December 28, 2023

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

Dear Secretary Stewart Knox,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Employment Development Department submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Clera Yen, Policy, Accountability and Compliance Branch Deputy Director, at (916) 653-2407, clera.yen@edd.ca.gov.

GOVERNANCE

Mission and Strategic Plan

About the EDD

Our Business is Your Success.^{SM}

The Employment Development Department (EDD) is one of the largest state departments with employees at hundreds of service locations throughout the state. Since 1936, we have connected millions of job seekers and employers in an effort to build the economy of the Golden State, and provide a variety of services, including the following.

Unemployment Insurance (UI) – The UI program provides unemployment benefits to eligible individuals who are out of work or have had their hours reduced. The UI program provides critical support to unemployed and underemployed workers in California to help sustain eligible workers while they are looking for their next job.

Disability Insurance (DI) - The California State Disability Insurance (SDI) program provides short-term DI. The SDI is a partial wage-replacement insurance plan for California workers. Eligibility may be established for those who are unable to work due to non-work-related illness or injury, pregnancy, or childbirth.

Paid Family Leave (PFL) Benefits - The SDI program provides PFL wage replacement benefits to eligible workers who need time off work. Eligibility to receive PFL may be established for:

- Caring for a seriously ill family member.
- Bonding with a new child.

- Participating in a qualifying event because of a family member's military deployment to a foreign country.

Jobs and Training – The EDD provides no-cost employment and training services offered in partnership with state and local agencies and organizations through the America's Job Center of California^SM (AJCC). The AJCC locations provide easy one-stop access to California's employment-related services. These services are provided to prepare adults, youth, and dislocated workers for participation in the workforce, and connect employers with job openings with qualified job seekers.

Payroll Taxes - California has four state payroll taxes which the EDD manages. Employers contribute to UI and Employment Training Tax, and are required to withhold mandatory employee payroll deductions to pay into state payroll taxes for SDI and personal income tax.

Labor Market Information - The EDD is the prime source of high quality and timely workforce and labor market information for the State of California. The EDD collects, analyzes, and publishes statistical data and reports on California's labor force, industries, occupations, employment projections, wages and other important labor market and economic data.

Mission

The EDD enhances California's economic growth and prosperity by collaboratively delivering valuable and innovative services to meet the evolving needs of employers, workers, and job seekers.

Strategic Goals

The EDD's latest strategic plan includes the following five strategic goals:

Fiscal Stewardship - Responsibly manage our public resources and align investments with strategic goals.

Skilled Workforce - Build a highly-skilled and responsive workforce with clear roles and responsibilities.

Sustainable Business Operations - Align system operations, administration, resources, and business processes with strategic priorities and budgetary parameters.

Technological Innovation - Invest in our future by supporting appropriate technology solutions.

Responsible Service - Negotiate clear commitments with stakeholders and focus on

priorities.

Vision

The EDD strengthens the economic vitality of Californians and their communities.

Core Values

Integrity and Accountability - We lead with the highest standards of professionalism, ethics, and personal responsibility.

Care and Respect - We treat everyone with courtesy and dignity regardless of position or personal characteristics and foster an inclusive environment free of bias.

Teamwork and Service - We work together as a team to provide efficient and responsive service to our customers.

Communication and Trust - We strive for an open flow of honest and accurate information with each other and our customers.

Control Environment

The EDD's director, chief deputy director, and deputy directors, also known as the Executive Leadership Team (ELT), serve as both the oversight body and executive management for EDD's operations and administrative activities, and are responsible for establishing and maintaining an effective control environment. The following describes how the ELT achieves and sustains an effective control environment at EDD.

Integrity and Ethical Values - Through their directives, attitudes, and behavior, the ELT sets the tone at the top regarding ethical values and integrity. Establishing a strong tone at the top regarding ethical behavior and integrity is fundamental to EDD's ability to create and sustain an effective internal control system. The ELT models through its behavior that doing what is right and not just maintaining a minimum level of performance is expected of EDD employees. In this way, EDD's managers at all levels are supported and encouraged to lead by example and demonstrate the organization's values, philosophy, and operating style. As a result, the tone set by the ELT permeates throughout the ten branches and one office of the organization to all managers and staff, and reinforces EDD's control environment.

Standards of Conduct - The EDD supports and sustains ethical values and integrity in many ways. The EDD requires that all employees read and sign annually the Summary of Employee Standards of Conduct, which communicates expectations concerning integrity and ethical values. All employees who submit Statement of Economic Interests forms must complete ethics training. The Statement of Economic Interests form provides transparency and accountability for elected officials and public employees who make or influence governmental decisions to ensure they are making decisions in the best interest of the public and not enhancing their personal finances.

The EDD has also established policies, operating principles, and guidelines which communicate standards of conduct to the organization. Additionally, EDD requires ongoing department-wide training such as sexual harassment and abusive conduct prevention, and workplace violence and bullying prevention training. The EDD's management also supports and sustains ethical values and integrity in what they model. Management sets the tone at the top, in the middle, and at the bottom through their attitude and behavior. They set the tone in everything they do, including their participation in meetings, directives, emails, phone calls, and field office visits. Often their support for integrity and ethical behavior is communicated from a personal point of view through displays of values-based behavior such as being receptive, honest, fair, personable, approachable, inclusive, supportive, encouraging, and open to suggestions and the reporting of concerns. Management also demonstrates ethical values and integrity in the way they lead, with commitment to professionalism and personal accountability, and in alignment with EDD's core values.

The ELT understands the importance of aligning EDD's core values with those of its employees. To achieve this, the ELT has surveyed EDD employees department-wide to identify their most desired values and include them in the Department's strategic plan. The core values identified for EDD's 2017-2021 Strategic Plan were:

- Integrity and Accountability
- Care and Respect
- Teamwork and Service
- Communication and Trust

Management has also created branch-level vision statements, mission statements, and strategic goals which align with the ELT's department-level equivalents. Some branches have also identified branch level core values which form the foundation upon which management and staff conduct themselves and perform work.

Adherence to Standards of Conduct - Management ensures adherence to standards of conduct through evaluations of performance and addressing deviations in a timely manner. To gain assurance that the EDD's standards of conduct are implemented effectively, management evaluates the directives, attitudes, and behaviors of individuals and teams.

