

Military Department

2019 Leadership Accountability Report

December 19, 2019

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

Dear Ms. Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Military Department 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 Colonel Richard A. Rabe, Chief of Staff, Joint Staff, at (916) 854-3500, richard.a.rabe.nfg@mail.mil.

Governance

Mission and Strategic Plan

The Military Department (Military) is a unique component of the California State Government. The Military's mission is to provide trained and ready forces to respond to national, state, and local emergencies. The Military provides resources, services, and educational programs to California's communities. It is committed in improving, preparing, and protecting its communities, state, and nation. The Military comprises of the following four components:

- The California Air National Guard (Air Guard) provides air, space, and cyberspace forces to support 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 (Army Guard) organizes, trains, equips, and resources community based land forces. When ordered, it mobilizes to support the state and the nation. It includes 12 major subordinate commands.
- The California State Guard (State Guard) is an all-volunteer State Defense Force. It includes army, air, and maritime components. Its mission includes providing trained and ready forces to support the Air Guard, Army Guard, and Youth & Community Programs Task Force (Youth Programs) and to respond to state emergencies.
- The Youth & Community Programs Task Force provide resources, services, outreach, and education to the state, local communities, and families. Its educational programs are located throughout California. They include the Discovery Challenge Academy, Grizzly Youth Academy, Sunburst Youth Academy, California Military Institute Perris, Oakland Military Institute, Porterville Military Academy, Starbase Los Alamitos, Starbase Sacramento, and California Cadet Corps.

The Military's four strategic priorities and focus areas are:

- Combat Readiness focusing on:
 - Acquiring and maintaining dual purpose force structure

- Effective recruiting and retention
- Acquiring and maintaining modern and relevant equipment
- Optimizing training and readiness
- Maximizing federal and state resources
- Civil Support Readiness focusing on:
 - Proactive interagency engagement
 - Optimizing civil support training and interoperability
 - Effective and timely responses
 - Providing robust and scalable capabilities
- Quality Infrastructure focusing on:
 - Modernizing installations, armories, and air bases
 - Comprehensive capital project planning
 - Maximizing Information Technology Enterprise
 - Secure and redundant systems
- Effective Organization focusing on:
 - Comprehensive internal control
 - Fiscal stewardship
 - Fully integrate State Guard and Youth Programs
 - Professional Command Climate
 - Human Capital: career management, succession planning, and leadership diversity

As of October 2019, the Military has 19,255 reserve airmen, soldiers, and State Guard members, ready to respond to emergencies in California and across the nation. Approximately 3,979 fulltime federal employees and 1,002 fulltime state employees work at the Military in support of its mission. The California Military Department is led by The Adjutant General who is appointed by the Governor.

Control Environment

Management of the Military's effective control environment is as follows:

- The Adjutant General sets the tone of integrity and ethical values by retaining responsibility of the Military's internal control program. The Adjutant General stresses adherence to the internal control program. All levels of management are accountable for implementing effective internal controls, preventing wasteful spending, and ensuring transparency. This includes continually monitoring the Military's mission and strategic plan and fostering an environment that encourages the highest levels of personal and professional integrity. The Inspector General advises staff on the Inspector General's function and the whistleblower program. The Office of the Staff Judge Advocate (Legal Office) advises staff on ethics regulations. Staff is required to attend ethics training biennially and to complete the Form 700 (Statement of Economic Interest) annually.
- One of the Military's strategic priorities is effective organization. This strategic priority promotes a culture of integrity, trust, and service. It emphasizes executing comprehensive and effective internal controls.
- The Military utilizes two councils to assist in maintaining a competent workforce. First, the Manpower and Personnel Advisory Council meets monthly to update and review the workforce to ensure efficient staffing, workforce development, and succession planning. This council is comprised of the components' chiefs of staff and the Joint Chief of Staff. Second, the State Active Duty Executive Personnel Council streamlines personnel management to identify and

recommend the best qualified service members to fill existing and projected State Active Duty vacancies and to promote personnel development. It meets quarterly or as needed. This council is comprised of the Deputy Adjutant General, Director of Staff, Joint Chief of Staff, component commanders, chiefs of staff, and senior enlisted leaders. In addition, the Military adheres to staff's training requirements.

