

Military Department

2021 Leadership Accountability Report

January 5, 2022

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, 2021.

Should you have any questions please contact Colonel Victor L. Teal, Chief of Staff, Joint Staff, at (916) 854-3500, victor.l.teal4.mil@army.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 November 2021, the Military has 18,970 reserve airmen, soldiers, and State Guard members, ready to respond to emergencies in California and across the nation. Approximately 3,928 fulltime federal employees and 875 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 Victor L. Teal, 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: Late or Missing Probation Reports

Probationary reports are not completed timely or not at all. Appointment documents were not filed properly. Missing probationary reports and appointment documents may result in erroneous appointments of candidates. This could cause the Department to lose its CalHR delegation.

Control: Increased Communication and Training

The Military's State Personnel office will implement a new process to remind supervisors and managers to complete probationary reports timely to ensure compliance with CalHR requirements. The Military will

provide additional training to staff to communicate the importance of complete documentation and reports within required timeframes for appointments.

Risk: Incomplete and Missing Timesheets

Military personnel are submitting incomplete or not submitting monthly timesheets to the Military's State Personnel Office for processing. Incomplete and missing timesheets may cause erroneous time reported to the CalHR. This could result in an overpayment to employees.

Control: Implement New Policy

State Personnel will implement a policy that requires all employees, supervisors and managers to submit their monthly timesheets on time.

Risk: Incomplete and Late Furlough Packets

Furlough packets are incomplete or not submitted timely to the Military's State Personnel Office. This could result in an overpayment to employees and the need to create account receivables.

Control: Implement New Policy

The Military will implement a policy that will require all employees to submit furlough packets in advance of deployment, activation, or return.

Risk: IT Procurement Process

The Military is required to comply with the Department of General Service's procurement requirements for IT goods and services, or it could risk losing its procurement delegation authority.

Control: Transfer of IT Procurement Responsibilities and Increased Staffing

The Military will transfer IT procurement responsibilities from the Comptroller's Office to the State Network Team. This will better align IT procurement responsibilities with staff that have institutional knowledge and expertise to carry out this function. State Network Team staff will be increased, and a dedicated team will be formed to process IT procurements.

Risk: Diminished Quality of Internal Audit Office

The Military's Internal Review Office (IRO) is a small office with one level of management. The Audit Director is solely responsible for the supervision and management of the IRO. The Audit Director position was vacant for an extended period leaving audit staff without direct supervision. This lack of leadership in the IRO created an increased risk that auditees may have a diminished perception of the quality of audit recommendations and results.

Control: Addition of New Audit Director and Implementation of Quality Assurance Program

The Military Department hired a new Internal Review Director. The new Director will ensure audits are conducted in accordance with industry standards and quality audit reports are produced. An assessment of the IRO performance will be conducted and a Quality Assurance and Improvement Program will be implemented to ensure all audits and consultations are performed in accordance with industry standards and quality value-added audit recommendations and results are produced.

Risk: Life Health Safety Inspections

The Military's inability to comply with critically required life health safety inspections and service requirements could result in a mission failure or an injury to personnel.

Control: Fill Vacant Positions

The Military will fill vacancies that are authorized on federally reimbursable and funded for State Civil Service positions in a timely manner. This will enable installations to properly maintain and operate facilities, critical systems, and programs that directly support mission operations.

Risk: Lack of Resources in Purchasing and Contracts

The Military Department is at risk of losing our Purchasing Authority Accreditation. A self-assessment, Military audit, and a control agency audit have all identified deficiencies in the following areas: (1) policies and procedures, (2) training, (3) file maintenance and organization, (4) staff workload, (5) determining acquisition method, and (6) internal assessment and quality assurance. In one area, the policies and procedures, the standard that we fail to meet is set by law, the Public Contract Code 10333(a) (2). The Military identified that the Purchasing and Contracts unit was understaffed.

Control: Increase in Purchasing and Contracts Staff

A budget request for FY 21-22 was approved and we are currently in the process of hiring additional staff. The additional staff will comply with the DGS policies for administering contracts, updating policies, conducting internal or external training required to stay current with evolving construction and IT contract requirements. The Military will also transfer IT procurement functions to the information and technology division to enhance compliance with specific procurement requirements established by the California Department of Technology.

Risk: Sharing of Information with State Network Team

vThe State Network Team is a new information technology section within the Military. The State Network Team's leadership should be included in key (personnel, technology, infrastructure, procurement, etc.) decision-making processes that may impact (directly or indirectly) state business and operations. This is required for compliance reporting, operational effectiveness, and reporting requirements to external Agencies and Departments.

Control: Increased Sharing of Information

The Military's State Network Team engaged the Military's leadership and requested to be included in all state's activities - personnel, technology, infrastructure, and procurement. This is currently under review by Military leadership.

Risk: State Network Team Hiring Delays

The Military's State Network Team received approval to hire several newly formed positions. However, due to delays within the Military the advertisement of the positions has been delayed by approximately three to six months. The delay in filling new positions has resulted in external scrutiny by the California Department of Technology and the Department of Finance.

Control: New Procedures Implemented

The Military State Network Team will provide hiring packets to the State Personnel within 30 days of position approval. The Military's leadership will monitor the progress in advertising vacant positions to ensure positions are advertised and filled timely

Risk: Projected Staffing will Exceed Building Capacity

Construction of the Military's new building was scheduled for occupancy in June 2021. However, the building's finishing phase has been delayed until late 2022. When the State Network Team becomes fully staffed it will be at 200% capacity in the Military's current location.

Control: Teleworking and Sharing Work Stations

The State Network Team is currently teleworking at 50 percent which reduced the number of employees in the office on any given day. With the planned increase in staff on the State Network Team, working at 50 percent telework will be inadequate on a long-term basis. The State Network Team will need to find new space outside its current work area and/or share workstations.

Risk: Delays in the Completion of Internal Audits

The Military's Internal Review Office, Audit Director position was vacant for an extended period of time. The Internal Review Office performs audits and consulting engagements of the Military's State funded programs. The lack of leadership and direction created an increased risk that audit production would decrease and the completion of audits would be delayed. This situation would diminish the usefulness of audit results and recommendations.

Control: Addition of New Audit Director and Implementation of Quality Assurance Program

To mitigate this risk, the Military hired a new Internal Review Director. The new Director will perform frequent reviews of audits in process to ensure audits are completed timely. The Internal Review Office will also implement a robust Quality Assurance and Improvement Program to ensure all audits and consultations are completed timely and audit reports provide value to the organization.

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