December 26, 2019

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 (Leadership Accountability), the Department of Consumer Affairs Regulatory Boards 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 Kimberly Kirchmeyer, Director, at (916) 574-8200, Kimberly.Kirchmeyer@dca.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The mission of the Department of Consumer Affairs (DCA or Department) is to protect California consumers by providing a safe and fair marketplace through oversight, enforcement, and licensure of professions.

The strategic goals are as follows:

1) Enforcement - DCA ensures its boards and bureaus prevent, reduce, or eliminate unlicensed activity and harmful conduct by licensed professionals who pose a threat to the health, safety, and welfare of Californians;

2) Licensing - DCA ensures its boards and bureaus expeditiously license qualified applicants to allow timely entrance into the California workforce, avoid establishing artificial barriers to licensure, and maintain consumer protection;

3) Policy and Consumer Advocacy - DCA advocates on behalf of consumers by ensuring that statutes, regulations, policies, and procedures support and further the mandate and mission of DCA;

4) Communication - DCA provides relevant, timely, and accurate information to all stakeholders;

5) Services - DCA provides services to support its boards and bureaus while ensuring compliance with existing laws, rules, and best practices;

6) Technology - DCA explores opportunities to address business needs through technology solutions; and

7) Organizational Effectiveness - The DCA standard is to build an exemplary organization through governance, effective leadership, performance, and service.

Entities included under DCA's reporting responsibility are comprised of all DCA programs, the Bureau of Automotive Repair, the Bureau of Cannabis Control, the Cemetery and Funeral Bureau, the Bureau of Household Goods and Services, the Bureau of Private Postsecondary Education, the Professional Fiduciaries Bureau, the Bureau of Real Estate Appraisers, the Bureau of Security and Investigative Services, and the Arbitration Certification Program.

Control Environment

DCA management establishes an effective control environment in the following ways:

- Establishment and demonstration of integrity and ethical values is done through the ethics training requirement and completion of the Form 700. Additionally, staff are made aware of the Whistleblower Act and process to make a complaint. The department drafts and maintains policies, including acknowledgement forms to demonstrate its position on integrirty and ethical values.
- The management philosophy and operating style is supported and dictated through regular meetings among executive staff and trainings.
- The organizational structure is detailed on organizational charts for each bureau and program within the department. Employees are made aware of their role, as well as the reporting structure.
- Documentation of the control system is maintained through departmental memorandums, policies, unit policies and procedures.
- In order to maintain a competent workforce, the department has a workforce succession plan, adheres to training requirements of all employees, and has an established training solutions program which provides or coordinates department-wide training to staff, as needed.
- Enforcement of accoutability is facilitated through annual reporting, sunset review, and boards meetings. Additionally, on an individual basis accountability is enforced through the use of the human resources, legal affairs and equal employment opportunity offices.

Information and Communication

DCA is required to collect and communicate information about operational, programmatic, and financial decision-making via several reporting mechanisms. Administrative data is collected, tracked, and reconciled on a continuous basis within DCA. For example, incremental budget changes, organizational charts, and position lists are typically sent monthly to the Budget Office and Office of Human Resources within the Office of Administrative Services. In addition, business continuity plans, workplace inspection reports, equipment purchases, fleet management reports, and emergency preparedness and evacuation plans are provided on a quarterly or annual basis, depending on respective authority. Administrative data collection points are reported and validated by state control agencies on a regular basis.

DCA also maintains a Policy Review Committee (PRC) to ensure relevant policies and departmental procedures memorandums (DPMs) are updated to reflect current mandates as well as the development of new policies and DPMs in response to new mandates. The PRC is a group of DCA employees delegated by the Director to review and recommend adoption of policies and provide any necessary guidance on DPMs. The Director can revise the membership of the committee at any time. Policies and DPMs are issued and signed by DCA executive management responsible for the specific policy/DPM

content. Executive Management includes deputy, division, or program chiefs. Executive management coordinates with their counterparts in other divisions when content overlaps scope of responsibility or jurisdiction, and/or impacts another office, bureau, board, program, division, committee, or commission to ensure the reliability of the information contained in the policy or DPM.

DCA divisions and units have dedicated staff (e.g., HR and Training liaisons) to facilitate communication across all staff and management.

DCA maintains the Office of Board and Bureau Services to facilitate communication across organizational lines as well as hosting Director Quarterly meetings. DCA executive staff also have regular meetings with the Business, Consumer Services and Housing Agency, the Governor's Office, control agencies, and legislative staff.

As requested, DCA staff will meet with external stakeholders. And, in conjunction with DCA, boards, bureaus, committees and commission staff, will meet with external stakeholders.

