

January 04, 2022

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Keely Martin Bosler,

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, 2021.

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.

GO-Biz Entities:

- * California IBank
- * California Film Commission
- * California Business Investment Services
- * Zero Emission Vehicle Infrastructure
- * California Competes Tax Credit
- * Community and Local Equity Grants Program
- * International Trade Investment Program
- * Small Business Advocate Program
- * Office of Travel & Tourism

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 meeting with Senior Management and a confidential suggestion box provided in the lunch room.

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 16 managers that report to him. These 16 managers have appropriate levels of responsibility and authority in association with their departments and programs. The Director has Senior Staff meetings twice a month to review current events in all departments.

The Human Resources 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 the State Controller's Office, Department of Finance, Department of General Services, State Contracts Manual, State Administration Manual, and related administrative statutes, regulations, policies and procedures. The Human Resources Officer and the Administrative Budget Officers report to the Chief, Administrative Services Division who meets with them weekly. The Chief, Administrative Services Division reports to the Chief Deputy Director. The Chief Deputy Director meets with the Chief, Administrative Services Division, the Human Resources Officer and the Administrative Budget Officer on a weekly basis.

GO-Biz has a new expanded recruitment program that was instituted in 2019. We have developed a GO-Biz Workforce and Succession Plan which is in effect through 2023. 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 in process for approval.

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 lunch room which is reviewed monthly.

Information and Communication

Department of General Services provides Contracted Fiscal Services who handles our monthly financial information. A spreadsheet is in process to review the monthly budget with expenses incurred. Financial decisions are conducted based on availability of funds. This is monitored by the Administrative Budget Officer.

Twice 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 and the Administrative Resources Officer. 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, the Human Resources Officer and the Administrative Resources Officer to review current high priority issues.

Weekly, the Week Ahead Report (WAR) is provided for 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 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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Risk Identification

On November 15, 2021, an email was sent out to all the Managers in GO-Biz concerning our Risk Assessment process. It was explained that the Risk Assessment process is to identify the areas of greatest risk that might cause financial, political, legal and/or negative media exposure to GO-Biz. They were also asked to identify risks that could affect our workforce and information technology systems. In an attachment to the email, they were provided the three risks that were identified in the 2019 GO-Biz SLAA report and the top six risks provided by all Agencies in 2019. Before the actual data collection, the managers had time to discuss this with their staff and consider the possible risks with their involvement. The formal risk identification data was provided by 100% of the Senior Staff. The Senior Staff was provided a templet to vote for the top four risks to our agency. As a result, in descending order, the top three risks are Staff - Recruitment, Retention & Staffing Levels, next is Key Person Dependent, and the third one is Funding - Sources and Levels.

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 fourteen 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 and Working While on Vacation Policy.

In Administrative Resources, they are in compliance with the State Controller's Office, Department of Finance, Department of General Services (DGS), the State Contracting Manual, and related administrative statutes, regulations, policies and procedures. The Administrative Resources Procurement is periodically audited by DGS and currently has a policy and procedure manual which was approved by DGS.

Monthly, department expenditures are reviewed in relation to the allocated budget. The Budget Officer provides this information to the Chief, Administrative Services. 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: Staff - Recruitment, Retention & Staffing Levels

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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. The Budget Officer position SSM I, has been open for four months. Interviews were held with four candidates but none of the candidates expressed proper qualifications. This position is now re-advertised as a SSM II and the process repeated again. This example is replicated in other GO-Biz departments and programs. The root causes include: low unemployment rates, high competition with private industries, the absence of a progressive recruitment process, 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: Staff - Recruitment, Retention & Staffing Levels Action Plan and Monitoring Process

By the end of March 2022, the Chief, Administrative Services Division will provide the Chief Deputy Director and the Director an action plan for improvement in recruitment, retention, and staffing levels. The action plan will include many of the initiatives outlined in the GO-Biz Workforce/ Succession Plan. Upon approval of this action plan, it will be implemented. 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 every six months to assess staff's perceptions of GO-Biz operations and management practices, and to ask for their suggestions on improvements in these areas.

Risk: Key Personnel 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. In Administration, for example, some budget positions have been vacant for four months and others are new to the agency. The Chief, Administrative Services Division has had to take responsibility for budget decisions with the lack of experience in this department. The root cause of this risk is lack of cross training with other personnel. This example could be applicable to other departments. 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: 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 March 2022. The action plans will be reviewed monthly with results recorded in an Excel spreadsheet by the Administrative Services Manager. 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 greatly reduced.

Risk: Funding - Sources and Levels

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

- * California Cannabis Tax Fund
- * CA Infrastructure & Economic Development Bank
- * 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 were reduced. As an example, the CALCRG Cannabis Tax Fund is based on the sales of cannabis in the state, If these sales levels do not meet expectations, there could be decreases in grant funding. As a result, grant awards will need to be reduced and staffing levels reviewed. This event could be applicable to all programs that are subject to the risk of reduced funding.

Control: 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. This will be reviewed on a monthly basis by the Chief, Administrative Services Division. The results of this review will be recorded in an Excel spreadsheet. 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 are not meeting 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.

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 (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency