December 29, 2023

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

Dear Secretary 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, 2023.

Should you have any questions please contact Megan Rivers, Administrative Division Deputy Director, at (916) 576-7109, megan.rivers@csd.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Mission

The Department of Community Services and Development (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)

Objective: Provide for the allocation and distribution of federal CSBG funds to a network of non-profit and local governmental organizations in California, comprised of CSBG 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 communities. Examples of CSBG services include food and nutrition assistance, job training, employment, education, housing, and other emergency assistance.

California Earned Income Tax Credit (CalEITC) Education and Outreach

Objective: Grantees use funding provided through an interagency agreement with the

Franchise Tax Board to deliver CalEITC Education and Outreach activities designed to increase awareness of both the federal and state tax credits and free tax preparation assistance programs. CalEITC, 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 low- to moderate-income Californians.

Low Income Home Energy Assistance Program (LIHEAP)

Objective: Provide for the allocation and distribution of federal LIHEAP grant funds to a network of non-profit and local governmental organizations to support the local administration of LIHEAP services. LIHEAP provides a range of services designed to assist eligible low-income households in meeting their immediate home heating and/or cooling needs, including: utility assistance to offset residential energy costs, weatherization services to improve the energy efficiency of low-income dwellings, and services to assist low-income households cope with energy-related emergencies.

Weatherization Assistance Program (WAP)

Objective: Provide for the allocation and distribution of federal WAP funds to a network of non-profit and local governmental organizations to support the local administration of WAP services. 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.

Low-Income Weatherization Program (LIWP)

Objective: Provide for the allocation and distribution of state LIWP funds to promote greenhouse gas emission reductions for single-family farmworker households and multi-family affordable housing by improving the energy efficiency performance of low-income residential housing. The program scope includes the installation of solar photovoltaic systems, electrification, and energy efficiency measures. In addition, the program provides co-benefits to the state, such as reducing air pollution, improving public health, reducing energy costs, and promoting economic stimulation and job creation.

Low Income Household Water Assistance Program (LIHWAP)

Objective: Provide for the allocation and distribution of federal LIHWAP funds to a network of non-profit and local governmental organizations to support the local administration of LIHWAP services. The limited term LIHWAP provides financial assistance to low-income Californians to help manage their residential water and sewer utility costs. Established by Congress in December 2020, this federal program was appropriated funding under the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act, 2021. The program is scheduled to end in 2024.

Control Environment

CSD's organizational structure consists of a Director who reports to the Secretary of the California Health and Human Services Agency (CalHHS). The Director meets regularly with CalHHS 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 Services Division, and the Deputy Director of Legislative & Public Affairs. Given that CSD is a small state agency (only 120 total) 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 is currently in the process of updating its Strategic Plan and anticipates the new plan going into effect the first quarter of 2024. In the interim, CSD continues to use the following core values from the prior Strategic Plan to guide our work:

- 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 in the process of developing its Workforce Development and Succession Plans and anticipates completion the second quarter of 2024. The completion of Strategic Plan and the Workforce Development and Succession Plans will enable CSD to maintain a knowledgeable and committed workforce of skilled professionals capable of ensuring the successful administration of departmental programs serving low-income Californians and the communities in which they reside. 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 has led a concerted effort to improve hiring and onboarding policies and procedures and strengthen human resource management by convening regular meetings with department managers/supervisors. CSD plans to also implement a New Employee Orientation training as a subcomponent of our new Workforce Development Plan.

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 core federal programs, CSD has created advisory bodies made up of select Executive Directors from LSP Agencies that meet regularly to discuss all matters pertaining to program policy, planning and implementation issues related to community services and low-income energy programs administered by CSD.

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 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: Megan Rivers, Administrative Division 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 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, employee engagement surveys, ongoing monitoring activities, audit/review results, and other/prior risk assessments.

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

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, 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: Internal Document Routing System

CSD uses an automated routing system to facilitate the routing of critical documents for executive review and approval, including securing signature approval from the Chief Deputy or Director where needed. As documents navigate the routing process, it is common during any level of review for documents to be routed back to the submitting division/individual to address questions or complete additional edits or revisions to the document. This method of routing documents back to the submitting division and individual does not always assure

revised documents are properly routed back through the document approval system and receive correct review and approval. There are many instances where revisions to documents made through this process are not fully reviewed by Legal and other members of the executive team prior to their release. This breakdown in the internal review process may result in the issuance of subpar work products from the department or poorly drafted contract agreements.

Control: New Routing System Policy and Procedures

CSD is drafting a policy and procedures memo for the routing system to clearly lay out baseline expectations for the routing system process, timeframes for review and re-review. In addition, CSD intends to introduce new functionality to the routing system to enable comments to be made directly to the requestor and all other members of the executive review team. This change will enable executive team members to be fully informed of comments and edits identified during the initial review process, the resolution of these items by the requestor and provide for a more organized handling of revised document submissions within the routing system.

Risk: Data Governance

Over the past several years, CSD has executed data sharing agreements that have resulted in CSD being in the possession of data subject to specific use, treatment, and security requirements as outlined in executed Non-Disclosure Agreements (NDAs). In order to ensure CSD's full compliance with NDA terms and conditions and to avoid the unintended disclosure of sensitive data, CSD needs to establish more rigorous internal control on data governance, access, security, and processes. Failure to establish these stronger internal control measures increases the potential of CSD's non-compliance with data sharing agreements and NDAs.

Control: Institute a Data Governance Team

CSD is instituting a data governance team who will be largely responsible for ensuring CSD's compliance with executed data sharing agreements authorizing the release of sensitive information to CSD, monitoring the use of sensitive data, and working closely with CSD's information Security Officer (ISO) to ensure the proper destruction of sensitive data at scheduled intervals.

Risk: Antiquated CSD Legacy Application

CSD's Combined Outcome Reporting Engine (CORE) is a legacy IT system that operates on an old version of Microsoft CRM making it difficult to modify, support, and ensure the stable operation of this system. CORE collects critical enrollment data from low income applicants participating in the Low-Income Home Energy Assistance Program (LIHEAP) and supports the issuance of utility assistance benefits to either the applicant or applicant's specified energy utility company. Any long-term disruption to the operation of this system will negatively impact CSD's ability to administer LIHEAP and prevent the timely enrollment and distribution of LIHEAP utility assistance benefits to low-income applicants.

Control: CORE Upgrade

CORE will be upgraded to the current version of the MS Dynamics CRM in the cloud, enhancing CSD's ability to support and ensure the ongoing operability of this system.

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.

Jason Wimbley, Acting Director

CC: California Legislature [Senate, Assembly]
    California State Auditor
    California State Library
    California State Controller
    Director of California Department of Finance
    Secretary of California Government Operations Agency