December 23, 2021

Mark Ghaly, Secretary
California Health and Human Services Agency
1215 O Street
Sacramento, CA 95814

Dear Secretary Mark Ghaly,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Office of Systems Integration submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

Should you have any questions please contact Bob Huskison, Chief Administrative Officer, at (916) 263-1709, bob.huskison@osi.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Office of Systems Integration's (OSI's) mission is to procure, manage, and deliver technology systems that support the delivery of health and human services to Californians. Since its inception, the OSI has developed a track record of successfully managing and deploying large, complex, mission critical systems to support health and human services programs at the state, federal, and local levels.

The 2019-2024 Strategic Plan (updated July 2019) outlines the OSI's strategic organizational objectives and goals, such as adopting a culture of collaboration and innovation, focusing on outcomes and value generation, using data to drive action, and expanding project portfolios. This plan is in place and available on the department's Intranet site, accessible to all OSI staff.

Control Environment

OSI executive management has established an effective control environment by implementing policies, guidelines, and procedures that reflect and safeguard the values of the organization. The control environment encompasses both technical competence and ethical commitment.

The establishment, communication, and reinforcement of these policies, guidelines, and procedures form the basis of an effective control environment, which allows OSI management and employees to:

- Understand their responsibilities;
- Recognize limits of their authority;
- Be knowledgeable, mindful, and committed to doing what is right and doing it the right way; and,
- Pledge to following the organization's policies and procedures, and its ethical and behavioral standards

To provide guidance and aid OSI management, a current strategic plan and mission statement are in

place. Further, appropriate controls and governance are in place to monitor and review operations and programs. Regarding the authorization and approval of transactions, financial policies and procedures are in place and communicated to all applicable employees. In response to departures from approved policies and procedures, or violations of the code of conduct, OSI management quickly takes appropriate disciplinary action.

OSI's organizational structure is clearly defined and up to date, with the appropriate reporting relationships established and communicated to all employees. Current job descriptions that detail the responsibilities and qualifications for each position are recorded and maintained. To help ensure control procedures are followed and resources are used efficiently, qualified personnel are hired and provided relevant, ongoing training.

Information and Communication

The OSI currently uses a departmental communication plan for conveying information both vertically and horizontally across organizational lines to achieve departmental objectives.

Staff can communicate both internally and externally in the following meetings:

- Leadership Meetings - Includes the Directorate, Chief Counsel, Agency Information Officer, and Deputy Directors. Occurs monthly.
- Executive Staff Meetings - Includes the Leadership Team, Project Directors, and Administration Division Chiefs. Occurs monthly.
- Project Status Meetings - Includes individual project management (including Deputy Director) and Directorate. Occurs monthly.
- Division Meetings - Deputy Directors hold division meetings with staff. Occurs either monthly or quarterly.
- Regular staff meetings at the project and unit level – Includes all OSI state staff. Fixed agenda with questions and answers. Occurs either weekly or monthly.
- Standing Project Governance meetings - Includes project staff, and leadership from OSI, project sponsors, and stakeholders. Project governance is the main vehicle for identifying project risks and issues and is highlighted in greater detail in this report under Risk number one. Occurs on a regularly scheduled basis.

The organization uses SharePoint and our Intranet as the prime repositories for operational, programmatic, and financial information.

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 Office of Systems Integration monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to:
Bob Huskison, Chief Administrative Officer.

As a project management organization, the OSI is continually identifying risks and issues and addressing vulnerabilities. The OSI currently uses systematized communication efforts for monitoring the internal system of controls. Monitoring opportunities consist of the following meetings: Leadership

Meetings, Executive Staff Meetings, Project Status Meetings, and Division Meetings. In addition, there are standing Project Governance meetings and regularly occurring Project Review Board meetings, which serve to highlight specific risks, issues, and challenges with IT projects within the OSI portfolio. These meetings were outlined in greater detail above in the Information and Communication section.

