December 15, 2021

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Government Operations submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

Should you have any questions please contact Sarah Soto-
Taylor, Deputy Secretary for Strategic Development, at (916) 317-0068, Sarah.Soto-Taylor@govops.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Government Operations Agency (GovOps) was established July 1, 2013, as the result of the Governor's Reorganization Plan No. 2, which consolidated, eliminated and created several new state departments and agencies. GovOps 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 the Governor. The Secretary advises the Governor on significant operational, policy and programmatic matters in addition to providing oversight to twelve state entities. Three of the entities are control agencies that have broad authority over statewide operations. In July 2022 the Fi$Cal Office will be transitioned under GovOps. The appointment of the Secretary is subject to confirmation by the Senate. The Secretary serves as the Chair of the California Building Standards Commission and the California Victim Compensation Board. The Secretary also sits on the Middle-Mile Advisory Committee.

The mission of GovOps is to improve management and accountability of government programs, increase efficiency, and promote better and more coordinated operations decisions. The Agency is in the process of revisiting its mission statement, developing vision statement, value statements and strategic priorities for the next few years. A future redesigned GovOps website will state these priorities.

The entities that report to GovOps 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; administering the state's sales and use tax, fuel, tobacco, cannabis and other taxes; collecting state income tax revenues; managing pension funds for state and local government employees and educators; overseeing the administration of the state's hiring and employee discipline processes; administering the Victim Compensation Program, Revenue Recovery Program, Claims of Erroneously Convicted Felons, the Good Samaritan Act, and the Missing Children Reward Program; reviewing proposed regulations for compliance with the Administrative Procedures Act; provide data-informed tools to help students reach their college and career goals and

deliver information on education and workforce outcomes; and delivering digital services to all Californians. In July 2018, the California Complete Count Census 2020 Office was added as a reporting department to GovOps. The Census Office mission is to encourage the full participation of all Californians in the United States Census 2020. Enumeration is complete and this office is now closed. Programmatic information and artifacts related to the Census Campaign are maintained on the GovOps website.

Due to the structure of the SLAA electronic reporting portal, the Office of Digital Innovation (ODI) is submitting their 2021 SLAA report with GovOps' report in a single report entry. The strategic goals, responsibilities, and authority for GovOps and ODI are unique from one another and each entity is responsible for the accuracy and completeness of the information it provides in this report. Where responses are combined, they are delineated with designations by entity.

Current GovOps reporting entities include:

- California 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.
- California Department of Tax and Fee Administration (CDTFA): The California Department of Tax and Fee Administration administers the state's sales and use tax, fuel, tobacco, cannabis and other taxes, and collects fees to fund and administrate 37 specific state tax and fee programs. More than 13 million California businesses are registered with the department to engage in retail sales in the state.
- California Department of Technology (CDT): 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.
- California Public Employees Retirement System (CalPERS): 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. CalPERS' membership consists of active and inactive members, retirees, beneficiaries, and survivors from State, school, and participating public agencies. CalPERS is administered by a 13-member Board of Administration and is exempt from most of GovOps Agency control functions.
- California State Teachers' Retirement System (CalSTRS): The California State Teachers' Retirement System is the largest teachers' retirement fund in the nation with membership in excess of 862,000. CalSTRS is administered by a 12-member Teachers' Retirement Board and is exempt from most of GovOps Agency control functions.
- California Victim Compensation Board (CalVCB): The California Victim Compensation Board administers the Victim Compensation Program (CalVCP), the Revenue Recovery Program, Claims of Erroneously Convicted Felons, the Good Samaritan Act, and the Missing Children Reward Program.
- Cradle to Career (C2C) System: Legislation passed in 2019 called for the establishment of a statewide, longitudinal data system for California. The Cradle-to-Career System will provide data-informed tools to help students reach their college and career goals and deliver information on education and workforce outcomes. This system will include resources focused

on early learning through K-12 and higher education, as well as on the financial aid and social services that help students reach their goals.

