

Identifying High Risk: Promoting Effective and Efficient Government

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CALIFORNIA STATE AUDITOR



Clarifying Issues •
Formulating Solutions •
Positively Impacting Californians •

Introduction

- Background
- State High Risk Program
- Local Agency High Risk Program
- Future Enhancements

Background

- State Auditor's Authority
 - Performance Audits
 - Financial Audits
 - Federal Compliance
- Effect of Term Limits
- Statutory Authority
 - State High Risk
 - Local Agency High Risk

State High Risk Program

- Key Elements
 - Identify High Risk Programs or Cross-Cutting Issues
 - Issue High Risk List Every Two Years
 - Conduct Audits If Resources Are Available
- Modeled After GAO's High Risk Program
- Issued First High Risk List May 2007
- Designated 5 Areas and 2 Agencies as High Risk

State High Risk Program

- Criteria for Designation—
 - Qualitative and Quantitative Factors
 - Responsiveness to Recommendations
- Criteria for Removing Designation
- Issued 21 Letters/Reports Over 7 Years

◆ State High Risk Program

- Highlights
 - Budget Process and Condition
 - Human Resources—Succession Planning
 - Recovery Act
 - Information Technology
 - Covered CA—Affordable Care Act

◆ State High Risk Program

- High Risk Designation Removed
 - Corrections—Population/Overcrowding
 - Health Care Services/Public Health
 - Health Care Services—Medi-Cal Backlog
 - Others still under review

◆ Local Agency High Risk

- Goals of Program & Requirements
 - Promoting Efficient & Effective Government
 - Creating Collaboration and Exchanging Ideas
 - Identifying Fiscal Distress, Causes, Possible Solutions

Local Agency High Risk

- Regulations/Program Structure
 - Obtained Input From Local Agencies
 - Sought Input From the Public
 - Became Effective July 2015
- Key Elements
 - Analytical Analysis
 - Initial Assessment of Risk
 - Approval From JLAC to Audit

◆ Initial Assessment

- Apply Financial Indicators
 - Revenue
 - Expenditure
 - Operating Position
 - Debt: Pension and Long-Term Debt
 - Liquidity/cash flow
- Other Indicators

◆ Preliminary Designation

- Contact Local Agency
- Hold Entrance Conference
- Conduct Site Visit For Review/Perspective
- Hold Assessment Closeout Meeting
- Either Closely Monitor Entity, Or Propose and Submit Audit Proposal
- If JLAC Approves, Conduct Audit

◆ Future Enhancements

- State High Risk Program
 - Refining the Model
 - Enhancing the Website
- Local Agency High Risk
 - Implementing Dedicated Line
 - Modifying the Website
 - Mechanism for Submitting Information Online
 - Sharing Results

Conclusion

Questions