

December 29, 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 Mental Health Services Oversight and Accountability Commission 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 Norma Pate, Deputy Director, at (916) 445-8790, norma.pate@mhsoc.ca.gov.

BACKGROUND

The Mental Health Services Act (MHSA), which passed as Proposition 63 and became law on January 1, 2005, is funded by a one percent tax on personal income above \$1 million dollars. The MHSA collects an average of \$1.8 billion dollars annually for California's counties to improve, enhance, and expand integrated service, early intervention, and innovative programs for seriously mentally ill children, adults and older adults and to prevent the duration and consequences of mental illness through prevention and early intervention.

Welfare and Institutions (W&I Code Section 5845) created the Mental Health Services Oversight and Accountability Commission (MHSOAC or Commission) to provide leadership, oversight, and accountability for implementation of the MHSA and the public mental health system. A key role of the MHSOAC is to ensure California taxpayers that their investment in mental health funds is producing cost-effective outcomes and that services are provided in accordance with recommended best practices. It accomplishes this through an Evaluation Master Plan strategic initiative. Other strategic initiatives include reviewing county MHSA plans for compliance, reviewing and approving plans for Innovation expenditures, issuing regulations for the MHSA components of Innovation and Prevention and Early Intervention, and annually issuing \$32 million in grants for triage personnel.

Though it was created by the MHSA, the MHSOAC is charged with ensuring oversight and accountability for the entire public mental health system, which includes the Adult and Older Adult Mental Health System of Care Act, Children's Mental Health Services Act, and all MHSA funded programs. The MHSOAC does this through the primary business function of:

- Influencing mental health policy;
- Ensuring the adequate collection and tracking of mental health data and information;
- Ensuring that counties are provided with appropriate support and technical assistance;
- Ensuring that MHSA funding and services comply with relevant statutes and regulations;
- Evaluating the impact of the MHSA;
- Utilizing evaluation results for quality improvement; and
- Communicating the impact and consequences of the MHSA.

ONGOING MONITORING

As the head of Mental Health Services Oversight and Accountability Commission, Toby Ewing, Executive Director, 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 Mental Health Services Oversight and Accountability Commission internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Norma Pate, Deputy Director.

MONITORING ACTIVITIES

The MHSOAC holds weekly Executive/Management (E/M) team meetings that include representation from each unit. Meeting topics include discussion of current and potential internal control issues that require attention. These meetings provide the E/M team an opportunity to discuss issues they have been made aware of and what steps are needed to mitigate the issues. Each unit meets on a weekly basis to provide staff the opportunity to bring internal control issues to the attention of the unit manager.

ADDRESSING VULNERABILITIES

The E/M team addresses identified internal control deficiencies during the weekly E/M team meetings. Identified deficiencies are mitigated as soon as practical, ranging from a few hours to a few weeks depending on the specifics of the deficiencies and required mitigation. Existing policy and procedures and any changes are also reinforced at the weekly unit meetings.

COMMUNICATION

Monitoring roles are communicated to everyone as part of their individual roles and responsibilities. Activities are communicated through each manager's unit meetings and/or E/M team meetings. Any findings and/or changes to policy and procedures are initially communicated to all staff through email. Follow up communications takes place at the each manager's unit meeting, the E/M team meetings, or at an all-staff meeting. Questions and answer sessions are available during these meetings. In addition, training is available, if needed, depending upon the policy/procedures being implemented

ONGOING MONITORING COMPLIANCE

The Mental Health Services Oversight and Accountability Commission has implemented and documented 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 Mental Health Services Oversight and Accountability Commission systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Mental Health Services Oversight and Accountability Commission risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

RISK IDENTIFICATION

Identification of risks started with the prior SLAA report (2015) and the work that has been done since then in mitigating the risks. The SLAA 2015 risks were identified through a “kick-off” meeting and questionnaires. Since then management and staff are engaged in regular meetings, in which risks are discussed on a regular basis. From these meeting, any potential current and new risks are identified and discussed and communicated to management for impact and consideration. Current risks are monitored and existing controls are reviewed.

RISK RANKING

The Team reviewed the risks and prioritized them based on those that pose a high impact to the MHSOAC and have a high probability of occurring.

RISKS AND CONTROLS

RISK: OPERATIONS -INTERNAL-TECHNOLOGY—DATA SECURITY

The MHSOAC has access to protected health information (PHI) on individuals for research and evaluation purposes. Inadvertent or malicious disclosure of individually identifiable health information to unauthorized persons could cause harm to individuals whose data is disclosed.

Compliance with the increased security requirements for entities storing PHI.

PHI data can be exposed to people who are not authorized to access.

Public would question MHSOACs ability to protect PHI in the performance of their responsibilities.

CONTROL A

Appropriate data use agreements are in place that allow MHSOAC access PHI data

The MHSOAC has created policies and procedures to minimize the risk of inadvertent or malicious disclosure of confidential data, including: training staff in best practices, implementing management practices, physical, hardware, and electronic security measures to limit access to protected data to only authorized personnel, and implementing management practices and hardware and software control measures to audit access to protected data.

RISK: OPERATIONS -INTERNAL-FI\$CAL IMPLEMENTATION, MAINTENANCE, OR FUNCTIONALITY

The MHSOAC does not have internal staff to perform budget and accounting tasks, and therefore contracts with the Department of General Services (DGS), Contracted Fiscal Services (CFS) for these services.

A combination of FI\$Cal not working as intended and that DGS-CFS and the MHSOAC were not sufficiently trained in FI\$Cal, resulted in MHSOAC vendors not being paid in a timely manner.

MHSOAC staff spend an extraordinary number of hours addressing vendor complaints about invoices that have not been paid. In addition, due to FI\$Cal access limitations, the MHSOAC relies on reports from DGS-CFS and cannot accurately review required fiscal information needed for budget letters

CONTROL A

In addition to entering all transactions into FI\$Cal for processing, the MHSOAC documents all payment requests outside of FI\$Cal to separately track and manage the activity to ensure timely processing and payment, and accurate recording in FI\$Cal.

MHSOAC and DGS-CFS maintain constant open communication to address any potential issues with processing payments and recording of the transactions in FI\$Cal.

RISK: OPERATIONS -INTERNAL-STAFF—KEY PERSON DEPENDENCE, WORKFORCE PLANNING

The MHSOAC is facing upcoming staff retirements and vacancies in key positions.

MHSOAC is a small department with only 29 positions. Everyone plays a critical role in the operation of the MHSOAC. As such, any vacancy has a direct impact on the operations of the MHSOAC.

Vacancies have a significant impact on the MHSOACs ability to function.

CONTROL A

MHSOAC is cross-training staff and prioritizing workload, however, the small number of positions in the MHSOAC makes cross-training and having back-ups very challenging. In addition, the MHSOAC is documenting processes and developing procedures for operational positions to provide procedures for back-ups to follow. The MHSOAC also relies on consultant support.

MHSOAC is actively recruiting inside and outside of state service, especially for advanced education positions.

RISK: REPORTING -INTERNAL-FI\$CAL IMPLEMENTATION, MAINTENANCE, OR FUNCTIONALITY

FI\$Cal does not provide useful data compared to previous CalSTARS reports. This is impacting executive spending decisions, as the MHSOAC may overspend or underspend monies in the budget.

Information entered into FI\$Cal is not be recorded/processed as expected, which results in inaccurate data being reported.

There are numerous workarounds which delays processing and causes confusion as to the right way to record transactions. Corrections are made to current transactions in order to process, without a full understanding of the impact of past and future transactions, which results in inconsistency with the data in FI\$Cal.

CONTROL A

The MHSOAC developed a monitoring process and tool, outside of FI\$Cal, to improve internal controls and track all expenses that are sent to the DGS-CFS unit for payment. Additionally, the MHSOAC keeps hard copies of all expenditure documents (invoices, purchase orders, contracts, etc.) and also has created a budget tracking chart with projections and expenditures for the current fiscal year that is updated monthly, to monitor the MHSOACs Budget. The Commission continues to communicate challenges to the DGS-CFS and FI\$Cal regarding the reconciliation report issues.

CONCLUSION

The Mental Health Services Oversight and Accountability Commission 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.

Resubmitted per:

Edwina Troupe, JD, CPA
California Department of Finance
Office of State Audits and Evaluations

Toby Ewing, Executive 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