

December 10, 2025

Joe Stephenshaw, Director  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the State Board of Equalization submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Lisa Renati, Chief Deputy Director, at (916) 274-3563, [lisa.renati@boe.ca.gov](mailto:lisa.renati@boe.ca.gov).

## **GOVERNANCE**

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### **Mission and Strategic Plan**

In 1879, the California State Board of Equalization (BOE) was established under the California Constitution to regulate county assessment practices, equalize county assessment ratios, and assess properties of intercounty railroads. In subsequent constitutional amendments, the Board was directed to administer the Alcoholic Beverage Tax and Tax on Insurers. The BOE's five Board Members serve concurrent four-year terms and comprise the only elected tax board in the United States. One Member is elected from each of the BOE's four Equalization Districts, each representing approximately 10 million constituents. The State Controller, elected at large, serves as the BOE's fifth member. The Board hears and decides specified taxpayer appeals related to the Property Tax, Alcoholic Beverage Tax, and Tax on Insurers programs and appoints an Executive Director to head the agency and manage the activities of BOE staff.

The BOE's history of continued excellence is driven by its core values and defined roles and responsibilities, which guide the actions of its employees. The BOE's managers lead by example, conducting day-to-day operations with the highest professionalism and fostering an environment of collaboration and organizational effectiveness throughout the entire agency.

**BOE's Mission:** To serve Californians through fair and transparent administration of Property Tax, the Alcoholic Beverage Tax, and the Tax on Insurers to strengthen communities and support state and local government services.

**BOE's Vision for the Future:** To be a high-performing, innovative public agency delivering exceptional tax administration services with transparency, integrity, and accountability.

**BOE's Strategic Goals:** The goals and objectives for the strategic planning period 2026 to 2030 focus on modernizing the BOE to continue successfully administering our constitutional and statutory tax programs.

**Goal 1: Modernize our core tax administration functions by leveraging technological solutions.**

Our focus on improving digital services and using data smarter will allow a robust and cooperative state-wide collaboration across the 58 counties, and to keep pace with changing needs.

**Goal 2: Advance workforce development to ensure Agency capacity and resilience.** We are committed to enhancing and strengthening our workforce capacity, which includes the expansion and nimble allocation of staffing levels, professional development of staff and leadership, ongoing succession planning, and ensuring a diverse and inclusive workforce. Achieving this goal lays the foundation to ensure that we have the capacity to continue our role as the state's property tax experts.

**Goal 3: Streamline internal processes for greater efficiency.** We are committed to reviewing and updating workflows for decision-making and empowering staff while digitizing and transforming the operational records behind our workflows.

## **Control Environment**

As the head of the BOE, Yvette Stowers, Executive Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems, while BOE's Chief Deputy Director is responsible for day-to-day executive monitoring, including facilitating and verifying that the BOE's internal control and monitoring practices are implemented and functioning as intended.

The agency's executive management and oversight bodies are the Executive Director, Chief Deputy Director, Chief Counsel, Deputy Director, and Program Deputies and Chiefs. These individuals possess the knowledge and expertise to oversee and evaluate departmental operations, exhibiting capabilities and characteristics such as integrity, adherence to ethical standards, leadership, critical thinking, problem-solving abilities, an internal control mindset, and programmatic and operational expertise. The BOE's internal controls are developed in cooperation with executive management based on feedback provided by divisional leaders and staff. The effectiveness of BOE internal controls is confirmed by:

- Establishing definitions, criteria, and processes to determine and measure the effectiveness of internal control systems.
- Performing management oversight of risks and controls using recurring management meetings (individual and team), specifically focused on risk management.
- Create and implement monthly reports to convey status, progress, and any new risks or issues; compare the outcomes to the expectations and correct them as needed.
- Developing training and educational programs to ensure that all managers and employees are informed and able to perform their risk management roles and
- Internal control documentation is communicated to employees via channels such as the Board of Equalization Administrative Manual, unit-specific policy and procedure manuals, and the BOE's intranet.
- Establish effective communications throughout the agency to support the identification of prompt responses to risk.
- Ensuring items are documented and included in BOE's work plan as corrective or process improvement activities.
- Ensuring that all levels of BOE management and personnel are responsible for suitable internal controls within their respective program areas. BOE frequently evaluates internal control systems to ensure that risks are adequately addressed.
- Executive Team meetings are held so that potential issues are raised with supervisors for communication with staff.
- Monitoring roles are clearly defined in duty statements, policies, and The Executive Director, Chief Deputy Director, and management maintain clear and open communication with all agency employees and regularly receive feedback.
- Demonstrating and communicating high standards for integrity and ethical behavior to everyone in the BOE adheres to California ethics laws and requires all BOE employees to complete an ethics training course within six months of their hiring and every two years thereafter. BOE also follows proper Equal Employment Opportunity (EEO) practices, ensuring that complaints of discrimination are brought to the appropriate authority and given fair and timely consideration.
- Establishing and maintaining a competent workforce:
  - Management establishes employee competency expectations through Duty Statements, Performance Evaluations, and Probation Reports.
  - Management values the critical work performed by its employees and makes the time to recognize these efforts through employee recognition and celebration. Methods include agency-wide teambuilding activities, emails to the executive management team recognizing employee contributions, social events, and formal

recognition programs.