DCA employees are encouraged to report inefficiencies and inappropriate actions to management and other decision makers using their respective chain of command or as instructed within applicable policies. For example, ISO 16-01 Acceptable Use of Information Technology Systems; OHR 14-01 Incompatible Work Activities; EEO 18-02 Non-Discrimination Policy and Complaint Procedures, and EEO12-01 Sexual Harassment Prevention Policy provide direction for reporting inefficiencies and inappropriate actions.

DCA employees can report alleged threats or acts of workplace violence to the Division of Investigation (DOI), Special Operations Unit (SOU) in accordance with DCA's Workplace Violence Prevention Policy DOI 19-01.

DCA maintains the Internal Audit Office and the Equal Employment Opportunity Office for reporting inefficiencies and inappropriate actions, including the annual posting of the Whistleblower poster and brochure from the California State Auditor's Office. DCA is committed to providing a safe and healthful work environment and provides the services of DCA supervisors/managers, DOI SOU and OHR to assist in resolving workplace conflicts.

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 Department of Consumer Affairs Regulatory Boards monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Brian Clifford, Senior Planning and Implementation Manager.

DCA leadership ensures that knowledgeable, experienced managers are hired and empowered to carry out the responsibilities of their units. Regular meetings occur to review performance and potential risks. Enterprise-wide issues are assigned to executive or senior staff, who may be assisted by other lead staff, to ensure resolution.

DCA management works closely and meets regularly with staff and liaisons at DCA boards and bureaus to ensure that all processes and procedures are followed. Key metrics are reviewed periodically to identify potential issues to escalate to executive or senior staff for resolution. When a

lack of clarity is identified with an issue, processes are amended or further developed. When issues are resolved, the resolution is documented to provide a historical record for potential futures issues that may be related.

Control agency requirements are appropriately coordinated with key staff throughout DCA to ensure compliance with state administrative procedures. Additionally, DCA regularly reports to these agencies point-in-time status updates as needed.

DCA's Internal Audits Office also serves as a resource to ensure that DCA and its boards and bureaus follow appropriate processes when carrying out mandated duties.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Consumer Affairs Regulatory Boards risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, and audit/review results.

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

RISKS AND CONTROLS

Risk: Fi$Cal Impacts to Operations and Decision Making

Accurate and timely revenue and expenditure reports are not currently available from the Fi$Cal system and this ultimately results in the Department being unable to produce timely reconciled monthly and year-end financial statements. Specifically, the Department is unable to run timely reports, verify postings, or quickly correct data entry errors that may have occurred in the process of uploading data. This results in information lags as well as in poor, and inaccurate, real-time reports. Further, reports generated from the system often track awkward reconciliation points or contain incomplete or not user-friendly data. Accurate and usable reports are needed to make prudent budget and operational decisions. Many departmental funds are critically low, so understanding cash balances and expenditure status is essential. Fiscal staff, as a result, often manually track unresolved Fi$Cal issues in an effort to provide better real time data to program managers. This adds significant staff time, and the manual preparation of reports outside of the system opens the Department up to a larger opportunity for making unintended errors. As control agencies continue to onboard new functionality onto the system, standing fiscal office procedures are often changed with little to no warning or training. This is difficult and frustrating for staff as, due to the sheer volume of transactions and 74 funds, the Department is continually challenged to reconcile.

> #### Control: Elevating Issues to Fi$Cal Staff and Requesting Additional Technical Assistance
>
> The Department is in communication with Fi$Cal staff on a daily basis to resolve open ticket items, which include corrections and report suggestions within the system. The Department continues to advocate to have a full-time in-house programmer (versus eight hours a week) from Fi$Cal to be

dedicated to DCA issues.

Control: Independently Trying to Improve Reports

The Department has contracted with a private consultant to try to address inadequate accounting report features and is working internally to try to develop information technology solutions that can reorganize Fi$Cal data into more usable budget reports.

Control: Participating in Data Sharing Opportunities

The Department is currently participating in all available Fi$Cal training and community forums to gather and understand Fi$Cal procedures and solutions for known problems.

Control: Providing Feedback and Requesting Additional Training and Tools

The Department continues to provide regular daily feedback to Fi$Cal liaison staff on areas of concern. Subject matter experts regularly request additional training and tools for specific items of concern.

Control: FY 2019-20 Budget Change Proposal (BCP)

The Department received a two-year limited term BCP in the 2019-20 budget cycle to provide staff for immediate workload concerns and for resources to hire external contractors (in 2019-20 only) to improve reporting functionality. The Department will continue to assess ongoing resource needs and will request a follow up BCP for consideration in the 2021-22 budget cycle if warranted.

Risk: FI$Cal Vendor Payment

The implementation of FI$Cal has resulted in a lack of ad-hoc reporting functionality and data integrity. Staff cannot accurately track pending encumbrances to ensure timely payment for services and goods rendered. This has resulted in vendors refusing to provide goods or services in the future, which could negatively impact Department operations. Additionally, staff have experienced an increase in workload and longer processing times to issue a contract/purchase order.

Control: Manual Workarounds and Staff Redirection

The Department is maintaining spreadsheets outside of the FI$Cal system to mitigate data errors that would result in inaccurate information being reported to DCA boards and control entities. Centralized business services staff have also redirected internal resources to try to minimize the delay of payments to vendors.

Risk: Oversight, Monitoring, Internal Control Systems

The workload within the DCA divisions lacks adequate tracking systems to support transparency, accountability and efficiency. The lack of centralized, enterprise systems has led to longer processing times and inefficient processes. Disparate spreadsheets and localized databases are used to track the Department's physical assets, which in the case of computer devices may lower our cybersecurity profile. This tracking mechanism does not have a wireless scanner and barcoding capability to inventory equipment at the 98 field office locations. The Business Services Office does not have the

staff resources to conduct or maintain an onsite inventory. Similar non-centralized spreadsheets are used to track high-volume, critical transactions like hiring and recruitment efforts. The ease and agility by which personnel transactions are completed supports the Department's, boards and bureaus ability to achieve their core mission.

Control: Business Services Office

The Business Services Office (BSO) has policies and procedures in place for manually tracking inventory of assets, surveying of property and properly disposing of assets. In accordance with the State Administrative Manual (SAM), BSO issues property tags with newly acquired assets, and requires programs to document and submit a Property Transaction form that specifies the serial numbers and location of assets. Programs are required to notify BSO when assets are transferred from their original locations. This would include transfer within the Department, transfer to external entities or disposal of assets that have exceeded their useful life.

Control: Office of Human Resources

The Office of Human Resources (OHR) uses spreadsheets to track Request for Personnel Actions (RPA), position control and eligibility reviews.

Control: Business Modernization

The Department will prioritize business process analysis and modernization efforts for OHR and BSO. These business modernization efforts will utilize the Department's Organizational Improvement Office (OIO) for business process documentation and improvement and requirements gathering. Subsequent system acquisition will then be determined.

Risk: Exam Security

Exams could be compromised if not vigilant with examination security. There are numerous ways that examinations can be compromised, mostly due to lax security measures. For example, paper examination materials are left unsecured; software to protect access to item/question banks on computers is not installed; test takers are not supervised, using or taking notes for advantage; and, individuals involved in the development and administration of examinations are not vetted. These examples, and others, represent various ways examinations are subverted. Security measures must be robust to maintain the integrity of examinations. The consequences of failing to maintain security is examination exposure, licensing incompetent professionals, invalidating examination scores, impacting entry into an occupation, etc.

Control: Division of Programs and Policy Review

The Office of Professional Examination Services (OPES) is responsible for promulgating DCA's examination security policy that establishes standards and provides guidance for the security of licensing examination programs.

The standards include, but are not limited to: secure, safe storage room for examination materials (e.g., fire retardant materials, reinforced steel door, ceiling to prevent access from roof); check-in procedures for licensees participating in examination development activities as subject matter

experts (e.g., identification requirements and restriction of electronic devices); examination-related files are encrypted through item banking software and only accessible through restricted access servers; chain of custody protocol for paper copies of examinations transferred between clients and OPES; secure file transfer protocol (SFTP) transmission for examinations to administration provider; examination files are only accessible through restricted access servers; and monitoring of social media and other potential outlets for exam subversion. Implementation of security policy standards will help to ensure that examinations are not compromised.

Risk: Records Imaging Process

Entities using the File360 records imaging database do not retain copies of documents sent to BSO, Business Resources Unit (BRU) for imaging and do not receive the documents back from BRU once they are scanned into the system. There are no controls in place to ensure document submittals were scanned and filed accurately, which may result in illegible or lost/destroyed licensee/applicant documents.

Control: Transmittal Logs

To mitigate this risk, BRU is requesting clients submit a transmittal log that documents what is being sent to BRU for scanning. BRU will verify the documents were received according to the transmittal log. Once the documents have been scanned, BRU will notify the client and ask them to verify the documents are accessible to them in File 360 and scanned correctly. BRU will store the hard copy documents for three months. Prior to the end of the three month period, BRU will ask the client if they want the hard copies returned to them or destructed. BRU will proceed according to the client's request.

Risk: Division of Investigation Case Timeliness

The DCA Division of Investigation (DOI) has experienced several challenges that limit its ability to complete all investigations within one-year. The challenges include staff vacancy rates, increasing caseloads, and long wait times to acquire records from external entities.

