December 13, 2019

Julie Lee, Acting Secretary
California Government Operations Agency
915 Capitol Mall, Suite 200
Sacramento, CA 95814

Dear Ms. Julie Lee,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of General Services submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact Andy Won, Chief Auditor, at (916) 376-5058, Andy.Won@dgs.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Department of General Services (DGS) serves as business manager for the state of California, with more than 3,500 employees and a budget in excess of $1 billion. DGS helps California state government better serve the public by providing a variety of services to state agencies through innovative procurement and acquisition solutions; creative real estate management and design; environmentally friendly transportation; and funding for the construction of safe schools.

The California State Legislature created the Department of General Services in 1963. California Government Code Section 14600 states that the legislature's intention was to centralize business management functions into one entity that could:

- Take advantage of specialized techniques and skills;
- Provide uniform management; and
- Ensure a high level of efficiency and economy.

MISSION

DGS serves the state as its business manager. Our mission is to: Deliver results by providing timely, cost-effective services and products that support our customers, while protecting the interests of the state of California.

VISION

At DGS, our vision is: Excellence in the business of government.

We strive to achieve excellence by providing our customers with the products and services they need in a professional, value-added way.

STRATEGIC DIRECTION

DGS has established five strategic themes which guide development of our strategic plan goals. The themes clarify the direction in which we want to move the organization. The strategic direction themes are:

- Collaborative: We solicit input from our partners to collectively improve our outcomes.
- Consultative: We offer counsel and advice so our customers can maximize benefit and mitigate risk.
- Sustainable: We serve as good stewards of state resources and help "green" government.
- Data-Informed: We use and share data to make better decisions for ourselves and our customers.
- Effective: We continuously develop ourselves so we can better serve our customers.

STRATEGIC PLAN

Since 2016, DGS has developed and published an annual strategic plan that identifies annual goals for each of our internal divisions. Since its inception, the annual strategic planning process has yielded over 150 completed strategic plan goals, advancing our capabilities and benefiting our customers. These goals impel DGS to grow, enhancing our ability to deliver on our mission and be prepared for both anticipated and unanticipated circumstances. Annual goals are developed through inclusive top-down and bottom-up information gathering and assessment, with review and input from the DGS director, ensuring that published goals are significant, outcome-focused, and aligned with the overall strategic direction established for DGS. Annual goals are published in a formal plan that is posted on our public website. Available to all our stakeholder organizations and the public, the plan keeps us accountable for making continuous progress toward our long-term vision. We also publish an annual Year in Review report on our public website, describing the strategic goals accomplished during the year and further highlighting our accountability to the strategic plan.

ORGANIZATIONAL STRUCTURE

DGS includes the following organizations, which are all encompassed in this State Leadership Accountability Act Report:

- **Administration Division** - provides services to internal and external clients. Support services include budgetary resources; uniform and consistent financial and human resources support; risk and insurance management expertise; information technology support; and business functions needed by the department.
- **Division of the State Architect** - provides design and construction oversight for K-12 schools and community colleges. It develops accessibility, structural safety, and historical building codes and standards utilized in various public and private buildings throughout California.
- **Interagency Support Division** - provides a wide range of support services through several independent offices:
  - The **Office of Fleet and Asset Management**, which oversees the state fleet, providing transportation services and managing state and federal surplus property;
  - The **Office of Public School Construction**, which serves as staff to the State Allocation Board, facilitates the processing of school district applications and makes funding available to qualifying school districts;
  - The **Office of State Publishing**, which provides printing and communication solutions;

- The **Building Standards Commission**, which reviews, approves, codifies, and publishes state building standards; and
- The **California Commission on Disability Access** (acquired Fall 2017 and included in our overall risk approach since that time), which promotes disability access in California with the disability and business communities and all levels of government.

- **Office of Administrative Hearings** - consists of two divisions and five regional offices statewide. The General Jurisdiction Division provides independent adjudicatory and alternative dispute resolutions services to more than 1,400 state, local and county agencies, while the Special Education Division provides independent adjudicatory and mediation services throughout the state to school districts and parents of children with special needs.
- **Office of Legal Services** - provides leadership and guidance to state departments and agencies and to internal divisions and offices on the state's contracting and procurement laws and policies. This includes establishing the state's services contracting standards; providing contract pre-review and approval; and procurement training.
- **Procurement Division** - oversees state procurement policies and provides purchasing services to help departments achieve their missions.
- **Real Estate Services Division** - provides comprehensive real estate services to all state agencies.
- **Facilities Management Division** - manages, maintains, and operates state buildings and grounds.

Control Environment

VALUES

At DGS, we have established a set of core values that provide an important foundation for how we conduct ourselves and our business. These values are:

- Integrity: We do the right things for the right reasons.
- Accountability: We hold ourselves and each other responsible for all that we do.
- Communication: We listen and share information openly, honestly and respectfully with the goal of mutual understanding and transparency.
- Excellence: We strive for the best for each other and our customers.
- Innovation: We cultivate ideas and implement improvements throughout our organization.
- Teamwork: We value and respect our organizational diversity and work together to achieve great results.

LEADERSHIP

As the head of Department of General Services, Daniel C. Kim, Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems. DGS' management structure is comprised of three tiers:

- Executive management - director and chief deputy director
- Executive team - director, chief deputy director, 14 deputy directors and one office chief
- Management team - assistant deputy directors, office chiefs, branch chiefs

The DGS organization structure is based on programs that deliver specified services to their customers.

All levels of the management structure in each program area have a role in the risk assessment process, from risk identification and prioritization to monitoring and controlling activities. Additionally, each DGS leader contributes to the other programs, and DGS overall, through the monthly management team meetings and bi-weekly executive team meetings. Three governance committees (information technology, human resources, and contracting), attended by senior managers and leaders, ensure that risks and issues are raised and understood across the enterprise.

STRATEGIC PLAN

The annual strategic planning process is structured and documented to ensure it is understood and consistently applied across all DGS divisions. As goals are executed, progress against each goal's plan is monitored on a monthly basis and performance metrics are shared publicly. The annual cycle (based on the calendar year) requires planning for the next year's goals to begin in May or June. This overlap supports our approach of continual evaluation and reevaluation of risks and priorities. Twice each year, the director holds strategic plan meetings with each division, where he emphasizes that 100 percent completion of all goals is not required or expected – the goals are understood to be significant challenges – and this clarity helps alleviate unreasonable or excessive pressure on staff.

WORKFORCE

DGS has a Human Resources Governance Council (HR Governance Council) which ensures all divisions and programs within DGS have input in department-wide human resources policy and planning. The HR Governance Council meets monthly and follows a structured meeting and decision-making process to assure quality, consistency and communication.

To further DGS' recruitment capabilities, a dedicated Recruitment Unit was formed in 2017 to focus on DGS' hard to fill classifications, as well as positions requiring specific background and skills. A departmental recruitment plan was established to guide the unit's operations based on the most critical recruitment needs of the department. The Recruitment Unit is comprised of journey-level analysts with professional recruiting background, and uses modern techniques and channels such as LinkedIn, Indeed and specific sourcing avenues to reach qualified candidates in both the public and private sectors. DGS creates an annual exam plan each fiscal year based on needs identified by divisions. As part of DGS' strategic approach to recruitment, our workforce planning efforts provide demographic and historical vacancy data for DGS divisions and programs in order to identify areas of concern and enable proactive action for future succession planning. Both the exam and recruitment plans were approved by HR Governance and communicated to the DGS Leadership team.

In order to develop our workforce, DGS employs a variety of training, engagement, and retention strategies. The 2020 Strategic Plan for DGS includes a multi-year goal to refine and improve our new hire onboarding program. This will help establish a more cohesive organizational culture and yield benefits in both employee productivity and longevity. DGS University is dedicated to developing staff through a dual focus on excellence in current job duties and expansion of capabilities to support career advancement. Training programs cover the spectrum from specific, task-related skills to broad interpersonal and leadership knowledge. Employees are encouraged to work with their supervisors to develop Individual Development Plans, which can be supported by training from DGS University, CalHR, or other providers. Our annual Organizational Health Survey is a crucial input for understanding employee engagement and addressing concerns about the work environment. The data collected is analyzed and the information gleaned is used to direct conversations with staff and develop action

plans that address the key issues raised. Staff input shows that many people feel this approach has been instrumental in improving staff opinions about many aspects of work at DGS. The survey data and anecdotal evidence show that the annual survey, and associated improvement actions, have a positive impact on DGS' ability to retain staff.

