December 13, 2021

Yolanda Richardson, Secretary
California Government Operations Agency
915 Capitol Mall, Suite 200
Sacramento, CA 95814

Dear Secretary Yolanda Richardson,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Human Resources 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 Bryan Bruno, Training Officer, at (916) 319-9442, bryan.bruno@Calhr.ca.gov.

GOVERNANCE

Mission and Strategic Plan

MISSION

The Department of Human Resources (CalHR) sets the Administration's policy as the employer for the state. Our mission is to provide human resource services and support to our strategic partners and the public while developing a diverse, collaborative, and inclusive workforce within the State of California.

VISION

To provide statewide leadership and support for an engaging workplace that attracts and inspires diverse and exceptional employees committed to public service.

VALUES

Customer Service

Provide a quality experience, perform work thoughtfully and respond timely and accurately. Being exceptional and effective in listening, problem solving and meeting and exceeding the expectations of our customers.

Leadership

We model best practices in Human Resource Management and innovate to provide better services to all state employees and stakeholders.

Accountability

We honor commitments and conduct business in a manner that promotes fairness, respect, honesty and trust.

Equity, Diversity, and Inclusion

We value diversity of thoughts, experiences, and backgrounds. We promote participation and partnership in all endeavors and leverage the talents of individuals and groups to produce the best results. We work together with trust, accountability, inclusiveness and creativity.

Integrity

CalHR honors its unwavering commitment to those we serve by modeling honesty, responsibility, accountability and striving for internal consistency. We embrace an organizational culture that emphasizes dependability and mutual trust, and conveys to our customers that we will choose to do the right thing. Always.

Transparency

We will be upfront, honest, and visible with our actions, and provide information that empowers stakeholders and organizations to make decisions.

GOALS

Provide Superior Customer Service - To provide responsive and exceptional service to state departments, employees, and potential employees of the State of California.

Lead as an Employer – Recruit, retain, and develop a diverse and boldly inclusive workforce. Achieve a respectful and equitable workplace through data analysis and targeted problem-solving.

Invest in CalHR - Establish an internal framework of policies, training, and support for organizational excellence.

CalHR's principle areas of responsibility are as follows:

Benefits

Administers dental, vision, the Employee Assistance Program, workers' compensation and other benefits to State employees; and partners with the California Public Employees Retirement System to administer health benefits.

Civil Rights

Provides leadership and guidance to departments to protect the civil rights of all State employees.

Labor Relations

Represents the Governor as the "employer" in issues involving employer-employee relations, including collective bargaining pursuant to the Ralph C. Dills Act.

Legal

Provides legal advice and representation to the Governor's Office, CalHR Executive Programs, and various client agencies throughout the state on matters concerning collective bargaining, employment law and personnel management.

Personnel Management

Administers the State's classification plan, salaries and manager/supervisor programs and other personnel related programs.

Pre-Employment

Conducts post-offer, pre-employment evaluations of candidates for State agencies through two programs: The Medical Evaluation Program evaluates candidates for medical suitability to safely and effectively perform peace officer, safety-critical, arduous or dangerous duties. The Psychological Screening Program evaluates candidates for psychological suitability to safely and effectively perform the duties of a peace officer classification.

Savings Plus

Administers the State employees' 401(k) and 457 programs and the part-time, seasonal and temporary and Alternate Retirement programs.

Selection

Directs and administers a quality selection process for jobs and careers in statewide civil service that are in accordance with the laws and rules of the State Civil Service Merit System, as referenced in the California Constitution, which include recruitment, job announcements, assessments/examinations, hiring in a fair and open process, and other selection-related fields, resulting in high-quality candidates.

Workforce Development

Responsible for statewide workforce planning, and statewide training programs to ensure retention of a diverse and qualified workforce.

GOALS AND OBJECTIVES

CalHR's strategic goals and objectives were created and structured in a way that allows for an enterprise wide perspective to be the framework of the strategic plan. Through this structure the progress made is not limited to a single service we provide, but rather the progress supports multiple goals and better supports CalHR's core vision, mission, and values. Enterprise wide efforts are prioritized in a separate CalHR Enterprise Project Portfolio. The portfolio is governed by CalHR's Executive Team.

CalHR's Strategic Goals are:

- Providing superior customer service
- Further developing CalHR's team of experts
- Leveraging technology to enhance our services
- Striving for organizational excellence
- Ensuring fiscal responsibility

Control Environment

Control Environment

Integrity is one of the core values that guides CalHR management. All executive staff, managers, supervisors, and labor relations officers are required to take the Attorney General's online ethics course every two years.

The Director, Chief Deputy Director, Deputy Director of Labor Relations, and Chief Counsel are responsible for the overall establishment and maintenance of internal control and monitoring systems. The Director, Chief Deputy Director, Deputy Director of Labor Relations, and Chief Counsel meet regularly to discuss external labor and legal issues, as well as internal and external administrative issues. The Director, Chief Deputy Director, Deputy Director of Labor Relations, and Chief Counsel are the department's primary executive management and oversight body. Other members of executive management include the Deputy Director of Legislative Affairs and the Deputy Director of Communications. The Deputy Director of Legislative Affairs serves as CalHR's principle legislative advocate, monitoring legislation affecting the Administration's directives, and CalHR programs and operations, and is the primary contact between CalHR and the Legislature, high-level Administration staff, and various external organizations. The Deputy Director of Communications is responsible for development, monitoring, and control of internal and external communications for CalHR through various communication strategies.

CalHR operating and management structure is organized by discrete divisions, with a division head (division chief, or for the Legal Division, the Chief Counsel) as the senior executive operating management over each division. Each division has discrete units and sub-units to facilitate meeting its mission, goals, and objectives. As part of this organizational structure, division chiefs and the Chief Counsel consider how units communicate and interact. Key positions are assigned to unit managers and they have responsibility for fulfilling the unit's duties. As such, key members of management further delegate duties to subordinates and evaluate the effectiveness of delegated authority to ensure proper segregation of duties.

Division chiefs and the Chief Counsel represent key positions within the department and these individuals possess the knowledge and expertise to oversee and evaluate departmental operations. These key members of management possess capabilities and characteristics including integrity, ethical standards, leadership, critical thinking, and problem-solving abilities, an internal control mindset, and programmatic and operational expertise. The key members of management provide oversight of the design and implementation of the department's control environment, the risk assessment process, control activities, the information and communication systems, and monitoring of key systems.

Documentation

Documentation of internal controls and processes are reviewed for continuous development and maintained at both the organization-wide and unit level depending on need. Internal policies and procedures are communicated to employees via several channels such as policy and procedure manuals and various department intranet, extranet, and public website pages. The department routinely assesses the need to update documentation as changing conditions and business needs evolve.

Commitment to Workforce Competence

Management establishes competency expectations for department employees through Duty Statements and Expectation Memos. Duty Statements include the employee's role in maintaining the department's mission, vision, and goals, and well as CalHR values. The department recruits, hires, on-

boards, and provides ongoing training and training opportunities to all employees to help meet competency expectations. Management considers incentives and motivation in assessing employee performance and providing feedback. The department provides routine internal training for all critical operations to develop the necessary competence level, knowledge, skills, and abilities. Cross training and job shadowing are available and encouraged for staff development.

Management understands the importance and impact of employee recognition and uses several methods to recognize and celebrate employee successes from handwritten thank you notes to department-wide team building activities and events. Management values the critical work performed by its employees and works to recognize these efforts.

CalHR staff receive job performance feedback and formal annual evaluations. Individual Development Plans (IDPs) from all staff are required to be completed yearly at a minimum to aid all staff in competency maintenance as well as career development. In addition, CalHR takes seriously the enforcement of accountability through disciplinary actions for employee behavior which may compromise the department and create unnecessary risks or increase risk to CalHR. Disciplinary actions are designed to instruct and guide employees on the proper course of action while protecting the employee's rights. Further, employees receive mandatory training about behaviors for which the department has adopted a zero-tolerance policy. Management routinely evaluates working conditions and strives to eliminate excessive pressures resulting from the various cyclical natures of the divisional workloads.

Information and Communication

Information and Communication

Management at all levels oversees the use of information critical to department operations. Management ensures needed information is developed internally as required. Further, management requests and works with others to obtain information from outside the organization. This includes the Governor's office, Government Operations Agency (GovOps), and business partners such as the California Public Employees' Retirement System (CalPERS), the State Controllers' Office (SCO), and other State agencies, departments, and divisions.

A high level of attention is given to the timeliness and accuracy of information deemed necessary to meet internal and external operational objectives. Management does this by requiring units to report the necessary information through CalHR's chain of command. The accuracy and adequacy of the information is routinely evaluated by various program staff. Attention is given to the completeness, timeliness, and relevance of data.

Management communicates information through established channels about policies, programs, and operations. The communication channels follow the chain of command to ensure employees throughout the organization receive information. In addition to the chain of command communication, CalHR uses a variety of methods to communicate important and relevant information. Examples of such methods include regular management and team meetings, bulletin boards, all staff meetings, email blasts, newsletter, and intranet postings. Further, the department communicates via email and through bulletin board postings regarding the State's Whistleblower hotline for reporting ethical issues.

Staff are instructed to go around the traditional chain of command reporting structure through an "open door" policy with the Chief Deputy Director if the communication line is compromised.

The department is aware of the importance of relationships with members of the Administration, the Legislature, State departments, labor unions and groups, and other stakeholders. Staff, within their appropriate lines of authority, devotes significant effort pursuing appropriate communication with these parties. Two-way information is evaluated and used to meet operational objectives and to manage and monitor challenges, opportunities, and the related internal controls. Data and information are expected to be relevant and reliable, to the best abilities of CalHR's data and information collection methods and systems.

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 Department of Human Resources monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to:
Bryan Bruno, Training Officer; and Brendan Murphy, Admin Chief.

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 Department of Human Resources monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Brendan Murphy, Chief of Administration.

The information included here discusses the entity-wide, continuous process to ensure internal controls and risk management systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that CalHR is monitoring practices are implemented and functioning appropriately and effectively. Identification and oversight of CalHR's risk management activities are the responsibility of the Directorate and Executive Governance Council (EGC). The EGC is composed of CalHR's division chiefs.

CalHR is in the process of implementing and documenting 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 CalHR's business processes, systems of controls, and monitoring.

The adoption of a formal communication strategy regarding the monitoring of controls with the executive monitoring sponsor is in progress.

CalHR's controls are also monitored by outside audits or reviews. More specifically, the State Personnel Board conducts a triennial audit of the Human Resources practices and the Department of Military reviews the Information Technology controls. These audits and reviews are monitored by the CalHR Human Resources Officer, the Information Security Officer (ISO) and the Information Technology Division Chief, with reporting going to the executive monitoring sponsor. Any deficiencies in controls found during these audits or reviews are reported to the executive monitoring sponsor, who is responsible for providing direction and coordination of corrective action plans until they are fully implemented.

CalHR management is responsible for governance and culture. CalHR governance framework supports risk management practices. All management is responsible for risk governance and risk management within their roles. Management is responsible for the following risk management segments:

- Risk identification

- Risk analysis

- Risk evaluation

- Risk mitigation and control (including risk treatment)

Governance framework with CalHR is as follows:

Activity/Responsible CalHR Staff

Overarching accountability for risk management and determining risks for the CalHR

CalHR Staff: Directorate

Oversight of the CalHR risk management activities

CalHR Staff: Directorate and Executive Governance Council (EGC)

Responsibility for the oversite and monitoring specifically of risks

CalHR Staff: EGC, Division Chiefs, and Unit Mangers

Liaise with management in monitoring key risks and, where appropriate, report to EGC to provide assurances concerning the management of risks within CalHR

CalHR Staff: Division Chiefs, Unit Mangers

Responsible for ensuring that risk management activities are carried out effectively within CalHR and for promoting a culture that encourages strong risk management

CalHR Staff: Chief Deputy Director

Responsible and accountable to the Director to oversee implementation of the Risk Management Framework across CalHR and ongoing risk reporting to Director

CalHR Staff: Chief Deputy Director

Responsible to develop and maintain risk tracking and report on risks

CalHR Staff: Division Chiefs, Unit Managers

Responsible to ensure staff are adequately trained in risk assessment and are acquainted with relevant policies and procedures

CalHR Staff: Division Chiefs, Unit Managers

Responsible for practicing risk management within the organization

CalHR Staff: Directorate, Executive Management, Unit Managers, and Professional Staff

The following methods were used to identify risks: brainstorming meetings, review results, and other/ prior risk assessments.

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, and tolerance level for the type of risk.

In accordance with State Leadership Accountability requirements the Director, Chief Deputy Director, Deputy Director of Labor Relations, Chief Counsel, and Division Chiefs met to identify and discuss significant department-wide risks that could adversely impact the achievement of CalHR's objectives and mission. Risk evaluations were performed and evaluated, with input from affected unit managers and staff. Unit management was party to risk evaluations and assisted in the determination of corresponding controls.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Human Resources 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, questionnaires, consideration of potential fraud, and performance metrics.

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, and tolerance level for the type of risk.

RISKS AND CONTROLS

Risk: CalCareers Support Needs

The CalCareers website is the state's job recruitment and hiring website. Today there is a one half-time staff member working on the technical side of the website/web application. Without proper funding and/ or resources, continual support cannot be guaranteed. If the staff member left the department, there would be significant loss of knowledge of the system as there are no backups or additional staff working on the solution. Lack of adequate staff to dedicate to development have resulted in slowing down the improvement of the website. Additional resources were pursued, but were recently cut as a result of pandemic related budget shortfalls. CalCareers lost its only devoted programmer in October 2019. We are currently not able to fill the vacancy due to budget cuts. Staff are being redirected from other assignments to provide minimal bug fixes only until such time as new resources may be acquired to focus on CalCareers.

