

December 20, 2019

Julie Lee, Acting Secretary
California Government Operations Agency
915 Capitol Mall, Suite 200
Sacramento, CA 95814

Dear Ms. Julie Lee,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the State Personnel 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 Bryan Bruno, Training Officer, at (916) 319-9442, bryan.bruno@spb.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Established by the State Constitution, the State Personnel Board (SPB) is charged with overseeing the merit-based, job-related recruitment and selection process for the hiring of state employees who provide critical services to the people of California. SPB provides direction to departments through simplifying civil service laws, rules, and policy. In addition, SPB conducts compliance reviews of departments for merit system compliance, and adjudicate employee appeals from disciplinary actions. SPB also investigates and adjudicates alleged violations of civil service law, which are filed by employees, applicants, and members of the public.

Control Environment

Integrity is a core value of the State Personnel Board. Board members, the Executive Officer, and all staff designated under SPB's Conflict of Interest Code are required to take the Attorney Generals online ethics course every two years.

SPB's management establishes and demonstrates integrity and ethical values by, among other things, clearly communicating the SPB's mission and management's expectations to employees, and providing multiple avenues to receive and consider feedback and input from employees, appellants, respondents, and other stakeholders.

Consistent with its commitment to an ethical and integrity-oriented culture, the SPB is determined to hire, train, and retain qualified employees who are dedicated to public service, the SPB's mission, and the people of California. The SPB's Human Resources Office, which is maintained by the California Department of Human Resources (CalHR), oversees the hiring process in cooperation with management. That process is regularly reviewed and monitored by the SPB's EEO Officer.

The SPB's efforts to establish and maintain a competent workforce continues beyond the hiring stage. Employee "onboarding" includes the new employee meeting with a Human Resources representative

on their first day of work, reviewing their job duty statement with their manager within five (5) days of their start date, regular hands-on-training and meetings with their manager, and regular probationary reports. At the completion of their probation period, employees are regularly evaluated and careful attention is paid to employee's career development. Employees are encouraged to complete Individual Development Plans and are provided annual Performance Evaluation Reports. At the same time, the SPB uses progressive discipline, as necessary, to correct poor performance and to dismiss those individuals whose continued employment threatens the department's mission and/or the safety of the State and/or its citizens.

Staff new to the SPB (regardless of organizational level or experience) are required to complete a comprehensive New Employee Orientation (NEO), introducing them to all aspects of the SPB and the administrative support provided by CalHR. In addition to Human Resources support, CalHR provides Accounting, Budget, Contract Procurement, Information Technology, Legislative Analysis, and Training support. CalHR maintains their own Control Environment for all support services they provide to the SPB.

To monitor its operations and to ensure internal control systems are working as intended, the SPB employs a number of tools. These tools include, but are not limited to: regularly scheduled meetings; desk manuals, published policies and procedures; a readily available IT Help Desk (CalHR); and, a recognized chain of command that encourages open and honest communications.

As the head of State Personnel Board, Suzanne M. Ambrose, Executive Officer, is responsible for the overall establishment and maintenance of the internal control and monitoring systems, which are developed cooperatively with the Division Chiefs based on feedback provided by divisional staff.

Executive Monitoring Sponsor(s)

The executive monitoring sponsor's responsibilities include facilitating and verifying that the State Personnel Board internal control monitoring practices are implemented and functioning as intended. The responsibility of the executive monitoring sponsor(s) is assigned to:

Suzanne M. Ambrose, Executive Officer.

Information and Communication

SPB management and professional staff are responsible for collecting and communicating relevant and reliable information needed for decision making across organizational lines. This process is accomplished primarily through research, regular reports, and meetings between professional staff and management, management and division chiefs, and division chiefs and the Executive Officer.

The SPB will provide all staff with information vital to the effectiveness and efficiency of controls by requiring management to update their divisions on a regular basis. SPB management encourages staff to raise identified risks and potential risk mitigation strategies to allow SPB to fulfill its mission, goals, and objectives. The relative size of the SPB as a department allows for the quick communication of information due to the limited number of management layers between staff and the Executive Officer.

The SPB uses multiple methods of communication with external stakeholders. The most frequent method and easiest way for external stakeholders to receive information is through the SPB's comprehensive website, which contains easy to locate information, recent and upcoming Board

Meetings, proposed changes to laws and regulations, and many other sources of information to assist the public in staying up to date on SPB activities.

The SPB notifies interested individuals of important Board policy or procedure changes, precedential decisions, SPB news, and other items of interest through the use of an e-mail "mailing list". Interested parties may sign up on the SPB's website.

An additional method to enable stakeholders to receive information on the SPB is by attending and participating in SPB board meetings which are held 12 times per year. Each meeting provides an opportunity for individuals to provide public comment regarding various policy discussions and provide comment for items that were not scheduled to be discussed.

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 State Personnel Board monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Suzanne Ambrose, Executive Officer; and Bryan Bruno, Training Officer.

SPB 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 SPB's systems of controls and monitoring.

The adoption of a formal communication strategy regarding the monitoring of controls with the executive monitoring sponsor is in progress.

CalHR provides administrative support functions (Human Resources, Accounting, Budgets, Contracting, and Information Technology) to SPB. SPB defers the monitoring of those functions provided by CalHR to their internal and external audit processes.

SPB division chiefs meet regularly with their division's management staff to review the division's risks, processes, and controls. These meetings provide an opportunity for the management team to suggest changes to department processes and controls to mitigate potential risks. The division chiefs discuss suggested changes with the executive monitoring sponsor, who monitors any agreed upon changes to ensure they are executed.

SPB management is responsible for governance and culture. SPB governance framework supports risk management practices. All management and professional staff are responsible for risk governance and risk management within their roles. Management is responsible for the following risk management segments:

- Risk identification
- Risk analysis
- Risk evaluation
- Risk mitigation and control (including risk treatment)

Governance framework with SPB is as follows:

Activity/Responsible SPB Staff

Overarching accountability for risk management and determining risks for the SPB

SPB Staff: Executive Officer

Oversight of the SPB risk management activities

SPB Staff: Executive Officer and Division Chiefs

Responsibility for the oversight and monitoring specifically of risks

SPB Staff: Division Chiefs, and Division Managers

Liaise with management in monitoring key risks and, where appropriate, report to Executive Officer to provide assurances concerning the management of risks within SPB

SPB Staff: Administrative Liaison Manager

Responsible for ensuring that risk management activities are carried out effectively within SPB and for promoting a culture that encourages strong risk management

SPB Staff: Executive Officer

Responsible and accountable to the Executive Officer to oversee implementation of the Risk Management Framework across SPB and ongoing risk reporting to Director

SPB Staff: Division Chiefs, Division Managers, and Administrative Liaison Manager

Responsible to develop and maintain risk tracking and report on risks

SPB Staff: Division Chiefs and Division Managers

Responsible to ensure staff are adequately trained in risk assessment and are acquainted with relevant policies and procedures

SPB Staff: Executive Officer, Division Chiefs, and Division Managers

Responsible for practicing risk management within the organization

SPB Staff: Executive Officer, Division Chiefs, Division Managers, and Professional Staff

The following methods were used to identify risks: brainstorming meetings, review results, and other/prior risk assessments.

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.

RISK ASSESSMENT PROCESS

The following personnel were involved in the State Personnel Board risk assessment process: executive management, and middle management.

The following methods were used to identify risks: brainstorming meetings, and other/prior risk assessments.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, and other.

RISK ASSESSMENT PROCESS

The following personnel were involved in the State Personnel Board risk assessment process: Executive Management.

Risk Identification

SPB executive management were instructed to identify issues they determined a potential risk to the department, mission, vision, or strategic goals. Consideration was based on the following:

- 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 management reviewed identified risks and ultimately submitted to the items listed in this report to the Executive Officer 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.

RISKS AND CONTROLS

Risk: Staff—Key Person Dependence, Workforce Planning

SPB relies on specific high-level individuals with significant knowledge and expertise in key areas, making the department vulnerable should those individuals leave, retire, or be absent for extended periods.

Control: A

Develop and implement a comprehensive workforce development plan to prepare staff to fill key positions.

- Identify gaps in the workforce development plan and develop solutions to address the gaps.
- Continue to provide Leadership Development Training for multiple levels of staff.

- Continually assess employee demographic information and career plans to anticipate staff attrition.

Risk: Operations: Staff Recruitment and Retention

Administrative Law Judges (ALJ's) continue to be paid a lower salary than the equivalent attorney classification. Recruiting high quality attorneys from within state civil service from the highest job classifications is nearly impossible.

Control: A

Currently, there is no control available to the Appeals Division at this time. SPB will strive to continue quality recruitment to the extent possible.

Risk: Staff- Recruitment, Retention, Staffing Levels

SPB continues to experience barriers that reduce its ability to recruit, hire and retain qualified staff in the Compliance Division. The Compliance Division analytical workforce consists of 20 Associate Personnel Analyst positions, all of which require extensive knowledge of the civil service employment system. Due to their specialized knowledge and experience with the SPB's auditing functions, these skilled professionals are highly sought after by other state government departments for positions with greater promotional opportunities.

This results in recruitment barriers leading to extended vacancies in Compliance positions. These barriers may affect the SPB's ability to carry out its mission effectively.

Control: A

Continue civil service improvement initiatives, in partnership with CalHR, which are focused on helping to simplify and improve the hiring process, particularly for highly technical or skilled professional classifications.

Control: B

Continue to provide onboarding activities for new hires and create new training and skill development opportunities for all staff to retain its workforce.

Risk: Oversight, Monitoring, Internal Control Systems

As the adjudicator in employee appeals related to disciplinary actions, violations of civil service law, and the merit selection system, the SPB frequently receives Public Records Act (PRA) requests for documents containing confidential and protected information. As with all public agencies handling PRA requests, the risk of inadvertent disclosure of information that is exempt from disclosure is a significant concern. Inadvertent disclosure can negatively impact the image of the SPB and the trust placed upon it by state employees, departments, and the general public.

Control: A

Continue internal control system designed to ensure PRA requests receive substantial review by the Legal Division prior to disclosure.

CONCLUSION

The State Personnel 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.

Suzanne Ambrose, Executive Officer

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