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

Dear Mr. Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Mental Health Services Oversight and Accountability Commission submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Norma Pate, Deputy Director, at (916) 445-8790, norma.pate@mhsoac.ca.gov.

BACKGROUND

The Mental Health Services Act (MHSA), which passed as Proposition 63 and became law on January 1, 2005, is funded by a one percent tax on personal income above $1 million dollars. The MHSA collects an average of $1.8 billion dollars annually for California's counties to improve, enhance, and expand integrated service, early intervention, and innovative programs for seriously mentally ill children, adults and older adults and to prevent the duration and consequences of mental illness through prevention and early intervention.

Welfare and Institutions (W&I Code Section 5845 created the Mental Health Services Oversight and Accountability Commission (MHSOAC or Commission) to provide leadership, oversight, and accountability for implementation of the MHSA and the public mental health system. A key role of the MHSOAC is to ensure California taxpayers that their investment in mental health funds is producing cost-effective outcomes and that services are provided in accordance with recommended best practices. It accomplishes this through an Evaluation Master Plan strategic initiative. Other strategic initiatives include reviewing county MHSA plans for compliance, reviewing and approving plans for Innovation expenditures, issuing regulations for the MHSA components of Innovation and Prevention and Early Intervention, and issuing $32 million in grants for triage personnel.

Though it was created by the MHSA, the MHSOAC is charged with ensuring oversight and accountability for the entire public mental health system, which includes the Adult and Older Adult Mental Health System of Care Act, Children's Mental Health Services Act, and all MHSA funded programs. The MHSOAC does this through the primary business function of:

- Influencing mental health policy;
- Ensuring the adequate collection and tracking of mental health data and information;
- Ensuring that counties are provided with appropriate support and technical assistance;
- Ensuring that MHSA funding and services comply with relevant statutes and regulations;
- Evaluating the impact of the MHSA;
- Utilizing evaluation results for quality improvement; and
- Communicating the impact and consequences of the MHSA.

RISK ASSESSMENT PROCESS

The risk assessment was completed by the Deputy Director of Administrative Services and the Executive and Management Team. The Deputy Director served as the SLAA Coordinator and facilitated the Team. The Team Coordinator conducted a SLAA “kick off,” which covered the statute, the purpose, the process,
and posed internal control questions that each Team member needed to answer for their area. The internal control questions covered the questions listed in the, “State Leadership Accountability Act Risks and Definitions” and Team members received the risk aggregation worksheet from the Department of Finance’s website.

A workgroup consisting of members from the Team reconvened and consolidated the worksheets received from all Team members which included rankings of the impact and likelihood of occurrence for each risk.

After careful consideration, the Team identified the risks that pose a high impact to the MHSOAC and state with a high probability of occurring if no controls that should be included in this report.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- FI$Cal Conversion

The MHSOAC does not have internal staff to perform budget and accounting tasks and contracts with the Department of General Services, Contracted Fiscal Services (CFS) for these services. The CFS is not sufficiently trained in FI$Cal and therefore all invoices for the MHSOAC vendors are not paid in a timely manner, and MHSOAC staff are spending an extraordinary number of hours addressing vendor complaints about invoices that have not been paid. Additionally, the MHSOAC is not receiving reports from CFS that are needed to reconcile expenditures and cannot accurately review required fiscal information needed for budget letters.

The MHSOAC is researching its ability to bring in house the budget and accounting functions in order to terminate the contract with DGS.

Meanwhile, the MHSOAC is documenting all expenses and calendaring deadlines and contacting CFS on a regular basis regarding the status of invoices and required reports and seeking clarification from CFS management on processes that continuously change.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

The MHSOAC is facing upcoming staff retirements and vacancies in key positions. These positions are hard to fill because they are at higher levels and require advanced education and/or specialized experience. Recruitment for these positions will be difficult.

MHSOAC is developing a contingency plan that includes, cross-training staff, and at the same time, creating a manual detailing the process. However, the small number of positions in the MHSOAC makes cross-training and having back-ups very challenging. The MHSOAC is actively recruiting inside and outside state service.

Operations- Internal- Technology—Data Security

The MHSOAC has access to protected health information (PHI) on individuals for research and evaluation purposes. Inadvertent or malicious disclosure of individually identifiable health information to unauthorized persons could cause harm to individuals whose data is disclosed and create political risk for the MHSOAC.

The MHSOAC has created policies and procedures to minimize the risk of inadvertent or malicious disclosure of confidential data, including: training staff in best practices, implementing management practices, physical, hardware, and electronic security measures to limit access to protected data to only authorized personnel, and implementing management practices and
hardware and software control measures to audit access to protected data.

**Reporting- Internal- Fi$Cal Conversion**

Information in Fi$Cal reports is inadequate, inaccurate, misinterpreted, or untimely. We are simply not getting any useful data from Fi$Cal that would take the place of the previous CalSTARS reports. This is impacting executive spending decisions.

Through the Commission's ongoing monitoring processes, a monitoring tool was created to improve internal controls and track all expenses that are sent to the Department of General Services (DGS), Contract Fiscal Services (CFS) unit for payment. Additionally, the Commission keeps hard copies of all expenditure documents (invoices, purchase orders, contracts, etc.) and also has created a budget tracking chart with projections and expenditures for the current fiscal year that is updated monthly, to monitor the Commission's Budget. The Commission continues to communicate challenges to the DGS, CFS regarding the reconciliation report issues.

**ONGOING MONITORING**

Through our ongoing monitoring processes, the Mental Health Services Oversight and Accountability Commission reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Mental Health Services Oversight and Accountability Commission is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

**Roles and Responsibilities**

As the head of Mental Health Services Oversight and Accountability Commission, Toby Ewing, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Norma Pate, Deputy Director, as our designated agency monitor(s).

**Frequency of Monitoring Activities**

The MHSOAC holds weekly Executive/Management (E/M) team meetings that include representation from each unit. Meeting topics include discussion of current and potential internal control issues that require attention. These meetings provide the E/M team an opportunity to discuss issues they have been made aware of and what steps are needed to mitigate the issues.

Each unit meets on a weekly basis to provide staff the opportunity to bring internal control issues to the attention of the unit manager.

**Reporting and Documenting Monitoring Activities**

Oral reports are given at the weekly E/M team meetings to inform the team of the monitoring practices being conducted, improvements needed, and the overall monitoring successes or weaknesses within each unit.

The MHSOAC ensures all staff receives information vital to the effectiveness and efficiency of controls by sending out timely e-mail correspondence related to internal control issues and mitigation implementation and monitoring. Units meet on a weekly basis to provide staff the opportunity to identify and clarify any issue that requires attention to better assist the MHSOAC with fulfilling its mission, goals, and objectives. Time is allotted at the unit meetings to address questions and concerns regarding internal procedures.

The MHSOAC is an atypically small agency with less than 30 positions that has found that addressing internal control deficiencies through meetings with the E/M team and staff is the most efficient, timely, and effective method.
Additionally, the MHSOAC documents monitoring activities through e-mail notifications, the risk assessment matrix, program review checklists, routing-signoff forms, project scoring criteria templates, budget worksheets, monitoring report templates, and strategic planning documents.

**Procedure for Addressing Identified Internal Control Deficiencies**

As described above, the E/M team addresses identified internal control deficiencies during the weekly E/M team meetings. Identified deficiencies are mitigated as soon as practical, ranging from a few hours to a few weeks depending on the specifics of the deficiencies and required mitigation. E-mail notification is sent to all staff to inform them of policy or procedure changes to assist in the mitigation of discovered deficiencies. The policy and procedure changes are also reinforced at the weekly unit meetings.

**CONCLUSION**

The Mental Health Services Oversight and Accountability Commission strives to reduce the risks inherent in our work through ongoing monitoring. The Mental Health Services Oversight and Accountability Commission accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Toby Ewing, Executive Director

cc: Department of Finance
    Legislature
    State Auditor
    State Library
    State Controller
    Secretary of Government Operations