIAL REPORT  
OF THE JOINT LEGISLATIVE  
AUDIT COMMITTEE

December 31, 1962

CHAIRMAN  
GLENN E. COOLIDGE  
TWENTY-SEVENTH DISTRICT

SECRETARY AND AUDITOR GENERAL  
WILLIAM H. MERRIFIELD  
CONSULTANT  
JAY H. BARDWELL

VICE CHAIRMAN  
HUGH P. DONNELLY  
TWENTY-SECOND DISTRICT

ASSEMBLYMEN  
RONALD B. CAMERON  
FIFTIETH DISTRICT  
NICHOLAS C. PETRIS  
FIFTEENTH DISTRICT

## Joint Legislative Audit Committee

GOVERNMENT CODE: SECTIONS 10500-10504

SENATORS  
LUTHER E. GIBSON  
FIFTEENTH DISTRICT  
J. HOWARD WILLIAMS  
THIRTY-SECOND DISTRICT

# California Legislature

ROOM 430, STATE CAPITOL  
SACRAMENTO, CALIFORNIA

December 31, 1962

The Honorable President of the Senate  
The Honorable Speaker of the Assembly  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Sirs:

We transmit herewith our report covering the activities of your Joint Legislative Audit Committee for the calendar years 1961 and 1962.

During this period, the Committee with the able assistance of the Office of the Auditor General has continued its program of independent auditing of the agencies of state government. The objectives have been to aid the Legislature in its basic duty to oversee the operations of the executive branch and to aid the executive branch in establishing sound fiscal and administrative policies.

This report shows once again that the Auditor General and his office are performing a most valuable function, especially in bringing about a great many improvements in the administration and safeguarding of State funds.

It is the purpose of your Committee and the Office of the Auditor General to protect the best interests of our citizens and taxpayers. This summary report, and the many audits which it reviews, are presented to further that purpose.

Respectfully submitted,

Ronald B. Cameron

Luther E. Gibson

Nicholas C. Petris

Hugh P. Donnelly,  
Acting Chairman

STATE OF CALIFORNIA

BIENNIAL REPORT  
of the  
JOINT LEGISLATIVE AUDIT COMMITTEE

December 31, 1962



MEMBERS OF THE COMMITTEE

ASSEMBLYMEN

Glenn E. Coolidge, Chairman  
(Deceased)  
Ronald B. Cameron  
Nicholas C. Petris

SENATORS

Hugh P. Donnelly, Vice Chairman  
Luther E. Gibson  
J. Howard Williams  
(Deceased)

Room 430, State Capitol  
Sacramento, California

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## In Memoriam

Death took Assemblyman Glenn E. Coolidge as he was about to realize one of his greatest ambitions. His sudden passing occurred in the middle of a campaign for election as Representative to the United States Congress. He died, however, still doing what he liked best - serving the people of California.

It is fitting that one of his last assignments in the public interest was as chairman of the Joint Legislative Audit Committee. For a decade he fought for economy and efficiency in state government. Throughout his legislative career Glenn Coolidge stood for the very essence of this Committee's goals and purposes.

That career saw him cut back state spending, completely rewrite California's assessment practices, revise laws on pornography, lead harbor development, and work for expanded facilities for the University of California. He held a chairmanship, including that of the Committee on Ways and Means, every year he was in office. The Legislature once said of him: "For all his achievements in behalf of this State and its people, Glenn E. Coolidge merits the gratitude and respect of this body and Californians everywhere."

He was a vital statesman whose personal warmth accomplished as much as his political vigor. "There are a lot of incumbents," wrote one newspaper, "who could use some of his special magic."

More than 500 bills and resolutions bear his name. He will always be remembered for his work in support of care for the needy, alcoholic rehabilitation and narcotics control. It was the common man, often the less fortunate and friendless, who benefited from the efforts of Assemblyman Coolidge. No one who came to him for help was ever turned away, no matter what the hour.

His spirit will not be known in the United States Congress. But it will never be forgotten in the California Legislature.

## *In Memoriam*

*For many reasons the passing of Senator J. Howard Williams constituted a great loss to this Committee and to the State. His keen perception, his vast knowledge of government in all its aspects, his dedication to the highest principles of public service and his unwavering devotion to duty are all irreplaceable.*

*Senator Williams was exacting in his requirements on state agencies for the performance of their responsibilities. He worked constantly for quality in service to the public and for the very minimum expenditure necessary to achieve that end. His extreme demands on himself while fighting for these principles may have had much to do with his early passing.*

*He will be remembered both as a great legislator and for his influence upon the development of almost every agency in California government over the past 15 years. The standards he established for budgetary procedures and policy evaluations - and his eminently fair and time-proven technique of review and analysis - should inspire men vested with these responsibilities in the future to seek an end result "as Senator Williams would have so determined."*

*Perhaps the qualities which may have accounted most for his greatness were his deep and abiding faith in God and his unwavering respect and love for his fellow man. In no instance did he conduct himself other than as a gentleman in the true meaning of the term. Fair and complete attention was afforded by him to every aspect of an issue. He received all men with sincere warmth and understanding.*

*This Committee and the Legislature will sorely miss Senator Williams as a true friend who was one of the ablest of legislators.*

*His minister quoted a passage of the Holy Scripture which sums up his rich and rewarding life: "What doth the Lord require of thee, oh man, but to do justly, to love mercy, and to walk humbly with God?"*

INDEPENDENT AUDITING  
FOR THE EXECUTIVE AND LEGISLATIVE BRANCHES  
OF GOVERNMENT

The Joint Legislative Audit Committee and the Office of the Auditor General were established by the 1955 session of the State Legislature enacting into law Senate Bill No. 1540, coauthored by Senators Hugh P. Donnelly and Luther E. Gibson. This bill, enacted as Chapter 1699, Statutes of 1955, added Chapter 4 to Part 2, Division 2, Title 2, of the California Government Code. This chapter is covered by Sections 10500 through 10528 of the California Government Code.

This act gives the state government independent auditing comparable with that performed by independent firms of certified public accountants for large industrial corporations. Over 20 states have established independent auditing as an arm of their legislative bodies, and others are making studies in contemplation of the adoption of this audit plan.

LEGISLATIVE PURPOSE

The act states that the Legislature recognizes the needs of the executive branch of the state government for its own periodic and special audits of the revenues and expenditures of the state agencies and their accounting and reporting systems as a means of insuring the proper and lawful expenditure of state funds. The Legislature stated its desire that these needs be filled by internal auditing coordinated in the executive branch of the government in the interest of economy and efficiency.

The Legislature also recognized the necessity of an independent audit for the use of both the executive and legislative branches of the government in establishing sound fiscal and administrative policy for the government of

the State. The Legislature has placed the responsibility for this independent audit in the Office of the Auditor General which it created and placed under the direction of the Joint Legislative Audit Committee.

This audit plan recognizes that the Governor in his role as the chief executive is responsible for the operations of the state government and the reporting on its operations and financial condition. To assist the Governor in the fulfillment of these obligations, internal auditing has been established in the executive branch of the state government. This audit plan also recognizes that the Legislature in its role as the policy making body or board of directors of the State has the oversight of the executive branch. For the use of the Legislature in its basic duty to oversee the operations of the executive branch and for assistance to the executive branch, independent auditing has been established in the legislative branch of the state government.

#### JOINT LEGISLATIVE AUDIT COMMITTEE

The Joint Legislative Audit Committee consists of three members of the Senate and three members of the Assembly. The members of the committee are selected, and any vacancies occurring in that membership are filled, in the manner provided for in the Joint Rules of the Senate and Assembly. The joint rules currently provide that the Senate members shall be appointed by the Senate Committee on Rules and that Assembly members shall be appointed by the Speaker of the Assembly.

Chapter 1699, Statutes of 1955, provides that the Joint Legislative Audit Committee shall have continuing existence and that it may meet, act, and conduct its business at any place within the State, during the sessions of the Legislature or any recess thereof and in the interim period between sessions.



The duties and responsibilities of the committee are to appoint an Auditor General and a Deputy Auditor General, to determine the policies of the Auditor General, ascertain facts, review reports and take action thereon, and make recommendations to the Legislature concerning the state audit, the revenues and expenditures of the State, its departments, subdivisions, and agencies.

The committee is authorized to make rules governing its own proceedings and to create subcommittees from its membership and assign to such subcommittees any study, inquiry, investigation, or hearing which the committee itself has authority to undertake or hold.

In 1961, the position of consultant was established. Besides general assistance to the chairman, the consultant's duties include arranging and coordinating committee meetings, forwarding audit reports to the state agencies concerned, arranging for replies to these reports, and assisting the chairman and the Auditor General in writing committee reports and minutes.

The committee has the powers and authority granted to investigating committees by Joint Rule 36 of the Senate and Assembly. This rule provides, generally, that a committee may fix rules governing its procedure, may employ such assistants as may be necessary, and shall be empowered to subpoena witnesses and records. Under this rule every department and agency of the state government and of every political subdivision of or in the State is required to furnish a committee such information or records as the committee deems necessary for the achievement of its purposes.

#### OFFICE OF THE AUDITOR GENERAL

The permanent Office of the Auditor General is designated as Sacramento and provisions are made for the establishment of offices in other places when in his judgment they are required for the conduct of the work. No other offices have been established.

The Auditor General during regular business hours has access to, and authority to examine, any and all books, accounts, and other records and property of any agency of the State whether created by the Constitution or otherwise.

It is the duty of the Auditor General:

1. To examine and report annually upon the financial statements prepared by the executive branch of the State; and
2. To inform the Legislature as to the adequacy of such financial statements in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

The Auditor General is authorized to make such examinations of the accounts and records, accounting procedures and internal auditing performance as in the judgment of the committee are necessary to disclose all material facts for the use of the legislative and executive branches.

It is also the duty of the Auditor General to make such special audits and investigations of any state agency as requested by the Legislature or any committee of the Legislature.

On June 2, 1961, the Joint Committee on Legislative Organization directed that the Office of the Auditor General make special audits and investigations that may be requested by any committee of the Legislature but only after approval by the Joint Legislative Audit Committee, and that the fact finding or interim committee requesting such special audit or investigation reimburse the Office of the Auditor General for the cost of such work.

