

December 19, 2017

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

Dear Ms. Diana Dooley,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Aging 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 Jeannine Fenton, Chief Deputy Director, at (916) 419-7503, 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 38 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 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. In addition to an annual review and approval of the AAA program and financial plans and monthly financial reconciliations, CDA performs onsite monitoring of the AAAs at least once every four years and audits them every three years. 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 and audits 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 visits each CBAS provider once every two years and in the first year for new providers. Local MSSP and CBAS providers are paid through the Medi-Cal payment system, not through CDA.

ONGOING MONITORING

As the head of Department of Aging, Lora Connolly, 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 Aging internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:
Jeannine Fenton, Chief Deputy Director.

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.

Additionally, in 2017, CDA implemented internal audits performed by Department audit staff of CDA's programmatic and administrative functions to provide an objective review of Department internal controls. Also implemented in 2017, CDA creates monthly dashboards to capture a snapshot of the effectiveness and efficiency of CDA and AAA processes.

ADDRESSING VULNERABILITIES

Through an ongoing monitoring processes, CDA reviews, evaluates, and improves its systems of internal controls and monitoring processes.

CDA addresses all internal control deficiencies as promptly as possible within existing business constraints. 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.

COMMUNICATION

In addition to the supervisors and managers meetings, CDA also has a quarterly Information Technology (IT) Steering Committee meeting which includes all of the Executive Team, the IT Branch Manager, and lead IT and program staff when appropriate. Since CDA has identified Data Security in its risk analysis, the IT Steering Committee includes this item on meeting agendas for updates and further discussion of needed mitigation resources. Additionally, the IT Branch Manager shares important data security information at each quarterly CDA all staff meeting.

Since CDA has identified both workforce planning and recruitment in its risk analysis, current related activities are shared and discussed with key staff, managers, and executives during the monthly vacancy meeting.

Also, 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, or at the all staff meeting depending on the nature of the risk.

ONGOING MONITORING COMPLIANCE

The Department of Aging 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 the Department of Aging systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Aging risk assessment process: Executive Management, Middle Management, and Front Line Management.

RISK IDENTIFICATION

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.

RISK RANKING

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.

RISKS AND CONTROLS

RISK: OPERATIONS -INTERNAL-TECHNOLOGY—DATA SECURITY

CDA could experience an internal act that threatens the integrity, safety, or privacy of information.

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 generate increased inherent data security risks. While the CDA has policies, procedures, practices, and systems in place aimed at addressing the internal data security risk, a loss or exposure of sensitive data is always a possibility due to staff intentionally or unintentionally following them. This can be caused by an inability to appropriately determine the classification of data or a user sharing sensitive data or not appropriately safeguarding sensitive data.

Ultimately this risk could result in a potential security incident or breach if sensitive data is exposed.

CONTROL A

To address the Internal Data Security risk, CDA will:

- Continue to regularly review and update policies, procedures, practices, and systems as necessary
- Continue to provide information security training at the quarterly all staff meeting

RISK: OPERATIONS -EXTERNAL-STAFF—RECRUITMENT, RETENTION, STAFFING LEVELS

CDA has staffing challenges that impact its ability to more fully achieve the Department's mission and objects. Loss of key staff with significant historical knowledge and program expertise can result in inaccurate guidance to and oversight of current contractors and could also result in future federal audit findings.

These staffing issues stem from:

- CDA continuing to lose key staff and managers due to retirements and promotional opportunities outside the Department. Many of these individuals possess a large amount of experience and historical program knowledge that is difficult to effectively document and retain. This is particularly challenging when it is not possible to "double fill" key positions for transition purposes.
- CDA having 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 many experienced staff, requiring CDA to invest more time and resources in hiring and training new staff.
- The shortage of qualified applicants in certain classifications for key CDA positions hampers 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.).

As a result:

- CDA has had to focus its resources on accomplishing its most critical functions, which limits its ability to redirect resources to projects that would streamline and fully document these business processes.
 - Staff have been assigned increased responsibilities due to position reductions and the inability to fill critical vacant positions when there is a lack of qualified applicants. At the same time, the Department must also respond to expectations of increased accountability. This results in
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situations where staff are expected to fully perform their own responsibilities while also assuming significant tasks associated with other positions that are vacant.

