

January 02, 2020

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

Dear Ms. Julie Su,

In accordance with the State Leadership Accountability Act (Leadership Accountability), 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, 2019.

Should you have any questions please contact Curtis Notsinneh, Chief Deputy Director, at (916) 657-1474, Curtis.notsinneh@cwdb.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The CWDB is the Governor's agent for the development, oversight and continuous improvement of the workforce system in California. This encompasses a wide array of work, which includes: policy development; workforce support and innovation; and performance assessment, measurement, and reporting. The CWDB and its staff of 47 employees provide ongoing policy analysis, technical assistance, and program evaluation. These functions help inform and shape State policy on the design of State workforce policies and their coordination with other relevant programs.

The CWDB, in consultation with Workforce Innovation & Opportunity Act (WIOA) state plan partners, drafts the Unified Strategic State Plan (State Plan). The CWDB also serves as the broker, convener, facilitator, and matchmaker to bring the disparate elements of the State's workforce, education, human services, and economic development programs into alignment through coordinated partnership. The intent is to coordinate a system which provides more Californians with access to good jobs. The CWDB does this by integration of State and local programs to achieve scale and impact; organizing business, labor, civic and government leaders regionally so local programs connect people to the best jobs in the industry sectors that are driving regional employment.

The 48 member Board is responsible for assisting the Governor in performing the duties and responsibilities required by WIOA. Most members of the Board are appointed by the Governor (the Legislature appoints two members from each house) and represent the many facets of workforce development - such as: business, labor, public education, higher education, economic development, youth activities, employment and training, as well as the Legislature. Federal mandate requires a majority of the members represent business while State mandate requires 15% of the members come from organized labor. The Chair, selected by the Governor, must be selected from among the members representing business. The general public is encouraged to attend the Board's quarterly meetings.

WIOA mandates the creation of a statewide strategic workforce plan. The CWDB in conjunction with its

statewide partners, released the State Plan in 2016. This plan was updated in 2018 and is built around three policy objectives. These objective are intended to guide state policy and practice across partner programs as well as inform local policy and service delivery. These objectives are: fostering demand-driven skills attainment; enabling upward mobility for all Californians; and aligning, coordinating and integrating programs and services. The State Plan articulates four strategies to achieve the three objectives which include: job placement in quality jobs, customer-centered services, industry engagement, and serving individuals with barriers to employment. A major role of the CWDB is establishing cohesion among State-level departments and agencies to implement the Governor's workforce vision as represented in the plan.

Control Environment

CWDB management creates an expectation and culture of integrity through the use of clear behavioral expectations for its staff. The organizational structure includes and Executive Director, a Chief Deputy Director, three branch Deputy Directors who have five Branch Mangers as second line supervisors, and first line supervisors managing rank and file employees. All CWDB staff have been provided a copy of the General Goals and Work Expectations memorandum, which they are required to review and sign. This memorandum outlines the expectations of daily work, as well as the procedures around daily attendance, vacation, work schedules, travel, and standards for work assignments. Staff are also required to take mandatory ethics training.

Additionally, organization leadership which includes all the Deputy Directors meet monthly, all leadership including supervising managers and all staff meet monthly. Branch Deputy Directors meet with their managers and staff on a regular basis. Through this structure, communication and internal controls are addressed in both directions. Management meetings are agendized and any action items are followed up with in subsequent meetings.

Supervising managers have a schedule for formal probation reports and annual reviews in addition to weekly 1:1 meetings with direct reports. All documentation of these reports, training, etc. are given to the employee, kept in a supervisor file, and submitted to Human Resources for the permanent file.

When necessary, all-staff memoranda and Executive Notices are issued. Memorada are also issued through the Employment development Department (EDD) if the vulnerability is related to an administrative support activity that EDD performs on behalf of the CWDB.

The administrative support branch is developing a formal policy and procedures manual as a reference guide for all staff to clarify policies, practices, and procedures.

The CWDB's Board meets quarterly to review the work of the staff, discuss the nature of its projects, and the direction and the use of the project funds. Organizationally, the CWDB reports directly to the Labor and Workforce Development Agency (LWDA), which reviews and approves the use of funds and the programmatic direction of the organization. For administrative functions, CWDB staff provide oversight of the day to day organizational functions and fiscal administration. The staff follow policy established by the California Department of Human Resources (CalHR) and contracts with the EDD to provide administrative support and guidance.

