December 23, 2021

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), 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, 2021.

Should you have any questions please contact Lisa Ann L. Mangat, Chief Deputy Director, at (916) 845-8542, Lisa.Mangat@caloes.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Cal OES’s strategic plan presents the ongoing mission for Cal OES, which is to protect lives and property, build capabilities, and support its communities for a resilient California. Cal OES achieves its mission by serving the public through effective collaboration in preparing for, responding to, recovering from, and mitigating the impacts of all hazards and threats.

The current vision for Cal OES is to be the leader in emergency management and homeland security through dedicated service to all. Cal OES realizes its vision by building towards a safer and more resilient California, leveraging effective partnerships, developing its workforce, enhancing its technology, and maintaining a culture of continuous improvement.

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

1. Anticipate and enhance prevention and detection capabilities to protect the 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.

Control Environment

Cal OES relies on integrity and ethics to guide its strategic goals with assistance from a Values Statement:
• **Integrity:** Cal OES maintains trust by fulfilling its mission with honesty, accountability, and transparency.
• **Service:** Cal OES is dedicated to carrying out the duties and responsibilities entrusted to it and upholding a shared and principled commitment to its mission.
• **Respect:** Cal OES recognizes and values the diversity that exists within its organization, throughout its communities, and among its partners while demonstrating concern and compassion for all.
• **Resiliency:** Cal OES promotes safe and prepared communities with the strength to withstand or rebound from any event or emergency.

Cal OES also guides its strategic operations with a code of conduct statement titled, “Commitment to a Professional Work Environment,” which provides a strong foundation in support of a unified workforce.

The control environment structure consists of the Director appointed by the Governor, assisted by two Chief Deputy Directors. One Chief Deputy oversees operational activities, and one Chief Deputy oversees policy and administrative activities. Oversight begins here and is communicated by means of a hierarchy of organizational support sections and six directorates of operations, based largely on the National Incident Command System (NICS) - Organizational Structure Model. Responsibility and authority is determined by the need to address the control environment in the same manner as emergency and governance systems consistent with federal, state, and local emergency management systems modeled within the NICS.

Cal OES Organizational Structure:

• Executive Leadership and Organizational Support Branches
  ◦ Directorates:
    ▪ 1. Planning, Prevention, and Preparedness
    ▪ 2. Response Operations
    ▪ 3. Recovery Operations
    ▪ 4. Logistics Management
    ▪ 5. Finance & Administration
    ▪ 6. Homeland Security

To evaluate program effectiveness and demonstrate Cal OES’s success in meeting its goals and objectives, Cal OES established the Office of Performance Management (OPM). This office assists programs in developing performance metrics to measure and evaluate progress in achieving its goals and objectives. The Internal Audits Office (IAO) assists these same programs to manage risk associated with their most important goals and objectives.

Each branch/program maintains its own system of policies and procedures (internal controls) related to its own objectives and reports key objectives upward through the chain of command and to OPM. Cal OES also maintains a library of agency-wide objectives, directives, policies, procedures, and guidance available to employees on a secure private network.

Other strategic information and internal controls is available to the public on Cal OES’s website at https://www.caloes.ca.gov/.
Cal OES has implemented the 2018-2023 Workforce Plan (“the Plan”). The Plan was developed to closely align with Cal OES’s Strategic Plan, and is a guide to help ensure that the organization’s talent can support its business needs and goals. Over the next two years, and beyond, the Talent Development Division will continue to engage and work closely with Human Resources, leadership, and staff on workforce planning activities. Each branch of the organization will be involved in developing and realizing solutions for recruitment, retention, professional development, knowledge transfer, and succession planning to meet the demands of each branch’s unique business need.