Employees are provided multiple avenues for reporting issues. As a result, all levels of management and staff feel more comfortable reporting ineffectiveness, issues of waste or abuse, ethical concerns/risks, and potential risks. They can report issues through reporting lines at regular staff meetings, upward feedback processes, whistle-blower programs, and fraud hotlines. Some managers have "open door" policies which provide employees a welcome and safe environment that supports the ability to raise concerns. Some of EDD's staff, including auditors and investigators, are governed by professional standards which include an additional duty to report ethical concerns. Management also encourages staff to report concerns of unethical behavior and sets positive examples through their own behavior. When staff's actions are out of alignment with standards of conduct and values, remediation occurs. Once abuse, unethical behavior, or risks are identified, management steps in timely to respond accordingly and, where appropriate, make corrections.

Internal Oversight Structure - The ELT, which serves as EDD's internal oversight body, also

contributes to the control environment by overseeing the Department's internal control system. In overseeing the internal control system, the oversight body fulfills its responsibilities as established by applicable laws and regulations, relevant government guidance, and feedback from key stakeholders. It also oversees the entity's operations; provides constructive criticism to management; and, where appropriate, makes oversight decisions so that the Department achieves its full objectives with integrity and in alignment with its ethical values. The internal oversight body also scrutinizes and questions management's activities, presents alternative views, and acts when faced with suspected wrongdoing. The EDD also oversees its subrecipients, such as Local Workforce Development Areas and vendors, which operate, administer, and/or work in conjunction with EDD in the provision of services.

The expertise needed by the ELT to oversee, question, and evaluate management is built into EDD's minimum and desirable qualifications for the positions that make up that body. Members of the ELT must understand and meet EDD's objectives, treat risks to the achievement of objectives, and meet the expectations of its stakeholders, if appropriate. The oversight body is expected to behave with integrity and ethically, demonstrate leadership, think critically, and solve problems. Specialized skills are considered when selecting members of the internal oversight body such as enabling discussions, offering constructive criticism to management, and making appropriate oversight decisions.

External Oversight Structure - The EDD, in turn, is overseen by the Labor and Workforce Development Agency (LWDA) and multiple federal agencies as external oversight bodies. The LWDA provides leadership to protect and improve the well-being of California's current and future workforce. The LWDA simplifies, strengthens, and improves EDD's operation and management of programs that protect and provide services to California's workers and employers. The EDD and its subrecipients also operate under the administration and oversight of the U.S. Department of Labor - Employment and Training Administration (DOL/ETA), the U.S. Department of Labor - Veterans' Employment and Training Services, the U.S. Internal Revenue Service, and the U.S. Bureau of Labor Statistics.

Oversight for the Internal Control System - As the internal oversight body, the ELT ensures the effective design, implementation, and operation of EDD's internal control system. As used in Leadership Accountability, "internal control" means a process, including a continuous built-in component of operations, effected by a state agency's oversight body, management, and other personnel that provides reasonable assurance that the state agency's objectives will be achieved. The following five components of internal control, if effectively designed, implemented, and operated in an integrated manner, constitute an effective internal control system: control environment, risk assessment, control activities, information and communication, and monitoring.

As the head of EDD, the director is responsible for the overall establishment, maintenance, and monitoring of EDD's systems of internal control. Oversight begins with the top executive but also includes the ELT as the oversight body as well as all levels of management. Oversight occurs throughout the Department in many ways. Some of these ways include:

- quality and field office reviews,
- Individual Development Plans,

- Leadership Competency Development Plans,
- professional growth and career development plans,
- management expectations documents,
- meetings,
- attendance record keeping,
- budget encumbrance,
- expenditure tracking,
- training compliance,
- the review and verification of timely and accurate information capture and collection,
- meeting federal requirements, and
- the annual review and update of internal controls.

Input for Remediation of Deficiencies - When deficiencies in the systems of internal control are identified, they are reported to the management responsible for the design, implementation, and operation of the controls. As necessary, the deficiencies are reported to higher and/or other management when they cross organizational boundaries or units, or when the interests of management may conflict with remediation efforts.

Organizational Structure - The EDD management is assigned responsibility and delegated authority to achieve the Department's objectives. Authority for EDD to carry out its programs is established in statute and delegated by the LWDA. Under this authority, EDD management aligns organizational structure according to EDD's business needs to achieve its objectives and applicable requirements. Some of these requirements include the California Department of Human Resources' (CalHR) guidelines; EDD's Human Resources Services Division (HRSD) guidelines; California laws, regulations, and policies; and federal requirements.

Assignment of Authority and Delegation of Responsibility - Organizational structure at EDD is created to ensure that appropriate levels of responsibility and authority align with the achievement of its objectives. Responsibilities are assigned to specific areas to enable the Department to operate efficiently and effectively, comply with applicable laws and regulations, and reliably report quality information. Within each of these areas, each level and position of management is created to support planning, executing, controlling, and assessing the effective and efficient achievement of EDD's objectives.

The determination of scope of responsibility and authority begins with senior management in EDD's branches and carries on down through successive layers of management. Senior management develops the branch's organizational structure with an understanding of its overall responsibilities, and assigns responsibilities to specific divisions, sections, and units. The overall responsibilities of divisions, sections, and units are considered when determining the key roles needed to fulfill assigned responsibilities and establishing those key roles. Management also determines the level of authority necessary for each key role to fulfill its responsibilities and delegates authority only to the extent required to achieve those responsibilities. Similarly, management considers the need to separate authority, duties, custody, and accounting to help prevent fraud, waste, and abuse. Managers in key roles retain ownership for fulfilling the overall responsibilities assigned to their respective work areas. As needed, management evaluates the organizational structure, and its designated responsibilities and authorities to ensure it functions effectively and efficiently toward the achievement of objectives, and in

alignment with any changes in objectives, laws, or regulations.

Documentation of the Internal Control System - The EDD maintains documentation of its internal control system to assist in its effective design, implementation, operation, and communication to Department management and staff. The EDD conducts regular assessments of its key internal controls to identify areas that require strengthening and documentation. This information is tracked through branch level inventories of internal controls. Similarly, the EDD maintains its policies and procedures and all related changes as a means of effectively and efficiently guiding management and staff. EDD management documents internal controls to meet operational needs, including the ability to communicate the controls to those responsible for their performance, and monitors and evaluates them.

