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

<table>
<thead>
<tr>
<th>1. Date</th>
<th>2. Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/24/2018</td>
<td>California State Controller’s Office (SCO)</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>3. Organizational Placement (Division/Branch/Office Name)</th>
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<tbody>
<tr>
<td>Executive Office</td>
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<table>
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<tr>
<th>4. CEA Position Title</th>
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<tbody>
<tr>
<td>Chief, Management Audit Review Services</td>
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<table>
<thead>
<tr>
<th>5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)</th>
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<tbody>
<tr>
<td>This proposed C.E.A. concept will be responsible for overseeing the internal audit review program for the State Controller’s Office (SCO), setting internal audit policies, and procedures for the department, fulfilling its mission to ensure proper controls, governance, and enterprise risk management strategies are appropriately updated and implemented for all operating divisions within the SCO. It will require the individual to be a centralized point of contact for all external audits engagements and/or reviews, representing the State Controller’s Office, coordinating, facilitating, preparing responses, and immediate corrective action planning resulting from any audit findings/recommendations.</td>
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<tr>
<th>6. Reports to: (Class Title/Level)</th>
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<tbody>
<tr>
<td>Chief Legal Counsel, C.E.A. Level C</td>
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<tr>
<th>7. Relationship with Department Director (Select one)</th>
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<tbody>
<tr>
<td>☑ Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.</td>
</tr>
<tr>
<td>☐ Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.</td>
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(Explain):                                             |

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<thead>
<tr>
<th>8. Organizational Level (Select one)</th>
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<tbody>
<tr>
<td>☐ 1st</td>
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<td>☐ 2nd</td>
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<td>☑ 3rd</td>
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<td>☐ 4th</td>
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<td>☐ 5th (mega departments only - 17,001+ allocated positions)</td>
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</tbody>
</table>
9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

With general direction provided by the Chief Legal Counsel, the Chief, Management Audit Review Services (CMARS) primary responsibility is to act as an advisor to the Chief Legal Counsel/Chief of Staff/Controller regarding all internal audit exercises that may require immediate attention, or a strategic approach to addressing enterprise-wide risk management strategies for seven (7) operating divisions, and will be the principle policymaker for all internal audit engagements. These policies will direct all levels of the SCO including aspects of the executive leadership on key risk factors related to multiple programs within each of the aforementioned seven (7) divisions.

The CMARS will be responsible for oversight and the coordination of planning, organizing, and directing the work of subordinate staff members engaged in the areas of risk assessment, and program controls in place for the preservation of SCO intellectual and confidential data used in the discharge of the SCO's overall responsibilities. It will evaluate each division's capacity to mitigate and respond to risks, and elevate concerns to the Executive Leadership when necessary. In performing internal reviews, and in conjunction with division chiefs, the CMARS will act as an independent and objective advisor, recommending program improvement activities to better accomplish program objectives by promoting systematic and disciplined approaches to the effectiveness of each division's risk management, control, and governance processes for programs such as payroll, unclaimed property, cash management, departmental accounting, new system development, property tax postponement, etc.

The CMARS will coordinate with Senior Executive Management, including division chiefs, in the department's obligation to adhere to the State Leadership Accountability Act (SLAA) designed to reduce the waste of resources and strengthen internal controls in place. While engaged in this task, the CMARS will evaluate all proposed submissions, assessing relevancy, criticality, and strategic planning as it relates to the constitutional requirements of the SCO. In doing so, the CMARS will specifically evaluate internal records and all internal financial systems in place, which will include processes and procedures, work flow redundancies, errors, acts and omissions. It will develop enterprise risk management practices for the entire department, and advise the Chief Counsel, and when called upon, consult with the Chief of Staff/State Controller regarding system integrity, process improvements, and mitigating activities to better align with the intent of SLAA.

The CMARS develop and/or prepare all relevant reports regarding the adequacy of the SCO's internal control systems and provide oversight monitoring the continuity of progress. It will report on its independent examination of SCO's accounting records, statutory reports, all documents, and vouchers of internal and external organizations to establish true representation of receipts and disbursements. In the development and preparation of such reports, the CMARS will be tasked with the development of an effective communication strategy, engagement setting, and overall governance of the internal audit program for the SCO. In addition, this position will prepare all responses to external audits, tracking, and oversee all outstanding action items.
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 this proposed CMARS position will be critical in establishing credibility in line programs for efficiency, accuracy, and accountability in its efforts to adhere to its constitutional obligations. Moreover, the SCO's Internal 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 and the SCO's efforts to appropriately account for said information. 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 internal audit program has an indirect 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.
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 program areas. Earlier in 2010, the SCO embarked upon an enterprise-wide effort to develop a system replacement for the California Universal Payroll System in which the SCO had an internal audit presence to oversee the development of system controls, and other risk management activities. Unfortunately, the SCO's internal audit group was limited and their scope and oversight was reduced to new system updates and/or development. However, as the State Controller's Office's administration termed out, and the new administration was sworn in, the efforts of the internal audit group began to expand. This small group was charged with the development of an overall enterprise-wide risk management program; a program designed to evaluate the SCO's multiple program areas and their corresponding internal controls. They began to engage in risk management analysis and has since broaden its scope to include all operational areas within the SCO. Additionally, with the enactment of the State Leadership Accountability Act, and because of external audit requirements, the current administration has developed a greater degree of interest in the development of risk management strategies and will be invoking greater expansion of oversight in addressing deficiencies internally and before the integrity of SCO programs become problematic. In addition, the SCO has had external entities such as the Department of Military, and the California State Auditor identify opportunities to help build a more robust and beneficial collaboration to help fortify the constitutional obligations of the SCO.

