



Michael Rossi, Chair ▪ Tim Rainey, Executive Director ▪ Edmund G. Brown, Jr., Governor

DATE: December 11, 2017

TO: David Lanier, Secretary
 Labor and Workforce Development Agency

FROM: Tim Rainey, Executive Director

SUBJECT: 2017 SLAA Report

In accordance with the State Leadership Accountability Act, Government Code sections 13400 through 13407, I am submitting the enclosed report describing the review of our systems of internal control and ongoing monitoring of internal controls for the biennial period ended December 31, 2017.

Enclosure

December 21, 2017

David Lanier, Secretary
California Labor and Workforce Development Agency
800 Capitol Mall, Suite 5000
Sacramento, CA 95814

Dear Mr. David Lanier,

In accordance with the State Leadership Accountability Act (SLAA), the California Workforce Development Board 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 Chris Masami Myers, Chief Deputy Director, at (916) 657-1474, chris.myers@cwdb.ca.gov.

BACKGROUND

The California Workforce Development Board (State Board) is the Governor's agent for the development, oversight, and continuous improvement of California's workforce investment system and the alignment of the education and workforce investment systems. The State Board and its staff of 25 employees provide active ongoing policy analysis, technical assistance, and program evaluation to inform and shape state policy on the design of state workforce policies and their coordination with other relevant programs, including education and human service programs.

The State Board reports to the Governor through its Executive Director and the Secretary of Labor and Workforce Development, who both provide oversight of the State Board and its staff to ensure that policy recommendations are consistent with the Governor's vision.

The State Board's primary responsibility is to set policy for Workforce Innovation and Opportunity Act (WIOA) Title I programs and to work with WIOA core program and other state plan partners to align programs and services to build a comprehensive system. The State Board drafts the State Plan and serves as the broker, convener, facilitator, and matchmaker to bring the disparate elements of the state's \$7 billion workforce, education, human services, and economic development programs into alignment through coordinated partnership.

The State Board is also responsible for ensuring that workforce training grant programs for disadvantaged youth/young adults, veterans and offenders on supervised early release from prison are consistent with the State Plan.

ONGOING MONITORING

As the head of California Workforce Development Board, Tim Rainey, Executive 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 California Workforce Development Board internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Tom Bates, Fiscal Operations, Budgets & Contracts Officer, and Chris Masami Myers, Chief Deputy Director.

MONITORING ACTIVITIES

The State Board has 25 employees all located in a single Sacramento office. The Executive Team consists of the Executive Director, Chief Deputy and Deputy Directors. The Executive Team meets weekly to discuss issues that affect the State Board's ability to meet its statutory duties. Due to the small size of the organization, the Executive Team is able to use in-person, face-to-face communication with managers and staff to identify and assess risks. The Executive Team meets weekly and the identification and assessment of risks is a standing agenda item. The State Board also conducts all-staff meetings weekly and at these meetings managers and line staff are given the opportunity to report potential risks. Each Deputy Director also meets with the Chief Deputy Director on a weekly basis and risks are identified and assessed in these meetings as well. In assessing risks, the Chief Deputy and Chief of Operations consider risks to the completion of activities that are statutorily required by federal and state laws and control agencies as having the highest priority. Since the 2015 SLAA cycle, the State Board adopted the latest guidance provided by the Department of Finance to maintain an effective system of internal controls and to evaluate the effectiveness of these controls on an ongoing basis. Specifically, through the aforementioned in-person meetings, the State Board utilizes the Risk Aggregation Worksheet to categorize and identify the appropriate risk factor to each identified risk. The Risk Aggregation Worksheet is also used to describe the risk, the internal controls to mitigate the risk and the status of the implementation of the internal controls. In 2017, the State Board identified and assessed 26 risks, of which 4 are included in this report. The State Board also utilizes the "Ongoing Monitoring General Framework and Guidelines" provided by Department of Finance to guide its ongoing monitoring efforts. This report along with the Risk Aggregation Worksheet is the primary documentation of the State Board's monitoring process.

ADDRESSING VULNERABILITYIES

As vulnerabilities are identified, they are discussed at weekly Executive Team meetings, weekly Deputy Director/Chief Deputy Director meetings, and at weekly all-staff meetings. The vulnerabilities are added to the Risk Aggregation Worksheet and become part of the State Board's ongoing monitoring program. The Risk Aggregation Worksheet is used to documents that the vulnerabilities were addressed and includes the specific mitigation actions that were taken.

COMMUNICATION

Monitoring roles, activities, and results are communicated to State Board staff at weekly Executive Team meetings, weekly Deputy Director/Chief Deputy Director meetings, and at weekly all-staff meetings. When necessary, all-staff memoranda are issued. Depending on the nature of the results, the memoranda may be issued through EDD, if the vulnerability is related to an administrative support activity that EDD performs on the State Board's behalf.

ONGOING MONITOR COMPLAINCE

The California Workforce Development Board 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 California Workforce Development Board systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Workforce Development Board risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

RISK IDENTIFICATION

The State Board utilizes DOF's SLAA Risk Catalog, specifically the Risk Category, Subcategory and Risk Factors on page 3 of the Catalog. The Chief of Operations reviews every one of the Risk Factors with each Deputy Director and the Chief Deputy to determine if there is an internal or external impact to each risk. For each risk that is identified as having an impact, the Chief of Operations lists it on the Risk Aggregation Worksheet along with the level of the impact. The Risk Aggregation worksheet is reviewed by the Chief Deputy to verify the level of impact.

