

Military Department 2015 SLAA REPORT

December 17, 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 Military Department 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 Colonel Laura L. Yeager, Joint Chief of Staff, at (916) 854-3500, laura.l.yeager.mil@mail.mil.

BACKGROUND

The California Military Department (Department) is a unique component of the California State Government. Its mission is to provide trained and ready forces to respond to national, state, and local emergencies. It adds value to communities by providing resources, services, and educational programs that reflect the diverse needs of the people it serves. It is responsible for the command, leadership, and management of the following four components:

- The California Air National Guard's mission is to organize, train, and equip airmen who provide air, space, cyberspace, and support capabilities to the state and the nation.
- The California Army National Guard's mission is to organize, train, and equip community based land forces. When ordered, it mobilizes to support the state and the nation.
- The California State Military Reserve is an all-volunteer State Defense Force. Its mission is to provide trained and organized State Military Reserve force which supports the California Air and Army National Guard. In addition, the State Military Reserve performs military duties such as assisting civil authorities and assisting in the mobilization and demobilization process of the first two components.
- The Youth and Community Programs' mission is to intervene in the lives of at-risk youths to produce graduates with the values, skills, education, and self-discipline necessary to succeed as adults. The five youth programs located throughout the state are the Sunburst Youth Challenge, Grizzly Youth Challenge, Starbase, Oakland Military Institute, and California Cadet Corps. The Youth and Community Programs also ensure that service members, veterans, and their families have simple and timely access to comprehensive support and services.

As of September 8, 2015, the Department has 21,198 airmen, soldiers, and state military reservists, ready to respond to emergencies in California and across the nation. The California Military Department is led by The Adjutant General who is appointed by the Governor to serve as the Agency Secretary of the Department.

RISK ASSESSMENT PROCESS

The Department's management was responsible for the risk assessment. The senior leaders selected which directorates under their command should conduct the risk assessment. Below was the risk assessment process:

- The Department's Internal Review Office assisted management with the risk assessment. With the Joint Chief of Staff's approval and feedback, the Internal Review Office developed the Risk Assessment Questionnaire.
- Managers of the selected directorates completed the Risk Assessment Questionnaire. The managers stated their directorate's most critical function and identified their greatest risks as well as the mitigating internal controls. Next, the Managers rated the identified risks as low, medium, or high based on the likelihood of occurrence and impact to the Department in three categories: public interest, budget, and operations.
- The Internal Review Office assigned a numerical value of 1 for low, 3 for medium, and 5 for high for each identified risk and compiled the result into a spreadsheet. Based on the manager's rating, the Internal Review Office scored a total of 27 risks and ranked them from the highest to the lowest score. Then, the Internal Review Office forwarded the spreadsheet that summarized the result of the directorates' risk assessment to three Department executives.
- The Director of Joint Staff, Joint Chief of Staff, and Joint Vice-Chief of Staff reviewed the risk assessment spreadsheet and selected a total of 18 of the 27 risks. Each of the three executives selected six risks that they perceived to be the highest risks to the Department. Subsequently, the Internal Review Office assigned another numerical score to the 18 selected risk, ranked them, and narrowed down the selection from 18 to 6 risks.
- The Internal Review Office interviewed the respective managers of the six risks to obtain additional information and to test the stated internal controls. Upon final review by The Adjutant General, the six risks were consolidated into four risks. The 2015 SLAA report focuses on those four highest risks.

EVALUATION OF RISKS AND CONTROLS

Operations- External- Political, Reputation, Media

Negative media coverage can significantly damage the Department's image and can result in loss of the public trust or litigation. Negative media coverage reduces the morale of the service members and adversely impacts pride in their service to the state and the nation. It can also lower recruiting efforts and retention.

The Public Affairs Office works closely with the Governor's public affairs office to monitor all sources of information about the Department. It uses social media such as Facebook, Twitter, You Tube, Flickr, and Instagram to promote the Department. It encourages the public to share and post their experiences with the Department in its social media. It monitors media coverage daily from news clippings and social media. The Public Affairs Office strives to have a good working relationship with reporters and media contacts. It obtains the Department's Staff Judge Advocate's advice on any sensitive public request.

Operations- External- Business Interruption, Safety Concerns

Natural and man-made disasters could damage any of the over 100 of the Department's buildings, infrastructure, training sites, communications, and air bases rendering them partially or completely unusable. Damage could prevent the Department from responding to national, state, and local emergencies.

The J-34 Anti-terrorism and Force Protection staff monitors and networks with state, federal, local, and military resources to identify and report any man-made threat activities. It informs the Department's leadership of these activities daily. It also shares these activities to its anti-terrorism working groups located throughout California. Force protection measures are increased or decreased based on continuous assessment of risk.

