

State Independent Living Council

2015 SLAA REPORT

December 28, 2015

Michael Cohen, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the State Independent Living Council 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 Danielle Hess, Office Manager (SSA), at (916) 445-0142, Danielle@calsilc.org.

BACKGROUND

The Mission of the State Independent Living Council (SILC) is described in Federal Law, The Rehabilitation Act as Amended. Historically the council has 18 members, appointed by the Governor, to represent persons with disabilities throughout the state. The Council's critical mission does include several charges, of which each Council Member is instrumental to jointly develop and sign (in conjunction with the Department of Rehabilitation or DOR) the State plan required in section 704 of the Rehabilitation Act

1. Monitor, review, and evaluate the implementation of the State plan;
2. Coordinate activities with the State Rehabilitation Council established under section 105, and councils that address the needs of specific disability populations and issues under other Federal law (such as the State Council on Developmental Disabilities)
3. Ensure that all regularly scheduled meetings of the SILC are open to the public and sufficient advance notice is provided and
4. Submit to the Commissioner such periodic reports as the Rehabilitation Services Administration (RSA) Commissioner may reasonably request, and keep such records and afford such access to such records as the Commissioner finds necessary to verify such reports.

In addition to the five duties set out above, the statute also requires that the SILC play a central role in pulling together the independent living partners, assessing the IL needs of the state, promoting the expansion of programs to fill the gaps and facilitating the development of the IL Network. The following are excerpts from Title 7 that address these expectations.

1. The plan shall set forth the steps that will be taken to maximize the cooperation, coordination, and working relationships among public and private entities determined to be appropriate by the Council. (Sec. 704 (i))
2. The plan shall set forth steps to be taken regarding outreach to populations that are unserved or underserved by programs under this title (Sec. 704 (l))
3. The SILC must prepare a plan that "ensure(s) the existence of appropriate planning, financial support and coordination and other assistance to appropriately address, on a statewide and comprehensive basis, needs in the State". (Sec. 704 (a)(3))

What is the department's environment?

The SILC is an extremely small state agency with three employees, an Executive Director appointed by the Governor, a Legislative Specialist (Staff Services Manager 1, Specialist), and a Staff Services Analyst. In addition, the agency offers stipends and covers expenses for the Council members, also appointed by the Governor.

The FY 2014-2015 budget for SILC operations predicted by the Governor's office is \$593,940. All of this money is federal pass-through funding received by the California State Department of Rehabilitation (DOR). All expenses are established in the budget, legally allowable per federal OMB A-122.

Separation of duties within the staff exists such that staff members involved in procurement are not authorized to approve the expenditure. The Executive Director authorizes the expenditure, or when she has made the purchase, the Council Chairperson authorizes the expense. All invoices are sent to Contracted Fiscal Services at California Department of General Services (DGS). DGS pays the bills and then draws the federal funds down in arrears from the DOR to cover the expenditures.

RISK ASSESSMENT PROCESS

SILC staff meets regularly to identify and discuss significant department-wide risks. SILC started the risk assessment process using the SLAA Risks and Definitions document recommended by Department of Finance, Office of State Audits and Evaluations' (OSAE) . The document helped staff focus on identifying risks and then ranking each risk based on the severity and likelihood of occurrence. Once the risks were identified and ranked, the Director and Office Manager identified the controls which serve to mitigate the risks. Some controls are in place and other controls are in the process of being implemented.

EVALUATION OF RISKS AND CONTROLS

Operations- External- FI\$Cal Conversion

Staff are unable to forecast the department financial status because FI\$Cal Conversion has increased unplanned expenses, leading to expected spending exceeding budgeted levels, decreasing resources available for programs.

- CFS at DGS stopped creating monthly reports.
- CFS at DGS have a backlog of transactions to enroll and schedule for payment.
- CFS at DGS cannot quantify costs to date of their services or charges from the SCO.
- CFS at DGS estimates costs for their service via FI\$Cal Conversion to be more than double their prior charges.
- Personnel costs fluctuated and are still not fully reported by CFS at DGS.
- CFS encountered difficulty drawing down and accounting for ADRC costs (secondary program).
- Information is not available for management and Council member decision making.

A response team from the SILC and the Department of Rehabilitation was established to monitor and support CFS at DGS to process backlog, quantify costs, and support SILC to meet regulations set by DGS CFS and the Department of Finance so they can perform their own accounting tasks in future fiscal years.

SILC staff are learning FI\$Cal, enrolling expenses, and simultaneously entering known operating expenses into internal accounting spreadsheets which are reconciled monthly by a CPA. Staff have received advanced accounting training and are exploring software packages to enable the department to perform its own accounting.

Personnel costs have stabilized and the ADRC program has ended, simplifying current accounting needs.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

The Department has only three full time employees who each have highly specialized roles. Two of the three employees are still within their 12 month probation period and are learning their jobs. In receiving training and other learning, there is a noticeable lack of succession planning or materials.

Staff will be directed and supported to document their specialized work and processes, creating resource materials and binders.

Staff will be directed and supported to create document templates for ease of re-creation and successive employees.

ONGOING MONITORING

Through our ongoing monitoring processes, the State Independent Living Council reviews, evaluates, and improves our systems of internal controls and monitoring processes. The State Independent Living Council is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of State Independent Living Council, Elizabeth Pazdral, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Elizabeth Pazdral, Executive Director, as our designated agency monitor(s).

Frequency of Monitoring Activities

Team meetings (accounting, succession planning) will be held monthly within staff and at least quarterly with external partners. The SLAA report will be evaluated and updated at least every six months.

Reporting and Documenting Monitoring Activities

Monitoring activities will be reported internally to staff via summary emails following team meetings.

Procedure for Addressing Identified Internal Control Deficiencies

SILC accounting is reviewed quarterly by the accounting department within DOR. Given our last meeting on December 14, 2015, all of the parties have collaborated and committed to new processes and practices for more effective and efficient management and monitoring. Each of the appropriate parties (SILC, DGS, and DOR ILAT and Accounting staff) will follow through with agreed upon modifications. In addition, the DOR Audit Unit offered availability for follow-up questions and inquiries.

CONCLUSION

The State Independent Living Council strives to reduce the risks inherent in our work through ongoing monitoring. The State Independent Living Council 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.

Elizabeth Pazdral, Executive Director

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