The Auditor General is able with his present staff to audit approximately one fourth of the agencies of state government each year. In February of each year the committee meets to consider a work program for audits of the accounts and records of agencies for the year which will end on the following June 30.

The Auditor General begins preliminary work on some of the audit assignments starting in March, four months before the close of the year being audited. Work on audits included in the approved program for the fiscal year which ends on June 30 will start in the month of March before the close of the fiscal year and continue until March of the following year or until all audits have been completed.

The committee has asked the Auditor General on occasion to make audits of certain agencies oftener than once in four years. The agencies selected for more frequent audits are those in which serious deficiencies have been disclosed by previous audits.

#### RULES OF COMMITTEE

The committee operates under the following rules which were adopted in accordance with the authority granted in the enabling act:

- (1) The officers of this committee are a chairman and vice chairman, and the committee shall appoint an Auditor General who shall act as secretary.
- (2) Four members of the committee shall constitute a quorum; provided, however, that such number shall include no less than two members from the Senate and two members from the Assembly.
- (3) Any action of the committee shall require an affirmative vote of not less than two of the Senate members and two of the Assembly members of the committee.
- (4) The chairman of the committee is authorized to appoint subcommittees, to specify their duties, and to designate the membership of the subcommittees.

4. The chairman shall preside at all meetings of the committee and shall call the committee to order at the beginning of each meeting.
5. The chairman shall preside at meetings when present and in his absence the vice chairman shall preside. The vice chairman or other committee member may act as chairman in his absence at a meeting in the office of the chairman or elsewhere such appointment is delegated by the chairman.
6. The secretary shall keep a complete record of the meetings of the committee and of action taken by it.
- (8) The committee shall reorganize and elect new officers prior to the adjournment of each general session of the Legislature. The officers of the committee shall hold office until their successors are elected and have qualified.
- (9) The Legislative Counsel shall be the counsel for the Joint Legislative Audit Committee.

#### ARTICLE GENERAL STAFF

The work of the Office is to be carried out by a staff of professional and administrative employees and one part-time employee. The staff shall be composed of the following positions:

(a) Director of the Office

(b) Secretary

(c)

ing capacity and in the editing of a manual for the standardization of audit working paper procedures.

The composition of the audit staff at December 31, 1962 is as follows:

<u>Class</u>	<u>Total</u>	<u>CPAs</u>
Audit managers	4	4
Senior accountants	6	6
Semisenior accountants	7	-
Junior accountants	<u>8</u>	<u>-</u>
Total	<u>25</u>	<u>10</u>

is There was no change in the number of full-time accountants during the two-year period ended December 31, 1962. Ten members of the staff separated and ten new members were recruited. This turnover reduced from 14 to 10 the number of certified public accountants on the audit staff. The 10 accountants who are CPA's have been members of the staff for four years or more. Nine of these accountants had substantial experience on staffs of independent firms of certified public accountants prior to their joining the Auditor General's staff.

ie The audit staff of the Office of the Auditor General has been recruited on an exempt basis, as directed by the Joint Legislative Audit Committee, and as permitted by the Joint Rules of the Senate and the Assembly.

cers The high standards which were established at the beginning for the recruitment of audit staff members have been consistently maintained. These standards are:

A bachelor's degree or higher with a major in accounting from a recognized college or university;

Possession of a certified public accountant's certificate, at least at the higher staff levels;

The ability to work with others on a professional plane;

A high degree of integrity and honesty.

An unusual amount of initiative, industry, perseverance and resourcefulness.

A condition of employment on the audit staff is that a member will obtain a certificate as a certified public accountant within a reasonable time after joining the staff. This condition assures a continuation of the education of the staff member, which benefits the legislative audit program as well as the staff member.

#### AUDIT POLICY

A statement entitled "Comments on Scope of Auditing for the Joint Legislative Audit Committee" dated October 24, 1955, prepared by the Legislative Analyst, was adopted by the committee as the audit policy for the Office of the Auditor General. This statement is reproduced as Appendix C to this report. In adopting this audit policy the committee placed special emphasis on the following quotation taken from a report issued in 1954 on auditing and accounting in the State of California by Price Waterhouse & Co.:

"As to the duties and functions of the office, the Auditor should have the primary duty, and necessary authority, to examine and report annually upon the financial statements of the State; such statements should be required to be furnished to him by the Director of Finance, the State Controller and State Treasurer or their principal accounting officials. This should not include the annual examination of the statements and accounts of each department or agency; the scope of the work and the selection of the agencies should be left to the discretion of the auditor and his counseling committee. It may, however, include other examinations or investigations which are deemed desirable and those which are directed by the Legislature. It should be the duty of the Auditor to report to the Legislature on the results of his work and to advise the Legislature on the propriety of any action which may be taken."

"The auditor's authority, beyond that of examining, should be confined to reporting objectively and independently. The reports should include such comments, recommendations and suggestions as the auditor wishes to make but he should have no power to enforce them nor should he otherwise influence or direct executive or legislative actions. \* \* \*

"The objectives of these examinations are given in the definition of the term 'auditing' which was set forth earlier in this section; restated briefly they are to ascertain:

"That the executive branch is carrying out only the activities and programs authorized by the Legislature and is doing so effectively and efficiently.

"That expenditures are made and revenues are collected in accordance with the laws and regulations.

"That the assets of the State are safeguarded and utilized properly.

"That the reports and financial statements prepared by the executive branch disclose all material information necessary to a proper evaluation of the State's activities."

There has been no change in this audit policy since its adoption.

#### REPORTS RECEIVED AND HEARD BY THE COMMITTEE

The reports which have been received from the Office of the Auditor General during the four-year period from January 1, 1959 through December 31, 1962 are listed in Appendix D. Included in this list are 98 reports which were received by the committee during the two years ended December 31, 1962.

These reports are classified as follows:

	<u>1961</u>	<u>1962</u>
Reports on examinations of financial statements of state agencies	39	38
Reports on special investigations	<u>9</u>	<u>12</u>
	<u>48</u>	<u>50</u>

The reports on examinations of financial statements received from the Office of the Auditor General usually contain "scope" and "opinion" paragraphs recommended by the American Institute of Certified Public Accountants for use by firms of certified public accountants in reporting on audits of client organizations. These paragraphs, modified for reports on governmental audits, are as follows:

#### SCOPE

We have examined the balance sheet of \_\_\_\_\_ fund of the State of California as of June 30, 19\_\_, and the related statement of revenues, expenditures, and unappropriated surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

#### OPINION

In our opinion, the accompanying balance sheet and statement of revenues, expenditures, and unappropriated surplus present fairly the financial position of \_\_\_\_\_ fund of the State of California as of June 30, 19\_\_, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable state laws.

These paragraphs contain three terms which have technical meaning. The meanings of the terms "generally accepted auditing standards" and "generally accepted accounting principles" as supplied by the Auditor General are shown in Appendixes A and B to this report.

The term "examination" of financial statements means a critical analysis of the underlying internal controls and accounting records of an operating entity of sufficient scope to warrant the expression of an opinion as to the propriety of the financial statements prepared from those records. To examine the financial statements of funds of the State of California, the Office of the Auditor General must make this critical analysis of the accounting records of the operating agencies where the financial transactions originate as well as the control



accounts maintained by the State Controller, and review the controls established over transactions by the agency being audited as well as the controls exercised by central control agencies of the State.

The fourth reporting standard shown in Appendix A requires that "The report shall either contain an expression of opinion regarding financial statements taken as a whole, or an assertion to the effect that an opinion cannot be expressed."

The Auditor General has expressed an adverse opinion on one report, disclaimed opinions on 11 reports, and expressed qualified opinions on 14 reports, for a total of 26 reports out of 77 reports on examinations of financial statements of state agencies received by the committee during the two years ended December 31, 1962. An adverse opinion is expressed where the exceptions as to fairness of presentation of financial information are so material that a qualified opinion is not justified. Nine of the 11 disclaimers were due to the limitation in the examination of recorded values of the fixed assets of the agencies audited where these values were material in relation to the total assets of the agencies. One opinion was disclaimed because of serious deficiencies in trust accounting at a hospital, and another opinion was disclaimed because of the general deficiencies in accounting for correctional industries at a prison.

Of the 14 opinions which were qualified, nine were qualified because satisfactory verification could not be made of the recorded values of fixed assets in cases where these amounts were not considered to be material enough to negate an over-all opinion. Five opinions were qualified because of the omission of a necessary audit step which was not practicable of performance.

The reports received during the two-year period covered by this report contained approximately 380 recommendations. The four major subjects covered

by these recommendations and the percentages of the total number of recommendations which dealt with each of the four major subjects are as follows:

<u>Subject</u>	<u>Percentage</u>
Improvement in accounting and related procedures:	
Property	11%
Other	<u>29</u> 40%
Improvement in internal control over transactions and operations	22
Improvement in quality of accounting work performed	15
Improvement in reporting practices and procedures	<u>6</u>

The committee has established a policy for the release of the Auditor General's reports. Copies of the reports are first distributed to the members of the Joint Legislative Audit Committee. If the Auditor General has not been advised within 10 days from the date that copies of the report have been mailed to the committee to hold the report for the consideration of the committee, copies of the report are released to the following persons or agencies by the committee's consultant:

- Agency audited
- Director of Finance as the Governor's fiscal manager.
- State Controller
- Legislative Budget Committee
- Legislative Reference Service

The Auditor General and his staff, by direction of the Joint Legislative Audit Committee and by the rules of ethics of the profession of which they are

ations members, do not discuss audit findings during or after the completion of an audit, except with members of the Legislature and members of the executive branch of the state government entitled to such information.

When reports are transmitted by the committee's consultant to the agencies audited, the agencies are requested to submit to the Joint Legislative Audit Committee their comments on the findings and recommendations of the Auditor General. In those cases in which the agencies disagree with the recommendations, they are asked to state the reasons for their disagreement.

The agencies had not had sufficient opportunity to reply to 91 of the 380 recommendations made. The responses made to the committee on reports issued to agencies during the two-year period ended December 31, 1962 indicate agreement with approximately 77% of the recommendations made and disagreement with 7%. Studies were being made on 11% of the recommendations. No action was taken on the balance of the recommendations principally because action was required of more than one agency.

