

December 29, 2021

Mark Ghaly, Secretary
California Health and Human Services Agency
1215 O Street
Sacramento, CA 95814

Dear Secretary 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, 2021.

Should you have any questions please contact Jason Wimbley, Chief Deputy Director, at (916) 576-7109, 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.

California Earned Income Tax Credit Education and Outreach (CalEITC)

Objective: Grantee shall use the funding to deliver CalEITC Education and Outreach activities designed to increase awareness of both the federal and state earned income tax credits and free tax preparation assistance programs in target areas across the state. The expanded California Earned

Income Tax Credit, the Young Child Tax Credit, and the federal EITC can combine to put hundreds or even thousands of extra dollars in the pockets of eligible Californians.

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 provides important co-benefits to the state, such as reduced air pollution, improved public health, and economic stimulation and job creation.

California Arrearage Payment Program (CAPP)

Objective: CAPP dedicates \$1 billion in federal American Rescue Plan Act funding to provide financial assistance to California energy utility customers to help reduce past due energy bill balances accrued during the COVID-19 pandemic.

Low Income Household Water Assistance Program (LIHWAP)

Objective: CSD received \$116 million in one-time federal funds to support the establishment of LIHWAP offering financial assistance to help low-income households pay down outstanding water or wastewater bills. Funds supporting LIHWAP were appropriated from the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act, 2021.

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 Program Divisions, 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 110 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 that ran from 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.

CSD is awaiting final confirmation of the Executive Director in order to undertake a comprehensive organizational review of the Department's Strategic Plan and ensure program administration and operational objectives are aligned with overarching goals of the plan.

CSD's CalHR approved Workforce Development and Succession Plans which were completed on October 24, 2019. The plan covers the years of 2019 through December 2022 and was developed to ensure CSD carries out our mission and vision. 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. Continued annual appraisals and Individual Development Plans further our commitment to the growth of our employees by setting measurable goals, supporting the development of employee training plans, and celebrating employee performance achievements. Since October 2019, CSD's Human Resources were able to develop and update hiring and onboarding policies and procedures, implement New Employee Orientation Trainings and improve overall program communication by documenting, tracking and engaging in manager/supervisor discussions. All succession planning initiatives were identified and prioritized, which lead to increased knowledge transfer amongst staff and improved recruitment and retention of skilled, knowledgeable, and passionate employees. These efforts ultimately paved the way for current and future CSD initiatives.

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 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 provide staff a forum to ask

questions or raise concerns. 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 responsible for the local administration of CSD grant programs. To improve local administration of CSD energy grant programs, CSD 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 body on all matters pertaining to energy program planning and policy development. 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 plan 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 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 ongoing monitoring processes, CSD reviews, evaluates, and makes continuous improvements to systems of internal controls and monitoring processes. As such, the Department confirms compliance 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 and subrecipient monitoring outcomes of key significance. 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 receive 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, ongoing monitoring activities, and audit/review results.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, and tolerance level for the type of risk.

Risk Assessment Process

Executive management and the audit staff coordinated the organization-wide risk assessment. It was performed through brainstorming meetings with the following CSD divisions: Administrative, Energy and Environmental, Community Services Block Grant, and Executive. 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 division's potential risks were identified and discussed. These identified risks were then ranked on the likelihood of occurrence and potential impact to CSD.

RISKS AND CONTROLS

Risk: Data Security - Internal

As a result of this year's risk assessments, CSD identified three top risks in Information Security and Privacy vulnerabilities, specifically in Personally Identifiable Information (PII).

As the majority of CSD state personnel are now teleworking, the Department has experienced an increase in the number of Human Resource (HR) documents containing PII being sent electronically through email and other electronic methods, and hard copy documents containing PII being delivered to the office without Department personnel there to receive. These documents often contain Social Security numbers, driver's license, and other PII on various HR forms. In some case the HR documents may include a copy of an employee's birth certificate. Currently no standardized procedure and/or automated PII scanning tools exists, which consequently increases the risk of PII being lost, mis-directed or compromised.

Control: Standardize Procedures

CSD will increase the number of DocuSign licenses so PII can be submitted through a secure portal. The Department will also create templates for standardized documents e.g., Annual Employee Policy certification, Training Requests, Exit Forms, etc. These activities reduce internal security risks by standardizing reports and routing to eliminate confusion with employees and management.

CSD will investigate and evaluate the cost and performance of applying automated scanning tools to prevent the transmission of PII via email. CSD will also install a secured physical inbox for state personnel to drop off their HR documents.

Risk: Data Security - External

Local Service Providers (LSPs) responsible for the local administration of CSD energy programs send via non-secured methods applicant files containing sensitive information to CSD employees (Field Operations, Help Desk, etc.) for compliance review and evaluation. The applicant files contain extensive documentation and can include confidential, sensitive and personal information such as:

- Employee Wage Information
- Social Security Numbers
- Driver's License
- Identification Card
- Birth Certificate
- Municipal District Account Information
- Completed Intake Forms
- County Monthly Benefit Data

Control: Require external agencies to use FTP Site

CSD must increase awareness of the File Transfer Protocol (FTP) site and communicate the importance of using a secure method of transmitting PII during agency training sessions and webinars. CSD is currently creating a policy directive to provide to external agencies regarding the submittal of documents that contain PII via the FTP site. The CSD has developed and will implement a new, all-inclusive Information Security Addendum to attach to non-profit agency contracts. The Department will also seek a contract for a security vendor to develop an Information Security Remediation Plan that covers the full range of our information security and privacy responsibilities to our employees, clients and the LSPs.

Risk: Internal IT Programmatic System Replacement

The Payables Accounts Receivables and Contracts (PARC) and Expenditure Activity Reporting System (EARS) are legacy systems and a critical component of CSD's internal grant allocation, expenditure, and management systems. These two systems are maintained on technology platforms that are extremely antiquated, not supported by any vendors, and are extremely difficult for state personnel to maintain. Consequently, the age and technology composition of these systems limits their use, ability to meet current or future business needs, and forced reliance on spreadsheets and manual processes to support grant activity and expenditure tracking. These systems must be replaced with a more modern

technology capable of supporting CSD's current and future grant management needs.

Control: Replace Systems and Establish IT Governance Committee

CSD will seek expedited project approval to replace these antiquated systems as quickly as possible and will establish an IT governance committee model to provide the necessary leadership for development of a CSD Strategic and Tactical IT Plans with emphasis on replacement of these two systems.

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.

David Scribner, 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