

Identifying High Risk: Promoting Effective and Efficient Government at the State and Local Level

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CALIFORNIA STATE AUDITOR



Clarifying Issues •
Formulating Solutions •
Positively Impacting Californians •

Overview

- Background
- State High Risk Program
- Local High Risk Program

Background

- California State Auditor's Authority
 - Performance Audits (Statutory and Discretionary)
 - Statewide Financial Audit
 - Federal Compliance
 - Investigations
- Additional Statutory Authority
 - State Government High Risk
 - Local Agency High Risk

Background

- Key Factors Supporting Focus on High Risk
 - Impact of Cross-Cutting Issues
 - Basis for Following Up on Recurring Issues
 - Value to the Public
 - Success of the GAO's Program

Background

- GAO's High Risk Program
 - Identifies programs and operations at risk for fraud, waste, and mismanagement, or in need of transformation to achieve efficiency/effectiveness
 - Addresses short-term and long-term problems within the federal government
 - Highlights areas warranting special focus
 - Increases accountability
 - Demonstrates commitment

State High Risk

- Primary Elements
 - Identify High Risk Agencies and Cross-Cutting Issues
 - Issue High Risk List Every Two Years
 - Conduct Audits When Resources Are Available
- Modeled After GAO's High Risk Program
- Issued First High Risk List in May 2007, designating 5 Areas and 2 Agencies as High Risk

State High Risk

- Criteria for Assigning High Risk Designation
 - Qualitative and Quantitative Factors
 - Responsiveness to Recommendations
- Criteria for Removing Designation
- Methods for Communicating Results
 - Summary Reports
 - Audit Reports
 - Status Letters

State High Risk

- Examples of High Risk Designation Assigned
 - Human Resources—Succession Planning
 - Information Technology
 - Higher Education
 - Covered California—Affordable Care Act
- Examples of High Risk Designation Removed
 - Emergency Preparedness
 - Budget Condition

State High Risk

Keys to Success

- Sustained Awareness of Issues
- Coordinated Planning
- Regulations and Protocol
- Timely and Relevant Recommendations
- Ongoing Monitoring
- Communication with Legislature

Local High Risk

- Initiating and Sustaining the Program
 - Establishment of Goals
 - Creation of Local High Risk Statute
 - Development of Regulations
 - Obtained Input From Local Agencies
 - Sought Input From the Public
 - Formulation of Work Plan

Local High Risk

- Key Components of the Work Plan
 - Preliminary Analysis
 - Initial Assessment of Risk
 - Legislative Audit Committee Approval to Audit
 - Audit
 - Corrective Action and Follow-Up

Local High Risk

Preliminary Analysis

- Financial Indicators
 - Revenue
 - Expenditure
 - Operating Position
 - Debt: Pension and Long-Term Debt
 - Liquidity/Cash Flow

Local High Risk

Preliminary Analysis

- Operational Indicators
 - Fraud, Abuse, Mismanagement
 - Internal Controls
 - Compliance with Laws and Regulations
 - Staffing
 - Infrastructure

Local High Risk

Initial Assessment and Audit Approval

- Perform Site Visit For Review/Perspective
- Conduct Assessment Closeout Meeting
- Continue to Monitor Entity or Propose and Submit Audit Proposal
- If Legislative Audit Committee Approves, Conduct Audit

Local High Risk

Audit and Corrective Action

- Conduct Audits and Issue Audit Reports
- Review and Assess Corrective Action Plans
- Seek External Feedback

Local High Risk

A Look Ahead

- Modifying and Refining the Website
- Developing Venues for Submitting Information
- Exploring Other Methods of Sharing Results

Conclusion

Questions/Comments