The Auditor General has been instructed to determine during subsequent audits of agencies whether reported deficiencies have been corrected. It is expected that the internal audit staffs and the staff services of the Department of Finance who receive copies of the Auditor General's reports will encourage the implementation of most of the recommendations of the Auditor General.

During the two-year period, the committee heard 117 reports issued by the Auditor General. Thirty four of these reports had been carried over from the preceding biennium. Thirteen reports received by the committee have not been heard. All of the reports heard have been accepted by the committee.

It has been the practice of the committee to refer copies of the Auditor General's reports to other committees of the Legislature for action



During the period covered by this report, the Joint Legislative Audit Committee suggested legislation in the following areas:

Printing

Legislation provided that printing and other work for which the State Printing Office is not equipped be purchased directly through the Purchasing Division of the Department of Finance. It is expected that this will result in substantial savings to the State.

Education

Legislation provided that the amounts transferred from the General Fund to the State School Fund be adjusted to compensate for errors discovered in the basic reports on which such transfers were made. This legislation was proposed because the Auditor General reported that amounts apportioned to school districts were adjusted where errors were reported in average daily attendance, but adjustments were not made in the State's contributions to the State School Fund for these changes in ADA.

Legislation was enacted to redefine the "necessary small high schools" by including only those ninth grades of junior high schools which have an average daily attendance of less than 75. This corresponds with an ADA of less than 300 for a four-year high school which is classified as a necessary small high school. As a result of this change, approximately \$600,000 of equalization aid was available for apportionment on a more equitable basis during the first year of application of the new legislation.

Textbook Management

Legislation providing for improvements in the distribution and control over the utilization of textbooks consisted of three separate bills that provided for the following:

17. That any proceeds from the sale of any textbooks purchased under the provisions of this act shall be added to the number of copies of the book provided free to the district by the State.
18. That any moneys received by a school district from the sale of old textbooks for use in the manufacture of paper pulp or similar substances shall be retained by the district and used for school district purposes other than being paid to the State as previously required.
19. That an annual report shall be made by the Superintendent of Public Instruction shall report on elementary textbooks to the Joint Legislative Budget Committee.

### Military Retirement

Legislation provided that, in lieu of retirement benefits provided by the Military and Veterans Code, the Adjutant General or Assistant Adjutant General in office on October 1, 1961 and all officers and enlisted men on full time active duty with the Office of the Adjutant General may irrevocably elect to become members of the State Employees' Retirement System. All others placed on active duty after October 1, 1961 shall become members of the State Employees' Retirement System.

### THE BOARD MANAGEMENT OF AGENCIES

Article 10 provided that the State Board of Management shall be composed of seven members appointed by the Governor and shall be organized and shall have the powers and duties provided in this article. The Board shall have the authority to recommend to the Governor the appointment, removal, suspension, and reinstatement of any person in the State Service who is not a member of the State Board of Management.

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state government. The test applied by the Auditor General in making these recommendations is whether separate funds are needed for sound financial administration or whether particular administrative needs can be served as well by accounts in the General Fund.

During the two-year period covered by this report, the Assembly Interim Committee on Ways and Means completed a study on state funds and sponsored successful legislation for the abolishment of certain funds. Several of the funds abolished were those that the Auditor General recommended be abolished.

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The multiplicity of funds used by the State introduces an inflexibility into the State's financial operations and the reporting thereon. The committee believes that continued attention should be given to the reduction in the number of funds used in the State's accounting system. Continued study and further legislation is needed to abolish other funds that are not necessary, and there should be careful consideration of new legislation calling for the establishment of new funds.

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Division of Architecture

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The Education Code was amended to eliminate the provision for the transfer to the General Fund of money in the Architecture Public Building Fund in excess of \$750,000. A provision was added to the code permitting the adjustment of fees, subject to the approval of the Department of Finance, in order to maintain a reasonable working balance in the fund.

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Legislative Printing

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The Legislative Printing Fund was abolished and the balance in that fund was transferred to the General Fund. Rules and regulations for legislative printing were set forth as a part of the General Fund.

## Squaw Valley

As a result of several meetings held by the committee at which the operations of Squaw Valley State Park, the California Olympic Commission, and the Organizing Committee, VIII Olympic Winter Games were discussed, a resolution was adopted during 1962 which provided that the state agencies concerned take immediate action to implement the following:

- (1) That Squaw Valley State Park long-term concession agreements be renegotiated or cancelled to obtain new agreements which provide for periodic renegotiation, separate charges for land-use fees subject to change based upon rates charged by the United States Forest Service, and payments to the State based upon financial statements which are certified by an independent accountant.
- (2) That amounts past due from present concessionaires be collected.
- (3) That a comprehensive audit be made of the concessionaires' operations.

It is reported that substantial progress has been made by the various state agencies concerned with the above recommendations. This committee expects to receive a progress report on these matters in the near future.

## Interest Earnings

During the committee's meeting of October 23, 1961, it was reported by the Auditor General that California was advancing large sums of money to the federal government for tasks which it would undertake in a future period.

On the other hand, it was also reported that billings to the United States government for services rendered by the State of California were often deferred for long periods of time. In several instances it was estimated that the loss of interest to the State on an annual basis exceeded \$1.5 million.



In one case, then, the State was losing investment interest and potential by advancing funds. In the other, the State was also losing interest by not collecting large sums as quickly as possible.

After further investigation by the Auditor General during the intervening months, the committee chairman introduced a resolution which was adopted in both the Senate and the Assembly. This resolution stated in part:

"Resolved...That all state agencies be requested to negotiate with any federal agency to which advance payments are made to provide agreements under which payments are not made in advance of services rendered or prior to the time that the costs to which they relate are incurred...

"That such negotiation include the possibility of assuring that the moneys involved will be available when needed by their deposit in advance in a trust fund in the State Treasury rather than by advance payments...

"That all state agencies are requested in all cases to bill receivables promptly, and adopt accounting procedures designed to accelerate the collection of federal accounts..."

#### WORK PERFORMED FOR OTHER LEGISLATIVE COMMITTEES

The Subcommittee on Finance of the Assembly Interim Committee on Education held extensive hearings concerning the financing of public schools in California through the State School Fund. The Office of the Auditor General provided one of the staff members to assist in the preparation of the various reports and in the presentation of testimony to the committee by the Legislative Analyst at these hearings.

Each hearing was devoted to a study of a report in depth on particular elements of derivation and distribution of the State School Fund. Particular problems were cited, and suggested solutions were presented for consideration. The following subjects were covered:

- (1) A summary of the elements of derivation and distribution of the State School Fund.

- 1. General Fund Expenditures - State School Fund
- 2. Special Education
- 3. Pupil Transportation - In-Service Training
- 4. Pupil Transportation - Project-Connected Pupil Allowances
- 5. Transportation - Project-Connected Pupil Allowances
- 6. Transportation - Project-Connected Pupil Allowances
- 7. Transportation - Project-Connected Pupil Allowances
- 8. Transportation - Project-Connected Pupil Allowances
- 9. Summary of Recommendations

The State School Fund expenditures amount to over 75% of the State's General Fund expenditures. For this reason, the Office of the Auditor General has been authorized to examine the State School Fund each year since 1957-58. The technical knowledge gained through these examinations made it possible to contribute substantially to the studies conducted by the Subcommittee on Finance of the Assembly Interim Committee on Education.

Staff members of the Office of the Auditor General made studies for and testified before the Subcommittee on Public School Administration of the Senate Fact Finding Committee on Education concerning present and proposed school district financial procedures.

General and special education expenditures are also made available to the State Office of the Auditor General. The Office of the Auditor General has been authorized to examine the State School Fund each year since 1957-58. The technical knowledge gained through these examinations made it possible to contribute substantially to the studies conducted by the Subcommittee on Finance of the Assembly Interim Committee on Education.

WORK IN PROGRESS

At December 31, 1962, the following reports were being processed by the Office of the Auditor General on assignments for which field work had been completed:

Audit for the year ended June 30, 1961 -

State employees Retirement System

Audits for the year ended June 30, 1962:

Franchise Tax Board  
San Francisco Port Authority  
Correctional Training Facility - North (Soledad)  
Department of Motor Vehicles  
Department of Professional and Vocational Standards  
Department of Fish and Game  
Mendocino State Hospital  
Sonoma State Hospital  
Department of Veterans Affairs  
Secretary of State  
District Court of Appeal, Third Appellate District  
California Museum of Science and Industry  
State Lands Commission  
Colorado River Boundary Commission

Field work was in progress at December 31, 1962 on the following audit assignments for the year ended June 30, 1962:

Teachers' Retirement System  
Department of the Youth Authority  
School Building Aid Fund  
Division of Highways - two highway construction contracts  
Department of Social Welfare  
Preston School of Industry  
Outpatient Mental Hygiene Clinics  
Correctional Industries:  
    Soledad  
    San Quentin  
Chico State College

Field work was started at December 31, 1962 on an examination of the State Controller's accounts for the year ending June 30, 1963.

TIME REPORTED BY THE OFFICE OF THE AUDITOR GENERAL

The hours reported on assignments by the staff of the Office of the Auditor General for the years 1961 and 1962 are classified below by functions of state government.

<u>Function</u>	<u>1961</u>	<u>1962</u>
Legislative - includes special work for committees	955	657
Judicial	-	78
Executive	-	-
General Administration	376	3,772
Agriculture	538	2,040
Corrections:		
Department of Corrections	1,892	2,068
Department of the Youth Authority	336	592
Education	3,312	2,302
Higher Education	1,335	2,556
Employment	-	-
Fiscal Affairs:		
State Controller	1,377	888
Board of Equalization	237	-
Department of Finance	3,623	2,680
Franchise Tax Board	22	3,294
State Treasurer	-	-
Highway Patrol	182	1,110
Industrial Relations	732	2
Justice	1	-
Mental Hygiene	6,086	2,888
Military Affairs	140	-
Motor Vehicles	-	1,424
Natural Resources	3,450	3,125
Public Health	229	-
Public Works	9,418	5,913
Regulation and Licensing	1,746	3,042
Social Welfare	-	314
Veterans Affairs	1,759	569
Water Resources	5,296	2,245
Miscellaneous	725	986
Total	<u>43,767</u>	<u>42,545</u>

## EXPENDITURES

Funds for the operation of the committee and the Office of the Auditor General are allotted in equal amounts from contingent funds of the Assembly and the Senate by concurrent resolutions of the Legislature. A statement of expenditures and an analysis of changes in the allotment account for the two years ended December 31, 1962 are shown below.