Failing to complete cases timely could result in harm to the public. The subjects of the investigation are still practicing while investigations are pending. Additionally, if the case is not completed before the statute of limitations expires criminal and administrative actions cannot be filed.

Control: Specialization and New Processes

DOI will be reorganizing its workforce to specialize in sworn and non-sworn functions, filling vacancies, and pursuing new methods to expedite the acquisition of records. In addition, more internal monitoring of work productivity will also be performed.

Risk: Cost of Government Increases

Every year the cost of doing business increases. State salaries and benefits are adjusted annually and departments are expected to contribute toward retirement, the cost of State administrative oversight, and for continually increasing billed services. Most appropriation adjustments are typically addressed in the fall budget process, but revenues are not, which often results in structural gaps between revenues

and expenditures, which are seen in fund condition statements. The need for fee increases to boost revenues is becoming a lot more frequent than in past years.

Control: Fee Increases

The Department is working closely with the Department of Finance to monitor the cash reserves in numerous funds. Additionally, several funds are undergoing fee studies to determine how to appropriately adjust licensing fees as needed.

Risk: Leave Balance Liabilities

The Department has individuals with leave balances approaching or exceeding 640 hours. If individuals with high leave balances separate from state service, DCA would be required to pay out these balances. Due to limited funding in many areas, this could result in operational changes that could include having to keep key positions vacant in an effort to achieve required expenditure savings. In cases where positions must be left vacant, workload either must be absorbed or become backlogged.

Control: Leave Balance Reduction Plans

DCA tracks leave balances for all employees and has issued an internal policy requiring managers to work with staff to develop appropriate leave reduction plans that are compliant with existing leave statutes, regulations, and bargaining unit contracts.

Risk: Increased Attorney General Charges

The Attorney General notified DCA and its boards on July 1, 2019 that hourly billable service rates would be significantly increased effective September 1, 2019. Because rate increases were scheduled to take place so quickly, fees that fund revenue streams to support these payments have not been adjusted to cover the new rates. This has resulted in dwindling fund condition balances in numerous special funds.

Control: Fee Increases

The Department is working closely with the Department of Finance to monitor the cash reserves in numerous funds. Additionally, several funds are undergoing fee studies to determine how to appropriately adjust licensing fees as needed.

Risk: Safety and Security Improvements

The Department-occupied buildings across the state vary greatly and some buildings may have physical features and security procedures that could be enhanced to promote improved internal safety and security for staff and members of the public.

Control: Continued Emphasis on Employee Safety

DCA is working on developing a plan with California Highway Patrol (CHP) staff to review and assist DCA in evaluating facilities and entry points for best practice recommendations as they relate to physical and procedural safety improvements. Specifically, DCA plans to partner with CHP Area Safety Services Program personnel to conduct a series of building security inspections.

Resulting from the inspections, CHP will provide an evaluation of the Department's existing site security and crime prevention capabilities, and will offer any suggested improvements. To the extent costs are substantive, future funding requests will be considered for the cost of the surveys and any necessary upgrades to improve safety.

Risk: Access to Personally Identifiable Information

The DCA has identified that database systems provide staff access to licensee/applicant personal information. DCA staff, along with staff supporting boards, bureaus, and programs have access to personal information for applicants/licensees through the various licensing/enforcement databases such as BreEZe, CAS Teale, ATS, etc. Social security numbers, mother's maiden names, driver's license numbers, and criminal background history are all available to any DCA, board, bureau, program staff that have been provided access. This readily available personal information could potentially be used directly by DCA employees or sold in conjunction with identity theft schemes.

While this personal information is used to help identify individuals during the initial application process or properly utilized to evaluate any background concerns, the risk that this information could be misused exists.

Control: Division of Programs and Policy Review

Employees are required to sign policy #ISO 16-01 Acceptable Use of Technology Systems to prevent misuse of DCA equipment and information. In addition, employees able to view criminal background information submit their own fingerprints in order to be cleared through the CORI (Criminal Offender Record Information) process. However, further changes may need to be made to the database, so DCA can identify who accesses licensee/applicant information.

Having employees signing the policy acts as a deterrent as the policy outlines specifically not to store or transmit confidential information and the possible consequences. Having staff CORI cleared assures that DCA is not providing access to details about applicant/licensee background information to employees with a criminal history.

In an effort to mitigate the possibility of unauthorized access and use of personal/confidential information, ideally DCA would institute tracking mechanisms in place in their respective databases to identify by whom and when personal information was accessed for applicants and licensees. Staff knowing that there may be 'footprints' left when accessing information would decrease the exposure.

Risk: Data Security Awareness

The ever growing cyber-threat landscape places governmental data and computer assets in danger. Attempts to gain command and control of government networks is on the rise with socially engineered attempts through "phishing" or brute force attempts through distributed denial of service attacks. The Department must place high priority to staff security education and operational monitoring, detection and proactive environment hardening.

Control: Required Training

The Department requires all employees to take annual security awareness training.

Control: Scanning for Vulnerabilities and Weaknesses

The Department continually scans networks and applications for vulnerabilities and weakness.

Control: Cyber Security External Audits

The Department's cyber security posture is audited bi-annually by the California Department of the Military and bi-annually by the California Department of Technology.

Control: Remediation of Audit Findings

The Department works between audits to remediate audit findings and assess the operational security posture.

Risk: Department-wide Business Interruption

Natural disasters such as floods, earthquakes, and fires could disrupt business operations and threaten staff safety.

Control: Emergency Preparedness and Evacuation Plan

The Department's Emergency Preparedness and Evacuation Plan outlines the steps employees should take in the event of a natural disaster, terrorist threat, bomb threat, etc. The Department requires that each program under the Department prepare an emergency evacuation plan and also identify employees that require assistance during an evacuation.

During emergency situations, the Department's role is to support the functions of the boards and bureaus under the Department's purview. Those functions include licensing (verification and renewals), cashiering, communications with the public and licensees, exams and enforcement. The Department will operate under the conditions of the Business Continuity Plan to provide services to the boards and bureaus so that the boards and bureaus can maintain their vital functions.

Risk: DCA Resources May Be Inadequate

The increasing demand for administrative, policy, and technical support to boards and bureaus, as well as to external oversight entities, may outpace current Department staffing resources. For example, DCA's Office of Information Services (OIS) notes that the increasing number of successful technological implementations and driving demand for automation has increased the number of mid to large internal project requests. It is feared this increase may result in a diminished ability to complete projects timely or degrade overall service quality.

Control: Internal Workload and Resource Analysis

DCA is committed to continuous improvement and is analyzing potential staffing and resource needs for centralized services. As workload needs are determined, DCA will request additional positions and dollars as needed.

Risk: Recruiting and Retention

The Department has difficulty recruiting and maintaining staffing levels in some areas due to a variety of reasons such as cost of living disparities and specialized skill requirements. Civil service laws and regulations, and control agency requirements create additional restrictions and longer timelines for hiring and recruitment activities. Staff turnover and ongoing retirements continually result in vacancies and recruitment efforts are not always successful, particularly for highly specialized or technical units. Due to specific requirements needed for each classification, candidates often do not meet desirable qualifications or are not reachable on employment lists. Additionally, in some cases DCA does not have active employment lists for recruitment purposes when uncommonly utilized positions become vacant. In particular, difficulty recruiting and retaining sworn staff has resulted in longer investigative case completion timelines, which affects consumer protection.

Control: Continued Training and Education on State Hiring Requirements

DCA holds human resources forum meetings quarterly and human resources training twice a year to train and educate Departmental staff on updates to the laws, regulations, the state recruitment process, and how to best streamline each required step.

Control: Continued Emphasis on Difficult Recruitment

In cases where DCA does not have active employment lists, managers are encouraged to work with human resources staff to find available employment lists and/or to create and offer exams to drive new lists as needed.

To specifically address the difficulty in recruiting and retaining sworn staff, DCA's DOI has improved its recruitment and hiring process by mass marketing job openings and listing continuous hiring ads. Multiple candidates are selected through the initial background process to speed up the hiring process when there is a sworn vacancy.

Lastly, in cases where managers do not believe existing classifications accurately represent workload complexity, managers are encouraged to work with human resources staff to request CalHR consideration of new pay differentials or classifications. For example, currently the Bureau of Real Estate Appraisers (BREA) has noted difficulty recruiting Property Appraiser/Investigator positions with certified general real estate appraiser licensees and has committed to elevating their concerns for review.

Control: Continued Office Improvement Analysis

DCA's OIO works with DCA divisions, bureaus, and boards to help document business processes via staff interviews, job shadowing, and process mapping. This can help areas manage workflow backlogs and plan for impending retirements. OIO also assists leadership with the transition to new

staff and processes.

Control: Continued Emphasis on Succession Planning Activities

In cases where turnover is high, managers are encouraged to engage in active succession planning by cross-training existing staff, allowing for job shadowing opportunities, creating job aids and desk procedures, providing hands-on training, and shifting limited resources temporarily to address workload.

Control: Continued Emphasis on Training and Team Building for Staff

Managers throughout the Department are conducting team building activities and both formal and informal trainings for managers and staff. For example, the Bureau of Private and Post-Secondary Education (BPPE) has actively been working with internal leadership to incorporate learnings from Jim Collin's book "Good to Great." In addition, BPPE notes they have been conducting employee engagement surveys to assist in managers in providing appropriate training, team building, and employee support.

Control: Internal Workload and Resource Analysis

DCA is committed to continuous improvement and is analyzing potential staffing and resource needs in the human resources area. As workload needs are determined, DCA will request additional positions and dollars as necessary to address recruitment and outreach efforts.

Risk: Examination and Certification Online System (ECOS)

Examination and Certification Online System (ECOS) is the business side of CalCareers, which departments can use to post job vacancies, collect applications, order certification lists, and recruit and fill positions. The implementation of ECOS requires additional staffing resources to perform tasks related to the application process such as redacting confidential information that applicants disclose on their applications, and the manual uploading of applications received via regular mail or drop off, etc. Additionally, when the ECOS system has glitches or scheduled system maintenance occurs, DCA is unable to access applications which creates a delay in the recruitment process.

Control: Ongoing Training for Staff and Hiring Managers

DCA provides bi-monthly, or as needed, training for staff and hiring managers on how to most efficiently use ECOS.

Control: Clarify Instructions on Job Postings

Human resources staff add statements on job postings advising applicants to not disclose confidential information on their applications.

Control: Internal Workload and Resource Analysis

DCA is committed to continuous improvement and is analyzing potential staffing and resource needs in the human resources area. As workload needs are determined, DCA will request additional positions and dollars as needed.

Risk: Department-wide Communication

Inconsistent or lack of Department communication leads to breakdowns in procedure, expectations, initiative and relationships throughout the organization which causes an overall disruption in consumer protection.

Control: Communications Plan

To mitigate this risk, the Department will work on developing an internal Communications Plan, that will be drafted by the end of 2020, in conjunction with DCA's Strategic Plan.

Control: Consistent Communication

To further mitigate this risk, provide consistent communication to DCA employees, boards and bureaus to enable staff to recognize their part in the larger DCA community, increase transparency, breakdown silos and adhere to DCA policies and department procedures via multiple communication channels.

Risk: Americans with Disabilities Act Compliance

The Department has a large volume of non-Americans with Disabilities Act (ADA)-compliant documents available on its 40 public websites. The ADA (Section 508) requires artifacts (documents, web pages, video content) be ADA-accessible. AB 434, Statutes of 2017, required ADA compliance for all documents and internet websites. AB 434 added language to the Government Code that required California agencies' web content to be compliant with the Web Content Accessibility Guidelines (WCAG) version 2.0. The WCAG is a documented compliance structure for web pages, sites and functionality. The Department's web site inventory will be completely WGAC 2.0 compliant by December 31, 2019. The large inventory of enforcement documents, required to be posted, are generally scanned documents that, without remediation, are not compliant. With the substantial amount of documents needing to be addressed, this will result in significant costs to the Department.

Control: Department-wide Mandate

The Department has mandated that all web content (web pages, documents, videos, etc.) posted after July 1, 2019, be compliant with WCAG 2.0. Accessibility checking tools are used to assess compliance before all web content is posted. Due to the significant costs, the Department will be seeking a BCP to address ADA Compliance.

Control: Create New Processes

The Department will work with the California Department of Justice and the California Office of Administrative Hearings to create processes that deliver compliant documents. These two agencies are the largest source of the posted PDF content.

Control: Remediation of Non-Compliant Documents

The Department will pursue a contract to remediate the large, historical inventory of non-compliant documents.

Control: Offer Trainings

The Department will document and operationalize training on the creation of accessible documents and the remediation of documents. The Department will leverage trainings offered by the California Department of Technology and the California Department of Rehabilitation.

Risk: Regulation Approval

The Department of Consumer Affairs issues licenses, certificates, registrations, and permits in over 250 business and professional categories through 37 regulatory entities comprised of boards, bureaus, committees, a program, and a commission. These 37 entities set and enforce minimum qualifications for the professions and vocations they regulate, which requires them to promulgate regulations.

Prompted by an increase in the number of regulations disapproved by the Office of Administrative Law, in late 2016, the Department and the Business, Consumer Services and Housing Agency (Agency) changed the process for reviewing regulations. The resulting enhanced scrutiny from the Department and Agency successfully reduced the number of disapproved regulations because it led to a more thorough examination of regulation packages. But while disapproval rates plummeted, a consequence was lengthened timelines to adopt regulations.

Control: Increased Training and Scrutiny of Regulation Packages

The Department was authorized in the 2019 Budget Act to hire six attorneys, a senior legal analyst, and a research program specialist II to increase its capacity for developing, reviewing and issuing regulations. The Department's attorneys are being trained by the Office of Administrative Law to review regulations. The Department is also conducting training of all participants in the regulations process to improve regulation packages and timelines. In addition, the Department is developing a department-wide computerized regulation management and tracking system to better track and streamline the review of regulations.

