Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Office of Planning and Research 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 Scott Morgan, Deputy Director, at (916) 322-2960, Scott.morgan@opr.ca.gov.

BACKGROUND

The Office of Planning and Research (OPR), created by statute in 1970, is part of the Office of the Governor, OPR serves the Governor and his Cabinet as staff for long-range planning and research, and constitutes the comprehensive state planning agency. The Office of Planning and Research assists the Governor and the Administration in planning, research, policy development, and legislative analysis. OPR formulates long-range state goals and policies to address land use, climate change, population growth and distribution, urban expansion, infrastructure development, groundwater sustainability and drought response, and resource protection. OPR acts as the state's liaison to a variety of entities including local government, planning professionals, small business, and the military. OPR runs the State Clearinghouse, coordinating CEQA filings and state compliance issues. OPR houses and supports the Strategic Growth Council, a program that aims to bring together agencies and departments with Business, Consumer Services and Housing, Transportation, Natural Resources, Health and Human Services, Food and Agriculture and Environmental Protection. SCG coordinates activities that support sustainable communities emphasizing strong economies, social equity and environmental stewardship. In addition, OPR houses California Volunteers, a program aimed to increase the number and impact of Californians involved with service and volunteering throughout the state. California Volunteers administers programs such as AmeriCorps and Disaster Volunteering and Preparedness, guides policy development to support the nonprofit and service fields, and leads the Service Enterprise Initiative, which empowers a nonprofit to more efficiently engage volunteers and effective address community needs.

ONGOING MONITORING

As the head of Office of Planning and Research, Ken Alex, 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 Office of Planning and Research internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Scott Morgan, Deputy Director, Anthony Chavez, Director of Finance and Administration, and
Marlene De La O, Deputy Director.

**Monitoring Activities**
The Deputy Directors of the three branches of Office of Planning and Research meet with Administrative and Program Staff throughout the year to discuss and evaluate internal controls and identify risks. Once any control or risk is identified, the Deputy Directors will meet to discuss solutions/risk controls. Deputy Directors, meet with the Director as needed to discuss identified risks, risks controls and solutions.

**Addressing Vulnerabilities**
As deficiencies are identified by Deputy Directors, Administrative and Program Staff a meeting is established with the OPR Director to discuss solutions moving forward to contain the identified risk. Timeframes for deficiencies to be remedied are based on the requirements and guidance provided by the SLAA process and reports.

**Communication**
Since OPR is a small organization there is constant communication between the Deputy Directors and the Director on any identified risks and potential solutions. The Deputy Directors document through the SLAA process any identified risks, solutions and implementation measures. Memos and reports are developed as needed for Director’s information and approval. OPR utilizes the SLAA Process documentation and monitoring or risk and risk solutions.

**Ongoing Monitoring Compliance**
The Office of Planning and Research 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 Office of Planning and Research systems of controls and monitoring.

**Risk Assessment Process**
The following personnel were involved in the Office of Planning and Research risk assessment process: Executive Management, and Staff.

**Risk Identification**
The risk assessement was completed by a team comprised of Executive Managers, key Program Staff and Administration Staff. Executive management consisted of the Deputy Director of Administration for State Planning and Policy, the Director of Finance and Administration for California volunteers and Deputy Director for Strategic Growth Council. The Administration Staff consisted of key personnel representing accounting, procurement, budgets, personnel and fiscal compliance. Executive managers working in conjunction with the Administration staff reviewed past version fo the FISMA/SLAA reports and the Department of Finance information for SLAA. Using the Department of Finance Control Environment Questions and the State Ledership Accountability Act Risks and Definitions, risks and vulnerabilities were identified and noted on the Risk Aggregation Worksheet. The team identified the impact to the agency and the likelihood of occurrence. The Administration Staff then evaluated the list of risks and vulnerabilities to determine what actions/controls may be taken for each risk. Executive management re-evaluated the list of risk, controls and ratings to determine any changes required. Executive management determine which risks could be easily mitigated and focused on those risks
identified by a high rating.