- 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.
- 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.
- 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.
- Office of Digital Innovation (ODI) works with state agencies and departments to reimagine the processes, policies, and technology systems that problems are rooted in. ODI uses people-centered design and technology to deliver more equitable, effective services to Californians.
- 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.

ODI Response

ODI was established on July 1, 2019 as an office within the Government Operations Agency. The mission of ODI is to deliver better government services to the people of California through technology and design. ODI partners with agencies, departments and the Governor's Office to rethink, rebuild, and create programs, services, processes and policies that better serve and engage Californians and enable new efficiencies. Up to now, ODI has focused most of its efforts on pandemic response. As it pivots to accomplishing its broader mission, the staff is working with GovOps to complete its first strategic plan.

Control Environment

The Agency Secretary leads a team of executives and establishes and demonstrates integrity and ethical values in the daily operations of GovOps. Oversight of GovOps internal control system is the responsibility of Secretary and Undersecretary. These two Executives establish an organizational structure, assign responsibility, and delegate authority. All levels of management recruit, develop, and maintain a competent workforce. Internal workload, including the oversight of GovOps reporting department's performance is routinely evaluated. Accountability is enforced through routine assessment of responsibilities and outcomes. Oversight of the work performed occurs during regularly scheduled meetings with the appropriate supervisor and team members. The agency systematic review process includes, but is not limited to, weekly GovOps executive meetings, one-on-one meetings between the Undersecretary and Deputy Secretaries, and monthly meetings with Department Directors. Regularly scheduled meetings occur to discuss emerging risks and issues. GovOps' executive team

issues guidance to departments and meets with leadership of the departments to assess and discuss potential mitigation strategies. The following outlines the general process for GovOps' control environment:

1. During regularly scheduled meetings, assessment of internal and external risk and control is assigned to the appropriate GovOps executives.
2. GovOps reviews compliance and performance along with fiscal controls for the agency and its reporting departments.
3. Mitigation plans are developed and monitored through follow-up briefings and discussions within GovOps and communicated to the appropriate department.
4. The Secretary and Undersecretary provide oversight to ensure appropriate levels of responsibility and authority are assigned and the ongoing effort to achieve objectives and response to risks are implemented.

ODI Response

The monitoring process includes, but is not limited to, weekly meetings between ODI executive staff and GovOps executive staff, twice monthly ODI all-staff meetings and regular one-on-one meetings between employees and supervisors. Regularly scheduled meetings occur to discuss emerging issues or risks for ODI and to assess and discuss potential mitigation strategies. During regularly scheduled meetings, implementation and control is assigned to appropriate department staff and monitored through follow-up briefings and discussions. The Director provides oversight to ensure appropriate levels of responsibility and authority, and the ongoing effort to document internal control systems. ODI is in the midst of hiring employees to meet the organization's responsibilities. The ODI organizational chart shows the lines of authority and how responsibility is delegated with regular communication occurring up and down throughout the organization.

Information and Communication

GovOps communicates information necessary to achieve its objectives through internal and external channels. Internal channels include weekly executive leadership meetings and additional meetings with each Deputy Secretary and Assistant Deputy Secretary to discuss emerging issues and identify solutions. Communication occurs daily to achieve the required outcomes of agency priorities.

External channels include leading or participating in a variety of meetings and forums as needed to ensure alignment between the GovOps' mission, strategic priorities and those of the departments that report to the Agency. GovOps' organizational structure has clear lines of authority and responsibility to communicate information to achieve objectives.

ODI Response

ODI communicates information necessary to achieve its objectives through internal and external channels. Internal channels include written (slack, email) and verbal (regular meetings with supervisors and managers). Regular communication occurs daily (social media, email, meetings) to achieve the required outcomes of agency work. External channels include leading or participating in a variety of meetings and forums as needed to ensure alignment between ODI and its stakeholders.

MONITORING

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 Government Operations monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Sarah Soto-Taylor, Deputy Secretary for Strategic Development.

GovOps established and operates a system to monitor risks, internal controls and evaluate the results. When risks arise an assessment tool is in place to document control deficiencies. Mitigation strategies are designed in a timely basis to address vulnerabilities and increase likelihood of successful implementation of goals. The role of the executive monitoring sponsor includes facilitating and verifying that GovOps monitoring practices are implemented and functioning as intended. The responsibility of the executive monitoring sponsor has been assigned to Julie Whitten, Assistant Deputy Secretary for Innovation and Accountability. Monitoring of escalated GovOps department risks is delegated to designated Deputy Secretaries.

GovOps performance is monitored internally through frequent and routine meetings. The Agency is developing a risk assessment cadence that will formalize a process for staff to discuss emerging issues and continue to monitor mitigation strategies until an acceptable outcome is achieved.

ODI Response

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 ODI monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to Anne Neville-Bonilla, Chief Deputy Director (currently Acting Director).

ODI responds to risks and vulnerabilities as needed. ODI performance is monitored internally through frequent and routine meetings. Staff are assigned to lead or participate in emerging issues and asked to continue until an acceptable outcome is achieved. Any internal vulnerabilities that are identified are discussed in regular meetings with the Director or Chief Deputy Director. Updates are provided on a regular basis until the desired outcome is achieved. Management evaluates results and ensures appropriate corrective actions are implemented and documented.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Government Operations risk assessment process: executive management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, other/prior risk assessments, and other.

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

The GovOps Agency is comprised of a small team that communicates daily with each other and the Secretary and Undersecretary. Executive management are involved in the Agency risk assessment process.

The following methods were used to raise awareness of risk management and identify risks: internal training with Department of Finance SLAA unit to understand the nature of enterprise risk management, brainstorming meetings, development of a risk assessment tool and discussion of appropriate risks to report. Specifically, the following elements were considered:

- Risk analysis - description of the risk and the consequences of not addressing risk.
- Impact analysis - description of the impact to achieving GovOps mission, goals, objectives.
- Mitigation strategy - description of current mitigation and what/if any new steps are needed to reduce the adverse effect.
- Risk response strategy – decision to either mitigate, accept, transfer or avoid risk.

The following criteria were used to rank risks:

- Likelihood - the probability of risk occurring.
- Impact - how risk, if realized, will impact GovOps.
- Assurance - effectiveness of existing controls to mitigate risk.

ODI Response

The following personnel are involved in the ODI risk assessment process: executive management, middle management, front-line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee surveys, ongoing monitoring activities, external stakeholders, questionnaires, and consideration of potential fraud.

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.

During regular weekly and monthly meetings, potential risks are discussed with the Director to identify, assess, and prioritize top risks. ODI is a small office so regular communication occurs on a daily basis among staff. Strategies are developed to resolve the issue(s) and actions are taken to reduce and mitigate risks.

RISKS AND CONTROLS

Risk: FI$Cal Office Transition to GovOps

In the Fall of 2021, the FI$Cal project completed its final build and it was decided that FI$Cal would transition to become a department under the oversight of GovOps beginning July 2022. FI$Cal operates the statewide financial system that enables state government to perform budgeting, procurement, cash management and accounting functions transparently and efficiently. Oversight, monitoring and internal control risk may arise as roles and responsibilities are defined and FI$Cal management is on-boarded to GovOps communication and reporting protocols.

Control: Control #1 - On-boarding Plan

Develop on-boarding plan for key FI$Cal executives to align operational elements and expectations.

Control: Control #2 - Reporting

Establish a reporting structure for escalating emerging issues to GovOps.

Control: Control #3 - Establish Cadence

Establish information, communication and monitoring cadence between FI$Cal and GovOps.

Control: Control #4 - Monitor Workload

Monitor FI$Cal plan to on-board state departments into FI$Cal system, including an analysis of the resources to support the new workload.

Risk: Cradle to Career (C2C) Office Start Up Delays

The C2C Office is a new department established under the GovOps Agency. The C2C Office will leverage existing infrastructure from the now closed Census Office. Office floor space, IT equipment and services, phones, and basic start up supplies provide move in ready conveniences. However, policy and procedures and other program specific operations need to be addressed in a short period of time. Inadequate planning and staffing resources to set up the C2C Office may lead to delays in meeting critical deadlines, such as Board meetings and hiring of the Executive Director and other key staff.

Control: Control #1 - Recruitment Plan

Direct the C2C Office to develop a recruitment plan to hire C2C staff and regularly report status of vacant positions.

Control: Control #2 - Establish Cadence

Establish communication and monitoring cadence around operations, IT, procurement, hiring and policy development.

Control: Control #3 - Establish Office Operations

Direct the C2C Office to develop operational framework, policy and procedures and office protocols that meet the business needs of the new office.

Control: Control #4 - Transition Plan

Direct the C2C Office to develop an operations transition plan to transfer knowledge and responsibilities from the contractor to the C2C staff in all policy and program areas.

Risk: Modernize Enterprise Risk Management System

GovOps Agency responsibilities and assignments continue to increase in depth and complexity. As diversity of issues increase so does the level of risks and the amount of mitigation strategies that need to be addressed and monitored to reduce exposure to adverse consequences.

Control: Control #1 - Design System

Design a new risk profile, reporting and tracking system.

Control: Control #2 - Increase Awareness

Raise awareness of risk assessment and mitigation strategies among new GovOps employees. Include risk management training in on-boarding process.

Control: Control #3 - Task Management

Distribute risks and mitigation strategies among all Deputy Secretaries.

Risk: ODI - Recruitment

ODI focused most of its early efforts on pandemic response. The critical need to bring specialists on quickly meant that the Office hired a number of contractors. As ODI has begun pivoting toward meeting its broader mission, it has initiated multiple recruitment efforts. However, being able to hire a total of 50 staff, many with specialized skills that are difficult to find in the state's existing workforce, has proved difficult. In addition to a mismatch between many of the skills needed and current civil service classification skills and salaries, the time it takes to hire staff in the current highly competitive job environment means that top candidates sometimes exit the process before ODI can make them an offer. It will take time to bring in the permanent staff in the variety of positions needed for ODI to meet its mission. Without staff for ODI, the Office is not able to move forward with potential initiatives in a timely manner.

Control: Identify classification gaps and hire a contractor for recruitment

ODI is working with GovOps and other departments to identify classification needs that are not currently supported by civil service classifications. In addition, ODI recently hired a technical recruiter to source potential applicants and to work with the Deputy Director of Talent to aggressively fill positions.

Risk: ODI - Policy and Procedures

As a new Office, ODI must develop appropriate policies and procedures. Due to the focus on the pandemic, emergency response, and the limited number of staff, many of these have not yet been developed. Without policies and procedures in place, ODI will not be able to appropriately monitor its risk profile as it grows.

Control: Implement a policy development plan

Implement a policy development plan that identifies all necessary policies and proposed implementation dates, including by prioritizing based on risk. Train all staff on policies after they are adopted.

Risk: ODI - Strategic Plan

As ODI pivots its work from pandemic response and hires more staff, its work is changing and a strategic plan is necessary to ensure that work is properly aligned with the organization's mission, silos among teams are not created, and future plans are rooted in agreed-upon strategic plan. Without a strategic plan, ODI will risk being unable to complete its statutory mission.

Control: Complete Strategic Plan

The entire ODI team began a collaborative process of building its first-ever strategic plan beginning in October 2021 and continuing through December 2021. As the new Director takes over the leadership of the organization in January 2022, ODI will continue this work and complete its strategic plan thereafter.

CONCLUSION

The Government Operations 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.

Yolanda Richardson, Secretary

CC: California Legislature [Senate (2), Assembly (1)]
    California State Auditor
    California State Library
    California State Controller
    Director of California Department of Finance
    Secretary of California Government Operations Agency