

## Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed and evaluated the laws, rules, and regulations significant to the audit objectives.</p>
<p>2 Identify the amount of Proposition 56 funds collected and distributed to each state entity for fiscal years 2021–22 and 2022–23.</p>	<ul style="list-style-type: none"> <li>• Reviewed Tax and Fee Administration’s Open Data Portal to determine the amount of Proposition 56 tax revenue collected in fiscal years 2021–22 and 2022–23.</li> <li>• Used allocation provisions within Proposition 56’s requirements and Tax and Fee Administration’s Open Data Portal to determine an expected amount of Proposition 56 tax revenue for each entity and program that should receive Proposition 56 allocations for each year.</li> <li>• Reviewed the State Controller’s fiscal year 2021–22 and 2022–23 Agency Reconciliation Reports for the tobacco tax fund and compared the amounts transferred to each entity’s program fund to the allocation as prescribed in state law.               <ul style="list-style-type: none"> <li>- We found that all entities received amounts that aligned with the allocations prescribed in state law.</li> </ul> </li> </ul>
<p>3 Determine whether each state entity that receives tobacco tax funds used the appropriate amount of administrative funds as specified in state law during fiscal years 2021–22 and 2022–23.</p>	<ul style="list-style-type: none"> <li>• Collected each entity’s expenditure records for both fiscal years.</li> <li>• Confirmed the accuracy of the records by comparing totals to comparable data maintained by the State Controller.               <ul style="list-style-type: none"> <li>- We were not able to compare UC’s expenditure records to the State Controller’s records for reasons specified in the <a href="#">assessment of data reliability section</a> described later in this appendix.</li> </ul> </li> <li>• Totaled the expenditures that met criteria established in the California Code of Regulations for each entity’s administrative costs.</li> <li>• Evaluated whether the administrative cost totals that we determined exceeded 5 percent of the amounts that we identified that each entity was allocated as part of our work for Objective 2.</li> </ul>
<p>4 Determine whether each entity published on its website the appropriate amount of tax revenue it received and how it spent the money in fiscal years 2021–22 and 2022– 23 and whether each state agency or department posted on its social media accounts that those annual accountings were available.</p>	<ul style="list-style-type: none"> <li>• Reviewed each entity’s online reporting for both fiscal years to identify the following: when the entity reported the information; the amount that the entity reported that it received; and the amount that the entity reported was spent.</li> <li>• Evaluated reporting records to determine whether the entities reported the information within six months of the end of each fiscal year.</li> <li>• Compared the amounts each entity reported as received to the State Controller’s amounts we identified as part of our work for Objective 2.</li> <li>• Compared the amounts each entity reported that it spent to the State Controller’s expenditure records, when possible, and to the entity’s internal records otherwise.               <ul style="list-style-type: none"> <li>- We were not able to compare UC’s expenditure records to the State Controller’s records for reasons specified in the <a href="#">assessment of data reliability section</a> described later in this appendix.</li> </ul> </li> <li>• Interviewed entity staff to understand each entity’s accounting and reporting practices.</li> <li>• Interviewed entity staff and reviewed documentation to determine whether the information was posted to social media which state law requires if the entity deems it appropriate.               <ul style="list-style-type: none"> <li>- We found that Education and Tax and Fee Administration posted the information to social media.</li> <li>- The other four entities determined that it was not necessary to post their information to social media.</li> </ul> </li> </ul>

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AUDIT OBJECTIVE	METHOD
<p>5 For its Proposition 56 funded programs, review and assess how Public Health ensures that it uses the funds for appropriate purposes, including any oversight of the funds.</p>	<ul style="list-style-type: none"> <li>• Identified areas of risk for each program by comparing Public Health's policies and procedures that guide its OHP, TCP, and STAKE programs in their use of Proposition 56 funding to government program management best practices established in the U.S. Government Accountability Office's Standards for Internal Control in the Federal Government.</li> <li>• Determined gaps between Public Health's policies and the best practices that would constitute areas of risk for our testing.</li> <li>• Identified policy and procedure measures to test for program compliance.</li> <li>• Judgmentally selected 20 agreements for the TCP and the OHP that each program initiated or otherwise funded during fiscal years 2021–22 and 2022–23 to test for compliance to each program's practices or policies and for compliance with contract management best practices.</li> <li>• Because Public Health primarily used its STAKE funds for state enforcement efforts rather than for local grants, we evaluated whether these state enforcement activities aligned with the allowable purposes in Proposition 56.             <ul style="list-style-type: none"> <li>- Judgmentally selected 10 STAKE investigation reports to which Public Health allocated Proposition 56 funding. Specifically, selected five investigation reports from haphazardly selected weeks in each of the fiscal years 2021–22 and 2022–23, across which we observed evidence that STAKE completed an average of 50 investigation reports associated with Proposition 56 funding per week.</li> <li>- We selected a sample size of 10 reports for STAKE because, of the three Public Health programs to which Proposition 56 allocates funding, STAKE receives a much smaller amount compared to the amounts the other two programs receive, and because we assessed the risk of STAKE's noncompliance with the requirements in Proposition 56 as low given that the STAKE Act indicates that Public Health is responsible for enforcing the STAKE Act and Proposition 56 indicates that STAKE may use its funding toward STAKE Act enforcement.</li> <li>- Evaluated the selected STAKE investigation reports to ensure that the work that the staff performed during their enforcement activities was in alignment with Proposition 56 requirements.</li> </ul> </li> </ul>

Source: Audit workpapers.