

January 08, 2024

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Governor's Office of Business and Economic Development (GO-Biz) submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Chris Dombrowski, Chief Deputy, at (916) 612-5605, Chris.Dombrowski@gobiz.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Mission:

Governor's Office of Business and Economic Development (GO-Biz) serves as the State of California's leader in job growth and economic development efforts.

Strategic Goals, and objectives:

While GO-Biz's strategic plan is focused on each individual program's goals, several common themes emerge from which enterprise-wide goals can be synthesized:

1. Develop and optimize sustainable business, economic and financial program services, processes and tools that support California's existing and future business community.
2. Enhance communication, GO-Biz program awareness and collaboration within GO-Biz and with business community customers, partners and stakeholders.
3. Attract, develop and retain a workforce that continuously delivers quality administrative and technical GO-Biz program expertise to internal and external customers, partners and stakeholders.
4. Provide quality administrative, technology and legal support services, tools and products to internal staff and external stakeholders.

Control Environment

GO-Biz institutes the following Core Values as stated in the Workforce Plan:

- Customer-centric - We provide timely, responsive customer service that exceeds expectations, anticipating stakeholders' needs and going the extra mile to assist them.
- Results-driven - We are results-driven in our work, achieving tangible outcomes for our stakeholders and California.
- Collaborative - We engage and communicate effectively both internally and externally, knowing that our success hinges on effective collaborations.
- Agile - We move at the speed of business, being innovative and forward-thinking in how we approach our work, streamlining and optimizing how we deliver value.
- Ethical - We take personal responsibility for our actions, words, and conduct, holding ourselves accountable, treating others with respect, and being transparent in how we do business with the resources entrusted to us by Californians.

GO-Biz provides the ability to report ethical concerns with an open communication environment, weekly meetings with Senior Management and a confidential suggestion box provided in the lunchroom.

GO-Biz is overseen by Director Dee Dee Myers who reports to the Governor, Gavin Newsom. The Chief Deputy Director, Chris Dombrowski, reports to the Director. The Chief Deputy Director has 12 managers that report to him. The Sr. Deputy Director for External Affairs position is currently open and also reports to the Director. The Sr. Deputy for External Affairs has 4 managers reporting. These 16 managers have appropriate levels of responsibility and authority in association with their departments and programs. The Director has Senior Staff meetings once a month to review current events in all departments.

The Human Resources (HR) Officer monitors daily activities to reinforce compliance with CalHR and State Personnel Board policies & procedures. The Administrative Budget Officer also monitors daily activities to reinforce compliance with the State Controller's Office and the Department of Finance, and related administrative statutes, regulations, policies, and procedures. The Business Services Unit Manager monitors daily compliance with the Department of General Services, the State Contracts Manual, and the State Administrative Manual. The Chief, Administrative Services Division meets with these managers on a weekly basis. The Information Technology Manager assures systems are protected and compliant with the latest privacy and security guidelines, standards, and policies. The Information Technology Manager meets with the Chief Deputy Director and the Chief, Administrative Services Division every two weeks. The Chief, Administrative Services Division reports to the Chief Deputy Director. The Chief Deputy Director meets with the Chief, Administrative Services Division on a weekly basis.

GO-Biz has a new expanded recruitment program that was instituted in 2022. We have developed a GO-Biz Workforce and Succession Plan which is in effect through 2023. A update to this plan is in process. Managers are required to conduct annual performance appraisals of all civil service employees. This is monitored by Human Resources.

Probationary reports are conducted for new employees during their probation period, culminating in a final decision to grant or deny permanent status. GO-Biz has an Employee Performance Management Policy that is implemented.

Go-Biz maintains a collaborative, open communication, teamwork environment for all team members to be able to express inefficiencies and inappropriate actions to management and other decision makers. A confidential process is maintained with the suggestion box in the lunchroom which is reviewed monthly.