Information and Communication

To achieve its objectives, DGS communicates frequently with its employees and external stakeholders regarding its monitoring roles, activities and results.

INTERNAL COMMUNICATION

- The director holds regular one-on-one meetings with each deputy director to ensure continued two-way conversations.
- Executive management holds meetings twice each month with the executive team. Agenda items include discussions of potential internal control issues that have been brought to executive management's attention and the mitigation steps needed to address them.
- The DGS management team meets monthly and is encouraged to candidly discuss any internal control issues that have been brought to its members' attention. The team then brings its concerns and solutions to the executive team.
- The executive team and management team meet together each quarter for a full-day session that provides opportunity for deep discussion on topics that impact our ability to identify and act on risks at the division level and DGS-wide.
- DGS has three governance committees, attended by senior managers and leaders, to ensure that risks and issues are surfaced and understood across the enterprise, and that the enterprise perspective is communicated back to the programs that could be impacted. The three governance committees oversee information technology, human resources, and contracting.
- DGS surveys its customers and employees to ensure it is delivering efficient and effective results and being more collaborative and consultative. Survey results are presented to the executive team and discussed in the DGS Digest employee newsletter. Further, town hall meetings are held to present employee survey results and detailed results are posted online.
- Town hall meetings, held twice annually with each DGS division, provide an opportunity for all employees to interact with the DGS director. Staff are encouraged to bring up topics they choose and are afforded the opportunity to submit questions anonymously in advance of the meeting. Program risks, operational challenges, and ideas for improvement are frequent topics. Notes and action items from each town hall meeting are documented and reviewed regularly until completed.

EXTERNAL COMMUNICATION

DGS has established external stakeholder groups to support clear two-way communication that provides external parties with important guidance and enables DGS to understand the needs and priorities of its customers. Stakeholder groups include:

- **General Services Workgroup (GSW)**: A strategic advisory body of representatives from a wide cross-section of state departments, agencies, and DGS executives, chaired by DGS' director. The workgroup provides feedback on DGS policies and strategic goals prior to and

upon their implementation; reviews and recommends changes to DGS policies, procedures and practices; and identifies key challenges or issues facing state departments with respect to DGS-related services or functions.

- **Statewide Tenant Workgroup (STW)**: A strategic advisory body comprised of representatives from a wide cross-section of state departments and agencies and DGS executives, chaired by the deputy director of DGS' Facilities Management Division. The workgroup provides consultative input on statewide priorities, policies, practices and strategic goals related to the operation of facilities managed by DGS and provides tenant perspective on operational aspects of DGS-managed facilities.
- **State Contracting Advisory Network (SCAN)**: A quarterly meeting where DGS' Office of Legal Services provides information, training, and legal updates focused on non-IT service contracts to contract officers from state departments.
- **DGS Small Business Advisory Council (SBAC)**: A quarterly forum for representatives of the California small business community to provide input on policies and practices. The SBAC assists DGS with the development of solutions to the state's procurement and contracting concerns, helps communicate information regarding DGS projects and programs of interest to the small business community, and provides a forum for interactive discussions.
- **California Pharmaceutical Collaborative (CPC)**: A working group led by DGS' Procurement Division and focused on coordinating efforts of state and local governmental entities to reduce pharmaceutical expenditures. The CPC facilitates information sharing; identifying and addressing obstacles and issues; leveraging data; communicating findings; and identifying, prioritizing, and implementing strategies for cost saving. Participants include state departments and other public entities that spend large sums to procure pharmaceuticals.
- **Purchasing Authority Roundtable (PART)**: A consortium of appointed state purchasing authority contacts (aka PART members) that meet on a quarterly basis to promote open and transparent communication with the DGS Procurement Division (PD). The PART members cooperate and collaborate with PD to explore recommendations to streamline and improve procurement policies and processes, resulting in more effective and efficient purchasing authority program management.
- **Small Business/Disabled Veteran Business Enterprise (SB/DVBE) Advocate Steering Committee**: A quarterly meeting that brings together all the state's SB/DVBE advocates to facilitate training and information sharing regarding their roles and responsibilities.
- **Office of State Publishing (OSP) Customer Working Group**: A collaborative platform where all state printing operations and customers are represented and able to share knowledge and information, as well as raise issues or concerns related to printing operations. The Customer Working Group supports OSP's goal to make printing in California state government more efficient, transparent and cost-effective. The workgroup meets quarterly and is primarily attended by managers of departmental printing operations.
- **Control Agency Partnership Working Group (Travel)**: A quarterly meeting of departments that manage the state's travel process (from booking, to policy and billing, to expensing and reporting). The focus is travel industry best practices and how to use them to the state's advantage. The state spends over $200 million annually on travel related services, and this work group helps the state receive the highest possible value at the lowest possible cost. Members include DGS, State Controller's Office, CalATERS, Department of Finance, Fi$Cal and CalHR.
- **Partnership Advisory Group (PAG)**: The PAG meets quarterly to facilitate open