### Statement of Expenditures Two Years Ended December 31, 1962

	<u>Year Ended December 31</u>	
	<u>1961</u>	<u>1962</u>
Salaries	\$255,123	\$272,124
Travel expense	23,394	19,789
Committee expense	5,891	15,282
Supplies, services, etc.	3,933	5,230
Equipment	<u>347</u>	<u>29</u>
	288,688	312,454
Less reimbursements	<u>-</u>	<u>1,227</u>
	<u>\$288,688</u>	<u>\$311,227</u>

### Statement of Changes in Allotment Account

	<u>Year Ended December 31</u>	
	<u>1961</u>	<u>1962</u>
Allotment available at beginning of year	\$104,900	\$181,212
Allotments from Assembly and Senate contingent funds:		
ACR 20, 1961 General Session	55,000	
ACR 76, 1961 General Session	310,000	
ACR 29, 1962 Budget Session		<u>330,000</u>
	469,900	511,212
Expenditures	<u>288,688</u>	<u>311,227</u>
Allotment available at end of year	<u>\$181,212</u>	<u>\$199,985</u>

**APPENDIXES**

GENERALLY ACCEPTED AUDITING STANDARDS

In reports issued by the Office of the Auditor General on examinations of the financial statements of a fund, agency, department, or other unit, reference is made to the examination having been made in accordance with "generally accepted auditing standards". This term is used to mean the broad standards specified by the American Institute of Certified Public Accountants and widely adopted and adhered to by firms of certified public accountants. These standards are as follows:

General standards:

- (1) The examination is to be performed by a person or persons having adequate technical training and proficiency as an auditor.
- (2) In all matters relating to the assignment, an independence in mental attitude is to be maintained by the auditor or auditors.
- (3) Due professional care is to be exercised in the performance of the examination and the preparation of the report.

Standards of field work:

- (1) The work shall be planned adequately and assistants, if any, are to be supervised properly.
- (2) There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon, and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted.
- (3) Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under examination.

Reporting standards:

- (1) The report shall state whether the financial statements are presented in accordance with generally accepted principles of accounting.
- (2) The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period.
- (3) Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
- (4) The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.



GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Section 10528 of the Government Code states in part that "The Auditor General shall examine and report annually upon the financial statements prepared by the executive branch of the State to the end that the Legislature will be informed as to the adequacy of such financial statements in compliance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year." The code recognizes that financial statements to be useful to those who need to rely upon them must be based on a body of rules that are generally accepted and are applied consistently.

A body of accounting principles and procedures recommended as being generally applicable to governmental entities has been formulated by the National Committee on Governmental Accounting, which is a committee consisting of 10 advisory committees from leading accounting organizations in the United States. The Office of the Auditor General has taken the position that the accounting principles and procedures formulated by the National Committee on Governmental Accounting are applicable to the State of California and to other state governments. In expressing an opinion as to whether the financial statements of a fund or agency of the State of California present fairly its financial position as of a given date and the results of its operations for the period ending on that date in conformity with generally accepted accounting principles, the criteria used by the Office of the Auditor General have been the principles and procedures recommended by the National Committee on Governmental Accounting, together with other principles considered as being applicable to both governmental and private organizations.

The recommended accounting principles and procedures are as follows:

- (1) A governmental accounting system must make it possible: (a) to show that legal provisions have been complied with; and (b) to reflect the financial condition and financial operations of the government.
- (2) If legal and sound accounting provisions conflict, legal provisions must take precedence. It is, however, the finance officer's duty to seek changes in the law which will make such law in harmony with sound accounting principles.
- (3) The general accounting system should be on a double-entry basis with a general ledger in which all financial transactions are recorded in detail or in summary. Additional subsidiary records should be kept where necessary.
- (4) Every governmental organization should establish the funds called for either by law or by sound financial administration. It should be recognized, however, that funds introduce an element of inflexibility in the financial system. Accordingly, consistent with legal provisions and requirements of sound financial administration, as few funds as possible should be established.
- (5) Depending on the legal and financial requirements mentioned immediately above, the following types of funds are recognized: (a) general, (b) special revenue, (c) working capital, (d) special assessment, (e) bond, (f) sinking, (g) trust and agency, and (h) utility or other enterprise. This classification of funds to the extent required should be followed in the budget document and in the governmental organization's financial reports.

- (6) A complete balancing group of accounts should be established for each fund. This group should include all of the accounts necessary to set forth the financial condition and financial operations of the fund and to reflect compliance with legal provisions.
- (7) A clear segregation should be made between the accounts relating to current assets and liabilities and those relating to fixed assets and liabilities. With the exception of working capital, utility or other enterprise, or trust funds, fixed assets should not be carried in the same funds with the current assets but should be set up in a self-balancing group of accounts known as the general fixed asset group of accounts. Similarly, except in special assessment and utility funds, long-term liabilities should not be carried with the current liabilities of any fund but should be shown in a separate self-balancing group of accounts forming part of the general bonded debt and interest group of accounts.
- (8) The fixed asset accounts should be maintained on the basis of original cost, or the estimated cost if the original cost is not available, or, in the case of gifts, the appraisal value at the time received.
- (9) Depreciation on general governmental fixed assets should not be computed unless cash for replacements can legally be set aside. Depreciation on such assets may be computed for unit cost purposes even if cash for replacements cannot legally be set aside providing these depreciation charges are used for memorandum purposes only and are not reflected in the accounts.
- (10) The accounting system should provide for budgetary control for both revenues and expenditures, and the financial statements should reflect, among other things, budgetary information.

- (11) The use of the accrual basis in accounting for revenues and expenditures is recommended to the extent applicable. Revenues, partially offset by provisions for estimated losses, should be taken into consideration when earned, even though not received in cash. Expenditures should be recorded as soon as liabilities are incurred.
- (12) Revenues should be classified by fund and source; and expenditures by fund, function, department, activity, character, and by main classes of objects, in accordance with standard classifications.
- (13) Cost accounting systems should be established wherever costs can be measured. Each cost accounting system should provide for the recording of all of the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job. Although depreciation on general governmental fixed assets may be omitted in the general accounts and reports, it should be considered in determining unit costs if a cost accounting system is used.
- (14) A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports.

STATEMENT OF AUDIT POLICY OF  
JOINT LEGISLATIVE AUDIT COMMITTEE

(Prepared by the Legislative Analyst)

A. GENERAL

The scope and extent of the auditing which should be performed by the Auditor General under Chapter 1699/1955 is a matter which does not readily lend itself to a precise definition since it depends to a considerable degree upon the auditing being done at other levels in the state government.

In large corporate enterprises current practice recognizes auditing carried on at three distinct levels: at the operating level, at the top management level, and at the proprietary level.

In a large oil company, for example, an operating department, such as the marketing department, would have internal auditors reporting directly to the head of that department whose function would be to examine the transactions in service stations, bulk plants and other units of the marketing department to see that they were being properly handled and to satisfy the head of that department that his instructions were being carried out and his staff was doing an honest and efficient job. This type of auditing can properly be described as internal auditing at the operating level.

In the same company another group of auditors reporting directly to an appropriate top level official, such as the president, controller, et cetera, would be responsible for review of all corporate operations, including the preparation of financial statements. An important part of the responsibility of this group would be an evaluation of the work of the internal auditors at the departmental level, but it would not involve a duplication of the work of the latter except to the extent necessary to determine that they were doing an adequate job, and the work of the two groups would involve a high degree of cooperation. This type of auditing can be described as internal auditing at

the top management level. At the third level, independent auditing would be done by outside public accountants reporting to the stockholder, either directly or through the board of directors, whose responsibility would be to report on the fiscal activities of the corporation as a whole. One important part of the work of these auditors would be the evaluation of the work of the two groups of internal auditors and the scope of their work would depend on the adequacy of the job being done by the internal auditors and the degree of cooperation received from them, which in typical corporate operations is very high because of the existence of the profit motive.

The determination of the extent of the work of the auditors at the three different levels is a matter of prudent business management and may vary according to conditions, but the entire audit operation is essentially an integrated whole, and the responsibilities of each group to its "client" are essentially the same.

The extent of the work of the outside public accountants would in any case be directly related to the adequacy of the work of the two groups of internal auditors.

The report of Price Waterhouse & Co. recognizes the existence of and the necessity for internal auditing at two levels within the state government. These are roughly comparable to those found in private industry, i.e., the departmental internal auditors in the Departments of Public Works, Employment, Motor Vehicles, et cetera, are comparable to those in the marketing department of the corporation used as an illustration, while the auditors in the Department of Finance are comparable to those reporting to the president or controller.

The report also recommends the establishment of a third level, or an independent audit responsible to the Legislature, such as that provided for in

the Auditor General Bill, Chapter 1699/1955, which it envisions as partaking of many of the characteristics of the work performed by outside public accountants for private industry as referred to in the foregoing illustration.

The proper extent of this independent auditing is difficult to describe in precise terms, since it depends to a large extent upon the nature and scope of the internal auditing carried on at the two levels and upon the degree of cooperation existing between the three levels of auditors. It is, therefore, largely a matter of judgment and we know of no more reliable judgment available than the professional opinion expressed in the Price Waterhouse & Co. report which will be discussed later. Certainly, as a bare minimum it should be extensive enough to permit the Legislature to receive an independent evaluation of the adequacy of all internal auditing carried on within the state government.

#### B. POLICY AS INDICATED IN THE LAW AND PRICE WATERHOUSE & CO. REPORT

Pertinent statements in the law appear to be the following:

"Section 10500. The Legislature, also, recognizes the necessity of an independent audit, in addition to the audit conducted within the executive branch of State Government, for the use of both the executive and legislative branches of the State Government in establishing a sound fiscal and administrative policy for the government of the State. \* \* \* It is also the desire of the Legislature to create the Office of the Auditor General, whose primary duties shall be to examine and report annually upon the financial statements prepared by the executive branch of the State and to perform such other related assignments as may be requested by the Legislature.

"Section 10501. The Joint Legislative Audit Committee is hereby created. The committee shall determine the policies of the Auditor General, ascertain facts, review reports and take action thereon, and make reports and recommendations to the Legislature and to the houses thereof concerning the state audit, the revenues and expenditures of the State, its departments, subdivisions, and agencies whether created by the Constitution or otherwise, and such other matters as may be provided for in the Joint Rules of the Senate and Assembly."

The Price Waterhouse & Co. report contains the following comments on the duties of the Auditor General:

"As to the duties and functions of the office: the auditor should have the primary duty, and necessary authority, to examine and report annually upon the financial statements of the State; such statements should be required to be furnished to him by the Director of Finance, the State Controller and State Treasurer or other principal accounting officials. This should not require the annual examination of the statements and accounts of each department or agency; the scope of the work and the selection of the agencies should be left to the discretion of the auditor and his counseling committee. He should make such other examinations or investigations as he believes desirable and those he is directed to perform by the committee only, or the Legislature acting through it. \* \* \*

"The auditor's authority, beyond that of examining, should be confined to reporting objectively and independently. The reports should include such comments, recommendations and suggestions as the auditor wishes to make but he should have no power to enforce them nor should he otherwise influence or direct executive or legislative actions. \* \* \*

"The objectives of these examinations are given in the definition of the term 'auditing' which was set forth earlier in this section; restated briefly they are to ascertain:

"That the executive branch is carrying out only the activities and programs authorized by the Legislature and is doing so effectively and efficiently.

"That expenditures are made and revenues are collected in accordance with the laws and regulations.

"That the assets of the State are safeguarded and utilized properly.

"That the reports and financial statements prepared by the executive branch disclose all material information necessary to a proper evaluation of the State's activities."

We do not believe there is any basic difference between the duties of the position as outlined in the Price Waterhouse & Co. report and as contemplated by the law.

In a position at the level of Auditor General, which it must be remembered is the highest ranking auditing position in the state government structure by a considerable margin, the duty to "examine and report annually



upon the financial statements prepared by the executive branch of the State" government necessarily, we believe, carries with it the responsibility to take all steps deemed necessary to satisfy himself as to the correctness of these statements from the standpoint of the objectives stated by Price Waterhouse & Co. This, as we see it, would involve not only a review of the procedures used by the internal auditors but might also involve, in selected instances, a review of their actual performance on the job as well as some examination of original records on its own responsibility.

#### C. RELATIONSHIP TO DEPARTMENT OF FINANCE AUDIT

As previously indicated we believe the proper relationship between the Auditor General and the Department of Finance auditing is the same as would exist between independent auditors and top level internal auditors in a large corporation.

The last sentence in Section 10500 of the law reads as follows:

"The authority of the office (i.e., Auditor General) under the direction of the Joint Legislative Audit Committee is confined to examining and reporting and is in no way to interfere with adequate internal audit to be conducted by the executive branch of the government."

If this sentence is to have meaning, the term "confined to examining and reporting" which "is in no way to interfere with adequate internal audit to be conducted by the executive branch of the government", should probably be construed to mean that the Auditor General is expected to confine his audit primarily to a review of the adequacy and thoroughness of the executive internal audit as reflected in statements, controls, checks of working papers, and other procedures ordinarily followed by independent auditors, and a reporting of the findings to the Legislature. It should probably be construed that the Legislature intended that duplication should be minimized to

that required to ascertain the adequacy of the internal audit, and also that the office is to be entirely divorced from administrative responsibility as to the auditing necessary for the proper day-to-day operations of the state government. To us it does not mean or imply that the Legislature necessarily accepts any existing concept of internal auditing as being proper, and does not preclude any finding that the existing pattern of internal auditing is either excessive or inadequate.

The interpretation of "adequacy" should probably be limited to the minimum ordinarily deemed to be necessary by certified public accountants. A review of the report prepared by the accounting firm of Price Waterhouse & Co. which was presented to committees of the Legislature in support of this bill, and which was the report used as a basis for preparing the bill, indicates the emphasis which is placed upon minimizing duplication of audit.

"The executive branch through its Department of Finance should be provided with internal accounting controls and procedures and collateral auditing staff sufficient to permit the Governor to report with confidence to the Legislature and the electorate. Such reports would be provided by the Director of Finance and his chief accounting officer who would be able to present the reports with the fullest confidence and without reliance on the work of officials or agencies not under the direction of the executive branch.

"The Legislature, either acting as a whole or through a special committee, should select and appoint an auditor to examine and report upon the financial statements submitted by the Governor and to undertake such special inquiries as the Legislature might direct."

Also, "The internal audit program is, of course, a part of internal accounting controls and would be reviewed by the auditor for the Legislature who would report on its adequacy."

The decision of Price Waterhouse & Co. to recommend that the bulk of auditing should be conducted as internal audit, and presumably the Legislature's acceptance of that position, varies from the concept in earlier bills which transferred the entire audit function from the executive to the Legislature. The principal concern of Price Waterhouse would appear to be

that an audit should be made which is independent of the executive. Several alternative proposals for creating independent audits were suggested, but the study concluded that "\* \* \* the principal auditing should be performed within the executive branch and reviewed by the proposed auditor for the Legislature." "The auditor should be an agent of the Legislature. \* \* \* "

#### D. RELATIONSHIP TO LEGISLATIVE ANALYST

In the 1953 session a bill establishing an Auditor General failed of passage, and members of the committee which heard the bill, among other things, commented upon the need to examine the relationship with the Legislative Analyst. Late in that session a concurrent resolution was introduced by Senator Hulse, Chairman of the budget committee, and adopted unanimously by the Legislature, authorizing a study of this entire problem by an independent firm of certified public accountants. The firm of Price Waterhouse & Co., which made this study, gave careful consideration to the proper relationship between the proposed Auditor General and the Legislative Analyst and states in its report,

"It is our opinion that the area of activity proposed for the Auditor General requires training and talent differing in an important degree from that called for in the Legislative Analyst. The latter should be primarily a governmental financial consultant and analyst, an expert in administrative research. The Auditor General must be a trained public accountant-auditor fully familiar with accounting and auditing techniques. These attributes might conceivably be combined in one person; they could be combined in one office. However, the tasks in California are large enough and important enough to warrant their separation. Furthermore, the position of Auditor General is of importance sufficient to warrant an independent office with authority commensurate with its responsibilities. A position of lesser importance will not attract to it the caliber of personnel that it needs."

It further stated,

"The legislative committee with which the Auditor General would be associated should, it seems to us, consist of a relatively small number of members, say not more than six, of the Assembly and Senate,

qualified to consider the general scope of the audit program and to evaluate the recommendations and suggestions that would be presented to it. The activities of the committee should, we believe, be confined to consideration of auditing, accounting and financial reporting. It should not as a committee function reach into areas of policy or budget, particularly those for which other committees may have been formed. However, it should not be precluded from review and comment on forms of organization, funds, or legislation having a direct bearing on accounting and financial reporting."

We would interpret this to mean that the Auditor General would be concerned with problems of efficiency and economy or adequacy or inadequacy in respect to the auditing and accounting functions of government and with the form of the statements which emanate therefrom. In these areas the Legislative Analyst should transpose audit findings of the Auditor General into budget recommendations affecting those various state agencies which are responsible for the audit, accounting, and financial control functions. In all other operations of state government, the Legislative Analyst should be responsible for budget and performance review and evaluation.

The Price Waterhouse study further points out that the primary task of the Legislative Analyst

"is to conduct a continuous research and fact-finding program on the State's operations with particular emphasis on the Governor's Budget, appropriation bills and reorganization proposals. It provides critical analyses of financial programs and proposed state services and furnishes comparative data relative to the programs in other states. Also, it serves the members of the Legislature and its committees as a research and reference organization."

We are in agreement with these statements. We believe that their emphasis upon an audit process which reviews the techniques and reporting statements of the executive by the Auditor General on the one hand, and a review of the executive performance as reflected in management and organization and legislative reference studied by the Legislative Analyst, on the other, serves as a good basis for distinguishing between the functions of these two officers.

E. RELATIONSHIP TO THE STATE CONTROLLER

The Controller's Office is a state agency like any other state department and as such is subject to audit by the Department of Finance under Section 13294 of the Government Code. The Auditor General would, of course, have the same responsibility for reviewing the audit procedures used here as he would have with respect to any audits made by the Department of Finance.

The Controller's Office is one of the principal sources of financial statements covering the state operations and, as such, its activities would be of special interest to the Auditor General.

The Controller's Office also does some "post-auditing" of the expenditures by local governments of state subventions or loans and we believe it would be an appropriate part of the Auditor General's responsibility to review the procedures used.

