

December 24, 2021

Lourdes M. Castro Ramirez, Secretary  
California Business, Consumer Services and Housing Agency  
915 Capitol Mall, Suite 350-A  
Sacramento, CA 95814

Dear Secretary Lourdes M. Castro Ramirez,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Consumer Affairs 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 Kimberly Kirchmeyer, Director, at (916) 574-8200, [Kimberly.Kirchmeyer@dca.ca.gov](mailto:Kimberly.Kirchmeyer@dca.ca.gov).

## **GOVERNANCE**

### **Mission and Strategic Plan**

The mission of the Department of Consumer Affairs (DCA or Department) is to protect California consumers through oversight, enforcement, licensure, and regulation of professions. The following entities are within DCA's reporting responsibility:

- Arbitration Certification Program
- Bureau for Private Postsecondary Education
- Bureau of Automotive Repair
- Cemetery and Funeral Bureau
- Bureau of Security and Investigative Services
- Bureau of Household Goods and Services
- Bureau of Real Estate Appraisers
- Professional Fiduciaries Bureau

The strategic goals are as follows:

1. Enforcement - DCA ensures its boards and bureaus prevent, reduce, or eliminate unlicensed activity and harmful conduct by licensed professionals who pose a threat to the health, safety, and welfare of Californians;
2. Licensing - DCA ensures its boards and bureaus expeditiously license qualified applicants to allow timely entrance into the California workforce, avoid establishing artificial barriers to licensure, and maintain consumer protection;
3. Policy and Consumer Advocacy - DCA advocates on behalf of consumers by ensuring that

- statutes, regulations, policies, and procedures support and further the mandate and mission of DCA;
4. Communication - DCA provides relevant, timely, and accurate information to all stakeholders;
  5. Services - DCA provides services to support its boards and bureaus while ensuring compliance with existing laws, rules, and best practices;
  6. Technology - DCA explores opportunities to address business needs through technology solutions; and
  7. Organizational Effectiveness - The DCA standard is to build an exemplary organization through governance, effective leadership, performance, and service.

## Control Environment

Unlike regulatory boards, DCA has direct authority over bureaus. The entities included under DCA's reporting responsibility are comprised of all DCA programs, the Bureau of Automotive Repair,

Cemetery and Funeral Bureau, Bureau of Household Goods and Services, Bureau of Private Postsecondary Education, Professional Fiduciaries Bureau, Bureau of Real Estate Appraisers, and Bureau of Security and Investigative Services. The DCA Director supervises bureau activities, however, delegates authority to a bureau chief, who then carries out the Director's policies and decisions.

DCA's Director is responsible for the overall establishment and maintenance of the internal control and monitoring systems. DCA's Internal Audit Committee is responsible for overall audit and review activities, including compliance with SLAA. The Internal Audit Committee is comprised of the DCA Director, Chief Deputy Director, Deputy Directors, and Senior Management. The Internal Audit Committee held an interactive discussion to identify the most critical risks to be included in the SLAA report. The discussion included newly identified risks and some of those in the prior SLAA Report. In addition, several meetings were held with DCA Deputy Directors to identify risks for their areas of responsibility.

The Internal Audit Committee will provide support and guidance to direct DCA toward reducing the identified vulnerabilities. Evaluation of selected critical controls may be performed by the DCA Office of Audits if the effectiveness of these controls is in question.

DCA's Director, executive staff, and management team value having a high standard of integrity and ethics. DCA management establishes an effective control environment in the following ways:

- Establishment and demonstration of integrity and ethical values is done through the ethics training requirement and completion of the Form 700. Additionally, staff are made aware of the Whistleblower Act and the process to make a complaint with the process clearly defined for all staff on the DCA Internal Audit Office intranet. The Department drafts and maintains policies, including acknowledgement forms to demonstrate its position on integrity and ethical values.
- The management philosophy and operating style is supported and dictated through regular meetings among executive staff and trainings.
- The organizational structure is detailed on organizational charts for each bureau and program within the department. Employees are made aware of their role, as well as the reporting structure.
- Documentation of the control system is maintained through departmental memorandums, policies, unit policies and procedures.

