Office of Statewide Health Planning and Development
2015 **SLAA REPORT**

March 13, 2016

Diana Dooley, Secretary
California Health and Human Services Agency
1600 9th Street #460
Sacramento, CA 95814

Dear Ms. Dooley,

In accordance with the State Leadership Accountability Act (SLAA), the Office of Statewide Health Planning and Development submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Fran Mueller, Chief Deputy Director, at (916) 326-3600, Fran.Mueller@oshpd.ca.gov.

BACKGROUND

The mission of the Office of Statewide Health Planning and Development (OSHPD) is to advance safe, quality healthcare environments through innovative and responsive services and information. This is accomplished through its products and services that finance emerging needs, enable safe facilities, support informed decisions, and cultivate a dynamic workforce. The program activities described below are carried out through 483.6 positions and a budget of $147.5 million.

OSHPD's Healthcare Workforce Division administers programs designed to increase access to healthcare for underserved populations by advancing the recruitment and training of future health professionals and through grants and loan repayments that encourage health professionals to serve in these areas.

OSHPD's Healthcare Information Division collects and publishes data relating to healthcare facility financial performance, utilization, patient characteristics, and services provided to the public. The division also publishes risk-adjusted hospital and outcome ratings for various medical procedures and conducts studies on relevant health topics and trends in care.

OSHPD's Facilities Development Division reviews health facility construction plans to ensure more than 1,700 hospitals and skilled nursing facilities meet California building codes and state seismic safety standards mandated by law. Review of ongoing construction activity ensures compliance with building safety requirements, thereby protecting the safety of patients and healthcare workers in those facilities. Through the Cal-Mortgage Loan Program, OSHPD provides loan insurance to non-profit and public health facilities to borrow money for capital needs. This guarantee enables these facilities to arrange for lower interest financing to continue to serve their communities.

The work of OSHPD is guided by a comprehensive Strategic Plan administered by a strong Strategic Governance model. OSHPD is currently updating its Strategic Plan, with input from our community of stakeholders, to prepare for the changes ahead due to the implementation of the federal Affordable Care Act. The plan includes prioritized goals and objectives, yet is flexible to ensure OSHPD can evolve and keep pace with the changing needs of California.

RISK ASSESSMENT PROCESS

OSHPD's Director, Chief Deputy Director, and Executive Management team convened in early fall 2015 to identify and discuss significant department-wide risks. The review was designed to conduct a high-level examination of the current state of controls within the department, as well as a status of previously identified risks. Subsequent to this session, OSHPD's management team conducted a comprehensive

risk analysis within each division and program area to identify and evaluate the threats or risks that could impact OSHPD's ability to achieve its mission and strategic goals. This process produced an assessment of potential risks and established a system for ongoing monitoring and review of internal controls. This will ensure that OSHPD has appropriate controls in place and is conducting business in a fiscally and operationally sound manner.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Staff—Key Person Dependence, Succession Planning

Each unit within OSHPD has at least one employee that is considered the subject matter expert in a specialized area. As these experts retire or leave the department, OSHPD loses a key person in operations. As OSHPD is a small department with a limited workforce, there are inherent challenges with maintaining a competent and experienced workforce at all times to meet the needs of the department and the public we serve.

OSHPD's Workforce Education and Planning Project, a component of the department's current Strategic Plan, was completed in 2015. It will be used as the foundation of a comprehensive Workforce Management and Succession Plan to provide guidance for core and advanced training and development programs, knowledge transfer, and succession planning for mission-critical positions.

Operations- Internal- Physical Resources—Maintenance, Upgrades, Replacements, Security

There is a lack of redundant Internet lines at OSHPD's Sacramento and Los Angeles offices. This poses the risk of losing access to the Internet, e-mail, and hosted telephone/communication services, which could potentially impact critical business operations or cause a work-stoppage situation.

OSHPD's Information Technology Services Division is working with the California Department of Technology to implement additional Internet lines. The transition to new lines in both the Sacramento and Los Angeles offices is expected to be completed in January 2016.

Operations- Internal- Technology—Data Security

OSHPD's Disaster Recovery Plan has been completed and approved by the California Department of Technology. OSHPD's Information Technology Services Division regularly tests data recovery systems and performs regularly scheduled backups of data and storage at a secure, off-site location. The e-mail system has redundant architecture and is hosted outside the state. A full test of the Disaster Recovery Plan has not yet been conducted to ensure that OSHPD could recover its systems according to the plan in the event of a disaster. An extended delay or inability to recover data in the event of major loss of technology could prevent OSHPD from providing essential functions and services.