REPORTS ISSUED BY THE OFFICE OF THE AUDITOR GENERAL  
DURING THE FOUR YEARS ENDED DECEMBER 31, 1962

LEGISLATIVE

- Report on Examination of Legislators' Retirement Fund, Year Ended June 30, 1957 (February 11, 1959) 8 pp., 2 statements.
- Joint Progress Report by the Department of Finance and the Office of the Auditor General on an examination of Receipts and Expenditures of the California Olympic Commission (a state agency) and the Organizing Committee, VIII Olympic Winter Games, Squaw Valley, California, U.S.A., 1960, Incorporated (a nonprofit California corporation). (Printed in Assembly Journal, February 29, 1960) 5 pp., 4 statements. (Prepared in compliance with Senate Bill 1, 1960 First Extraordinary Session.)
- Joint Progress Report by the Department of Finance and the Office of the Auditor General to Members of the Senate and Assembly on Examination of Receipts and Expenditures of the California Olympic Commission (May 3, 1960) 2 pp.
- Report on Relocation of Facilities in the Vicinity of the Proposed Oroville Dam and Reservoir. Prepared for the Assembly Interim Committee on Water (November 21, 1960) 2-page letter, 3 statements, 31 pp. narrative.
- Report on Examination of the California Olympic Commission and Organizing Committee, VIII Olympic Winter Games, Squaw Valley, California, U.S.A., 1960, Incorporated, for the Period from September 7, 1955 through October 31, 1960. Prepared by Department of Finance and Office of the Auditor General. (December 30, 1960) 16 pp., 3 statements, appendix 16 pp.
- Report on Examinations of Transactions of California Olympic Commission, November 1, 1960 to June 30, 1961 and the Organizing Committee, VIII Olympic Winter Games, Squaw Valley, California, U.S.A., 1960, Incorporated, November 1, 1960 to August 31, 1961 (October 11, 1961) 2 pp., 6 statements.
- Summary of Audit Findings on California Olympic Commission and the Organizing Committee, VIII Olympic Winter Games (February 2, 1962) 8 pp., 4 appendixes.
- Answers to Questions Raised at Joint Meeting of Assembly Committees on Ways and Means and Constitutional Amendments, March 6, 1962, and Financial Statements of the School Land Fund as of February 28, 1962 (March 22, 1962) 8 pp., 5 statements.
- Summary Report on Work Performed for the Senate Fact Finding Committee on Education with Regard to Senate Bill 276 (Murphy - 1961 General Session) (May 2, 1962) 16 pp.

## LEGISLATIVE (Cont.)

Report on Special Study of Public School Financing (December 4, 1962) 3 pp.  
(Prepared for the Assembly Interim Committee on Education).

## JUDICIAL

Report on Examination of Judges' Retirement Fund, Year Ended June 30, 1958  
(August 31, 1959) 11 pp., 2 statements.

## EXECUTIVE

Report on Review of Governor's proposals for state government reorganization,  
and their effect on various funds of the State (July 14, 1960) 6 pp.,  
1 two-page chart.

## GENERAL ADMINISTRATION

Report on Examination of the Office of the Secretary of State, Year Ended  
June 30, 1958 (June 17, 1959) 10 pp., 6 statements.

Report on Examination of State Employees' Retirement Fund, Year Ended  
June 30, 1957 (February 26, 1959) 23 pp., 2 statements.

Report on Examination of Old Age and Survivors' Insurance Revolving Fund,  
State Employees' Retirement System, Year Ended June 30, 1957 (February 27,  
1959) 6 pp., 1 statement.

Report on Examination of State Employees' Retirement System, General Fund,  
Year Ended June 30, 1957 (March 3, 1959) 5 pp., 3 statements.

Report on Examination of State Personnel Board, Year Ended June 30, 1960,  
(May 5, 1961) 13 pp., 3 statements.

## AGRICULTURE

Report on Examination of Department of Agriculture, Year Ended June 30, 1958  
(September 10, 1959) 9 pp., 13 statements.

Report on Examination of Department of Agriculture, Year Ended June 30, 1961  
(September 4, 1962) 16 pp., 11 statements.

Report on Examination of Poultry Improvement Commission - Poultry Testing  
Project Fund, Year Ended June 30, 1961 (September 4, 1962) 4 pp., 3 statements.

## CORRECTIONS

### Department of Corrections

Report on Examination of Correctional Industries Revolving Fund, Year Ended December 31, 1957 (May 27, 1959) 20 pp., 8 statements, 1 appendix.

Report on Examination of the Department of Corrections, Departmental Administration, Year Ended June 30, 1959 (May 3, 1960) 13 pp., 6 statements.

### Penal Institutions

Report on Examination of California Institution for Women, Year Ended June 30, 1959 (December 30, 1959) 9 pp., 6 statements.

Report on Examination of State Prison at San Quentin, Year Ended June 30, 1959 (February 29, 1960) 10 pp., 6 statements.

Report on Examination of State Prison at Folsom, Year Ended June 30, 1960 (November 10, 1960) 7 pp., 6 statements.

Report on Examination of Deuel Vocational Institution, Year Ended June 30, 1960 (December 2, 1960) 4 pp., 6 statements.

Report on Examination of Correctional Training Facility, Year Ended June 30, 1960 (December 9, 1960) 9 pp., 7 statements.

Report on Examination of California Institution for Men, Year Ended June 30, 1960 (December 13, 1960) 7 pp., 7 statements.

Report on Examination of California Men's Colony - West Facility, Year Ended June 30, 1961 (December 29, 1961) 6 pp., 5 statements.

Report on Examination of California Men's Colony - East Facility, Year Ended June 30, 1961 (December 29, 1961) 6 pp., 5 statements.

Report on Examination of California Medical Facility, Year Ended June 30, 1961 (December 29, 1961) 20 pp., 5 statements.

Report on Examination of Folsom Prison - Correctional Industries Revolving Fund, Year Ended December 31, 1961 (May 22, 1962) 19 pp., 5 statements.

Report on Examination of California Institution for Women - Correctional Industries Revolving Fund, Year Ended December 31, 1961 (May 22, 1962) 4 pp., 2 statements.

Report on Examination of California Institution for Men - Correctional Industries Revolving Fund, Year Ended December 31, 1961 (May 22, 1962) 5 pp., 2 statements.

Report on Examination of Correctional Training Facility - North Facility, Year Ended June 30, 1962 (October 17, 1962) 3 pp., 7 statements.



CORRECTIONS (Cont.)

Department of the Youth Authority

Report on Examination of Department of the Youth Authority, Departmental Administration, Year Ended June 30, 1958 (June 30, 1959) 6 pp., 3 statements.

Report on Examination of Department of the Youth Authority - Youth Authority Camps, Year Ended June 30, 1960 (March 27, 1961) 4 pp., 4 statements.

Correctional Schools

Report on Examination of Fricot Ranch School for Boys, Year Ended June 30, 1958 (July 1, 1959) 8 pp., 4 statements.

Report on Examination of Preston School of Industry, Year Ended June 30, 1958 (July 2, 1959) 8 pp., 4 statements.

Report on Examination of Ventura School for Girls, Year Ended June 30, 1958 (July 8, 1959) 7 pp., 4 statements.

Report on Examination of Fred C. Nelles School for Boys, Year Ended June 30, 1959 (April 15, 1960) 8 pp., 5 statements.

Report on Examination of Paso Robles School for Boys, Year Ended June 30, 1959 (April 21, 1960) 9 pp., 4 statements.

Report on Examination of Los Guilucos School for Girls, Year Ended June 30, 1959 (April 26, 1960) 7 pp., 5 statements.

EDUCATION

Department of Education

Report on Examination of Department of Education - Departmental Headquarters, Year Ended June 30, 1958 (May 29, 1959) 3 pp., 6 statements.

Report on Examination of Surplus Educational Property Revolving Fund, Year Ended June 30, 1958 (February 2, 1959) 8 pp., 3 statements.

Report on Examination of State School Fund, Year Ended June 30, 1958 (July 30, 1959) 7 pp., 2 statements.

Report on Examination of State School Fund, Year Ended June 30, 1959 (July 7, 1960) 12 pp., 2 statements, appendix 14 pp.

Report on Examination of State Scholarship Commission, Year Ended June 30, 1960 (March 28, 1961) 5 pp., 3 statements.

Report on Examination of the State School Fund, Year Ended June 30, 1961 (May 1, 1962) 13 pp., 2 statements, appendix 5 pp.

EDUCATION (Cont.)

State Colleges and Technical Schools

- Report on Examination of Fresno State College, Year Ended June 30, 1958  
(February 16, 1959) 11 pp., 9 statements.
- Report on Examination of San Jose State College, Year Ended June 30, 1958  
(February 18, 1959) 10 pp., 5 statements.
- Report on Examination of Chico State College, Year Ended June 30, 1958  
(February 20, 1959) 10 pp., 7 statements.
- Report on Examination of San Francisco State College, Year Ended June 30,  
1958 (April 29, 1959) 16 pp., 6 statements.
- Report on Examination of San Diego State College, Year Ended June 30, 1959  
(December 30, 1959) 10 pp., 5 statements.
- Report on Examination of Humboldt State College, Year Ended June 30, 1959  
(February 10, 1960) 10 pp., 6 statements.
- Report on Examination of Long Beach State College, Year Ended June 30, 1959  
(February 11, 1960) 10 pp., 5 statements.
- Report on Examination of California Maritime Academy, Year Ended June 30,  
1960 (November 1, 1960) 6 pp., 5 statements.
- Report on Examination of Los Angeles State College of Applied Arts and  
Sciences, Year Ended June 30, 1960 (February 6, 1961) 10 pp., 5 statements.
- Report on Examination of San Francisco State College, Year Ended June 30,  
1961 (February 1, 1962) 10 pp., 6 statements.
- Report on Examination of San Fernando Valley State College, Year Ended  
June 30, 1961 (May 3, 1962) 14 pp., 5 statements.
- Report on Examination of California State Polytechnic College, Year Ended  
June 30, 1961 (September 17, 1962) 7 pp., 4 statements.
- Report on Examination of Orange County State College, Year Ended June 30,  
1962 (November 14, 1962) 6 pp., 5 statements.
- Report on Examination of Fresno State College, Year Ended June 30, 1962  
(December 19, 1962) 5 pp., 5 statements.
- Report on Examination of Sacramento State College, Year Ended June 30,  
1962 (December 27, 1962) 6 pp., 5 statements.

## EDUCATION (Cont.)

### Orientation Centers for the Blind

Report on Examination of Oakland Orientation Center for the Blind, Year Ended June 30, 1958 (October 27, 1959) 5 pp., 3 statements.

### Industries for the Blind

Report on Examination of California Industries for the Blind Manufacturing Fund, Year Ended June 30, 1958 (May 29, 1959) 3 pp., 2 statements.

Report on Examination of Oakland Center - California Industries for the Blind, Year Ended June 30, 1961 (December 18, 1961) 5 pp., 5 statements.

Report on Examination of San Diego Center - California Industries for the Blind, Year Ended June 30, 1961 (December 19, 1961) 4 pp., 5 statements.

Report on Examination of Los Angeles Center - California Industries for the Blind, Year Ended June 30, 1961 (December 21, 1961) 7 pp., 5 statements.