Information and Communication

The Department of General Services (DGS) provides Contracted Fiscal Services who handles our monthly accounting functions. DGS also provides Contracted Budget Services that handles our Department of Finance (DOF) Budget Drills and provides a quarterly spreadsheet to review the monthly budget with expenses incurred. Financial decisions are conducted based on availability of funds. This is monitored by the Budget Officer.

Once a month, the Director holds a meeting with Senior Managers to relay information from the Governor's Office. Also, at this meeting, the Chief Deputy Director provides updates, and the Senior Managers provide information on their programs. On a weekly basis, the Chief of Administrative Services meets with the Human Resources Officer, the Budget Officer and the Business Services Unit Manager. At these meetings tasks accomplished, scheduled items not completed, tasks due next week and new issues are reviewed. On a weekly basis, the Chief Deputy Director meets with the Chief, Administrative Services Division to review current spreadsheet with current high priority issues.

Weekly, the Week Ahead Report (WAR) is provided to the Governor's Office by the Director. The WAR is information provided by Department Managers under the following categories: Red Flags, Major Decisions, Emerging Issues, Major Accomplishments/Milestones, Communication Highlights and Upcoming Schedules. The Governor's Office for Business and Economic Development has a website that includes information about the department, programs, digital services, business portal and a newsroom.

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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 Governor's Office of Business and Economic Development (GO-Biz) monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: James Teahan, Chief, Administrative Services Division.

In HR, the policies, and procedures of CalHR and the State Personnel are adhered to and checked by periodic independent audits. GO-Biz HR has nineteen approved policies & procedures. These policies are Family/Medical Leave Act, Upward Mobility, Reasonable Accommodation, Acceptable Use Policy, Incompatible Activity Statement, Workplace Violence and Bullying Prevention Program, Merit Issue Complaints, Nepotism, Training Policy, EEO Policy, Health and Safety Policy, Lactation Accommodation Policy, Covid-19 Testing Policy, Bereavement Leave Policy, Employee Performance Management Policy and Procedures, Excess Leave Reduction Policy, Telework Policy, and Progressive Discipline Policy and Procedures Policy.

In the Business Services Unit (BSU), they are in compliance with the State Controller's Office, DOF, DGS, the State Contracting Manual, and related administrative statutes, regulations, policies and procedures. The BSU Procurement is periodically audited by DGS and currently has a policy and procedure manual which is approved by DGS.

Monthly, department expenditures are reviewed in relation to the allocated budget by our Budget Officer. On a quarterly basis, DGS Budget Services meets with the Budget Officer and the Chief of Administration Services to compare expenses to budget allocations. Future expenditure approvals are based on this information to remain within our budget allocation. The Deputy Directors monitor their staff resources and prepare yearly Budget Change Proposals as needed.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Governor's Office of Business and Economic Development (GO-Biz) 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, 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.

RISKS AND CONTROLS

Risk: Risk 1 Funding - Sources & Levels

Besides the General State Fund, GO-Biz has many other sources of funding. These include the following.

- CA Infrastructure & Economic Development Bank
- California Cannabis Tax Fund
- Federal Trust Fund
- Welcome Center Funds
- Film Promotions and Marketing Fund
- Greenhouse Gas Reduction Fund
- Air Pollution Control Fund

GO-Biz programs would be at risk if any of these funding sources or the State General Funds were reduced. Currently, there are serious concerns as the state is projecting a budget deficit of \$68 billion and has instituted a Current Year Expenditure Freeze. The DOF has provided a Budget Letter that only "Mission Critical" expenditures will be processed. This will have a detrimental effect on all programs with State General Fund funding. The GO-Biz Budget Officer has requested further definition from DOF on "Mission Critical" and is advising department managers.

