

Department of Human Resources

2015 SLAA REPORT

January 22, 2016

Marybel Batjer, Secretary
California Government Operations Agency
915 Capitol Mall, Suite 200
Sacramento, CA 95814

Dear Ms. Batjer,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Human Resources 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 Mark Rodriguez, Chief, Administrative Services Division, at (916) 322-6351, mark.rodriguez@calhr.ca.gov.

BACKGROUND

The California Department of Human Resources (CalHR) was created on July 1, 2012, by Governor Brown's Reorganization Plan Number 1 of 2011. The reorganization plan consolidated the State of California's two personnel departments, combining the Department of Personnel Administration with certain programs of the State Personnel Board.

CalHR is responsible for all issues related to employee salaries and benefits, job classifications, civil rights, training, exams, recruitment and retention. For most employees, many of these matters are determined through the collective bargaining process managed by CalHR.

RISK ASSESSMENT PROCESS

In November 2015, CalHR management staff received on-site training from Department of Finance on the purpose and role of SLAA. After the training, management collaboratively identified the risks included in this report. CalHR Executive staff then completed a risk aggregation for issues they determined could potentially pose a risk to the department or to its mission, vision or strategic goals. The risk aggregation included the following information:

- Identification of critical business functions
- Determination of risk factors: high, medium, or low
- Description of risks to the department or to its strategic goals
- Creation of an action plan that resolves or mitigates the risk

The risk aggregation product was submitted to the Deputy Director of Operations and the Director for final review and approval. It was determined the issues outlined in the following pages (Evaluation of Risks and Controls) could potentially pose the most risk to the Department or its strategic goals over the course of the next two years.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Program/Activity—Changes, Complexity

The Office of Civil Rights within CalHR is required to implement new legislation (SB 644, an extension of the Limited Examination and Appointment Program – LEAP) which requires complex program implementation within a short window of time.

LEAP is an alternative selection program that offers an alternate means of assessing the qualifications and skills of job applicants with disabilities. LEAP facilitates the recruitment of applicants to provide agencies with qualified referrals for selected job classifications.

The recent passage of SB 644 makes an important change to the LEAP program going forward. Candidates with developmental disabilities will now have the option of participating in an internship instead of undergoing a readiness evaluation to establish that they meet occupational qualifications. It is not known how this will impact future program participation.

This project requires additional resources to implement; CalHR is taking steps to address these immediate and long term resource needs.

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

Like many departments, CalHR relies on specific individuals with significant knowledge and expertise in key areas making the department vulnerable should those individuals leave, retire or are temporarily absent.

CalHR is currently finalizing its first Workforce Plan which outlines our plan over the next three to five years in addressing workforce gaps. This workforce plan supports each of our organizations' goals outlined in our Strategic Plan. Developing a succession plan is a key workforce initiative that we have outlined in the workforce plan to help focus on mentoring, knowledge transfer and developing our future leadership.

Operations- Internal- Staff—Training, Knowledge, Competence

Current staff, many of whom are new to state service, lack necessary knowledge, expertise, and training to effectively perform the essential functions of the job.

As indicated previously, CalHR is finalizing its Workforce Plan which will outline our plan for addressing workforce gaps. In this plan, there are a number of initiatives included that will aid us in furthering the knowledge, skills and abilities of our staff. CalHR is currently developing Individual Development Plans for all employees in tandem with the annual performance appraisal process. In this process, supervisors work with staff to identify training opportunities over the next year, and document those. We hope to reinforce a culture of continuous learning through this process, which we will follow with additional training and professional development opportunities.

Operations- External- New System Implementation (Other Than FI\$Cal)

As the Fiduciary to the program, CalHR is responsible for ensuring Savings Plus operates in compliance with federal and state regulations as well as with its Plan Documents. Savings Plus is experiencing a change in its Third Party Administrator (TPA) and converting to a new recordkeeping platform. Savings Plus needs to ensure the integrity of the participant data that transfers from the previous recordkeeping system to the new system. There is a level of concern regarding the accuracy of the data from the outgoing provider which increases the level of risk association with the transition.

Savings Plus is working closely with the new TPA (Nationwide) to ensure their understanding of the program requirements and associated areas of risk. Savings Plus is also working with Nationwide and CalHR's IT Division to validate system compliance to governing rules, regulations and the Plan Documents. Savings Plus has been communicating with its

participants, union representatives and personnel offices as we progress through the transition.

Operations- External- Staff—Recruitment, Retention, Staffing Levels

In some program areas within CalHR there is an inability to find viable candidates to fill key positions, due to specific skill sets and knowledge required. Similarly, there have been retention challenges in some areas where employees have gained specified skill sets, and have separated from the Department for other career opportunities.

As indicated in the preceeding internal operations issues section, CalHR is in the final stages of finalizing its Workforce Plan. In this workforce plan, CalHR has identified workforce gaps that need to be addressed in order to ensure it can meet its mission and strategic goals. Outlined in this plan are several workforce initiatives that would aid in identifying new recruitment strategies as well as initiatives that would aid in the retention of existing employees.

Operations- External- Staff—Recruitment, Retention, Staffing Levels

CalHR's IT Division does not have a full-time dedicated resource to serve as Information Security Officer (ISO). As a result, CalHR needs additional assistance to maintain proper and effective information security documentation, policies, procedures, or unbiased internal checks.

CalHR handles sensitive data and without the proper controls in place CalHR is at risk. CalHR has already taken steps to remediate all issues identified in recent security assessments and hopes to close this risk in the next year.

Compliance- External- Complexity or Dynamic Nature of Laws or Regulations

AB 532 requires CalHR to collect and report on state workforce multi-race data no later than January 1, 2022. Partial multi-race reporting is also required by federal mandate by September 2017. CalHR is dependent upon the State Controller's Office (SCO) to revise their systems to collect the initial data.

CalHR is working with SCO to determine how to collect and report the data. Additional technical resources are required for this new workload and CalHR is taking steps to address resource needs. In the interim, the IT Division is working on standardizing data collection and reporting architecture in preparation for timely implementation.

ONGOING MONITORING

Through our ongoing monitoring processes, the Department of Human Resources 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 Human Resources, Richard Gillihan, Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Mark Rodriguez, Chief, Administrative Services Division, as our designated agency monitor(s).

Frequency of Monitoring Activities

CalHR holds weekly Executive staff 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

CalHR will require risk reports from each unit on a quarterly basis. These reports inform management of the monitoring practices being conducted, improvements needed, and the overall risk mitigation success or challenges with each identified issue. This information will be summarized and reported to Director Gillihan.

CalHR will ensure all staff receive information vital to the effectiveness and efficiency of controls by requiring management to update their teams' bi-monthly. CalHR leadership encourages staff to raise any identified risks and potential risk mitigation strategies to ensure CalHR can fulfill its mission, goals, and objectives.

Procedure for Addressing Identified Internal Control Deficiencies

CalHR will develop a plan for communicating, evaluating and implementing control changes, and integrate this plan into its existing structure. CalHR staff and executive management will report concerns to the appropriate organizational level. Based on identified deficiencies, solutions may involve short and long term strategies.

Finally, CalHR will send an internal communication to all staff to inform them of policy or procedure changes to assist in the mitigation of any risks discovered.

CONCLUSION

The Department of Human Resources strives to reduce the risks inherent in our work through ongoing monitoring. The Department of Human Resources 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.

Richard Gillihan, Director

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