In order to establish and maintain a competent workforce, the CWDB places emphasis on recruiting staff with high levels of expertise in the areas necessary to maintain business. Staff are given

professional development opportunities, including opportunities with EDD University, CalHR, and external training providers. Staff also have the opportunity to attend professional conferences and memberships in professional organizations. The CWDB maintains accountability through constant communications and meetings with the oversight bodies listed above.

Information and Communication

Monitoring roles, activities, and results are communicated to CWDB staff either 1 on 1, in branch meetings, supervising manager meetings, or leadership meetings. When necessary, all-staff memoranda and Executive Notices are issued. Memoranda are also issued through EDD if the vulnerability is related to an administrative support activity EDD performs on the CWDB's behalf.

The CWDB uses its public website to communicate and post its operational and programmatic information, including public meetings and open funding opportunities. The CWDB uses Fi\$Cal to report its financial information.

Depending on the audience, from CWDB staff to Local Workforce Development Board field staff, and the Legislature and the Administration; relevant information is determined by organizational need, requests from stakeholders and partners, and by statutory or regulatory mandate. This information is used to document business practices for staff, respond to inquiries from stakeholders and partners, and to inform policy and funding decisions.

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 California Workforce Development Board monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Tom Bates, Fiscal Operations, Budgets & Contracts Officer.

As the head of CWDB, Tim Rainey, Executive Director, is responsible for the overall establishment and maintenance of the risk management and internal control systems.

Executive Monitoring Sponsor(s)

The CWDB has 47 employees located in two downtown Sacramento offices. The Executive Team consists of the Executive Director; the Chief Deputy Director; and the Deputy Director of Policy Implementation and Administrative Support; the Deputy Director of Equity, Climate and Jobs; the Deputy Director of Program Implementation and Regional Support; and the Deputy Director of Research, Policy, and Legislation.

The Executive Team meets weekly to discuss issues affecting the CWDB'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 identification and assessment of risks is a standing agenda item for the weekly Executive Team meeting. The CWDB conducts both bi-monthly managers meetings and weekly all-staff meetings. Managers are asked to complete a risk assessment with their teams to identify potential risks. Line staff are given the opportunity to report potential risks both through their manager and in all-staff meetings. The Executive Team considers eliminating risk associated with statutory requirements as having the highest priority.

Since the 2017 SLAA cycle, the CWDB adopted 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 CWDB utilizes a 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 implementing internal controls. In 2019, the CWDB identified and assessed three risks. The CWDB also utilizes the "Ongoing Monitoring General Framework and Guidelines" provided by the Department of Finance to guide its ongoing monitoring efforts. This report, along with the Risk Aggregation Worksheet, is the primary documentation of the CWDB's monitoring process.

Addressing Vulnerabilities

As vulnerabilities are identified, they are discussed at weekly executive team meetings, managers meetings, and at weekly all-staff meetings. The vulnerabilities are added to the Risk Aggregation Worksheet and become part of the CWDB's ongoing monitoring program. The Risk Aggregation Worksheet is used to document vulnerabilities and includes the specific mitigation actions taken.

Ongoing Monitoring Compliance

The CWDB 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 CWDB's systems of controls and monitoring.

The CWDB maintains an Interagency Agreement with the EDD for monitoring WIOA and state funded activities in the field. CWDB staff are notified when EDD will begin monitoring programs. CWDB will meet with the EDD monitoring group to discuss the framework of various programs so that they have an understanding of what they are measuring and how it may be different from their on going work monitoring WIOA formula funds.

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.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, 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.

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

Risk Identification

Of the identified risks in 2019, the CWDB is reporting only those that have been assessed as having a high impact to the CWDB'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 Deputy Directors assess each identified risk before making a determination on the level of impact and likelihood of occurrence. The determination is based on the criteria in the "SLAA Risks and Definitions" guidance document. Those specific criteria are applied against the impacts to the mission, and the goals and priorities of the CWDB. Consideration is also given to activities that are statutorily required by federal and State laws as having the highest risk.

RISKS AND CONTROLS

Risk: Staff Capacity and Infrastructure

The CWDB has received a significant increase in funding to support programs, including the transportation construction workforce training grant program and funds from the Greenhouse Gas Reduction Fund (GGRF) to develop programs and legislatively mandated guidance for workforce practitioners.

This includes grant funding of over \$35 million in GRRF funds over the next five years, as well as the funding of two additional programs, which provide funds to develop strategies and services to targeted populations with barriers to employment. These initiatives, including the Breaking Barrier to Employment Initiative and the Prison to Employment initiative, represents a budgetary increase of \$51 million and the need for 24 additional staff.

