January 02, 2018

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 Child Support Services 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 Mark Beckley, Chief Deputy Director, at (916) 464-5300, mark.beckley@dcss.ca.gov.

BACKGROUND

The Department of Child Support Services is the single state agency designated to administer the federal Title IV-D state plan. The Department is responsible for providing statewide leadership to ensure that all functions necessary to establish, collect, and distribute child support in California, including securing child and spousal support, and determining paternity, are effectively and efficiently implemented. Eligibility for California’s funding under the Temporary Assistance to Needy Families (TANF) Block Grant is contingent upon continuously providing these federally required child support services. The Child Support Program operates using clearly delineated federal performance measures, with minimum standards prescribing acceptable performance levels necessary for receipt of federal incentive funding. The objective of the Child Support Program is to provide an effective system for encouraging and, when necessary, enforcing parental responsibilities by establishing paternity for children, establishing court orders for financial support, and enforcing those orders.

The Department oversees the administration of and provides policy direction to the 49 county local child support agencies (LCSAs) that administer the program at the local level. The Department operates and maintains the statewide child support automation system known as the Child Support Enforcement (CSE) system. This system contains tools to manage the accounts of child support recipients and to locate and intercept assets of parents owing support who are delinquent in their child support payments. The Department also oversees vendor contracts for the collection and distribution of child support payments.

In June 2015, the Department updated the five-year Strategic Plan (Plan) for the period covering fiscal years 2015-19. The mission statement of the Department is to promote parental responsibility to enhance the well-being of children by providing child support services to establish parentage and collect child support. The Department has adopted five goals for the five-year period: (1) increase support for California’s children, (2) deliver excellent and consistent customer service statewide, (3) enhance program performance and sustainability, (4) develop and strengthen collaborative partnerships, and (5) be innovative in meeting the needs of families. Each of these goals is supported by two to four objectives and there are 13 objectives in the Plan. Some of the key objectives identified in the Plan include: ensure that families who need child support services receive them; increase the reliability of child support payments to families and decrease the amount of unpaid child support; ensure that our customers receive consistent and uniform services throughout California; ensure the security and safeguarding of confidential information to maintain a high
level of customer confidence; and ensure that policies, procedures and laws meet the needs of the families.

The overall vision for the Child Support Program is that all parents are engaged in supporting their children. The Department has adopted the following values to support its mission, vision and goals: children and families; customer service excellence; operational excellence and innovation; collaboration and cooperation; integrity, fairness and respect; professional and ethical conduct; and a skilled and knowledgeable workforce.

ONGOING MONITORING

As the head of Department of Child Support Services, Alisha Griffin, 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 Child Support Services internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Mark Beckley, Chief Deputy Director.

Monitoring Activities

The Department has several entity-wide processes to monitor activities, with all levels of management involved in assessing and strengthening the effectiveness of internal controls. The Department has several offices and units to help monitor key risks and controls that include: the Office of Audits and Compliance for fiscal and internal controls; the Information Security Office for data security; and the Program Compliance unit for compliance with federal and state policy and program requirements. The program tracks five federal performance measures annually, tracking key performance requirements, evaluating anomalies and reporting results of the key indicators to the federal oversight agency. Department management meets twice per month for Broad Performance meetings to discuss the implementation and percentage of completion for new processes designed to support the Plan and Department’s goals. In these Broad Performance meetings, discussion from responsible parties include agency updates, updates on contracted activities, potential problems, and internal control issues.

The Department is currently in the process of creating and staffing an Enterprise Risk Management Office who will take a holistic approach to risk and mitigation strategies. The Enterprise Risk Management process utilizes Unit Monitors who meet quarterly and discuss weaknesses and controls. The Department currently utilizes a risk monitoring template to track progress, delays, or barriers to accomplishing the needed controls and mitigating factors. In May 2017, the Department updated its IT Risk Management Plan to reduce probability and potential impact of IT events before they become threats and conducts periodic internal reviews of the Department by internal auditors. As part of the Department’s sub-recipient monitoring responsibility, the Department’s audit office performs external reviews and reports on the internal controls and administration of IV-D funds. During this SLAA cycle, the Department underwent external reviews from the Bureau of State Audits/MGO, Internal Revenue Service, California Information Security Office, State Personnel Board, Social Security Administration, and General Services. The Department is working closely with these auditors to fully mitigate the risks identified from these reviews. All the identified processes are used in concert with one another to serve as effective monitoring tools for the Department.
ADDRESSING VULNERABILITIES
Once a risk is identified via the various monitoring processes delineated above, the Division Deputy or Assistant Director of the responsible business entity work with their managers to identify additional controls and mitigation strategies for the new or existing risks. The problem is evaluated and a course of action is determined by related parties, including tracking corrective action. Timeframes for resolving deficiencies will depend on the nature and complexity of the identified deficiency or risk. Performance is tracked for many new projects and results discussed during the Broad Performance meetings. The Department’s Information Security Officer also tracks corrective action in the Plan of Action and Milestones (POAM), and meets with the Director regularly to discuss progress on the corrective actions.

COMMUNICATION
The Department monitors roles through duty statements, policies and procedures, and organizational charts of responsibility. Management communicates vulnerabilities and control inefficiencies through bi-weekly Broad Performance management meetings and Executive Directors’ meetings. Managers communicate information shared at these meetings to staff to effectively meet the mission of DCSS. The Department’s strategic plan and goals are posted and shared with Department staff. Also, the Department has contracted the Sacramento State College of Continuing Education to provide leadership development training to all executive and management staff, and has contracted Business Advantage Consulting to assist in the Department’s Organizational Change Management (OCM). OCM is designed to increase staff communication and to engineer channels of change within the Department. The Department has also contracted with a marketing vendor to better understand the needs of our customers and increase awareness about the services that the Child Support Program provides to the public. The hope is that these efforts result in improved communication from leadership and a department that embraces change and improved communication both top-down and bottom-up.

ONGOING MONITORING COMPLIANCE
The Department of Child Support Services 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 Department of Child Support Services systems of controls and monitoring.

RISK ASSESSMENT PROCESS
The following personnel were involved in the Department of Child Support Services risk assessment process: Executive Management, and Middle Management.

RISK IDENTIFICATION
The Departmental risks were obtained through management surveys. The management team was asked a series of questions regarding assessment of risk, internal controls, improvement or prevention of missed opportunities, and communication. The identified risks were compiled into a Risk Aggregation Worksheet and Risk Assessment Template for management to evaluate the likelihood and impact.
**RISK RANKING**
The risks were ranked from a program-wide perspective after discussing mitigation and control strategies. The ranking includes the consideration of current corrective action plans in place to fix risks and the likelihood of the risk occurring.

**RISKS AND CONTROLS**

**Risk: Operations - Internal - Technology — Data Security**
The Department operates one of the largest IT systems in the state, the Child Support Enforcement (CSE) System. Any large IT system will always be at risk for threats of viruses, breaches, cyber-attacks, denial of service attacks, and other unwanted intrusions. DCSS continuously monitors and provides updates to the CSE system to address these cyber security threats. Should the external threats be successful, child support customer data could be compromised. DCSS needs to continually assess its security posture to ensure that it is using the most current technology, security practices, and procedures to safeguard the data of our child support customers.

A variety of external threats such as breaches, viruses, cyber-attacks, denial of service attacks, and other unwanted intrusions.

If external attacks on the CSE system are successful, data for millions of child support customers could be compromised.

**Control A**
The Department plans on performing a holistic security assessment of CSE and has identified several controls to enhance its security posture. Currently, the Department is evaluating additional security tools and vendors to enhance its overall security posture. For example, the Department has identified moving CSE into a Cloud environment as an approach that will provide a greater data security framework, improved ability to recover data and within shorter timeframes, and greater flexibility to make changes more quickly in response to data security threats. The holistic security assessment is planned for the third quarter of SFY 2017-18.

**Control B**
The Department maintains three plans in order to quickly and effectively respond to security threats: the Security Incident Response Plan (SIR), the Business Continuity Plan (BCP), and the Technology Recovery Plan (TRP). The Department updated the SIR in SFY 2015-16, was tested, and passed three audits in SFY 2016-17. The BCP was updated in 2016 and the TRP is in the process of being updated.

**Control C**
In SFY 2016-17, the Department underwent security audits by the California Department of Technology (CDT), the Social Security Administration (SSA), and the Internal Revenue Services (IRS). The Department has prioritized mitigating the findings from these audits and has already corrected most of the critical and sensitive findings on the reports as well as has plans in place to correct the remaining critical and sensitive findings from the audits. The Department has prioritized these corrective actions in the POAM and monitors and tracks IT issues as they develop in accordance with the SIR.

