

Department of Industrial Relations

2015 SLAA REPORT

December 24, 2015

David Lanier, Secretary
California Labor and Workforce Development Agency
800 Capitol Mall, Suite 5000
Sacramento, CA 95814

Dear Mr. Lanier,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Industrial Relations submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Cliff Okamoto, Chief of Administration, at (415) 703-4282, cokamoto@dir.ca.gov.

BACKGROUND

The Department of Industrial Relations (DIR) was established in 1927. Its mission is to improve working conditions for California's wage earners and to advance opportunities for profitable employment in California. DIR administers and enforces laws governing wages, hours and breaks, overtime, retaliation, workplace safety and health, apprenticeship training programs, medical care and other benefits for injured workers.

The goal of the department is to serve as the state entity to improve day-to-day workforce functionality throughout California by ensuring cooperation with labor laws and regulations set aside to protect wage earners in their workplace environment. The division program objectives below outline the core values of employees in the entities under the responsibility of the Department of Industrial Relations:

DIVISION OF WORKERS' COMPENSATION

The Division of Workers' Compensation monitors the administration of workers' compensation claims, attempts to minimize disputes through outreach to employers and injured workers by providing program information and assistance, and provides administrative and judicial services to resolve disputes that arise in connection with claims for workers' compensation benefits. The Division conducts audits of workers' compensation claims administrators to ensure compliance with the benefit delivery system required by the Labor Code, and authorizes payment of workers' compensation benefits to injured workers from the Uninsured Employers Benefit Trust Fund and the Subsequent Injuries Benefit Trust Fund. The Division promotes the practice of early and sustained return to work of injured employees. The Division also administers a workers' compensation information system designed to provide information to policymakers regarding the effectiveness and efficiency of the benefit delivery system.

DIVISION OF OCCUPATIONAL SAFETY AND HEALTH

The objectives of this program include the promotion and enforcement of measures to protect the health and safety of workers on the job. These objectives are accomplished by the coordinated efforts of the Division of Occupational Safety and Health (DOSH), the Occupational Safety and Health Standards Board, and the Occupational Safety and Health Appeals Board. DOSH enforces occupational safety and health standards, investigates the causes of occupational deaths and injuries, and helps employers to maintain safe and healthful working conditions.

DOSH conducts inspections of, and issues permits to operate elevators and other conveyances, amusement rides, aerial passenger tramways, and pressure vessels. The inspection and permitting process is the primary method used to enforce standards governing the safe operation of these devices. Under the administrative direction of the Office of the Director, DOSH also obtains and maintains job safety records, reports, and statistics; measures the effectiveness of accident and illness prevention efforts in the workplace; and provides accurate information pertaining to industrial relations to help inform legislative and administrative decisions made by state and local government.

DIVISION OF LABOR STANDARDS ENFORCEMENT

The objectives of this program include: (1) interpretation and enforcement of sections of the Labor Code which relate to wages, hours of work, and conditions of employment, including anti-retaliation laws relating to employees engaged in protected activities, as well as implementing Industrial Welfare Commission Wage Orders (as applicable); (2) determination and collection of unpaid wages; (3) licensing of farm labor contractors, industrial homework firms, talent agencies, the registration of garment manufacturers, the certification of studio teachers, the registration of car washing and polishing businesses, the registration of entities and individuals using minors in door-to-door sales, the issuance of permits for the employment of minors in the entertainment industry, and permits to individuals representing or providing services to minors in the entertainment industry; (4) field enforcement of laws governing public works, workers' compensation insurance, child labor, unlicensed contractors, oversight of rules governing meals and rest periods, the payment of overtime and minimum wage, the licensing of specific industries, and the payment of wages; (5) targeted enforcement in partnership with state and federal agencies against unscrupulous businesses participating in the "underground economy"; (6) administration of the prevailing wage program to determine and publish prevailing wage rates for public works projects; (7) enforcement of apprenticeship related requirements relative to public works projects; and (8) management of the Electrician Certification Program that tests for the minimum standards for competency and training for electricians in California.

