

January 02, 2020

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

Dear Ms. Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Business, Consumer Services, and Housing submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact
Tiffany Garcia, Deputy Secretary, Fiscal Policy & Administration, at (916) 651-8967,
tiffany.garcia@bcsh.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Business, Consumer Services and Housing Agency's (Agency) mission is to oversee departments, boards and commissions whose job it is to license and regulate professionals and businesses in California, as to protect consumers; to preserve, expand and fund safe and affordable housing opportunities; to investigate and research earthquake related issues to advise on ways to reduce earthquake risk; and to protect the civil rights of all Californians from acts of hate violence and unlawful discrimination in employment, housing and public accommodations.

Goals:

1. Provide guidance to our departments on high-impact initiatives.
2. Reinforce our agency-wide workforce plan and goals to optimize and maintain a skilled workforce, committed to quality performance.
3. Leverage technology to enhance our services.

Core Values:

1. Collaboration – We work as a team to foster a culture of learning, respect, and open communication to effectively solve problems and accomplish goals.
2. Integrity – We are fair, honest, and accountable.
3. Service – We are dedicated to providing exceptional support our 11 departments, the public and licensees.
4. Vigilance – We are diligent in executing our responsibilities.

Strategic Initiative:

To be a statewide leader and director of resources in the areas of consumer protection and housing.

Control Environment

Agency strives to provide continuous and ongoing monitoring efforts. An executive team was created and is involved in the risk assessment process. The executive team consists of ten Governor appointments, a CEA and a Staff Services Manager II who oversee specific statewide program areas (i.e. administrative policy, information technology, fiscal policy, etc.) The executive team continually evaluates internal control systems to ensure that risks are adequately addressed. Experts in each program area discuss concerns in daily, weekly, monthly, quarterly and annual meetings and raise potential issues for consideration. Any critical items identified are evaluated for mitigation.

The executive team is charged with enforcing accountability and assisting all levels of Agency's operational management with their oversight responsibilities for legal, ethical and regulatory compliance and performance obligations by:

- Engaging deputies and managers on performance accountability and in maintaining adequate operational internal controls.
- Overseeing the preparation, presentation and integrity of Agency's financial statements and financial reporting processes, policies and practices.
- Overseeing Agency's internal accounting systems and financial and operational controls.
- Management demonstrating the importance of integrity and ethical values by modeling the way through their directives, attitudes and behavior.
- Recruiting and developing a competent workforce (i.e. establishing hiring matrix, onboarding staff, providing training and providing clear performance and accountability expectations).

Information and Communication

Agency is actively engaged to reduce risk through ongoing monitoring and open communication. Agency issues emails, memorandums, and individually tailored meetings to address vulnerabilities and resolve issues before they have the potential to advance. The Executive team meets on a weekly basis and address the various issues of the agency and the departments that fall under the Agency's umbrella. If there are critical risks identified, they are addressed in those meetings and shared with the Governor's Office. Additionally, staff are encouraged to notify executive management if issues are discovered that should be addressed that would impact our mission. When new policies and procedures are established or updated, changes are communicated by email to all staff and if further clarification is needed, additional meetings can be scheduled as well as one-on-one meetings. The Agency actively communicates and shares appropriate risk issues with the legislature and external stakeholders via in-person meetings, emails, phone calls, and through the legislative hearings process.

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 Business, Consumer Services, and Housing monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Tiffany Garcia, Deputy Secretary, Fiscal Policy & Administration; and Lourdes M. Castro Ramirez, Secretary.

The executive team performs ongoing reviews of completed staff work of lower level managers. Those managers perform bi-weekly check in with staff to ensure that work is being completed in accordance with any legislatively mandated statutes and/or in accordance with the State Administrative Manual and the State Contracting Manual. If a risk is identified through the review, the manager will prepare a high level summary of the issues and elevate appropriately. The Executive management team reviews, evaluates and recommends improvements to any identified vulnerabilities. Appropriate level staff are then assigned to ameliorate the vulnerability.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Business, Consumer Services, and Housing risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, and performance metrics.

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

RISKS AND CONTROLS

Risk: Key Person Dependence

Agency is comprised of ten Governor appointees, 17 permanent civil service employees and six limited-term employees. Due to the small number of staff, the agency is at risk of not having sufficient institutional knowledge and experience in key program areas when employees leave. It is difficult to develop/implement a succession plan that fully meets its needs. Agency has been able to develop a workforce plan/succession for its civil service employees/positions and is attempting to incorporate the appointees; however, it continues to be a difficult task to complete.

Governor appointees serve at the pleasure of the Governor. An appointed incumbent can be replaced immediately without advanced notice.

Control: Development of Key Leadership Roles

Agency is at risk if there were a significant simultaneous loss of appointed staff.

Agency's executive team continues to cross-train permanent staff on internal processes, provide leadership training to the permanent management staff to ensure that they are prepared to step-in to a leadership role during the interim of vacated appointments.

Control: Continuous Communication with the Governor's Appointments Office

The Governor's Office is the appointing power for the eight Deputy Secretary positions. The Agency Secretary and Undersecretary work closely and on a continuous basis to help mitigate this risk.

CONCLUSION

The Business, Consumer Services, and Housing 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.

Lourdes M. Castro Ramirez, Secretary

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