Of the 26 identified risks in 2017, the State Board is reporting only those risks that have been assessed as having a high impact to the State Board's mission, goals and priorities; that have at least a medium likelihood of occurrence; and that have internal controls that are either not implemented or partially implemented.

RISK RANKING

The Chief Deputy Director and Chief of Operations assess each identified risk and consult with the appropriate Deputy Director before making a determination on the level of impact and the likelihood of occurrence based on the criteria in the "SLAA Risks and Definitions" guidance document and apply those specific criteria against the impacts to the mission, goals and priorities of the State Board. Consideration is also given to activities that are statutorily required by federal and state laws as having the highest risk.

RISKS AND CONTROLS

RISK: OPERATIONS-INTERNAL-PROGRAM/ACTIVITY—CHANGES, COMPLEXITY

There is a risk that new grant programs such as the transportation construction workforce training grant program for disadvantaged youth/young adults and veterans and a pre-apprenticeship skills training program for offenders and the Cap and Trade legislatively mandated report pose significant challenges to the State Board's operations.

This is caused by up to \$20 million in new grant funding in FY 2018/19 and beyond to support a transportation construction workforce training grant program for disadvantaged youth/young adults and veterans, a pre-apprenticeship skills training program for offenders, and a Cap and Trade report to the legislature on the future job growth potential in the emerging low-carbon economy.

This can result in the State Board not having the sufficient staff resources to complete all of this work timely and may require the recruitment of additional staff and external subject matter experts.

CONTROL A

The State Board is in the process of recruiting qualified staff for the two grant programs and is contracting with the University of California Regents for greenhouse gas and low-carbon economy

subject matter expertise for assistance in researching and developing the Cap and Trade legislative report. The State Board expects to have the additional staff hired by February 2018 and fully trained by July 1, 2018, which is when the funding for the grant programs and legislative report will be available. The contract with University of California Regents will be executed by February 2018.

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

There is a risk that the new staff that are being hired to implement newly established grant programs will lack the knowledge and experience needed to implement the grant programs timely and effectively.

The State Board is responsible for the strategic training investment of a state-funded transportation construction workforce training grant program for disadvantaged youth/young adults and veterans and a pre-apprenticeship skills training program for offenders. In winter 2018 the State Board plans to hire a SSM II, SSM I and 3 analysts to perform the strategic and administrative oversight functions for these grant programs.

The lack of knowledge and experience with state grant procedures can result in delayed implementation of these grant programs and may result in an underexpenditure of funds that have limited duration and cannot be reappropriated.

CONTROL A

The hiring Deputy Directors have developed vacancy announcements and selection criteria to attract the most qualified and experienced candidates. Newly hired staff will receive contract administrator training and will be actively engaged with EDD in all aspects of grant administration. Branch staff at all levels will work with the new staff and EDD to develop improved grant solicitations, evaluate and award grants timely, and effectively monitor and report on grantee performance and expenditure levels. The Administration Branch staff has met with EDD to increase its knowledge of the procedures governing reimbursable budget authority and the proper coding of contracts to insure that the grant funds are fully expended. Administration Branch staff will also meet monthly with EDD to review the status of existing contracts and to identify and address any funding issues in advance.

RISK: COMPLIANCE-EXTERNAL-COMPLECITY OR DYNAMIC NATURE OF LAWS OR REGULATIONS

There is a risk the State Board will not be able to negotiate state-level Program Year 2018 WIOA Title I and Title III performance goals with DOLETA and report these goals to DOLETA by the statutory due date of July 1, 2018.

This is caused by DOLETA's delay in issuing the official Statistical Adjustment Model to the states to be used in determining the WIOA Title I and Title III performance goals.

This may result in the State being out of compliance with WIOA for PY 2018 state-level performance and may also result in a delay in negotiating local area performance goals with the 45 Local Boards by the end of the first quarter, which must roll up into the negotiated state-level goals.

CONTROL A

The State Board is in regular contact with DOLETA Region 6 for updates on the status of the issuance of the Statistical Adjustment Model. The State Board is also in regular contact with EDD Workforce Services Branch and the Local Boards and is providing updates. By maintaining regular contact with DOLETA and Local Boards, the State Board will be able to begin the negotiations process immediately after the Statistical Adjustment Model is issued by DOLETA, resulting in as minimal a delay as possible.

RISK: OPERATIONS-EXTERNAL-FI\$CAL, IMPLEMENTATION, MAINTENANCE, FUNCTIONALITY, OR SUPPORT

There is a risk that the July 1, 2018 conversion to Fi\$Cal could cause delays in the processing of timely grantee and vendor contracts and payments from the State Controller.

This risk is caused by the conversion from the CALSTARS accounting system to the Fi\$Cal system on July 1, 2018.

As State Board and EDD staff learn to navigate the Fi\$Cal system, the learning curve may result in delays in the processing of grantee and vendor contracts and payments, meaning that new grants and contracts may have to be delayed until the contract documents are executed and existing grants and contracts may take longer to issue payments, jeopardizing the contractor/grantee cashflow and the provision of grant services to participants.

CONTROL A

The State Board and EDD staff who process purchase documents, invoices and payment schedules on the State Board's behalf continue to work diligently with the Fi\$Cal implementation teams to learn and become proficient with the new Fi\$Cal data entry requirements and procedures. Based on the experience of Wave 1 through 3 departments that have already converted to Fi\$Cal, delays in this area are expected and the State Board and EDD will notify the vendor/contractor/grantee community that delays may occur and they will be mitigated as quickly as possible.

CONCLUSION

The California Workforce Development Board 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.

Tim Rainey, Executive 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