



November 25, 2009

Mr. Kevin Masuhara, Director
California Department of Food and Agriculture
Division of Marketing Services
560 J Street, Suite 150
Sacramento, CA 95814

Dear Mr. Masuhara:

Management Letter—Review of California Department of Food and Agriculture, Marketing Branch’s Risk Assessment Model

The Department of Finance, Office of State Audits and Evaluations (Finance), reviewed the California Department of Food and Agriculture (CDFA), Marketing Branch’s risk assessment model. The review was performed under an interagency agreement between Finance and CDFA.

Background/Analysis

The CDFA Marketing Branch is responsible for the oversight of 55 marketing programs promoting over 350 California agricultural products. To provide oversight, CDFA staff is responsible for overseeing policy formulation, the annual budget process, and elections and referendums for each marketing program.

The CDFA has developed a risk assessment model identifying potential risks and the probability and impact of those risks. The risk assessment model is a series of matrices that categorizes risks into the following activities:

- Business and Finance
- Administration
- Human Resource Management
- Meetings
- Enforcement
- Elections, Hearings, and Voting
- Other Program Activities

For each risk listed, corresponding controls were identified that, if working as intended, would help mitigate the risk. CDFA staff is in the process of developing program—specific questions so that an understanding of the mitigating controls can be attained. Eventually, all marketing programs overseen by the CDFA will be evaluated based on the risk assessment model.

CDFA plans on using the risk assessment model to:

- Communicate areas of concern to CDFA executive management.
- Prioritize fiscal and compliance audits.
- Communicate results to CDFA's Audit Office.
- Prepare for annual or other pertinent meetings with marketing programs.
- Train marketing program liaisons.
- Ensure controls are in place to mitigate risks.
- Improve oversight consistency.
- Update internal policy manuals as necessary.

Conclusion

The CDFA's risk assessment model is a good foundation for identifying potential risks and corresponding controls that would help mitigate those risks. As of the date of this letter, specific marketing program information has not been incorporated into the risk assessment model. The CDFA should assess the risks for each marketing program using the risk assessment model to validate whether useful and comparative information can be extracted from this analysis. The CDFA should periodically reassess and refine its risk assessment process as necessary.

We appreciate the assistance and cooperation of the CDFA. If you have any questions regarding this review, please contact Susan Botkin, Manager, or Zachary Stacy, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

cc: Mr. Robert Maxie, Chief, Marketing Branch, California Department of Food and Agriculture
Mr. Ron Shackelford, Chief, Audit Office, California Department of Food and Agriculture