- Managers and supervisors evaluate performance and enforce accountability through the annual staff performance appraisal reports, new staff probation reports, and accurate duty statements.

Information and Communication

The Military has many different ways to collect and communicate relevant and reliable information for operational, programmatic, and financial decision making.

The Military's strategic priorities are updated annually and are available to all employees, service members, and State Guard members. They are accessible on the Military's SharePoint and are posted on bulletin boards and in common areas. Presentation of information to the Adjutant General and senior leaders are organized according to the strategic priorities. For example, the Military's Power Point slide presentation template is divided into four quadrants: Combat Readiness, Civil Support Readiness, Quality Infrastructure, and Effective Organizations. Current information for each priority are provided.

The Adjutant General, component leaders, and key staff meet once a week to discuss workloads, staff actions, program implementation, and policies. Senior leaders, directors, and supervisors have staff meetings once a month. In addition, a week is designated per calendar quarter for required meetings to include but not limited to the Internal Control Management Council, Program Budget Advisory Committee, and Antiterrorism Executive Committee. Leaders and staff are expected to block the designated dates in advance and to be prepared for the meetings. Furthermore, the Adjutant General and senior leaders receive monthly slide decks on internal controls, strategic priorities, and critical missions from directorates and major subordinate commands.

The Military has a Governor appointed Inspector General whose primary functions are training, assisting, inspecting, and investigating. The Inspector General maintains a toll-free public telephone number and a website to receive complaints and allegations. The Inspector General sends out an annual memorandum to employees on reporting government fraud, waste, and abuse. The memorandum includes information on the whistleblower program and point of contacts. It is available in the Inspector General's SharePoint and is posted on bulletins boards.

The Inspector General documents inspection and investigation results in the Inspector General reports. The Inspector General must submit annual and quarterly reports to the Governor, Legislature, Assembly Committee on Veterans Affairs, and Senate Committee on Veterans Affairs on significant problems discovered and summaries of investigations conducted. The Inspector General briefs The Adjutant General of allegations, inspections, and investigations quarterly or as needed.

The Military has an Internal Review Office that provides a wide range of independent audits and consulting services. An annual audit plan is prepared by the Internal Review Office and approved by The Adjutant General. The approved audit plan is emailed to the component chiefs of staff, senior leaders, and directors so they are aware of the programs scheduled to be evaluated. Request for Audit Forms are also available in the Internal Review Office's SharePoint.

The Internal Review Office reports internal control deficiencies in audit reports. The Adjutant General, Deputy Adjutant General, chiefs of Staff, senior leaders, and directors receive copies of the audit reports. The audit reports are posted in the Internal Review Office's SharePoint.

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 Military Department monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Colonel Richard A. Rabe, Chief of Staff, Joint Staff.

The Military's directorates conduct their risk assessments and evaluate their internal controls every odd year. The Internal Review Office conducts a risk assessment of all the programs every even year. Inspections are conducted quarterly and annually to ensure that operations and programs comply with federal and state regulations. In addition, the Internal Review Office audits the effectiveness of the directorates' internal controls. Furthermore, federal auditors regularly conduct audits of programs that are federally funded.

The Military's Inspector General reviews reported complaints and may conduct investigations and inspections. The Inspector General has its annual inspection plan approved by the Adjutant General. Audit and inspection findings are immediately corrected whenever possible. Deficiencies identified as a result of the directorates' internal control evaluations are also immediately corrected. The Internal Review Office and Inspector General Office conduct follow ups on audit and inspection recommendations to determine statuses of the corrective action plans. Policies and procedures are updated as needed as a result of the audits and inspections.

The Military has an Internal Control Management Council that meets quarterly to discuss internal control deficiencies, inspections, findings, and recommendations. The Internal Control Management 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.

Risk Assessment Process

The following personnel were involved in the Military Department 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, and other.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, and other.

Risk and Controls

Risk: Increased Demand to Safeguard California

The demand to safeguard California's communities from man-made and natural disasters has increased drastically since 2014. This demand has caused the role of the Military to evolve from a periodic contingency response force to a year-round operational force that provides disaster prevention, response, mitigations, and recovery.