DIVISION OF APPRENTICESHIP STANDARDS

The objectives of this program are to promote, develop, and expand on-the-job training and apprenticeship programs and to provide consultation services to program sponsors. The Division's goal is to match the needs of workers with those of employers, and to strengthen the apprenticeship alliance among industry, labor, education and government for recruiting workers and teaching the skills they and their employers need.

The Division administers the apprenticeship system in California. This includes initial program approval and to ensure that apprenticeship programs and employers are in compliance with approved standards and labor laws. The California Apprenticeship Council issues regulations to carry out the intent of the state apprenticeship law and sets the general policy under which this program operates.

RISK ASSESSMENT PROCESS

The DIR Director meets regularly with her leadership team to discuss mission and operational issues. The DIR leadership team includes the division chiefs for DOSH, DAS and Administration, the Labor Commissioner for DLSE, the Administrator for DWC, the CFO and the Chief Legal Counsel. The discussion of operational issues includes identification of risks to each division's goals and objectives, steps taken to mitigate these risks, and discussion of risk mitigation which may be outside the control of the division or unit.

The department requested each division and program under the jurisdiction of DIR participate in identifying the key risks to accomplishing their mission and goals. As part of the SLAA process each leadership team member, the Chief of Accounting and the CIO utilized the SLAA Risks and Definitions provided by the Department of Finance (Revised 7/2015) to uncover apparent risks. The consolidated response generated from a compilation of the input from each division indicated that the main risks to the overall mission and goals of DIR were issues in staffing, technology, and access to necessary resources. The responses were aggregated and put into a draft SLAA formatted document; then reviewed in several one-on-one meetings held with the division heads and the DIR SLAA team.

The draft SLAA document was then reviewed by the director to prioritize and select the most important risks to the overall mission of the department. These risks were then sent back to the DIR leadership team for final review and comment. The DIR SLAA submittal is the consensus view of the key mission critical risks facing the department.

EVALUATION OF RISKS AND CONTROLS

Operations- External- Staff—Recruitment, Retention, Staffing Levels

All of the department's operating divisions (Occupational Safety and Health, Workers' Compensation, Labor Standards Enforcement, Apprenticeship Standards) and the Division of Administration are experiencing staffing shortages. If these staffing gaps continue, the divisions' ability to meet their program objectives could be affected.

The Division of Administration is also experiencing staffing shortfalls in several of its key operating units; Information Technology, Human Resources, Accounting and Business Services.

This lack of Administration support staff in IT, HR, Accounting and Business Services could impact the Division of Administration's ability to support the operating divisions of DIR.

Split the HR Exam and Certification unit into two separate units, each with its own manager.

This will increase the focus of each of these critical functions to the hiring process. Applications will be reviewed and distributed to hiring managers faster and required exams will be given more often and in a shorter timeframe. The objective of separate units is to shorten the time to hire candidates and improve the hire rate for department vacancies.

Engage and collaborate with Cal HR to streamline the standard State hiring processes and policies. This will allow more flexibility in establishing candidate hiring pools, in establishing higher and more competitive starting salaries as well as broader use of existing job classifications.

Establish a Talent Acquisition unit within the department's HR function to utilize creative recruitment tools and avenues to expand the department's candidate pools. This will both increase the number and quality of candidates available for consideration as well as shorten the time to fill department vacancies.

Provide hiring managers with training on how to hire, screen and interview candidates. This will produce better and faster hiring decisions, thus improving the overall quality of new hires to the department.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

As with many organizations today, the well documented aging workforce is a significant risk to DIR. The heavy reliance upon long tenured, experienced and knowledgeable staff coupled with the lack of succession planning will create a knowledge and experience "gap" that will put at risk the department's ability to fulfill its mission and program objectives. The overall strength and depth of the operational leadership/expertise across the spectrum of all divisions and operations is at risk due to the dependence on key staff members. In the next two to five years, due to retirements in key technical and managerial positions, the department will find itself with a gap in its institutional knowledge base and experienced managerial talent.

