

December 19, 2019

Keely Martin Bosler, Director  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Ms. Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Commission on State Mandates 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 Heidi Palchik, Assistant Executive Director, at (916) 323-3562, Heidi.Palchik@esm.ca.gov.

## **GOVERNANCE**

### **Mission and Strategic Plan**

The Commission on State Mandates (Commission) is a quasi-judicial body whose statutory responsibilities are: To adjudicate test claims of local governments that allege the existence of reimbursable state- mandated programs and determine any costs required to be reimbursed; To hear and decide claims alleging that the State Controller's Office has incorrectly reduced payments to local governments for reimbursement claims; To hear and decide requests for mandate redetermination, alleging that the state's liability for a mandate has been modified based on a subsequent change in law; To determine the existence of significant financial distress for applicant counties seeking to reduce their General Assistance Aid payments.

The Commission is composed of seven members: The State Controller, State Treasurer, Director of the Department of Finance, Director of the Office of Planning and Research, a public member with experience in public finance, and two local elected officials.

### **Vision**

The Commission on State Mandates timely renders sound quasi-judicial decisions, in compliance with article XIII B, section 6 of the California Constitution, resolving disputes regarding reimbursement for state-mandated local programs and relieving unnecessary congestion of the courts.

### **Mission**

To fairly and impartially:

- Hear and determine matters filed by state and local government;
- Resolve complex legal questions in a deliberative and timely manner; and
- Produce clear, well-reasoned, and lawful decisions.

### **Values**

We act with professionalism, integrity, transparency, objectivity, and efficiency in making determinations. We value:

- Parties. We treat all parties with courtesy and respect and we consider their views with objectivity.
- Quality. We produce sound, well-reasoned decisions, in a timely manner, using innovative tools and techniques to improve our efficiency.
- Integrity. We demonstrate fair, honest, and ethical behavior.
- Safety. We provide a safe and healthy work environment to promote the physical and mental well-being of staff.
- Teamwork. We encourage cooperation and collaboration, and support personal and professional development.
- Sustainability. We ensure that our practices are protective of the environment and human health and are energy and resource efficient.

### Goals and Implementing Objectives

- A. Engage state and local agencies in the mandates process through regular outreach and training.
  1. Conduct a survey by July 2020 of state agencies and local governments, legislative staff, and known interested persons, to determine mandate-related training needs.
  2. Prepare an *Introduction to State Mandates* training video to be posted on the Commission's website by September 2020.
  3. Regularly provide training to state and local agencies and legislative staff on a variety of mandates-related issues.
    - a. By September 2020, prepare and provide training on preparing well-supported reasonable reimbursement methodologies (RRMs) to streamline the reimbursement claiming process for mandated programs, reduce the burden of documenting actual mandate costs, increase cost-efficiency for mandated activities, and improve predictability of annual statewide costs.
    - b. By September 2021, prepare and provide training based on survey responses.
- B. Ensure the Commission's information technology systems are committed to data security and integrity, while also providing an efficient and effective end-user experience.
  1. Proactively perform daily checks for available upgrades, patches, and security fixes for all software and hardware currently in use.
  2. Provide quarterly training to staff on security best practices and emerging or trending threats.
  3. Biannually perform external system penetration testing to verify perimeter system security.
  4. Verify data backups by performing monthly restores of sample data sets.
  5. Conduct a survey by July 2020 of external stakeholders to determine if the Commission's website provides a positive user experience and helpful user interaction.
  6. Solicit staff feedback quarterly for suggestions of technology improvements to increase efficiency and productivity.
- C. Promote staff development to retain leadership continuity, ensure critical knowledge (including

mandates expertise) is not lost, and bolster professional development.

1. Take appropriate steps to recruit a skilled workforce by utilizing diverse recruitment tools including LinkedIn and university career centers, beginning with recruiting for two recently vacated attorney positions to be selected by February 2020.
2. Take appropriate steps to retain a skilled workforce by providing a welcoming workplace and a robust wellness program that encourages healthy eating, exercise, stress management, and work-life balance.
  - a. By July 2021, the Program Analyst-HR will establish a well-rounded wellness program with regular healthy eating, exercise, and stress management events for staff and will provide updates and information at regular all-staff meetings.
  - b. Commission management will continue to ensure that staff regularly take time off and avoid accruing more than the maximum allowable hours of vacation/annual leave time; hourly staff work no more than their allotted hours; and exempt staff work an average of 40 hours per week while working all hours necessary to accomplish their assignments and fulfill their responsibilities.
    - i. In January of each year, supervisors shall review the leave balances of their staff and, if they will be in excess of the maximum allowed by January 1 of the following year, shall work with the employee to adopt a leave reduction plan to ensure the balance is at or below the maximum by January 1.
    - ii. Commission management shall continue to work with staff to approve leave requests throughout the year, consistent with the operational needs of the Commission.
    - iii. Commission supervisors shall ensure that excessive hours are not being worked by staff, and if they are, shall provide resources (such as training opportunities) to help staff more efficiently manage their workload.
3. Identify and begin to mentor appropriate staff, over the course of the next two years, to develop the skills necessary to succeed the current members of the management team upon retirement.
4. Prepare desk manuals and training tools for each Commission position by December 2020.
5. As part of the Commission's succession and workforce planning, cross-train staff to ensure that every duty has more than one staff member able to perform it by December 2021. As part of the cross-training effort, provide opportunities for staff to learn and do work in career paths which are of interest to them, other than their current path, either as a way to transition into a new career path or to learn new skills and prevent burnout while performing the work of the Commission.