**Control D**
The Department continues to enhance the organization's Technology Services Division (TSD) in order to improve the effectiveness and efficiency of the services it delivers. In SFY 2016-17, the Department
increased the resource capacity and developed additional procedures in the Policy, Awareness and Risk Compliance section of its Information Security Office to increase its ability to detect vulnerabilities and threats at state and the local child support agencies. DCSS will continue to make organizational and procedural improvements to its Information Security Office to further strengthen its threat detection and response capabilities.

**CONTROL E**

The Department plans to increase training for CSE users to ensure they understand and follow proper protocols and practices for handling and disposing of personally identifiable information (PII) and federal tax information (FTI). In calendar year 2018, DCSS will also be implementing a new background check policy for employees and vendors that view FTI to ensure IRS Publication 1075 requirements are met. The Department is also in the process of developing a new IRS mandated background check policy for individuals that handle FTI, and will be implementing this new background check requirement in calendar year 2018.

**RISK: OPERATIONS - INTERNAL STAFF – TRAINING, KNOWLEDGE, COMPETENCE**

The Department relies on specific individuals with institutional knowledge and expertise in key areas which makes the Department vulnerable if they leave, retire early, or are temporarily absent. In some areas of the Department, staff and managers lack broad in-depth knowledge of certain aspects of the Child Support Program and CSE. The Department’s ongoing vacancy rates, training of new staff, and reliance on contracted staff who take their expertise with them further reduces its ability to maintain effective and efficient operations of the program. Loss of staff resources, institutional knowledge, and skilled and motivated staff could impair the Department’s ability to deliver the services and functionality needed by the local child support agencies and the child support customers. Further, technological changes occur rapidly, requiring sufficient adequately skilled and highly technical workers to accomplish its many ongoing and upcoming CSE projects.

The loss of institutional knowledge in the department has occurred due to staff retirements and staff leaving for job opportunities in other departments.

If the department does not train/develop new staff at the same rate that it is losing staff then it is at risk of making poor decisions based on lack of systems and program knowledge and may lose out on opportunities to take advantage of new policy and technological changes that may benefit our customers.

**CONTROL A**

The Department has several efforts underway to improve staff succession to critical staff and managerial positions. Rotational opportunities to staff has been offered. The Department’s on-line training system), provides broad program training as well as specific training in different aspects of the Child Support Program and is continuously being updated. The Department has contracted with vendors to design and deliver programmatic training to staff, to provide leadership training to all management levels, to help form an Organizational Change Management program, and to design core competencies. The Department has also implemented a new program called the Focused Roundtable for Empowered Development (FRED) Talks. In this program, different department managers have open discussions with staff on a wide variety of talks such as leadership development, functions of the different divisions and offices in the department, specialized HR, program, and IT topics, as well as other topics.

**CONTROL B**

The Department has implemented numerous new programs and processes to assist with the
Department’s hiring and recruitment process. The Organizational Development Unit (ODU) regularly tracks vacancies by division and disseminates this information to all department managers to keep them informed about their staffing levels. ODU also regularly attends recruitment fairs and works with the Department’s Office or Communication and Public Affairs to post job vacancies on the Department’s Facebook and Twitter pages. The on-site career center helps staff research promotional and other career opportunities and assists with completing job applications and developing resumes and cover letters. The Department also leverages CalHR’s new website to assist staff obtain information needed for promotional opportunities, open exams, and apply for jobs.

Control C
The Department is in the process of updating its Statewide Policy and Procedures manual that will ensure all DCSS and LCSA staff have a single comprehensive resource for child support policy and procedures information. In November 2017, the Policy and Program Branch reviewed its current online Policy Manual to ensure all the links were up to date and linked to current federal policy information. The Policy and Program Branch is now in the process of reviewing the Policy Manual, DCSS Policy Letters, and other policy and procedure documents to identify obsolete and out of date information, separate policy, procedure and regulatory information into different sections, and create a new streamlined process to develop and disseminate new policy. This effort will ensure that state and local child support staff are relying on current and consistent child support information and will help with staff training and succession planning efforts.

Risk: Operations - Internal - Physical Resources—Maintenance, Upgrades, Replacements, Security
Since the CSE system was implemented, it has taken the Department a long time to implement changes needed to respond to federal and state requirements, improve service to our customers, and needed security enhancements. The Department is in the process of implementing organizational and process changes to implement system changes faster and in a more flexible manner, as well as new processes for DCSS and LCSA staff to report system incidents easier and faster so that they can be mitigated more quickly.

There are two drivers for this change: (1) the continued shift way from a large system and development culture in our IT organization to ongoing maintenance and operation of the system, and (2) innovations in IT organizational and process culture toward ‘agile’ methodology to maintain, operate and develop IT systems.

If the department does not continue to improve and adapt its IT organization and culture to new ways of doing business, the risks are: (1) CSE could fall behind in keeping up to date with the latest system security innovations leaving our system vulnerable to attacks, (2) we may not be able to quickly and flexibly respond to new policy and legal requirements which could put the department out of compliance with new requirements and could lead to federal penalties, and (3) we may not be able implement new changes to our system that could provide benefit to our child support customers.

Control A
The Department has implemented a new IT tool called ServiceNow which streamlines the system incident reporting process. With this tool, DCSS and LCSA staff can report an incident, identify a DCSS point of contact for the incident, track the status of the incident and ServiceNow then informs users when an incident has been resolved. It also includes a chat feature that enables a requestor to exchange information about the incident with the point of contact for the incident ticket.
The Department contracted with a vendor, KPMG, to perform an assessment of its IT organizational structure. KPMG recommended numerous changes to the structure of the Department’s Technology Services Division (TSD) to make it more efficient and effective in its service delivery. DCSS shared the recommendations with its IT managers who made some independent recommendations to the vendor’s recommendations. The Department intends to move forward with the combined KPMG/DCSS IT manager recommendations to improve service delivery in its TSD organization. The Department is also in the process of moving away from the traditional method of implementing IT changes, the “Waterfall” method, and is in the process of implementing a new iterative process of IT development called “Agile” development. The Department anticipates that the use of the Agile methodology will provide system users with faster functionality and overall higher quality.

Risk: Operations-Internal-Program/Activity—Changes, Complexity
The Department needs to clearly communicate its vision, mission, and policy and to provide direction in a clear and consistent manner to Department staff as well as vendor partners and stakeholders. This is especially meaningful for the LCSAs and the courts that carry out the Child Support Program. Communication gaps, lack of a clear vision, and lack of consistency and direction may impact the efficient and effective operations within the Department and at the LCSAs.

The Child Support Program environment is changing from being a more enforcement-centered program to one that works collaboratively with both parents to establish fair child support orders that provides for the needs of children. In addition, the department is embarking on a number of initiatives to provide services in a more customer-service friendly manner through enhanced web-services, proactively reaching out to customers to better understand their service needs, providing easier access to information, and more convenient payment options. These needs and others are driving the need for DCSS to communicate more frequently with our customers, LCSA, court, and advocate partners.

If DCSS does not do an effective job of communicating important program benefits and changes to our customers and understanding their service needs, the department risks not providing vital services that our customers might need. If DCSS does not do an effective job in communicating our program vision and strategy with our LCSA, court, advocate and other key stakeholders, then the program’s initiatives and improvements may be less effective without their active understanding and collaboration on our initiatives.

Control A
The Department has contracted with a vendor, Ogilvy, to better understand the needs of its customers, where knowledge gaps exist between the department’s mission and purpose and the public’s understanding of its mission and purpose, and how the department can better communicate with the public, so they can take advantage of the services DCSS offers. The Department is also in the process of revamping its website to make department and program information more readily and easily accessible to its customers.

Control B
The Department has implemented several changes to better communicate with DCSS managers and staff. Broad Performance meetings have been established which include all middle, senior, and executive managers to talk about major department initiatives, share information including significant program changes, and have recurring discussions about why certain initiatives and changes are being undertaken as well as strategic discussions about the future direction of the Program. A monthly newsletter is published to inform staff about recent accomplishments and various aspects of the
Program as well as upcoming departmental events and initiatives. The Department is also in the process of revamping its website to make department and program information more readily and easily accessible to staff.

**Control C**
The Department has implemented several processes to improve communication with LCSA directors and staff. The Department meets with the LCSA directors three times per year to discuss key department initiatives and inform them about new program changes. Quarterly regional meetings between DCSS executive staff and managers and LCSA Directors and their managers are conducted to have more focused discussions about program changes and initiatives. The Department has also convened quarterly Attorney’s Forums to enable DCSS and LCSA attorneys to talk about changes in case law, key pending cases, and other facets of child support law. The Department also has several collaborative workgroups with the LCSAs on topics such as budget, order setting, customer service, policy, etc. The Department distributes its monthly newsletter to the LCSAs and highlights major LCSA accomplishments and changes. The Department is also in the process of revamping its website to make department and program information more readily and easily accessible to the LCSA staff.

**Control D**
The Department meets with the Child Support Advocate community to discuss major program initiatives and changes and to hear from the Advocates any concerns or changes they would like to see in the Child Support Program. DCSS also meets with the Judicial Council of California at least bi-monthly or more frequently if needed to discuss any issues, concerns, or changes with the AB 1058 program, the child support courts and the family law facilitators.

**Risk: Operations—External—Service Provider—Internal Control System Adequacy**
The Department operates a statewide automation system that is used by interfacing county partners at the 49 local child support agencies. Interfacing partners need strong security measures to protect against cyber-attacks. The risk of losing personally identifiable information via these interfaces, data downloads, and user access poses a very serious risk for the Department. Yet there must be a balance as the need for security cannot significantly impede the efficiencies in carrying out the child support business process.

The cause of data security vulnerabilities are external threats such as viruses, denial of service attacks, breaches, cyber-attacks and other unwanted intrusions.

If external attacks on the CSE system are successful, data for millions of child support customers could be compromised.

**Control A**
The Department plans to migrate to a cloud environment. The Department is conducting an internal security evaluation that will identify the most effective means of control for the data that is shared with partners. This evaluation is scheduled for the third quarter of SFY 17-18.

**Control B**
IRS conducts bi-annual audits of the Department’s security stance and software. The California Department of Technology’s Information Security Office also conducts security audits. The Department has corrected most of the issues identified in the last IRS audit, including out of date software and has a plan for the remaining items that is being actively addressed. Corrective action is documented in the Department’s POAM and reported to auditing agencies. Audits are also performed
by other audit agencies such as Office of Inspector General, US Department of Health and Human Services Social Security Administration, as well as the Department’s Information Security Office. Corrective action is also implemented and monitored by these audit agencies, and ultimately the Department’s Director who tracks and mitigates this risk.

**Control C**
The Department utilizes data sharing exchange agreements with vendor partners, encrypts shared data, and is increasing communications and monitoring of vendor partners.

**Risk: Operations - External Oversight of or Program Coordination with Others**
The CSE System is designed to comply with federal requirements to provide payment to the custodial party within two days of receipt of a child support payment. If the payment later becomes a bad check (NSF check) or a fraudulent electronic transfer of funds (unfunded ACH payment), the Department faces a financial liability. The Department has no legal remedy to collect when a payment is unfunded; therefore, an account receivable is created which results in a liability in the Child Support Payment Trust Fund and a cost to the General Fund to cover these events. More importantly, this is a failure of the parent to meet his/her financial obligation to the children and compromises the Department’s mission to collect child support.

The cause of this risk are fraudulent checks, ACH transfers, and credit card payments remitted to the department from members of the public.

The result is the loss of funding from the Child Support Payment Trust Fund which creates a fiscal pressure on the State General Fund to keep the fund solvent.

**Control A**
The Department’s Operations Division and a new team that will be established in the 2018, the Financial Assessment team, will explore options to address this issue and will provide recommendations to strengthen the financial controls of the department and CSE.

**Risk: Operations - External Oversight of or Program Coordination with Others**
The Department relies on contractors to administer the State Disbursement Unit (SDU) in providing banking services for the Child Support Program that expires March 31, 2020. The Department is currently engaged in procurement activities to establish a new contract. Given the complexity of these services and the state contracting process, the Department may encounter delays (missed project dates, expanded scope, or lengthy protests) in completing the procurement process causing a break in service or a short-term emergency extension of the current contract.

The cause of this risk is the current SDU contract termination date.

If the DCSS does not re-procure the SDU contract by the contract termination and the current SDU vendor is not able to continue to provide services, then there is a risk that millions of child support payments will not be processed.

**Control A**
The Department has established a project plan and a project schedule to ensure that the new SDU contract is successfully procured before the current contract ends and is actively managing all critical components of this procurement.
CONCLUSION

The Department of Child Support Services 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.

Alisha Griffin, 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