- The agency recruits, hires, on-boards, and provides training to all employees to help meet competency expectations. The agency provides routine and ongoing training for all critical operations to develop the necessary competence level, knowledge, skills, and abilities. This training aims to facilitate a smooth transition to key positions as employees advance through the organization. Cross-training is encouraged for staff development. This training aims to develop a well-rounded workforce and assist in the smooth transition to key positions as employees advance within the organization.
- Management routinely evaluates working conditions and strives to eliminate excessive pressures resulting from the cyclical nature of the workload.

The agency has established core values to help focus on the employees' actions while striving to achieve the agency's mission:

- **Integrity** – Upholding the highest ethical standards in all operations.
- **Innovation** – Embracing new technologies and ideas to improve services.
- **Collaboration** – Working together internally and with external partners to achieve common goals.
- **Excellence** – Striving for superior performance and continued improvement.

## **Information and Communication**

Public Board meetings provide taxpayers, stakeholders, and other interested parties with the opportunity to participate in the formulation of rules and regulations adopted by the Board and to interact with the Board Members as they carry out their constitutional and official duties. At the meetings, the Board strives for transparent and straightforward access for the public to participate, utilizing multiple communication channels, including a hybrid in-person and virtual meeting environment, live webcasting, written materials available on the BOE website and in hard copy format, and closed captioning. A standing agenda item allows the public to bring any issue to the Board's attention.

The BOE's Executive Director is responsible for facilitating and monitoring the agency's practices and procedures to ensure they align with State and agency policy. The BOE is organized into departments and divisions, each led by a senior manager. The senior management team's roles and responsibilities align with a small-state organizational structure. The communication plans, channels, and frequency of communications are designed to convey messages throughout the agency promptly and efficiently. Additionally, each department and division has a unique set of needs for its external communications.

Executive management communicates information concerning policies, programs, and operations through established channels. In addition to using the chain of command for communication, the BOE employs various methods to convey important and relevant information to all levels of staff and management, County Assessors, and the public, ensuring the effective exchange of information.

- The Taxpayers' Rights Advocate (TRA) Office develops and holds an annual Taxpayers' Bill of Rights Hearing to ensure taxpayers receive fair tax administration. The TRA monitors BOE tax programs for compliance and recommends new procedures or revisions to existing procedures to ensure fair treatment of taxpayers. The TRA Office plays a vital role in educating taxpayers to promote taxpayer understanding and compliance with property tax laws. The TRA regularly uses a variety of communication channels to reach taxpayers, gather information, and address taxpayer concerns. The TRA publishes educational materials and fact sheets that are clear and easy to understand.
- The 58 County Assessors receive regular communications titled "Letters To Assessors" (LTA) that are available to the public and provide property tax guidance to the 58 County Assessors.
- Interested Parties Meetings are held with stakeholders to discuss and collaborate on property tax issues.
- Staff, within their appropriate lines of authority, devote significant effort to pursuing relevant communications with stakeholders and elected officials (Board Members, County Assessors, and the Legislature). Two-way information is evaluated to meet operational objectives and manage and monitor challenges, opportunities, and related internal controls.
- The Executive Director holds Advisory Council Meetings to gather diverse perspectives from multiple outside partners regarding property tax issues affecting California's citizens and County Assessors.
- BOE's intranet, myBOE, provides immediate access to training, guidance, educational materials, administrative bulletins, newsletters, and other
- Monthly meetings with our statutorily mandated service provider, the California Department of Tax and Fee Administration (CDTFA), allow an opportunity to communicate formally and informally about BOE's current workload, human resources, technology, budget, facilities, and accounting needs.
- Social media platforms are used for education, recruitment, and special notices to stakeholders and the public.
- BOE's Equal Employment Opportunity (EEO) Office is available to assist employees with concerns. This office also supports the BOE's Disability Advisory Committee (DAC), which advises the Executive Director on issues of concern to employees with disabilities and

matters related to the formulation and implementation of a plan to address any underrepresentation of individuals with disabilities in the workforce. The EEO office also supports and implements BOE's Diversity, Equity, and Inclusion objectives.

- The Agency also encourages employees to report inefficiencies and inappropriate actions to management and the California State Auditor through annual notifications and information posted in prominent locations at each worksite regarding the state's Whistleblower Hotline for reporting ethical issues. Staff are instructed to bypass the traditional chain of command reporting structure if a communication line is compromised.

## **MONITORING**

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The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the State Board of Equalization monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Yvette Stowers, Executive Director.

The information included here discusses the entity-wide, continuous process to ensure internal control systems are functioning as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the BOE's monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Yvette Stowers, Executive Director, and Lisa Renati, Chief Deputy Director.

The BOE conducts regular monitoring activities agency-wide to ensure the effective and sustainable implementation of tax programs. Monitoring activities are performed to address internal and external controls in both administrative and service delivery capabilities.

- Monthly management meetings to review and discuss operational and other key Performance Metrics.
- Weekly Human Resources, budget, and contract
- Monthly assessment of Board Meeting actions and associated agency
- Regular public reporting during Board Meetings on operational priorities, project implementation, and process improvement projects.
- Regular weekly and monthly meetings with our service provider to ensure quality collaboration and workload

Recurring meetings are held to identify, discuss, and address entity-wide risks and controls. The items are documented and included in BOE's work plan as corrective actions or process

improvement activities. The Executive Director, in collaboration with the Chief Deputy Director, Chief Counsel, Deputy Director of the Property Tax Department, and relevant program Chiefs, determines the assignment of projects to address risk mitigation strategies. The program Chiefs then develop a corrective action plan and execute the plan within an agreed-upon timeframe.

Training sessions for staff and management are being held to support entity-wide awareness of risk management responsibilities and to facilitate the implementation of best practices.

## **RISK ASSESSMENT PROCESS**

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The following personnel were involved in the State Board of Equalization risk assessment process: executive management, middle management, and front line management.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

The executive management team met multiple times to identify and discuss significant agency-wide risks that could adversely impact the BOE's objectives and mission. Risk statements were prepared, documented, and evaluated, with input from affected division managers. The risk ranking was based on the perceived severity of the risk, the likelihood of occurrence, and the speed of onset for the risk event to manifest. After determining the risks and rankings, the corresponding controls and sub-controls were discussed and decided.

## **RISKS AND CONTROLS**

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### **Risk: Aging Legacy Systems**

The Agency faces multiple information technology risks due to the lack of functionality and aging of the existing technological systems created over 35 years ago, which are now obsolete and challenging to enhance when the agency is required to implement

new legislation, data remedies in the system are difficult to deploy, systems are overly reliant on manual data entry, which results in human error, and the availability of resources with the knowledge to support the existing systems is diminishing. These issues have renewed the urgency for replacement as technological and storage solutions advance. This risk could prevent the BOE from timely administration of tax systems, including but not limited to constitutionally mandated state-assessed property taxes, welfare exemption requests, tax appeals, and case management systems. Additionally, BOE's statutorily mandated IT service provider, CDTFA's Technology Services Division (TSD), has experienced difficulty recruiting and employing qualified IT staff with the specific knowledge, skills, and desire to support our aging technology, which is specialized to our unique tax programs.

### **Control: Implement An Information Technology Plan**

- Update our information technology plan to upgrade/replace key systems used in the administration of taxes.
- Monitor monthly meetings with our service provider (CDTFA - TSD) to closely manage challenges and issues with the technology systems used to administer BOE tax Assess and prioritize improvement projects so the agency can develop a long-range plan to address the risks.
- Continue existing workarounds and review staff work to ensure accuracy to remedy any data flaws.
- Continue to work through the Project Approval Lifecycle (PAL) process with TSD to complete Stages 2-4, receive resource support in the Governor's budget, procure a vendor, and implement the recommended solution.
- Create change management and readiness programs to prepare for technological advancements.

## Risk: Enterprise Workforce-Knowledge Management

The Agency recognizes that our employees have the critical knowledge and experience that sustain the agency's mission. As the agency foresees knowledge gaps due to retirements and modernization of business processes, the agency needs to ensure that this knowledge is not fragmented or lost. These challenges could result in the agency's diminished capacity to meet its responsibilities.

### Control: Agency Data Governance

- Complete a Data Governance plan for the BOE IT Modernization project.
- Develop and implement data governance plans for the other divisions in order to capture unique knowledge and support modernized business processes.
- Establish and enforce ethical standards, data governance frameworks, and policies for data management and the use of artificial intelligence across the agency.
- Conduct regular policy reviews to ensure ongoing compliance with legal mandates and best practices to protect data assets.

### Control: Build a Knowledge Ecosystem

- Create and modernize existing training manuals and documentation of processes to capture essential knowledge and leverage that knowledge into training that can be offered agency-wide to improve employee opportunities.
- Build Employee Engagement to increase communications through ongoing unit meetings for team building, knowledge transfer, and collaboration.
- Use collaboration tools to support mentoring, upward mobility, and employee growth.
- Implement mentoring programs to increase retention of staff who have

entered new levels of development and need to build the depth of knowledge necessary to meet agency demands.

### Risk: Mandated Service Provider, CDTFA

The BOE is constitutionally and statutorily responsible for overseeing California's complex property tax system, as well as the Alcoholic Beverage Tax and Tax on Insurers. Unlike other independent state agencies that are able to contract with other state departments to provide administrative services, government code section 15570.28 mandates that BOE's service provider for all administrative services is the California Department of Tax and Fee Administration (CDTFA). These services include human resources and personnel functions, accounting, financial reporting, and budget activities, facilities and contract/procurement management, and all technology and information services.

Since CDTFA is statutorily required to provide these services, BOE is unable to employ professional administrative staff and is classified as a hosted entity for technology and information security. This arrangement is not typical and does not provide BOE with a means of meaningful oversight and leverage to push for improvement when expectations are not met. Risks associated with BOE's reliance on another state department include the following:

- CDTFA, a separate state entity with almost 4000 employees, provides certain administrative functions to BOE, a small agency with fewer than 200 employees. Due to conflicting priorities, CDTFA could place BOE mission-critical activities at a lower priority level for completion. This could result in BOE's transactions not being completed in a timely or accurate manner.
- Notwithstanding CalHR's reinstatement of BOE's HR delegation in 2022, BOE is not authorized to hire human resources, personnel, budget, procurement, and information technology professionals. BOE must rely on the decisions and actions of CDTFA's professionals, and BOE has no way to verify the accuracy of the decisions and actions taken. Despite this, when audited or examined, BOE is responsible for any failings.
- CDTFA's Technology Services Division supports BOE for technology and information

security. With this mandated host/hosted relationship, CDTFA submits separate Plan of Action and Milestones (POAMs) to the California Department of Technology on behalf of the BOE every quarter and submits the annual Statewide Information Management Manual (SIMM) 5330-A and B and E. These documents are reviewed and signed by CDTFA's Chief Information Officer and BOE's Executive Director. With respect to our aging technology system, we rely on CDTFA's TSD personnel to manage this application. Due to conflicting priorities and limited resources, the TSD personnel could be redirected to other assignments within This redirection could cause delays in developing and implementing a solution to BOE's aging technology.

### **Control: Interagency Agreement - Relationship Building**

1. In collaboration with CDTFA, BOE updates service-level agreements for each administrative area with defined roles and responsibilities, response times, and communication methods to facilitate service improvement and performance of all administrative functions.
2. Continue to work in partnership with CDTFA to develop program-specific guides that assist new employees with critical information about the CDTFA-BOE working relationship, and programs CDTFA administers on BOE's behalf.
3. Continue to schedule recurring meetings for each administrative area to review workload, priorities, staff resources, planned work, decisions, and accomplishments to support workload planning, minimize competing priorities, and reduce miscommunication.

### **Control: Develop Internal Control Review Process**

BOE has no ability to ensure CDTFA's internal controls regarding functions performed on behalf of BOE are accurate. To mitigate this risk, BOE will work with CDTFA to develop regular reporting processes and communications. These will include:

1. If not already provided, written periodic reports of administrative functions

performed on BOE's behalf and signed letters of confirmation signed by CDTFA leadership affirming and attesting that work performed meets established standards and legal requirements.

2. Reporting of completion of closure of accounting functions in Fi\$Cal for review by BOE
3. BOE leadership and analysts review the completed CDTFA work product performed on behalf of BOE to identify errors, omissions, and clarification of responsibilities.
4. BOE's executive leadership must review and approve all reports prior to submission to control agencies.
5. Continue the collaborative working relationship that provides BOE with sufficient notice on new processes and allows BOE to provide information on a consultative basis to ensure BOE operations are not inadvertently and adversely affected.

## **CONCLUSION**

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The State Board of Equalization strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Yvette Stowers, Executive Director**

CC: California Legislature [Senate, Assembly]  
California State Auditor  
California State Library  
California State Controller  
Director of California Department of Finance  
Secretary of California Government Operations Agency