## Control Environment

As the head of Commission on State Mandates, Heather Halsey, Executive Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

The executive monitoring sponsor responsibilities include facilitating and verifying that the Commission on State Mandates internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Heather Halsey,

Executive Director, and Heidi Palchik, Assistant Executive Director. The Commission's executive management team, consisting of the executive director, assistant executive director, and chief legal counsel, appreciates, models, and communicates the importance of a high standard of ethics by establishing published core values of: respect, quality, integrity, safety, teamwork, and sustainability. These core values shape the intention of staff actions in achieving the Commission mission. The Commission exemplifies its values through compliant recruiting and hiring, staff on-boarding and continuous training, annual staff review of all Commission policies and procedures and applicable updates including biennial Ethics Orientation training and a zero-tolerance policy for discrimination of any kind and long-standing office mandated training on sexual harassment, discrimination and workplace violence prevention, regular team and all-staff meetings where critical and beneficial information is shared, announced, and discussed. In addition, the Commission's executive management team meets weekly to identify, discuss, and document agency risks. Once a risk is identified, management also collaborates with staff and Commission members to identify controls to mitigate the risk.

The Commission conducts each recruitment pursuant to state and federal laws and the State's merit-based civil service system to ensure a competent workforce. Additionally, the Commission is utilizing the enhanced outreach and recruitment tools provided by the Department of General Services for difficult-to-recruit positions.

Commission management establishes and communicates performance expectations through compliant and well-written duty statements and expectation memos for each position and provides annual staff performance evaluations and regular feedback. The executive management team strives to enforce performance accountability through this feedback and takes formal disciplinary action, as necessary to further guide and instruct employees while protecting employees' rights. The Commission offers routine training specific and applicable to each position and encourages cross-training for critical duties and key positions to maintain continuity and consistency for the strategic business objectives of the Commission during unanticipated vacancies.

The Commission's executive management team understands the value of a work/life balance approach and encourages the use of accrued leave as a beneficial piece of the physical and mental well-being of staff resulting in higher productivity and improved moral in the workplace while maintaining harmony with the operational needs of the Commission. The Commission also realizes the impact of employee recognition and uses several methods to celebrate employee and agency successes including individual emails and handwritten notes of appreciation from the executive management team, agency-wide team building activities and events, as well as merit, accomplishment, and service awards.

## **Information and Communication**

The Commission on State Mandates has implemented and documented the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections

13400-13407. In addition to the Commission core values described above, Commission staff identified reliable and relevant information through an environmental analysis using the SWOT (Strengths, Weaknesses, Opportunities, Threats) framework and has adopted its current Strategic Plan which identifies several goals and implementing objectives to, in pertinent part: engage state and local agencies or external stakeholders, in the mandates process through regular outreach and training; and ensure the Commission's information technology systems are committed to data security while

providing an efficient end-user experience; and promote staff development. In doing so, the Commission offers training and briefings to state and local agencies and legislative staff on a variety of mandate-related issues. Also, the Commission's website is a source of mandate-related and agency information including Commission matters such as Test Claims, Incorrect Reduction Claims, Mandate Redeterminations, etc., agency reports, user instructions, hearing materials, and Commission decisions. The Commission also promulgates and maintains mailing lists for each Commission matter, hearing agenda, and rulemaking that complies with quasi-judicial due process principles to ensure proper service of all written materials.

Internally, the executive management team communicates information to staff through established channels about policies and operations as well as team and staff meetings, email blasts, bulletin board postings regarding the State's Whistleblower hotline for reporting ethical issues and the availability of Employee Assistance Program (EAP) resources. Commission management meets to identify deficiencies, sets reasonable timeframes to resolve deficiencies, and conducts thorough review to ensure proper and complete resolution. These processes include reviews, evaluations, and improvements to the Commission on State Mandates systems of controls and monitoring.

## **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 Commission on State Mandates monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Heather Halsey, Executive Director; and Heidi Palchik, Assistant Executive Director.

