

Chapter 2. State High-Risk Government Agency Audit Program

Subchapter 1. General Provisions and Definitions

§ 61000. Authority and Purpose.

This chapter is adopted to implement, interpret, and make specific the provisions of Government Code section 8546.5, authorizing the establishment of a State High-Risk Government Agency Audit Program to improve the operation of state government by identifying, auditing, and recommending improvements to state government agencies and statewide issues at high risk for waste, fraud, abuse, or mismanagement or for having major challenges associated with their economy, efficiency, or effectiveness.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61001. Agency of the State.

“Agency of the state” means any agency in the Executive or Judicial branch of California state government, whether created by the California Constitution or otherwise, including the University of California, the California State University, the Supreme Court, the courts of appeal, the superior courts, the Administrative Office of the Courts, and any particular program or mission area within a state agency.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61002. Audited State Agency.

“Audited state agency” means a state agency identified by the State Auditor as high risk or as a responsible state agency for a high-risk statewide issue at which the State Auditor has performed audit work for a state high risk audit.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61003. Responsible State Agency.

“Responsible state agency” means a state agency that the State Auditor has determined to be responsible for a portion of a high-risk statewide issue or could be tasked with responsibility for resolving a portion of a high-risk statewide issue.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61004. State Agency.

“State agency” has the same meaning as “agency of the state” as defined in California Code of Regulations, title 2, section 61001.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61005. State High Risk Audit.

“State high risk audit” means an audit performed by the State Auditor under the State High-Risk Government Agency Audit Program, as authorized by Government Code section 8546.5.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61006. State High Risk Audit Report.

“State high risk audit report” means an audit report as described in California Code of Regulations, title 2, section 61022, subdivision (a), issued regarding a state high risk audit performed by the State Auditor under the authority granted by Government Code section 8546.5.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61007. State High Risk List.

“State high risk list” means a list of high-risk state agencies and statewide issues established by the State Auditor not less frequently than once every two years as provided by California Code of Regulations, title 2, section 61009, subdivision (a).

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61008. Statewide Issue.

“Statewide issue” means an issue related to the operation of California state government that entails risk of waste, fraud, abuse, or mismanagement or challenges associated with economy, efficiency, or effectiveness and involves two or more responsible state agencies.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

Subchapter 2. The State High Risk List

§ 61009. Establishment of a State High Risk List.

(a) Not less frequently than once every two years, the State Auditor shall establish a state high risk list consisting of state agencies, including particular programs or mission areas within

state agencies, and statewide issues that the State Auditor determines to be at high risk for waste, fraud, abuse, or mismanagement or for major challenges associated with their economy, efficiency, or effectiveness.

(b) The purpose of every state high risk list established under subdivision (a) of this section shall be to focus attention on state programs, state operations, and statewide issues that are in urgent need of attention and transformation because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement and to bring improvements that will help ensure state government functions more economically, efficiently, and effectively.

(c) It shall be the objective of the State Auditor, after placing a state agency or statewide issue on a state high risk list, to promote sufficient improvement in the operation and functioning of the agency or the State's response to the issue that the agency or issue no longer will be considered at high risk for waste, fraud, abuse, or mismanagement or for major challenges associated with its economy, efficiency, or effectiveness.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61010. Process for Establishing a State High Risk List.

(a) To establish a state high risk list, the State Auditor shall perform an assessment to determine the state agencies and statewide issues that should appear on the list.

(b) If the State Auditor previously identified a state agency or statewide issue as being high risk, the State Auditor shall determine, as part of the assessment for establishing a new state high risk list, whether the previously identified agency or issue should appear on the new list.

(c) State agencies and statewide issues appearing on a state high risk list that is being succeeded by the establishment of a new state high risk list shall be carried forward to the new list unless the State Auditor determines, based on the assessment performed for establishing the new list, that particular agencies or issues appearing on the list satisfy the criteria set forth in California Code of Regulations, title 2, section 61012 for removal from the new list.

(d) The description of a state agency or statewide issue previously identified as high risk may be modified when the agency or issue is carried forward to a succeeding state high risk list if the State Auditor determines, based on the assessment performed for establishing the new list, that a modified description more accurately reflects the current assessment of risk.

(e) State agencies, including particular programs or mission areas within state agencies, and statewide issues may be added when establishing a new state high risk list provided the State Auditor determines that the state agencies and statewide issues satisfy the criteria set forth in California Code of Regulations, title 2, section 61013 for addition to the new list.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61011. High Risk Assessment.

(a) When making an assessment to determine the state agencies and statewide issues that should appear on a new state high risk list, the State Auditor shall gather information to conduct the assessment. The State Auditor shall gather information from the State Auditor's past audit and investigative reports and may consult with state oversight agencies as provided in Government Code section 8546.5, subdivision (b). In addition, the State Auditor may obtain information from any other sources the State Auditor believes can provide information that would be helpful to the assessment, including information from the state agencies suspected of being high risk or potentially having some responsibility for a statewide issue suspected of being high risk. The State Auditor also shall accept information from government officials and members of the public.

(b) To obtain information for the purpose of making an assessment, the State Auditor may, among other efforts, request:

- (1) Access to or copies of state government documents;
- (2) Answers to written questions submitted to state agency officials;

(3) Interviews with persons in state government, including state officials, employees, and consultants having knowledge about the agencies or statewide issues being assessed; and

(4) Interviews with persons outside state government, including subject matter experts and members of the public having knowledge about the state agencies or statewide issues being assessed.

(c) While performing an assessment, the State Auditor shall maintain communication with the state agencies suspected of being high risk or potentially having some responsibility for a statewide issue suspected of being high risk to keep them apprised of the likely results of the assessment.

(d) Based on the information gathered as part of the high risk assessment performed for the establishment of a new state high risk list, the State Auditor shall preliminarily determine:

(1) The state agencies and statewide issues previously designated as being high risk that should not be included on the new state high risk list;

(2) The state agencies and statewide issues that should be carried forward to the new state high risk list;

(3) The state agencies and statewide issues that should be added to the new state high risk list; and

(4) The state agencies that should be considered responsible state agencies for the statewide issues that should appear on the new state high risk list.

(e) Upon preliminarily determining the state agencies and statewide issues that should appear on a new state high risk list, the State Auditor shall issue a notice to the state agencies preliminarily determined to be high risk and to the state agencies considered by the State Auditor to be responsible state agencies for the statewide issues preliminarily determined to be high risk.

(1) The notice issued to a state agency preliminarily determined to be high risk shall contain:

(A) A statement declaring the State Auditor's preliminary determination that the state agency, or a particular program or mission area within the state agency, is or remains high risk;

(B) A description of the basis for the preliminary determination that the state agency, program, or mission area is or remains high risk;

(C) An invitation for the state agency to provide the State Auditor with any information bearing on the criteria stated in California Code of Regulations, title 2, sections 61012 through 61015~~6~~ supporting a determination that the agency, program, or mission area is not or no longer remains high risk; and

(D) A deadline of five (5) business days from the issuance of the notice for the state agency to provide a response to the notice.

(2) The notice issued to a state agency considered by the State Auditor to be a responsible state agency for a statewide issue that the State Auditor has preliminarily determined to be or to remain high risk shall contain:

(A) A statement of the statewide issue the State Auditor preliminarily has determined to be or to remain high risk;

(B) A description of the basis for the preliminary determination that the statewide issue is or remains high risk;

(C) A statement of the basis for considering the state agency to be a responsible state agency for the statewide issue;

(D) An invitation for the state agency to provide the State Auditor with any information bearing on the criteria stated in California Code of Regulations, title 2, sections 61012 through 61015~~6~~ supporting a determination that the statewide issue is not or no longer remains high risk or the state agency should not or should no longer be considered a responsible state agency for the statewide issue; and

(E) A deadline of five (5) business days from the issuance of the notice for the state agency to provide a response to the notice.

(f) Upon preliminarily determining the state agencies and statewide issues previously designated as being high risk that should not be included on the new state high risk list, the State Auditor shall issue a notice to the previously-designated state agencies and the responsible state agencies for the previously-designated statewide issues to advise them of the State Auditor's

preliminary determination and invite them to raise any objection they may have to the State Auditor removing the agency or statewide issue from the state high risk list.

(g) After considering the responses provided by state agencies to the notices described in subdivisions (e)(1)(C) and ~~(e)(2)(D)~~ of this regulation, the State Auditor shall make a final determination of the state agencies and statewide issues that will be included in the new state high risk list and the state agencies that will be considered responsible state agencies for the statewide issues appearing on the list.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61012. Criteria for Determining a State Agency or Statewide Issue No Longer Is High Risk.

(a) A state agency or statewide issue previously identified by the State Auditor as high risk shall be removed from the state high risk list if, based on an assessment, the State Auditor determines that significant progress has been made toward eliminating the basis on which the state agency or statewide issue was identified as high risk.

(b) The State Auditor may determine that significant progress has been made toward eliminating the basis on which a state agency or statewide issue was identified as high risk if, in the professional judgment of the State Auditor, either of the following has occurred:

(1) There has been a change in circumstances since the state agency or statewide issue was identified as high risk such that the identified risk of waste, fraud, abuse, or mismanagement or for major challenges associated with economy, efficiency, or effectiveness no longer present a substantial risk of serious detriment to the State or its residents.

(2) The state agency or the responsible state agencies for a statewide issue have taken sufficient corrective actions regarding the identified risk to prevent the risk from continuing to present a substantial risk of serious detriment to the State or its residents.

(c) A state agency or the responsible agencies for a statewide issue shall have taken sufficient corrective actions upon substantial compliance with the following criteria:

(1) Demonstrating a strong commitment to controlling or eliminating the risk.

(2) Developing the capacity (through the commitment of staff and other resources) to control or eliminate the risk.

(3) Adopting a corrective action plan to control or eliminate the risk that:

(A) Defines the root causes of the risk;

(B) Identifies effective measures for eliminating the root causes of the risk; and

(C) Incorporates the corrective actions recommended by the State Auditor.

(4) Instituting a program to monitor and validate the effectiveness and sustainability of all corrective actions.

(5) Demonstrating convincingly, through the corrective actions already taken, that all remaining corrective actions, as specified in the corrective action plan, will be completed promptly.

(d) In unusual cases, even though a state agency or statewide issue remains high risk, the State Auditor may remove a state agency or statewide issue from the state high risk list when the State Auditor concludes, following an assessment, that the risk presented by the agency or statewide issue is not likely to be reduced by performing additional audit work.

(e) After removing a state agency or statewide issue from the state high risk list, the State Auditor shall maintain an awareness of the state agency or statewide issue and may perform a re-assessment of the agency or issue as part of the State Auditor's regular assessment of potential high-risk state agencies and statewide issues for the purpose of amending an existing state high risk list or establishing a new state high risk list. If the State Auditor determines, through application of the criteria set forth in California Code of Regulations, title 2, section 61013, that the removed state agency or statewide issue once again is deserving of being identified as high risk, the State Auditor may return the agency or issue to the state high risk list as provided by California Code of Regulations, title 2, section 61014, subdivisions (e) and (g).

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61013. Criteria for Determining a State Agency or Statewide Issue Is High Risk.

(a) A state agency is high risk, and therefore may be added to the state high risk list if, in the professional judgment of the State Auditor, the agency is at risk of suffering waste, fraud, abuse, or mismanagement or major challenges associated with its economy, efficiency, or effectiveness under circumstances that cause the risk to be high because all four of the following conditions are present:

(1) The waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness that is being risked may result in serious detriment to the State or its residents;

(2) The likelihood of the waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness causing serious detriment to the State or its residents is great enough, when compared with the level of serious detriment that may result, for there to be substantial risk of serious detriment to the State or its residents;

(3) The agency is not taking adequate corrective actions to prevent the risk of waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness from continuing to present a substantial risk of serious detriment to the State or its residents; and

(4) The substantial risk of serious detriment to the State or its residents may be reduced significantly by the State Auditor auditing the state agency and issuing recommendations that are implemented to control or eliminate the causes for the state agency being identified as high risk.

(b) A statewide issue is high risk, and therefore may be added to the state high risk list if, in the professional judgment of the State Auditor, the issue is at risk of producing waste, fraud, abuse, or mismanagement or major challenges associated with economy, efficiency, or effectiveness under circumstances that cause the risk to be high and make two or more responsible state agencies a proper subject for auditing because all four of the following conditions are present:

(1) The waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness that is being risked in connection with the issue may result in serious detriment to the State or its residents;

(2) The likelihood of the waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness causing serious determinant to the State or its residents is great enough, when compared with the level of serious detriment that may result, for there to be substantial risk of serious detriment to the State or its residents;

(3) The responsible state agencies are not taking adequate corrective actions to prevent the waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness from continuing to present a substantial risk of serious detriment to the State or its residents; and

(4) The substantial risk of serious detriment to the State or its residents may be reduced significantly by the State Auditor auditing the responsible state agencies and issuing recommendations to control or eliminate the causes for the statewide issue being identified as high risk.

(c) A state agency shall be considered a responsible state agency for a statewide issue if, in the professional judgment of the State Auditor, the state agency is responsible for a portion of a statewide issue or could be tasked with responsibility for resolving a portion of a statewide issue.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61014. Criteria for Evaluating Risk of Serious Detriment.

(a) In assessing whether the waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness being risked by a state agency or a statewide issue may result in serious detriment to the State or its residents, the State Auditor shall consider whether any or all of the following circumstances may result:

(1) Loss of life, significant injury, or a broad reduction in residents' overall health or safety.

(2) Impairment of the delivery of important government services.

(3) Significant reduction in the overall effectiveness or efficiency of a state government program.

(4) Undermining of California's economic stability and growth.

(5) Impingement of citizens' rights, including their right to privacy.

(6) Widespread damage to public confidence in California government.

(7) Manipulation, misuse, or unauthorized disclosure of sensitive information, including sensitive data maintained in a state computer system.

(8) Reduction in the value of state assets or revenues or an increase in state liabilities or expenses, including improper payments, that significantly affects the State's finances.

(b) An assessment by the State Auditor that any of the circumstances listed in subdivision (a) of this section may result from the risk associated with a state agency or statewide issue shall constitute sufficient grounds for a determination that serious detriment may result from the risk.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61015. Criteria for Evaluating Substantial Risk.

(a) In assessing whether the likelihood of the waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness being risked by a state agency or a statewide issue is great enough, when compared with the level of serious detriment that may result, for there to be substantial risk of serious detriment to the State or its residents, the State Auditor shall consider whether:

(1) The waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness already is resulting in serious detriment to the State or its residents.

(2) The waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness currently is resulting in detriment to the State or its residents and the amount of detriment is escalating such that it is likely to rise to a level of serious detriment to the State or its residents.

(3) A change of circumstances challenging existing state agency controls against waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness is likely to occur and the likely result of that occurrence will be serious detriment to the State or its residents.

(b) An assessment by the State Auditor that any of the circumstances listed in subdivision (a) of this section is applicable to a state agency or statewide issue shall be sufficient grounds for a determination that the agency or issue presents a substantial risk of serious detriment to the State or its residents.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61016. Criteria for Evaluating the Adequacy of Corrective Actions.

(a) In assessing whether a state agency or the responsible state agencies for a statewide issue have taken adequate corrective actions to prevent a risk of waste, fraud, abuse, or mismanagement or impaired economy, efficiency, or effectiveness from presenting a substantial risk of serious detriment to the State or its residents, the State Auditor shall consider whether the state agency or responsible state agencies have:

(1) Demonstrated a strong commitment to controlling or eliminating the risk;

(2) Adopted an appropriate action plan for controlling or eliminating the risk;

(3) Made significant progress, through actions already taken, to control or eliminate the risk;
and

(4) Demonstrated convincingly, through the corrective actions already taken, that the remaining planned actions will be completed promptly.

(b) An assessment by the State Auditor that a state agency or the responsible state agencies for a statewide issue have not satisfied adequately all four of the criteria listed in subdivision (a) of this section shall be sufficient grounds for a determination that the state agency or responsible state agencies have not taken adequate corrective actions to prevent the state agency or statewide issue from presenting a substantial risk of serious detriment to the State or its residents and thus avoid identification as high risk.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61017. Issuance of the State High Risk List.

(a) Upon establishing a new state high risk list, the State Auditor shall issue the list with an accompanying report that explains the composition of the list.

(b) The state high risk list shall contain, at a minimum:

(1) The name of every state agency or particular program or mission area within a state agency that the State Auditor has identified as high risk.

(2) A simple statement describing every statewide issue that the State Auditor has identified as high risk.

(3) The name of every state agency the State Auditor has identified as a responsible state agency for a high-risk statewide issue.

(4) The date that each state agency and statewide issue originally was placed on the state high risk list.

(c) The report accompanying the high risk list shall contain, at a minimum:

(1) The justification for removing from the new state high risk list any state agency or statewide issue that appeared on the immediately preceding state high risk list;

(2) The justification for carrying forward to the new state high risk list the state agencies and statewide issues that appeared on the immediately preceding state high risk list;

(3) The reason for modifying the description of a state agency or statewide issue that appeared on the immediately preceding state high risk list when it was carried forward to the new state high risk list;

(4) The basis for adding any state agency or statewide issue to the new state high risk list;

(5) The basis for identifying certain state agencies as being the responsible state agencies for the statewide issues appearing on the new state high risk list;

(6) The perspective of each state agency regarding its designation as high risk or as a responsible state agency for a statewide high-risk issue; and

(7) The history, purpose, and operation of the State High-Risk Government Agency Audit Program.

(d) The state high risk list and accompanying report shall be published in the same manner that the State Auditor publishes audit reports directed by the Joint Legislative Audit Committee.

(e) The State Auditor shall deliver a copy of the state high risk list and accompanying report to the Members of the Joint Legislative Audit Committee in satisfaction of the notice requirement set forth in Government Code section 8546.5, subdivision (c). The State Auditor also shall deliver a copy of the list and report to the Milton Marks Commission on California Government Organization and Economy, the Legislature, appropriate committees or subcommittees of the Legislature, and the Governor.

(f) Upon distributing the state high risk list and accompanying report to the parties listed in subdivision (e) of this section, the State Auditor shall make the list and report available to the public, including by posting the report and the list on the State Auditor's website.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61018. Amending the State High Risk List.

(a) At any time after establishing a new state high risk list, the State Auditor may amend the list to add a state agency or statewide issue to the list if the State Auditor determines:

(1) The state agency or statewide issue is high risk based on an assessment performed in accordance with California Code of Regulations, title 2, section 61011; and

(2) The state agency or statewide issue is in urgent need of attention and transformation prior to the establishment of a new state high risk list because of its greater vulnerabilities to fraud, waste, abuse, or mismanagement.

(b) Upon amending the state high risk list to add a state agency, the State Auditor shall issue the amended list with an accompanying report about the amendment that explains:

(1) Why the state high risk list was amended to add the agency or a particular program or mission area within the agency;

(2) The perspective of the state agency regarding its addition to the high risk list; and

(3) The history, purpose, and operation of the State High-Risk Government Agency Audit Program.

(c) Upon amending the state high risk list to add a statewide issue, the State Auditor shall issue the amended list with an accompanying report about the amendment that explains:

(1) Why the state high risk list was amended to add the statewide issue;

(2) Why the state agencies identified as being responsible state agencies for the statewide issue were identified as responsible state agencies;

(3) The perspective of the responsible state agencies regarding designation of the statewide issue as high-risk and being designated as responsible state agencies for the statewide issue; and

(4) The history, purpose, and operation of the State High-Risk Government Agency Audit Program.

(d) The amended state high risk list and accompanying report shall be published, distributed, and made available in the same manner as a report regarding a new state high risk list, as described in California Code of Regulations, title 2, section 61017, subdivisions (d) through (f).

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

Subchapter 3. State High Risk Auditing, Reporting, and Follow-up

§ 61019. State High Risk Audit Planning.

(a) After establishing a new state high risk list, the State Auditor shall establish a tentative plan for performing audits regarding state agencies and statewide issues appearing on the state high risk list. The tentative state high risk audit plan shall, at a minimum, include:

(1) A listing of the state high risk audits the State Auditor expects to perform regarding the state agencies and statewide issues appearing on the state high risk list prior to establishing the next new state high risk list; and

(2) A brief description of the purpose of each tentatively-scheduled state high risk audit.

(b) Not less frequently than once after each meeting of the Joint Legislative Audit Committee at which the State Auditor's Office is directed by the committee to perform additional audit work, the State Auditor shall re-evaluate the tentative state high risk audit plan and adjust the plan based on the projected workload and resources of the State Auditor's Office during the period until the next new state high risk list is established.

(c) The State Auditor shall keep posted on the State Auditor's website the latest version of the tentative state high risk audit plan.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61020. Compliance with Auditing Standards.

Whenever the State Auditor performs a state high risk audit, the audit shall be performed in accordance with the "Government Auditing Standards" published by the Comptroller General of the United States.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61021. Powers and Responsibilities.

(a) The powers of the State Auditor in connection with a state high risk audit shall be the same as for other audits directed by statute or the Joint Legislative Audit Committee, including the power to examine and reproduce state agency records, administer oaths, certify to official acts, and issue subpoenas as provided in Government Code sections 8545.2 and 8545.4.

(b) In connection with the performance of state high risk audits, the State Auditor, employees and former employees of the State Auditor's Office, and persons working or having performed work related to a contract with the State Auditor's Office shall be subject to the restrictions and liabilities specified in Government Code sections 8545, 8545.1, and 8545.3.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61022. Preparation of State High Risk Audit Reports.

(a) In connection with performing any state high risk audit, the State Auditor shall prepare a report regarding the audit that at a minimum contains:

(1) The objectives, scope, and methodology of the audit;

(2) The audit results, including findings and conclusions;

(3) Recommendations for improvements to the high-risk state agency or statewide issue that are aimed at controlling or eliminating the causes for the state agency or statewide issue being identified as high risk; and

(4) A copy or summary of the response of the audited state agency or agencies to the results and recommendations contained in the audit report with an evaluation of the response.

(b) Prior to issuing a state high risk audit report, the State Auditor shall deliver a draft of the audit report to each audited state agency to obtain the state agency's response to the results and recommendations of the audit. Upon receiving this draft copy of the report, the audited state agency shall treat the content of the report as confidential and shall not disclose any information in the report to the public.

(c) Within five (5) business days of delivering a draft of the state high risk audit report to an audited state agency, as provided in subdivision (b) of this section, the state agency shall provide a response to the results and recommendations of the audit.

(d) Based on information contained in the response of each audited state agency, as provided in subdivision (c) of this section, the State Auditor may revise the content of the draft state high risk audit report prior to its issuance. The State Auditor also may add to the issued report a rebuttal or other comments regarding a response provided by an audited state agency.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61023. Issuance of State High Risk Audit Reports.

(a) State high risk audit reports shall be issued by publication in the same manner that the State Auditor publishes audit reports directed by the Joint Legislative Audit Committee.

(b) At the time of issuing a state high risk audit report, the State Auditor shall deliver a copy of the audit report to each audited state agency, the Members of the Joint Legislative Audit Committee, the Milton Marks Commission on California Government Organization and Economy, the Legislature, appropriate committees or subcommittees of the Legislature, and the Governor.

(c) Upon distributing a state high risk audit report to the parties listed in subdivision (b) of this section, the State Auditor shall make the audit report available to the public, including by posting the report on the State Auditor's website.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.

§ 61024. Agency Progress Reports on Implementing Recommendations.

(a) Following the issuance of a state high risk audit report, each audited state agency shall make periodic reports to the State Auditor, as provided by Government Code section 8546.5, describing the actions the agency has taken or intends to take to implement each of the State Auditor's recommendations. The periodic reports regarding each recommendation shall be delivered to the State Auditor every ninety (90) days after the state high risk audit report is issued unless the State Auditor advises the audited state agency that further reporting regarding a recommendation no longer is required because:

(1) The recommendation has been implemented fully by the audited state agency;

(2) The State Auditor has determined that implementation of the recommendation no longer is practical as a result of a change in circumstances after the recommendation was made; or

(3) The audited state agency has reported unequivocally to the State Auditor that it will not implement the recommendation.

(b) The State Auditor may request that an audited state agency provide evidence to support any information or analysis provided in a periodic report to the State Auditor regarding its actions or intended actions to implement a recommendation.

(c) Information regarding the reports provided to the State Auditor by an audited state agency regarding its implementation of the State Auditor's recommendations shall be posted on the State Auditor's website.

(d) Whenever an audited state agency has not implemented fully a recommendation within one year of the recommendation being made in a state high risk audit report, the State Auditor may report on this failure to implement the recommendation in the annual report that the State Auditor issues pursuant to Government Code section 8548.9.

NOTE: Authority cited: Section 8546, Government Code. Reference: Section 8546.5, Government Code.