Recruitment, Development, and Retention of Individuals - Management at EDD is committed to establishing and maintaining a competent workforce. Currently, one of EDD's five strategic priorities is "Skilled Workforce – Build a highly-skilled and responsive workforce with clear roles and responsibilities." As part of EDD's recruitment efforts, management establishes minimum and desirable qualifications and expectations of competence for all of its advertised job vacancies. The EDD's management considers standards of conduct, assigned responsibility, and delegated authority when establishing expectations of competence. As an integral part of attracting, developing, and retaining individuals, management and staff's abilities are evaluated. Management is held accountable for meeting established policies; the minimum level of skills, knowledge, and abilities necessary for accomplishing their assigned responsibilities; and understanding the importance of effective internal controls.

The continued development of employees is a key component to EDD's success in maintaining a competent workforce. The EDD provides general and specialized training to staff and managers which helps them develop and further refine competencies appropriate for their responsibilities and authority. Similarly, EDD reinforces the control environment by providing mandatory ongoing training with regard to standards of conduct, ethics, diversity, safety, and risk prevention.

Additionally, on an ongoing basis, EDD management mentors other managers and staff on their performance. Mentoring aligns individuals' skills and expertise with the Department's objectives and helps them adapt to an evolving environment. The EDD offers mentoring opportunities enterprise-wide through the Leadership Development Mentoring Program. Some branches also administer their own branch-level mentoring programs. The EDD values its employees and exercises a variety of efforts to incentivize them to continue their employment with the Department. Some of those efforts include:

- motivating employees by providing ongoing development and guidance regarding individuals' competencies,
- refresher and cross-training,
- mentoring,
- creating a safe work environment,
- offering development opportunities,
- job shadowing,
- empowering staff,

- modeling the way,
- working one-on-one with staff,
- discussing staff's goals,
- identifying and supporting employees' core values,
- promoting and providing continuous training,
- communicating openly and on an ongoing basis with staff,
- offering assignments to increase skill sets and addressing staff interests,
- ongoing professional and leadership training and development,
- providing feedback from Leadership Competency Development Plans and performance appraisals,
- helping staff explore interests in pursuing careers in management,
- encouraging staff development based on changes and new roles within the Department,
- offering rotational assignments for staff development and succession planning, and
- allowing for flexible work schedules and telework opportunities.

Enforcement of Accountability - Accountability functions as a cornerstone of EDD's control environment and begins with the ELT. The ELT sets the tone at the top with its commitment to ethical values and integrity, an organization which supports accountability, and expectations of competence for all positions. Management communicates EDD's organizational values, philosophy, and operating style through its directives, attitudes, and behaviors. The standards of conduct, policies, operating principles, and guidelines also define and communicate expectations of EDD's employees. Collectively, these create EDD's foundation for oversight, influence the control culture at EDD, and drive accountability in the internal control system.

At EDD, accountability for the performance of internal control responsibilities begins at the top but is maintained at all levels. The LWDA holds the ELT accountable for EDD's internal control responsibilities, EDD's oversight body holds management as well as the Department as a whole accountable for its internal control responsibilities, and management holds staff accountable for performing their assigned internal control responsibilities.

As a precursor to exercising accountability, EDD's management communicates job specific information to each employee. Each employee is informed of the role he/she plays in EDD's organizational structure, his/her assigned responsibilities and delegated authorities, and applicable expectations of competence that will enable EDD to perform its internal control responsibilities. This information is then reviewed with employees on an ongoing basis. Additionally, management empowers employees with the necessary skill development at the beginning of employment and continually thereafter to properly equip them for performing their assigned responsibilities.

EDD management hold staff accountable for performing their assigned responsibilities. When necessary, EDD management, with oversight from the oversight body, takes corrective action through an interactive process to enforce accountability for internal control in the Department. Actions taken range from direct supervisors providing informal feedback to the oversight body taking disciplinary action, depending on the significance of the deficiency to the internal control system. Accountability at EDD is exercised and sustained in many ways such as:

- onboarding (initial review and explanation of job requirements, signing job duty statements to acknowledge understanding of job expectations, guidelines, and standards),
- communication in regular meetings,
- performance monitoring (tracking the timeliness, quality, and volume of completed assignments; assessing if expectations are being met),
- providing formal and informal feedback (appraisals, probation reports, leadership competency plans, one-on-one and staff meetings),
- periodic reviews (annual review of duty statement, expectations, standards, confidentiality, agreements, and guidelines), and
- periodic and recurring training (technical, risk prevention, standards of conduct, sexual harassment and abusive conduct prevention training, workplace violence and bullying prevention training, and incompatible activities certification).

Information and Communication

The EDD is a service-based organization which relies on relevant and reliable data and communicating quality information to support its operations and system of internal controls. The EDD recognizes that the use of effective information and communication is vital to achieving its objectives. For this reason, EDD management ensures that quality information is made available for more informed decision making, evaluating performance toward the achievement of objectives, and addressing risks.

Identification of Information Requirements - At the core of EDD's information and communication structure is the design of processes that use EDD's objectives and related risks to identify information requirements. Management defines information requirements considering its users (internal and external), the relevant level and amount of information needed, and the specificity of information needed. As changes in the Department and its objectives occur, management changes information requirements.

Relevant Data from Reliable Sources and Validation - Once information requirements have been established, EDD ensures the data it receives is relevant and reliable. As part of its process for creating quality information and its timely communication, EDD ensures it uses relevant data which comes from reliable internal and external sources and, in many cases, has been validated. To be relevant, the data must have a logical connection with, or bearing upon, the information requirements. To be reliable, the data must be reasonably free from error and bias, and faithfully represent what it purports to represent. The EDD receives data internally and externally from its stakeholders. These sources include EDD employees; federal, state, and local entities; LWDA; business partners and vendors; employers; workers; claimants; advocates; and Californians. Sources of data can be operational (programmatic or administrative), financial, or compliance related.

Data Processed into Quality Information - Data that is determined to be relevant, reliable, and valid is first processed into information and then evaluated to produce quality information. Quality information is appropriate, current, complete, accurate, and accessible information which is provided on a timely basis. Quality information also enables personnel to achieve objectives, address risks, and support the internal control system. The EDD's oversight body

receives quality information about adherence to, changes in, and issues arising from the internal control system. This information allows the oversight body to effectively oversee EDD's systems of internal controls.