Consequently, the CMARS will become a member of the Senior Management team, providing timely and useful policy direction and strategic planning to help the SCO update any of its antiquated, or inefficient strategies to mitigate risk on the part of the department. With the development of the the CMARS, the department will have the capacity to develop a comprehensive approach to business analysis in its strategic planning tactics to ensure appropriate alignment with the department's overall goals and objectives. It will also provide the basis for the development of an Audit Committee, which will add value to the continuing efforts of the program in prioritizing and identifying areas of infrastructure fracturing. For example, the complexity of the analysis performed varies based upon relevant skill levels of assigned staffing. The evaluation standards and metrics were oftentimes diametrically opposite, rendering inconsistent and usefulness data. Consequently, with the approval of this request, the SCO envisions a more consistent and relevant work product which will aid in the Executive Office's decision-making process for the organization as a whole.

Finally, the approval of this request will properly align the level of service and consequence of error with the C.E.A. category, and equate the value sought with the criticality of the program, as well as the expectations of the State Controller as a Constitutional Officer.
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 Chief, Management Audit Review Services will be the principle policy maker:

1. Enterprise Risk Management
   a. Audit Engagement;
   b. Mitigation Planning;
   c. Risk Tolerance;
   d. External Audit Responses;
      i. Point of contact
      ii. Data Collection
      iii. Data Validation
      iv. Establishment of Audit Scope

2. Code of Ethics
   a. Integrity;
   b. Objectivity;
   c. Confidentiality;
   d. Competency;
   e. Training/Skill Assessment;

3. Audit Standards
   a. Compliance audits;
      i. Regulatory Authority;
      ii. Process Controls;
      iii. Accuracy;
   b. Financial audits;
      i. Cash Controls;
      ii. Authorizations;
      iii. Process Controls;
   c. Investigative audits;
      i. Weaknesses;
      ii. Corrective measures;
      iii. Misconduct;
      iv. Fraud;
   d. Technology audits;
      i. Control;
      ii. System Back-up;
      iii. Security;
      iv. Accuracy;

Each of the above-cited audit areas will have significant implications for all program areas within the SCO. These areas include Cash Management, State Payroll, Unclaimed Property, Disbursements, and Property Tax Postponement just to name a few. Each of these program areas have a state-wide impact and could have significant influence on the viability of California credit rating, and/or borrowing rates. Therefore, it is imperative that the SCO have a robust internal audit strategy to address any risks associated with its program areas.
C. ROLE IN POLICY INFLUENCE (continued)

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

The proposed Chief, Management Auditor Review Services, C.E.A. (CMARS), will act in an advisory capacity with the Chief Legal Counsel, as well as the State Controller/Chief of Staff regarding the department's enterprise risk management efforts. While functioning as the CMARS, the position will have independent decision making authority and responsibilities for overseeing the internal audit management services, performing policy development, enterprise-wide risk assessments, and the development of a strategic internal audit plan. The scope and nature of the decision-making authority will extend department-wide, routinely interacting with Senior Executive Officers, impacting business processes, and program controls in place. The authority will also include convening committee meetings to oversee the development of strategic plans and tactical approaches to risk mitigation efforts to ensure consistency and the integrity of the SCO's multiple program areas.

The CMARS will be responsible for advising the Chief Legal Counsel, and the Audit Committee regarding anticipated results, identified risks, and the aversion efforts undertaken to address corrective actions, the identification of emerging risks, necessary changes to risk strategies in place, and any other issues affiliated with the efforts of the program(s) under review. In addition, the CMARS will have full decision-making authority to develop audit guidelines and interacting with internal and external leadership, providing best practices in terms of internal auditing and overall enterprise risk management. The programs established under the umbrella of the State Controller have been done so by legislation and through the needs of the Office; therefore, the CMARS will be included in assessing new activities, compliance, and reporting as required.

Additionally, the decisions of the CMARS will impact the development of short and long term strategic planning, policy development, setting goals and objectives that will influence operating procedures and risk mitigation for seven (7) operating divisions. In short, the impact from decisions made will promote consistency and compliance with the mission of the State Controller.

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 senior executive staff members, the CMARS will review of all operating principles and control language related to various program constraints, laws, rules, or program initiatives to ensure modernization and/or updated information is reflected in current processes and procedures. 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 department.