The OSI has implemented 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 OSI systems of controls and monitoring.

Using this formal reporting information, as well as other informal data, the Chief Administrative Officer and Chief Deputy Director regularly review and discuss the effectiveness of internal controls. Any changes that are required are decided upon, prioritized, and implemented, as appropriate.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Office of Systems Integration risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, consideration of potential fraud, 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 OSI uses the previously mentioned communication opportunities to identify risks. Conversations regarding risks and issues are regularly discussed at these meetings, and items are identified that could lead to reduced project functionality, increased cost, project delays, and, in the worst case, failures in project delivery. These include risks and issues within both the projects and administrative areas. Items that cannot be identified adequately and addressed at the lowest level are escalated to executive management for discussion and prioritization.

Risk ranking is accomplished through discussion at the Leadership and/or Executive level. Prioritization is considered by gauging the impact of risks and issues across the organization, both in severity and breadth. Risks and issues that stand to impact all parts of the organization or are of such an impact that they could severely impact smaller parts of the organization, are measured, discussed, and decided upon.

RISKS AND CONTROLS

Risk: Classification vs Skills for Recruitment/Retention

The current classifications available within the State are often not representative of the skill sets being sought by the various projects and administrative areas within OSI. The specialized skill sets required for project work and program expertise at OSI are not easily discerned by the advertised classification either by outside applicants or those already within state service.

This has the resulting impact of limiting the potential applicants for available positions, as well as potentially inhibiting the growth of OSI as an organization.

Control: A

- Complete comprehensive assessment of the skills and abilities most required in order to meet project outcomes. Map skills, abilities, and tasks to business domains, resulting classifications. Create OSI library of skills and strategies.
- Redesign position advertisements and duty statements to more plainly state minimum and desired qualifications based on the assessment.
- Seek compensation differential to better attract qualified candidates and compete with private sector for desired talent.
- Better market OSI as an organization and promote its work culture to attract a highly talented and diverse pool of candidates with the specialized skills and experience needed.

Risk: Budgeting and Funding Risk

OSI has no dedicated fund source of its own. Funds are appropriated in either the State Operations and/or Local Assistance budgets of sponsoring departments which are then used for the reimbursement of expenditures OSI has incurred on behalf of the sponsors, the whole process for which is facilitated using Interagency Agreements. The existing funding arrangement presents significant challenges that include:

- Uncertain cash flow
- Increased administrative activities involving cost recovery and invoice management
- Limited ability to undertake enterprise initiatives to benefit CHHS Agency and the OSI project portfolio

Control: A

- Review of the existing Interagency Agreement process and accompanying documentation is currently underway with sponsor departments to determine where process efficiencies and streamlining of the documentation can be undertaken.
- Options for the implementation of an administrative services solution that will include accounting process enhancements are also currently being reviewed for future implementation.
- Consideration also being given to potential options for additional and/or alternative funding methods ranging from the establishment of a dedicated fund source for OSI to budget language authorizing short term General Fund loans.

Risk: Maturity of External Security Processes

While considerable work has occurred in this area in response to the change in work locations resulting from the pandemic, comprehensive and standardized external security processes across the organization have not been fully matured. As a result, more work is needed to ensure that the department can effectively and efficiently respond to situations involving external information security threats.

Control: A

As a result of the pandemic and the accompanying implementation of telework for most staff, additional security tools and controls will need to be updated to ensure that OSI assets are fully protected when not in the office or on the OSI network. As a result, more work is needed to ensure that the department can continue to effectively and efficiently respond to situations involving external information security threats. These efforts include:

- Purchase of Encase investigator in order for OSI security staff to audit/investigate OSI assets while staff are in the office or off-site
- Restricting internet access on OSI assets while in the office or off-site
- Continuous Security Awareness training for staff on how to protect OSI data in the office or off-site

CONCLUSION

The Office of Systems Integration 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.

Dan Kalamaras, 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