December 29, 2017

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

Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Office of Emergency Services submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Grace Koch, Chief Deputy Director, at (916) 845-8553, Grace.Koch@caloes.ca.gov.

BACKGROUND

In years past, Cal OES' primary focus was on emergency management, but over the last decade, our mission has expanded to include criminal justice, victim services, homeland security, and public safety communications. To further government efficiency efforts, Cal OES merged with the former Governor's Office of Criminal Justice Planning (2004) and the Governor's Office of Homeland Security (2009) forming the California Emergency Management Agency (Cal EMA). In 2013, Cal EMA was restructured and assumed its current role in Governor's Office as California Governor's Office of Emergency Services (Cal OES). That same year, the Public Safety Communications Office was merged into Cal OES.

During an emergency, Cal OES coordinates the state's responsibilities under the Emergency Services Act (Government Code §8550), and other applicable federal statutes. Cal OES also acts as a distribution channel for federal assistance through natural disaster grants and federal agency support. On a day-to-day basis, Cal OES provides leadership, assistance, training, and support to state and local agencies in planning and preparing for the most effective use of federal, state, local, and private-sector resources during emergencies. Our emergency planning is based upon a system of mutual aid in which a jurisdiction relies first on its own resources, then requesting assistance from its neighboring jurisdictions and the state if needed. In calendar year 2017, Cal OES responded to five federally declared major disasters, two emergency declarations, and 25 Fire Management Assistance Grants declarations which resulted in the State Operations Center being activated for almost 130 days. During these activations, staff from all Directorates, Branches, and Divisions coordinates response and recovery efforts with our state, federal, and nongovernmental partners to provide support and resources to the impacted areas.

Cal OES also operates the California State Warning Center (CSWC). The CSWC provides emergency communications to other state and local agencies 24 hours per day, seven days per week, 365 days per year. The CSWC provides after-hour and off-premises contact support to the Governor's Office staff and the senior staff of all agencies. It also serves as a means of communication and a notification system while coping with all disasters.

Today, Cal OES performs its expanded mission by administering numerous programs to support our stakeholders, protect our communities, build capabilities, and help create a resilient California.

MISSION, VISION AND GOALS

In 2013, Cal OES began the process of updating its strategic plan, including its vision, mission, values, and strategic goals. In order to evaluate program effectiveness and demonstrate Cal OES' success in meeting our goals and objectives, Cal OES established an Office of Performance Management. This Office assists programs in developing performance metrics to measure and evaluate progress in achieving its goals and objectives.

Our strategic plan for 2014 - 2018 presents Cal OES' mission to protect lives and property, build capabilities, and support our communities for a resilient California. We achieve our mission by serving the public through effective collaboration in preparing for, protecting against, responding to, recovering from, and mitigating the impacts of all hazards and threats.

Cal OES strives to be the leader in emergency management and homeland security through dedicated service to all. We realize this vision by building towards a safer and more resilient California, leveraging effective partnerships, developing our workforce, enhancing our technology, and maintaining a culture of continuous improvement.

Cal OES' mission is built upon the following six strategic goals:

1. Anticipate and enhance prevention and detection capabilities to protect our state from all hazards and threats.
2. Strengthen California's ability to plan, prepare for, and provide resources to mitigate the impacts of disasters, emergencies, crimes, and terrorist events.
3. Effectively respond to and recover from both human-caused and natural disasters.
4. Enhance the administration and delivery of all state and federal funding, and maintain fiscal and program integrity.
5. Develop a united and innovative workforce that is trained, experienced, knowledgeable, and ready to adapt and respond.
6. Strengthen capabilities in public safety communication services and technology enhancements.

CORE VALUES

Cal OES' strategic plan is also built upon the following four core values:

- **Integrity:** We maintain trust by fulfilling our mission with honesty, accountability, and transparency.
- **Service:** We are dedicated to carrying out the duties and responsibilities entrusted to us and upholding a shared and principled commitment to our mission.
- **Respect:** We recognize and value the diversity that exists within our organization, throughout our communities, and among our partners while demonstrating concern and compassion for all.
- **Resiliency:** We promote safe and prepared communities with the strength to withstand or rebound from any event or emergency.

ONGOING MONITORING

As the head of Office of Emergency Services, Mark Ghilarducci, Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

EXECUTIVE MONITORING SPONSOR(S)
The executive monitoring sponsor responsibilities include facilitating and verifying that the

Office of Emergency Services internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:
Grace Koch, Chief Deputy Director.

MONITORING ACTIVITIES

Cal OES holds regular meetings with senior leadership and senior management to discuss and share current key topics, cross-cutting issues, and any current challenges. Additionally, the executive staff meets weekly to discuss current and pending issues and share key information from their respective Directorates. As part of the preparation for the senior leadership and senior management meetings, managers are asked to provide updates for their accomplishments, key topics, and any current issues or challenges they may be facing. The updates are compiled into a presentation slide deck and are presented to senior managers and executive leadership for their review and necessary action. The management team is asked to share the information contained in the slides with Cal OES staff, supervisors, and managers. Additionally, the Branch and Divisions update the status of their strategic objectives on a regular basis which is reported to and reviewed by Executive Management.

ADDRESSING VULNERABILITIES

Cal OES Unit Monitors have been identified within each program and administrative area. The Unit Monitors track and develop controls to address the risks identified during the department-wide risk assessment process. Additionally, any internal control deficiencies identified during the routine, ongoing monitoring, will be shared with the Agency Monitor and respective management team. Once internal control deficiencies are identified, corrective action plans will be developed and monitored by our Agency Monitor on a quarterly basis until fully corrected.

COMMUNICATION

As stated above, Cal OES requires that each program to provide monthly updates to include program accomplishments, key topics, and issues and challenges uncovered during regular ongoing monitoring. These updates are gathered within the presentation slides, summarized, and reviewed by the Director and Chief Deputy Director. Cal OES also encourages senior managers to update their teams on a regular basis on the issues discussed during the leadership and senior management meetings. Each Cal OES program area has performance objectives and measures to advance our mission and improve our operational efficiencies throughout the department. Each performance measure is aligned to one of the six Cal OES strategic goals. The status of the performance objectives are tracked and updated on a regular basis. Executive reports are then generated with the quarterly results of our performance objectives and provided to executive management for their review, awareness, and action.

ONGOING MONITORING COMPLIANCE

The Office of Emergency Services has implemented and documented the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Office of Emergency Services systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Office of Emergency Services risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

Risk Identification

The Audit Office staff conducted an Internal Control survey to find potential weaknesses and significant risks. The Audit Office staff also met with executive management to discuss significant changes in their operations, key projects, and current efforts to minimize risk exposures. Based on the results of the current risk assessment and executive management's analysis and input, the greatest vulnerabilities that could prevent Cal OES from successfully meeting its mission, goals and strategic objectives, were identified.

Risk Ranking

Cal OES' risk assessment was conducted using a control self-assessment survey and risk assessment ranking process. This risk assessment process was completed by the Cal OES senior leadership and executive management team, and facilitated by staff from the Audit Office. Through a self-assessment survey and risk assessment ranking form, Cal OES senior leadership staff was tasked with identifying department-wide risks or threats that could adversely affect the ability to achieve each of their program's mission, goals, and strategic objectives. Risk statements were also developed and risks were scored by executive management according to likelihood and impact to their respective program functions. Executive management utilized corresponding existing and new controls that, would provide reasonable assurance that the risk would be mitigated.

RISKS AND CONTROLS

Risk: Operations -External-Technology—Data Security

The vulnerability of information, communications, and operations technologies and networks pose a significant threat to the lives, property and economy of California.

California's critical infrastructure is constantly and increasingly the target of advanced persistent threats which could compromise the integrity and availability of vital systems and services as well as jeopardize the confidentiality of personal and financial data. Current resources to address the vulnerability of information include the State Threat Assessment Center's (STAC) cyber threat analysis team and the Cybersecurity Task Force, which was created in 2013, to address growing cyber threats to networks, personal privacy, and critical infrastructure. Additionally, the Governor created through Executive Order, the California Cybersecurity Integration Center (Cal-CSIC) in 2015 to focus and address cyber threats.

The result, if not properly mitigated, would increase our vunerability to cyber attacks and compromise personal, sensitive, and/or confidential information.

Control A

The Cal-CSIC is now staffed with five full-time Cal OES team members, as well as with representatives from the California Department of Technology, the California Highway Patrol, and the Federal Bureau of Investigation. The team is refining processes, procedures, and products to enhance the State's cybersecurity strategy and maturity. Cal-CSIC now has 450 state, local, territory, and tribal partners from multiple sectors who participate in our cyber threat intelligence sharing program. Over the past

six months, Cal OES has published many advisories and alerts which have helped reduce the likelihood and severity of cyber-attacks. For example, Cal OES' research and threat intelligence was used in California and two other States to remove and ban products from a foreign-based cybersecurity firm.

By December 31, 2018, the Cal-CSIC will finalize and document all key processes and procedures and ensure all staff members receive appropriate training. By ensuring all processes and procedures are implemented and complied with, we will maximize Cal OES' ability to detect, deter, and help prevent cyber risks.

Control B
The Cal-CSIC completed the pilot partner threat feed program which ensures timely and accurate information sharing on current and potential cyber threats. The Cal-CSIC will continue to add technical resources which will allow for the increase of participating agencies into the threat intelligence program. Recently, the Cal-CSIC increased its cyber threat research capabilities through the implementation of state-of-the-art technologies. This will enhance intelligence sharing and increase statewide forensics capabilities.

By June 30, 2019, the Cal-CSIC will implement cybersecurity training program for first responders and state employees through a partnership with Cal Poly San Luis Obispo's Cybersecurity Training Center. By establishing a statewide training program for law enforcement and state agency personnel, California will increase our protection from cyberattacks by increasing the level of proficiency, knowledge, and implementation of security risk prevention strategies, as well enhancing overall cybersecurity awareness.

Control C
California needs to establish and maintain rapid response capabilities to address a variety of cyberattacks, breaches, and potential treats. Currently, Cal-CSIC, through its primary partners (CDT, CHP and the CMD), are working on two key initiatives to address cybersecurity attacks. One initiative addresses the state's tactical response to incidences by utilizing current existing state employees who are subject matter experts, and the other is focused on addressing large-scale or complex cyberattacks:

C1. By December 31, 2018, identify, train, and exercise a cadre of state agency personnel (State Employee Incident Response Team) to respond to state agency cyberattacks, as well as to provide technical support for cyber security issues. Implementing this effort will allow California to immediately address cyberattacks and reduce potential damage from the attack, as well as reduce further spread of the threat.

C2. Working with California Department of Technology and by June 30, 2019, establish a procurement venue (leverage procurement such as CMAS, MSA, etc.) for state agencies to obtain services from high-tech companies to address large-scale, complex, and sophisticated cyberattacks.

Risk: Operations -Internal-Staff—Key Person Dependence, Workforce Planning
Over half of Cal OES' employees are age 50 and older. In FY 2016-17, the average age of retirement for Cal OES employees was 62. As of June 2017, Cal OES employees over the age of 60 account for 17 percent of staff. Cal OES needs to implement and monitor its Workforce Plan to recruit for upcoming vacancies and transfer the institutional knowledge within its ranks before staff retires or transfers, as well as implement recruitment strategies to build our workforce. Failure to do so may result in retirements and staff turnover that negatively impacts key positions through the loss of valuable knowledge and critical work functions,

ultimately creating challenges across Cal OES and potentially impacting our mission.

Due to an aging workforce that is able to retire and having positions that are difficult to recruit for, the Department must continue to implement and maintain its Workforce and Succession Plan. The Department may loose institutional knowledge and increase in staff turnover that negatively impacts key positions and critical work functions, ultimately creating challenges across Cal OES and potentially impacting our mission.

If not properly mitigated, this risk may result in retirements and staff turnover that negatively impacts key positions through the loss of valuable knowledge and critical work functions, ultimately creating challenges across Cal OES and potentially impacting our mission.

Control A
Effective December 2015, Cal OES tracks annual retirement numbers as part of its workforce planning efforts beginning with fiscal year 2014-2015 data. Additionally, using demographic and retirement data, Cal OES monitors and anticipates staff shortages in order to anticipate recruitment needs. Cal OES also tracks the status of workforce and succession programs initiated as part of the Workforce Plan and will begin an annual review of the Workforce Plan beginning June 2016, to include evaluating trends and making necessary updates.

Cal OES will ensure all program areas create strategic objectives to ensure key processes are documented for new staff.

By June 30, 2018, Cal OES' Human Resources will track and verify that the key processes throughout all Directorates are documented and reported. By tracking and reporting on the status of this objective, Cal OES will decrease the risk of the loss of critical knowledge, and increase our ability to maintain proficiency on our key processes and mission critical tasks.

Control B
By June 30, 2018, Cal OES will update the current Workforce Plan to include any new information based on recent trends and continue to monitor the status of the objective regularly. By having an updated plan, Cal OES will be able to implement effective strategies to maintain core competencies and effectively develop staff, ensure appropriate knowledge transfer, and target hard-to-recruit classifications.

Risk: Operations -Internal-Staff—Training, Knowledge, Competence
Although much progress has been made to increase the training, exercising, and actual deployment of Cal OES staff, the department must continue to build its core competency in emergency management and disaster response and recovery. Lack of adequate staff trained and experienced in emergency management and emergency response will impact our ability to adequately staff the Regional and State Operations Centers, Task Forces, Joint Field Offices, and other critical functions during an emergency or disaster. During large scale activations, Cal OES needs to quickly augment response functions, and without trained and experienced staff, it could affect the ability to effectively coordinate statewide emergency response and recovery efforts, thus impacting the department's ability to accomplish its mission.

In February 2013, the Cal OES Director announced a Basic Training Initiative requiring emergency management training for all Cal OES staff. Monthly training opportunities were provided that focused on building a baseline understanding of emergency management concepts and issues. The monthly training

continues and has progressed to include both intermediate and advanced topics. In 2014, Cal OES created three core teams known as Incident Support Teams (ISTs), consisting of 18 members each, which are a subset of larger (120+ member) Operational Readiness Teams(ORTs). These ISTs provide the initial oversight, coordination, and situational awareness required for disaster activations, and the ORTs provide depth and additional support. From 2015 through 2017, over 500 Cal OES employees attended 165,340 hours of emergency management and position specific training.

With staff retiring, new staff being hired, and the influx of disaster-related work, Cal OES must continue to increase the capability and proficiency of its staff to ensure staff readiness and response abilities.

Lack of adequate staff trained and experienced in emergency management and emergency response will impact our ability to adequately staff the Regional and State Operations Centers, Task Forces, Joint Field Offices, and other critical functions during an emergency or disaster. During large scale activations, Cal OES needs to quickly augment response functions, and without trained and experienced staff, it could affect the ability to effectively coordinate statewide emergency response and recovery efforts, thus impacting the department's ability to accomplish its mission and support disaster response and recovery operations.

Control A

Cal OES implemented an Emergency Operations Center Credentialing Program to help ensure that personnel possess the minimum knowledge, skills, and experience necessary to execute emergency management activities. There are three levels of Credentialing which include online and in-person training and exercises, as well as actual deployments. Type III certification is the first level; Type II is advance level; and Type I is the highest level in the series. In addition, Cal OES piloted the Response Academy for regional response staff. The academy's purpose was to update and standardize emergency management operational concepts and procedures across OES regions and provide a baseline on-boarding training program for future new hires.

By June 30, 2018, ensure that 90 percent of all IST members and regional response staff are certified as Type III in the Cal OES Credentialing Program.

Control B

By June 30, 2018, ensure that 90 percent of all IST Directors and Deputy Directors and Chiefs and Deputy Chiefs are certified as Type II in the Cal OES Credentialing Program.

Control C

By June 30, 2019, ensure that 90 percent of all IST members are certified as Type II in the Cal OES Credentialing Program.

Risk: Compliance-Internal-Resource Limitations

Cal OES needs to increase the percentage of the over 1,500 grant subrecipients that are presently monitored for compliance with federal and state rules and regulations. This lack of monitoring oversight increases Cal OES' risk of being deemed a "high risk" grantee, increases the risk of waste and abuse of federal and state funds, and exposes the department to potential loss of federal funding. In addition, per Title 2 CFR § 200.331, Cal OES is required to evaluate the risk of noncompliance with federal statutes, regulations, and grant terms and conditions posed by each subrecipient of pass-through funding.

Recent organization structure alignments, newly hired staff, and retirements, Cal OES identified a need to update its processes to address increase the number of grant monitoring visits conducted each year. Cal OES will implement control measures to mitigate the risks and ensure compliance and effective monitoring processes and procedures.

Cal OES' risk of being deemed a "high risk" grantee, increases the risk of waste and abuse of federal and state funds, and exposes the department to potential loss of federal funding.

Control A

By June 30, 2018, finalize all modifications to the monitoring database, including system documentation, testing, and staff training. By expanding the database functionality and utilizing the data for analysis and risk potential identification, Cal OES will be able to mitigate risk associated with waste, fraud, abuse, or noncompliance, and help our subrecipients comply with all appropriate laws, rules, and requirements associated with state and federal funding.

Control B

By December 31, 2018, ensure that desk procedures are developed and staff receives the appropriate training on effective compliance reviews, monitoring processes, and appropriate rules and regulations. Cal OES' Grants Monitoring has implemented standard monitoring methodology, tools, and work paper formats for conducting subrecipient compliance reviews, which will provide staff guidance and ensure uniformity, consistency, and efficiency. These measures will allow staff to work independently thus increasing the number of compliance reviews per year and increasing compliance with state and federal fund laws, rules, and regulations.

CONCLUSION

The Office of Emergency Services strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Mark Ghilarducci, 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