

December 23, 2019

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

Dear Dr. Mark Ghaly,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Community Services and Development submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

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).

## **GOVERNANCE**

### **Mission and Strategic Plan**

#### **Mission**

CSD reduces poverty for Californians by leading the development and coordination of effective and innovative programs for low-income individuals, families, and their communities.

#### **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 emergency food and 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.

#### **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.

#### **Control Environment**

CSD's organizational structure consists of a Director who reports to the Secretary of the California Health and Human Services Agency (CHHSA). The Director meets regularly with CHHSA staff to provide periodic updates on critical Departmental activities. The Director is supported by an Executive Team at CSD consisting of the Chief Deputy Director, Chief Counsel, Deputy Director of Administrative Services Division, Deputy Director of Community Services Division, Deputy Director Energy and Environmental Services Division, and the Deputy Director of Legislative & Public Affairs. Given that CSD is a small state agency (only 105 total staff) the Executive Team is responsible for providing organizational leadership, oversight and formulating policy decisions for the programs operated by the Department. The Executive Team meets weekly to discuss cross-cutting programmatic issues and ensure consistency in policy decisions that could affect program operations at the local level while ensuring compliance with federal and state rules and regulations for the state and federal grant programs administered by CSD.

CSD has established the following core values as part of its Strategic Plan 2015-2020 to ensure staff promote the following:

- **Integrity:** We are the keepers of the public trust in our words and actions.
- **Accountability:** We hold ourselves and our partners to meaningful and measurable performance.
- **Teamwork:** We respectfully collaborate with diverse internal and external partners towards a shared vision.
- **Efficiency:** We use sound judgment to deliver and improve results as good stewards of our resources.
- **Credibility:** We earn the privilege to serve California and build a positive reputation through

consistent and transparent behaviors.

- **Compassion:** We are guided by empathy and concern for others' needs and interests in our decisions and interactions with coworkers, partners, and customers.

The strategic plan is reviewed in depth by all CSD management on an annual basis to ensure initiatives and programmatic direction and initiatives are aligning with the overarching goals of the plan.

CSD also has CalHR approved Workforce Development and Succession Plans (Approved in the Fall of 2019) in place to ensure that CSD is positioned to operate with a knowledgeable, committed workforce of skilled professionals to help reduce poverty for Californians by leading the development and coordination of effective and innovative programs for low-income individuals, families, and their communities. Annual appraisals and Individual Development Plans further our commitment to the growth of our employees by setting measurable goals, support the development of employee training plans, and celebrate employee performance achievements.

## **Information and Communication**

### **Internal Communication**

In addition to the weekly Executive Staff meetings, CSD also holds monthly meetings with all members of the Department's Senior management team. These monthly meetings provide the opportunity for the management team to share issues, concerns, and improve communication of important issues and promote work coordination between internal divisions. CSD also holds quarterly All Staff Meetings to ensure staff have the opportunity to hear directly from Departmental leadership and provides staff with a forum to ask questions or raise concerns for discussion. Staff are also encouraged to utilize a Departmental Suggestion Box for those who wish to raise any issues or concerns anonymously. CSD also produces a quarterly newsletter that highlights many of the Department's accomplishments and includes a Director's message to staff.

### **External Communication**

CSD meets regularly with its stakeholders and network of non-profits and local government agencies that administer its programs. For the Energy Programs, CSD has created an Energy Council made up of Executive Directors from Local Service Provider (LSP) agencies that meet monthly to discuss policy changes, program planning and implementation issues. The Energy Council serves as an important advisory on all matters pertaining to program policy development and implementation for CSD low-income energy programs. CSD also holds quarterly meetings with local service provider organizations to communicate important updates, encourage dialogue on program planning and implementation challenges, and invite the cultivating and sharing of best practices between network providers.

Lastly, all federal energy and community services grant programs require a state plan be submitted to the federal government detailing the state's plans for administering grant funds and acceptance of applicable grant terms and conditions. As part of the development of the state plan, CSD holds a formal public hearing that allows interested stakeholders the opportunity to provide input into the programmatic design and administration of these federal programs within the state.