Communication Throughout the Entity - Management communicates quality information up, down, across, and around reporting lines to all levels of the Department. Information is communicated up in many ways including through email, meetings, reports, and established reporting lines. Information is also communicated from the top down through email; meetings; reports; training; policies, procedures, manuals, and handbooks; program notices; organizational change management emails; Executive Notices; automation updates; branch specific notices; threat advisory notifications; and systems updates. Information for cross-branch or cross-Department audiences is communicated in various ways including email, meetings, Internal Administrative Notices, EDD Administrator Mail, Information Technology Branch Notifications, and EDD's The Scene newsletter which is the official source for EDD news and developments.

Appropriate Methods of Communication - Depending on the audience and nature of the information, more than one form of communication may be used. Management considers the sender, receiver, content, timeliness, and intent when selecting the most appropriate medium for communicating information.

Communication with External Parties - Management also communicates quality information externally to its stakeholders through various communication channels. The EDD routinely communicates with claimants and employers by telephone and in writing. Written correspondence may include emails, formal responses to claimant inquiries, system generated messages, and pamphlets/inserts in mailings. Quality information is also communicated externally through EDD's website, employer outreach efforts, legislative hearing testimony, news releases, and social media. Other types of external communication include educational and outreach activities, meetings with stakeholders, and notifications.

Separate Reporting Lines - To ensure the delivery of quality information, EDD has created separate reporting lines that allow employees and customers to go around normal upward reporting lines when normal lines are compromised. Some of these separate reporting lines include whistleblower lines, the Equal Employment Opportunity Office, the Human Resources Services Division's Personnel Management Group, communicating to higher levels of management, and fraud reporting hotlines. EDD management informs employees and the public of these separate reporting lines, how they operate, how they are to be used, and how the information will remain confidential.

Communication of Risks to the Internal Control System - Information about risk which relates to or arises from the internal control system is communicated up the chain of command and, at times, to the oversight body. When risks involve significant matters regarding adherence to, changes in, or issues arising from the system of internal controls, the oversight body is informed. Significant matters also include enterprise risks. Enterprise risks typically impact more than one branch, require a response from more than one branch, or significantly impact EDD's core objectives or mission.

Reporting of Inefficiencies and Inappropriate Actions - The EDD supports effective and

efficient operations as well as a strong control environment which ensures proper conduct and accountability. To this end, EDD management has created and maintains work environments which invite and welcome the reporting of inefficiencies and inappropriate actions to management and other decision makers. Some of this occurs within the normal routine of business. Examples of this include:

- management's open-door policies,
- one-on-one and team meetings,
- everyday discussions,
- brainstorming sessions,
- post event debriefs,
- ongoing process improvement efforts, and
- ongoing monitoring and strengthening of controls.

EDD management also provides additional avenues for reporting inefficiencies and inappropriate actions which include:

- whistleblower lines,
- fraud reporting lines,
- the Equal Employment Opportunity Office,
- business process and quality improvement referrals,
- reporting to an individual's direct supervisor,
- the annual review of internal controls,
- trouble tickets,
- incident reports,
- executive team and Director Office tours,
- emailing the Director's Office using Improve@edd.ca.gov,
- suggestion/comment/idea boxes,
- the formal complaint/grievance process, and
- cultural surveys.

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 Employment Development Department monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Nancy Farias, Director; Amy Faulkner, Chief Deputy Director; Clera Yen, Policy, Accountability and Compliance Branch Deputy Director; Tad Allred, Administration Branch Deputy Director; Loree Levy, Public Affairs Branch Deputy Director; Javier Romero, Workforce Services Branch Deputy Director; Grecia Staton, Unemployment Insurance Branch Deputy Director; Pamela Geitner, Tax Branch Deputy Director; Melissa Stone, Disability Insurance Branch Deputy Director; Karin Shine, General Counsel and Deputy Director; Quinn Buniel, Legislative Affairs Deputy Director; and Ron Hughes, EDDNext Modernization and Innovation Branch Deputy Director.

At EDD, management recognizes that what gets monitored gets done, and done right. The importance of monitoring operations and the ever changing and dynamic process which is

internal control cannot be understated. Monitoring allows for the assessment of performance and prompt resolution of conditions which interfere with the full and efficient functionality of systems of internal controls. The following describes how EDD management monitors its operations and systems of internal controls.

Routine Activities to Identify Potential Problems - Routine monitoring activities are one way in which EDD confirms the effectiveness of its internal control systems. These activities help management identify unwanted deviations in the performance of operations and misalignment between the design and function of internal controls. Routine monitoring activities are built into operations, performed continually, and responsive to change.

At EDD, routine activities for identifying problems are performed by staff and management, and occur daily, weekly, and monthly depending on the need. Some of these activities include compliance reviews, system testing, regular management and supervisory activities, meetings, comparisons, reconciliations, award determination volume and timeliness monitoring, checklist reviews, scheduling, timeliness tracking, call volume monitoring, portfolio and dashboard tracking, and observing key performance indicators.

Periodic Detailed Reviews - Periodic detailed reviews are another way in which EDD management confirms the effectiveness of its internal control systems. Management uses periodic detailed reviews to monitor the design and operating effectiveness of the internal control system at a specific time, or a specific function or process. These may also provide feedback on the effectiveness of routine monitoring activities.

At EDD, periodic detailed reviews are performed by EDD staff and management, auditors, and other people who are knowledgeable but not directly involved with the day-to-day operations of the control system under review. Some of these activities include internal and external audits of internal controls, cross operating unit or cross functional evaluations, self-assessments, the annual internal review and updating of internal controls, the periodic evaluation of the effectiveness of routine activities for identifying problems, the review of control design, direct testing of internal controls, and peer reviews.

Internal Control System Monitoring - EDD management retains the responsibility for monitoring the effectiveness of internal control over its processes. They use ongoing monitoring, periodic detailed reviews, or a combination of the two to obtain reasonable assurance of the operating effectiveness of EDD's internal controls over assigned processes. The scope and frequency of periodic detailed reviews depend primarily on the assessment of risks, effectiveness of ongoing monitoring, and rate of change within EDD and its environment.

Establishment of a Baseline - The EDD also monitors its internal control systems by comparing the results of operations to expectations of their performance. This method of monitoring uses the comparison of performance to expectations from one point in time to another. Differences in the two conditions reflect changes in the issues and deficiencies affecting EDD's internal control systems. Such information contributes to EDD management's ability to make more informed decisions and promptly address vulnerabilities.

Using the comparisons, EDD management can determine how to address differences between the intended function of internal controls and how they are working. Management

can reduce the differences in one of two ways. It can either change the design of the internal control system to better address EDD's objectives and risks, or improve the operating effectiveness of the internal control system.

Documentation, Evaluation of Results, and Corrective Actions - Internal control issues and deficiencies reported to management are evaluated and, where necessary, documented. From the results of an evaluation, management determines appropriate and timely corrective actions. Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by communicating the corrective actions to the appropriate level of management, which in turn delegates authority for completing corrective actions to appropriate personnel. Corrective actions include the resolution of compliance and audit findings. With oversight from the oversight body, management throughout the department monitors the status of remediation efforts to ensure they are completed timely and internal controls are functioning as intended, or the vulnerabilities have been reduced to an acceptable level. Management monitors progress to reduce identified vulnerabilities through ongoing meetings, tracking time-bound periods for implementing corrections, reports, status updates, and challenges with the efforts. It also monitors immediate efforts to be undertaken, short and long-term milestones, and follow-ups with EDD staff, management, and external entities.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Employment Development Department 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, and consideration of potential fraud.

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: Fraud/Program Integrity

The EDD is at risk of jeopardizing the effective and efficient operation of its systems if fraud is not mitigated to a manageable level. As a provider of multiple significant programs which include payroll tax collections and unemployment and disability insurance benefit distributions, in addition to being the steward of large amounts of sensitive and protected information, the EDD is frequently the subject of attempted fraud. To continue to fight and prevent fraud, all EDD programs are proactively monitoring fraud prevention methods to ensure they are working as intended and tracking any abnormal or suspicious activity. This entry reflects two current fraud schemes.

Fraud Risk 1: Inadequate Safeguards in Paper-Based Process for Medical Provider Certifications -

There is a risk that, without implementing further controls to the DI program's paper-based claims process, unscrupulous actors will continue to submit fraudulent claims under the cover of certifications submitted by legitimate licensed medical practitioners.

The DI claims process consists of licensed medical practitioners submitting certifications via a paper-based or electronic process. While controls exist to reduce the possibility of fraudulent claims being approved via the paper-based claims process, the inherent nature of this process produces greater risks than the electronic one. Enhancing existing controls and/or adding new controls or processes is necessary to mitigate fraudulent activity within the paper-based claims process.

Fraud Risk 2: Employment Tax Fraud -

Employment tax fraud commonly consists of fictitious employer registrations, which are increasing, and efforts to prevent, detect, and respond to it are becoming more challenging. Fraudsters are becoming more sophisticated and using advanced technologies to attempt to penetrate previously sufficiently safeguarded processes.

The Tax Branch (TB) actively investigates potential employment tax fraud that may include actions to avoid tax liabilities or establish a fictitious employer account to enable fraudulent benefit claims. However, when fraudulent information penetrates the Single Client Database, employment tax fraud also impacts other programs such as the UI and SDI programs due to its dependency on this same information. For example, fictitious employers pose costs to law abiding employers and risk the solvency of the UI Trust Fund. Communication with state and federal partners and internal investigative activities are critical to identifying and stopping these schemes quickly.

Control: Fraud Risk 1: Thomson Reuters (TR) Alerts

The TR alerts identify discrepancies such as claims that have been submitted on paper but with licensed medical practitioners who have electronically been verified and would otherwise submit claims electronically. This detective control helps EDD identify patterns and anomalies of claim submissions which can be used to investigate potential cases of fraud and ensure accuracy of claims.

Control: Fraud Risk 1: Related Control: ID.ME

The ID.ME provides secure digital identity verification to government agencies and healthcare providers to confirm the identification of people requesting access to services online. Specifically, the implementation of ID.ME for licensed medical practitioners improves validation of identity for SDI Online medical provider profiles.

Control: Fraud Risk 1: Related Control: Validating Licensed Medical Providers through Department of Consumer Affairs

Claims examiners can use information from the Department of Consumer Affairs (DCA) to validate license and contact information specific to licensed medical practitioners, and use DCA provided contact information to validate patient relationships and claim

certifications. This control helps validate legitimate licensed medical practitioners.

Control: Fraud Risk 1: Related Control: E-Certification for Licensed Medical Practitioners

The EDD is pursuing a regulation to require e-certification for most licensed medical practitioners to reduce the potential for fraudulent claims and increase processing efficiency. E-certification is the process of medical providers submitting the medical portion of SDI claims through the SDI Online secured portal. The regulation will allow providers to file an exemption from e-certification. This plan eliminates the need to manually verify certifications. In addition, the EDDNext Project is developing an identity verification solution that will collect and analyze data from various sources such as system logs, customer profiles, and behavior patterns, to identify potential fraud cases. This also includes development and implementation of automated systems and algorithms to monitor for fraudulent activity in real-time.

Control: Fraud Risk 2: Related Control: Manual Registration Review

This control uses Accounting and Compliance Enterprise System (ACES) rules to protect and mitigate fraud, and ensure data integrity.

Control: Fraud Risk 2: Related Control: Fraud Training

This control provides robust training to TB staff for combating fraud schemes.

Control: Fraud Risk 2: Related Control: Fictious Employer Indicator Report

The control reflects ACES reports which identify accounts needing review due to potential suspicious activity.

Control: Fraud Risk 2: Related Control: Identification and Verification

This control analyzes suspicious payments and returns submitted to identify fictitious employers.

Control: Fraud Risk 2: Related Control: Audits/Investigations

This control consists of conducting field audits and investigations, and issuing assessments as appropriate to bring employers into compliance.

Control: Fraud Risk 2: Related Control: Registrations

This control reflects procedures for reporting fraudulent employer registrations.

Control: Fraud Risk 2: Related Control: ACES Business Rules

This control consists of editing rules embedded within ACES for automated and manual processes.

Control: Fraud Risk 2: Related Control: Stakeholders Collaboration

This control consists of a collaboration between TB and internal and external partners (e.g., other State agencies, vendors) to share best practices and improve readiness for fighting fraud.

Control: Fraud Risk 2: Related Control: TB Compliance Development Operations

The Tax Branch Compliance Development Operations (CDO) conducts enforcement efforts consisting of a strategic blend of education, partnerships, and investigative activities. The CDO staff make presentations to employer groups, trade associations, labor organizations, government agencies, and others to discuss the impact the underground economy has on tax revenues, law abiding businesses, and employees. To maximize resources and increase overall program efficiency, CDO has developed partnerships with various federal, State, and local agencies, as well as trade and labor organizations to work collaboratively to identify underground economy activity and to take appropriate enforcement action.

