



## High Risk

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

### ***Background***

With nearly \$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 2017 update, the State Auditor removes two issues—the State's budget condition and electricity infrastructure—from our list and presents the status of issues and select agencies previously listed.

### ***Key Review Results***

Although the State has made some progress in addressing high-risk issues and challenges previously reported, issues and challenges continue and thus, the following remain on our high-risk list:

- The State's infrastructure—transportation systems and flood control systems—is aging and deteriorating and water supply issues persist. It is too early to determine if changes in laws will fully address funding shortfalls.
- Oversight of the State's Information Technology (IT) and information security continues to challenge the State with 26 medium and high criticality IT projects under development and persistent deficiencies in information system controls.
- Education—Kindergarten through Grade 12 (K–12) and higher education—remains high-risk because of gaps in oversight for K–12 education and access and affordability issues at California's public university systems.
- Fiscal issues related to pension liabilities and other postemployment benefits remains high risk. The estimated unfunded liability related to California State Teachers' pension does not begin to decrease until fiscal year 2029–30, and the State's total accrued liability for all retiree health benefits that will be paid in the future has grown from \$63.8 billion to \$76.7 billion in four years.
- As the percentage of employees approaching retirement age remains high, the State continues to face challenges related to its workforce and succession planning.
- Four departments—The California Department of Corrections and Rehabilitation, Covered California, California Department of Health Care Services, and California Department of Public Health—have not addressed recommendations related to concerns with various systems or processes that could affect public health and safety.