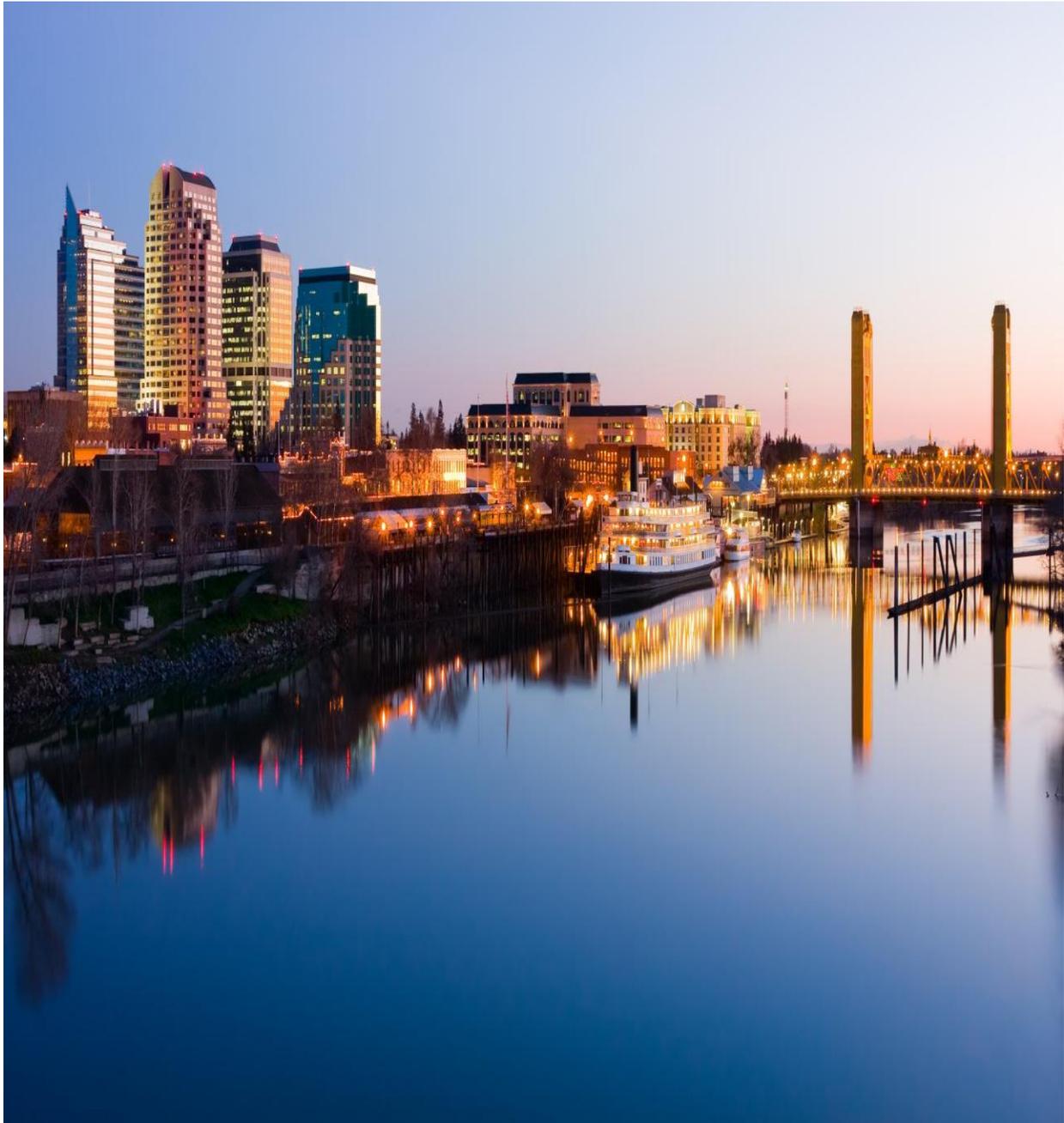


# 2015

## STATE LEADERSHIP ACCOUNTABILITY ACT (SLAA) REPORT



**Department of Community Services and Development (CSD)**

# Department of Community Services and Development

## 2015 SLAA REPORT

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December 30, 2015

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

Dear Ms. 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 systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Jason Wimbley, Chief Deputy Director, at (916) 576-7109, [jason.wimbley@csd.ca.gov](mailto: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 creation.

### **Drought Emergency Assistance Program (DEAP)**

**Objective:** Provide for the allocation and distribution of DEAP funds to support emergency supportive services to Migrant and Seasonal Farmworkers and individuals experiencing employment impacts due to the drought disaster. The program provides support services, such as rental/mortgage assistance, utility assistance, transportation, food referrals/resources, and job training/placement services.

### **Toilet Retrofit Program (TRP)**

**Objective:** Provide the allocation and distribution of TRP funds to install high efficiency toilets in disadvantaged communities, with particular emphasis on severely drought-impacted areas, leveraging existing weatherization programs administered by CSD's network of community-based, local service providers.

## **RISK ASSESSMENT PROCESS**

Executive management and the audit staff coordinated the organization-wide risk assessment. Risk assessment meetings were conducted with CSD executive management, senior staff, and rank and file employees to identify the areas of greatest risk that may cause financial, legal and/or negative media exposure to CSD. 39 employees representing 33 percent of CSD's staff were randomly selected to participate in group and/or individual interviews or email responses using a Control Environment Questionnaire. The participants represent the following CSD units: Accounting, Budgets, Business Services, Contracts, Field Operations, Human Resources, Information Technology (IT), and Program Development and Support, Legal, Executive, and Quality Assurance.

Responses from the questionnaires and interviews were evaluated and organized on a risk assessment matrix. The identified risks were then ranked on the likelihood of occurrence and potential impact to CSD. The risk assessment matrix was discussed with executive management to determine whether the Department had adequate controls in place to mitigate the identified risks. Once executive management determined that the controls were working as intended, the identified risks were removed from the matrix.

The outcome of the risk assessment meetings resulted in four significant risks being identified. Those risks with medium impact to the Department and a high or medium probability of occurrence were considered significant and therefore included as findings in this report.

The following procedures were conducted as part of limited test of controls:

- Interview of key staff
- Inspection of documents, or reports

The results of tests of controls were then evaluated and discussed among executive management, supervisors, and managers to determine whether the controls are suitably designed to prevent or detect material risks. Executive management also used the results of the testing to ensure the risk is properly mitigated, accepted, avoided, or documented for ongoing monitoring.

Recommendations were made to improve existing internal controls and develop new procedures to mitigate the risks caused by staff turnover, lack of policies and procedures, etc.

### **Evaluation of Risks and Controls**

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.

### **Risks Identified**

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

## **EVALUATION OF RISKS AND CONTROLS**

### **Compliance- External- Funding—Sources, Levels**

**Unspent funds:** For the LIHEAP funds, local assistance awards to subgrantees are often not fully expended within specified contract terms resulting in significant carryover balances. In addition, the department has accumulated significant balances of unspent state operations surpluses. LIHEAP funds maintain a five-year expenditure life and CSD typically expends all LIHEAP funds well within the five-year period. However, the U.S. Department of Health and Human Services (HHS) advised during a recent monitoring review of the expectation to spend LIHEAP funds within two years. CSD is waiting for guidance from HHS on an official determination.

**Control:** CSD has moved to encumber carry-over balances into local assistance contracts and has incorporated expenditure benchmarks to ensure full expenditure of the funds by the end of the contract term.

### **Operations- Internal- Technology—Inadequate Support, Tools, Design, or Maintenance**

**Network instability:** CSD has recently experienced frequent network outages that have disrupted internal business operations and information technology systems essential to (external) local program administrators. Immediate steps need to be taken to ensure that network hardware and technology infrastructure are refreshed on a regular basis and that staff are properly trained to handle network maintenance responsibilities.

**Control:** CSD is currently working to diagnose the network failure, update network equipment, and develop back-up solutions to mitigate any further network problems.

### **Operations- Internal- Oversight, Monitoring, Internal Control Systems**

**Utility Direct Payments:** CSD maintains agreements with California utility companies for applying LIHEAP utility assistance benefits directly to applicant utility accounts. The current process relies entirely on utility handling methods for ensuring the successful posting of benefits to qualified accounts, thus lacking adequate means of verifying when utility accounts have been credited and when they have not.

**Control:** CSD is currently working on strengthening the direct pay contract and revamping the internal process to provide greater oversight.

### **Operations- Internal- Technology—Data Security**

**Information security:** The California Military Department, Federal Bureau of Investigation, and California Highway Patrol (CHP) recently investigated an unauthorized attempt to access CSD's IT network. While the investigation confirmed no sensitive, protected or confidential data was viewed or stolen, the Department of Military offered several suggestions to further strengthen CSD's network security from future attacks. CSD is awaiting final report from the CHP.

**Control:** CSD intends to implement the Department of Military recommendations for reconfiguring the Tenant Managed Services (TMS) firewall and deploy "Fire Eye" intrusion protection system software (IPS).

## **ONGOING MONITORING**

Through our ongoing monitoring processes, the Department of Community Services and Development reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

### **Roles and Responsibilities**

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 system. We have identified Jason Wimbley, Chief Deputy Director, as our designated agency monitor(s).

### **Frequency of 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.

### **Reporting and Documenting Monitoring Activities**

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.

### **Procedure for Addressing Identified Internal Control Deficiencies**

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.

## **CONCLUSION**

The Department of Community Services and Development strives to reduce the risks inherent in our work through ongoing monitoring. The Department of Community Services and Development 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.

Linné Stout, Director

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