Control: Control 1 Funding Sources & Levels Monitoring and Associated Action Plans

As applicable, each funding source will have key indicators to monitor actual results as compared to estimated allocations. The Chief Administrative Services Manager and Budget Officer will monitor this monthly with an excel spreadsheet. This will be reviewed on a quarterly basis with our contractor DGS-Budgets with our Budget Officer and Chief, Administrative Services. On a quarterly basis, these results will be provided to the Chief Deputy Director and the Director. Upon review of this information quarterly, if actual results do not meet expectations, applicable revised action plans will be put into place. Monthly monitoring of key expense and encumbrance indicators with, as needed, corrective action plans will assist in reducing this risk.

Risk: Risk 2 Key Person Dependent

Key Person Dependency was identified as a significant risk. Whether it is Administration, Human Resources, Information Technology or Programs, GO-Biz is at potential Key Person Dependency risk. Each department needs to have support options in place to function appropriately if key personnel are absent. As an example, The Budget Officer and Budget Analyst both resigned in December 2022. There were no other budget personnel. The Chief, Administrative Services Division had to cover those responsibilities in addition to his job responsibilities. The replacement Budget Analyst was not hired until March 2023 and the Budget Officer was not hired until August 2023. The root cause of this risk is lack of cross training and having proper support personnel if key personnel are absent. The absence of Key Personnel could result in key services not being provided as needed and departments and programs not meeting their goals, which are aligned with GO-Biz's mission.

Control: Control 1 Key Person Dependent Corrective Action Plans

The Administrative Services Division Manager will review all departments to identify their Key Person Dependencies, as well as consider the Key Leadership and Technical Positions defined in GO-Biz's Workforce and Succession Plan. Once identified, the Administrative Services Division Manager will work with department managers to develop corrective action plans. This is to be completed by the end of April 2024. The Chief, Administrative Services Manager will monitor this monthly with an excel spreadsheet. On a quarterly basis, the Administrative Services Manager will provide updates to the Chief Deputy Director and the Director. With corrective action plans, providing additional training, and

cross training, this risk will be reduced.

Risk: Risk 3 Staff - Recruitment, Retention & Staffing Levels

The ability to recruit talented individuals, retain key personnel, and maintain proper staffing levels is critical for GO-Biz to successfully accomplish its mission and goals. As an example, the Budget Officer resigned in December 2022. The replacement Budget Officer was not hired until August 2023 leaving the agency without a Budget Officer for 8 months. The root causes include low unemployment rates, high competition with private industries, the need for positive employee recognition, engagement programs, and obtaining approval for the needed staffing levels. Ineffective recruitment methods will continue to leave positions vacant for a considerable amount of time due to the inability to focus on qualified candidate pools to recruit suitable candidates. Moreover, the lack of effective recognition/retention and employee engagement strategies also contribute to the loss of key personnel. Consequently, these deficiencies may result in services not being provided on a timely basis, or not provided at all.

Control: Control 1 Staff - Recruitment, Retention & Staffing Levels Action Plan and Monitoring Process

By the end of April 2024, the Chief, Administrative Services Division will provide the Chief Deputy Director and the Director with an action plan for improvement in recruitment, retention, and staffing levels. The action plan will include many of the initiatives recently implemented by GO-Biz HR. The Administrative Services Manager will document this plan with an Excel spreadsheet and monitor it monthly. On a quarterly basis, the Administrative Services Manager will report progress to the Chief Deputy Director and the Director. The action plan will be revised as needed to ensure progress and positive results. Through collaboration with CalHR, the GO-Biz HR Officer, and GO-Biz management, effective action plans will be implemented and monitored to reduce this risk. Also, a confidential employee engagement survey will be conducted yearly to assess staff's perceptions of GO-Biz operations and management practices, and to ask for their suggestions for improvements in these areas.

CONCLUSION

The Governor's Office of Business and Economic Development (GO-Biz) 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.

Dee Dee Myers, Director

CC: California Legislature [Senate, Assembly]

California State Auditor

California State Library

California State Controller

Director of California Department of Finance

Secretary of California Government Operations Agency