- In order to maintain a competent workforce, the Department has a workforce succession plan, adheres to training requirements of all employees, and has an established training solutions program which provides or coordinates department-wide training to staff, as needed.
- Enforcement of accountability is facilitated through annual reporting to control agencies and the Legislature, and public board meetings. Additionally, each year, the Legislature holds joint Sunset Review oversight hearings to review DCA, and its boards and bureaus. The Sunset Review process allows the Legislature, DCA, the boards and bureaus and their stakeholders to discuss their licensing, enforcement and administrative performances and make legislative changes to improve their functionality. The Legislature determines the length of time until the next review. DCA is usually reviewed on a yearly basis. They can request the board or bureau return for Sunset Review again between one to four years.
- On an individual basis, oversight and accountability is also achieved through the use of the DCA's human resources, legal affairs, internal audit, and equal employment opportunity offices. DCA provides these services to its 36 boards and bureaus.

The Director hosts regular, quarterly meetings with Bureau Chiefs, Executive Officers, and Board Presidents and Vice-Presidents. "Brown Bag" meetings on topics of interest to the boards and bureaus, as well as meetings with Executive Officers and Bureau Chiefs are also held monthly. These meetings allow DCA leadership to quickly ascertain risks, develop strategies to mitigate potential issues that may arise and efficiently educate leadership on processes to achieve implementation uniformity across the Department. Routine communications with board and bureau leadership is critical to effective oversight of the mission of consumer protection at DCA.

In addition to establishing a Department-wide control environment, DCA's bureaus also maintain their own effective control environments. Bureau Chiefs, along with their Deputy Chiefs and management team, exercise the highest levels of integrity and ethical values in performing the daily oversight of operations and strategic implementation of policy and procedures. This is accomplished by disseminating and adhering to the procedures for program operations, leading ethically by example, and making decisions based in law that reflect good business practices.

Bureau management teams enforce accountability by ensuring that all staff are appropriately trained and by holding regular division or one-on-one meetings with their staff. This provides an open dialogue when anyone has a concern, ethical or otherwise. Guidelines and expectations are distributed to all staff to provide a consistent and clear path for staff to succeed.

Bureau staff reflect their bureaus' core value of consumer protection. Staff and management are all encouraged to share ideas to streamline and improve processes where possible. Further, staff are encouraged to notify management when they discover potential vulnerabilities or risks and to submit ideas and engage in productive discussions.

### **Information and Communication**

DCA has identified Kimberly Kirchmeyer, Director, and Christine Lally, Chief Deputy Director, as the Executive Monitoring sponsors. They are members of the Internal Audit Committee and will facilitate and verify that the internal control monitoring practices are implemented and functioning as intended. DCA is required to collect and communicate information about operational, programmatic, and financial decision-making via several reporting mechanisms. For example, incremental budget changes, organizational charts, and position lists are sent monthly to the Budget Office and Office of Human

Resources within the Office of Administrative Services. In addition, business continuity plans, workplace inspection reports, equipment purchases, fleet management reports, and emergency preparedness and evacuation plans are provided on a quarterly or annual basis, depending on respective authority.

DCA also maintains a Policy Review Committee to ensure relevant policies and departmental procedures memorandums (DPMs) are updated to reflect current mandates as well as the development of new policies and DPMs in response to new mandates.

DCA divisions and units have dedicated staff (e.g., HR and Training liaisons) to facilitate communication across all staff and management.

DCA maintains the Office of Board and Bureau Services to facilitate communication across organizational lines, actively participates in board and bureau public meetings, monitors policy issues and decisions, as well as hosts Director Quarterly meetings with all boards and bureaus. DCA executive staff also have regular meetings with the Business, Consumer Services and Housing Agency, the Governor's Office, control agencies, legislative staff, and interested parties.

DCA staff meets with external stakeholders. In conjunction with DCA, boards, bureaus, committees and commission staff also meet with external stakeholders to gain various perspectives in order to efficiently craft policies, legislation or regulations that impact the regulated profession.

DCA employees are encouraged to report inefficiencies and inappropriate actions to management and other decision makers using their respective chain of command or as instructed within applicable policies. For example, ISO 16-01 Acceptable Use of Information Technology Systems; OHR 14-01 Incompatible Work Activities; EEO 18-02 Non-Discrimination Policy and Complaint Procedures, and EEO12-01 Sexual Harassment Prevention Policy, provide direction for reporting inefficiencies and inappropriate actions.

DCA employees can report alleged threats or acts of workplace violence to the Division of Investigation (DOI), Special Operations Unit (SOU) in accordance with DCA's Workplace Violence Prevention Policy DOI 19-01.