The Workforce Plan includes the following initiatives:

Recruitment Initiatives:

1. Enhance and Improve Recruitment Strategies
2. Strategies for Compensation Challenges
3. Classification Specification Revisions

Retention Initiatives:

1. Improve and Enhance Employee Engagement Activities
2. Create a Mid-Point Survey
3. Create a Clear Career Path

Knowledge Transfer Initiatives:

1. Develop and Implement Formal Job Rotation Program
2. Provide Cross Training and Job Shadowing Opportunities

Succession Planning Initiatives

1. Competencies and Leadership Development

Cal OES enforces its policies, procedures, and related controls within a chain of command system, together with organizational support from OPM and IAO. Chain of command starts with the Director and the Chief Deputy Directors, and flows through second- and third-line managers, to front line supervisors and process level staff. OPM gathers and analyzes agency-wide data on branch and division objectives, including S.M.A.R.T. [1] objectives. IAO performs risk assessments, and then performs audits of operational areas with significant risks to Cal OES’s operations. Audit reports are submitted to the Chief Deputy Director, who enforces recommendations for areas of improvement.

[1] Specific, Measurable, Achievable, Relevant, Time-bound (SMART)

Information and Communication

Policy directives are distributed through memorandums via email, and also placed in a library on the Cal OES intranet. In addition, teleconferences, weekly senior staff meetings, monthly senior management and leadership meetings, and all-staff meetings are used to disseminate a variety of information about Cal OES objectives, from improvement incentive programs such as the Idea Ambassador Corps, an initiative intended to increase engagement and morale-boosting innovation by rank-and-file employees, to information sharing meetings among information technology professionals from various agencies.
Cal OES requires each program to provide monthly updates to include program accomplishments, key topics, and issues and challenges uncovered during regular business operations. These updates are gathered within presentation slides and reviewed by the Executive team. 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 developed performance objectives and measures to advance its mission and improve its operational efficiencies throughout the department. Each performance measure is aligned to one of the six Cal OES strategic goals.

OPM tracks the status of performance objectives and updates them on a quarterly basis, using an online application that depicts each program’s progress using charts and other visual metrics. Through this online application, executive leadership can track organizational performance in real time.

In this way, risks to these goals and relevant internal controls are identified in relation to Cal OES operations, reporting, and compliance objectives, and also across all levels of organizational structure from executive level down through to the functional level.

Relevant information intended for the public is posted to the Cal OES website, or through the Office of Crisis Communications and Public Affairs, which disseminates information via traditional and social media. Cal OES also relies on the California Governor’s Office of Emergency Services Correspondence Manual that guides all employees when communicating externally.

Cal OES managers and supervisors maintain an open door for the reporting of areas of improvement. Reports are further communicated through regular management meetings and via the chain of command. Deficiencies or violations in controls and/or policy can also be reported through IAO, which also receives whistleblower complaints.

Cal OES maintains a secure network of file storage and database programs to process entity level and branch level operations, and to facilitate record keeping.

**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 Office of Emergency Services monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Lisa Ann L. Mangat, Chief Deputy Director; and Christina Curry, Chief Deputy Director.

Monitoring Activities:

Cal OES holds monthly meetings with senior leadership and senior management to discuss and share current key topics and objectives, 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 monthly senior leadership meetings, senior managers are asked to provide updates for their accomplishments and any current issues or challenges they may be facing, as well as status updates on objectives, risks, and internal controls. A baseline understanding of the effectiveness of Cal OES’s internal controls is established as a starting point for monitoring activities. Current risks and internal controls are measured against future controls to be implemented, if any, and an action plan is developed to continue, modify, or close the effort to
implement the improved internal controls.

All of 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, as noted above, the branch and divisions update the status of their objectives on a regular basis, which is provided to and reviewed by Executive Management.

Addressing Vulnerabilities:

Cal OES unit monitors have been identified throughout each program and administrative area. The unit monitors will track and develop controls for 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 unit monitor and respective management team. Once internal control deficiencies are identified, corrective action plans will be developed and monitored by unit monitors on a quarterly basis, until fully corrected.

Ongoing Monitoring Compliance:

Cal OES has incorporated compliance with the requirements of California Government Code sections 13400-13407 into IAO's processes, as well as its strategic planning process. These processes include reviews, evaluations, and improvements to Cal OES's 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.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, and consideration of potential fraud.

