

# **Military Department**

## **2017 SLAA Report**

December 21, 2017

Michael Cohen, Director  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Military Department submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Brigadier General Dana Hessheimer, Director Joint Staff, at (916) 854-3500, [dana.a.hessheimer.mil@mail.mil](mailto:dana.a.hessheimer.mil@mail.mil).

### **Background**

The California Military Department (Department) is a unique component of the California State Government. Its mission is to provide trained and ready forces to respond to national, state, and local emergencies. The Department adds value to the communities by providing resources, services, and educational programs that reflect the diverse needs of the people it serves. It is committed in improving, preparing, and protecting its communities, state, and nation. It is responsible for the command, leadership, and management of the following four components:

- The California Air National Guard's mission is to organize, train, and equip airmen to provide air, space, and cyberspace forces supporting federal and state missions. It includes the 129th Rescue Wing, 144th Fighter Wing, 146th Airlift Wing, 163rd Attack Wing, and 195th Wing.
- The California Army National Guard's mission is to organize, train, equip, and resource community based land forces. When ordered, it mobilizes to support the state and the nation. It includes 11 subordinate commands.
- The California State Military Reserve is an all-volunteer State Defense Force. Its mission is to provide trained and organized State Military Reserve force which supports the California Air National Guard and California Army National Guard. Additionally, the California State Military Reserve performs military duties such as assisting civil authorities and assisting in the mobilization and demobilization process of the first two components. It supports four major commands: Army, Air Force, Maritime, and Youth Community Programs.
- The Youth and Community Programs Task Force's mission is to intervene in the lives of at-risk youths and to produce graduates with the values, skills, education, and self-discipline necessary to succeed as adults. It includes six youth programs that are located throughout California. They are the Discovery Challenge Academy, Grizzly Youth Academy, Sunburst Youth Academy, Starbase, Oakland Military Institute, and California Cadet Corps. The Youth and Community Programs Task Force also ensures that service members, veterans, and their families have simple and timely access to comprehensive support and services.

The Department's strategic initiatives comprise of the following priorities and focus areas:

- Ready Civil Support focusing on:
  - Proactive interagency engagement
  - Optimize civil support training
  - Identifying emerging civil support issues
  - Effective and time responses
  - Providing robust and scalable capabilities
  - Maximizing interoperability
- Combat Readiness focusing on:
  - Acquiring and maintaining dual purpose force structure
  - Effective recruiting and retention
  - Acquiring and maintaining modern and relevant equipment
  - Conducting realistic and mission focused training
  - Managing readiness
  - Maximizing federal and state resources
- Internal Controls focusing on:
  - Efficient and effective inspection programs
  - Executing effective internal controls
- Effective Organizations focusing on:
  - Fostering a culture of integrity, trust, and service
  - Proactive Military and family readiness
  - Building and maintaining community, state, and international relationships
  - Modernizing installations, armories, and air bases
  - Upgrading information technology infrastructure
  - Cultivating a positive and professional command climate
  - Becoming a learning organization
  - Developing and retaining quality leaders
  - Comprehensive capital project planning
  - Secure and Redundant Systems
  - Quality Life/Mission Support

As of October 2017, the Department had 20,066 airmen, soldiers, and state military reservists, ready to respond to emergencies in California and across the nation. Approximately 5,000 federal and state employees work at the Department in support of its mission. The California Military Department is led by The Adjutant General who is appointed by the Governor to serve as the Agency Secretary of the Department.

### **Ongoing Monitoring**

As the head of Military Department, Major General David S. Baldwin, The Adjutant General, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

### **Executive Monitoring Sponsor(s)**

The executive monitoring sponsor responsibilities include facilitating and verifying that the Military Department internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:  
Brigadier General Dana Hessheimer, Director Joint Staff.

## **Monitoring Activities**

The Adjutant General sets the tone and assumes ownership of the Military Department's internal control. He holds all leaders responsible for managing their internal control program. Senior leaders are accountable for implementing effective internal controls, preventing wasteful spending, and ensuring transparency. This includes continually monitoring the Department's mission and strategic plan and fostering an environment that encourages the highest levels of personal and professional integrity. Directorates evaluate their internal control annually. Inspections are conducted quarterly and annually to ensure that operations and programs comply with federal and state regulations. Furthermore, the Internal Review Office audits the effectiveness of the directorates' internal control. An annual audit plan is prepared by the Internal Review Office and approved by The Adjutant General.

## **Addressing Vulnerabilities**

Audit and inspection findings are immediately corrected when possible. Deficiencies identified as a result of the internal control evaluations are also immediately corrected. The Internal Review Office conducts follow up audits to determine statuses of corrective action plans. The Department also has an Internal Control Council that meets quarterly to discuss internal control deficiencies, inspections, findings, and recommendations. The Internal Control Council resolves problems that could prevent implementation of corrective action plans. Further, the main internal control administrator tracks the implementation statuses of audit and inspection recommendations. He reports any implementation problems to the Executive Sponsoring Monitor.

## **Communication**

Twice a month, Headquarters Update Briefings are held with The Adjutant General, the Deputy Adjutant General, senior leaders, directors, and supervisors. This is a forum to exchange information on internal controls, strategic priorities, and critical missions. In addition, the Department's key staff meets three times a week to further discuss workloads, staff actions, program implementation, and policy. Furthermore, senior leaders, directors, and supervisors have staff meetings twice a month.

The Inspector General documents inspection and investigation results in the Inspector General Reports. The Inspector General also briefs The Adjutant General of allegations, inspections, and investigations quarterly or as needed.

The Internal Review Office reports internal control deficiencies in audit reports. The Adjutant General, the Deputy Adjutant General, Chief of Staffs, senior leaders, and directors receive copies of the audit reports.

## **Ongoing Monitoring Compliance**

The Military Department is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Military Department systems of controls and monitoring.

## **Risk Assessment Process**

The following personnel were involved in the Military Department risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

## **Risk Identification**

The Department's senior leaders, directors, internal control administrators, and staff conducted the internal control risk assessment and evaluation. Below was the risk assessment process:

- Since the Department conducts a federal internal control assessment/evaluation and submits a Federal Statement of Assurance report (Federal’s version of the SLAA report) annually, this period’s State risk assessment process mirrored the federal risk assessment and internal control evaluation’s methodology. The Internal Review Office met with directors to determine their directorates’ general risk areas and then the Internal Review Office developed the Risk Assessment and Internal Control Evaluation questionnaire.
- Directors with the assistance of their internal control administrators completed the questionnaire. Directors identified their directorates' greatest risks and mitigating internal controls. Next, the directors rated the risks as low, medium, or high based on the likelihood of occurrence and impact to the Department. Directors, internal control administrators, and staff evaluated each internal control to verify that controls are working as intended. Evaluations were based on actual testing through direct observation, file and document analysis, or sampling. The evaluation procedure, method of testing, evaluation results, internal control deficiencies, and corrective actions were documented in the Internal Control Evaluation Certification, DA Form 11-2 (DA Form 11-2). Directors certified that their internal controls complied with the California Government Code Sections 13400-13407 by signing the Risk Assessment Questionnaire and DA Form 11-2s.
- Upon receipt of the questionnaires and the DA Form 11-2s, the Internal Review Office assigned a numerical value of 1 for low, 3 for medium, and 5 for high for each identified risk and compiled the result into a spreadsheet. Based on the directors' ratings, the Internal Review Office scored a total of 31 risks and ranked them from the highest to the lowest score. Then, the Internal Review Office forwarded the spreadsheet that summarized the result of the directorates’ risk assessment to three senior leaders.

### **Risk Ranking**

- The Director of Joint Staff, Vice Chief of Staff Joint Staff, and Director of Staff reviewed the risk assessment spreadsheet and selected 4 of the 31 risks.
- The Internal Review Office interviewed the respective directors of the four risks to obtain additional information. The 2017 SLAA report focuses on these risks. The Adjutant General, Deputy Adjutant General, Director of Staff, and Director of Joint Staff reviewed and approved the final four risk submitted in this report.

### **Risk and Controls**

#### **Risk: Operations-Internal-Oversight, Monitoring, Internal Control Systems**

The California Military Department is responsible for the administration and operation of the ChalleNGe Program which includes:

- Grizzly Youth Academy in San Luis Obispo
- Sunburst Youth Academy in Los Alamitos
- Discovery Challenge Academy in Lathrop

The ChalleNGe Program targets youths between 16 to 18 years of age who have dropped out of high school or at-risk of dropping out. Participation is voluntary. The program includes 22 weeks of residential phase and 52 weeks of post residential phase. It is funded by the Federal and State government and some donations. Tuition, room and board, and books are free of charge.

The ChalleNGe Program has custody of the youths (cadets) during the 22 weeks residential phase. Therefore, its top priorities are the cadets' safety and well-being while they are in the program. However, the likelihood of the cadets being harmed is a possibility and a great risk. Another risk is a

potential inappropriate use and financial controls associated with one of the program's non-profit account.

Improper screening of personnel prior to hiring, lack of policies and procedures, and lack of training could jeopardized the cadets' safety and well-being.

The first risk could result in cadets being injured or abused. The second risk could result in inappropriate expenditures and loss of funds. Both risks could cause negative media coverage.

#### **Control A**

The ChalleNGe Program ensures the safety of cadets through the following measures:

- All personnel assigned to the ChalleNGe Program undergo a LIVESCAN prior to being hired with yearly performance reviews
- No staff is placed in a "one-on-one" scenario with a cadet (buddy rule applies)
- ChalleNGe Program's "hands-off" cadet policies are strictly enforced
- Personnel maintains specialized medical, counseling, and performance training

The possible inappropriate use of the non-profit account was reported to the California Highway Patrol who is conducting an investigation. Upon completion of the investigation, the Youth Community Programs Task Force, who commands the ChalleNGe Program, will address the risk and develop the appropriate internal controls.