communication and enhance partnership opportunities between the State of California, the travel industry, and state travel program participants. The PAG brings together travel industry representatives and partners, state agencies, cities/counties, K-12 public schools, community colleges and the CSUs.

- **Statewide Equipment Council (SEC)**: A collaborative workgroup led by DGS' Office of Fleet and Asset Management (OFAM) that meets quarterly. Its purpose is to engage state fleet stakeholders in the development and implementation of statewide fleet policies/initiatives, communicate changes in fleet oversight processes, share best practices in fleet management, coordinate supporting fleet related services, and introduce new fleet related technologies to fleet managers and coordinators. Participants include OFAM, department fleet managers/ coordinators, the DGS Procurement Division, vendors, and other interested parties, such as representatives from local utilities and the DGS Office of Sustainability.
- **Sustainable Building Working Group (SBWG):** An oversight and implementation group of representatives from over 35 state agencies as well as utilities, who meet monthly to oversee, implement, and report on state sustainability policies. Focuses include reducing energy and water use, greenhouse gas emissions, green transportation and operations, and environmentally preferable purchasing. The formation of this group was called for in EO B-18-12 and the Green Building Action Plan. Meetings are led by the DGS Office of Sustainability.
- **Intellectual Property (IP) Advisory Group**: An advisory group that assists the state in managing and protecting its IP resources and provides input on how DGS' IP Program can better serve other state agencies. The IP Advisory Group meets four times each year.

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 Department of General Services monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Chuck Tobia, Deputy Director.

PROCESS

Through our ongoing monitoring processes, DGS reviews, evaluates, and improves our systems of internal controls and monitoring processes. The department has formalized and continues to refine and document our ongoing monitoring. As such, we fully comply with California Government Code sections 13400-13407.

As part of our department-wide ongoing monitoring process, in each year since 2016, DGS executed annual strategic plans that identify specific, measurable strategic goals within 19 program areas organized around 5 themes: Collaborative, Consultative, Sustainable, Data-Informed and Effective. These goals represent the highest priorities for DGS to address operational and strategic needs. As part of the plan, DGS implemented a robust monitoring program to track and publish progress. Each program documents their goals in the form of a critical path that outlines the major milestones and target dates for completion. Each program has a designated liaison who provides updates to the Office of Strategic Planning, Policy and Research (OSPPR). In the event of delays, reasons for delays and revised completion targets are documented. OSPPR compiles the status of all goals and posts the

information publically, summarizing the progress made. Further, the DGS director and chief deputy director actively monitor the progress toward goals through monthly meetings with program executive staff. Program executive staff are directly responsible and accountable for completion of strategic goals and communication of progress.

ADDRESSING VULNERABILITIES

As part of the DGS strategic planning process, OSPPR has established a planning calendar designed to synchronize with the Budget Change Proposal (BCP) cycle and the SLAA cycle, ensuring that the department is identifying risks and resources needed and incorporating those in the annual strategic plans to keep the plans relevant. Programs conduct self-assessments via analysis of business strengths, weaknesses, opportunities and threats (SWOT) and political, economic, social, technological, environmental and legal influences (PEST(EL)). Program deputies meet with the director to discuss priorities, needs and proposed future direction as part of developing their goals. DGS' strategic planning process ensures that the highest priorities for the department are addressed, measured and monitored at the program level using a centralized reporting system.

RESULTS

DGS' risk management approach has proven successful. For example, in the 2017 SLAA report, DGS identified FI$Cal as a significant risk. If FI$Cal did not meet DGS needs, it would have caused a disruption in DGS' day-to-day business operations, which would have manifested as delays in support to the state agencies that DGS serves in areas such as procurement, real estate services, and facilities maintenance. The primary impacts would have been:

- The inability to bill DGS clients for work performed, and the corresponding lack of revenue to fund DGS operations;
- Project costs would not have been accurately tracked in our financial system of record; and
- DGS would not be able to easily identify its current financial position.

To overcome the risks, DGS partnered with FI$Cal in the design, development, and testing of DGS-specific functionality. DGS and FI$Cal dedicated staff to work collaboratively in agile sprints to build additional DGS-specific functionality in FI$Cal. DGS subject matter experts spent months testing FI$Cal to ensure the system met DGS needs. Once DGS went live with FI$Cal, DGS systematically used more FI$Cal functionality ensuring that it worked correctly while using the DGS Activity Based Management System (ABMS) in parallel. After six months of using FI$Cal, DGS was able to retire the DGS ABMS system. DGS remains in partnership with FI$Cal to enhance and fine tune functionality to ensure DGS processes remain secure. Through this methodical and carefully managed approach, DGS avoided the risks posed by FI$Cal implementation and emerged as the leader in the state on FI$Cal implementation, sharing hard-won knowledge with other departments.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of General Services 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, questionnaires, consideration of potential fraud, performance metrics, and other.

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.

RISK SURVEY

In 2019, the DGS executive team and management team participated in an internal survey to solicit input on the top risks faced by DGS. The survey provided respondents pre-validated choices (i.e., items that the director and key deputy directors identified as significant for DGS) and the ability to identify any other risks they deemed significant. For each risk captured in the survey, respondents entered their estimation of likelihood of occurrence, potential impact, and a narrative of considerations for DGS. The survey results were compiled and used for multiple rounds of discussion among the executive team to utilize the vast and varied expertise of our executives, narrowing the focus for the SLAA report to those that risks present the highest potential impact to DGS' ability to deliver its mission.

RISKS AND CONTROLS

Risk: Key Person Dependence, Workforce Planning

There is significant turnover in some DGS divisions and offices due to retirements, promotions, and reassignments. This puts DGS at risk for potential loss of institutional knowledge. Compounding the risk for some DGS divisions is the specialized nature of the work performed, which makes recruitment and retention more difficult (examples include the Division of the State Architect and Office of Administrative Hearings). Historically, DGS employed seasoned staff who provided guidance to other state departments on statewide policy. Currently, 48 percent of employees have been with us for 5 years or less, rendering the level of expertise shallower than in the past. Thus, DGS has come to rely more on training and documented procedures to support quality services. Loss of key people without adequate preparation of backup resources could cause a disruption to DGS services, a delay in delivery of services, or an impact in the quality of services delivered.

Control: A-Workforce Planning

In 2017, DGS participated in the first CalHR cohort on workforce planning and developed the current DGS workforce plan, which covers the years 2017 to 2022. DGS staff remain engaged in workforce planning, keeping current with trends and organizational demographics. A refresh of the workforce plan is scheduled for 2020. The plan provides guidance on how to get the right people in the right jobs at the right time. The plan has driven a variety of efforts within DGS that help address risk, including:

- The annual exam plan, which helps identify and address recruitment gaps. The plan is developed based on needs identified by programs and validated by the Office of Human Resources.
- A dedicated recruiting team, started in 2017, that focuses on hard-to-fill positions and uses modern techniques and channels to reach qualified candidates in the public and private sectors.
- Demographic and turnover information for DGS divisions that helps identify areas of concern.

Control: B-Leadership Training

In 2018, DGS University implemented a leadership training program for all supervisors and managers to meet CalHR requirements for leadership development. DGS management established the expectation that all supervisors and managers attend the leadership training as a way to enhance organizational health across DGS and to better prepare managers for advancement opportunities. In 2019, the leadership training program was opened to all DGS staff to increase understanding of DGS management culture and to begin preparing staff for advancement to management positions.

In addition to DGS-specific leadership training, employees are encouraged to attend academies offered by CalHR and other proven providers so that employees can enhance their value to DGS and position themselves for career advancement.

DGS is also in the process of implementing a learning management system. This system provides a wide range of support for professional development and helps managers assure that critical trainings are complete by staff. Training plans and tracking of completed training are key steps in ensuring that knowledge is developed across the organization, not centralized among a few people, thus reducing the risk of key personnel departures.