Control: Fraud Risk 2: Related Control: Statewide Task Force

The Statewide Task Force is an effort facilitated by California Governor's Office of Emergency Services with other state agencies including EDD, district attorneys, and the U.S. Attorney's Office. The Statewide Task Force works closely with EDD to employ new tools and bolster existing programs to strengthen its fraud detection methods.

Control: Fraud Risk 2: Related Control: Ask EDD

Ask EDD is a feature on EDD's public website that answers questions and provides a mechanism for reporting fraud. Some of the types of fraud that can be reported are unemployment fraud, disability fraud, payroll tax fraud, personal fraud, and general fraud. Other ways to report fraud are by fax, mail, or phone (Fraud Hotline).

Control: Fraud Risk 2: Related Control: Reports

This control consists of leveraging system ad hoc reports.

Risk: Personnel (Recruitment/Retention)

As one of California's largest state departments with approximately 8,000 employees providing services at over 150 locations throughout the entire state, the EDD, like many other state agencies, is facing growing challenges in recruitment and retention of a highly qualified workforce that possesses the proper skills and abilities to meet the Department's goals and objectives.

There are many factors that contribute to the EDD's current recruitment and retention challenges. Among them are the following:

- Approximately 40% of the current workforce is either of retirement age or within five years retirement age.

- Cumbersome state hiring process and practices.
- The negative image and employer branding the EDD faced due to fraud concerns and the benefit payment delays experienced during the COVID-19 pandemic.
- Intense competition for highly skilled workers from the private sector, other state and federal agencies, and non-profit organizations.

The difficulty in recruiting and retaining qualified staff impacts EDD's ability to meet its goals and service levels, creates inefficiencies and strains resources, and results in a loss of institutional knowledge.

This risk impacts EDD both broadly and specifically. Controls identified for this risk will reflect both enterprise and specific branch-level efforts, as identified.

Control: Recruitment: Industry Analysis

The EDD will continue its efforts to research trends in the recruiting industry and adopt best practices. The purpose of this control is to ensure EDD keeps up with the latest trends and practices such that it remains competitive in meeting the constant change in digital platforms and where people are looking and applying for jobs. This control will help EDD broaden its reach to a greater pool of potential candidates and enhances its outreach efforts beyond those offered through CalCareers.

Control: Recruitment: Updating Materials

The HRSD will create and update annually and on an as-needed basis departmental recruitment flyers and documents, such as the DE 8619A Career Ladders and DE 8078 recruitment flyer series, to reflect updated salary ranges, changes in the classification(s), and internal career pathways. This control will assist with external recruitments by distributing regularly updated information via flyers that highlight the advantages of working for EDD and its competitiveness with the private sector. It will also assist with internal recruitments by highlighting career ladders which show internal pathways for personal and professional growth without leaving the Department.

Control: Recruitment: Branch Representative Participation in Statewide Recruitment Events and Strategy Meetings

Branch representatives will participate in quarterly recruitment round table meetings to discuss strategy and identify statewide recruitment events for EDD to participate in. Seek to create uniformity in applying high-yield efforts, high quality of messaging, and centralized recruitment efforts to enhance quality and effectiveness of attracting potential candidates.

Control: Recruitment: Enhance Digital Recruitment Efforts

The EDD will send weekly job announcement e-mails to job seekers who have expressed interest in receiving career opportunity updates. Job seekers and applicants who reach out on social media platforms will be provided information on how to apply for state jobs, take exams, and the state hiring process. This control will enhance EDD's ability to create

supportive relationships with and overcome common barriers for job seekers and applicants who are often unfamiliar with the state's employment processes.

Control: Recruitment: EDD Recruitment Survey

The EDD will utilize the results of the recruitment survey included on departmental job advertisements to focus recruitment efforts on areas that will make the most impact.

Control: Recruitment and Retention: Telework and Schedule Flexibility

The EDD will continue to assess business needs and appropriately apply telework and hybrid telework options (pursuant to the EDD Telework Policy) and flexible work schedules, such as compressed work week and alternate work schedules, while accounting for business needs. This control will help EDD recruit and retain employees longer by creating a competitive edge with regard to the flexibility EDD offers in meeting their employment needs and wishes, and sustain a greater diversity of employees and skillsets by offering these benefits via telework options across the greater geographic area of California. Such aggregated value enhances the quality of work products and services at EDD, increases employee performance due to greater job satisfaction, and, as a result, increase employee retention and recruitment.

Control: Retention: Grow within EDD Career Center Services

The HRSD will continue to provide career center services to staff to promote upward mobility and career development. Services include interview help, career planning, reviewing job applications, resumes, statement of qualifications, and cover letters. Quarterly trainings on How to Successfully Apply for a State Job, Statement of Qualifications and Interviewing will be available to all staff. This control will help retain employees to grow within their career pathways at EDD by providing support and guidance on key elements of career development. These supportive services seek to enhance employees' opportunities for growth internally at EDD and, therefore not seek employment elsewhere.

Control: Retention: Exit Surveys

The EDD will analyze exit survey data to identify areas that can be improved to benefit the retention of staff.

Control: UI Leadership Academy

The UI Leadership Academy (UILA) is a collaborative and sustainable leadership program that coordinates and promotes the development and continuous learning of all UI Branch (UIB) leaders. This will reduce the risk by providing professional development training and mentorship to UIB employees, ensuring that they develop the skills necessary to provide adequate UI services.

Control: UI Leadership Exchange

The UI Leadership Exchange meeting provides employees with mentorship and professional development training in alignment with workforce goals to ensure leadership development and strengthen leadership skills. This will reduce the risk by allowing staff to acquire additional job skills to help build a more efficient workforce for the future and build branch-wide institutional knowledge to fill vacant positions.

Control: UIB Training Section/Training for Trainers

The UIB Training Section coordinates with all UI divisions on capacity building and cross-training of staff to ensure that trainers are adequately trained and proficient in UI material and that staff are cross-trained in all UI functions. This will reduce the risk by enabling better service to UI customers and preparing staff to take on a variety of different tasks, allowing for promotional opportunities.

Control: UIB Staff Feedback Reports

Staff feedback reports, workload production reviews, and the Field Office Basic Evaluation System process ensure that quality standards are met by UIB staff. This will reduce the risk by serving as a quality control and ensuring that workload is adequately managed by staff.

Control: Information Technology Branch (ITB) Vendor Consultant

The ITB will obtain services from a vendor consultant to assist with recruitment campaigns targeting difficult to fill positions and assist with other recruitment activities. Examples of efforts include helping with duty statements, creating marketing tools such as recruitment flyers which describe the positions sought, and advertisements targeting venues which are likely to produce greater potential candidate responses.

Control: ITB Professional Development and Training

The ITB will prepare an annual training plan for all employees that includes enrollment in job required/job related training courses. This control seeks to ensure employees receive and develop necessary and related job knowledge, skills, and abilities to perform their job duties.

Control: ITB Effective Onboarding

The ITB will conduct new employee orientations, personalized welcomes to section/ groups/units, set clear job expectations, and provide training, timely feedback, and support. This control seeks to set the tone, culture, and control environment from the time a person begins employment at EDD, as well as integrate new employees into the organization.

Control: ITB Work-Life Balance

The ITB will encourage staff to use time management techniques, work efficiently, take regular breaks, use vacation time and unplug, and prioritize self-care. This control seeks to create an appealing work setting that supports maximum employee satisfaction as such results assist employee retention and increase work quality and production.

Control: ITB Performance Feedback and Reviews

The ITB will conduct timely probationary and performance appraisal summary reports emphasizing positive work attributes and performance areas requiring improvement. This control seeks to provide an effective communication tool that enhances employees' ability to perform at their maximum potential and increase their possibilities for internal promotion. Supporting employees' professional development helps contribute toward individual development and organizational objectives and goals.

Control: DIB Recruitment Efforts: Filling Challenging Vacancies

For positions in geographical areas that have historically been more challenging to fill, DI Branch (DIB) has listed these postings statewide. Statewide postings offer a more expansive searchability for potential candidates who are willing to re-locate and/or work remotely.

Control: DIB Recruitment Efforts: Hiring Manager Resources

All DIB hiring managers are provided resources including assigned trainings, policies and procedures, guides, and branch specific tools to assist them with the hiring process. These are created to ensure the process is efficient, equitable, and consistent.

One of these resources is the Hiring Services Unit (HSU). The HSU was created to assist all DIB hiring managers with the hiring process. The HSU assists with creating new resources such as the DIB Hiring Guide, acts as a liaison with HRSD, and offers training and support.

Managers have access and are encouraged to use resources found on the EDD Management portal. The portal provides updated tools such as the EDD Hiring Guide, the DIB Hiring Tracker, and various templates. In addition, managers have required training and the DIB has assigned HSU analysts to their Attendance Reporting Units in order to offer one-on-one support and provide guidance as needed.

Vacancy meetings with each office in DIB are held monthly to discuss strategies around recruiting efforts. The top identified obstacles for the DIB in these discussions include the lack of trainer and/or space availability, limited applications received in high cost of living areas, and a limited amount of telework opportunities. All of these factors contribute to the risk of being unable to provide proper customer service to our customers.

The DIB's HSU management and analyst teams will work together to strategize and coordinate hiring and DIB specific training efforts for the entire branch. This includes group trainings for multiple offices, virtual trainings, and partnering between offices to coordinate the processing of hiring packages and use resources more efficiently.

Control: DIB Recruitment Efforts: Reclassifying Positions

The DIB partnered with HRSD on a reclassification effort. The HRSD reviewed all DIB positions to ensure they were classified appropriately. The DIB is currently working with HRSD on reclassifying some of the identified positions to better align with their workload. The results of the reclassification effort should improve the backfilling process in the future for these hard to fill positions.

Control: TB Compliance with Hiring Guidelines

The TB will comply with the California Department of Human Resources' hiring guidelines.

Control: TB Collaboration with EDD's Recruitment Team

The TB will work with EDD's recruitment team to maintain a presence at recruitment events and compose relevant job advertisements.

Control: Tax Branch Management Institute (TBMI) Program

The Tax Branch Executive Team will build and foster a foundation of a skilled workforce through leadership competencies and projects initiated in the TBMI Program.

Control: TB Staff Mentoring Program

This program will promote staff development to increase TB's capacity within the organization. This control aligns with TB's strategic goal for building a highly skilled and responsive workforce.

Control: TB Knowledge Management Program

The TB Knowledge Management Program will collect and communicate essential knowledge through a formal knowledge management process. The program will identify possible knowledge gaps and promote the transfer of knowledge to assist the TB with workforce changes such as staff turnover and retirements.

Control: TB Competency Development Resource Program

The Tax Branch Competency Development Resource Program, modeled after California Department of Human Resources' Staff Competency Model, will build a highly skilled and responsive workforce with clear roles and responsibilities.

Control: TB Onboarding Project Team

The TB Onboarding Project Team will implement new practices for establishing strong foundational tax and soft skill knowledge for all new TB staff and managers. It will enhance recruitment efforts and develop a branch-wide career development resource center in alignment with TB's strategic goal for building a highly skilled and responsive workforce.

Control: TB Cultural Environment Survey

The TB Cultural Environment Survey will provide an opportunity for management to receive feedback from TB employees. The survey results and comments are designed to indicate how staff feel about their cultural environment at work and identify areas of strengths and areas that may need improvement. Comments submitted through the survey may be used to increase communication, encourage team building, and identify training needs or potential changes to procedures.

Control: TB Maximizing Two-Way Communication Program

The TB Maximizing Two-Way Communication Program will provide staff and managers with best practices needed to ensure effective communication through the use of one-on-one meetings, group meetings, and other best practices. It will include tools and resources to facilitate effective communication within the branch.

Control: TB Readiness Program for Managers

The TB Readiness Program for Managers will provide growth and development to TB leaders by helping them rapidly acquire critical knowledge and skills not easily attainable in their current positions. It will allow leaders to self-assess their knowledge and experience in various categories such as organizational knowledge, program knowledge, communication, and project management. Assessment results will assist in identifying opportunities for additional growth or development with the overall goal of helping TB build the bench for the future.

Risk: Aging UI System

The UIB's aging legacy technological system was not originally intended to perform the breadth and complexity of functions it currently performs. Its design and function did not incorporate the knowledge and technologies of today that provide for enhanced function, security, and maintenance. As a result, the UI's aging legacy system is difficult to maintain and enhance. Given the current condition of UI's aging legacy system, there is a major risk that the UIB will experience a disruption in service due to an insufficient ability to prepare for or respond effectively and efficiently to impacts to the legacy system. Such a disruption would impact the UIB's ability to provide responsible customer service and perform its critical functions to ensure eligible claimants get paid timely.

Control: ITB Work Intake

The ITB monitors the UIB system's performance and immediately addresses issues that have been reported and submitted. This will reduce the risk by immediately addressing and reducing performance errors and issues.

Control: UI Online System Issues

The UI Command Center reviews UI Online System Issue Reports and the Web Correspondence Queue categories. This will reduce the risk by identifying system issues

and then communicating them enterprise-wide through system issue alerts, as well as monitoring for trends in activity and queues related to system issues.

Control: Statistics & Program Performance Reviews (Verizon Reports, Data Validation, DOL/ETA Reports)

Daily reports by Verizon are used to monitor system status and troubleshoot performance issues by reviewing analytics on the incoming and outgoing call volume. Additionally, the Data Validation program verifies the accuracy of the federally mandated UI reports that are provided to DOL/ETA on a monthly and quarterly basis by sampling and validating UI mainframe data. This will reduce the risk by identifying and addressing any system issues and ensuring the mainframe system is producing accurate data.

Control: Data Collection & Business Intelligence (BI) Tools

These tools serve to collect and monitor data that is captured by the Single Client Database. This will reduce the risk by aiding in generating scheduled and ad hoc reporting and is critical when/if Verizon reporting is down. Additionally, BI Tools are utilized to validate the DOL/ETA reporting when the system is down.

Control: Automation Technology & Customer Self-Service Tools

The automation technology and customer self-service tools proactively engage claimants to help deflect calls in which the customer can assist himself/herself thereby relieving caller volume stress on the call center network platform. For example, claimants can upload identity verification documents to their UI Online accounts and receive short message services messages to remain informed throughout the stages of their claim. This will reduce the risk by enhancing system functionality and alleviating the workload for UI staff, enhancing the call center platform, customer services, and UI staff productivity.

Control: Virtual Call Center Platform

Through the continuous monitoring of calls, call volumes, and call data reports, the modernization of the call center platform allows staff to answer calls and communicate with claimants while teleworking. This will reduce the risk by enhancing claim filing processes, UIB staff productivity, and customer services provided to claimants.

Control: UI Command Center

The UI Command Center Division provides oversight over the UI program's call centers and maintains the technologies necessary to modernize workload management tools. This will reduce the risk by continuously monitoring the UI program and call center in order to allow for technological enhancements and the modernization of technologies that will help to improve the customer experience.

Control: Disaster Recovery

Yearly, the EDD zSystems administration conducts comprehensive tests to exercise the

recovery and restoration of the production mainframe hardware and software systems. Everything on the mainframe platform from the applications, system tools, network applications, and data is recovered and thoroughly tested to be ready for use by the EDD UIB, DIB, and TB.

Control: zSystems Apprenticeship Program

The ITB offers and recruits program area staff on training and development (T&D) assignments to educate and train qualified individuals in mainframe/Common Business-Oriented Language (COBOL) through the zSystems (Mainframe) Apprenticeship Program. This ensures there are adequate resources to support the existing systems. Since 2018, there have been three such cohorts with almost 30 staff hired (after rigorous screening) from approximately 500 candidates. It does take two to three years to hire, train, and deploy T&D candidates and, based on EDDNext projections, another cohort for T&D could be kicked off in (or after) 2025.

Control: Hardware & Software Upgrades

The ITB's mainframe hardware and software systems are hosted by the California Department of Technology (CDT) and constantly upgraded to keep them up to date. The EDD is currently using the very latest hardware and software versions available. The mainframe at CDT has the latest International Business Machines Corporation (IBM) z16 chipsets, the latest memory and network modules, all in use by the EDD. The current footprint for the IBM zSystems mainframe is compact, powerful, and modern. The EDD Db2 administrators are currently testing the latest release of Db2. The Customer Information Control System is currently in the upgrade cycle for v6. The operating system is current and waiting for the latest v3.1 to release to general acceptance by IBM. This ensures that the claims and benefit processing payments run uninterrupted and at top speeds.

Control: EDDNext Modernization

The EDDNext project will modernize the UI, DI, and PFL benefits systems to include customer-centric processes, leverage new technologies, and create a modular approach to focus on customer experience, all while enhancing fraud detection. This will reduce the risk by updating the Department's data management systems, coding language, and other components of information management, thereby allowing for system enhancements and modernization, and improving claimant services.

Risk: Disaster Recovery of Systems

The EDD is at risk of being unable to timely recover its critical systems and services. The EDD's business operations could be seriously impacted in the event of an outage caused by a natural disaster, disruptive events, or major technology disruption including but not limited to a cyber-attack, power availability, loss of facility, loss of access to the facility, and equipment failure.

The root cause of this risk is the absence of a technology recovery environment that is

available, tested, and compliant for continuity of operations. The absence of a technology recovery (TR) environment which allows EDD to validate readiness and untested recovery processes could undermine the Department's entire technology recovery efforts. During a significant business-impacting event, EDD systems may be unavailable longer than the acceptable recovery time objective. Claimants, employers, job seekers, and EDD staff may be unable to access internal and/or external information technology systems. Such inabilities to access systems could limit EDD's ability to deliver mission critical services such as paying claimants' UI, DI, or PFL benefits timely, delay the collection of payroll taxes and processing of employer tax documents and remittances, and delay the provision of a wide range of employment and training services.

Control: Incorporate TR as part of EDDNext

The EDD does not have full TR for all its core UI, DI, and Tax systems. However, some of the sub-systems used for claims processing have TR in place, such as Salesforce and Mainframe. The EDD is modernizing its legacy systems as part of EDDNext and creating TR for core systems is one of the project objectives.

Control: Implement the TR Environment

The EDD ITB will:

- form a TR team responsible for implementing and maintaining the TR environment.
- plan and procure the TR solution(s).
- configure and implement the TR solution(s).
- designate roles and train EDD ITB staff responsible for maintaining and executing the TR environment.

CONCLUSION

The Employment Development 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.

Nancy Farias, Director

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency