

Health and Human Services

2015 SLAA REPORT

January 5, 2016

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 Health and Human Services 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 Sonia Herrera, Chief of Administration, at (916) 654-3459, sonia.herrera@chhs.ca.gov.

BACKGROUND

The California Health and Human Services Agency (CHHS) oversees twelve departments and three offices that provide a range health care services, social services, mental health services, alcohol and drug treatment services, public health services, income assistance, and services to people with disabilities. More than 33,000 people work for departments in CHHS at state headquarters in Sacramento, regional offices throughout the state, state institutions and residential facilities. CHHS Agency Secretary Diana S. Dooley oversees directors in the departments and also directly manages a team of fiscal and program experts who advise the departments on budget, policy, legal and external affairs issues. CHHS officials are responsible for coordinating with other state agencies, the California Legislature and the Office of the Governor. In 1961, Government Code section 12800 established the Human Relations Agency, which became the Health and Welfare Agency in 1972. Assembly Bill 2352 (Woods, Chapter 817, Statutes of 1998) changed the name of the Health and Welfare Agency to the Health and Human Services Agency.

As part of CHHS, the California Office of Health Information Integrity (CalOHII) serves as the organization that supports and facilitates the Health Information Exchange and the standards development process in California. Adoption of privacy and security standards for health information exchange will ensure that a person's critical health information can move safely and securely to the point of care. The Office of Systems Integration (OSI), another office within CHHS' purview, provides project management, oversight, procurement and support services for a multi-billion dollar portfolio of high criticality projects. In this capacity, OSI coordinates communication, collaboration and decision making among project stakeholders and program-side sponsors of the projects. OSI manages the procurement, contract negotiations and contract management aspects of the acquisition of technology systems and services. After the procurement phase, OSI oversees the design, development, governance and implementation of IT systems which serve health and human services programs. Further, the Office of the Patient Advocate (OPA) is a smaller office within the Agency that is responsible to the public to coordinate, provide assistance to, and collect data from state health care consumer assistance call centers. The goal of these efforts is to better enable health care consumers to access the health care services for which they are eligible.

Additionally, CHHS recently established the Office of Law Enforcement Support (OLES) with the mission to create a critical monitoring and oversight team of law enforcement and support employees to improve the quality of investigations, enhance the ability to prosecute cases, and provide legal representation for the State in cases involving employee misconduct at the Department of State Hospitals (DSH) and the Department of Developmental Services (DDS).

RISK ASSESSMENT PROCESS

CHHS management considers risk assessment as part of its ongoing administrative and program decision-making activities, and specifically places this responsibility on the CHHS Administration Unit. As internal and external risk factors that could potentially impact the achievement of CHHS objectives are identified, decisions are made on how best to mitigate and manage the risks. The CHHS management team recognizes the need for assignment of authority and responsibility and supports an environment where employees at the appropriate level are empowered to implement improvements. All CHHS employees are held accountable for implementing program and administrative control requirements. Specifically, the CHHS Administration Unit managers conducted several 'brainstorming' meetings every other month, whereby various offices/units within CHHS were evaluated for an identification of Operations - Internal Risks (those considered were existing 'organizational structure,' 'physical resources' such as upgrades to technology within the office, and "Staff Training" such as ensuring that our new recruits are properly trained and aware of existing office policy). Additionally, Administration Unit management, during the course of their brainstorming evaluations, also carefully assessed Operations - External Risks (those considered were 'staff recruitment and staffing levels' namely for Agency departments that have previously expressed difficulty in recruiting for their satellite or branch offices which involved an assessment of vacancy levels on organizational charts and ongoing discussions with department executives). A final assessment was made by the Administration Unit management team to identify if there were risks still associated with Compliance - Internal (those considered were 'staff not compliant with policies, procedures or standards' as this was a risk identified for CHHS in previous reporting). Of those potential risks considered during Administration Unit discussions, none were ultimately identified as being 'material' for the purposes of reporting for the 2015 SLAA Report.

In reviewing the CHHS system of internal control, certain matters were considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls in certain areas. CHHS believes that none of the reportable conditions identified in this report are a material weakness, and are solvable.

