



California Department of Public Health
MEMORANDUM

DATE: February 2, 2012

TO: Diana S. Dooley, Secretary
Attention: Suanne Buggy, Assistant Secretary
California Health and Human Services Agency
1600 9th Street, Room 460

FROM: Ron Chapman, MD, MPH 
Director & State Health Officer
1615 Capitol Avenue, Suite 73.720
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SUBJECT: Financial Integrity and State Managers Accountability (FISMA) Report for the Biennial Period Ended December 31, 2011

In accordance with the Financial Integrity and State Managers Accountability (FISMA) Act of 1983, the California Department of Public Health submits this report on the review of our systems of internal control for the biennial period ended December 31, 2011.

DEPARTMENT NAME: California Department of Public Health
ORGANIZATION CODE: 4265

If you have questions, please contact Meggan Bowser, Health Program Auditor IV, at 916-650-0247 or Meggan.Bowser@cdph.ca.gov

Attachment

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State Controller's Office	SCOaudFISMA@sco.ca.gov
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California Department of
PublicHealth

**Financial Integrity and State Managers Accountability (FISMA)
Report
For the Biennial Period Ended December 31, 2011**

Prepared by:
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CDPH Internal Audits

Financial Integrity and State Managers Accountability (FISMA) Report For the Biennial Period Ended December 31, 2011

BACKGROUND:

The California Department of Public Health (CDPH or Department) was established on July 1, 2007 through enactment of SB 162 (Ortiz, Chapter 241, Statutes of 2006), which vested responsibility for public health programs in the newly created Department. CDPH employs approximately 3,500 employees in over 60 locations throughout the State with the largest organizations located at headquarters in Sacramento and at the public health lab and campus in Richmond. CDPH administers a budget of over \$3.5 billion.

CDPH is dedicated to optimizing the health and well-being of the people in California. CDPH achieves this mission through the following core activities:

- Promoting healthy lifestyles for individuals and families in their communities and workplaces.
- Preventing disease, disability, and premature death and reducing or eliminating health disparities.
- Protecting the public from unhealthy and unsafe environments.
- Providing or ensuring access to quality, population-based health services.
- Preparing for and responding to public health emergencies.
- Producing and disseminating data to inform and evaluate public health status, strategies, and programs.

CDPH's five Centers and three Offices work to accomplish the Department's mission through their programmatic activities and in collaboration with local health departments, agencies, and organizations throughout the State. CDPH's five Centers and three Offices are:

- Center for Chronic Disease Prevention and Health Promotion,
- Center for Infectious Diseases,
- Center for Family Health,
- Center for Environmental Health,
- Center for Health Care Quality,
- Emergency Preparedness Office,
- Health Information and Strategic Planning, and
- Office of the State Laboratory Director.

In 2007, CDPH began a strategic planning process to identify goals for fiscal years 2008/09 and 2009/10. CDPH conducted a strengths, weaknesses, opportunities, and threats (SWOT) analysis. Through the SWOT analysis, the executive management team solicited input from staff and external stakeholders to identify the strategic issues the new Department should address. The 2008-2010 Strategic Plan includes the mission, core values, vision, goals, and objectives of the Department. Based on resource assessments, in June 2010 the Department extended the 2008-2010 Strategic Plan one year, to June 2011.

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CDPH experienced a number of changes as it developed its second Strategic Plan during fiscal year 2010/11. During fall 2010, California had the latest budget passed in California history, followed by the change in Administration as Governor Brown took office in January 2011. Although the change in Administration was anticipated, CDPH had already extended the previous Strategic Plan and felt it was important to undertake the development of the next Strategic Plan. During this process, three different Directors led CDPH between February and June 2011. On June 13, 2011, Director Dr. Ron Chapman and Chief Deputies Kathleen Billingsley and Dan Kim began leading CDPH.

CDPH has established an Internal Operations and Performance Plan with performance measures, objectives, and targets for 2011-2014. This plan will serve as a transition document between the 2008-2011 CDPH Strategic Plan and a new Strategic Map for 2012-2014 that will incorporate recent environmental changes and influences. CDPH will release a draft Strategic Map in January 2012 and will finalize it by April 30, 2012.

In 2010, Internal Audits staff created a database to track all internal and external audits for the Department. Internal Audits staff entered all of the recommendations, responses, and follow-ups for audits of the Department since it was created in 2007. The database enables the Department to follow up on all open audit recommendations and to implement fully the recommendations in an organized and timely manner. To help programs fully implement audit recommendations, on a quarterly basis Internal Audits staff runs a customizable report from the database with open recommendations for all audits.

RISK ASSESSMENT:

As a part of the Department risk assessment, Internal Audits staff attended Department of Finance quarterly meetings regarding the risk-based approach to prepare the Financial Integrity and State Managers Accountability (FISMA) report. As noted above, in June 2011, CDPH had a change in executive staff. Internal Audits staff interviewed the new Director, Chief Deputy Director of Operations, and Chief Deputy Director of Policy and Programs about the risks CDPH faces and CDPH plans to mitigate those risks. During these interviews, Internal Audits staff explained the risk-based approach to preparing the FISMA report and asked the Director and Chief Deputies to identify what they perceive as CDPH's risks and how the Department plans to mitigate those risks.

In May 2011, the California Health and Human Services Agency released "An Independent Review of the California Department of Public Health." This review assessed the organizational structure and management practices within CDPH and described eight specific findings for the department to address. The independent review provides CDPH with an opportunity to identify actions to strengthen the department, improve its effectiveness, and enhance CDPH's ability to accomplish its vision and mission.