Control: Increase Funding

CalHR is working to acquire additional resources and funding for the system. The system is in the same architecture and follows the same coding standards as the Examination and Certification System (ECOS). If urgent, ECOS staff can help maintain the CalCareers system in the interim

since the architecture and code are similar. Lack of resources causes potential delay in bug fixes.

Risk: Information Security

Currently CalHR receives millions of records every month from various resources. Some of these records contain personally identifiable, financial, and medical information. The following are identified risk drivers: an inability to complete data governance; an inability to properly identify and protect all business systems, applications, and information assets; a failure of cascading effect causing potential issues to timely detect an information security event, which would hamper the ability to contain, respond, and recover from the information security incident; and the potential failure to communicate an information security event to the appropriate parties effectively and timely. If any of these risks were to occur, the privacy and the safety of CalHR's information assets, and the privacy and security of the individuals tied to this body of information, could be compromised.

Control: Communication

Continuing to inform business areas that own certain data sets, to classify their data sets, ensure the proper data security controls are in place, correctly safe guard their data, and ensure data is reliable.

Control: Governance Project

A project was established to formalized data governance, data tracking, identify ownership and monitor has been agreed upon by CalHR's IT Steering Committee and is next in the queue of projects to begin. CalHR ITD continues to work on a plan to establish data governance, data tracking, and identify ownership policies. CalHR has also assigned a part-time resource to begin the data inventory process. The inventory of all data must be completed to understand and inform next steps in the process.

Risk: Technology—Support, Tools, Design, or Maintenance

Enterprise Human Resources (EntHR) data sharing architecture between CalHR, the California Department of Technology (CDT), and the State Controller's Office (SCO) that communicates with vendor cloud solutions. CalHR is in need of additional resources to support the development and implementation of this complex and large-scale statewide solution. CalHR is using its limited resources to assist with some of this workload, but it is not enough to maintain or sustain this project.

Control: Maintain Existing Efforts

CalHR and CDT continue to maintain the system with limited existing resources and are working toward acquiring the proper resources to support a large-scale statewide architecture. With 20 departments having procured Learning Management System (LMS) through CDT's Vendor Hosted Subscription Services (VHSS) and 18 departments have successfully implemented integration with EntHR (an increase of 3 departments), CalHR continues conducting onboarding meetings and providing integration support with departments procuring VHSS – LMS.

CalHR and CDT are continuing to support Vendor management and department's VHSS-LMS integration with EntHR and have operationalized the maintenance and operations processes.

CalHR continues to seek additional resources for system support and on behalf of other departments to aid them in the procurement of the LMS through the VMSS, including implementation of maintenance and operations processes with each department adding the LMS.

Risk: FI$cal Implementation

Effective July 1, 2018, CalHR implemented FI$Cal. The implementation process has presented numerous obstacles for the department. To date, CalHR has not closed fiscal year 2018-19 resulting in accounting staff being unable to determine accurate fund balances, budget staff being unable to monitor and project expenditures for the department, and the department has been unable to submit estimated prior year expenditures posted in the 2020-21 Governor's Budget.

Control: Ongoing Collaboration with Department of Finance and FI$Cal Staff

CalHR has constant communications with Finance and FI$Cal staff, and is making some progress. CalHR staff will continue to work with FI$Cal and FSCU staff to reconcile and close the remaining eleven months of the current year for CalHR and the remaining seven months for SPB and close year-end by September 30, 2021.

Control: Fill Vacant Positions

CalHR Administrative Service Division will recruit and fill the vacancies within the accounting unit. Filling existing vacancies will ensure CalHR Administrative Services Division can control and complete all workloads efficiently and timely, as well a maintaining continuity of knowledge within the division.

Risk: Leave Balances Over the 640 Hour Cap

Employees with significant leave balances over the allowed maximum 640 hours present a significant financial risk to the department should the employees separate from State service. If the department had to pay out lump sum payments to multiple employees, this would create a significant financial impact to the department's operating budget.

Control: Ensuring the Development and Enforcement of Leave Plans

CalHR having reinstated the leave plan reduction policy with the ending of the 2020 PLP policy, CalHR will be ensuring the stricter enforcement of leave plans to systematically reduce high leave balances (over the 640 hour cap). Although workloads for departmental staff remain high, systematic reduction of over-cap balances is critical to reducing financial risk to the department. Starting in October 2021, all departmental employees over the cap will be resuming the practice of producing and submitting leave plans, with leave plans due by December 1, 2021, and to diligently work toward to goal of overall reduction over cap leave balances. Managers will be accountable for demonstrating reductions in overall balances. Also, the department continues to experience some attrition through retirement of employees who also have high leave balances. As these employees run their leave time out prior to retirement, overall leave balance liability will be reduced.

CONCLUSION

The Department of Human Resources 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.

Eraina Ortega, 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