As previously reported in the 2012 FISMA by CHHS, office-wide deficiencies included problems with staff members completing mandatory Defensive Driver's Training. Additionally, CHHS outlined an issue with a lack of cross-trained staff members, in that only one staff member specifically knew how to navigate through differing office functions. These problems were mitigated in the 2013 reporting period as follows:

Previous Deficiency: Not all staff have completed and/or renewed the required Defensive Driver Training every four years per SAM section 0751 and Management Memos 05-05 and 11-04.

Corrective Action Taken: The CHHS Administration Unit directed staff to complete the STD 261 and the Defensive Driver Training online course developed by the Department of General Services (DGS) and submit the Annual State Agency Defensive Driver Training Report by November 8, 2013. CHHS is currently at full completion rate amongst all staff members, with recently hired new staff slated to complete the training.

Previous Deficiency: As a result of reduced funding and position sweeps, CHHS has identified several key functions that were being performed by one employee and no other staff in the office had the knowledge to perform that function.

Corrective Action Taken: CHHS has worked diligently to cross train staff so that at least two or more staff is able to perform the same duties and continue to create procedural manuals for these key functions. Many interoffice functions can be completed by the fully trained Administration Unit.

EVALUATION OF RISKS AND CONTROLS

Operations- External- Business Interruption, Safety Concerns

CHHS has required an update to its respective Continuity of Operations/Continuity of Government plan (COOP-COG). The ultimate goal of Continuity Planning is to ensure that the State of California is able to continue its vital governmental services and operations under all conditions. For this to take place, state

agencies must have plans in place to carry out their departmental essential functions without interruption. CHHS is responsible for 2 Essential Functions identified in the State Emergency Plan (provisioning of Mass Shelters and the mobilization of mobile hospitals, specifically). Executive Order S-04-06 required Executive Branch agencies and departments to perform specified tasks to ensure they are ready to respond and recover from natural and man-made incidents. Based on the Executive Order's reference to "update COOP-COG Plans," the ongoing expectation is that State agencies/departments will continue to maintain their plans. As a result, CHHS has continued to update the COOP-COG plan for review by the Agency Undersecretary and officials at the Governor's Office of Emergency Services (CalOES). Once approved, the CHHS COOP/COG plan is finalized and woven into the 2015-2016 State Emergency Plan.

The risk is clear in that in the chance of an emergency disaster/event, CHHS would be delayed as some of the contact information has not been updated. As CHHS has experienced some turnover in staffing and added a new office within its oversight, a complete update of staff information is necessary. CHHS must also update its COOP-COG plan in order to assist other departments with the development/updating of their respective COOP-COG plans.

CHHS's Administration Unit has worked alongside legal counsel and Emergency Planners at CalOES to revise the CHHS COOP-COG Plan to ensure it comports with CalOES requirements. The Plan itself has experienced several revisions and still requires the addition of staff information within the new Office of Law Enforcement Support. Additionally, all emergency contact information for CHHS Executive Leadership (in departments as well) has been uploaded to the State's CAHAN Emergency Alert Program (administered by the Department of Public Health, a CHHS department). CHHS' Administration Unit will lead an all-staff training, slated for February 2016, to bring all staff members up-to-speed with what is expected of them during an emergency event. At this training, the Administration Unit will distribute "GO-Kits" (packages of relevant emergency planning materials for use in an emergency) and maps of staff locations outside of the office. Finally, CHHS will conduct a test alert using the Everbridge Emergency Alert System ensuring that all staff are familiar with what to do if an emergency event were to occur.

Operations- Internal- Program/Activity—Changes, Complexity

The California Records and Information Management (CalRIM) has still not approved the CHHS Records Retention Program. In some cases, the documents that support the CHHS Records Retention Program are outdated. CHHS is still in the process of developing this program. The risk involved is that CalRIM (through the Secretary of State's Office) will not have an opportunity to review CHHS administrative and program management records and will not forward records to the California State Archives to maintain a copy. An updated and approved Records Retention Program will assist our legal office in fielding public requests for information and having a procedure reference for all external inquiries.

CHHS General Counsel and Chief of Administration have submitted a revised Records Retention Policy to the Department of General Services for approval and a copy to the Secretary of State's Office which administers the statewide record retention program. Final approval is still forthcoming. Because this vulnerability is still being addressed from the 2012 FISMA Report, and PRA requests have still come through CHHS even without an approved program, the Administration Unit will make this undertaking a priority.

Operations- Internal- Staff—Training, Knowledge, Competence

This identified risk is specifically for the Office of Systems Integration (OSI): Contract terms and conditions which are legally enforceable and favorable to the state are critical for successful IT (Information Technology) projects which deliver services to millions of California's most vulnerable residents. The state needs to approach negotiations with adequate legal counsel when facing

private contractors staffed with attorneys who are IT/intellectual property specialists in order to obtain favorable terms and conditions and to appropriately interpret and apply contract terms while managing those contracts. These are highly specialized areas of legal practice that cannot be performed by general attorneys who lack the required additional training and experience in IT contract law, intellectual property law, contract negotiation, and IT contract management.

Because OSI is responsible for managing a multi-billion dollar portfolio of Health and Human Services Agency IT projects, mitigating the risk of not having legally enforceable and favorable contract terms is essential to managing project risk. To address this ongoing risk, the OSI has formed a Legal Office composed of attorneys who are specialized in IT contracting law, which includes procurement of IT contractors.

OSI has since formed a Legal Office comprised of attorneys with specific experience in IT contracting law. The Legal division began in late 2012 with one attorney and has since expanded to include three attorneys, currently, and will be reassessed as additional projects are added to the OSI portfolio.

Prior to 2012, the OSI relied on Retired Annuitants and “borrowed” attorneys from project sponsor departments. Controls are achieved by having full-time, imbedded counsel in each IT project who can provide continuous and consistent advice through all stages of the project lifecycle.

ONGOING MONITORING

Through our ongoing monitoring processes, the Health and Human Services reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Health and Human Services 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 Health and Human Services, Sonia Herrera, Chief of Administration, is responsible for the overall establishment and maintenance of the internal control system. We have identified Sonia Herrera, Chief of Administration, as our designated agency monitor(s).

Frequency of Monitoring Activities

It remains a responsibility of the CHHS Administration Unit to continually assess any risks or plausible deficiencies within the office. Our Special Projects Manager, who is responsible in part for SLAA Reporting, regularly keeps CHHS management apprised of progress to ensure compliance with state Budget/Legislative Drills, compliance with the State Administrative Manual and other relevant statutory obligations. The Chief of Administration also meets weekly with other CHHS officials and CHHS office chiefs to identify their respective issues and provide administrative support.

Reporting and Documenting Monitoring Activities

Each office within CHHS operates effectively on its own (Administration, External Affairs, Legislative Affairs, etc.) but each office is uniquely positioned to share solutions to address issues that affect the office at-large. Through staff meetings between offices, to executive briefings with the Secretary and Undersecretary, CHHS staff are constantly assessing risks and possible deficiencies during open-ended discussions. The Administration Unit has been effective in pivoting from challenge to challenge and adding requisite staff time to figuring out and solving any risks identified. Because of the relative small size of the office and cohesion between staff, CHHS is adept at solving issues quickly with fast implementation time.

Meetings between executive staff (both with the Secretary and senior staff and Undersecretary with CHHS office chiefs) are conducted on a daily basis (Secretary and senior staff) and weekly basis (Undersecretary with CHHS office chiefs).

These discussions do not have planned agendas attached to them as these standing meetings are typically between CHHS office chiefs and the Chief of Administration, but action items taken from those discussions are dispersed amongst analytical staff within the Administration Unit for risk planning and solution execution.

Procedure for Addressing Identified Internal Control Deficiencies

As mentioned above, the Chief of Administration meets weekly with other CHHS officials and CHHS office chiefs to identify their respective issues and provide administrative support. It then becomes a responsibility of the Administration Unit to assist other CHHS offices with their self-identified deficiencies. When an issue is raised with the Chief of Administration, the small size of the office and dedicated availability of the Admin Team allows for fast 'fix-it' changes that coincide with the ongoing monitoring. The listed set of procedures for indentifying internal control deficiencies is as follows:

- 1.) Problem/Deficiency is identified
- 2.) Chief of Administration is made aware
- 3.) Administration Unit is notified of the identified deficiency
- 4.) Admin staff work to quickly develop a plan for developing measurable improvement.
- 5.) Chief of Administration assesses and approves change
- 6.) Chief of Administration briefs other office chiefs of the implemented change to the identified deficiency.

CONCLUSION

The Health and Human Services strives to reduce the risks inherent in our work through ongoing monitoring. The Health and Human Services 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.

Sonia Herrera, Chief of Administration

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