**Risk Ranking**

Once the team identified risks on the Risk Aggregation Worksheet, the team identified the impact to the agency and the likelihood of occurrence. The Administration Staff then evaluated the list of risks and vulnerabilities to determine what actions/controls may be taken for each risk. Executive management re-evaluated the list of risk, controls and ratings to determine any changes required. Executive management determine which risks could be easily mitigated and focused on those risks identified by a high rating.

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**Risks and Controls**

**Risk: Operations - Internal - Program/Activity—Changes, Complexity**

Complex interactions between various funding sources and the rules governing each create inefficiencies. OPR has taken on many new programs from a variety of funding sources over the last several years. Several of those new programs are funded by the Greenhouse Gas Reduction Fund (GGRF) through the Air Resources Board (ARB), administered by the Strategic Growth Council (SGC), and implemented through partner agencies and departments. Programs funded through the GGRF have many layers of reporting and program implementation restrictions that are complicated and prone to audits and lawsuits. New GGRF programs have added a large volume of interagency agreements, contracts, and grants that need to be drafted, reviewed, and processed to conform with State government rules and regulations, ARB funding guidelines, and individual program guidelines. Moreover, in the spring of 2018, OPR/SGC administrative staff will have to implement and sign grant agreements that will require current staff to oversee research grants and construction projects implemented by grantees in disadvantaged communities. These activities require management systems that are considerably different from SGC’s current systems and processes, which are set up to oversee interagency agreements and services contracts with experienced State contractors.

The number of agreements OPR/SGC will be signing this spring, coupled with the degree of oversight required, will increase the volume of administrative tasks significantly, particularly as they relate to grant management, operations, accounting, payment processing, budgeting, and record keeping. Most administrative staff supporting SGC programs spend two-thirds of their time administering other OPR and non-SGC programs. Additional administrative support staff will be needed to keep up with the volume of work and to ensure the proper oversight of complicated projects that are prone to audits and lawsuits. Our current staff will need to be trained on the nuances of research grant agreements and how to set up appropriate performance measurements and milestones for researchers. Staff will also need to be trained in overseeing complex construction projects and establishing risk management processes.

Lack of training and experience related to overseeing grants and complex projects in disadvantaged communities could result in an inability to grant funds quickly due to the time and research required to set up new grant management systems and risk management systems. Furthermore, SGC’s grant program will require an administrative team that can manage grantees proactively and tackle challenges as they arise before these challenges jeopardize program outcomes. If the volume of work increases as anticipated and our current administrative staff do not receive the support they need, OPR/SGC may not be able to address complex problems proactively while legal and financial risks to the State of California are low.

**Control A**

To manage and organize the various levels of complexity for each GGRF program, OPR and the Strategic Growth Council (SGC) have redirected a three-person team at three levels of management.
(Deputy Directory, Contracts Specialist, and Administrative Specialist) to establish contract management processes for SGC, as well as processes related to funding oversight and reporting requirements to ARB. Contract management processes have been developed and are in their first month of implementation. Moving forward the team will work on streamlining processes related to tracking funding, budgeting, and cleaning and organizing all files. Lastly, the team will also work on developing grant agreements and a grant management process for new programs awarding several grants by spring of 2018.

**RISK: OPERATIONS -INTERNAL-PROGRAM/ACTIVITY—CHANGES, COMPLEXITY**

The current risk assessment process evaluates the fiscal and programmatic compliance of AmeriCorps sub grantees separately. Hence sub grantees are not evaluated based on a combined score to inform future funding decisions, mitigate organization risk, and/or better inform sub grantee training/compliance planning.

The California Volunteers federal funder has placed a greater emphasis on risk assessment. Updating the current process better aligns the monitoring program.

The change will provide a more holistic analysis of current and new AmeriCorps program sthat will minimize sub grantee monitoring findings, inform sub grantee training needs, and ultimately strengthen AmeriCorps grantees in California.

**CONTROL A**

The OPR and California Volunteers are updating the sub recipient risk assessment tool to integrate the fiscal and programmatic compliance scores for the AmeriCorps grant programs. The data from the new tool will be used to update a newly created matrix that will track sub grantee risk scores across program years to better inform risk mitigation efforts.

**CONCLUSION**

The Office of Planning and Research 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.

*Ken Alex, 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