



STATE OF CALIFORNIA
OFFICE OF THE ATTORNEY GENERAL
JAMES M. HUMES
CHIEF DEPUTY ATTORNEY GENERAL

December 8, 2009

Michael C. Genest, Director
Department of Finance
FISMAhotline@dof.ca.gov

Re: Review of the Systems of Internal Control

Dear Mr. Genest:

In accordance with the Financial Integrity and State Managers Accountability Act of 1983, Government Code sections 13400 through 13407, I am submitting the enclosed report describing the review of the California Department of Justice (DOJ) systems of internal control for the biennial period ending June 30, 2009.

As statutorily required, the DOJ is in compliance with Government Code section 12439. In addition, the DOJ monitors all positions to ensure that any positions that fall under section 12439 are appropriately abolished.

Sincerely,

JAMES M. HUMES
Chief Deputy Attorney General

Enclosure

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cc: Governor Arnold Schwarzenegger
Office of the Governor
State Capitol Building
Sacramento, CA 95814
Attention: Scott Reid

Joint Legislative Audit Committee
Katarina.Tarr@asm.ca.gov

Bureau of State Audits
MargaritaF@bsa.ca.gov

State Library
RFontaine@library.ca.gov

FISMA REPORT 2009
CALIFORNIA DEPARTMENT OF JUSTICE
ORGANIZATION CODE: 0820

INTRODUCTION

In accordance with the Financial Integrity and State Managers Accountability (FISMA) Act of 1983, the California Department of Justice (DOJ) submits this report on the review of its systems of internal control for the biennial period ending December 31, 2009.

If you have any questions please contact:

Andrew J. Kraus III, CPA
Director, Office of Program Review and Audits
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Andy.Kraus@doj.ca.gov

BACKGROUND

The Attorney General is elected on a statewide basis to serve as the chief law officer of California. It is the duty of the Attorney General to see that the laws of the state are uniformly and adequately enforced (California Constitution, Article V, Section 13). The Attorney General carries out responsibilities of the office through the diverse programs of the DOJ.

The Attorney General represents the people of California in civil and criminal matters before trial courts, appellate courts and the supreme courts of California and the United States by providing skillful and efficient legal services. The Attorney General also serves as legal counsel to state officers and, with few exceptions, to state agencies, boards and commissions. Exceptions to the centralized legal work done on behalf of the state are listed in Section 11041 of the Government Code.

The Attorney General also assists district attorneys, local law enforcement, and federal and international criminal justice agencies in the administration of justice. To support California's law enforcement community, the Attorney General coordinates statewide narcotics enforcement efforts, participates in criminal investigations and provides forensic science services, identification and information services and telecommunication support.

In addition, the Attorney General establishes and operates projects and programs to protect Californians from fraudulent, unfair, and illegal activities that victimize consumers or threaten public safety. The Attorney General also enforces laws that safeguard the environment and natural resources.

Under the state Constitution, the Attorney General is elected to a four-year term in the same statewide election as the Governor, Lieutenant Governor, Controller, Treasurer, Superintendent of Public Instruction, Secretary of State, and Insurance Commissioner.

VACANT POSITIONS

The DOJ is in compliance with Government Code section 12439, and the DOJ monitors positions to ensure that any positions that fall under this section are appropriately abolished.

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RISK ASSESSMENT

In conducting its examination, the Office of Program Review and Audits (OPRA) used the 2008 edition of the *Audit Guide for the Evaluation of Internal Control*, published by the California Department of Finance (DOF). The audit was a continuous monitoring of operational processes to ensure the: 1) safeguarding of assets; 2) economical and efficient operations; 3) reliability and integrity of information systems; and 4) compliance with governing laws, rules and policies.

The OPRA performed a department-wide risk assessment to gain an understanding of the DOJ's mission and critical functions. This risk assessment identified and evaluated the threats and/or risks that could impede the DOJ's achievement of its objectives. An evaluation tool was created and provided to each DOJ division to identify their organizational activities, business processes and practices, and information and data that are critical to their mission in the DOJ. Each division's responses were reviewed and evaluated in order to assess each division's risk of not achieving their mission and critical functions.

The OPRA focused on DOJ operational processes perceived as high risk areas for: 1) potential loss of agency assets and 2) breach of critical information, which is where its greatest vulnerability lies due to the reliance that is placed on information provided to DOJ staff as well as outside agencies. The OPRA determined the procedures in use, assessed internal controls for adequacy and effectiveness, and interviewed key departmental staff. The tests of adequacy and effectiveness of internal controls varied with the risks involved and were judgmental, focusing on more current activity rather than compiling a summary of past results. The degree of review on prior audit conditions varied with the respective potential risk and the level of control weakness.

A follow-up evaluation of controls was conducted where appropriate, and recommendations were made to address risk and control issues. The risks or issues and related recommendations do not necessarily constitute control deficiencies but rather are enhancements to activities designed to achieve the DOJ's mission and goals.

Attached is a listing of audits performed by both external audit agencies and the OPRA. For those reports that contained audit findings, none were considered to be a risk to the DOJ.

EVALUATION OF RISKS AND CONTROLS

Issue #1:

DOJ has a central departmental office location in Sacramento but also has field offices located around the State that manage their individual investigative funds, fixed assets, revolving funds, etc. Due to geographic distance, travel constraints due to budget considerations, etc. these offices may not be physically visited and monitored by DOJ Division of Administrative Support (DAS) and OPRA staff on the same level as the central office.

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Corrective Action #1:

- 1) DAS Accounting staff has conducted on-site cashiering training of field office staff and will continue to provide this training in the future. OPRA staff will continue to accompany DAS staff in training and will provide technical assistance.
- 2) DAS Management Analysis and Policy Development (MAPD) staff has conducted, and will continue to conduct, asset physical inventory procedures with field office staff to confirm asset existence, proper state decal tagging of assets, proper recording of assets, etc. OPRA staff has accompanied MAPD staff in observing these procedures and in providing technical assistance, and will continue to do so in the future.
- 3) OPRA staff has performed on-site reviews of proper physical security over investigative funds at selected field offices, as well as internal control reviews of investigative fund procedures, and will continue to perform more of these reviews in the future.

Issue #2:

The Accounting Information System (AIS) is a highly customized accounting information system developed by DOJ in 1978 for the DAS Accounting Office using an old programming language (COBOL) that has not been used in the industry for more than a decade. Locating programmers with the skills needed to program and maintain the accounting system to ensure it functions properly is becoming increasingly difficult and consequently sets respective risk concerns in the areas of adequate staff training and access control privileges.

The DOJ is currently a Wave 1 department in the Financial Information System for California (FI\$Cal) project in order to address the need for a new accounting system. However, in its analysis of the 2009-10 Budget Bill, the Legislative Analyst's Office raised concerns about the size and complexity of the FI\$Cal project, suggesting that the scope of the project be reduced and consider delaying initial project milestones in order to reduce costs and mitigate project risk. A reduction in the scope of the project and any delays will likely have an adverse impact on implementation of Wave I departments, such as the DOJ.

Corrective Action #2:

Due to the uncertainty of FI\$Cal funding, scope and continued delays of the project, the DOJ may need to consider other options, such as possibly withdrawing from Wave 1 participation and pursuing funding through a Budget Change Proposal in order to purchase a new system.

CONCLUSION

Except as identified above, the OPRA found that the DOJ's internal controls are adequate with regard to its: 1) safeguarding of assets; 2) economical and efficient operations; 3) reliability and integrity of information systems; and 4) compliance with governing laws, rules and policies.

EXTERNAL AUDITS

Report Date	External Auditing Agency – DOJ Program Audited
February 2009	Department of Motor Vehicles - Employer Pull Notice Program Audit
November 2008	Bureau of State Audits (BSA) - Electronic Waste: Some State Agencies Have Discarded Their Electronic Waste Improperly, While State and Local Oversight Is Limited
April 2008	BSA - Sex Offender Placement: State Laws Are Not Always Clear, and No One Formally Assesses the Impact Sex Offender Placement Has on Local Communities
April 2008	BSA - Investigations of Improper Activities by State Employees: July 2007 Through December 2007
October 2009	Department of Finance (DOF) CalGang Systems Grant (FY 2007/08)
October 2009	DOF - High Technology Identification Theft Apprehension Program (FY 2007/08)
August 2009	DOF - High Technology Crime Database Grant (FY 2007/08)
PENDING	DOF - State Terrorism Threat Assessment Center (STTAC) (FY 2007/08)
January 2009	U.S. Department of Justice, Office of Inspector General – Convicted Offender DNA Backlog Grants Audit

OPRA AUDITS

Report Date	California Witness Relocation And Assistance Program County District Attorney's Office (Audit Period)
January 2009	Alameda County (July 1, 2004 – September 30, 2008)
January 2009	Contra Costa County (July 1, 2004 – September 30, 2008)
December 2008	Kern County (July 1, 2004 – September 30, 2008)
March 2009	Monterey County (July 1, 2004 – September 30, 2008)
April 2009	Orange County (July 1, 2004 – September 30, 2008)
March 2009	Sacramento County (July 1, 2004 – September 30, 2008)
May 2009	San Bernardino County (July 1, 2004 – September 30, 2008)
March 2009	San Francisco County (July 1, 2004 – September 30, 2008)
June 2008	Santa Cruz County (January 1, 2007 – February 29, 2008)
February 2009	Stanislaus County (July 1, 2004 – September 30, 2008)
April 2009	Ventura County (July 1, 2004 – September 30, 2008)