

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 4, 2011
POSITION: Neutral

BILL NUMBER: SB 617
AUTHOR: R. Calderon

BILL SUMMARY: State Government: Financial Accountability

This bill would continue to require state agencies to conduct effective, independent, and ongoing monitoring of their internal accounting and administrative controls. It would also require the Department of Finance (Finance) to establish, and modify as necessary, a framework of recommended practices to guide state agencies in conducting active ongoing monitoring of processes for internal accounting and administrative controls.

The amended bill eliminated the section that renames the Financial Integrity and State Manager's Accountability Act. It also deleted the provision that sunsets the reporting requirement by January 1, 2014.

FISCAL SUMMARY

Finance already provides general definitions and guidance to state agencies for ongoing monitoring of internal control within its Guidance for the Evaluation of Internal Control. Finance would continue to absorb this cost and for occasional updates to this guidance.

COMMENTS

Finance is neutral on this bill. Finance is supportive of the bill's intent to increase accountability for state agencies and maintain effective and efficient operation of systems of controls. However, Finance already performs the proposed requirements described in this bill as part of its statutory responsibilities within the Financial Integrity and State Manager's Accountability Act (FISMA).

FISMA stipulates that state agency and department heads are responsible for establishing and maintaining systems of internal controls within their organization. Finance is responsible for statewide monitoring and oversight of FISMA. Although not specifically stated in statute, Finance provides state agencies and departments with guidance to conduct ongoing monitoring of their internal accounting and administrative controls. Finance provides this service as part of its statutory requirement to establish a general framework to guide state agencies in evaluating their systems of internal controls.

In 2006, Finance amended its previous guidance to emphasize management's role and responsibilities for designing, implementing, operating, monitoring and changing, as warranted, an agency's system of internal control. The guidance and framework provided is an operational, risk-based approach, no longer focused solely on accounting controls but controls throughout the organization. Finance has expanded its role in FISMA to provide extensive training and consultation to departments to comply with the law. Additionally, Finance has developed procedures and processes to increase awareness of the law, increase participation in the FISMA process, and extensive review and monitoring of the reports and corrective action plans prepared and submitted by departments. Existing law does not have incentives to comply or penalties for noncompliance to the reporting requirement.

Finance is already carrying out FISMA responsibilities proposed by this bill.

Analyst/Principal (0861) D. Botelho Date Program Budget Manager Diana Ducay Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**AUTHOR**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	

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