- Staff who must assume key functions for which they have little prior experience/training or insufficient time to perform these activities are likely to take longer in completing these tasks and/or are at a greater risk of making errors.
- All of the above result in unavoidable delays in processing payments, contracts, budgets, and affects CDA's ability to provide necessary contractor technical assistance and training to ensure compliance with program requirements.

CONTROL A

To address the Recruitment, Retention, Staffing Levels risk, CDA will:

- Continue to work within the State's civil service system and identify alternative examination, recruitment, and or classification options to expand candidate pools.
- Continue to network with organizations and associations that can assist in recruiting potential candidates for vacant positions.
- Continue to focus on maintaining and/or enhancing staff morale.
- Continue to develop and update employee resources and upward mobility opportunities.

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

Several sections within CDA have only one individual performing critical functions. A loss of any one of these individuals can greatly impact the Department's ability to provide key critical services to CDA's staff and service providers.

This risk is tied to the fact that CDA is a small department with with approximately 120 positions. As a result, frequently only one individual has the skill and knowledge to perform a specific critical function(s).

Due to this risk, the loss of key staff could result in delayed contracts and payments to the AAAs which would ultimately impact local services to older adults, adults with disabilities, and family caregivers.

CONTROL A

To address the Key Person Dependency, Workforce Planning risk, CDA will:

- Continue to develop and update employee resources
- Continue cross-training staff
- Develop CDA Workforce Development and Succession Plan

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

While not unique to CDA, the Department experiences certain operational inefficiencies due to inadequate programmatic or technical knowledge.

Training and Knowledge Transfer Risk—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 has occurred, the Department has not had adequate resources to systematically capture their institutional knowledge before they left. The Department is acutely aware of the need to routinely capture and transfer this knowledge to existing and new staff.

The lack of adequate knowledge transfer can result in:

- A lack of understand the reasoning involved/justification for a particular prior decision and the need to revisit issues from scratch when changes are required. This is labor intensive, inefficient, and can potentially lead to unintentional errors.
- Impeding the ability of new staff to quickly develop program expertise and successfully accomplish their duties.
- Reduced continuity in many areas, but particularly in the guidance and oversight the Department provides to its contractors. It can also limit the ability of newer staff to resolve contractor performance issues in a timely and consistent manner.

CONTROL A

To address the Training, Knowledge, Competence risk, CDA will:

- Continue to develop and update employee resources
- Continue cross-training staff
- Develop CDA's Strategic Learning Plan

Many of the activities to reduce either the impact or the likelihood of this risk are the same as those for the Key Person Dependency, Workforce Planning risk.

RISK: OPERATIONS -INTERNAL-OVERSIGHT, MONITORING, INTERNAL CONTROL SYSTEMS

Insufficient internal controls can lead to insufficient and/or ineffective operations. Without a comprehensive methodology for reviewing the Department's internal control systems to evaluate the organization's effectiveness and identify and correct deficiencies, CDA must rely on less formal methods.

CDA's primary oversight and monitoring functions has historically been focused on the operations of AAA, MSSP, and CBAS providers hence, less attention has been directed to the Department's internal controls beyond those identified in federal audits.

As a result, CDA has not routinely conducted an audit of internal controls, which would identify and address operational vulnerabilities and weaknesses and point out opportunities for improved efficiencies and performance.

CONTROL A

To address the Oversight, Monitoring, Internal Control Systems risk, CDA will:

- Develop/update and publicize Department policies and procedures
- Conduct internal audits

RISK: OPERATIONS -EXTERNAL-BUSINESS INTERRUPTION, SAFETY CONCERNS

In the event of a natural disaster or external act affecting CDA, the Department could experience a disruption of operational functions.

The key factors related to this risk are tied to CDA's need to focus its resources on accomplishing its most critical functions. This has limited its ability to redirect resources to projects that could streamline processes and increase efficiencies, and in this case, address ongoing contingency planning.

As a result, in the event of a natural disaster or external act impacting CDA's operations, the Department may not be able to respond to an event in the most efficient and effective manner. This could delay the process of contracting or paying CDA's contractors, potentially impacting local services to older adults, adults with disabilities, and family caregivers.

CONTROL A

To address the Business Interruption, Safety Concern risk, CDA will review, update, and implement the Contingency and Disaster Recovery Plans as identified by CalOHII.

CONCLUSION

The Department of Aging 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.

Lora Connolly, 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