## **MONITORING**

The information included here discusses the entity-wide, continuous process to ensure internal control

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systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Department of Community Services and Development monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Jason Wimbley, Chief Deputy Director.

### **Ongoing Monitoring**

Through our ongoing monitoring processes, CSD reviews, evaluates, and makes continuous improvements to systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

### **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 executive team and 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. The internal committee reports to the CSD executive team and Director.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Department of Community Services and Development risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, and audit/review results.

The following criteria were used to rank risks: likelihood of occurrence, and potential impact to mission/goals/objectives.

### **Risk Assessment Process**

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Executive management and the audit staff coordinated the organization-wide risk assessment. It was performed through brainstorming meetings with 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. The risk assessment meetings were conducted to identify the areas of greatest risk that may cause financial, political, legal and/or negative media exposure to CSD. During the risk assessment meetings, each unit's potential risks were identified and discussed. These identified risks were then ranked on the likelihood of occurrence and potential impact to CSD. The outcome of the risk assessment meetings identified three areas of significant risks: SCO's Integration of FI\$Cal; Key Person Dependency; and Data Security.

## **RISKS AND CONTROLS**

### **Risk: FI\$Cal Maintenance and Control Agency Roles**

Control agency adoption of FI\$Cal continues to pose significant challenge to CSD. The most concerning impacts include the inability to complete Month End Close and Year End Close timely and produce Federal Financial Reports to federal agencies and managing the impacts of changes to process and FI\$Cal resulting from control agency adoption. These impacts are felt at the Department as we are now reliant on control agencies to transact within the FI\$Cal system to correct their interfaced system transaction errors, post to prior periods, the availability of funding and cash, issue CSD warrants, and timely processing of vendor payments. As FI\$Cal adoption continues with control agencies, attention needs to be given to better coordinating changes with departments in efforts to reduce administrative hardship and burden.

#### **Control: A**

CSD will continue revising internal business processes and deadlines to assist control agency adoption of FI\$Cal and better manage changes to process and the system itself. The Department is and will continue to keep our local subgrantees (local providers) in the loop as these business process changes can affect cashflow to their agencies. Our Accounting staff are in constant communication with the Department of Finance and SCO in to attempt to stay in front of changes that are coming to ensure our cash transactions are completed both timely and accurately.

### **Risk: Key Person Dependency**

CSD is a very small agency that is heavily dependent on a workforce of experienced proficient employees, each possessing significant core knowledge and expertise, which makes CSD vulnerable when it comes to staff turn-over. To complicate matters, roughly one-third of all CSD employees are at or nearing the age of potential retirement.

#### **Control: A**

The Department has recently completed the California Department of Human Resources Workforce and Succession Planning Program (WSPP). The WSPP will be implemented in conjunction with a mentor program in calendar year 2020. Key personnel have also been assigned the task of documenting desk policies, process, and procedures for future replacement staff to reference; this action will also satisfy government code requirements to ensure that CSD is in

compliance with laws, rules, and regulations and will be in accordance with 2019 State Personnel Board audit findings. By implementing these items CSD will be in a better position to ensure continuity of its programs and operations.

**Risk: External Data Security**

As a result of the 2019 Information Security Assessment (ISA) performed by the California Military Department (CMD), a data security risk has been identified where additional security controls are recommended to discourage, detect, and prevent unauthorized access to CSD's information systems.

**Control: A**

CSD had establish an Information Security and Privacy Program that continually monitors and addresses information security and privacy risks through using quarterly Plan of Action and Milestones (POAM) in addition to recurring remediation progress status meetings, with specific remediation action items assigned to administrative and technical resources for implementation. Each risk identified in the ISA are prioritized and addressed accordingly. Quarterly progress and updated plan are submitted to California Department of Technology Office of Information Security on an on-going basis.

Implementation of sub-controls to address this risk include research, procurement, deployment, and operation of new technical controls that enhance CSD's security posture, as well as creating new and updating existing policies and procedures according to CMD's recommendations.

**CONCLUSION**

The Department of Community Services and Development strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Linné Stout, 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