

December 17, 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 State Council on Developmental Disabilities 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 Douglas Sale, Deputy Director of Administration, at (916) 263-8114, douglas.sale@scdd.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The State Council on Developmental Disabilities (SCDD) is established by federal law (Developmental Disabilities Assistance and Bill of Rights Act) and state law (Lanterman Act at Welfare and Institutions Code, section 4520 et. seq.). SCDD is to ensure that individuals with intellectual and/or developmental disabilities (IDD) and their families participate in the planning, design and receipt of the services and supports they need which promote increased independence, productivity, inclusion and self-determination. SCDD does this through advocacy, systems change, and capacity building. Federal law requires SCDD to identify methods to improve and increase services for individuals and their families and to submit these to the federal government in the form of a State Plan. The State Plan is approved by the federal Administration on Community Living (ACL). ACL is the funding source for SCDD and its State Plan Activities. SCDD's primary work is achieving the State Plan goals, objectives, and strategies.

The Council is comprised of 31 members appointed by the Governor, including individuals with disabilities, family members of people with IDD, federally funded partners and state agencies.

In addition to headquarters in Sacramento, the Council directs 12 regional offices that carry out the State Plan regionally with individuals with IDD and their families. These activities include, but are not limited to, advocacy assistance, training, monitoring, and public information. By providing these services, regional offices ensure that appropriate laws, regulations and policies pertaining to the rights of individuals are observed and protected. Also, each SCDD office identifies and removes barriers that keep people with IDD from living integrated lives in the community.

The mission and vision of SCDD are as follows:

Mission: The Council advocates, promotes and implements policies and practices that achieve selfdetermination, independence, productivity and inclusion in all aspects of community life for Californians with developmental disabilities and their families.

Vision: Californians with developmental disabilities are guaranteed the same full and equal opportunities for life, liberty, and the pursuit of happiness as all Americans.

Additionally, SCDD has two Interagency Agreements with the Department of Developmental Services (DDS). One requires that SCDD deliver clients' rights and volunteer advocacy services (CRA/VAS) to residents of the state's developmental centers and a state operated facility. In order to carry out these responsibilities, SCDD staff members are housed at the facilities so as to be accessible to residents, staff and family members. The second Interagency Agreement requires SCDD to conduct assessments of individuals with developmental disabilities and their families who live in community-based settings to determine their satisfaction of their services and supports.

Control Environment

SCDD is a very small department with 70 employees statewide. SCDD management consists of the Executive Director and 3 Deputy Directors all in the Sacramento headquarters office. The Executive Director reports to the 31 member Governor-appointed State Council. The State Council provides oversight of the Executive Director, who oversees the SCDD as a whole. The 3 Deputy Directors and a Manager of Strategic Initiatives all report to the Executive Director. There are 12 Regional Managers in charge of each regional office and a State Plan Manager. These managers report to the Deputy Director of Planning and Regional Office Operations. There is a Communications Manager that reports to the Deputy Director of Policy and Public Affairs. There is a SSM II Budget Officer and a SSM II Personnel Officer reporting to the Deputy Director of Administration.

SCDD management is committed to integrity and ethical values. The Executive Director and Deputy Directors set the tone for the organization by leading by example given the small size of the organization. Management reinforces the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations, so that these priorities are understood by all stakeholders, such as regulators, employees, and the general public. SCDD has established a code and standards of conduct policy that is provided to all employees annually. This includes multiple avenues for employees to report ethical concerns (their respective manager in staff meetings, the Executive Director through regular staff meetings, the State Council, and the Whistleblower Hotline). Annual performance reviews of all managers include adherence to the conduct policy. SCDD has a zero-tolerance policy for deviations from certain expected standards of conduct.

The SCDD oversight structure consists of the State Council Administration and Executive Committees, the Executive Director, Deputy Director of Administration and Legal Counsel. The State Council is ultimately responsible for oversight of the SCDD and through regularly scheduled committee meetings and Council meetings, are provided with information by management. The State Council delegates to the Executive Director the responsibility for creating an oversight body responsible for establishing the system of internal control related to the administration of the organization and compliance with federal and state laws and regulations. The oversight body consists of the Executive Director, the Deputy Director of Administration (DDA) using the deputy's programmatic, financial, and technological expertise, and the Legal Counsel using counsel's legal and regulatory expertise. Through weekly deputy director meetings, the oversight body scrutinizes and questions management's activities, presents alternative views, acts when faced with obvious or suspected wrongdoing and reports to the Administration and Executive Committees.

The oversight body is responsible for SCDD's Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring activities. The Administration Division and Legal Counsel are the appropriate entities within SCDD's organizational structure to achieve these objectives and identify related risks as the Administration Division contains the appropriate subunits (Personnel, Budgets, Contracts and Procurement, Audits) with established reporting lines within the organizational structure so that units can communicate the quality information necessary for each unit to fulfill its overall responsibilities. Reporting lines are defined at all levels of the organization and provide methods of communication that can flow down, across, up, and around the organization.

Documentation of SCDD's internal control system is maintained in the Administrative Policies Manual, which is updated annually. SCDD is committed to recruiting, training, mentoring and retaining competent individuals. This is done by our Personnel Office through the development of accurate duty statements, utilization of performance expectation documents, use of new employee onboarding materials, timely completion of probation reports and annual performance reviews and the provision of necessary training. Holding staff accountable at all levels is also a key component. SCDD is in the process of developing its initial workforce and succession plan with the assistance of CalHR.

Information and Communication

The oversight body is responsible for verifying that the SCDD internal control monitoring practices are implemented and functioning as intended. Since SCDD is a federally funded state department, the oversight body utilizes relevant information from the following reliable federal and state sources:

- The Federal Health & Human Services Agency Office of Inspector General monitoring reports of federal social services agencies such as SCDD.
- SCDD's federal funding agency - The Administration for Community Living Inspector General reports and guidance on the appropriate use of federal funds for state grant recipients and subrecipients.
- Guidance provided by SCDD's federal technical assistance provider for all State Councils - Information and Technical Assistance Center for Councils on Developmental Disabilities (ITACC).
- The California State Auditor (CSA) *Assessment of High-Risk Issues Faced by the State and Select State Agencies* reports.
- The CSA *Investigations of Improper Activities by State Agencies and Employees* reports.
- All relevant CSA reports.
- State Control Agency reports and guidance such as:
 - California Department of Technology reports and guidance for security of state information security assets and appropriate use of state information technology resources and equipment.
 - Department of General Services audit reports for purchasing, travel., etc.
 - Governor's Office of Emergency Services (CalOES) Continuity of Government operations guidance.
 - State Controller's Office compliance review reports.
 - State Personnel Board compliance review reports.
 - Department of Finance reports.
 - Fair Political Practices Commission (FPPC) reports and guidance on incompatible

activities.

The Deputy Director of Administration receives all of the above reports and guidance and is responsible for distributing the relevant information to appropriate staff. The DDA is responsible for leading teams of appropriate staff to address risks and deficiencies in the designated program areas. The head of Personnel, Budgets, and the Deputy Directors use this reliable and relevant information in fulfilling their responsibility for monitoring their respective part of the organization. They communicate the expectations to Regional Managers and line staff, who each have a role in monitoring for risks and reporting them through their supervisor. Each role is documented through duty statements and organization charts. Communication of monitoring activities, including progress and results, happens verbally, through email, and through assignments.

Internal control information is communicated externally to relevant control agencies such as DOF (SLAA reporting), SPB (HR compliance reviews), CSA, the federal Administration for Community Living (compliance with federal grant requirements) CDSS (audits for accounting, contracts and procurement), SCO (audits for travel).

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 Council on Developmental Disabilities monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Aaron Carruthers, Executive Director; and Douglas Sale, Deputy Director of Administration.

As the head of State Council on Developmental Disabilities, Aaron Carruthers, Executive Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

Executive Monitoring Sponsor

The executive monitoring sponsor responsibilities include facilitating and verifying that the State Council on Developmental Disabilities internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Aaron Carruthers, Executive Director and Doug Sale, Deputy Director of Administration.

Monitoring Activities

Monitoring is a continuous, ongoing process. It starts at the top, and includes regular meetings with the Executive Team (deputy directors and legal counsel) led by the Executive Director. The meetings include a review of financial, information technology, personnel, and programmatic operations risks and deficiencies. With an organization of 70 employees, the Executive Team meetings are able to assess the entire entity. The results of monitoring and corrections have achieved the expected results.

Addressing Vulnerabilities

The Executive Team meets weekly to review and address deficiencies. Risks are prioritized based on the likelihood of occurring and the impact to the organization and its mission if the risk occurs. Per guidance from the Executive Team, the Executive Director assigns individual staff or task forces as necessary to address specific issues. Task forces report regularly to the Deputy Director of Administration until the issue has been resolved.

RISK ASSESSMENT PROCESS

The following personnel were involved in the State Council on Developmental Disabilities risk assessment process: executive management, middle management, and front line management.

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

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 State Council on Developmental Disabilities risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

Risk Identification

SCDD utilized DOF tools to identify risks, including the "GAO Standards for Internal Control in the Federal Government," "SLAA Risk Categories Overview" and "Developing a Risk Statement." These tools were used to provide framework and structure to the identification of risks.

Risk Ranking

Risks were ranked on two scales: 1) how likely the risk was to occur and 2) the impact to SCDD's mission if the risk occurred. Those with a medium to high likelihood of occurring and a medium to high impact to the mission are addressed in this report.

RISKS AND CONTROLS

Risk: Succession Planning

A large percentage of SCDD leadership is nearing retirement age without suitable replacements. Especially the Regional Managers. Personnel conducted a review of all SCDD managers SSM II and above and found that over half are expected to retire in the next 5 years. SCDD is very small with only 70 total staff and the qualifications for management positions are very specialized and difficult to recruit.

Control: A Develop a Succession Plan

SCDD Personnel Officer completed CalHR Succession Plan training and is in the process of developing SCDD's first workforce succession plan.

Risk: Quality Assurance Program Funding

DDS has informed SCDD that as part of the new QA Interagency Agreement, DDS will be wanting additional work performed and additional documentation of activities performed by SCDD staff funded by the QA program to increase the consumer response rate of the surveys. This could result in a reduction in reimbursement funds from DDS if they want fewer SCDD staff involved in the work.

Control: A Negotiate with DDS

The Deputy Director of Administration and the QA Program Manager have begun negotiating with DDS management to discuss the terms of the new Interagency Agreement. SCDD has already begun providing enhanced line item expenditures and progress report narratives with the invoices per DDS's request.

Risk: Federal Funding is Delayed/Uncertain

In recent years, Congress and the President have not agreed on federal budgets and as a result, instead of an annual appropriations bill, the Developmental Disabilities (DD) Act program is funded by short term, temporary continuing resolutions. The President has proposed a significant reduction to the DD Act State Council program, which would cut the SCDD's federal funding by 25%, resulting in potential staff layoffs and termination of federally funded grant programs.

Control: A Expenditure Reduction Plan

In the event the Congress were to enact the President's proposed cut, the SCDD has established a contingency plan to minimize the impact to grantees and staff. For staffing, immediate hiring freezes would go into effect with staff reductions through attrition and transfer to other departments. For grantees, the State would utilize prior year unspent federal dollars to augment the current year reduction, giving grantees an additional year to adjust their grant programs to compensate for the loss in federal funding.

Risk: CRA/VAS Funding

The closures of the Sonoma and Fairview Developmental Centers is resulting in a lack of work for DDS-funded SCDD employees in the CRA/VAS program. Staff could be facing transfer to another program if DDS does not agree to an increase in the existing scope of work for the program.

Control: A Negotiate with DDS

SCDD has formally proposed to DDS changes in the scope of work that would keep all CRA/VAS employees working until 6/30/2022, which is the current Inter-Agency Agreement end date. If DDS does not respond by 12/31/2019, two staff will be transferred from CRA/VAS activities to Basic State Grant activities effective 1/1/2020.

Risk: Recruitment/Retention of Staff

The inability to recruit and retain qualified staff can adversely impact the services to the intellectual/developmentally disabled (I/DD) community due to the lack of timely technical assistance and program guidance from the SCDD.

Control: A Develop Recruitment/Retention Strategy

The SCDD has not had a recruitment and retention problem to date. However, with the likelihood that several regional managers and key HQ staff will retire in the next 2 years, the need exists to recruit candidates that are well versed and experienced in I/DD issues. The SCDD Succession

Plan that is currently being developed will help SCDD address this risk area.

Risk: Inefficient State Plan Activity Reporting

State Plan activity reporting is convoluted and inefficient, resulting in an inordinate amount of staff time to process and accurately report to the federal government, State Council and stakeholders. A system is needed to streamline the monthly state plan activity reporting statewide and to aggregate the data collected for better internal analysis.

Control: A Utilize Data Collection & Analytics Software

In May 2019 SCDD purchased Qualtrics data collection and analytics software and is in the process of using Qualtrics to rebuild the state plan monthly activity report form and to automate it by creating a phone app that sends the report in real time. Data is aggregated and HQ staff can quickly analyze the data in an infinite variety of ways.

Risk: Insufficient Federal Funding

Federal DD Act funding is not increasing at the same rate as SCDD costs mainly due to staff salary and benefit increases and increases in leased office space. The recently approved state worker bargaining unit contracts provide staff with a 7.5% pay raise and \$3,000/year health benefits increase from 7/2020 - 6/2022. Without federal funding increases, SCDD's federal funding will no longer be sufficient to enable SCDD to perform all of its statutory activities in the W&I Code. As a result, SCDD may not have the resources to submit an annual report to the legislature, comment on the state plans of other disability-serving state agencies, and review the budgets of the regional centers, among other things.

Control: A Request General Funds

SCDD must seek additional funding through the legislature if Congress does not appropriate additional DD Act funds to state councils.

CONCLUSION

The State Council on Developmental Disabilities 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.

Aaron Carruthers, 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