

December 19, 2017

Marybel Batjer, Secretary  
California Government Operations Agency  
915 Capitol Mall, Suite 200  
Sacramento, CA 95814

Dear Ms. Marybel Batjer,

In accordance with the State Leadership Accountability Act (SLAA), 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, 2017.

Should you have any questions please contact Mark Rodriguez, Chief, Administrative Services Division, at (916) 322-6351, [mark.rodriguez@calhr.ca.gov](mailto:mark.rodriguez@calhr.ca.gov).

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## BACKGROUND

The California Department of Human Resources (CalHR) was created on July 1, 2012, by Governor Brown's Reorganization Plan Number 1 of 2011. The reorganization plan consolidated the State of California's two personnel departments, combining the Department of Personnel Administration with certain programs of the State Personnel Board. CalHR is responsible for all issues related to employee salaries and benefits, job classifications, civil rights, training, exams, recruitment and retention. For most employees, many of these matters are determined through the collective bargaining process managed by CalHR.

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## ONGOING MONITORING

As the head of Department of Human Resources, Richard Gillihan, 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 Department of Human Resources internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Mark Rodriguez, Chief, Administrative Services Division.

### MONITORING ACTIVITIES

In November 2017, several CalHR management staff received training from the Department of Finance on the purpose and role of SLAA. Management staff meets regularly as an Executive Governance Council to identify and review progress and mitigation efforts to address identified risks. This information is summarized and reported to Director Gillihan.

### ADDRESSING VULNERABILITIES

Once a risk is identified and validated by the Executive Governance Council, a lead member of the Executive Staff is assigned to oversee and take the necessary steps to mitigate the risk(s). The lead staff person will monitor and mitigate the risks, while updating the Executive Governance Council on a regular basis to keep them informed and receive additional input.

### **COMMUNICATION**

CalHR will provide all staff with information vital to the effectiveness and efficiency of controls by requiring management to update their divisions on a bi-monthly basis. CalHR leadership encourages staff to raise identified risks and potential risk mitigation strategies to allow CalHR to fulfill its mission, goals, and objectives.

### **ONGOING MONITORING COMPLIANCE**

The Department of Human Resources 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 Department of Human Resources systems of controls and monitoring.

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### **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Department of Human Resources risk assessment process: Executive Management.

#### **RISK IDENTIFICATION**

CalHR's Executive Governance Council is represented by each division within the Department (comprised primarily of Division Chiefs). These Chiefs were instructed to complete the risk aggregation worksheets for issues they determined a potential risk to the department, mission, vision, or strategic goals. The risk aggregation included the following information:

- Identification of critical business functions
- Determination of risk factors: high, medium, or low
- Description of risks to the department or to its strategic goals
- Creation of an action plan that resolves or mitigates the risk

#### **RISK RANKING**

Executive Governance Council members held multiple meetings to review the risk aggregation product which was ultimately submitted to the Director for final review and approval. It was determined the issues outlined in the following pages could potentially pose the most risk to the Department or its strategic goals over the course of the next two years.

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### **RISKS AND CONTROLS**

#### **RISK: REPORTING -EXTERNAL-INFORMATION COLLECTED—ADEQUACY, ACCURACY, INTERPRETATION, TIMELINESS**

In 2012, Government Code section 19702.5 was amended to eliminate the requirement that the State Personnel Board provide annual reports to the legislature concerning the number and types of formal discrimination complaints and appeals, including the length of time for resolution, and the complaint and appeal outcome. As a result, the data system that tracked the complaints was also eliminated. Since that time, there has been no statewide tracking or monitoring of department discrimination complaints, including sexual harassment.

Without data to review and analyze the number and types of discrimination complaints, or ability to track costs spent settling and resolving such complaints, it is difficult to determine what actions should be taken to proactively address specific issues such as sexual harassment in the workplace.

There is currently no method to analyze statewide discrimination complaint activity in California state government.

**CONTROL A**

CalHR will explore more options to collect comprehensive data on the topic and develop action plans based on data analysis.

**RISK: REPORTING -EXTERNAL-INFORMATION COLLECTED—ADEQUACY, ACCURACY, INTERPRETATION, TIMELINESS**

Government Code section 8310.9 (AB 532) requires the collection of multiple race demographic information for all state employees by January 1, 2022. This requires the State Controller's Office (SCO) to reprogram their data collection system. The SCO has concerns as to whether this can be accomplished given the current limitations of their system.