Risk: Workers' Compensation Representation

Employers are required by law to pay for Workers' Compensation benefits when an employee is injured on the job. DCA is covered under the CalHR and State Compensation Insurance Fund's (SCIF) Master Agreement for workers' compensation claims administration. Poor and/or ineffective communication and representation on DCA's workers' compensation cases has resulted in undue workers' compensation settlement awards in some cases.

Control: Standing Meetings with SCIF and Dedicated Staff to Assist with Claims

DCA will attend quarterly meetings with SCIF to obtain updates and clarifications, as well as to share feedback and expectations so representation from SCIF on workers' compensation cases can be improved.

Risk: BAR Consumer Assistance Program Participation

Participation of low-income consumers in the Bureau of Automotive Repairs' (BAR) Consumer Assistance Program (CAP) repair assistance option has decreased, resulting in fewer repairs to

vehicles that fail Smog Check. The decrease in participation is related to outdated eligibility requirements, a burdensome consumer copay structure, and a state assistance contribution amount that has not kept pace with the rising cost of automotive repairs. Regulations no longer align with program and participant needs. This will result in continued reductions in consumer participation, as the program does not adequately meet the needs of low-income consumers for whom it was designed.

Control: Pending Regulations

Draft regulations are currently pending. The regulatory proposal will increase CAP repair assistance participation by: (1) providing higher repair contributions based on vehicle model year; (2) reducing pre-repair diagnostic fees for low-income vehicle owners; and (3) removing unnecessary eligibility restrictions pertaining to vehicle registration. BAR will continue to monitor progress of the regulation package pending DCA Legal review. BAR will work with DCA to move regulation packages forward as expeditiously as possible.

Risk: BAR Consumer Assistance Program Funding

Consumer interest in the Bureau of Automotive Repairs' (BAR) Consumer Assistance Program (CAP) vehicle retirement option has steadily increased over the years and has exceeded expenditure authority of the High Polluter Repair or Removal Account (HPRRA). Increased appropriation authority is necessary to allow BAR to meet the annual consumer demand to retire high polluting vehicles. The HPRRA expenditure authority does not meet current demand for the vehicle retirement option. This results in the inability to meet demand for low-income retirement, which will likely result in early program suspension in FY 20/21 and beyond.

Control: Request Increase to Budget Appropriation

In FY 2018-19, BAR realigned funding to permanently transfer $9.0 million from the Repair Assistance Program to the Vehicle Retirement Program to address consumer demand to retire high polluting vehicles. Since then, consumer demand to retire high polluting vehicles has continued to increase. As a result, a budget change proposal was submitted to permanently increase funding for the Vehicle Retirement Program by $2.0 million which will be included in the Governor's Budget for 2020-21.

Risk: BCC Workload and Resource Evaluation

The Bureau of Cannabis Control (BCC) has limited historical data to adequately assess workload and resource needs due to its status as a relatively new state program. At times, this impacts the ability to set specific performance measures and to determine resource needs well in advance. This can cause increased workloads and impact timelines.

Control: Tracking Data

The BCC has assigned a dedicated team of analysts to process the provisional licenses, while the remainder of its licensing staff reviews annual applications, thus gathering and tracking relevant data to assess future staffing needs.

Risk: Bureau of Cannabis Control Space Concerns

The BCC is a new and developing program. There is limited space remaining at the Headquarters location. The BCC will not have sufficient space to accommodate staff once they fill staff vacancies.

Control: Modifications to Existing Space/New Space

The BCC has initiated two projects to remediate space concerns:

- The first is an alteration currently scheduled at its Headquarters location. Modifications to modular furniture and space/office buildouts will add staff and manager cubicles to their current floor plan. It is anticipated that this build out will take between 6-12 months.
- The second is a proposed Headquarters II next door to the main Headquarters building. Headquarters II will be able to accommodate up to 63 positions. This project will take between 18-24 months to complete.

Risk: BCC Changes to Laws and Regulations

The laws and regulations for BCC are developed and change rapidly and continuously since its creation resulting in the need to create new, or change, policies and procedures. The changes come as a result of the newness of cannabis legalization, as well as the changes in law at the state and federal levels. Regulations must be constantly reviewed and reassessed to determine if changes must be made. This can be confusing to licensees and staff as to what the current requirements are for cannabis regulation. It can also cause the regulations to be inconsistent with the statute until BCC can make changes through the regulatory process.

These changes also impact any updates to Accela, the BCC's licensing system. It is still being developed and must be updated each time the laws and/or regulations change. The laws impacting the licensing requirements have changed repeatedly, thus requiring continuous updates to the licensing system, which can lead to additional staff time and can cause the system to be out of sync with the laws for a short time while changes are being made.

