December 28, 2017

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

Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the State Independent Living Council submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Elizabeth Pazdral, Executive Director, at (916) 445-4621, liz@calsilc.org.

BACKGROUND

The State Independent Living Council’s (SILC) critical mission determines the direction for the Independent Living (IL) Program in the state. The SILC not only identifies the needs of the Independent Living (IL) community, but also, jointly with the centers for independent living, develops a State Plan for Independent Living (SPIL) to respond to those needs. The SILC then monitors the implementation of the three-year plan. The Council holds regular, noticed, public meetings and submits reports as requested to the federal Independent Living Administrator. The Act directs the Council to coordinate activities with other entities in the State that provide services similar to or complementary to independent living services, such as entities that facilitate the provision of or provide long-term community-based services and supports.

In July 1996, Governor Pete Wilson signed an executive order which established the SILC as an independent state agency.

Background on Federal Funding – DOR Interagency Agreement with SILC

SILC has the unique responsibility of managing federal funds received from the Department Of Rehabilitation (DOR) through an interagency agreement as reimbursements. The interagency agreement with SILC is federally funded through DOR's federal Independent Living State Grant authorized under the Rehabilitation Act of 1973, as amended, Title VII, Chapter 1, Part B. The federal grant funds provide assistance to States for expanding and improving the provision of independent living services to individuals with significant disabilities by promoting and maximizing their full integration and inclusion into the mainstream of American society.

SILC is accountable for the federal funds including adherence to federal regulations applicable to the grant funds, federal reporting requirements, use and expenditure of funds, and also the fact that the federal funds are time limited and, unlike state general funds, are not available for use for 3 years. SILC is reimbursed for actual expenditures, as invoiced monthly in arrears, and paid by DOR upon approval and processing of the invoice. DOR advances the SILC 25% of each fiscal year budgeted amount annually at the beginning of each contract year to provide SILC with operating funds necessary for their program activities.

Goals for the state Independent Living Program described in the 2017-2019 SPIL are (1) TRANSITION: IL Network members will have access to more youth transition tools, Californians with disabilities move from
more restricted settings into the community setting of their choice, conduct resource development activities, (2) SYSTEMS CHANGE: IL Network receives effective and supportive coaching, mentoring, and training around Community Organizing and Systems Change, (3) OUTREACH TO UNDERSERVED: ten regional, ethnic, and disability communities were targeted to increase services and community.

ONGOING MONITORING

As the head of State Independent Living Council, Elizabeth Pazdral, Executive Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

Executive Monitoring Sponsor(s)

The executive monitoring sponsor responsibilities include facilitating and verifying that the State Independent Living Council internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Elizabeth Pazdral, Executive Director.

Monitoring Activities

Most of SILC’s activities have evaluative tools built in to help the SILC track key performance indicators. In addition to entering all Accounts Payable information into Fi$CAL, SILC staff maintain parallel records within the SILC offices detailing all contracts, purchase orders, and accounts payable activity. These contracts and claims reports support the monthly cash flow spreadsheet. SILC staff maintain internal records of when invoices are submitted to DGS for payment, and when they are actually paid. Also monthly, a Certified Public Accountant reconciles the accounts to the information in Fi$CAL and on the SCO tab run. These supporting documents allow staff to prepare monthly financial status reports for the Board of Directors and DOR, reviewed at public meetings.

State procurement roles are followed creating thorough documentation and authorization practices for all encumbrances.

Team meetings (accounting, succession planning) are held monthly with staff and at least quarterly with external partners. In order to fully segregate financial duties and enable effective accounting control over assets, liabilities, revenues and expenditures, staff work is supplemented by Council members, the Executive Committee, and a contracted CPA. SILC accounting products are reviewed monthly by the accounting department within the DOR. The DOR Audit Unit also offers availability for follow-up questions and inquiries.

Addressing Vulnerabilities

Vulnerabilities identified are researched and documented to fully understand the situation and also prevent recurrence. New practices are put into place to shore up vulnerabilities. For example, after cash flow problems created by charges deducted from SILC’s account without SILC processing (or knowing about), the SILC Office Manager developed a protocol to use the SCO tab run and the internal SILC records to determine exactly what charges went through in that month. This practice allows SILC to try and track down the origin of any charges that were not invoiced through the SILC, but were paid on the SCO Tab Run.

Communication

Team meetings (accounting, succession planning) are held monthly with staff and at least quarterly with external partners. Monitoring activities are reported internally to staff via summary emails.
following team meetings. SILC staff use existing committee work structures to report monitoring activities. The Executive Committee receives financial reports monthly.

Ongoing Monitoring Compliance

The State Independent Living Council is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the State Independent Living Council systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the State Independent Living Council risk assessment process: Executive Management, Front Line Management, and Staff.

Risk Identification

The Executive Director used the State Leadership Accountability Act Risk Catalog (http://www.dof.ca.gov/Programs/Osae/SLAA/documents/SLAARiskCatalog.pdf) to review all aspects of the SILC program and operations. Identified, described risks were published in an internal report shared with staff and the Chairperson of the Council.

Risk Ranking

SILC staff used the Risk Aggregation Worksheets (http://www.dof.ca.gov/Programs/Osae/SLAA/) to rank the impact the risk poses to the agency and the likelihood that the risk would occur/recur. Each staff person gave separate notes on their risk assessment.

RISKS AND CONTROLS

Risk: Operations -External-Funding—Sources, Levels

Increased state operating costs consume an ever-larger portion of the federal grant until the SILC can no longer afford to meet its’ federal mandate.

The federal grant California receives to operate the SILC has not increased in fifteen years and the Workforce Investment Opportunity Act of 2014 capped the SILC’s funding at 30% of that grant. Also beginning in 2014, Contract Fiscal Services at DGS raised their fees from $45,000 a year to $91,000 for FY 2015-2016 to $116,000 per year for 2017-2018 despite the fact that SILC has lost funding and has simpler accounting needs. The budgeting and accounting purchased from DGS currently equals 18% of our total budget and that is growing.

SILC has already reduced its activities including hosting only three council meetings per year. Staff continue to seek ways to reduce costs. Eventually the SILC will be unable to meet the requirements of federal law. If California fails to file a correct State Plan for Independent Living, the state would lose more than $10 Million in funding for community-based service programs.

Control A

Several controls mitigate this risk:

1. SILC Internal cash-flow monitoring and expense re-balancing help the agency respond dynamically to financial fluctuations such as an unexpected, past-year charge from DGS.
2. Monthly updates to Council leadership afford them the opportunity to re-direct staff work to respond to financial issues.
3. Quarterly meetings with external partners allow SILC to work collaboratively and explore solutions such as amending an Interagency Agreement, requesting additional funding authority, revising the State Plan for Independent Living, or leveraging other programmatic funds.
4. Staff actively work to reduce operating costs including continuing to apply to DOF to separate from CFS at DGS and relocating to less-expensive office space.

CONCLUSION

The State Independent Living Council strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Elizabeth Pazdral, Executive Director

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