A new technology backup solution was deployed in 2015 that simplifies the restore process for OSHPD during a disaster recovery. OSHPD is developing a plan to test the Disaster Recovery Plan based on industry best practice and will work with the California Department of Technology to identify additional disaster recovery services and solutions. Once a test plan is developed, OSHPD will conduct testing of the recovery plan on a regular basis to ensure the effectiveness of backup procedures. Initial testing began in November 2015 and a comprehensive test plan and schedule will be completed by June 2016.

Operations- Internal- Technology—Inadequate Support, Tools, Design, or Maintenance

OSHPD's internal business operations rely on many different information technology platforms and applications. There are outdated applications in use that are not adequately maintained due to a lack of resources and technical skill to support non-current technology. The automated systems that utilize

these older technologies cannot be readily adapted to meet new demands and changing business needs without significant expense or investment of staff resources.

OSHPD prioritizes strategic initiatives and information technology projects through its Strategic Governance system. This method ensures alignment across all business units and determines the appropriate allocation of resources to high priority applications. OSHPD is in the early stage of implementing Microsoft Dynamics Customer Relationship Management software and a centralized Enterprise Data Warehouse. These initiatives will help consolidate the technologies supported by OSHPD's Information Technology Services Division to create efficiencies and ease pressure on resource allocation throughout the department.

ONGOING MONITORING

Through our ongoing monitoring processes, the Office of Statewide Health Planning and Development reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Office of Statewide Health Planning and Development, Robert David, Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Monica Flowers, Deputy Director, Administrative Services Division, as our designated agency monitor(s).

Frequency of Monitoring Activities

Ongoing monitoring will be conducted through the regular course of business operations using management meetings, meeting notes and minutes, program reports, written policies and procedures, e-mail notification, risk assessment documentation, program review checklists, formal reconciliation documents, authorization and sign-off forms, compliance summaries, budget detail worksheets, accounting documents, monitoring reports, and strategic planning documents. Ongoing monitoring will also be conducted through separate evaluations and could include include testing systems, mapping processes, validating desk manuals and operating procedures, and conducting surveys, questionnaires, or focus group discussions.

OSHPD has established a SLAA team, which includes Executive Management and a SLAA Coordinator, that will oversee monitoring controls and meet regularly to evaluate the status of existing risks and evaluate emerging risks. Status reports for each risk mitigation plan will be reviewed during monthly executive-level Strategic Governance meetings to ensure that internal controls are working effectively.

Reporting and Documenting Monitoring Activities

OSHPD is developing a central SLAA SharePoint site to maintain status reports, spreadsheets, surveys and document discussions on all risks, triggers, and controls. This site will be available to the SLAA team, which will update and review the status of each risk. The SLAA Coordinator will develop a monthly report that shows the status of each risk, including newly identified risks, and the effectiveness of each control. These reports will be reviewed by Executive Management during monthly Strategic Governance meetings and by the SLAA team.

Procedure for Addressing Identified Internal Control Deficiencies

Risk assessment and addressing internal control deficiencies will be conducted department-wide on an ongoing basis. This will include existing risks currently identified within OSHPD's SLAA report, as well as new or emerging risks. Identified internal control deficiencies will be assigned an executive owner

who is responsible for developing a plan to mitigate or correct the risk and ensure adequate controls are in place and tested regularly. Identified deficiencies will be reported to the Department Director and Chief Deputy Director along with a risk evaluation summary, corrective action plan, and timeline for implementation. Status reports for each risk mitigation plan will be reviewed during monthly Strategic Governance meetings, or more frequently as needed, to ensure that the deficiency has been remedied and internal controls are working effectively. This will provide a regular forum at the executive level to address deficiencies, identify appropriate risk mitigation strategies, and develop a plan for ongoing monitoring to ensure compliance.

CONCLUSION

The Office of Statewide Health Planning and Development strives to reduce the risks inherent in our work through ongoing monitoring. The Office of Statewide Health Planning and Development accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Robert David, Director

cc: Department of Finance
      Legislature
      State Auditor
      State Library
      State Controller
      Secretary of Government Operations