December 19, 2017

Diana Dooley, Secretary
California Health and Human Services Agency
1600 9th Street #460
Sacramento, CA 95814

Dear Ms. Diana Dooley,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Community Services and Development 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 Jason Wimbley, Chief Deputy Director, at (916) 576-7109, jason.wimbley@csd.ca.gov.

BACKGROUND

Department of Community Services and Development

The history of the Department of Community Services and Development (CSD) began with the State Office of Economic Opportunity (OEO), created by the federal Economic Opportunity Act of 1964 under the direction of Sargent Shriver.

In 1964, during the presidency of Lyndon B. Johnson, Congress enacted Public Law 88-452, an omnibus bill titled the "Economic Opportunity Act of 1964." The Act established the Office of Economic Opportunity in the Executive Office of the President to direct and coordinate the mobilization of the "human and financial resources of the nation to combat poverty in the United States." The effort quickly became known as the "war on poverty." In part, the Act stated: "It is the policy of the United States to eliminate the paradox of poverty in the midst of plenty in this nation by opening, to everyone, the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity."

The Act provided funding for Community Action Agencies, which are local private non-profit and public government organizations that have directly served the needs of the low-income. In 1996, the California Legislature renamed the OEO to more accurately reflect its purpose as the Department of Community Services and Development.

As a Department under the California Health and Human Services Agency, CSD partners with a network of private, non-profit and public community-based organizations commonly referred to as Community Action Agencies covering all 58 counties of the state dedicated to helping low-income families and individuals achieve and maintain self-sufficiency, manage their home energy needs and reside in housing free from the dangers of lead hazards.

Vision

The vision of CSD is to lead the development and coordination of effective and innovative programs to reduce poverty for low-income Californians.

Mission
CSD reduces poverty for Californians.

**Strategic Goals**

- Community-focused delivery;
- Productive partnerships;
- Strategic investments;
- Organizational excellence; and
- Innovation and continuous improvement.

**Programs administered by CSD:**

**Community Services Block Grant (CSBG) Program**

Objective: Provide for the allocation and distribution of CSBG funds to a network of private, non-profit and local government organizations in California, comprised of community action agencies, migrant and seasonal farm worker agencies, limited purpose agencies, and American Indian agencies, which provide a broad range of services and activities to help reduce poverty in California’s communities. Examples of program services include assistance in nutrition, job training, employment, education, housing, and emergency assistance in the community setting.

**Low-Income Home Energy Assistance Program (LIHEAP)**

Objective: Provide for the allocation and distribution of LIHEAP grant funds to a network of private, non-profit and local government organizations to support the local administration of LIHEAP services. LIHEAP provides a range of services designed to assist eligible low-income households meet their immediate home heating and/or cooling needs, including: payments to offset residential energy costs, delivery of weatherization services to improve the energy efficiency of low-income dwellings, and services to assist low-income households cope with energy-related emergency situations.

**Weatherization Assistance Program (WAP)**

Objective: Provide for the allocation and distribution of WAP funds to a network of private, non-profit and local government organizations to support the local administration of WAP services. The WAP provides eligible households with services designed to improve the energy efficiency of their home, reducing energy usage/costs, while safeguarding the health and safety of the household. Households are also educated on basic energy efficiency practices, and instructed on the proper use and maintenance of the measures installed.

**Lead-Based Paint Hazard Control Program (LHCP)**

Objective: Provide for the allocation and distribution of LHCP funds to remediate lead-based paint hazards in low-income dwellings occupied by young children to ensure lead-safe housing; build capacity of CSD’s network of agencies in achieving self-sufficiency in the delivery of lead hazard control services within their respective communities; and develop lasting lead-safe training resources.

**Low-Income Weatherization Program (LIWP)**

Objective: Provide for the allocation and distribution of LIWP funds to promote greenhouse gas emission reductions in disadvantaged communities by improving the energy efficiency performance of low-income residential housing. In addition, the program will provide co-benefits to the state, such as reducing air pollution, improving public health, reducing energy costs, and promoting economic stimulation and job
crea\_tion.

**ONGOING MONITORING**

As the head of Department of Community Services and Development, Linné Stout, 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 Department of Community Services and Development internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Jason Wimbley, Chief Deputy Director.

**Monitoring Activities**
CSD holds quarterly management meetings. Meeting topics include discussion of current and potential internal control issues that need to be addressed. These meetings allow management to discuss issues they have been made aware of and what steps are needed to mitigate the issues. The management team is encouraged to share experiences to further assist each other in addressing the issues that may arise.

**Addressing Vulnerabilities**
CSD requires reports from each unit on a quarterly basis. These reports inform management of the monitoring practices being conducted, improvements needed, and the overall monitoring success or weakness within each unit. This information is summarized and reported to the CSD Director.

CSD ensures all staff receives information vital to the effectiveness and efficiency of controls by requiring management to update their teams quarterly. CSD encourages staff to speak with their supervisor if they discover an issue that should be addressed to better assist CSD with fulfilling its mission, goals, and objectives.

**Communication**
Management holds quarterly meetings to review any deficiencies noted in either the quarterly reports or deficiencies that have been recently identified. CSD has an internal committee that designs and tests the control procedures that have been developed and implemented. The internal committee conducts separate evaluations on any deficiency noted if the deficiency relates to strategic initiatives or the entity-wide risk assessment. The internal committee reports to the CSD executive team and Director.

**Ongoing Monitoring Compliance**
The Department of Community Services and Development has implemented and documented 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 Department of Community Services and Development systems of controls and monitoring.
RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Community Services and Development risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

Risk Identification

Executive and senior staff met to discuss potential risks. During the meeting, instructions were given to division managers to conduct risk management meeting within their units. CSD audit staff assisted the facilitation of these meetings. The risk assessment meetings were conducted to identify the areas of greatest risk that may cause financial, political, legal and/or negative media exposure to CSD. During the risk assessment meetings, each unit’s potential risks were identified and discussed. These identified risks were then ranked on the likelihood of occurrence and potential impact to CSD. The outcome of the risk assessment meetings resulted in three areas of significant risks being identified.

Risk Ranking

The following is a discussion of areas within CSD perceived to have material risks that could result in negative exposure to CSD. Material risks are defined as those process outcomes having a high likelihood of occurrence and a significant fiscal, political, legal and/or negative media exposure to CSD.

This report does not focus on minor risks perceived to have little significance or likelihood of occurrence; however, all identified risks were discussed with executive management.

CSD’s mitigation/corrective action is included with each issue/risk identified in this report.

The most significant risks identified during the risk assessment process are outlined below.

RISKS AND CONTROLS

Risk: Operations - Internal - Staff — Key Person Dependence, Workforce Planning

Key Person Dependence: CSD relies on specific individuals with significant knowledge and expertise in key areas which makes the department vulnerable if they leave, retire, or are temporarily absent.

CSD is a small department and experiences frequent turnover.

The Department experiences loss of staff with critical core knowledge and experiences in operations and processes.

Control A

CSD is developing a successor and mentoring program to assist in sharing expertise in specialized areas. By developing this program, key staff will share their knowledge and help to ensure continuity of the program, allowing CSD to operate more effectively and efficiently.

Risk: Operations - Internal - Technology — Data Security

Information Security: As a result of the 2016 Risk Assessment performed by the California Department of the Military, there is a quantifiable risk to the confidentiality, integrity, and availability to the Personally Identifiable Information (PII) that the Department of Community Services’ information systems process, store, and transmit.
In addition, there is a quantifiable risk in both likelihood and magnitude of harm from unauthorized access, use, disclosure, disruption, modification, or destruction of the information system/asset resulting in the potential failure to ensure continuity of government/services.

Vulnerabilities identified in the 2016 Risk Assessment performed by the California Department of the Military.

The result of remediation is an increased ability to ensure the confidentiality, integrity, and availability of the PII that the Department of Community Services’ information systems process, store, and transmit.

**CONTROL A**

Status as of 01/2017: Security findings have been documented and assigned to the appropriate IT representative.

Status as of 09/2017: The team is reassigning the assignments to the new IT security specialist for review/prioritization and remediation.

Status as of 10/2017: The team will begin prioritizing the findings; CSD is working with the IT Security Consulting vendor to document and begin the required work to remediate the findings.

**RISK: OPERATIONS -EXTERNAL-FI$Cal IMPLEMENTATION, MAINTENANCE, FUNCTIONALITY, OR SUPPORT**

**Delays or interruption in completing business transactions:** CSD needs to request changes in various areas of the Fi$Cal system from the Fi$Cal Service Center (FSC) who in turn will process the department’s request. The turnaround time to process these requests can take an undetermined amount of time depending on FSC’s workload. For these reasons, some tasks will be delayed until the requested changes have been made to the system. Specific items affected are User Roles and Vendor Tables.

**Lack of understanding on how roles effect business process:** As CSD transitioned into Fi$Cal, the Business Services and Contract Units are now responsible for the creation of State Ops encumbrances which workflow to the Budget Unit who does the review and approval of the obligation.

Since these processes are now outside of Accounting, Business Services and Contract staff need to understand Fi$Cal coding to ensure encumbrances are setup correctly. The Budget Unit will need to be in frequent communication with Accounting to validate the funding level of a grant to avoid over obligations during this process.

CSD has experienced delays in completing its federal reporting requirements for administering its federal grants and our network of nonprofit agencies have experienced delays in receiving reimbursement for contracted services.

**CONTROL A**

CSD is currently working with Fi$Cal to allow the Departmental Authority Designee the ability to change user roles through the Identity Self-Service Portal. This will hopefully help the department utilize resources more efficiently to meet business needs. To comply, these roles are assigned to three staff with corresponding backups. It will be an option in the future to ask for an exception and consolidate these roles into one staff.
CONCLUSION

The Department of Community Services and Development 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.

Linné Stout, 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