#### **Risk: Operations-Internal-Staff--Training, Knowledge, Competence**

The Environmental Programs ensures that the California Army National Guard's facilities, activities, and operations comply with federal, state, local, and military environmental laws and regulations. Its goals are to:

- Carry out military and state missions with minimal impact to the environment
- Provide unit level training on environmental stewardship, compliance, and pollution prevention
- Maintain, restore, and enhance existing training sites
- Stop pollution at the source

Propose actions such as policies, regulations, procedures, new management, operational concepts, facilities constructions, facility testing, and evaluation programs should be submitted to the Environmental Programs for environmental reviews. However, some projects have been implemented without the required environmental reviews.

This happened due to lack of formal planning processes within proponent directorates (J9-Facilities and Infrastructure, G3-Army Training, G4-Army Logistics, trainings sites, Public Works, and Plans Training Mobilization and Security) that require:

- Environmental review prior to project approval and execution
- Incorporation of environmental requirements into contracts

Projects without environmental reviews could result in no National Environmental Protection Act documentation, violation of the Code of Federal Regulation, title 32, Section 651, and failure to implement best management practices or mitigation measures.

#### **Control A**

All environmental reviews conducted per the Code of Federal Regulations, Title 32, Section 651 are tracked through the Department's SharePoint system. The SharePoint system is constantly monitored and updated. In addition, professional environmental staff coordinates and meets frequently with project proponents to ensure that actions requiring environmental review are properly evaluated. The

Environmental Programs' management reviews documents for accuracy. The National Guard Bureau and directorate staff review the more complex documents.

Furthermore, the J9-Facilities and Infrastructure is incorporating environmental requirements into contracting documents. Environmental Programs communicates environmental requirements through briefings, meetings, and training.

**Risk: Operations-Internal-Program/Activity Changes, Complexity**

The Equal Employment Opportunity (State Active Duty, State Civil Service, and State Military Reserve) Program resolves and settles allegations and discriminatory complaints fairly, equitably, and expeditiously. Complaints are resolved at the lowest command level whenever possible.

Different groups of federal and state employees work at the California Military Department to support its mission. For example, at the state level, there are State Active Duty Service Members, State Civil Service employees and State Military Reservists. Specific laws and regulations apply to each group. To better serve their needs and assist the Equal Employment Opportunity staff, procedural manuals were developed for State Active Duty Service Members and State Military Reservists, but not for State Civil Service employees.

Since case files and complaint process have complied with the California Government Code, Title 2 and the California Department of Fair Employment and Housing policies and regulations so far, a procedure manual to include State Civil Service employees has not been developed. However, a procedural manual could mitigate errors, expedite compliant processes, and assist Equal Employment Opportunity staff.

Not having updated policies and procedures could delay complaint processes and cause untimely investigations or unfavorable audit findings.

**Control A**

The Equal Employment Opportunity Program drafted the California Military Department Manual 9600.03 (State Discrimination Process), the procedural manual specifically for State Equal Employment Opportunity (State Active Duty, State Civil Service, and State Military Reserve). The procedural manual is in final review stages with the Vice Chief of Staff Joint Staff. Further, the Equal Employment Opportunity Program is revising the California Military Department Instruction 9600.00 (California National Guard Discrimination Complaint Program) to include policies for all the federal and state employees.

**Risk: Operations-Internal-Staff - Training, Knowledge, Competence**

The Department has a Behavioral Health Program that provides education, outreach, consultation, and 24 hours a day, 7 days a week crisis response to service members and civilian employees. The Department ensures sufficient behavioral health services are available throughout California by having liaisons in Sacramento, Redding, Fairfield, Fresno, Los Alamitos, Camp Roberts, Lancaster, and San Diego. These liaisons are State Active Duty officers.

Since the State Active Duty liaisons are not all working in one location, they execute their daily operations that are in varying degrees of consistency with the expectations of the Behavioral Health director, agency coordinator, and operation officer. For example, liaisons occasionally have errors on their timesheets, leave requests, weekly projections, weekly summaries, and monthly reports. However, the operation officer and agency coordinator screened these documents and corrected the errors prior to final submission.

Human errors and a need for continual communication could cause the risk.

The risk could result in an audit or investigation of the California Mental Health Services Act funding of the Behavioral Health program. This risk could also prevent sufficient service coverage and cause missed critical deadlines.

#### **Control A**

The Behavioral Health Program uses multiple levels of checks and balances to avoid errors. The operation officer and agency coordinator provide the liaisons with constant feedback and guidance. They conduct weekly supervisory meetings and face to face meetings. They also established internal deadlines prior to the actual deadlines and conduct an annual formal training.

#### **Conclusion**

The Military Department strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

I am signing on behalf of MG David Baldwin, BG Dana Hessheimer.

**Major General David S. Baldwin, The Adjutant General**

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