

December 28, 2017

Alexis Podesta, Secretary
California Business, Consumer Services and Housing Agency
915 Capitol Mall, Suite 350-A
Sacramento, CA 95814

Dear Ms. Alexis Podesta,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Fair Employment and Housing 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 DeLesa L. Swanigan, Deputy Director of Administration, at (916) 585-7064, delesa.swanigan@dfeh.ca.gov.

BACKGROUND

The mission of the DFEH is to protect Californians from discrimination in employment, housing and public accommodations, and from hate violence and human trafficking. The Department enforces the Fair Employment and Housing Act (FEHA), Unruh Civil Rights Act, Disabled Persons Act, Ralph Civil Rights Act, the California Trafficking Victims Protection Act, and other laws. The DFEH's jurisdiction extends to individuals, private and public entities, housing providers, and business establishments within the State of California. The Department investigates, conciliates, and prosecutes complaints of discrimination, sexual harassment, retaliation, hate violence, and human trafficking.

ONGOING MONITORING

As the head of Department of Fair Employment and Housing, Kevin Kish, 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 Department of Fair Employment and Housing internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: DeLesa L. Swanigan, Deputy Director of Administration.

MONITORING ACTIVITIES

Executive management, together with their program managers, are charged with reviewing and analyzing their program areas and business processes to identify potential issues that may impact their ability to carry out the department's mission. Identified risks are reported to the DFEH Director and Chief Deputy Director via monthly reporting or sooner depending on the severity of the issue. Division Chiefs are responsible for developing, implementing, and monitoring corrective action plans to address the risks. Additionally, identified vulnerabilities, risks, and/or threats are discussed with executive team members at weekly meetings. DFEH's executive team consists of the Director, Chief Deputy Director, and seven Division Chiefs who oversee the department's Administration, Communications, Dispute Resolution, Enforcement, Executive Programs, Information Technology, and Legal divisions. The

Director, Chief Deputy Director and, in some cases the executive team, reviews, discusses, and monitors the corrective action plans to ensure progress is being made toward eliminating the risks.

ADDRESSING VULNERABILITIES

Corrective action items identified in the current SLAA report are reviewed, discussed, and monitored by the DFEH executive team. All items in the plan will be addressed by December 31, 2019. Other identified vulnerabilities are discussed regularly among Executive Staff during weekly meetings. Upon identification of a deficiency, the Division Chief in the area in which the deficiency has been identified is responsible for developing, implementing, and monitoring a corrective action plan. The Director and Chief Deputy Director monitors the plan to ensure progress is being made toward correcting the deficiency.

COMMUNICATION

Executive Staff report activities toward monitoring and addressing corrective action items and results to the Director and Chief Deputy Director via monthly written reports. The information is also discussed at weekly executive team meetings. Executive Staff and program managers communicate pertinent information to their managers and staff during regularly scheduled meetings. Significant items are also reported to staff during DFEH's quarterly all-staff meetings.

ONGOING MONITORING COMPLIANCE

The Department of Fair Employment and Housing 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 Department of Fair Employment and Housing systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Fair Employment and Housing risk assessment process: Executive Management, Middle Management, and Front Line Management.

RISK IDENTIFICATION

In addition to engaging in ongoing processes for identifying and planning for the mitigation of risks, the Department takes additional steps in preparing its SLAA report. The SLAA Coordinator presents Executive Staff and the management team with SLAA information including a series of questions related to risks in our environment. Each Division Chief and subordinate managers were required to review their individual areas utilizing these questions to identify any significant issues that could potentially impact the Department's ability to effectively carry out its mission.

RISK RANKING

To begin this process of identifying risks, Executive Staff and the management team were presented with a series of questions, examples of which are listed below:

- What is our greatest legal exposure?
- What might prevent us from fulfilling our mission?
- What could go wrong in meeting a particular goal, objective, or critical function?
- How could someone steal from your unit?
- Is cash received handled properly?

- How could we lose credibility with control agencies, the Legislature, the public?
- What might cause a potential disruption in our operations?

Executive Staff then developed a list of potential risks. Risks were prioritized based on severity and timeliness of a plan of action and implementation. Those risks that could be quickly remedied were placed at the bottom of the list. Risks that have a severe and likelihood of impact, but require a longer period to correct were placed at the top of the list and included in this report.

RISKS AND CONTROLS

RISK: OPERATIONS -INTERNAL-RESOURCE MANAGEMENT—ALLOCATION, LEAVE BALANCE

The Department's Budget is made up of General Fund and Federal Fund Authority. On average, the Department's Federal receipts are significantly lower than the Federal Fund Authority. For example, the Department's Federal Authority for FY 2017-18 is \$5,689,000; however, the Department will only receive \$4,245,151 in Federal Receipts creating a \$1.4 million dollar shortfall and a structural deficit.

CONTROL A

The Department must maintain several vacancies throughout the year and implement other cost savings initiatives in order to pay all necessary costs.

CONTROL B

The Department will submit a Budget Change Proposal to address the structural deficit.

RISK: COMPLIANCE-INTERNAL-STAFF ADHERENCE TO POLICIES, PROCEDURES, OR STANDARDS

While the DFEH has made progress in updating its administrative policies and procedures that had not been updated since 2006 and 2007, there are several remaining policies and procedures that need to be updated to ensure consistency throughout the department. Updated policies and procedures will also minimize the Department's exposure to risk, and will assist when an issue arises due to a policy or procedure not being adhered to.

Additionally, DFEH recently launched a new online case management system called the Cal Civil Rights System (CCRS). With implementation of the CCRS, all policies and procedures related to complaints and the investigative process will need to be reviewed and updated. The lack of sufficient policies and operational procedures for the new system could result in a degradation of services and hinder the Department's ability to efficiently carry out its mission.

CONTROL A

The Department has obtained a Retired Annuitant to work exclusively on updating and creating new administrative policies and procedures for the Department. It is anticipated that all essential policies and procedures will be complete by December 31, 2018.

Additionally, the Department recently acquired two (2.0) additional resources through a Budget Change Proposal. In addition to performing other work, these resources are dedicated to reviewing and revising all policies and procedures that are changing as a result of CCRS and developing new policies as needed. The policies and procedures will be disseminated to staff upon completion. The Department anticipates that this process will be complete by June 30, 2019.

RISK: OPERATIONS -INTERNAL-STAFF—KEY PERSON DEPENDENCE, WORKFORCE PLANNING

The Department must develop an effective succession plan to increase the availability of experienced and capable employees who are prepared to assume leadership roles within the organization, when needed, to ensure leadership continuity. Until recently, DFEH maintained a stable core workforce with considerable institutional knowledge of the Department's programs and operational processes. However, several individuals who had been with the department 20 plus years retired within the past year and many others are projected to retire within the next five years. The Department currently does not have an adequate succession plan in place which jeopardizes the Department's ability to strategically identify, train, and develop potential future leaders and capture retiring employees' institutional knowledge. This lack of development and knowledge transfer can result in a loss of continuity and hinder the Department's ability to effectively carry out its mission.

CONTROL A

The Department plans to develop a succession plan that provides the following:

- Identifies and prioritizes leadership positions
- Identifies talent pool and gaps
- Clearly articulates the Department's succession planning strategies

The Department anticipates developing the succession plan by December 31, 2018.

RISK: OPERATIONS -INTERNAL-PHYSICAL RESOURCES—MAINTENANCE, UPGRADES, REPLACEMENTS, SECURITY

As a result of various budget reductions in the past, DFEH downsized and closed facility space. Specifically, since January 2008, the department went from having nine offices to five offices throughout California. However, the department recently received additional staff resources through a Budget Change Proposal (BCP). Consequently, the department currently does not have sufficient space to house all of its budgeted staff.

CONTROL A

The DFEH received funding from a BCP for additional space. The DFEH plans to expand into the space adjacent to its existing headquarters facility and is currently working with the Department of General Services to finalize the lease so the lessor can move forward with the required tenant improvements. The DFEH expects to occupy the new facility no later than December 31, 2018. In the interim, DFEH is converting conference rooms and any other usable space to house staff.

RISK: OPERATIONS -INTERNAL-NEW SYSTEM IMPLEMENTATION (OTHER THAN FISCAL)

With the implementation of our new Cal Civil Rights System (CCRS) case management system, it is imperative that staff are properly trained in the use of the new system to maximize its capabilities and achieve efficiency.

CONTROL A

The Department is mitigating this risk by training staff on how to use the new application. Concurrently, we are identifying additional training needs. The new training will be developed and rolled out by December 31, 2018.

CONCLUSION

The Department of Fair Employment and Housing 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.

Kevin Kish, 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