DCA maintains the Internal Audit Office and the Equal Employment Opportunity Office for reporting inefficiencies and inappropriate actions, including the annual posting of the Whistleblower poster and brochure from the California State Auditor's Office. DCA is committed to providing a safe and healthful work environment and provides the services of DCA supervisors/managers, DOI SOU and OHR to assist in resolving workplace conflicts.

All DCA management addresses concerns immediately, fairly and in accordance with required policies. All ideas are encouraged, training is encouraged, and mutual respect is demonstrated by all staff.

The Director and Chief Deputy Director accept honest mistakes and encourage reporting them so action to rectify a problem can be taken immediately. It is encouraged that any backlogs or concerns within a DCA unit be forwarded immediately so DCA can expeditiously resolve the issue.

## **MONITORING**

The information included here discusses the entity-wide, continuous process to ensure internal control

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systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Department of Consumer Affairs monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Brian Clifford, Senior Planning and Implementation Manager.

DCA leadership ensures that knowledgeable, experienced managers are hired and empowered to carry out the responsibilities of their units. Regular meetings occur to review performance and potential risks. Enterprise-wide issues are assigned to executive or senior staff, who may be assisted by other lead staff, to ensure resolution.

DCA management works closely and meets regularly with staff and liaisons at DCA internal units, boards, and bureaus to ensure that all processes and procedures are followed. Key metrics are reviewed periodically to identify potential issues to escalate to executive or senior staff for resolution. When a lack of clarity is identified with an issue, processes are amended or further developed. When issues are resolved, the resolution is documented to provide a historical record for potential future issues that may be related.

Control agency requirements are appropriately coordinated with key staff throughout DCA to ensure compliance with state administrative procedures. Additionally, DCA regularly reports to these agencies point-in-time status updates as needed.

DCA's Internal Audits Office also serves as a resource to ensure that DCA and its boards and bureaus follow appropriate processes when carrying out mandated duties. Further, controls over DCA programs and processes are routinely reviewed by its Internal Audit Office based on an annual risk assessment process. Additionally, the audit committee can submit requests to have an audit scheduled for a program or process that perhaps isn't achieving its objectives or where risks levels have been elevated. Moreover, the DCA's various divisions and programs undergo audits and reviews from numerous external state oversight agencies regularly. DCA management considers the results of both internal and external reviews to identify opportunities for continuous improvement.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Department of Consumer Affairs risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, and performance metrics.

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.

## **RISKS AND CONTROLS**

### **Risk: Fund Condition Pressures for Boards and Bureaus**

DCA boards and bureaus are special funded, meaning they do not receive funding from the State's General Fund, but rather from the entities they regulate. Several boards and bureaus within the

Department currently face budget deficits that may lead to impending insolvency if not addressed. Others face a structural deficit in their funding structure(s) with expenditures exceeding revenue streams that will need to be addressed. The boards and bureaus need to be sufficiently funded in order to carry out their regulatory duties and maintain consumer protection.

### **Control: A Communications With the Legislature**

DCA's boards and bureaus receive a majority of their revenue through licensing fees, however the maximum fees they can charge are limited by statute. Legislative action is often necessary to grant boards and bureaus the authority to raise fees in order to increase revenues. DCA is in regular communication with legislative staff, specifically with the Assembly Business and Professions Committee and the Senate Business, Professions and Economic Development Committees. In these conversations, DCA regularly provides detailed budgetary information, outlines the cost drivers often outside of the board's/bureau's control such as increases to employee compensation and legislative mandates, and stresses the need for legislative action where it is necessary to address structural fund imbalances. The Department will continue to explore options in how best to relay the urgency of needed fee increases to legislative staff.

### **Control: B Fee Studies**

Boards and bureaus who are facing budgetary issues are often encouraged to hire an outside consultant to perform a fee study. These studies examine all aspects of the program's budget and make recommendations on the best course of action to address budgetary shortfalls. However, despite the analysis from an independent third-party, occasionally, the Legislature will not authorize the recommended changes, especially in relation to fee increases. DCA will continue to stress to legislative staff the importance of following the fee study recommendations in order to stabilize fund conditions and will explore options to ensure that the Legislature seriously considers adopting the proposals contained in the study.