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In addition, Internal Audits staff reviewed a report from the Public Health Advisory Committee, the Public Health Accreditation Board's Public Health Accreditation Standards and Measures, the CDPH contracting tracking system (CAPS), and department surveys.

After attending strategic planning meetings, interviewing executive management, addressing the CHHS independent review, and reviewing the documentation mentioned above, CDPH identified the following significant risks:

- Contracting
- Vacancy Rate
- Workforce Planning

EVALUATION OF RISKS AND CONTROLS:

ISSUE #1: CONTRACTING

Condition: CDPH administers approximately 3,000 contracts to enforce. The Contracts Management Unit (CMU) within CDPH processes approximately 1,200 new contracts annually, which requires CMU to process about six contracts a day.

Approximately 60 percent of the contracts entered into by CDPH are for subvention and provide funding to local entities such as counties. The local entities use the funding to provide services to maintain and improve the health of Californians. In the past, the Department of General Services (DGS) has rejected 60 to 70 percent of CDPH's contracts during processing, which has the potential to affect directly the health and well-being of Californians.

Risk: CDPH administers a large number of contracts that provide funding to local health jurisdictions, community-based organizations, and other entities. Delays in contract processing could directly affect the health and well-being of Californians if funds are not provided in a timely fashion.

Action: CDPH has implemented steps to mitigate contracting risks. For example, CDPH increased training for staff preparing contracts, creating and implementing 12 contract training models. Additionally, CDPH contracted with the Department of Water Resources to train CDPH staff on developing contract scopes of work. CDPH has convened an allocation workgroup that is exploring new contract methodologies and is working on revising standard contract language. CDPH has restructured its contracting policies and procedures and built stronger partnerships between its programs, the Department of Finance, and DGS. CDPH has also developed and implemented a department-wide contract tracking system (CAPS) to replace the outdated inventory database.

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CDPH has already realized mitigation in this risk area. From July 2011 through November 2011, DGS rejected only 1 of 255 contracts CDPH submitted for processing, a rejection rate far below the 70 percent previously seen.

ISSUE #2: VACANCY RATE

Condition: As of December 2011, CDPH had a 21 percent vacancy rate with over 700 vacant positions. The hiring freeze greatly limited CDPH's ability to fill critical vacancies. High vacancy rates exist in both administration and in programs throughout CDPH. In some programs, CDPH is only completing 60 percent of its workload. For programs funded through federal grants, failure to achieve grant deliverables timely due to vacancies jeopardizes the program's ability to compete successfully for future funding.

Risk: High vacancy rates reduce the work CDPH can complete and in turn create a possible health risk for Californians. For example, high vacancy rates in CDPH's Administration Division could affect contract processing and delay support to local health jurisdictions and services provided to Californians. High vacancy rates in programs could limit CDPH's ability to oversee state-funded service providers. Lastly, CDPH is at risk of losing grant funding because there is not enough staff to fulfill the requirements of the grants.

Corrective Action: CDPH is attempting to prioritize workload and has re-directed staff to accomplish high priority workloads. Since the lifting of the hiring freeze, CDPH is working rapidly to fill the most critical vacancies. CDPH will continue with these endeavors.

RISK #3: WORKFORCE PLANNING:

Condition: CDPH is concerned about retirement of experienced workforce, recruitment and retention, employee development, and gaps in skill sets within the Department.

According to the Department of Personnel Administration, as of June 30, 2008:

- Sixty-two percent of career executive assignment and exempt employees will be eligible to retire in the next five years.
- Fifty percent of managers and supervisors will be eligible to retire in the next five years.
- Thirty-five percent of rank and file employees will be eligible to retire in the next five years.

Risk: Any large exodus of experienced employees could reduce CDPH's ability to perform core activities efficiently and effectively. The Department will face challenges such as recruiting and training enough employees to fill positions vacated by retirees.

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Retaining qualified staff presents an ongoing challenge due to the aging workforce and the difficulties in hiring qualified new staff. In addition, budget constraints seriously affect CDPH's ability to address staff training needs, creating significant challenges in aligning staff skills with current demands.

Corrective Action: CDPH has started succession planning to address loss of institutional knowledge due to retirements or promotions of experienced employees and general attrition. The succession planning concentrates on systematically identifying and developing candidates for key managerial or professional leadership positions to ensure continuity. Succession planning requires identifying staff with high potential leadership talent and providing them with experiences and training that will prepare them to assume higher-level leadership positions. Succession planning also includes risk assessment for critical knowledge loss and risk mitigation strategies. Key to these activities is developing policies and procedures to capture institutional knowledge on an ongoing basis and target knowledge transfer activities to prepare for the loss of staff.

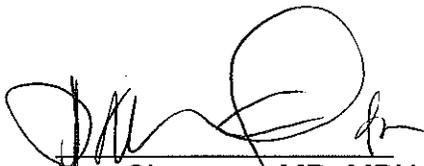
CDPH will develop succession planning templates and tools and begin an awareness/education process by June 30, 2012.

VACANT POSITIONS:

CDPH's Human Resources Branch certifies that it complies with the provisions of Government Code, § 12439. CDPH processed 402 Forms STD607 to re-establish positions.

CONCLUSION:

Based on its internal risk assessment, CDPH has appropriate processes and internal controls in place to support its mission and protect its fiscal integrity. The Department is implementing plans to address the risks identified in this report.



Ron Chapman, MD, MPH
Director & State Health Officer
California Department of Public Health