Establish a robust succession planning effort to identify key positions, staff with leadership potential and gaps where no replacements have been identified. The DIR Leadership team will meet twice a year to review succession planning to identify planned vacancies, probable replacements, as well as potential and real gaps. Succession planning should also include technical specialists. Plans will be developed to mitigate gaps where necessary.

Establish a mentor program where key technical knowledge transfer is encouraged and monitored. Department technical specialists should be recognized for their contributions as well as their efforts to mentor and transfer knowledge to other staff.

Evaluate and revise the department's management structure so that developmental career paths to leadership positions can be identified.

Establish a leadership development program to train and develop current and future staff. The program, if successful, will encourage/entice individuals outside of the department to apply for department openings.

Reporting- Internal- Information Communicated—Inadequate, Inaccurate, Misinterpreted, Untimely

The department has not had the systems in place to have a robust program of quantitative division performance metrics. This includes accurate and timely reporting, which is key to communicating critical information. The lack of a program to systematically and regularly review and evaluate division performance could impact division efficiency and some department decision making.

Establish regular reviews of the department's key mission deliverables. This review takes place at the division and program level.

Each division, program and unit will develop a dashboard of key metrics which will be updated monthly and provided to the director for review and monitoring. This information will be reflected of each division's capacity to achieve critical mission deliverables with the budgeted resources available.

Operations- Internal- Technology—Outdated, Incompatible

A large amount of the work performed by the division staff is dependent upon accurate and timely data. Many of the systems in use by our staff are outdated and/or incompatible with other systems. Outdated technology is linked to a lack of data integrity and difficulty in generating management reports to monitor and plan workload priorities. The risk is that management decisions are based on inaccurate and/or outdated data.

The divisions coordinate with the IT group when faced with a technological problem. In order to resolve the issue of inadequate tools and outdated materials, the department will allocate funds to improve technology solutions and resources. Furthermore, the department implements training sessions for employees to gain familiarity with the new databases.

Ensure the department's IT project list gets reviewed periodically by department leadership for progress and prioritization for new projects. This will ensure that sufficient resources are available for key IT projects.

Continue to work with the California Office of Technology to ensure that DIR has the systems and IT infrastructure to build and/or acquire the software solutions needed to operate and manage effectively and efficiently within the overall State IT network.

The IT group will provide cost estimates to division staff for each project that has been approved, so that division management can prioritize discretionary spending accordingly; the Budget Office will provide technical assistance to division staff to help achieve this goal and ensure dollars are available for ongoing maintenance of key IT initiatives.

Operations- Internal- Staff—Training, Knowledge, Competence

The process of new employee training and onboarding is crucial to the success of new staff members. Without proper implementation of new employee training/onboarding, new staff is unable to quickly progress to successful and productive employees. The leadership development and staff training to increase expertise and expand the body of knowledge as well as improve depth in each operation is essential for efficacy and ongoing continuity of all operations. Lack of management and leadership training and development will limit the development of staff and teams to perform at their potential and highest levels. This lack of leadership development has been shown to increase turnover and reduce overall efficiency and productivity.

Further develop and establish a department wide onboarding program for use by all divisions and units. This will provide a consistent and comprehensive program to improve effectiveness

and the timely onboarding of new staff.

Divisions and units working with the department budget office will establish a budget and plan for training and development activities.

Establish a separate training unit within DIR HR to develop training programs primarily focused on non-technical employee and supervisory development. This will help to mitigate supervisory – employee relations issues, increase productivity of staff, improve staff retention and enhance recruitment of staff outside of the department.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

While DIR has a centralized accounting function, there are still groups within DIR that continue to perform some separate accounting operations. This partially decentralized accounting organization could lead to a lack of organizational accountability and inefficient operations. It is important for DIR to accurately record and monitor amounts received and all payments to claimants and vendors.

Initiate a review of the separate accounting operations with the intent to centralize all DIR accounting operations.

Establish a project team to review the current work processes and systems of the separate accounting operations to identify areas of improvement.

Operations- Internal- Physical Resources—Maintenance, Upgrades, Replacements, Security

Several of our district offices have expressed concern regarding their personal staff safety. The protocols in place regarding non-employees in State owned buildings require improvement, such as a policy for visitors in work areas and limiting public access in the building. As DIR continues to increase its workforce, adequate space is becoming an issue in multiple state office locations.

The department has done a considerable amount of work to spread awareness of safety precaution techniques in the event of an emergency or unsafe situation. The resources available to employees to ensure their safety while inside of a State owned building are frequently updated and improved as well as circulated throughout each division.

A regular update plan will be made available to executive staff.

The DIR facilities management group is looking at both private and public buildings to secure adequate space for the additional staff being hired by all the operating divisions and administrative services functions. The facilities group is also working with DGS to ensure that employee safety concerns are addressed.

ONGOING MONITORING

Through our ongoing monitoring processes, the Department of Industrial Relations reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Department of Industrial Relations is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Department of Industrial Relations, Christine Baker, Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Amy Coombe, Chief of Staff, Cliff Okamoto, Chief of Administration, Tess Gormley, Manager of Return to Work Program, as our designated agency monitor(s).

Frequency of Monitoring Activities

On a regular basis, the Director holds meetings with members of the DIR management team to establish accurate updates and timely project plans for issues within the department. The director holds weekly meetings with each of the key divisions to address operational issues including the risks and control measures identified in the SLAA Report. Key non-divisional staff may also be invited to attend these meetings as the agenda and subject matter requires. Additionally, the Chief of Administration and the director meet at least weekly to discuss issues and progress around DIR staffing, training and development, other HR issues; Accounting and Cashiering; procurement and contracts; facilities and office space.

Monthly meetings between the IT staff and the Director are held to determine status and prioritization of projects as well as issues relating to the projects. These IT projects may also be addressed in the regular division meetings if needed. Moreover, the director meets monthly with the HR Performance Management group, Legal and the Civil Rights Officer to get a briefing on current and potential employee relations issues.

Reporting and Documenting Monitoring Activities

DIR generates a number of reports on a regular and as needed basis to assist division management and the director in monitoring the activities within the divisions. These prepared reports support organizations that are critical to the achievement of DIR goals and objectives. Reports are circulated to document monitoring activities, an example of which is the IT project status report that is available for review and discussion with division operational staff as well as the DIR leadership team. Furthermore, the Performance Management unit, the Civil Rights Officer and the Labor Relations Officer all maintain a log of active cases and potential issues. These logs/reports are regularly reviewed by the director. DIR HR prepares a monthly, and sometimes weekly, vacancy and staffing activity report for each division. Each division receives a detailed budget status report indicating to date expenditures versus their budget appropriation. A DIR activities dashboard is being developed for the director to quickly review key operational metrics for all divisions and supporting functions. It is proposed that the dashboard be shared with division leaders to be able to quickly assess progress on key deliverables and risks.

Procedure for Addressing Identified Internal Control Deficiencies

Every two months, the director plans to meet with the DIR leadership team to review risks to DIR's mission and goals and conducts an evaluation of the controls. In the event corrective action is required due to the ineffectiveness or delay in implementing any of the controls, a member of the leadership team will be assigned to address the control deficiency and report back to the director prior to the next review meeting.

If there are policy or procedural changes required as a result of the implementing a control or correct a control deficiency, DIR will issue a corrective communication to all affected staff.

CONCLUSION

The Department of Industrial Relations strives to reduce the risks inherent in our work through ongoing monitoring. The Department of Industrial Relations accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Christine Baker, Director
Department of Industrial Relations

cc: Department of Finance

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