

Government Operations

2015 SLAA REPORT

March 9, 2016

Michael Cohen, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Government Operations submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Kathleen Webb, Assistant Secretary, at (916) 651-9043, kathleen.webb@govops.ca.gov.

BACKGROUND

The Government Operations Agency (GOA) was established July 1, 2013 as the result of the Governor's Reorganization Plan No. 2, which consolidated, eliminated and created a number of state departments and agencies. The GOA is under the management of an executive officer known as the Secretary. The Secretary is a member of the Governor's Cabinet and is appointed by, and holds office at the pleasure of, the Governor. The Secretary advises the Governor on major policies and program matters and oversees nine state entities. The appointment of the Secretary is subject to confirmation by the Senate. The Secretary of GOA also serves as the Chair of the California Building Standards Commission, and the Victim Compensation and Government Claims Board. The GOA mission is to improve management and accountability of government programs, increase efficiency, and promote better and more coordinated operation decisions.

The entities that report to the GOA are responsible for overseeing state purchasing, procurement and information technology projects; managing and developing the state's real estate assets; ensuring the security of state information assets and other data; collecting state income tax revenues; managing pension funds for state and local government employees and educators; overseeing and administering the state's hiring and employee discipline processes; compensating crime victims for monetary losses; and reviewing proposed regulations for compliance with the Administrative Procedures Act. The reporting entities are as follows:

Department of Human Resources (CalHR): The Department of Human Resources has responsibility for all issues related to salaries and benefits, job classifications, civil rights, training, recruiting, and retaining. For most employees, many of these matters are determined through collective bargaining processes.

State Personnel Board (SPB): The State Personnel Board is a five-member board, created in the state constitution, charged with adopting civil service rules and regulations.

Department of Technology: The Department of Technology is responsible for the approval and oversight of all state information technology projects. As the state's chief information officer, the Director of the Department of Technology provides leadership for the state's IT programs and works collaboratively with other IT leaders throughout the state.

Department of General Services (DGS): The Department of General Services serves as business manager for the state of California. DGS helps state government to better serve the public by providing a variety of services to state agencies through procurement and acquisition solutions, real estate management and design, environmentally friendly transportation, professional printing, design and Web services, and funding for the creation and construction of safe schools.

California Public Employees Retirement System (PERS): The California Public Employees Retirement System, as the nation's largest public pension fund, manages pension and health benefits for more than 1.7 million members and over 3,000 school and public employers. PERS' membership consists of active and inactive members, retirees, beneficiaries, and survivors from State, school, and participating public agencies. While under the umbrella of GOA, PERS is administered by a 13-member Board of Administration and is exempt from most of the Agency control functions.

State Teachers' Retirement System (STRS): The California State Teachers' Retirement System is the largest teachers' retirement fund in the nation with membership in excess of 862,000. While under the umbrella of GOA, STRS is administered by a 12-member Teachers' Retirement Board and is exempt from most of the Agency control functions.

Franchise Tax Board (FTB): The Franchise Tax Board is responsible for administering two of California's major tax programs: Personal Income Tax and Corporation Tax. The FTB also has responsibility for administering the Homeowner and Renter Assistance program, and other non-tax programs and delinquent debt functions.

Victim Compensation and Government Claims Board: The Victim Compensation and Government Claims Board serves the citizens of California through the Victim Compensation Program by reimbursing eligible crime victims for certain expenses incurred as the result of a crime, and through the Government Claims Program by processing all civil claims for money or damages that are filed against state agencies under the California Tort Claims Act.

Office of Administrative Law (OAL): The Office of Administrative Law is responsible for ensuring that agency regulations are clear, necessary, legally valid, and available to the public. OAL reviews administrative regulations proposed by over 200 state entities for compliance with the standards set forth in California's Administrative Procedure Act, for transmitting these regulations to the Secretary of State, and for publishing regulations in the California Code of Regulations.

RISK ASSESSMENT PROCESS

Coordinated by the Assistant Secretary, the GOA performed a risk assessment with key staff and the Secretary to identify, assess and prioritize our top risks. Guided by the SLAA Risk and Definitions and the risk aggregation worksheet, our assessment identified the following top risks for the agency:

- Internal Operations - FI\$CAL Conversion
- Internal Operations – Staff – Key Person Dependence, Succession Planning
- External Operations – Business Interruption, Safety Concerns

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- FI\$Cal Conversion

The implementation and integration of FI\$CAL with our Service Provider (DGS) has created operating inefficiencies, limitations, processing delays, and inadequate reporting to meet internal operating and reporting standards and needs.

Agency staff continue to work and partner with DGS and FI\$CAL to reconcile the processing issues to improve service delivery. Ongoing efforts to mitigate the risk include:

- Agency staff regularly works with FI\$CAL liaison and DGS staff to work through system defects and reporting needs.
- Agency staff will continue to meet with FI\$CAL and DGS staff to address conversion issues and system needs.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

The agency is subject to the loss of institutional knowledge due to reliance on staff that serves in appointed positions.

While recruitment, retention and succession planning are inherent risks associated with the structure of an Agency under a Governor's appointment authority, efforts to mitigate the risk are as follows:

- Active coordination with the Governor's appointment office to fill vacant positions as required and the development of transition documents to support the continuity of operations.
- Ongoing review of Agency goals and initiatives by the Executive team to ensure development and preservation of critical documents for a sustainable transition.

Operations- External- Business Interruption, Safety Concerns

The potential of a major disruption to our operations and systems due to external acts or natural disasters remains an ever present risk and one that can directly impact GOA's ability to fulfill organizational goals and objectives.

Efforts to mitigate this risk and minimize disruption to operations due to external acts or natural disasters include:

- Complete the refresh of our Business Continuity Plan and review with staff.
- Conduct annual review of the Business Continuity Plan and ensure an environmental scan of potential risks that need to be accounted for in the planning process.

ONGOING MONITORING

Through our ongoing monitoring processes, the Government Operations reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Government Operations, Marybel Batjer, Agency Secretary, is responsible for the overall establishment and maintenance of the internal control system. We have identified Kathleen Webb, Assistant Secretary, as our designated agency monitor(s).

Frequency of Monitoring Activities

The Secretary holds monthly meetings with staff and agency program areas. Agenda items include discussion of potential internal and external control issues and mitigation strategies for implementation. Additionally, the Secretary holds regular one-on-one meetings with department directors to address organizational goals, objectives and risks.

Reporting and Documenting Monitoring Activities

The SLAA Coordinator and Agency Monitor works with key staff to review new risks and existing risks to measure effectiveness of current controls or the need for modification. For succession planning purposes, GOA strives to preserve and maintain critical documents to ensure the continuity of operations and policy decisions.

Procedure for Addressing Identified Internal Control Deficiencies

The SLAA Coordinator and Agency Monitor work with key staff to ensure that mitigation efforts have been implemented and then periodically review to ensure sustainability of these efforts. Corrective action plan reporting will be conducted by the Agency Monitor in collaboration with assigned key staff.

CONCLUSION

The Government Operations strives to reduce the risks inherent in our work through ongoing monitoring. The Government Operations accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Marybel Batjer, Agency Secretary
Government Operations

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations