



State of California • Arnold Schwarzenegger, Governor
State and Consumer Services Agency

DEPARTMENT OF GENERAL SERVICES

Executive Office

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September 1, 2010

The Honorable Alan Lowenthal
Chair, SAB Audit Subcommittee
California State Senate
State Capitol, Room 2032
Sacramento, CA 95814

Dear Senator Lowenthal:

As you conclude the work of the SAB Audit Subcommittee, I draw your attention to certain findings that were part of a January 25, 2010 letter Deputy Attorney General Thomas M. Patton wrote to Assistant Executive Officer Lisa Kaplan on "Establishing or Changing SAB/OPSC Audit Processes." The appropriate findings are as follows:

- The DGS Director is responsible for administering the Act and providing assistance to the SAB. As such, "the conduct of audits should be left to the OPSC as it carries out its mission of fulfilling the DGS director's statutory obligation to administer the Act." [See page 5]
- The SAB "retains the power to adopt or reject the OPSC's audit findings and recommendations." [See page 5]
- OPSC "may exercise the DGS director's authority and contract for outside services to the extent provided for and subject to the limitations set forth in the Public Contract and Government codes." [See Page 6]

Since I believe high quality auditing is essential for government accountability to the public, consistent with the above referenced findings, I have directed OPSC to implement and maintain an audit program that is independent and conforms to "Yellow Book" auditing standards. The program should provide a framework for conducting high quality audits with competence, objectivity and independence. It is critically important that our audit program contain these features because taxpayers, the Legislature, and the Governor must be assured that the \$35 billion K-12 General Obligation Bond fund program has integrity.

Since no one has all the answers, I welcome any suggestions to improve OPSC's audit program from both the Audit Working Group and your Audit Subcommittee. I will review every idea and determine if changes are necessary to DGS' audit program. I am committed to ensuring that whatever changes are made are widely communicated to our stakeholders. Thanks in advance for your recommendations.



Ronald L. Diedrich
Acting Director

cc: Cynthia Bryant, Chief Deputy for Policy, Department of Finance
Kathleen Moore, Director, School Facilities Planning, Department of Education
Scott Harvey, Chief Deputy Director, Department of General Services
Lyn Greene, Governor Appointee
The Honorable Loni Hancock, Member of the Senate
The Honorable Bob Huff, Member of the Senate
The Honorable Julia Brownley, Member of the Assembly
The Honorable Joan Buchanan, Member of the Assembly
The Honorable Jean Fuller, Member of the Assembly
Lisa Kaplan, Assistant Executive Officer, State Allocation Board
Lisa Silverman, Acting Executive Officer, Office of Public School Construction, DGS