This expanding role requires fulltime staff proficient with state and federal processes. The magnitude of recent disasters such as the Camp Fire, Carr Fire, Nuns Fire, Thomas Fire, Tubbs Fire, and Woolsey Fire

has exceeded the capability of the existing staff to efficiently resource all requests for assistance and to manage the Military's activated forces.

The Military faces the risk of not having enough fulltime staff and funding necessary to manage its expanded role. This risk could result in the Military's inability to efficiently manage and administratively support its forces. Another impact is overworked staff that could result in higher personnel turnover rates and difficulty in retaining qualified, trained, and competent employees. This risk could negatively impact the Military's overall performance in responding to emergencies.

Control: Use of Part-Time Service Members

The Military uses part-time reserve service members to manage the operational, administrative, sustainment, and financial functions needed during an activation of the California National Guard for emergency operations. This process was adequate in the past when military mobilizations for emergencies were small and infrequent. However, the increased demand for military capabilities for wildfire prevention, emergency response, and recovery requires an increase in full time support staff and additional training for reserve service members.

Risk: Replacement of Old Fleet Vehicle Assets

The State Administrative Manual (SAM) 4126 encourages agencies to effectively manage and replace their fleet vehicle assets at an economical age and mileage criteria. It recommends vehicle replacement at 5 to 7 years old and up to 100,000 miles. The Military has 118 vehicles that are twice the recommended age, over mileage, and in poor working condition. The impact of not replacing these vehicles are costly repairs, emission of harmful pollutants, and non-compliance with Executive Order B-16-2012 and Governor's Zero Emission Vehicle Mandates. Using vehicles with poor working condition could significantly delay rapid deployment of the Military's forces to emergencies.

Control: Work with DGS and Continue with Costly Maintenance

The Military will work with the Department of General Services on the Fleet Acquisition Plan to replace over mileage vehicles. Current vehicles are rotated so their usage meets mileage requirements. The Military will continue to fund the costly maintenance of these vehicles.

Risk: Providing Cyber Assessments to Agencies

Government Code 11549.3 requires the State Chief Information Officer to ensure that at least 35 agencies received independent cyber vulnerability assessments annually. Also, the SAM 5330.1 requires state agencies to have assessments of their network. The Military's Cyber Network Defense Team (Cyber Team) conducts independent cyber security vulnerability assessments and assists agencies to resolve vulnerabilities. The Cyber Team is the only cyber defense unit in the California state government capable of conducting these assessments.

The Cyber Team's staff salaries, equipment, and other operating costs are solely funded by the costs it charges agencies for the assessments. This is a risk that creates a hardship for the Military because it does not receive payments from agencies until two to three months after services are rendered. The Military must bear the Cyber Team's operating costs and must use its own budget intended for critical programs until payments are received. There is a risk that payments received may not meet the Cyber Team's budget requirements and expenses. The Cyber Team may not be able to provide the cyber vulnerability assessment due to insufficient payments. This could result in the State Chief Information Officer not complying with Government Code 11549.3 and state agencies not complying with SAM 5330.1.

Control: Military Uses Its Funds to Provide Cyber Assessments to Other Agencies

To mitigate the risk and to continue providing the required assessments, the Military will:

- Continue to use its own operating budget.
- Critically analyze and define assessment charges. The pricing margins will be kept at near operational costs for best value.
- Work with the California Department of Technology to ensure early notification process and streamline the workload management process.
- Request a shift of the Cyber Network Defense Team program from a cost recovery model to a funded cost model. This change will save state agencies \$60,000 to \$100,000 in operating costs by receiving cyber assessments at no cost. It will allow the Cyber Team to effectively and efficiently strengthen California government networks from cyber attacks by focusing more resources on its mission.

Risk: Deterioration of the Los Alamitos Airfield

The Los Alamitos Airfield is the busiest National Guard airfield in the United States, averaging 11,924 monthly operations. It is a critical site for multi-agency emergency response and training. It serves as a contingency location for the greater Los Angeles and Orange County areas. It constantly maintains over a dozen running and current Civil Air Landing permits that support local, state, and municipal Law Enforcement Air Bureau agencies such as the California Highway Patrol, Los Angeles Police Department, Los Angeles Sherriff, Orange County Sheriff, San Bernardino Sheriff, and Huntington Beach Police Department.

The Los Alamitos Airfield needs immediate repairs and renovations along with a comprehensive runway and viability study to define the overall State's need in the event of a catastrophic emergency. It was constructed in 1942. Its 77 year old runways and taxiways surfaces are deteriorating beyond normal wear and tear. The airfield's poor condition is a risk that restrict aircraft usage. The risk could prevent training and response exercises. It could restrict the Military's ability to respond to catastrophes and it could lead to the airfield's closure due to safety concerns.

Control: Monitoring Deterioration and Operational Capabilities

The Military will continue to monitor the airfield's deterioration and operational capabilities. The airfield currently operates at less than 50 percent capability. The taxiways were designed for smaller aircrafts so they not suitable for larger aircrafts. The current state of the runways and taxiways are cracking and deteriorating. Asphalt degradation limits load carrying capability on taxiway surfaces which restrict aircraft usage.

Risk: Conversion to FISCAL Requires More Staffing

There is a risk that the Military's JS-Comptroller will continue to remain behind schedule on accounting transactions which results in loss of revenue to pay late fees. JS-Comptroller's accounting section remains backlogged due to the transition from CalSTRS to FISCAL, forcing staff into overtime.

FISCAL's processes leave no time to cross train staff, improve efficiency, and implement proper internal controls and procedures. The Military is paying late fees until the backlog is caught up. The JS-Comptroller requires additional full time staff as a result of implementing FISCAL.

Control: Using Overtime to Catch Up, Requesting System Changes, and Providing Training to Staff

To mitigate the risk, the JS-Comptroller:

- Use overtime where needed to catch up on backlog

- Requests system changes to FI\$CAL to improve interface efficiency and reporting for JS-Comptroller
- Requests new budget definition to prevent frequency of FI\$CAL errors and reduce manual input required
- Conducts organizational structure assessment to identify staff required to manage accounting in FI\$CAL
- Provides training to staff on how to detect issues, errors, and trends

Risk: Not Enough Funding to Serve All Youths

The Grizzly Youth Academy is an educational program in San Luis Obispo that targets youths between 16 to 18 years old who have dropped out of high school or at risk of dropping out. The program intervenes in the lives of at-risk youth and produces graduates with values, skills, education, and self-discipline necessary to succeed as adults.

Grizzly Youth Academy provides a quasi-military environment in partnership with the San Luis Obispo County Office of Education. The program consists of a 5 ½ months residential phase, followed by a 12-month post residential phase.

Grizzly Youth Academy has a risk of not having enough fulltime staff and funding to serve all the youths in need of the program. The program is funded for and staffed for 200 students per cycle (2 cycles annually for a total of 400 students annually) since 1998. However, the program has been receiving over 300 applications per cycle and must turn away more than 30 percent of eligible students due to student to supervision/instructor ratio requirements.

Control: Properly Screening Students and Retaining Experienced Staff

Grizzly Youth Academy properly screens students before they are accepted into the program. It places other eligible youths in excess of the maximum enrollment per cycle on a waiting list. The program recruits, hires, and retains experienced staff in accordance with the Military's employment policy. The staff duty performances are evaluated annually. Staff regularly attend training to provide effective and efficient service.

Risk: Relocation From Leased Facility to New Building

The Military's Consolidated Headquarters Complex is being built in Rancho Cordova and has a scheduled occupancy in February 2021. The Military must relocate its personnel, furnishing, and equipment from existing facilities to the new facility in a timely manner. The Military has a risk of not having enough funding for this move. The risk could limit pre-coordination relocation efforts and could prevent continuity of government operations. In addition, the existing headquarters is a leased facility, so an expeditious move will limit the State's rent payment liability.

Control: Dedicated Staff to Coordinate and Plan the Move

The Military's J9-Facilities and Infrastructure has dedicated staff to carefully coordinate and plan the move. The construction timelines are closely monitored. Weekly and monthly construction progress reports are evaluated to ensure compliance with contract specifications and are distributed to senior leaders and key staff. Personnel, equipment, and furnishing are carefully assessed.

Risk: Conversion of Temporary Positions to Permanent

The Military supports its mission requirements at armories, training bases, air bases, and Headquarters through a combination of permanent and temporary help blanket positions (temporary). Many

temporary positions are used to backfill for service members who are deployed to federal active duty assignments or on military leave. The Military has 54 temporary positions whose use provide permanent positions to the Military's programs.

Not converting these positions to permanent positions creates a risk for the Military. The risk will provide inaccurate representation of the Military's use of its positions. In addition, the Military will not receive accurate funding for employee compensation and retirement adjustments because they are not provided for temporary positions. Another impact is the Military could be found misusing the temporary positions and it could face elimination of its delegated authority and other administrative and fiscal actions as specified in the Budget Letter 19-16 Position Control.

Control: Management and Monitoring of Temporary Positions

The Military has a Management Personnel Action Committee (Committee) that oversees its temporary positions. Its members include the Director of Staff, Director of Joint Staff, components Chief of Staffs, and Comptroller. The Committee meets monthly. Requests for temporary positions are submitted to the Committee. The Committee decides and approves the need for temporary positions. J1-Personnel and Manpower monitors the number of temporary positions to ensure the Military does not exceed its authority. JS-Comptroller also monitors the position control rosters monthly.

Risk: Decreasing Number of Army Guard Soldiers

The Army Guard has lost 2,400 soldiers in the federal's fiscal year 2018 and is on track to lose as many soldiers in 2019. The loss of soldiers is outpacing recruiting capabilities. Year after year, losses have reduced unit's strength. Because of this deficit in assigned strength, the National Guard Bureau has now identified a potential cut in the Army Guard's force structure of 1,000 soldiers. This would reduce the strength of the Army Guard from 14,300 to 13,300. This cut would greatly impact the Army Guard's ability to respond to state emergencies as directed by the Governor. Additionally, a smaller number of soldiers would be relied upon to do an increasing number of support missions, thus increasing the stress on soldiers, their families, and their employers.

Control: Retention Efforts Through Educational Benefits, Advertising, and Marketing

To mitigate the risk, the Army Guard:

- Requested additional funding from the National Guard Bureau to retain current soldiers.
- Has a top down and bottom up retention efforts (General Officer emphasis with input from soldiers who are being retained and comments from exit interviews with soldiers).
- Enhanced state educational benefits by changing business rules for new soldiers to apply for and receive state scholarship.
- Re-branded the California Army National Guard through advertising and marketing. The focus is on the Hometown Hero Initiative and local market penetration strategies

Risk: Miscalculation of Benefits and Administration Cost

The Military's Work for Warriors program supports the National Guard and Reserve readiness by ensuring that service members have meaningful careers that allow them to focus on fulfilling their military service to the state. Without the worry of joblessness, employed service members are more likely to attend training and prepare for civil support missions. The Work for Warriors staff ensure unemployed and underemployed service members, veterans, and spouses received the benefit from this highly effective employment program. However, the program is underfunded because staff benefits and administrative costs were miscalculated in the budget. This poses a risk that

could result in an ineffective administration of the statewide program. The risk could eliminate a program that improves the lives of California's service members and veterans.

Control: Request for Federal Funding and Constant Program Improvements

The Work for Warriors coordinates with the National Guard Bureau for continued Beyond the Yellow Ribbon funding and the United States Property Fiscal Office for contract funding. It continues to improve its program by implementing the following:

- The Operation Non Commission Officer In Charge conducts "spot checks" to ensure the legitimacy of program hires on a weekly basis.
- The Operation Non Commission Office In Charge, Deputy Director, and Director regularly contact decentralized employees to ensure expected outputs and outline goals are met.
- The program has a Standard Operating Procedure that clearly defines all reporting, processes, and key metrics. Its 2019 internal control evaluation resulted in the update of Annex S of the Standard Operating Procedure.

Risk: Shortage of Funds for Upkeep of Armory Grounds

The lack of weekly upkeep of 90 California armory grounds and landscaping due to funding shortage and inadequate manpower is a risk. This could lead to armories with overgrown weeds, grasses, and bushes, degrading the communities' pride and perceptions of the Military's facilities.

Control: Staff Maintains Armory Grounds and Plans for Low Maintenance Method

Staff and reservists on site try to maintain the grounds and landscaping as additional unofficial task. However, this task is low priority. Responding to crisis, performing their facility management obligations, and monthly drill training takes precedence over maintaining the armories' landscapes. The Military is planning to zeroscape or xeriscape armory grounds with drought tolerant plants, rocks, or synthetic lawns.

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 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.

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