### Teachers' Retirement System

Report on Examination of Accounting Records and Procedures, State Teachers' Retirement System (January 25, 1960) 38 pp.

Report on Examination of State Teachers' Retirement System - General Fund, Year Ended June 30, 1958 (July 18, 1960) 7 pp., 3 statements.

## EMPLOYMENT

Report on Examination of the Department of Employment, Year Ended June 30, 1959 (August 30, 1960) 21 pp., 2 statements.

## FISCAL AFFAIRS

### State Controller

Report on Examination of Unclaimed Property Fund, Year Ended June 30, 1958 (March 24, 1959) 9 pp., 2 statements.

Report on Examination of Special Deposit Fund, Year Ended June 30, 1958 (December 30, 1959) 5 pp., 4 statements.

Report on Examination of School Land Fund, Year Ended June 30, 1959 (October 13, 1960) 11 pp., 3 statements.

Report on Review of the Annual Report of the State Controller, Year Ended June 30, 1959 (November 3, 1960) 26 pp.

FISCAL AFFAIRS (Cont.)

State Controller (Cont.)

Report on Examination of State Construction Program Fund, Year Ended June 30, 1959 (December 30, 1960) 5 pp., 2 statements, appendix 10 pp.

Report on Examination of General Fund Support Activities, State Controller, Year Ended June 30, 1960 (August 2, 1961) 7 pp., 4 statements.

Report on Examination of Inheritance Tax Fund and Gift Tax Fund, Year Ended June 30, 1961 (November 21, 1961) 3 pp., 2 statements.

Report on Examination of Special Deposit Fund, Year Ended June 30, 1961 (June 29, 1962) 3 pp., 2 statements.

Board of Equalization

Report on Misuse of State-owned Automobiles, Board of Equalization (January 28, 1960) 7 pp., appendix 5 pp.

Report on Examination of the State Board of Equalization, Year Ended June 30, 1959 (December 30, 1960) 89 pp., 7 statements.

Department of Finance

Report on Examination of the State Lands Act Fund, Year Ended June 30, 1958 (September 22, 1959) 2 pp., 3 statements.

Report on Examination of Investment Fund, Year Ended June 30, 1958 (April 22, 1959) 10 pp., 5 statements, appendix 14 pp.

Report on Examination of Sixth District Agricultural Association Fund, Year Ended June 30, 1958 (September 3, 1959) 6 pp., 3 statements.

Report on Examination of the State Fair Fund, Year Ended June 30, 1958 (January 30, 1959) 3 pp., 2 statements.

Report on Examination of Fair and Exposition Fund, Year Ended June 30, 1958 (May 6, 1959) 9 pp., 4 statements, 1 four-page supplement.

Report on the operation of the Fair and Exposition Fund under statutes amended by the 1959 Legislature, and information on the operations of district, county, and special fairs for the calendar year 1958 (November 30, 1959) 7 pp., 3 statements.

Report on Examination of State Printing Fund, Year Ended June 30, 1961 (December 19, 1961) 19 pp., 3 statements.

Report on Examination of the Department of Finance, Year Ended June 30, 1960 (November 16, 1961) 7 pp., 4 statements.

Report on Examination of Purchasing Revolving Fund, Year Ended June 30, 1961 (May 10, 1962) 6 pp., 7 statements.

FISCAL AFFAIRS (Cont.)

Franchise Tax Board

Report on Examination of the Franchise Tax Board, Year Ended June 30, 1958 (July 1, 1960) 24 pp., 3 statements.

HIGHWAY PATROL

Report on Examination of the Department of the California Highway Patrol, Year Ended June 30, 1961 (May 24, 1962) 9 pp., 4 statements.

INDUSTRIAL RELATIONS

Report on Examination of Department of Industrial Relations, Year Ended June 30, 1960 (June 27, 1961) 24 pp., 4 statements.

Report on State Compensation Insurance Fund as Adjusting Agent for General Fund Activities, Year Ended June 30, 1960 and Report on Limited Review of State Compensation Insurance Fund, Six Months Ended June 30, 1960 and Year Ended December 31, 1959 (July 13, 1961) 9 pp., 3 statements, appendix 1 p., 2 statements.

Report on Examination of Office of State Fire Marshal, Year Ended June 30, 1960 (August 17, 1961) 10 pp., 4 statements.

JUSTICE

Report on Examination of the Department of Justice, Year Ended June 30, 1959 (October 21, 1960) 14 pp., 4 statements.

MENTAL HYGIENE

Department of Mental Hygiene

Report on Examination of Guardianship Section, Department of Mental Hygiene, Year Ended June 30, 1959 (October 25, 1960) 13 pp., 2 statements.

Report on Review of Accounting and Operating Procedures, December 31, 1960, Bureau of Patients' Accounts, Department of Mental Hygiene (July 17, 1961) 20 pp.

Report on Examination of Department of Mental Hygiene, Departmental Administration, Year Ended June 30, 1960 (July 19, 1961) 10 pp., 5 statements.

MENTAL HYGIENE (Cont.)

Mental Hospitals

Report on Examination of Metropolitan State Hospital, Year Ended June 30, 1958 (April 10, 1959) 15 pp., 4 statements.

Report on Examination of Stockton State Hospital, Year Ended June 30, 1958 (April 14, 1959) 23 pp., 5 statements.

Report on Examination of Atascadero State Hospital, Year Ended June 30, 1959 (May 11, 1960) 11 pp., 5 statements.

Report on Examination of DeWitt State Hospital, Year Ended June 30, 1959 (July 13, 1960) 18 pp., 6 statements.

Report on Examination of Modesto State Hospital, Year Ended June 30, 1960 (May 10, 1961) 7 pp., 5 statements.

Report on Examination of Camarillo State Hospital, Year Ended June 30, 1960 (May 17, 1961) 21 pp., 6 statements.

Report on Examination of Agnews State Hospital, Year Ended June 30, 1960 (July 21, 1961) 9 pp., 6 statements.

Report on Examination of Napa State Hospital, Year Ended June 30, 1961 (December 29, 1961) 8 pp., 7 statements.

Report on Examination of Neuropsychiatric Institute at University of California at Los Angeles, Year Ended June 30, 1961 (February 20, 1962) 9 pp., 5 statements.

Report on Examination of Patton State Hospital, Year Ended June 30, 1961 (May 28, 1962) 7 pp., 7 statements.

Report on Examination of Fairview State Hospital, Year Ended June 30, 1961 (May 31, 1962) 6 pp., 6 statements.

Report on Examination of The Langley Porter Neuropsychiatric Institute, Year Ended June 30, 1961 (June 7, 1962) 9 pp., 6 statements.

Institutions for Mental Defectives

Report on Examination of Porterville State Hospital, Year Ended June 30, 1959 (July 11, 1960) 6 pp., 4 statements.

MILITARY AFFAIRS

Report on Examination of the Military Department, Year Ended June 30, 1960 (March 8, 1961) 14 pp., 6 statements, 2 appendixes.

## MOTOR VEHICLES

Report on Examination of Motor Vehicle Fund, Year Ended June 30, 1957  
(February 4, 1959) 40 pp., 17 statements.

Report on Examination of Motor Vehicle License Fee Fund, Year Ended  
June 30, 1957 (February 4, 1959) 8 pp., 2 statements.

## NATURAL RESOURCES

### Department of Fish and Game

Report on Examination of Fish and Game Preservation Fund, Year Ended  
June 30, 1958 (June 23, 1959) 10 pp., 11 statements.

Report on Examination of Wildlife Restoration Fund, Year Ended June 30,  
1958 (June 26, 1959) 6 pp., 4 statements.

### Department of Natural Resources

Report on Examination of the Department of Natural Resources, Division of  
Administration, General Fund, Year Ended June 30, 1957 (May 8, 1959)  
5 pp., 3 statements.

Report on Examination of State Park Contingent Fund, Year Ended June 30,  
1957 (June 30, 1959) 5 pp., 2 statements.

Report on Examination of Division of Beaches and Parks - State Park  
Maintenance Fund, State Park Fund, State Beach Fund, Year Ended June 30,  
1957 (June 30, 1959) 10 pp., 10 statements.

Report on Examination of the Division of Mines, General Fund, Year Ended  
June 30, 1957 (May 5, 1959) 5 pp., 3 statements.

Report on Examination of Petroleum and Gas Fund, Year Ended June 30, 1957  
(June 30, 1959) 5 pp., 3 statements.

Report on Examination of Soil Conservation Development Fund, Year Ended  
June 30, 1957 (March 18, 1959) 10 pp., 2 statements.

Report on Examination of the Division of Soil Conservation, General Fund,  
Year Ended June 30, 1957 (May 5, 1959) 4 pp., 3 statements.

Report on Examination of State Water Pollution Control Fund, Year Ended  
June 30, 1957 (March 11, 1959) 8 pp., 3 statements.

NATURAL RESOURCES (Cont.)

Department of Natural Resources (Cont.)

Report on Examination of the Water Pollution Control Board, General Fund, Year Ended June 30, 1957 (May 4, 1959) 5 pp., 3 statements.

Report on Examination of the Recreation Commission, Year Ended June 30, 1959 (June 23, 1960) 4 pp., 3 statements.

Report on Examination of California Public Outdoor Recreation Planning Committee, Year Ended June 30, 1959 (June 23, 1960) 5 pp., 3 statements.

Report on Examination of Division of Forestry, Department of Natural Resources, Year Ended June 30, 1959 (April 7, 1961) 37 pp., 7 statements.

Report on Examination of Division of Recreation, Department of Natural Resources - General Fund, Year Ended June 30, 1961 (December 26, 1961) 5 pp., 3 statements.

Report on Examination of Committee for the Development of the California Public Outdoor Recreation Plan, Year Ended June 30, 1961 (December 29, 1961) 2 pp., 2 statements.

Report on Examination of the Division of Soil Conservation, General Fund - State Lands Act Fund, Year Ended June 30, 1961 (December 29, 1961) 5 pp., 4 statements.

Report on Examination of the Soil Conservation Development Fund, Year Ended June 30, 1961 (December 29, 1961) 6 pp., 2 statements.

