



CALIFORNIA STATE AUDITOR

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FACT SHEET

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The California State Auditor released the following report today:

High Risk

*The California State Auditor's Updated Assessment of High-Risk Issues
the State and Select State Agencies Face*

BACKGROUND

With over \$130 billion in proposed programs and operations, state government is a major contributor to one of the largest economies in the world. Identifying and addressing high-risk issues in California's government can contribute to enhanced efficiency and effectiveness by focusing the State's resources on improving the delivery of services related to important programs or functions. The California State Auditor's (State Auditor) biennial reports on high-risk issues, as authorized in January 2005, lists those issues or agencies that the State Auditor identifies as high risk for their potential of waste, fraud, abuse, or mismanagement or that have major challenges associated with their economy, efficiency, or effectiveness. In this 2009 update, the State Auditor presents the status of high-risk issues and select agencies listed in 2007, and identifies new high-risk issues that need attention.

KEY REVIEW RESULTS

Based on our risk assessment and analysis, we have added the following three issues to our high-risk list:

- ✓ The State's budget condition—ongoing budget deficits over the last 20 years have greatly outweighed any budget surpluses, previous budget solutions pushed problems into the future, and a number of factors make it difficult to correct the long-standing budget problems.
- ✓ The administration of \$85.4 billion of federal funds the State expects to receive under the American Recovery and Reinvestment Act of 2009—known internal control issues, large amounts of funds expected, and additional requirements imposed on recipients.
- ✓ Production and delivery of electricity—the need to replace environmentally harmful and aging power plants, obstacles preventing the construction of infrastructure needed to generate and transmit electricity from renewable sources, and proposed reorganization of energy-related entities.

Further, although the State has made some progress in the high-risk issues and select agencies the State Auditor previously reported on the high-risk list, challenges continue. Thus, the following will remain on our high-risk list:

- ✓ Five significant high-risk issues previously reported—maintaining and improving infrastructure, managing human resources, other postemployment benefits of retiring state employees, emergency preparedness, and information technology governance.
- ✓ The three state agencies facing challenges in their day-to-day and long-term operations: the California Department of Corrections and Rehabilitation, the Department of Health Care Services, and the California Department of Public Health.

The State Auditor will continue to monitor developments and challenges that affect the issues and select agencies on the high-risk list and may undertake future projects to further evaluate policy changes that potentially affect items on the high-risk list.

