

## The California State Auditor's

## High Risk Local Government Audit Process

The California State Auditor's Office conducts its work adhering to strict industry standards. All audits are conducted independently and free of conflict of interest or impairment. Internal quality controls ensure that fieldwork and reporting standards are followed and all staff are professionally trained and required to meet continuing education requirements.

The following flowchart outlines the protocols the California State Auditor will follow to determine whether a local government agency is at high risk, as authorized in the Government Code section 8546.10.



Using publicly available information, make initial identification that the local agency is potentially at high risk.



Establish formal contact with local agency, and notify the agency of the initial concerns.



Hold an entrance conference to discuss the risk factors and anticipated time frames for our analysis.



Visit local agency to gather information and relevant documents, including the agency's perspective regarding areas of concern—in most cases, the initial assessment takes five days over a two to three week period.



Hold an initial assessment closeout meeting with the agency's management to discuss whether we still believe the agency is potentially at high risk, and if so, the factors that led us to that conclusion. Provide a draft copy of our initial assessment; the agency will have an opportunity to provide its written perspective on any areas of concern. (If we no longer believe the agency is at risk, write exit letter and close down work.)



Submit an audit proposal to the Joint Legislative Audit Committee (JLAC) that includes the identified risk factors, the agency's written perspective on those risks, a general description of the work we plan to perform, and an estimated budget.



If JLAC approves the audit, return to the local agency to conduct an audit. During that time, consistently brief auditee as issues are noted and developed to ensure understanding and provide the auditee an opportunity to respond. This could take from a few weeks to a few months.



Hold an exit conference to discuss our determination of whether the agency is high risk, the factors that led us to that conclusion, our recommendations, and our draft report.



Review the corrective action plan developed by local agency to ensure it is responsive to recommendations (if applicable).



Provide a confidential draft copy of the report to the local agency; the agency has five days to provide a written response which should contain its initial corrective action plan (if applicable). This response is included in the final audit report when issued to the public.

If the local agency is designated as high risk, it must provide written updates regarding its progress implementing its corrective action plan every six months after the report is issued. We will remove the high-risk designation when the agency has taken satisfactory corrective action.