Control: Continuous Training

To mitigate this risk, the BCC will continue to train staff as new developments in the laws and regulations result in new, or changes to, policies and procedures.

Control: Legal Review of Pending Bills

To mitigate this risk, the BCC's attorneys analyze pending bills for regulatory impact. They also conduct research and analysis of new laws and advise the BCC on interpretation of new laws. Additionally, the BCC is actively striving to ensure it retains its experienced legal staff and is continuing to ensure that changes in legislation impacting the BCC are identified and monitored.

Control: Implementing Changes to Accela

To mitigate this risk, the BCC continues to work closely with the contractor developing the licensing system to implement necessary changes as the laws and regulations emerge and change.

Risk: Ongoing Vacancies for New Program

The BCC continues to have staff vacancies in each division. The BCC currently is not fully staffed because it is a new program that is continuing to hire as it builds the program. The vacancies can lead to increased workloads and impact timelines.

Control: Recruitment Efforts

To help mitigate this risk, the BCC is actively recruiting and hiring new staff each month. The BCC's Human Resource Division has prioritized hiring and streamlined the process to increase efficiency. This will continue until all vacancies are filled.

Risk: BCC Limited Term Funding for Start-Up

The BCC received limited-term funding for this program which is expiring June 30, 2020. Without appropriate funding moving forward, the BCC cannot meet its obligations under the law.

Control: Seeking Additional Funding

To mitigate this risk, the BCC is preparing a budget change proposal to ensure it obtains appropriate funding.

Risk: CFB Payment Processing by Third-Party

Payments received from licensees for the Cemetery and Funeral Bureau (CFB) may not be applied to the appropriate accounts and payment errors may not be sufficiently explained to the licensee in correspondence from cashiering. In addition, checks may be sent back to the CFB by accident with no explanation as to why. This ultimately can create delays in the issuance of a license and usually results in more resources from the CFB dedicated to researching the problem.

Control: Resolving Errors

To help mitigate this risk, the CFB will continue to communicate concerns about errors to accounting staff/supervisors and will maintain documentation of communication. The CFB will address this risk through discussion with cashiering.

Risk: BPPE Student Automated Information Link Database

Schools Automated Information Link (SAIL) is an aged system that tracks institutional information for BPPE's licensee population. The system tracks applications, school information and program information. The BPPE has initiated its Business Modernization effort to remediate deficiencies within its current systems of record. The current systems lack the necessary data fields, reports and functionalities required to effectively and efficiently license and enforce private postsecondary institutions. The Bureau's modernization plans are critical to the operations of the Bureau.

Control: Commit Staff to Act as Subject Matter Experts

The Bureau has identified and committed Subject Matter Expert (SME) staff within each unit of the Bureau to work closely with the Department of Consumer Affairs and the California Department of

Technology. The SME staff will be instrumental in the process of development to ensure the new data system has the functionality to allow for a more effective and efficient workflow.

Control: Implement Modernization Plans

Work with the Department of Consumer Affairs and the California Department of Technology to implement modernization plans.

Risk: Professional Fiduciaries Bureau (PFB) Funding

The PFB has insufficient revenue to maintain licensing and enforcement functions. The PFB's licensing pool has increased very slowly over the years, despite increased overhead costs for running the PFB (salaries and benefits, attorney general costs, pro rata, etc.). Should this trend continue into the future, licensing and enforcement efforts may suffer, along with business modernization projects.

Control: Budget Tracking

PFB staff works closely with DCA budget staff to ensure current expenditure levels do not exceed funding levels and to closely track future funding projections. PFB management will continue to carefully watch its spending and funding levels.

Risk: Reduced License Fees

Due to real estate market volatility and other real estate appraisal industry trends resulting in a decrease in the number of licensees renewing their license, there is a decline in BREA's revenue to a point it is unable to meet its mission and federal mandates. Revenue will not be sufficient to cover operating expenditures causing layoffs and possibly BREA's being unable to meet its mission and federal mandates.

Control: Budget Impact Actions

To help mitigate this risk, BREA will monitor economic fluctuations and industry trends, monitor the licensee population and its impact on revenue, and modifiy operations for optimal efficiencies to reduce costs.

Control: Licensee Population Actions

To further mitigate this risk, BREA will perform outreach that helps appraisers embrace new trends as possible business opportunities so they keep renewing their licenses. In addition, BREA will perform and/or coordinate outreach in job fairs to encourage the public to consider appraiser vocation and create YouTube videos that detail how to become an appraiser and apply for a license. BREA will find other processes to make it easy for potential appraisers to find the information needed, and create processes to approve Enhanced Education (PAREA) of potential licensees to encourage applications.

CONCLUSION

The Department of Consumer Affairs Regulatory Boards 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.

Kimberly Kirchmeyer, 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