

Department of Aging 2015 SLAA REPORT

March 14, 2016

Diana Dooley, Secretary
California Health and Human Services Agency
1600 9th Street #460
Sacramento, CA 95814

Dear Ms. Dooley,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Aging 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 Jeannine Fenton, Deputy Director--Administration, at (916) 419-7518, jeannine.fenton@aging.ca.gov.

BACKGROUND

Mission and Goals

The California Department of Aging (CDA) administers programs serving older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the State. The Department administers funds allocated under the federal Older Americans Act (OAA) and the Older Californians Act (OCA) and through the Medi-Cal program.

The Department contracts with a network of 33 Area Agencies on Aging (AAA), who directly manage a wide array of federal and state-funded services to help older adults find employment; support older and disabled individuals to live as independently as possible in the community; promote healthy aging and community involvement; and assist family members in their vital caregiving role. CDA also contracts directly with approximately 40 local agencies who operate the Multipurpose Senior Services Program (MSSP) through the Medi-Cal home and community-based waiver for the elderly, and certifies Community-Based Adult Services (CBAS) providers throughout the state for the Medi-Cal program.

The Department's mission is to promote the independence and well-being of older adults, adults with disabilities, and families through:

- Access to information and services to improve the quality of their lives.
- Opportunities for community involvement.
- Support for family members providing care.
- Collaboration with other state and local agencies.

Essential and Critical Business Functions

CDA serves as the designated State Unit on Aging and in that role receives funding from the federal Administration for Community Living (ACL), which it passes on to the 33 California AAAs to administer OAA programs and services throughout the State. In accepting these federal funds, CDA must comply with the requirements established in the OAA, the accompanying regulations, and assurances required by ACL as well as other state requirements. In turn, CDA contracts with and provides payment to each AAA. The Department must monitor the AAAs' performance to ensure they administer their local programs in accordance with their contract. CDA also administers sub-contracts with its AAAs for certain programs specified in the OCA. The Department must also make payments and monitor these programs for compliance with contract requirements. CDA monitors AAAs at least once every four years and performs ongoing desk reviews. Ensuring the Department has effective fiscal systems for appropriate and timely payment to local contractors is critically important as are program monitoring and audit processes to determine whether these funds are being spent appropriately and all contract conditions are being met.

Through an Interagency Agreement with the Department of Health Care Services (DHCS), CDA is responsible for the day-to-day operations of the MSSP. The Department procures and contracts with 38 local agencies to provide care management and to purchase other needed services to help these nursing home eligible seniors remain living independently in their own home and community. CDA monitors these agencies at least once every two years. Through a second Interagency Agreement with DHCS, CDA certifies all CBAS providers for Medi-Cal participation. CDA staff visit each CBAS provider once every two years unless deficiencies require more frequent monitoring visits. Local MSSP and CBAS providers are paid through the Medi-Cal payment system, not through CDA.

RISK ASSESSMENT PROCESS

CDA managers and supervisors performed a department-wide review and evaluation of key programmatic and administrative functions. This analysis included a review of previous audits and an identification of new potential vulnerabilities. Once this initial assessment was complete, CDA Executive Leadership Team met to review and identify those risks with some likelihood of occurrence that would result in a significant fiscal or programmatic exposure or violations of law. Consideration was not given to minor risks that do not have a significant impact on operations or fiscal stabilities. It is worth noting that these issues are universal challenges most state departments and agencies face.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Technology—Data Security

Issue - Data Security

In December 2013, the California Military Department provided CDA a free risk assessment as part of their pilot program to provide this service to State departments. The assessment did not reveal any highly critical risks; however, several potential vulnerabilities were identified that have yet to be addressed.

Risk

- CDA's Information Technology (IT) Branch staffing over the past decade has not increased, in spite of the Department's increased reliance on IT systems in all aspects of our daily work. While IT advances have improved business processes and communications at all levels, the rapid changes and expansion of these technologies have also resulted in the need to increase compliance and security requirements and to create a reporting structure for reporting to control agencies on these issues.
- CDA is not in compliance with the annual requirement of having a current Technology Recovery Plan. Although compliance is an area of concern, the primary concern is not having a current, tested Technology Recovery Plan in place. In the case of a server failure or disaster that would impact multiple servers there is no recovery plan. This would impact both data and operations and would require outside assistance.
- The Department's core business functions often involve HIPAA and/or PI information.
- Much of the Department's work is done by Department staff who are offsite using portable technology or by CDA contractors, both of which increase inherent data security risks.