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

Risk Identification:

IAO staff conducted an internal control survey to find potential weaknesses and significant risks. IAO staff also met with all levels of management and staff to discuss significant changes in their operations, key projects, and current efforts to minimize risk exposures. Based on the results of the agency-wide risk assessment process and executive management's evaluation of all known risks, the greatest vulnerabilities that could prevent Cal OES from successfully meeting its mission, goals and strategic objectives, were identified.

Risk Ranking:

Cal OES utilized an internal control self-assessment survey and risk assessment ranking method to conduct its agency wide, strategic risk assessment process. This risk assessment process was completed by the Cal OES management team and facilitated by staff from IAO. Through the self-
assessment survey and risk assessment ranking form, all levels of Cal OES management and staff identified department-wide risks or specific threats that could adversely affect the ability to achieve each of their program's mission, goals, and strategic objectives. Management and staff developed and scored risk statements according to likelihood and impact to their respective program functions. They utilized corresponding existing and new controls, creating baselines to provide reasonable assurance that risks would be mitigated.

RISKS AND CONTROLS

Risk: #1 Key Person Dependence, Workforce Planning

The Cal OES Workforce Plan (WFP) Fiscal Years 2018 – 2023, identified that approximately 16 percent of Cal OES’s total workforce is within five years of retirement eligibility and 49 percent of the workforce is 50 years or older. The WFP includes a number of short- and long-term initiatives to help improve recruitment, retention, knowledge transfer, and succession planning gaps and risks. Failure to implement these initiatives may result in retirements and staff turnover that negatively affects the workforce and the ability to achieve the mission.

Since 2017, Cal OES has made significant progress in preparing for these challenges in workforce planning. Effective January 17, 2019, Cal OES implemented a quarterly Workforce Planning Report that tracks the number of its employees and the separation rate. The report also provides recommendations on how to improve the turnover rate. Data from the report assists to anticipate staff shortages and project recruitment needs. In addition, Cal OES has sought to increase the size of its Human Resources branch while implementing innovative hiring and retention solutions. These include a series of one-day hiring events intended to attract a candidate pool comprised of individuals who are not reached by traditional recruitment methods. Further, Cal OES has focused on employee engagement initiatives and morale-raising activities to reduce its separation rate.

The California Department of Human Resources (CalHR) requires all state organizations to maintain their current workforce and succession plans and report annually on the status of those plans. Because the Cal OES 2018-2023 WFP identified succession planning as a risk on July 1, 2019, the department announced its Succession Plan for Fiscal Years 2019-2023.

Control: A

Cross Training and Job Shadowing

Cal OES implemented additional controls emphasizing the importance of cross training and job shadowing as knowledge transfer strategies in its Supervisor Success Academy (SSA) program. The Talent Development Division (TDD) provides best practice guidance to Cal OES supervisors and managers on succession planning strategies during Workforce and Succession Planning modules. The guidance explains that it is necessary to provide cross training and job shadowing opportunities within a team to help ensure team members receive adequate training to perform back-up duties and be prepared for emergencies. The information and guidance include messaging in blog articles posted on the intranet, “Inside Cal OES” and on MS Teams to help reinforce its importance.

In addition, the TDD communicates the need and importance of a business continuity plan or
contingency plan when team members transfer to new positions, or operations quickly move to a remote location(s), such as during the emergency telework protocol for state employees during the COVID-19 response.

**Control: B**

**Job Rotation**

Cal OES recognizes job rotation as an important control to improve recruitment, retention, knowledge transfer, and succession; however, at this time, only emergency response activities utilize a formal job rotation strategy. The TDD continues to develop policies and procedures to implement a job rotation system on a department-wide basis.

**Control: C**

**Knowledge Transfer Guide**

The TDD, through a project charter comprised of a cross-functional team of volunteers, developed a Knowledge Transfer Guide to assist managers in facilitating transfer of knowledge within their program areas. The guide serves as a resource and provides a list of different knowledge transfer activities and methods to consider as part of a knowledge transfer strategy.

**Control: D**

**Marketing Workgroup**

The Human Resources branch is leading a marketing workgroup to give program areas an opportunity to provide input into Cal OES marketing efforts. These efforts include LinkedIn services and Virtual Job Fairs in support of hard-to-recruit and department specific classifications.

In addition, the Exams and Marketing Unit works with a diversity group to expand on outreach efforts and job announcements. Additional marketing efforts include professional associations such as the California Emergency Services Association (CESA) and the Association of California State Employees with Disabilities (ACSED).

**Control: E**

**Exam Rankings**

The Human Resources branch is also working with CalHR to change the exam rankings for hard-to-recruit classifications such as the Disaster Assistance Program Specialist Series (DAPS). Human Resources is reviewing the request to transition the DAPS Series exam from a 6-rank eligibility list to a 3-rank list.

Human Resources is currently in the process of transitioning the following department specific exams online.

- Coordinator (Communications), Office of Emergency Services – Continuous exam
- Senior Coordinator (Communications), Office of Emergency Services
- Coordinator (Law Enforcement), Office of Emergency Services
Furthermore, Cal OES is currently at the 5-6-year mark for the job analysis updates for its department specific classifications. Currently, job analysis development is under way for the Emergency Management Coordinator Instructor Series. Once Cal OES completes the job analysis, it will begin developing the online exam for the Series on a continuous basis.

Risk: #2 Adherence to Policies, Procedures, or Standards

The state of California offers a paid leave program that covers vacation and annual leave for all state employees. Cal OES provides this program to approximately 1,500 employees who accrue leave credit balances on a monthly basis. Cal OES’ objective regarding leave credit balances is to comply with the state requirement of a 640-hour maximum regarding vacation leave accruals. Each Cal OES employee is to comply with regulatory requirements to prevent excessive leave balances from becoming a growing liability — triggered when employees retire/separate from State service.

Cal OES’s Finance and Administration Directorate has identified a risk associated with sizeable leave balances earned by OES staff. Currently, the department-wide liability associated with leave is estimated to be tens of millions of dollars. If Cal OES experiences a high number of retirements and must pay out lump sum for the tens of millions in current leave liability, that could drive an extremely significant deficit. Lump sum payouts are not funded in the Cal OES’ base budget. In the past, state departments have been expected to hold positions vacant in order to recoup these costs; however, with many Cal OES mission-critical positions, there is no opportunity to hold positions vacant. The department would not be able to absorb the lump sum payouts.

This issue has four causes: (1) both the frequency and duration of disaster events and the resulting activation of staff to support these events precluded many employees from using leave; (2) the department has only sporadically enforced its leave balance cap of 640-hours for most positions, allowing large leave liabilities to accrue; (3) in exchange for temporary wage reductions in 2020-21, the state utilized the personal leave protection program to grant employees additional leave credits that employees were required to use before regular leave; and (4) state "leave buy-back" programs, which reduce leave liability, have to be funded with departmental savings or have been funded through limited agreements with individual bargaining units. Given the multiple restricted funding sources that fund operations within Cal OES – including grant and federal funds that may not be used for this purpose – it is highly unlikely that Cal OES will be able to offer a leave buyback program under existing state rules.

Control: A

Enforcement of Balance Caps

The department considered the requirement that all staff who exceed the 640-hour cap should develop a plan to reduce their liability to below the cap. This process was last implemented, and to some extent, succeeded in slowing the growth of leave liability in 2020. However, to the extent the state experiences disasters or emergencies, these plans often need to be modified in order to assign key personnel to mission critical response and recovery activities.
Control: B

Establish a Lump Sum Cost Pool

Currently, Cal OES requires individual program budgets to cover all leave balances. This practice has many rippling effects to the department. Absent having a pool of funding available to cover the cost of departing employees, each program must either leave the departing employee’s position vacant until all pay-outs are recovered or must have enough funding within their budget to cover the cost. This leads to programs not having sufficient support for operations, may increase the department’s vacancy rate, or may require programs to forego necessary purchases.

Beginning in 2022-23, Cal OES will consider options to establish a leave buy-out pool, funded by indirect cost recovery assessments. This plan will be finalized in the spring of 2022, so it can be implemented in 2022-23. Under this proposal, programs would not be required to maintain vacancies or forgo purchasing in order to cover large payments within their own programs. The cost of leave buy-outs would be spread over all fund sources.

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 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.

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