### **Control: C Efficiencies and Cost Reductions**

DCA will continue to work to identify ways to reduce expenditures at DCA and the boards and bureaus. One way that has been identified is by holding board and committee meetings virtually. Travel costs and hotel contract costs have been saved over the last 18 months due to the boards and bureaus holding Webex meetings. DCA looks to continue these cost savings in the future. In addition, DCA and its boards and bureaus identified ways to complete outreach and even some inspections virtually, which also reduces expenditures. Finally, due to telework, there is a possibility that facility fees could be reduced should leased space be reduced.

### **Risk: Pandemic Telework**

The COVID-19 pandemic forced DCA to quickly transition to telework for much of its staff in order to safeguard the health and safety of its employees. The Governor's Office has promoted the continued utilization of telework as a permanent strategy for state agencies. As the Department considers long term telework policies and procedures, it must ensure that it does not cause disruptions to the quality or quantity of work done at DCA.

### **Control: A Develop A Robust Telework Plan**

The California Department of General Services (DGS) released a memo on October 5, 2021 that was designed to provide the structure needed for effective telework programs within California state government. The memo directed departments to craft their own written policies specific to their business needs in accordance with the statewide policy. DCA established a telework group that is in the process of developing a more detailed telework policy. The group is working to design procedures to ensure that telework will be implemented in a manner that will not compromise productivity, DCA's cyber security infrastructure, and consumer protection. The projected completion date for the plan is January 31, 2022.

### **Control: B Ensure Fairness When Determining Telework Procedures For Individual Employees**

DCA may have to differentiate between employees when determining if, or how often, an employee may telework. To ensure these decisions are handled fairly, DCA must perform a workload analysis to determine which duties can be performed remotely and which ones must be performed in the office. This information will help DCA craft telework agreements that are tailored to individual positions. If necessary, DCA may consider contracting with a third party to perform the workload analysis.

### **Risk: Staff Recruitment and Retention**

The Department has difficulty recruiting and maintaining staffing levels in some areas. This is due to a variety of reasons such as cost of living disparities and specialized skill requirements. Civil service laws and regulations, and control agency requirements, create additional restrictions and longer timelines for hiring and recruitment activities. Staff turnover and ongoing retirements continually result in vacancies and recruitment efforts are not always successful, particularly for highly specialized or technical units.

Due to specific requirements needed for each classification, candidates often do not meet desirable qualifications or are not reachable on employment lists. Additionally, in some cases DCA does not have active employment lists for recruitment purposes when uncommonly utilized positions become vacant. DCA has experienced especial difficulty in recruiting and retaining sworn staff (peace officers) in DCA's Division of Investigation, which has resulted in longer investigative case completion timelines, thus delaying consumer protection.

### **Control: A Update the Workforce and Succession Plan**

DCA's workforce and succession plan expires on December 31, 2021. The workforce and succession plan provides a guideline to ensuring that positions throughout the Department are filled with qualified individuals who have received the proper training for them to succeed in their jobs. While some work has been completed in updating the plan, it will soon be out of date. DCA must produce an updated workforce and succession plan to ensure that it meets the needs of its current and future workforce.

### **Control: B Create a Workforce and Succession Plan Workgroup**

The Department should form a workgroup designed to explore the extent of recruitment and retention issues and develop proposals for solutions. The proposals should be tailored to the individual issues it determines are affecting DCA's ability to recruit and retain specific positions.

### **Control: C Internal Workload and Resource Analysis**

DCA is committed to continuous improvement and is analyzing potential staffing and resource needs in the human resources area. As workload needs are determined, DCA will request additional positions and funding as necessary to address recruitment and outreach efforts. One example of potential expansion is the establishment of permanent WebEx staffing resources to help facilitate the continued use of remote meetings.

### **Control: D Expand Candidate Pool for DOI**

The Division of Investigation has challenges recruiting and retaining qualified candidates to assist with investigations due to the strict requirements. Currently, candidates must have been issued a certificate from the Commission on Peace Officer Standards and Training (POST certificate).

However, there are many candidates who have significant relevant experience without a POST certificate who could competently perform the duties of an investigator. Similarly, candidates are required to have a degree in criminal justice. DCA should explore whether the investigator position requirements should be amended to include any degree type and focus recruitment efforts with existing law enforcement officers in traditional police and sheriff departments that are not part of the PERS retirement system. Otherwise, qualified candidates may continue to be ineligible for employment.

### **Risk: Department-wide Communication**

Inconsistent or lack of Department communication leads to breakdowns in procedure, expectations, initiative, and relationships throughout the organization, which causes an overall disruption in consumer protection. Communications may be impacted or delayed due to working in a virtual environment.

#### **Control: A Communications Plan**

The Department should draft a thorough internal communications plan. The plan should include a clear process for messaging all internal and external communications. This plan should include problem identification, escalation paths, and a problem resolution process.

#### **Control: B Consistent Internal Communication**

To further mitigate this risk, the Department should provide consistent communication to DCA employees, boards and bureaus to enable staff to recognize their part in the larger DCA community, increase transparency, breakdown silos, and adhere to DCA policies and procedures via multiple communication channels. Internal communications should have a messaging process that identifies an audience, develops a plan based on the audience, provides for consistency, and includes an approval process.

### **Risk: Licensing and Enforcement Practices**

Two of the most important functions of DCA boards and bureaus are maintaining a licensure program and conducting enforcement proceedings when necessary for consumer protection. Due to the complexities involved, both licensing and enforcement can be lengthy and costly endeavors for boards and bureaus. A lack of information sharing between boards and bureaus regarding licensing and enforcement may lead to inefficiencies that could be reduced or eliminated.

#### **Control: A Create and Disseminate Best Practices**

DCA has been exploring different ways to create best practices for licensing and enforcement that incorporates knowledge and lessons learned from all of its boards and bureaus. One example is the recently launched Enlighten Licensing Project. In this endeavor, subject matter experts review the licensing processes of a licensing entity in order to identify ways to make their processes more efficient, cost-effective, information-technology-forward, and streamlined in order to expedite licensing. All subject matter experts have an opportunity to provide recommendations on better ways to conduct business. Similar programs can be explored for enforcement.

#### **Control: B Promote More Collaboration Between Licensing Entities**

DCA executive staff holds regular meetings with executive officers and bureau chiefs. These meetings could be used to provide a platform for leadership at licensing entities to share information on best practices they have developed for licensing and enforcement.

### **Risk: Assembly Bill 471 Implementation**

On September 28, 2021, Governor Newsom signed into law Chapter 372, Statutes of 2021 (Assembly Bill 471). The bill requires automotive repair dealer (ARD) registration application forms to include educational certifications of applicants. It also authorizes the Bureau of Automotive Repair (BAR) to establish through regulation an informal review process for BAR-issued citations to ARDs and would provide a remedial training option for certain BAR-issued citations to ARDs. Further, the bill requires BAR to develop regulations to establish a new vehicle safety systems inspection and certification program. The bill requires the regulations to be adopted by January 1, 2024. Failure to implement AB 471 requirements and adopt regulations in a timely manner will place BAR out of compliance and delay improvements to existing consumer protection.

#### **Control: A Project Management, Regulation Development, and Program Change Coordinator**

BAR is actively recruiting for a limited term position to lead project management, regulation development, and program change coordination. This coordinator will work closely with the Department and key stakeholders on the development and adoption of regulations and implementation of necessary programmatic changes to ensure the regulations are adopted by the statutory requirement of January 1, 2024.

### **Risk: Business Modernization**

In consultation with the Department and the California Department of Technology (CDT), BAR initiated

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the Enforcement and Licensing Modernization (ELM) project. This multi-phase project aims to replace BAR's legacy database systems, the Consumer Affairs System and the Applicant Tracking System, with modern information management technology systems. Although no "bridge system" is being utilized, several workarounds are currently being used to satisfy program requirements or needs that cannot be met by the current legacy systems.

Failure to implement ELM and continuing to utilize legacy systems and workarounds will increase backlog, reduce efficiencies, and negatively impact BAR's current licensing and enforcement needs.

**Control: A Enforcement and Licensing Modernization Product Owner Manager**

BAR is actively recruiting an ELM product owner manager. The manager will be instrumental in product development and will support all implementation efforts ensuring effective workflow efficiencies.

**Control: B Project Approval Lifecycle (PAL) process**

The PAL ensures IT projects have clear business objectives, accurate costs and realistic schedules. The PAL is divided into four stages that will all require approval. These rigorous approvals will ensure BAR's business modernization efforts are properly planned, staffed and executed. BAR is currently through Stage 3.