Control: C-Annual Organizational Health Survey

DGS conducts an annual Organizational Health Survey. The survey serves many purposes, one of which is gathering data on staff opinions related to key job satisfaction factors. The survey provides DGS management teams information about their staffs' opinions on careers, relationships with supervisors, current teams, and their organization's leadership. The data collected is analyzed and the information gleaned is used to direct conversations with staff and develop action plans that address the key issues raised. Staff input regarding 2018 action plans shows that many people feel the actions taken were instrumental in improving staff opinions about many aspects of work at DGS. The survey data and anecdotal evidence show that the annual survey, and associated improvement actions, have a positive impact on DGS' ability to retain staff, thus reducing the risk of key personnel departures.

Control: D-Human Resources Governance

DGS has established a Human Resources Governance committee and processes that ensure all organizations within DGS have a voice in department-wide human resources policy and planning. The committee meets regularly and follows a structured meeting and decision process to assure quality and consistency. This approach has improved the ability of DGS divisions to comply with policies and helps them better utilize the services that the Office of Human Resources provides, particularly in the area of recruitment.

Risk: Deferred Maintenance of State Facilities

DGS manages over 70 state office facilities totaling approximately 19 million gross square feet. The maintenance needed for each facility increases as it ages, and many of the facilities in the DGS portfolio are decades old. The cost of annual maintenance projects exceeds DGS' maintenance budget, leading to an increasing backlog of deferred maintenance waiting to be performed. As the list of

deferred projects grows, the ability to effectively use a facility faces increased risk. If risks are realized (e.g., equipment breakdowns, deteriorating floors, or leaking roofs), workers in the impacted facility may have limited ability to carry out their department's duties.

Control: A-Prioritization of Maintenance Projects

DGS has increased its focus on prioritizing deferred maintenance work. Each month, DGS convenes the Statewide Tenant Workgroup (STW), made up of tenants in DGS-managed facilities. The STW provides a forum for DGS customers to interact directly with DGS' Facilities Management Division (FMD) and express their maintenance priorities. Within DGS, FMD has formed the Project Intake Committee (PIC), which comprises DGS teams from FMD, the Office of Sustainability, Real Estate Services Division, and Office of Fleet and Asset Management. The PIC exists to create effective interdepartmental coordination on projects located in DGS-managed buildings and parking structures.

Control: B-Resources for Maintenance Projects

DGS added resources to address the priorities established with the input of the STW and the PIC. In 2019, FMD gained additional budget authorization for general deferred maintenance via the state's budget change proposal (BCP) process. Additional BCPs are in process for elevator modernizations for key buildings and fire, life and safety system upgrades for key buildings. To improve project management, FMD implemented automated maintenance request tracking and reporting with the Maximo project management tool. Additionally, FMD established internal review and improvement of project management processes (including repairs and complex projects). FMD is currently finalizing contracts for a series of statewide technical trainings for building managers, engineers and maintenance mechanics.

Control: C-Strategic Real Estate Actions

The Real Estate Services Division (RESD) within DGS has undertaken a series of strategic actions that help reduce the risks associate with deferred maintenance. In 2018, the State Property Inventory system was enhanced to improve data captured and ease of use so that property details more clearly reflect projects done and work still needed. Software for construction project quality assurance was implemented in 2018. RESD established a Ten Year Sequencing Plan that provides a roadmap for the renovation or replacement of state office buildings in Sacramento. This plan, taken together with the department's Portfolio Plan, provides a statewide, strategic, and long-term asset management strategy for DGS' portfolio of office buildings, ensuring that maintenance funds are expended with knowledge of which buildings will remain in the portfolio.

Risk: Continuity of Business

DGS manages over 70 state office facilities, totaling approximately 19 million gross square feet, disbursed across the state. While some of these facilities are in higher risk areas for certain risk events, such as earthquake or fire, all facilities are at some level of risk for events that make them inaccessible or unusable. In recent years, California has experienced power outages, floods, and fires that impacted DGS-managed facilities. Whether the facilities themselves are rendered unusable, or employees are unable to get to and from their work locations, departments struggle to deliver their services to the state

under such conditions.

Control: A-Continuity Plans

DGS' Facilities Management Division (FMD) is developing continuity of operations plans for each DGS-managed facility. In the event of an emergency that threatens the usability of state facilities, these plans help ensure quick and comprehensive action to support continued operations during an event and resumption of normal operations after an event. To the extent required by unique circumstances, plans will be tailored to the needs of each facility and will take into account facility tenants as appropriate.

