

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

**A. GENERAL INFORMATION**

1. Date

2/1/2017

2. Department

California State Controller's Office (SCO)

3. Organizational Placement (Division/Branch/Office Name)

Division of Audits

4. CEA Position Title

Assistant Chief, Division of Audits, State Government

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

This proposed CEA concept will serve as one (1) of two (2) Assistant Division Chiefs within our Division of Audits, which houses approximately 300 professional audit staff members and assist the division chief with policy development/modification, implementation, legislative, regulatory, and public relations related to the audit authority of the State Controller. As a key policy and public relations expert within the State Government Bureau of the Division of Audits, this position will represent the Division of Audits, making decisions that may have impact on special projects such as the Fiscal Project, providing consultative services to the Controller, and Senior Executive Management, the Legislature, and other State agencies when required. It will have and maintain extensive contact with various levels of management within State governments representing the mission, goals, and objectives of the Division of Audits in ensuring fiscal accountability of public dollars and appropriate allocation/expenditures according to all laws, rules, and regulations associated with defined use.

6. Reports to: (Class Title/Level)

Chief, Division of Audits, SCO

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): While the Assistant Chief is not a direct member of the Senior Executive Staff, it will often represent the Chief, Division of Audits, in that capacity, and function as an extension of the Senior Executive Staff overseeing the State Government Audit Program.

8. Organizational Level (Select one)

- 1st  2nd  3rd  4th  5th (mega departments only - 17,001+ allocated positions)

## B. SUMMARY OF REQUEST

### 9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

The Assistant Chief, Division of Audits, State Government will be responsible for the State Government Audit program area within the Division of Audits, and function as chief when designated in the absence of the Chief, Division of Audits.

The Division of Audits is responsible for administering Government Code 12410, in which the State Controller has the responsibility for auditing all claims made against the State Treasury. In short, the Statute states, "the Controller may audit the disbursement of any State money for correctness, legality, and sufficient provisions of law for payment." In terms of the State Government Audit Bureau, the Assistant Chief, Division of Audits, will be responsible for overseeing audits, examinations, and reviews of state government and related state agencies. Specifically, this position will:

- Set goals and objectives for the Bureau of State Government consistent with the Division of Audits' mission;
- Establish a quality assurance policy related to audit standards and expectations;
- Establish an annual audit plan consistent with, and within budgeted dollars projected for the division, and within the scope of authority established by statute;
- Develop a program policy that sets standards of audit procedures to ensure that all audits, reviews, and/or examinations are performed in accordance with Governmental Auditing Standards;
- Coordinate all audit programs under the State Government Bureau which includes operations, information technology, grant programs, and management analysis;
- Establish and maintain an effective business relationship with State Government officials to coordinate resolutions to audit findings that can be very contentious;
- Negotiate settlements related to findings following an audit review of information identified during a standard audit assessment;
- Represent the Chief, Division of Audits at conferences, budget hearings, legal challenges, etc.;
- Determine audit objectives, strategies, program and procedures for the Bureau of State Government and the various audit programs such as the California Department of Education, California Public Utilities Commission, the Department of Food and Agriculture, CalPERS, and various other State departments/agencies;

Moreover, the Assistant Chief will be the principle policy maker as it relates to program activities, procedures, and contract services for the state-side of the Division of Audits. As part of the SCO's oversight responsibilities for State Government entities, this position will deal with politically sensitive and controversial issues that will require involvement in areas such as the following:

- Affiliated Transaction Rules - \$970,000.00;
- Citizens Oversight Board - \$ 900,000.00;
- California Department of Education, Blind & Deaf Schools - \$850,000.00
- California Virtual Academies - \$300,000.00
- Migrant Education Program - \$650,000.00

Below are a few of the entities and organizations that this position will be required to interact, negotiate, and coordinate with:

- Fiscal Crisis and Management Assistant Team;
- California Teachers' Association;
- National State Auditor Association;
- California Society of Certified Public Accountants;
- California State Legislature;
- Financial Information System for California.

Equally important is that there is great potential for audit findings to result in the return of State Funds from State auditees. Therefore, the Assistant Chief will be involved in documentation strategies, reporting findings in a manner in which the average citizen will be able to understand during public forum discussions, and testifying before the Legislature providing his/her expertise in hearings or investigatory meetings.

**B. SUMMARY OF REQUEST (continued)**

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description:

According to Government Code 12410, the State Controller shall superintend the fiscal concerns of the State. The term "superintend" means to exercise oversight; to direct or manage. Therefore, the State Controller is the Chief Fiscal Officer for the State of California; considered the sixth (6th) largest economy in the world. Consequently, and because of this designation, the State Controller is responsible for auditing claims against the state and may audit the disbursement of any state money for correctness, legality, and for sufficient provisions of law for payment. Moreover, the State Controller shall receive every audit report prepared for any state agency.

With this stated, the fiscal responsibility for the State of California is a primary mission for the State Controller, which means that the Division of Audits, and its audit program, is a direct reflection of the responsibility of this public office. The SCO's Audit program is not only complexed and diverse, but it is the recognized vehicle for conducting a systematic and independent examination of books, accounts, statutory records, documents, and vouchers of organizations to ascertain a present and true representation of the receipt and usage of public dollars. It is the basis for which the citizens created this office and its authority. In fact, because of the very nature of the disbursements of public dollars, the audit program has a direct bearing in establishing credibility on behalf of the State in instances of borrowing authority, and the State's overall credit rating in the financial community. It could mean the difference between high borrowing interest rates verse lower rates; thus saving the citizenry exorbitant repayment fees.

**B. SUMMARY OF REQUEST (continued)**

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

Over the years, various legislative mandates and corresponding budget change proposals have necessitated an expansion of the SCO's existing audit program and staffing level, which precipitated the demand to expand, reorganize, and categorize the efforts of the division. Therefore, as these changes became more prevalent, and as the characteristics of the audits became more defined, it befell the executive management to group like-audits and appropriately align them under State and/or Local Government Audit. For example, there has been an expansion of Mandated Cost Audits, Local Government Oversight Initiative audits, and Property Tax audits that was recently reenacted by the legislature. These areas of public expenditures require specific consideration and/or approach as required by the Governmental Accounting Standards Board, GASB, which takes into account the different purposes and special legal powers of those authorities established for service to the public. Moreover, as a result of additional contracts with local entities such as the Commission on Peace Officers Standards and Training, there has been an increase demand for the SCO's audit services, requiring the need to establish policies, procedures, and reimbursement criteria as these contracts are negotiated and entered into for services. Another example of a legislative adoption is Proposition 47, which requires the State Controller to conduct audits of the grant programs operated by the State Department of Education, California Victim Compensation and Government Claims Board, and the Board of State and Community Corrections requiring a report of any findings to the Legislature and the public. Like these changes, and others like them, audit requirements are becoming more and more frequent, compelling the need to seek additional positions and consideration of audit expansion authority/legislation.

Likewise, the need for governance and coordination of program effort is yet another factor supporting the need for more of a high level expert, with decision-making authority and a well-rounded understanding of the constitutional obligations of the State Controller. Because of this concept, there is a need for programmatic insight and decision-making authority relative to potential contract audits that fall within the scope and direction of the Chief, Division of Audits, program statistical analyses in terms of capacity to increase audit visibility, advising, voting, and/or establishing sound justification in policy development and/or recommendations.

### C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

Below are sample policy areas over which the proposed State Government, Career Executive Assignment will be the principle policy maker:

1. Training and Personal Conduct Policy -
  - a. Ethics -
  - b. Professionalism -
    - \* This policy concept is critical in establishing the conduct of auditors engaged in services on behalf of the public; the primary purpose for an audit is to provide an independent opinion regarding the truth and fairness of the financial statements, whether prepared in accordance with industry standards or business practices; therefore, the performance of audit tasks must be established to limit bias and/or preferences; continual professional development;
2. Petitions -
  - \* Establish policy related to the petition evaluations; set policy on procedural submissions and necessary documentation to release funds; establish workflow and guidelines; appeal processes, etc.;
3. Conflict Resolution -
  - a. Remediation -
  - b. Escalation -
    - \* Establishes a policy that identifies protocol in the event of conflict in audit proceedings. Established tools and/or a vehicle for remediation to address issues;
4. Audit Rule -
  - \* This establishes policy relating to potential issues regarding a single attribute on a single resources, or a rule that checks multiple attributes for multiple resources of a policy; establish negotiable and non-negotiable audit parameters; necessary workpapers
5. State Government Bureau Audit Committee -
  - a. Governance
    - \* This policy will identify the body of work by which the bureau will function and identify needs assessments and decisions rendered for State government audits; a body of principles for which criteria will be established related to contract services and special audit whereby requests are reviewed and approved/rejected; establish a guideline to determine audit capabilities;
6. State Government Reimbursements -
  - a. Billable hours
    - \* Establish standards by which reimbursements are established; tools to effect reimbursement;
7. Communication -
  - \* Identifies what level of management will represent the bureau; establishes a communication chain that identifies protocol and information exchange or the releasing of information;
8. Control/Confidentiality -
  - \* Establishes information controls and oversight of data retrieved following audit review; establishes limitations on data sharing or data mining; establishes process by which data can be exchanged and/or shared.

While the majority of aforementioned policies are all related to the performance of the job, it is clear that all have the potential to impact the state. These policies establishes a course or principle in conduct and responsibility in discharging an obligation or the performance of a duty. Still, because it is the constitutional responsibility of the SCO to be the fiscal overseer for the use of public funds, there must be established rules of engagement for which scheduled activities are conducted. These policies are critical in providing a fair and balanced assessment of business practices, safeguards, or internal controls by which the public is made assured of the proper handling of funds for its intended purposes. Within the past several years, the SCO's audit program has identified several billion dollars in audit findings, which has lead to reimbursements and corrective measures to appropriately account for public fund expenditures. The sensitivity of these audits could culminate into special proceedings and cause great embarrassment to the State and bring discredit to its oversight efforts. A staunch example is the Department of Parks and Recreation. This is a reminder that we must be diligent in our efforts to maintain fiscal accountability.

**C. ROLE IN POLICY INFLUENCE (continued)**

**13. What is the CEA position's scope and nature of decision-making authority?**

It is anticipated that the proposed CEA position will be an administrative advisor to the division chief (Chief, Division of Audits, SCO) regarding State Government and special audit activities. Under this authorization, the Assistant Chief will have independent decision making authority and responsibilities for overseeing State Government audit engagements, policy development, contract services, audit compliance, and the development of a strategic plans.

The Assistant Chief will be responsible for developing audit guidelines and interacting with various levels of management within State Government and special entities. These departments/agencies are established under the authority of the State Government, and therefore, are subject to fiscal accountability to the State in general. A portion of these entities will contract for services in which the Assistant Chief will be heavily involved in securing.

Moreover, the Assistant Chief will have independent decision-making authority in assisting the Division Chief with the planning, developing, and organizing of the State Government Bureau and its audit activities. In doing so, this position will establish operating principles with subordinate managers, developing engagement strategies, operating guidelines, performance expectations, and policies. He/she will entertain high-level government officials, brokering mutual cooperative working relationships to benefit both the department and business.

**14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?**

As specified in question 26, this position will be developing new policies and will be revisiting any outdated policies that may exist. In conjunction with the direction of the Division Chief, review of all operating principles and control language related to the State Government Bureau will be modernized and/or updated to reflect current mandates or requirements. This activity will be accomplished by direct review and analysis using a governance model to track and monitor any outdated language that may hinder the activities of the bureau.