**Risk: Fee Schedule for Household Movers Permits (BHGS)**

The Bureau of Household Goods and Services (Bureau) assumed administration of the Household Movers Act (Act) from the Public Utilities Commission (Commission) on July 1, 2018 through Senate Bill (SB) 19 (Hill, Chapter 425, Statutes of 2017). The Bureau did not inherit a regulatory scheme to aid in administering the Act as the Commission adopted orders rather than regulations.

Thus, SB 19 included a provision that requires the Bureau to adopt fees on or before January 1, 2023. Until then, the Bureau is authorized to charge a \$500 application fee and a \$150 transfer fee.

Additionally, the permit never expires and is not renewed. The Bureau collects quarterly fees from permit holders in the amount of one-tenth of one percent of the permit holder's quarterly revenue until adopting fees on or before January 1, 2023. The Bureau is also required to engage in public workshops and a formal rulemaking to adopt and implement a fee schedule that shall not exceed the reasonable costs of regulating household movers. To meet these mandates, the Bureau scheduled a licensing regulatory workshop to take place on March 25, 2020, but due to the COVID-19 pandemic travel restrictions, the workshop was postponed and has not yet been rescheduled.

The Bureau administers two other practice acts – Home Furnishings and Thermal Insulation Act (HFTI) and Electronic and Appliance Service Dealer Registration Law (EAR) – which makes determining the appropriate fees for administering the Act difficult to quantify. The Bureau has 22 authorized positions assigned to EAR, 31.9 assigned to HFTI, and 11 to household movers. Staff are trained across multiple practice acts to support more efficient Bureau operations, which complicates assessing costs. Additionally, the current fee structure, which is unlike any other under the DCA umbrella, would need to be analyzed to determine if there is a more appropriate way to charge permit fees than the current quarterly revenue-based structure, which industry would like to keep and may be difficult to convince

through a regulatory workshop alone.

### **Control: A Conduct a Fee Study to Determine Appropriate Fee Structure**

The Bureau will contract with an independent third-party to conduct a fee study to be completed by April 2022. The study will determine costs associated with regulating household movers, recommend a best course of action regarding fee structure and permit timelines, as well as provide justification for the Bureau's proposed fee structure. The fee study will provide rationale for recommending a fee structure, which will mitigate opposition to the rulemaking. Each of these benefits will facilitate the Bureau's rulemaking proposal.

### **Risk: Stable Funding Source -BPPE**

Education Code section 94930 mandates the Bureau operate with not more than six months in reserve. However, the Bureau is expected to become insolvent in fiscal year 2022-23 as its fee structure does not provide enough revenue to fully cover operating costs.

### **Control: A Statutory Fee Increase**

The Bureau has secured a \$12 million loan to allow it to remain solvent for the next two fiscal years. The Bureau completed a fee study and in collaboration with the Department, created a fee proposal that has been shared with the Legislature and impacted stakeholders. A legislative change is needed to the fee structure. Until sufficient revenues are available, Bureau leadership continues to be prudent in making financial decisions with sizeable impacts on expenditures.

### **Risk: IT System Implementation**

The Schools Automated Information Link (SAIL) is the Bureau's existing data management system. An antiquated, outdated system, SAIL lacks the necessary data fields, reports and functionalities required to license and enforce private postsecondary educational institutions effectively and efficiently. In 2018, the Bureau began the process of developing and converting to a more robust records management system. The Bureau selected the Connect records management system to manage data. The deployment and implementation of Connect will include converting historical data from SAIL into the Connect system. Ensuring these components work individually and collectively is mission-critical for the Bureau.

### **Control: A Project Managements and Quality And Quality Assurance**

DCA and Bureau staff are collaborating closely on continued implementation of compliance inspection and discipline back-office functionality, which are nearing completion. Processes for annual fees submissions, student tuition recovery fund (STRF) assessments, and STRF applications are earlier in development. All these functions are expected to be completed before the project's end, which has been changed from August 2021 to April 2022. A year-long maintenance and operations phase will subsequently commence in which the Bureau and development team further refine these processes to ensure they are collectively working to meet the Bureau's needs. Additionally, part of this effort requires migrating all data from the Bureau's SAIL databases, as well as from individual unit spreadsheets, for inclusion in the new Connect system.

### **Risk: Financial Burden of Equipment Purchases**

During the pandemic, the Bureau transitioned all staff to a hybrid telework environment. With limited laptops available at the abrupt start of the pandemic, the Bureau relied on staff to use their personal home computers to conduct business. As a result, at times, staff have experienced connectivity and technological issues.

#### **Control: A IT Equipment Survey**

To accommodate the telework opportunities, the Bureau is moving towards providing all staff with State-owned equipment to maximize productivity while working remotely. To help with cost absorption, the Bureau is phasing-out desk top computers on a scheduled rotation and purchasing laptops and workbooks.

### **Risk: Diminishing Licensee Population and Revenue (BREA)**

Due to real estate market volatility and other real estate appraisal industry trends, licensee population is diminishing. This downward trend has a direct correlation to revenue; therefore, diminishing licensees causes diminishing revenue. Further exacerbating the diminishing population is the age demography with approximately 70 percent of the licensee population at 50 plus years of age. Of the 9,390 appraiser licensees, the Age of Licensee population data as of 8-30-21 guarantees the decline will continue and grow larger because approximately 42 percent of BREA's licensee population are age 60 and over. By comparing the current number of licensees in the 60-69 age bracket to that of the 70-79 age bracket in the chart above, the Bureau estimates there will be a dramatic drop of approximately 1,500 or more licensees within the next 10 years. BREA's ability to meet its mission and federal mandates will likely be impacted at some point in the future.

#### **Control: A Outreach and Diversity Plan**

Develop an outreach team to explore communication processes to draft brochures, create videos, and use social media to detail how to become an appraiser to diverse populations. Find all mediums to make it easy for potential appraisers to find the information needed that creates interest in the field. Continue to research diverse outlets for strategic outreach, such as adult education, vocational schools, etc. Perform outreach that compels currently licensed appraisers to embrace new trends/technologies as possible business opportunities, so they keep renewing their licenses.

#### **Control: B Expanding Strategic Relationships**

Continue to work with the California Community Colleges Real Estate Education Center to encourage course providers to apply for BREA course provider approval. Send brochures and videos to colleges' and universities' business programs and career centers throughout California. The goal is to create student interest in the vocation and encourage entry into the appraisal industry as a new licensee. In addition, BREA will participate in job fairs to encourage the public to consider appraiser vocation.

**Control: C Virtual Training Opportunities**

Approve virtual environment training (PAREA) that provides a simpler means to enter the appraisal field instead of the current supervisor trainee mode.

**Control: D Create Efficiencies, Reduce Expenditures**

Continue to create efficiencies that will lower operating cost, such as developing automation for the initial application and the upgrade application. Continue to monitor BREB budget to ensure program can manage its resources and liabilities appropriately and take action before resources fall into an unacceptable range.

**Risk: CFB-Funding Sources and Levels**

Business and Professions Code section 128.5 mandates the Cemetery and Funeral Bureau (CFB or Bureau) operate with not more than 24 months in reserve. However, the Bureau is expected to become insolvent in fiscal year 2022-23 assuming its total appropriation is expended. With a consistent licensee population and more than 25 years since a fee increase, CFB has not been collecting sufficient fees to fully recover its costs.

**Control: A Fee Study and Statutory Fee Increase**

The Bureau completed a fee proposal that was released for public comment at its October 2021 Advisory Committee meeting. The fee analysis will enable the Bureau to pursue legislative changes to raise its current statutory fee caps.

**Risk: CFB-Key Person Dependence, Workforce Planning**

The Bureau relies on individuals with specific knowledge and expertise in mission critical areas making the Bureau vulnerable if this staff were to leave, retire or are absent for a significant length of time.

**Control: A Procedure Manual Development and Cross-Training**

The Bureau is continuously developing and updating individual desk manuals, training plans, and cross-training staff as a workforce plan. Process streamlining and innovation are implemented on a flow basis to control and simplify the workflow.

**Risk: PFB-Funding Levels**

The Professional Fiduciary Bureau (PFB or Bureau) has insufficient revenue to maintain its licensing and enforcement functions. The PFB's licensing pool has increased very slowly over the years, despite raising administrative costs (employee salaries and benefits, Attorney General costs, pro rata, etc.). Should this trend continue into the future, licensing and enforcement efforts may be diminished and IT business modernization projects may have to be delayed.