In an effort to mitigate the data security risk, CDA will:

- Increase steps taken to reduce the data security risks, such as:
 - Monitoring threats (network intrusions, viruses, etc.)
 - Conducting more expansive system and facility risk assessments
 - Responding to increased oversight and accountability requirements for mandated reporting and mitigation tracking
 - Responding to new standards for protecting, transmitting, and using Protected Health

- Information (PHI)
- Keeping pace with at least the minimally-required technological upgrades
- Learning and implementing more sophisticated encryption technologies
- Deploying safe wireless technology
- Reviewing security-related contractual terms and conditions for CDA's numerous local assistance and other contractors
- Addressing urgent security concerns requiring immediate actions such as patching, system monitoring, blocking IP addresses or establishing email rules to prevent active attacks

Operations- External- Staff—Recruitment, Retention, Staffing Levels

Issue - Difficulty Recruiting and Retaining Qualified Staff

Factors Involved

- CDA continues to lose key staff and managers due to retirements and promotional opportunities outside the Department. These individuals possess a large amount of experience and institutional knowledge that is difficult to effectively capture. This is particularly challenging when it is not possible to "double fill" key positions for transition purposes.
- CDA has a limited number of higher level positions to encourage progressive upward mobility; therefore, many skilled and capable employees transfer to larger departments where advancement potential will likely occur faster. This results in a more rapid turnover of the most capable staff, requiring CDA to invest more time and resources in hiring and training new staff.
- In addition, the shortage of qualified applicants in certain classifications for these key positions continues to be problematic and vacancies are hampering the Department's ability to perform its core responsibilities in a timely manner. These are challenges faced by several CHHS departments (e.g., Registered Nurses, Dieticians, etc.).
- CDA has had to focus its resources on accomplishing its most critical functions, limiting its ability to dedicate resources toward projects that would streamline processes and increase efficiencies.

Risk

- Staff has been assigned increased responsibilities due to a reduced number of positions and an inability to fill critical vacant positions due to a lack of qualified applicants, while at the same time responding to demand for increased accountability. This decreases staff's ability to fully perform their own responsibilities because they have had to assume tasks associated with other positions.
- Staff who must assume key functions for which they have little prior experience/training or insufficient time to perform are likely to take longer to complete these tasks and are at a greater risk of making errors.
- All of the above risks result in unavoidable delays in processing payments, contracts, and budgets.
- These risks also affect CDA's ability to provide necessary contractor technical assistance and training to support compliance with program requirements.

CDA continues to mitigate the difficulty in recruiting sufficient qualified staff through the following activities:

- Using open recruitment examinations to capture a larger pool of candidates eligible for vacant CDA positions
- Conducting ongoing examinations for Department-specific, journey-level positions so the Department can attract experienced, qualified individuals on an ongoing basis who are currently outside state service
- Developing a Workforce Plan and a Succession Plan to ensure that the Department has staff with necessary skills, knowledge, and abilities
- Implementing a "Growing Our Own" program where staff are mentored, trained, and prepared for promotional opportunities
- Implementing activities to enhance staff morale such as employee recognition events, other staff gatherings and team building activities throughout the year

- Hiring Retired Annuitants to temporarily fill key technical positions while continuing recruitment efforts
- Continued involvement in the California Council for Gerontology and Geriatrics, which includes U.C. and CSUS faculty in Gerontology to address emerging workforce issues and job opportunities

CDA continues to mitigate the difficulty in recruiting and retaining sufficient qualified staff through the following work processes and resource allocation activities:

- Documenting historical information via an information-mapping process
- Analyzing mandated activities to prioritize workload based on risk and available staff resources
- Re-assigning staff as needed to ensure critical tasks are performed in a timely manner
- Reviewing core business functions to identify opportunities for additional efficiencies through increased automation and/or streamlined workflow; as changes are made written policies and procedures are updated
- Developing several in-house training programs to develop and enhance staff skills

Operations- Internal- Staff—Key Person Dependence, Succession Planning

Issue - Key Person Dependency

CDA is a small department with 117 positions. All staff are housed at its headquarters in Sacramento. As a result of the Department's size, frequently only one individual has the skill and knowledge to perform a specific critical function(s).

Risk

- The Human Resources Section has only one individual to key in payroll, attendance, benefits, and Worker's Compensation information. A loss of this individual would cause a significant disruption in the Department's ability to provide critical services to its employees.
- The Budget Section has only one position responsible for the highly complex OAA Intra-state Funding Formula (IFF), which is the method for allocating all federal funding for OAA programs to the 33 AAAs throughout the State. A loss of this individual would impact the Department's ability to allocate funds to the AAAs in a timely and accurate manner.
- The Legal Section has only one position responsible for providing legal advice and representation to the Department. A loss of this individual may expose CDA to legal liability.
- The Accounting Section has three staff, the Accounting Administrator I, Senior Accounting Officer (Supervisor), and the Associate Accounting Analyst, who are currently the only Fi\$Cal Subject Matter Experts (SMEs) at the Department. These individuals have been working one-on-one with Fi\$Cal on many of the design and conversion issues impacting the Department and, as these are all works-in-progress, there are no detailed policies and procedures in place. A loss of any one of these individuals would greatly impact the Department's ability to provide key contract and payment services to service providers.
- Several other sections within the Department also have only one individual performing critical functions. A loss of any one of these individuals would also greatly impact the Department's ability to provide key critical services to CDA's staff and service providers.

CDA continues to mitigate the issues involved in key person dependency through the following activities:

- Developing detailed written procedures and policies
- Cross-training staff in essential functions
- Ensuring alternative procedures are in place for maintaining internal controls
- Identifying qualified staff from other departments to assist temporarily as needed

Operations- Internal- Staff—Training, Knowledge, Competence

Issue - Loss of Institutional Knowledge

Until recently, CDA like many other state departments, maintained a stable core workforce with considerable institutional knowledge of the Department's programs and operational processes. However, many of these individuals have retired in the past few years. As that occurred, the Department did not have adequate resources to systematically capture their institutional knowledge before they left. The Department is acutely aware of the need to routinely capture and transfer its institutional knowledge to existing and new staff.

Risk

- A lack of critical historical knowledge can result in the inability to understand the reasoning or justification for a decision and the need to analyze issues from scratch when changes are required. This is labor intensive, inefficient, and can potentially lead to errors.
- The lack of program knowledge makes it more difficult for newer staff to develop program expertise and successfully accomplish their duties.
- The lack of institutional knowledge can result in a loss of continuity in many areas, but particularly in the guidance and oversight the Department provides to its contractors. This can also significantly impact newer staff's ability to resolve contractor performance issues in a timely and consistent manner.

CDA seeks to mitigate the loss of institutional knowledge through the following activities:

- Developing strategies to capture, document, and share mission-critical information, including both electronic and hardcopy files
- Continuing to support and take advantage of the Agency Leadership Development Academy to further develop promising leadership within the Department
- Ensuring all new supervisors attend Supervisor's Training
- Using the monthly Supervisors meeting as a platform to mentor new supervisors and provide the historical context on current cross-cutting issues
- Continuing to develop detailed written policies and procedures in a standardized format
- Creating cost-effective learning resources to orient new staff to the Department's programs and procedures

Operations- Internal- Fi\$Cal Conversion

Issue - Implementation of the Mandated State Financial Information System (Fi\$CAL)

In August 2015, CDA as a Wave 2 department, began implementing the State's new financial management system that integrates budgeting, accounting, procurement, and cash management processes. Transition to Fi\$Cal was split into two releases—an August "Summer Release" for departmental Budgeting, Accounting and some Procurement functions, with Statewide Procurement and Contracting functions scheduled to transition in a "Fall Release" in early December 2015. Some components of Fi\$Cal are still under development.

Risk

The Department continues to face challenges in its internal implementation of Fi\$Cal. Although the Fi\$Cal trainings and hands-on system testing done prior to the system implementation in August helped staff become familiar with Fi\$Cal, a gap still exists between the testing environment and the actual production in the office.

CDA considers the following to be the most critical internal risks with Fi\$Cal conversion:

- The complexity of, and staffs' lack of familiarity with, the Fi\$Cal system increases the potential for

errors, omissions, and inefficiencies which impacts the Department's ability to perform key business functions

- Many functions do not translate one-for-one between the legacy system (CALSTARS) and Fi\$Cal resulting in the need to run parallel systems (CALSTARS and Fi\$Cal) during the transition period which causes additional workload
- Additional workload created by Fi\$Cal's requirement for information not previously collected, which diverts resources from other administrative tasks (e.g., required information that now must be input into Fi\$Cal for any assets acquired).

CDA is hopeful that many of these internal control issues will diminish as staff competency grows and also as Fi\$Cal is able to provide permanent solutions to key business process functionality issues (see also Operations – External – Fi\$Cal Conversion section).

Mitigation efforts for internal operational issues arising from Fi\$Cal conversion include:

- Closely working with the Department's Training Officer to coordinate all appropriate Fi\$Cal end-user training for staff and working with staff and managers to make sure they are aware of upcoming training opportunities and are provided the time to complete them
- Continue to use Support Sessions offered by Fi\$Cal and coordinating with the Department's Fi\$Cal Readiness Coordinator on arranging for one-on-one meetings with Fi\$Cal SMEs as needed
- Periodically requesting End-User Reports from Fi\$Cal, reconciling them against the Department's role-mapping requests, and working with the Fi\$Cal Readiness Coordinator to resolve any discrepancies
- Once the Department's Fi\$Cal functionality issues have been resolved, provide in-house training to all affected staff and any additional remedial training that may be required

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Risk

- Due to Fi\$Cal mandates, which included no additional staff for transition or implementation, all workload activities associated with Fi\$Cal were, and continue to be, absorbed by the Department's existing staff. The impact of this additional workload has been significant, given the complexity of the project, the vacancy of key staffing positions in the Fi\$Cal affected areas, and the sheer amount of time required to coordinate efforts in order to meet mandated project deadlines.
- Many business functions, such as the federal payment process, CalATERS interface, advance payments, Office Revolving Fund, etc. all require work-arounds outside the Fi\$Cal system to address current limitations. Additional workload will continue until the system is fully implemented and these work-arounds are no longer necessary.
- Fi\$Cal's more structured role-mapping rules create cross-training and task assignment challenges.

CDA is unable to fully alleviate the risks involved with the Fi\$Cal transition. However, mitigation efforts to date include:

- Hiring a Retired Annuitant as Fi\$Cal Project Manager to be the single point of contact

between CDA and Fi\$Cal. Previously, the Department's Fiscal Officer was responsible for project coordination and could not absorb the additional workload with her existing duties. The Fi\$Cal coordination efforts, especially during peak times, can be as much as 40 hours per week.

- Hiring two part-time Student Assistants to help process accounts payable payments to assist primarily in processing the backlog of manual entries that occurred between the August 1st-12th blackout period imposed by Fi\$Cal prior to the mid-August rollout of Fi\$Cal.
- Using California Health and Human Services Agency's Fi\$Cal SWAT Team to assist in developing Change Impact Tools.

ONGOING MONITORING

Through our ongoing monitoring processes, the Department of Aging reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Department of Aging 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 Department of Aging, Lora Connolly, Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Jeannine Fenton, Deputy Director--Administration, as our designated agency monitor(s).

Frequency of Monitoring Activities

CDA holds monthly meetings that involve all supervisors and managers, including the Executive Team. Meeting topics include discussions of current and potential internal control issues that need to be addressed. These meetings provide a forum for management to discuss issues and the steps needed for mitigation. Action steps and risk updates are recorded in the meeting minutes. These discussions provide a valuable opportunity for managers to raise potential internal control risks, share strategies across programs and divisions, and collaborate in addressing these issues.

CDA ensures that staff receive information pertaining to the importance of internal controls by requiring managers to update their teams on these issues at least on a monthly basis. Action steps and risk updates are recorded in either meeting minutes or emails to the team. CDA also encourages staff to speak with their supervisor if they identify any issue(s) that should be addressed that could improve CDA's ability to fulfill its mission, goals and objectives.

CDA has developed a tracking tool to capture updates to actions steps and report out to the various teams.

Reporting and Documenting Monitoring Activities

In addition to the supervisors and managers meetings, CDA also has an Information Technology (IT) Steering Committee which includes all of the Executive Team, the IT Division Manager, and lead IT and program staff when appropriate. This committee has met quarterly or semi-annually depending on the complexity and timelines for IT priorities. Since CDA has identified Data Security in its risk analysis, the IT Steering Committee will include this item on meeting agendas for updates and further discussion of needed mitigation resources and regular meetings will be scheduled to provide input to the Executive Team.

The CDA Executive Team meets weekly to discuss high level policy and administrative issues. Identified internal control issues are addressed regularly in these meetings and appropriate follow up occurs either within subsequent Executive and/or Supervisors and Managers meetings or with specific managers and staff, depending on the nature of the risk.

Procedure for Addressing Identified Internal Control Deficiencies

CDA has a policy that all internal control deficiencies will be addressed in 60 days. In addition to the ongoing monitoring efforts discussed above, the Executive Team meets quarterly to specifically review progress in meeting the key mitigation activities identified in this report and to revise risk mitigation strategies as warranted.

CONCLUSION

The Department of Aging strives to reduce the risks inherent in our work through ongoing monitoring. The Department of Aging 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.

After conducting a risk review of its critical business functions and systems, CDA concludes that the mitigating controls discussed above adequately address the identified risks to the extent the Department has that ability. The Department has already implemented or is in the process of implementing the mitigation actions identified.

Lora Connolly, Director

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