Report on Examination of Water Pollution Control Board, Year Ended June 30, 1961 (February 1, 1962) 7 pp., 4 statements.

Summary Statement of Revenues and Expenditures for the Period from April 1, 1960 to December 31, 1961, Squaw Valley State Park (February 5, 1962) 3 pp.

Report on Examination of Division of Oil and Gas, Department of Natural Resources, Year Ended June 30, 1961 (March 30, 1962) 6 pp., 4 statements.

Report on Examination of Division of Mines, Department of Natural Resources, Year Ended June 30, 1961 (February 1, 1962) 5 pp., 4 statements.

Report on Examination of Division of Small Craft Harbors, Department of Natural Resources, Year Ended June 30, 1961 (March 15, 1962) 11 pp., 5 statements.

Report on Examination of State Park Contingent Fund, Year Ended June 30, 1961 (June 15, 1962) 5 pp., 2 statements.

Report on Examination of Division of Beaches and Parks - State Beach and Park Fund, Department of Natural Resources, Year Ended June 30, 1961 (June 15, 1962) 10 pp., 4 statements.

Report on Examination of Division of Administrative Services - Department of Natural Resources, General Fund, Year Ended June 30, 1961 (July 6, 1962) 7 pp., 3 statements.



## PUBLIC HEALTH

Report on Examination of Department of Public Health, Year Ended June 30, 1960 (April 21, 1961) 11 pp., 7 statements.

## PUBLIC UTILITIES

Report on Examination of Public Utilities Commission, Year Ended June 30, 1958 (May 20, 1959) 13 pp., 7 statements.

Report on Examination of Public Utilities Commission, Year Ended June 30, 1961 (November 7, 1961) 9 pp., 7 statements.

## PUBLIC WORKS

### Department of Public Works - Division of Architecture

Report on Examination of Architecture Public Building Fund, Year Ended June 30, 1957 (March 26, 1959) 15 pp., 3 statements.

Report on Examination of Division of Architecture, General Fund, Year Ended June 30, 1957 (April 17, 1959) 10 pp., 3 statements.

Progress Report on Review of Electronic Data Processing System, Division of Architecture (July 12, 1962) 7 pp.

Report on Examination of Architecture Revolving Fund, Year Ended June 30, 1961 (August 24, 1962) 38 pp., 4 statements.

Report on Examination of Architecture Public Building Fund, Year Ended June 30, 1961 (August 24, 1962) 11 pp., 3 statements.

Report on Examination of Division of Architecture, General Fund, Year Ended June 30, 1961 (August 24, 1962) 6 pp., 3 statements.

### Department of Public Works - Division of Highways

Report on Review of Contract Procedures, Part I, Division of Highways (December 1, 1959) 43 pp., appendix 51 pp.

Report on Review of Contract Procedures, Part II, Division of Highways (December 16, 1959) 36 pp., appendix 16 pp.

Report on Review of Contract Procedures, Part III, Division of Highways (January 23, 1960) 23 pp., 2 schedules.

Report on Review of Contract Procedures, Supplement to Part III, Division of Highways (February 2, 1960) 12 pp., appendix 13 pp.

Report on Review of Contract Procedures, Second Supplement to Part III, Division of Highways (March 24, 1960) 31 pp., appendix 7 pp.

PUBLIC WORKS (Cont.)

Department of Public Works - Division of Highways (Cont.)

Report on Review of Contract Procedures, Part IV, Division of Highways  
(January 20, 1960) 27 pp., appendix 43 pp.

Report on Review of Contract Procedures, Part V, Division of Highways  
(July 8, 1960) 12 pp.

Report on Review of Contractors' Claims on Highway Construction Contracts,  
Division of Highways (January 23, 1960) 24 pp., appendix 37 pp.

Report on Review of Unbalanced Bidding on Highway Construction Contracts,  
Division of Highways (December 29, 1959) 5 pp., 1 exhibit.

Report on Misuse of State-owned Automobiles, Division of Highways  
(January 26, 1960) 6 pp., appendix 6 pp.

Report on Payroll and Expense Reporting Practices, Division of Highways,  
Los Angeles Rights-of-Way Section (January 29, 1960) 9 pp., 1 attachment.

Report on Letter Dated June 20, 1960 from Associated General Contractors  
of America, Division of Highways (August 18, 1960) 7 pp., appendix 8 pp.

Letter Report to Mr. J. C. Womack, State Highway Engineer, Division of  
Highways, regarding evaluation of new field records system developed  
by headquarters construction department (December 27, 1960) 4 pp.

Progress Report on Review of Financial Statements of the State Highway  
Fund, Division of Highways, as of June 30, 1960 (April 5, 1961) 5 pp.,  
2 statements.

Progress Report on Improvements in Internal Control, Division of Highways  
(May 15, 1961) 7 pp.

Report on Review of Contractor Prequalification and Bonding Procedures,  
Division of Highways (May 19, 1961) 5 pp.

Report on Review of Electronic Data Processing System Input Data,  
Division of Highways (May 24, 1962) 8 pp.

Report on Review of Federal Aid Procedures, Division of Highways  
(May 24, 1962) 36 pp.

Report on Cashiering, Billing, and Accounts Receivable, Division of  
Highways (June 8, 1962) 18 pp.

PUBLIC WORKS (Cont.)

California-Nevada Interstate Compact Commission

Report on Examination of California-Nevada Interstate Compact Commission, Year Ended June 30, 1961 (May 3, 1962) 5 pp., 3 statements.

Division of Aeronautics

Report on Examination of California Aeronautics Commission, Year Ended June 30, 1961 (June 26, 1962) 3 pp., 3 statements.

Klamath River Compact Commission

Report on Financial Statements of Klamath River Compact Commission, Period from September 11, 1957 to June 30, 1961, Inclusive (May 24, 1962) 3 pp., 2 statements.

Reclamation Board

Report on Examination of Reclamation Board, Year Ended June 30, 1960 (May 23, 1961) 16 pp., 4 statements.

Toll Bridge Authority

Report on Examination of California Toll Bridge Authority, Richmond-San Rafael Bridge, Year Ended August 31, 1960 (December 14, 1961) 19 pp., 3 statements.

Report on Examination of California Toll Bridge Authority, Carquinez Strait Bridges, Year Ended August 31, 1960 (December 29, 1961) 15 pp., 4 statements.

Report on Examination of California Toll Bridge Authority, San Mateo, Hayward and Dumbarton Bridges, Year Ended August 31, 1960 (December 29, 1961) 16 pp., 3 statements.

Report on Examination of California Toll Bridge Authority, San Francisco-Oakland Bay Bridge, Year Ended August 31, 1960 (December 29, 1961) 15 pp., 5 statements.

Department of Water Resources

Report on Examination of the Department of Water Resources, Year Ended June 30, 1959 (December 30, 1960) 42 pp., 13 statements.

Report on Examination of the Department of Water Resources, Year Ended June 30, 1961 (December 28, 1962) 53 pp., 19 statements.

State Water Rights Board

Report on Examination of State Water Rights Board, Year Ended June 30, 1960 (May 26, 1961) 12 pp., 4 statements.

## REGULATION AND LICENSING

### Department of Alcoholic Beverage Control

Report on Examination of Department of Alcoholic Beverage Control and Alcoholic Beverage Control Appeals Board, Year Ended June 30, 1961 (December 6, 1961) 5 pp., 5 statements.

### Districts Securities Commission

Report on Examination of Districts Securities Commission, Year Ended June 30, 1961 (May 10, 1962) 6 pp., 3 statements.

### California Horse Racing Board

Report on Examination of California Horse Racing Board, Year Ended June 30, 1962 (November 9, 1962) 6 pp., 3 statements.

### Department of Investment

Report on Examination of the Department of Investment, Division of Corporations, Year Ended June 30, 1960 (April 3, 1961) 7 pp., 4 statements.

Report on Examination of Savings and Loan Inspection Fund, Year Ended June 30, 1961 (April 10, 1962) 4 pp., 3 statements.

Report on Examination of Insurance Fund, Year Ended June 30, 1961 (June 14, 1962) 10 pp., 3 statements.

### Board of Osteopathic Examiners

Report on Examination of Board of Osteopathic Examiners Contingent Fund, Year Ended June 30, 1962 (December 3, 1962) 5 pp., 3 statements.

## SOCIAL WELFARE

Report on Examination of Department of Social Welfare, Year Ended June 30, 1958 (August 21, 1959) 4 pp., 9 statements.

Report on Examination of Citizens' Advisory Committee on Aging, Year Ended June 30, 1958 (September 1, 1959) 3 pp., 3 statements.

## VETERANS AFFAIRS

Report on Examination of the Department of Veterans Affairs, Year Ended June 30, 1958 (March 31, 1959) 16 pp., 7 statements, appendix 13 pp.

Report on Special Review of Operations of Post Exchange, Veterans' Home of California, Year Ended June 30, 1959 (May 8, 1961) 6 pp.

VETERANS AFFAIRS (Cont.)

Report on Examination of Department of Veterans Affairs, Veterans' Home of California, Year Ended June 30, 1961 (November 13, 1961) 14 pp., 5 statements.

Report on Examination of Department of Veterans Affairs, Veterans' Home of California, Post Fund, Year Ended June 30, 1961 (November 14, 1961) 12 pp., 5 statements.

Report on Department of Veterans Affairs, Veterans' Home of California Association of Companies, Six Months Ended June 30, 1961 (November 16, 1961) 5 pp., 4 statements.

Letter Report to Joint Legislative Audit Committee re Veterans' Home of California concerning income of members in the home (December 28, 1961) 6 pp.

MISCELLANEOUS

Report on Study of Accounting for State Capital Outlay Projects (March 9, 1959) 16 pp., 2 statements.

Report on Review of Auditing of Subventions to Local Governments in California (May 13, 1959) 70 pp.

Summary of Reports Issued by the Office of the Auditor General, December 30, 1959 to June 15, 1961 (July 28, 1961) 18 pp.

Summary of Reports Issued by the Office of the Auditor General, June 15, 1961 to September 28, 1962 (November 19, 1962) 40 pp.

Report on Review of Internal Auditing within the Executive Branch of the California State Government (December 10, 1962) 32 pp.