As the head of the Commission on State Mandates, Heather Halsey, Executive Director, has statutory authority over resource allocation and personnel, and delegated authority over policy matters, as prescribed in regulation. The Executive Director is appointed by and serves at the pleasure of the Commission on State Mandates and is responsible for the overall establishment and maintenance of the internal control system. Heidi Palchik, Assistant Executive Director, under general direction of the Executive Director, has full management and supervisory responsibility for the administrative functions and day-to-day operations of the Commission and is the designated agency monitor. The Assistant Executive Director reports directly to the Executive Director. Commission staff continues to address the currently pending backlog of 41 test claims; and caseload of one parameters and guidelines, one parameters and guidelines amendment, three statewide cost estimates, five incorrect reduction

claims, and one mandate redetermination request by adhering to several strategies discussed in the backlog reduction plan submitted to the Department of Finance on September 17, 2019. A copy of the updated plan is on the Commission's website. Also, Commission staff continues to implement the goals of the Commission's prior Strategic Plan (January 2018 - December 2019) and updated Strategic

Plan (January 2020 - December 2021).

Specifically, Commission executive management meets weekly, conducts biweekly all-staff meetings, and continually communicates with staff and Commission members to discuss the possibility of risks and recognize unanticipated deficiencies as well as to document through email and written notice the corrective actions taken to monitor and mitigate the risk. Additionally, executive management prepares internal deadlines for each staff role in the mandate determination process to help ensure that statutory

deadlines are met and regularly confer with staff to check on status and also discuss any relevant issues that may hinder achieving the deadline. If there are continual problems with not meeting deadlines, additional or remedial training, feedback, and assistance is provided, and if necessary, corrective measures are implemented.

The Commission also undergoes review and audits by outside agencies. For example, the State Personnel Board conducts a triennial Compliance Review of the Commission's personnel practices; the Department of Technology conducts a biennial Independent Security Assessment of the Commission's information technology capabilities; the Department of General Services conducts a Purchasing Authority Accreditation assessment to renew the Commission purchasing authority; and the Department of General Services conducts a triennial Delegated Purchasing Program Audit of the Commission's procurement policies.

Commission management and staff utilize internal memos, email communications, policy and procedures, and a daily maillog to ensure the executive director is made aware of any deficiencies.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Commission on State Mandates risk assessment process: executive management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, 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 Commission's risk assessment process was informed by several related efforts. Most notably, the Commission updated and adopted its Strategic Plan in November 2019. Through the strategic planning process, the Commission reevaluated its vision, mission, and values and adopted a series of strategic goals and implementing objectives to carry out its mission, adhere to its vision and values, and to monitor and address agency risks.

The Commission's executive staff including the executive director, assistant executive director, and chief legal counsel meet weekly to identify and discuss issues, priorities, and risks to the agency.

## **RISKS AND CONTROLS**

### **Risk: Staff-Key Person Dependence, Workforce Planning**

The Commission, like many state agencies, faces a wave of retirements in the coming years that will include the majority of the Commission's executive staff. Because of the small size of the agency and structural organization, with no middle management to assume delegated authority, limited positions create challenges to sufficiently cross-train staff. As a result, critical agency functions may not be timely or accurately completed, critical institutional knowledge may be lost, and operations may be temporarily disrupted.

**Control: A**

The Commission is preparing for the loss of staff by implementing succession and workforce planning and knowledge transfer strategies and by recruiting, training, and retaining a skilled workforce. These measures are existing internal controls and are, in part, described in the Commission's Strategic Plan and include documenting processes, procedures, and tasks and cross-training staff in broad policies, responsibilities, program requirements, and processes to help ensure the Commission continues to operate effectively and efficiently and meet its statutory requirements. Specifically, the Commission will identify and begin to mentor appropriate staff, prepare desk manuals and training tools for each Commission position, and provide opportunities for staff to learn and explore career paths which are of interest to them while performing the work of the Commission.

**Risk: Staff-Recruitment, Retention, Staff Levels**

The Commission recruits and hires excellent staff, but because of the lack of promotional opportunities coupled with low state salaries compared to the private sector, especially for the attorney classifications, the Commission struggles to retain staff. As a result, the Commission faces high staff turnover in its highly-specialized positions, making it difficult to sustain a team of well-trained staff to meet its core mission which is to render sound quasi-judicial decisions interpreting claims filed pursuant to article XIII B, section 6 of the California Constitution, and to provide an effective means of resolving disputes over the existence of state-mandated local programs.

**Control: A**

Given the highly complex legal issues and high profile claims pending before the Commission, the difficulty of recruiting and retaining staff, especially attorneys that are well-suited to perform research that is very academic and painstakingly detail-oriented, and involves highly complex issues of first impression, and the lack of promotional opportunities, the Commission has recently reclassified one of its four attorney positions for recruitment and retention purposes and is now recruiting for that position.

**Control: B**

In its desire to recruit a highly skilled workforce, the Commission is expanding its recruitment efforts by utilizing diverse recruitment tools such as college career centers. The Commission is also taking steps to retain its valuable trained staff by providing a welcoming well-rounded workplace as well as a robust wellness program that encourages healthy eating, exercise, stress management, and work-life balance including regularly taking time off.

**CONCLUSION**

The Commission on State Mandates 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.

**Heather Halsey, 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