**Control: A Budget Tracking**

Bureau staff works closely with the DCA Budget Office to ensure current expenditure levels do not exceed funding levels. Both closely track future funding projections. Bureau management will

continue to carefully watch expenditures and funding levels. However, ultimately the Bureau does not control the amount of revenue it collects. The Bureau will continue to review of internal processes with the goal of creating efficiencies, as well as continue to evaluate the need for a fee increase.

**Risk: PFB- Staff Levels**

The Bureau's small licensing pool and small revenue stream can only support a small number of staff. At present, the Bureau has only three full time staff to conduct its licensing, enforcement, and administrative functions. Should an employee retire or leave for another employment opportunity, licensing and enforcement efforts may suffer.

**Control: A Prepare for Staffing Transitions**

Bureau management works closely with staff to ensure they are cross-trained on duties outside of their current work and that work processes are documented for future employees. Development of procedure manuals and trainings will continue.

**Risk: ACP-Business Modernization**

The Arbitration Certification Program's (ACP) legacy system does not meet the current needs of the program. Updates and support are no longer available. This situation creates problems tracking necessary data for reporting and tracking workload.

**Control: A Mapping New Processes**

The ACP will work with the Department's Office of Organizational Improvement and Office of Information Services to map processes and assist with identifying a new system.

**Risk: ACP-Update Policies and Procedures**

The ACP has a policies and procedures that need to be updated as changes occur Failure to actively monitor and update these new policies and procedures may create poor or inaccurate work products.

**Control: A Regular Reporting and Developing Procedure Manuals**

The ACP is revising existing procedure manuals to capture its new policies and procedures to ensure uniform understanding among staff and work products that are complete and accurate. ACP management has been holding frequent meetings to monitor and track staff's work. ACP management has also included work product review as a requirement before releasing the work product.

**Risk: ACP-External Participation**

The ACP is a voluntary participation program by new vehicle manufacturers. Manufacturers could withdraw from participating in certification by ACP, leaving the ACP without any participating manufacturers.

### **Control: A Industry Participation**

ACP staff will continue to attend industry conferences to speak with non-participating manufacturers to encourage participation. Also, the ACP will continue to remind participating manufacturers of the benefits of having a certified program in California.

### **Risk: BSIS-Hybrid Telework System**

Due to the COVID-19 pandemic, management had to work with staff to develop a hybrid telework schedule. This proved challenging because the Disciplinary Review Unit has a lot of business processes that needed to be reviewed to determine if they could accommodate a telework setting.

Management worked with staff to modify existing business processes, identify workload that could be performed out of the office, and develop new business processes for workload that could be completed remotely. Throughout this process management also discovered issues with existing business processes and worked with staff to update and improve existing processes. Without having policies and procedures for completing work in a telework environment enforcement timeframes could increase resulting in a lack of consumer protection.

### **Control: A BSIS-Develop and modify business processes**

To help mitigate this risk, management has identified the workload that can be completed remotely and have implemented business processes to accommodate a telework environment. Additionally, management has worked with staff to develop a schedule that balances the number of staff in the office at any given time to ensure the workload that needs to be completed in the office is completed timely. Lastly, management has been active in working with staff to evaluate existing business processes and updating procedures to ensure workload is completed appropriately and timely.

### **Risk: BSIS- Newly licensed firearm training facilities**

Business and Professions Code Section 7585.4.1 requires the Bureau to perform, within 120 days after issuance of a firearms training facility certificate, an inspection of the facility for compliance with the applicable rules and regulations. During the COVID-19 pandemic, it was challenging for enforcement staff to carry out this mandate amongst the various stay-at-home orders throughout the state. In addition, firearm training facilities were not deemed an essential business which meant many of the licensees were not opened for business. Without being able to perform inspections the Bureau could not meet its mandate.

### **Control: A Create Procedures for tracking and conducting virtual inspections**

To help mitigate this risk, management and staff found ways of tracking newly licensed facilities and monitoring and checking in with the licensees on their business operations. Additionally, staff came up with a process to carry out a virtual inspection in order to work with the licensee on inspecting the items that could be inspected virtually. As things started to open back up, staff were able to complete the remainder of the inspections in person. Management and staff are working on updating current procedures and developing inspection procedures that include a hybrid virtual model that can be used for inspecting other license types that do not have the mandated

timeframe that newly licensed firearm training facilities have.

## **CONCLUSION**

The Department of Consumer Affairs 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.

**Kimberly Kirchmeyer, 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