Should a natural or man-made disaster occur, the J9-Facility and Infrastructure directorate developed a Contingency Operation Plan that provides procedures to continue operations when the Department's building infrastructure, training sites, communications, or air bases are damaged. The Plan designated two identical Emergency Operation Centers: the Joint Forces Headquarters in Sacramento for Northern California and the Joint Forces Training Base in Los Alamitos for Southern California. The Joint Forces Headquarters is the mission command center, but if it is incapacitated, the Southern Emergency Operation Center is designed to serve as the alternate mission command center. An additional equipped location exists in Fresno as well. The Department continuously updates and improve the plan.

Operations- External- Funding—Sources, Levels

The Department is facing significant reductions in full-time manning driven by decreased federal funding while there has been no appreciable reduction in mission requirements. This federal fiscal year, federal full-time manning has been reduced by eight percent and the Department anticipates future additional reductions. As a result, some directorates are operating at less than optimal manning levels. For example, the J2 section responsible for interagency information sharing, incident awareness and assessment, is operating with two personnel when ideally, it would be staffed with six. This same situation exists in the Department's facilities that support training requirements and repair vehicles and aircraft. Manning constraints throughout the state could hinder the Department's ability to maintain readiness of equipment and personnel.

The Department mitigates manning shortage by cross training personnel and leveraging traditional California Air and Army National Guard members who train two days per month and complete 15 days of annual training each year to augment the Department's full-time manning. In the event of an emergency, these same personnel provide surge capacity.

Operations- External- Funding—Sources, Levels

J6-Communications manages the Department's consolidated (federal and state) computer security, information technology, and network system. It develops, deploys, and maintains state of the art communication and automation system in support of the state and federal missions. Its funding source comprises of 90 percent federal and 10 percent state; however, federal budget reduction is constant. Due to the lack of funds and complex and time consuming process of acquiring additional funds, J6-Communications may not be able to provide all mission critical support and equipment.

To manage its limited funds, all information technology purchase orders require J6-Communications' approval. The Director of Information Technology, Fund Manager/Cooperative Agreement Program Manager, and Budget Analyst manage federal funds through the United States Army's General Fund Enterprise Business System. They work closely with the United States Property and Fiscal Officer, J8- State Comptroller Office, and senior leaders to acquire necessary additional funds. J6-Communications reports its fund status or additional funding needs to the Program Budget Advisory Committee. J6-Communications is exploring ways to reduce costs in order to further stretch available funding.

ONGOING MONITORING

Through our ongoing monitoring processes, the Military Department 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 Military Department, Major General David S. Baldwin, The Adjutant General, is responsible for the overall establishment and maintenance of the internal control system. We have identified Colonel Laura L. Yeager, Joint Chief of Staff, as our designated agency monitor(s).

Frequency of Monitoring Activities

The Adjutant General sets the tone and assumes ownership of the Military Department's internal control. He holds all leaders responsible for managing their internal control program. Senior leaders are accountable for implementing effective internal controls, preventing wasteful spending, and ensuring transparency. This includes continually monitoring the Department's mission and strategic plan and fostering an environment that encourages the highest levels of personal and professional integrity. The Department conducts inspections and simulated exercises. Inspections ensure that operations and programs are in compliance with federal and state regulations. Simulated exercises such as the 2015 Ardent Sentry trains personnel and prepares the Department for terrorist attack and natural disasters.

Reporting and Documenting Monitoring Activities

Weekly Headquarters Update Briefings are held with The Adjutant General, the Deputy Adjutant General, senior leaders, directors, and supervisors. This is a forum to exchange information on internal controls, strategic priorities, and critical mission. In addition, the Department's key staff meets three times a week to further discuss workloads, staff actions, program implementation and policy. Furthermore, senior leaders, director, and supervisor have staff meetings every other week. The Inspector General documents inspection and investigation results in the Inspector General Reports. The Inspector General also briefs The Adjutant General of allegations, inspections, and investigations quarterly or as needed. The Internal Review Office reports internal control deficiencies in audit reports. The Adjutant General, the Deputy Adjutant General, senior leaders, and directors receive copies of the audit reports.

Procedure for Addressing Identified Internal Control Deficiencies

The Department has an Internal Control Council that meets quarterly to discuss internal control deficiencies, inspections, findings, and recommendations. The Internal Control Council resolves problems that could prevent implementation of corrective action plans. Further, the Internal Control Administrator tracks the implementation statuses of audit and inspection recommendations. He reports any implementation problems to the agency monitor.

CONCLUSION

The Military Department strives to reduce the risks inherent in our work through ongoing monitoring. The Military Department 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.

I am signing on behalf of MG David Baldwin, COL Yeager

Major General David S. Baldwin, The Adjutant General

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