Control: B-State Operations Center

The DGS Office of Risk and Insurance Management (ORIM) developed standardized procedures for the State Operations Center (SOC). These procedures help assure an orderly and predictable response to each situation that calls for activation of the SOC. The orderliness and predictability lessen the burden on SOC staff with respect to administrative and ordinary activities, allowing increased attention and time spent on actions that directly address the ongoing event that required SOC activation. The procedures are especially important given that many SOC staff are assigned based on availability and do not always have deep experience working at the SOC.

Control: C-Procurement

The Procurement Division within DGS established statewide contracts for emergency procurement. These contracts enable quick procurement of goods and services needed in response to an emergency, helping expedite the response to that emergency. In addition, the contracts ensure that emergency procurements are consistent with the laws and policies established for state departments.

Control: D-Staff Availability

DGS serves departments, local government, private enterprise, and the public across the state. Our staff's ability to work under emergency conditions is paramount to the continuity of our services. To help ensure that our staff can maximize their availability during an emergency, we implemented an emergency notification system to alert staff of changing conditions. These alerts allow staff to determine a course of action for the given circumstances, and also can provide information that assists with productivity, such as alternate work locations or opportunities for volunteerism. Additionally, DGS has a telework policy in place that provides for incidental and emergency-based telework arrangements, enabling flexible work conditions that support continued services during emergency conditions.

Risk: Technology-Data Security

DGS recognizes the importance of the security of its information systems and the information it owns or has in its custody. All organizations are exposed to risk due to the potential for improper access to – and possible corruption or loss of – data. The risks could result in loss of employee access to data, impeding DGS' ability to deliver services, or exposure of sensitive information and the associated liability. Technological advancements, changing business models, new business processes, and

increasing customer demand along with the rapid growth of the cyber threat landscape have prompted DGS to take actions to enhance its security posture and effectively respond to cybersecurity risks.

Control: A-Information Security Office (ISO)

DGS has hired talented resources and implemented new tools to carry out essential security functions and thwart cyber-attacks. For instance, DGS has implemented Multi-Factor Authentication (MFA) throughout the organization and the entities it supports (Government Operations Agency, Office of Administrative Law, California Commission on the Status of Women and Girls). This effort has stopped attackers from using stolen credentials to access, disclose, or alter confidential information. Also, DGS has implemented the State Information Management Manual (SIMM) 5355-A Endpoint Protection Standard to further detect, monitor and respond effectively to malware attacks that threaten state information assets. DGS executive management is committed to building and maintaining a robust information security posture. The State ISO has commended DGS for its aggressive push on all cybersecurity fronts (implementing MFA, CrowdStrike endpoint protections, etc.).

Control: B-Cloud-first Policy and Migration

DGS has earned the reputation of pioneering compliance with the state's "Cloud First Policy." The "Cloud First" policy directs state entities to shift toward cloud computing solutions for all new reportable and non-reportable IT projects in accordance with SAM 4983 and 4983.1. DGS is building and evaluating cloud solutions to meet business needs whenever feasible. Among the systems and applications that were moved from on-premises to the cloud are: State Property Inventory; Human Resources/Time Reporting and project reporting systems; SharePoint Online and Office 365; VMware Cloud on AWS; File archiving; Cloud backup storage; applications in Microsoft Azure; and the DGS public website. The department's rapid migration to the cloud not only is efficient in terms of administrative overhead, but also ensures better recovery and higher availability. Without availability, any security posture would collapse as it is one of three tenets that make up security.

Control: C-Policies, Procedures, and Training to Promote Information Security

The Information Security Office (ISO) develops policies that meet federal and state compliance requirements while enabling the business to meet their needs and objectives. The policies are developed in collaboration with IT leadership, Labor Relations and Office of Legal Services, then vetted through the DGS IT Governance Council comprised of deputy directors representing the interests of DGS business programs. Final approval for policies comes from the Deputy Director, Office of Administrative Services. Approved policies are communicated to all DGS staff and posted on DGS' intranet. The ISO collaborates extensively in developing processes to ensure that policies are implemented and adhered to by all DGS staff. Additionally, the ISO provides annual and specific training to ensure enterprise awareness of policies and procedures so as to achieve optimal compliance with security and privacy requirements by the DGS user community.

CONCLUSION

The Department of General Services 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.

Daniel Kim, 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