The risk involved stems from the front loading of much of this funding. CWDB currently does not have the staff, space, or infrastructure to carry out the mandates of the grant. The physical space to house new hires, for example, is limited and has only been temporarily resolved.

There is increasing scrutiny from the Legislature to get appropriated funding out into the field as quickly as possible without a clear understanding of what it takes to stand up new programs and release funding to the field in a fiscally responsible manner. The funding we receive comes from WIOA discretionary funds, State General Fund and Special Funds, and is used to incentivize innovative strategies, reach the hardest-to-serve populations with multiple barriers to employment, build partnerships in the field that strengthen and align services, and constantly make improvements to the workforce system; this is very different from revolving funds.

Whether mandated reporting or our own desire to capture complex data, these programs can be very difficult to develop. Development of programs involves robust stakeholder engagement of state and local partners, analysis of current labor market conditions, analysis of entities who can implement programs, framing data requirements and methods of collection, and analysis of risks and opportunities regarding the methods of distributing funds.

The inability to expedite hiring and training staff to do this work, and not having adequate work space to accommodate them only increases the external pressure as well as internal stress on staff.

Control: A

The CWDB has obtained additional space in EDD's Park Complex East. This has provided a reprieve and allowed the CWDB to continue to hire staff. The CWDB is in the process of finding permanent space, and is working with EDD and LWDA to resolve the spacing issue. The CWDB

plans to have additional space secured by June 2020.

The CWDB has continued to hire new staff and has opened several new positions to increase the capacity to implement new programs. The CWDB has placed an emphasis on hiring as quickly as possible, while also prioritizing bringing on staff with high levels of knowledge and competence around program implementation and subject matter expertise to support the newest initiatives. To continue normal business processes, the CWDB has been engaged in cross training and succession planning, to ensure work needs are addressed and business continues uninterrupted. The CWDB has also incorporated technical assistance through its granting, and continues to contract with the University of California to support guidance development.

Risk: Managed Growth

The CWDB is rapidly growing. This growth will continue in the coming year, and will come in conjunction with the proposed merging of the CWDB into the new Future of Work Department. The rapid growth of the CWDB, along with the pending merger and reorganization may create administrative and staffing issues. With its rapid staffing growth, the CWDB is required to internalize more administrative and programmatic functions and increase its existing workload. The ability to execute programmatic required outcomes, and properly oversee staff administrative needs will be an increasing risk as growth occurs. There is also a risk that CWDB staff may not be adequately trained to take on significant workflow changes, or work with new departments, which may cause a need for additional staff support, both from a process and change management perspective. The CWDB needs to hire additional staff, but the process is slow, making it challenging to hire staff quickly enough to meet statutory deadlines.

Control: A

The CWDB has begun to develop processes and procedures to standardize the internal work expectations of its staff and is in the process of developing administrative and program manuals which will provide clear and accessible resources to staff. The CWDB has reorganized its administrative unit and created two new manager positions. One new manager position is partially dedicated to oversee human resources issues, and the CWDB has also dedicated a staff administrative liaison analyst position to provide human resources-related support. Finally, the CWDB is in the process of creating on-boarding procedures to provide clear direction to adequately provide staff with operational tools.

The CWDB is in the process of engaging an outside a facilitator to identify the risks associated with the upcoming departmental changes. The facilitator will provide suggestions on how to mitigate and mediate change management within the organization.

The CWDB executive staff is currently researching additional ways to effectively provide staff supports associated with organizational changes and shifts in work.

Risk: Fi\$Cal Implementation

There is a risk that the limitations of timely processing with Fi\$Cal can create an inability to report to the Department of Finance in a timely manner. Because Fi\$Cal is a new program, there are frequent issues, including IT-related issues within the system and a general lack of knowledge of the system

throughout State departments. The program is new to everyone and the learning curve may cause delays in accounting, which in turn causes delays in the CWDB receiving information. Accurate and current accounting is required to develop future budgets, and the absence or delay in these reports from Fi\$cal ultimately affect the ability to provide timely reporting to the Department of Finance.

Control: A

The CWDB has been actively augmenting its internal systems to manually track expenditures. This includes manually inputting and reviewing expenditures within Excel, and reconciling this information for in-house purposes. In addition to using Fi\$Cal, the CWDB is using these internal systems to act as check and balance until Fi\$Cal operates more smoothly. Finally, the second new manager position in the administrative unit is dedicated to fiscal and business operations support.

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 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.

The CWDB 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 issues from creating unnecessary problems. 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