

December 28, 2023

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 Government Operations submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Alicia Albornoz, Business Transformation and Strategic Development Manager, at (916) 201-7378, Alicia.Albornoz@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 eleven state entities. Three of the entities are control agencies that have broad authority over statewide operations. In July 2022, the Fi\$Cal Office was 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 advance effectiveness, efficiency, and equity in state operations. The Agency revisited its mission statement, vision statement, value statements and strategic priorities for the next few years. The redesigned GovOps website states 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; and reviewing proposed regulations for compliance with the Administrative Procedures Act. The Office of Digital Innovation was created July 2019, to focus on delivering

digital services to all Californians. It has since been renamed to the Office of Data and Innovation (ODI).

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.
- 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 Cradle-to-Career Data (C2C): The Office of Cradle-to-Career Data is responsible for creating a statewide data system that will provide tools to help students reach their goals and deliver information on education and workforce outcomes. C2C connects individuals and organizations with trusted information and resources, providing insights into critical milestones in the pipeline from early care to K–12 to higher education, skills training, and employment.
- Office of Data and 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.

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's 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 respond to risks are implemented.

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.

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 Business Transformation and Strategic Development.

GovOps 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 Sarah Soto-Taylor, Deputy Secretary for Business Transformation and Strategic Development. Monitoring of escalated GovOps department risks is delegated to designated Deputy Secretaries.

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

RISK ASSESSMENT PROCESS

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

The following methods were used to identify risks: brainstorming meetings, and ongoing monitoring activities.

The following criteria were used to rank risks: likelihood of occurrence, and potential impact to mission/goals/objectives.

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.

RISKS AND CONTROLS

Risk: Increasing Attrition in the State Workforce

As high-level staff (including equity and other program leads) leave their roles for various reasons, the State may be vulnerable to a high vacancy rate and a lack of equity focus and attention in various areas of operations and service delivery statewide. The California Department of Human Resources (CalHR), California Department of Technology (CDT), and California Department of General Services (DGS) each have a unique role in supporting the State workforce. CalHR is ultimately responsible for supporting recruitment, hiring, retention, training, succession planning, and collective bargaining for the State's workforce; CDT leads training and development of the State's information technology and cybersecurity workforce; and DGS is responsible for implementation of a variety of program support functions that affect State personnel, such as facilities, travel, and hybrid work policy. Without deliberate, holistic coordination of workforce development activities across control agencies, the State risks implementing fragmented workforce strategies that do not have the intended lasting impact. GovOps has a specific role in overall State workforce development to support the mitigation of this risk. Using CalHR data, the following controls will be implemented.

Control: Workforce Development Framework

Implement and maintain a workforce development framework to unify recruitment, hiring, and retention strategies and activities across control agencies, advancing California as an employer of choice.

Control: Executive Education

Provide executive education for incoming appointees to promote a culture of diversity, equity, inclusion, and accessibility (DEIA); customer-centered design; and positive leadership tactics across the State's executive leaders, ultimately supporting retention of the workforce.

Control: 2024 State Leadership Summit

At the upcoming 2024 State Leadership Summit, which is designed for State executives, craft a discussion on supporting State leaders and how to lead other leaders.

Control: Training and Development Ecosystem

Redefine the State's training opportunities into a training and development ecosystem to promote career-long learning and increase career satisfaction for State staff.

Risk: Increased Responsibility of Additional Programs/Projects

If GovOps is responsible for the start-up of a program on behalf of a department or takes a consultative role, operational, reporting, and compliance risks may be transferred to GovOps inadvertently. GovOps must establish continued sponsorship from the appropriate entities with clear roles, responsibilities, and focused outcomes. GovOps is the triage team that aligns team efforts with project objectives. GovOps keeps the team focused on the strategy and big-picture outcomes and organizes the transfer of work back to the responsible department for scaling and sustainability.

Control: Start-Up Framework

Establish a framework for project/program start-up/management for executive orders and other priorities given to GovOps to implement/manage.

Control: Succession Plan

Create a sample succession (or other) plan for transferring programs from GovOps upon approval.

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.

Amy Tong, 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