Without SCO's ability to successfully collect this data, CalHR would be non-compliant with the requirements of AB 532.

**CONTROL A**

CalHR is working with SCO to determine how to collect and report the data. Additional technical resources are required for this workload and CalHR will continue to collaborate with the SCO to prepare for the timely implementation of AB 532.

**RISK: OPERATIONS -INTERNAL-STAFF—KEY PERSON DEPENDENCE, WORKFORCE PLANNING**

Like many departments, CalHR relies on specific individuals with significant knowledge and expertise in key areas making the department vulnerable should those individuals leave, retire, or are temporarily absent.

Many CalHR employees have been with the department for years, but prior to the current administration, few processes were documented. Knowledge transfer strategies or succession plans were not in place. As a result, CalHR employees are left trying to figure out how to complete their work with little or no guidance.

**CONTROL A**

CalHR has formed a Talent Management Committee (TMC) whose tasks are to implement various Workforce Plan initiatives. These initiatives include the risks identified in the SLAA Report. To date, the TMC has implemented a Succession Plan and Program for internal CalHR employees to address some of the gaps with the leadership team to prepare them to take on executive level roles. This program just started in the Fall of 2017 with the first cohort beginning their 360 assessment in December 2017/ January of 2018. Since this is the first iteration of this program, lessons learned will be evaluated to determine how this program will evolve over time. The TMC will also address the development of various knowledge transfer strategies to assist the department with capturing institutional knowledge.

**RISK: OPERATIONS -INTERNAL-STAFF—TRAINING, KNOWLEDGE, COMPETENCE**

In some program areas within CalHR, there is an inability to find viable candidates to fill key positions due to specific skill sets and knowledge required. In turn, CalHR ends up hiring individuals who are new to state service and lack the necessary knowledge, expertise, and training to effectively perform the essential

functions of the job. Similarly, there have been retention challenges in some areas where employees have gained specified skill sets and have separated from the Department for other career opportunities.

**CONTROL A**

CalHR has formed a Talent Management Committee (TMC) whose tasks are to implement various Workforce Plan initiatives. The plan serves as a tool/guide to help ensure that the organization's talent needs can support the organization's business needs and goals. These initiatives include the risks identified in the SLAA Report. The TMC will also address various workforce gaps which include succession planning, knowledge transfer, and recruitment and retention challenges to assist the department in ensuring we have a bench of candidates ready to take on executive leadership roles, capture institutional knowledge, and attract and retain the right employees for the right jobs.

**RISK: OPERATIONS -INTERNAL-NEW SYSTEM IMPLEMENTATION (OTHER THAN FI\$CAL)**

The planning, procurement and implementation of a new statewide Learning Management System (LMS) will be a very large undertaking that will present considerable risk to CalHR. This LMS initiative is the first Vendor Hosted Subscription Service (VHSS) Enterprise HR initiative and the success of this effort will pave the way for future Enterprise HR initiatives. As such, this will be a high visibility initiative that will require coordination with California Department of Technology and a host of other departments that will follow CalHR's lead and implement similar integrated LMS solutions.

State organizations are watching this particular process closely. If CalHR is unable to successfully implement a new statewide LMS solution, or if the implementation does not go smoothly, other state organizations may be reluctant to procure their own LMS solution through the VHSS process. If we cannot get state organizations to use the VHSS LMS solutions, it will be more difficult and possibly impossible, to achieve the vision of an LMS solution that allows tracking and reporting on aggregated statewide training data.

CalHR has limited internal expertise to implement a comprehensive LMS solution for the state of California. Also, the new VHSS procurement process, and necessary coordination with CDT and other departments, presents additional challenges to successfully implementing this IT solution.

There is a higher than normal risk that something could go wrong internally and/or external to impact the successful procurement and implementation of a new statewide LMS solution.

**CONTROL A**

CalHR is creating strategic implementation plans, which will help us identify and address the tasks, risks, challenges, etc. associated with this large IT initiative. We are also developing a communication/change management plan for Enterprise HR and the LMS initiative, to ensure we have buy-in from our stakeholder departments.

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**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 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.

**Richard Gillihan, 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