December 29, 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 Council on Developmental Disabilities 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 Aaron Carruthers, Executive Director, at (916) 322-1284, aaron.carruthers@dss.ca.gov.

BACKGROUND

The State Council on Developmental Disabilities (SCDD) is established by federal law (Developmental Disabilities Assistance and Bill of Rights Act) and state law (Lanterman Act at Welfare and Institutions Code, section 4520 et. seq.). SCDD is to ensure that individuals with intellectual and/or developmental disabilities (IDD) and their families participate in the planning, design and receipt of the services and supports they need which promote increased independence, productivity, inclusion and self-determination. SCDD does this through advocacy, systems change, and capacity building. Federal law requires SCDD to identify methods to improve and increase services for individuals and their families and to submit these to the federal government in the form of a State Plan. The State Plan is approved by the federal Administration on Intellectual and Developmental Disabilities (AIDD). AIDD is the funding source for SCDD and its State Plan Activities. SCDD’s primary work is achieving the State Plan goals, objectives, and strategies.

The Council is comprised of 31 members appointed by the Governor, including individuals with disabilities, family members of people with IDD, federally funded partners and state agencies.

In addition to headquarters in Sacramento, the Council directs 12 regional offices that carry out the State Plan regionally with individuals with IDD and their families. These activities include, but are not limited to, advocacy assistance, training, monitoring, and public information. By providing these services, regional offices ensure that appropriate laws, regulations and policies pertaining to the rights of individuals are observed and protected. Also, each SCDD office identifies and removes barriers that keep people with IDD from living integrated lives in the community.

The mission and vision of SCDD are as follows:

Mission: The Council advocates, promotes and implements policies and practices that achieve self-determination, independence, productivity and inclusion in all aspects of community life for Californians with developmental disabilities and their families.

Vision: Californians with developmental disabilities are guaranteed the same full and equal opportunities for life, liberty, and the pursuit of happiness as all Americans.

Additionally, SCDD has two Interagency Agreements with the Department of Developmental Services (DDS).
One requires that SCDD deliver clients’ rights and volunteer advocacy services (CRA/VAS) to residents of the state’s developmental centers and a state operated facility. In order to carry out these responsibilities, SCDD staff members are housed at the facilities so as to be accessible to residents, staff and family members. The second Interagency Agreement requires SCDD to conduct assessments of individuals with developmental disabilities and their families who live in community-based settings to determine their satisfaction of their services and supports.

**ONGOING MONITORING**

As the head of State Council on Developmental Disabilities, Aaron Carruthers, 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 Council on Developmental Disabilities internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Aaron Carruthers, Executive Director.

**Monitoring Activities**

Monitoring is a continuous, ongoing process. It starts at the top, and includes regular meetings with the Executive Team led by the Executive Director. The meetings include a review of financial, IT, personnel, and programmatic operations risks and deficiencies. With an organization of 80 employees, the Executive meetings are able to assess the entire entity. The results of monitoring and corrections have achieved the expected results.

**Addressing Vulnerabilities**

The Executive Team meets weekly to review and address deficiencies. Risks are prioritized based on the likelihood of occurring and the impact to the organization and its mission if the risk occurs. Per guidance from the Executive Team, the Chief Deputy Director assigns individual staff or task forces as necessary to address specific issues. Task forces report regularly to the Chief Deputy Director until the issue has been resolved.

**Communication**

The Executive Director is responsible for the verifying that the SCDD internal control monitoring practices are implemented and functioning as intended. The Chief Deputy Director is responsible for leading teams to address risks and deficiencies. The head of IT, Personnel, Finance, and Program are each individually responsible for monitoring their respective part of the organization. They communicate the expectations to line staff, who each have a role in monitoring for risks and reporting them through their supervisor. Each role is documented through duty statements and organization charts. Communication of monitoring activities, including progress and results, happens verbally, through email, and through assignments.

**Ongoing Monitoring Compliance**

The State Council on Developmental Disabilities 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
State Council on Developmental Disabilities systems of controls and monitoring.

**RISK ASSESSMENT PROCESS**

The following personnel were involved in the State Council on Developmental Disabilities risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

**Risk Identification**

SCDD utilized DOF tools to identify risks, including the "SLAA Risk Categories Overview" and "Developing a Risk Statement." These tools were used to provide framework and structure to the team’s identification of risks.

**Risk Ranking**

Risks were ranked from 0-10 on two scales: 1) how likely the risk was to occur and 2) the impact to SCDD’s mission if the risk occurred. Those with a medium to high likelihood of occurring and a medium to high impact to the mission are addressed.

**RISKS AND CONTROLS**

**Risk: Operations -External-Funding—Sources, Levels**

There is a risk that funding will not keep up with increased costs. By 2020, SCDD projects a structural deficit of 15%.

This is caused by federal funds not adjusting to increases in state costs. SCDD is primarily funded through a federal Basic State Grant (BSG) from the AIDD. The amount that the AIDD allocates to the SCDD each year is based on a line-item appropriated by Congress. The amount appropriated by Congress has not increased in four years. Congress and AIDD does not adjust our grant when the Governor and Legislature provide raises to State employees (e.g. the 12% raise scheduled through fiscal year 2019-2020). Therefore the funding formula that we receive from the AIDD has not kept pace with our actual personnel costs.

This will result in interfering with daily organizational operations and erode the ability to achieve the mission.

**Control A**

The SCDD has engaged in a strategic process to identify and implement effective cost-saving actions. The SCDD initiated a survey of all staff to gather cost saving ideas, and developed a workgroup (consisting of a cross-section of staff throughout the organization) to review the cost saving ideas and make recommendations. SCDD’s Administrative Committee and Executive Committee will review the recommendations and provide recommendations to the full State Council. The State Council voted to adopt solutions to address 30% of the projected risk. Staff will continue to identify additional solutions to mitigate the risk.

**Risk: Compliance-Internal-Staff Adherence to Policies, Procedures, or Standards**

There is a risk that staff may not adhere to state and departmental policies and practices.

This is caused by a lack of a single desk manual of state and departmental policies.

This could result in inconsistent practices, poor performance, poor behavior, and possible liability to the SCDD.
The SCDD Executive Team has begun a strategic process of reviewing our existing policies and procedures, identifying those that need to be created or updated, and creating a single source manual for SCDD employees.

**RISK: OPERATIONS -EXTERNAL-FUNDING—SOURCES, LEVELS**

There is a risk that a current state contract will end and the funding will stop.

This is caused by the closure of three developmental centers where SCDD hold a contract with the Department of Developmental Services to provide services.

This will result in 10% of staff being laid off.

**CONTROL A**

The SCDD Executive Team has begun identifying additional services that can be provided to DSS for the same contract. In 2018 we will negotiate alternate uses for the staff and contract resources.

**CONCLUSION**

The State Council on Developmental Disabilities 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.

**Aaron Carruthers, 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