

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 nearly \$145 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 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, list 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 2013 update, the state auditor identifies one new issue and presents the status of issues and select agencies previously listed.

KEY REVIEW RESULTS

Based on our risk assessment and analysis, we have identified the following high-risk issues:

- With funding totaling approximately \$6 billion and limited access to reliable and meaningful data to evaluate its impact, the 2011 realignment of funding and responsibility for many criminal justice and social services programs from the State primarily to county governments is added to the high-risk list.
- Various fiscal issues continue to pose a high risk to the State.
 - ✓ The State's budget condition—there are uncertainties concerning the size of the State's projected budget surplus and how the surplus should be spent.
 - ✓ The California State Teachers' Retirement System's funding status has not improved. In fact, the defined Benefit Program's funding ratio has dropped from 98 percent in 2001 to 67 percent in 2012.
 - ✓ The State's estimated accrued liability of \$63.85 billion related to retiree health benefits is almost completely unfunded and continues to increase.
- Although the State has made some progress in addressing high-risk issues and challenges the state auditor previously reported, issues and challenges continue and thus, the following remain on our high-risk list:
 - ✓ The California Department of Corrections and Rehabilitation continues to face challenges to reduce overcrowding in state prisons and improve the prison health care system.
 - ✓ The State's infrastructure—transportation systems, water supply, and flood management infrastructure—is aging and needs to be improved to meet current and future demands.
 - ✓ The percentage of state employees approaching retirement age continues to increase, presenting challenges with maintaining institutional knowledge and experience and highlights the importance of workforce and succession planning.
 - ✓ The State's emergency preparedness needs to be strengthened and the two key California agencies that oversee statewide emergency management lack fully developed strategic plans to guide their emergency preparedness efforts.
 - ✓ Oversight of the State's information technology needs improvement given the high costs of certain major projects and the failure of others and the pervasive general control deficiencies at two agencies we reviewed.
 - ✓ The California Department of Public Health continues to demonstrate weaknesses in program administration and has been slow to implement certain recommendations, while the California Department of Health Care Services has recently had its responsibilities increased.

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