

## **AGENDA ITEM 21h**

**Data or information requested at prior meeting.  
(No Board action can be taken.)**

# Department of Consumer Affairs - California Board of Occupational Therapy

## EXECUTIVE SUMMARY

The review of the California Board of Occupational Therapy (CBOT) disclosed that while applicable and appropriate Department of Consumer Affairs (DCA) policies and procedures exist, they are not clear and do not provide guidance to ensure that assets follow an appropriate asset life cycle. Specifically, the DCA Business Services Office (BSO) should provide clear policy and procedures along with corresponding training for the DCA asset management business processes. For purposes of this audit an asset life cycle is the series of stages involved in the management of an asset. It starts with the planning stages when the need for an asset is identified and continues all the way through its useful life and eventual disposal. This audit disclosed that the CBOT needs to conduct a physical inventory and track all assets as mandated.

## BACKGROUND

Occupational Therapists (OTs) and Occupational Therapy Assistants (OTAs) provide important health, rehabilitation, and habilitation services to people of all ages, who, because of illness, injury, or developmental or psychological impairment, need specialized interventions to regain, develop, or build the skills necessary for independent functioning.

Established in 1917, the occupational therapy profession is one of the oldest allied health professions in the United States. SB 1046 created the California Board of Occupational Therapy, effective January 1, 2001, and required license effective January 1, 2003. The Board is responsible for the licensure and regulation of OTs and OTAs in California. California passed a title control/trademark law for occupational therapy in 1977 Business and Professions Code (BPC), Section 2570, Ch. 836), prohibiting individuals from using the professional titles recognized for Occupational Therapist (OT, OTR) and Occupational Therapy Assistants (OTA, COTA) without appropriate training and education. The law was updated in 1993 (BPC, Ch. 361) to further clarify the minimum education and examination requirements for practicing occupational therapists and occupational therapy assistants. The law had no registration process with the state or enforcement structure, nor did it prevent unqualified individuals from practicing occupational therapy as long as they did not refer to themselves as an occupational therapist or occupational therapy assistant.

OTs and OTAs focus on an individual's ability to effectively engage in performance areas that are purposeful and meaningful, such as activities of daily living (ADLs), and instrumental ADLs, including, among other things, work, education, play, leisure, wellness, spirituality, social participation, and other productive activities.

## SCOPE

The Internal Audit Office (IAO) will be conducting an audit to determine how each work area tracks and controls assets for the Department of Consumer Affairs (DCA) to ensure that capital

and non-capital assets including IT equipment are properly accounted for and protected.

The audit period is January 1, 2021, to December 31, 2021. The testing period may include time frames outside of the audit period because assets may have been acquired or disposed of in a different time period.

The following are out of scope for this audit:

- Physical inventory count for DCA assets.
- Reconciliation of physical assets to the DCA financial statements.
- Identification of Missing/Lost/Stolen Assets is limited to a statistical sample of assets for asset business process identification.
- Audit of fleet management.
- Supply Inventory Management- all functions that track the purchasing of office supplies, the supply warehousing, utilization, and restocking of office supply inventory.
- Physical security of the assets per SAM 5365.2 which requires the following: *Each state protection controls to safeguard information assets against unauthorized access, use, disclosure, disruption, modification, or destruction.*

Further, this audit did not assess or evaluate the efficiency of the assets purchased, the vendors selected and/or the appropriateness of the purchase with respect to service or quality of the products use/maintenance.

Another scope limitation is that only 10 targeted assets were validated which does not provide a statistically valid representation of the population of assets owned by CBOT. This lack of a statistically valid sample prevents extrapolating the conclusions contained in this report as a representation of systemic issues but does provide an opportunity to document the assets existence as reported by the BSO for the CBOT.

## **METHODOLOGY**

In the planning phase, IAO developed the audit objectives and presented the review objectives to the Internal Audit Committee (IAC) for approval prior to the review. This approval was granted January 3, 2021.

The review consisted of preplanning along with on-site (field) visit(s) to CBOT. Documentation reviewed/gathered included duty statements, manuals, forms, policies and procedures, administrative directives, and other tools used for asset management. In addition, IAO evaluated the organization charts, laws, regulations, and internal memorandums; and interviewed staff and management from CBOT.

## **APPLICABLE RULES, REGULATIONS & GUIDELINES**

Per DCA policy directive BSO 15-01:

It is the policy of the Department of Consumer Affairs (“DCA” and “Department”) that the acquisition, maintenance, disposal, and tracking of DCA’s tangible and intangible property and assets follow State mandated procedures.

In addition, assets are defined and controlled by the Governmental Accounting Standards (GASB 34, DCA Policy Directive BSO 15-01 and State Administrative Manual 8600 Et al.). This includes tracking of capital assets (>\$5K), non-capital assets (<\$5K sensitive), capitalized IT assets (>\$5K), non-capitalized IT assets (<\$5K) from purchase to disposition of assets.

## CONCLUSIONS AND SUGGESTED IMPROVEMENTS

The intention of this audit was not to identify issues for other DCA business structures however, because the asset management process includes interaction with other business unit's recommendations have been identified for the DCA BSO, Office of Information System (OIS), and Fiscal Operations (FI\$Cal System business owner). The following findings and recommendations were identified for CBOT and other DCA business units.

Finding	Recommendation	DCA BSO	DCA OIS	DCA Fiscal Operations (FI\$Cal)	CBOT
BSO to update DCA Asset Management Policies (BSO 15-01)	DCA BSO should define the role/duties for the DCA Program Liaison(s)  DCA BSO should define costs to be included in the cost basis of a capital asset and internally generated software asset(s).	X			
The CBOT does not have an assigned Program Liaison.	Clearly identify the assigned Program Liaison.				X
Program Liaison has not received formal training and was not properly trained for asset management duties.	DCA BSO should develop, implement, and deploy an Asset Management Process training for designated Program Liaison(s).	X			X
CBOT employee duty statements do not disclose any time allocation for Asset Management duties.	CBOT should provide clear work expectations for staff assigned as the Program Liaison.	X			X
CBOT does not perform a full inventory of assets. Additionally, CBOT does not reconcile using BSO's list of assets when performing their	Conduct a physical inventory and reconciliation of assets using the BSO report at least once every 3 years and/or on an annual rotating basis.	X			X

inventory of assets.					
Property Assets do not identify location and/or ownership of the assets for each DCA entity, specifically Fund 702 in Report 19 FI\$Cal database.	A single unified tracking database should be used to track assets department-wide. This process should include the life cycle of an asset from the acquisition to its eventual disposition.	X		X	
Assets are not always tagged with property tags.	CBOT should identify all assets that are missing asset tags and proceed with properly tagging the assets	X			X
CBOT's telework agreements does not list the asset tag number for all assets.	Document the asset tags for all equipment assigned on the telework agreement.				X
CBOT's records retention schedule is expired. Additionally, it does not include asset management documents (e.g., disposition of assets).	Update the records retention schedule to include procurement/asset management documents.	X			X
The audit disclosed the following for the audit period tested: <ul style="list-style-type: none"> <li>• One non-capital asset (Fochier Luggage) could not be validated because the luggage was not tagged with the asset tag listed.</li> <li>• One laptop could not be found and is believed to have been surveyed; however, CBOT was unable to provide a survey package.</li> <li>• The survey package for the asset tested was not provided. The current disposition of the asset is unknown.</li> </ul>	A single unified tracking database should be used to track assets department-wide. This process should include the life cycle of an asset from the acquisition to its eventual disposition.	X		X	X

The audit disclosed that the CBOT does have the following:

- Follows survey and property acquisition processes by obtaining approvals from the DCA BSO for assets acquired/disposed.
- A process for onboarding and offboarding employees.

## **Agenda Item 21i**

**Other informational items.  
(No Board action can be taken.)**

# State Affairs Newsletter



**Fall 2022**

## **Occupational Therapy Licensure Compact Commission Holds First Meeting**

The Occupational Therapy Licensure Compact Commission held its inaugural meeting on August 3 and 4. Delegates from 20 member states attended (a list of the commissioners is available [here](#)). Approximately 30 additional attendees, including regulatory board members; ex-officio delegates and staff from the American Occupational Therapy Association (AOTA) and the National Board for Certification in Occupational Therapy (NBCOT); staff from The Council of State Governments (CSG); and members of the public were also present. With expertise and guidance provided by CSG and the compact's interim legal counsel, the inaugural meeting served as a major milestone for the compact, bringing the compact one step closer to operationalization.

Special thanks to Wayne Winistorfer, MPA, OTR, FAOTA, a member of the task force which led the development of the compact, for serving as the interim chair. Under his facilitation, the Commission voted on bylaws for the compact and rulemaking protocols.

The Commission received several informational reports essential to their preparation for future meetings, including funding letters from AOTA and NBCOT and a report on the progress of the compact across state legislatures.

The Commission also elected the seven members of the executive committee:

- Chair: Lesly James, South Carolina
- Vice Chair: Teri Black, Wisconsin
- Treasurer: Danielle Ward, North Carolina
- Secretary: Renee Causey-Upton, Kentucky
- Members-at-Large: Missy Anthony, Ohio; Vanessa Beauchamp, Missouri; Daniel Martin, Maryland

Chuck Willmarth, CAE, Vice President of State Affairs and Health Policy for AOTA, and Shaun Conway, OTR, Vice President, External and Regulatory Affairs for the National Board for Certification in Occupational Therapy (NBCOT), are ex-officio, nonvoting members of the Commission representing their respective organizations. Commission members also agreed to serve on [various committees](#) that will perform specific functions of the Commission's work.

Over the next few months, the Commission's executive, finance and rules committees, will begin meeting monthly to work on the details of implementing the compact. Once the compact is



fully operational, information about applying for compact privileges will be available at <https://otcompact.org/>. Questions about the compact can be directed to AOTA State Affairs Staff at [stpd@aota.org](mailto:stpd@aota.org).

### **Occupational Therapy Licensure Compact at NCSL Legislative Summit**

AOTA and NBCOT [promoted](#) the Occupational Therapy Licensure Compact at the National Conference of State Legislatures (NCSL) annual Legislative Summit in Denver, Colorado. NCSL is a membership organization of state legislators from across the country. Representatives from the Occupational Therapy Association of Colorado joined AOTA and NBCOT staff to meet with legislators at the OT compact booth in the summit's exhibit hall to educate them about occupational therapy and the licensure compact, as well as to recruit potential sponsors for future compact legislation.

### **Model Occupational Therapy Practice to be Updated**

Last updated in 2007, the [Model Occupational Therapy Practice](#) is being reviewed for updates, with the hopes of a final version approved by the end of the year. The Model Practice Act has been developed by the AOTA State Affairs Group in collaboration with the AOTA Commission on Practice for use by state occupational therapy associations and state licensing agencies that are interested in developing or revising their state practice act. Its intended use is to regulate practice, protect the public, provide qualifications for board members, and ensure the profession is being held to high standards of quality. The draft of this document is currently in the stakeholder review process. State occupational therapy association leaders and regulatory boards were asked to [submit their feedback](#) on the draft by September 1; however, if you have not reviewed this document and still wish to or if you have questions about this process, email us at [stpd@aota.org](mailto:stpd@aota.org).

### **Save the Date: AOTA INSPIRE 2023**

AOTA INSPIRE 2023 will be held in Kansas City, Missouri from April 20-23, 2023. Stay tuned to this newsletter and to the [AOTA website](#) for updates.

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Manager, State Affairs

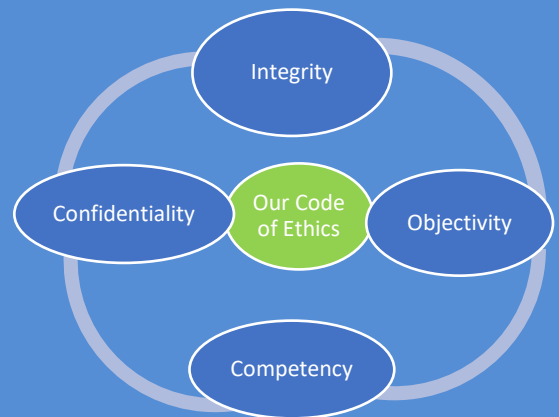
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##### **General Inquiries**

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2022

**ASSET MANAGEMENT PROCESS AUDIT  
2022-01**



**INTERNAL AUDIT OFFICE**

7/21/2022

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July 21, 2022

Chairperson, Internal Audit Committee  
All Internal Audit Committee Members  
Department of Consumer Affairs  
Sacramento, California 95834

Dear Internal Audit Committee Chairperson and Members:

Pursuant to the Internal Audit Committee Charter, the Internal Audit Office (IAO) presents the Asset Management Process (AMP) audit report for the Department of Consumer Affairs (DCA). This audit was authorized and commenced on January 3, 2022, and completed on July 1, 2022.

The audit was conducted in accordance with guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (*Standards*). The *Standards* sets criteria for internal audit departments in the areas of independence, professional proficiency, scope, performance of audit work, and management of the internal auditing department. The Internal Audit Charter requires that the IAO adheres to the *Standards*.

The AMP report found several weaknesses within the assets management process. Specifically, IAO found that DCA has:

- ❖ Inadequate Asset Tracking Processes
- ❖ Inadequate Policies and Procedures
- ❖ Ineffective Removal of Assets (Survey Process)
- ❖ Lack of Physical Inventory Process
- ❖ Lack of Sufficient Training and Guidance
- ❖ Record Retention Schedules are Not Periodically Reviewed or Updated
- ❖ Lack of Employee Onboarding and Offboarding Process

Overall, IAO found that processes and controls over assets management do not provide reasonable assurance that operations are performed effectively and efficiently and in compliance with applicable laws, policies, procedures, rules, and regulations. Implementation of the recommendations in this report will strengthen internal controls over property administration, ensure the safeguarding of assets, increase effectiveness and efficiency of assets management operations, and provide reasonable assurance that DCA is operating in compliance with applicable laws, policies, procedures, rules, and regulations.

IAO appreciates the assistance and cooperation of DCA staff in providing documentation and information to complete this review timely. For questions or concerns, you may email me at [dadang.prihadi@dca.ca.gov](mailto:dadang.prihadi@dca.ca.gov) or call me at (916) 574-8122.

Respectfully submitted,

Dadang Prihadi, Chief  
Internal Audit Office

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**ASSET MANAGEMENT PROCESS AUDIT**  
**January 3, 2022 through July 1, 2022**

**Prepared by: Internal Audit Office  
Department of Consumer Affairs  
IAO Audit Chief: Dadang Prihadi**

**AUDITOR IN CHARGE**

<b>Board for Professional Engineers, Land Surveyors, and Geologists</b>	<b>Dadang Prihadi</b>
<b>State Board of Optometry</b>	<b>Dadang Prihadi</b>
<b>Veterinary Medical Board</b>	<b>Dadang Prihadi</b>
<b>Physician Assistant Board</b>	<b>Dadang Prihadi</b>
<b>California Architects Board</b>	<b>Dadang Prihadi</b>
<b>Structural Pest Control Board</b>	<b>Dadang Prihadi</b>
<b>Bureau of Household Goods and Services</b>	<b>Dadang Prihadi</b>
<b>Bureau of Real Estate Appraisers</b>	<b>Dadang Prihadi</b>
<b>Cemetery and Funeral Bureau</b>	<b>Cindy Woolston, Dadang Prihadi, Naomi Banks, Vern Hines, and Malvina Howard</b>
<b>Division of Investigation Investigations and Enforcement Unit Special Operations Units Health Quality Investigation Unit</b>	<b>Dadang Prihadi and Cindy Woolston</b>
<b>Board of Registered Nursing</b>	<b>Malvina Howard</b>
<b>California Board of Accountancy</b>	<b>Malvina Howard</b>
<b>Osteopathic Medical Board of California</b>	<b>Malvina Howard</b>
<b>Physical Therapy Board of California</b>	<b>Malvina Howard</b>
<b>California State Athletic Commission</b>	<b>Malvina Howard</b>
<b>Board of Behavioral Sciences</b>	<b>Malvina Howard</b>
<b>Dental Board of California</b>	<b>Malvina Howard</b>

**Prepared by: Internal Audit Office  
Department of Consumer Affairs**

**AUDITOR IN CHARGE**

<b>Board of Psychology</b>	<b>Malvina Howard</b>
<b>Medical Board of California</b>	<b>Malvina Howard</b>
<b>Executive Offices</b>	<b>Malvina Howard</b>
<b>Director's Office</b>	
<b>Legal Affairs Division</b>	
<b>Legislative Affairs Division</b>	
<b>Organizational Improvement Office</b>	
<b>SOLID Training and Planning</b>	
<b>Communications Division</b>	<b>Malvina Howard</b>
<b>Office of Public Affairs</b>	
<b>Publications, Design and Editing</b>	
<b>Digital Print Services</b>	
<b>Board of Barbering and Cosmetology</b>	<b>Naomi Banks</b>
<b>Contractors' State License Board</b>	<b>Naomi Banks</b>
<b>Respiratory Care Board of California</b>	<b>Naomi Banks</b>
<b>California State Board of Pharmacy</b>	<b>Naomi Banks</b>
<b>Court Reporters Board of California</b>	<b>Naomi Banks</b>
<b>California Board of Occupational Therapy</b>	<b>Naomi Banks</b>
<b>Naturopathic Medicine Committee</b>	<b>Naomi Banks</b>
<b>Bureau of Security and Investigative Services</b>	<b>Naomi Banks</b>
<b>Office of Information Services</b>	<b>Naomi Banks</b>
<b>Information Security Office</b>	<b>Naomi Banks</b>
<b>Arbitration Certification Program</b>	<b>Naomi Banks</b>
<b>Podiatric Medical Board of California</b>	<b>Vern Hines</b>
<b>California Board of Vocational Nursing and Psychiatric Technicians</b>	<b>Vern Hines</b>



**Prepared by: Internal Audit Office  
Department of Consumer Affairs**

**AUDITOR IN CHARGE**

<b>California Acupuncture Board</b>	<b>Vern Hines</b>
<b>Board of Chiropractic Examiners</b>	<b>Vern Hines</b>
<b>Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board</b>	<b>Vern Hines</b>
<b>Dental Hygiene Board of California</b>	<b>Vern Hines</b>
<b>Bureau for Private Postsecondary Education</b>	<b>Vern Hines</b>
<b>Bureau of Automotive Repair</b>	<b>Vern Hines</b>
<b>Office of Administrative Services Fiscal Operations Office of Human Resources Business Services Office</b>	<b>Vern Hines</b>
<b>Division of Policy and Program Review</b>	<b>Vern Hines</b>
<b>Consumer Information Center</b>	<b>Vern Hines</b>
<b>Office of Professional Examination Service</b>	<b>Vern Hines</b>
<b>Professional Fiduciaries Bureau</b>	<b>Vern Hines</b>

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## EXECUTIVE SUMMARY

On January 3, 2022, the Department of Consumer Affairs (DCA) Internal Audit Committee (IAC) directed the Internal Audit Office (IAO) to perform a department-wide audit of each board, bureau, commission, committee, and division (Entity) to identify, document and provide recommendations regarding the following:

- The process used by each Entity to track property, including non-capitalized and capitalized assets
- The compliance with applicable laws, regulations, and policies of the process used by each Entity to track property
- The validity of the process used to report asset valuations in the property general ledger accounts

In performing this audit, IAO identified the following critical governing rules for the DCA asset management process:

- The FI\$Cal System is the official system of record as stated in [California Government Code 15849.22\(b\)\(1\)](#) and should be used to track all DCA assets.
- Capital assets that cost over \$5,000 should be included in FI\$Cal Year-End Financial Reports 18 (Statement of Changes in Capital Assets) and 19 (Statement of Capital Assets) in accordance with the State Administrative Manual section 8602
- DCA has a mandated responsibility to perform a physical inventory at least once every three years for **all** department assets.

IAO report found seven deficiencies, identified below, and recommendations to address each deficiency is outlined in the report:

1. Inadequate Asset Tracking Processes
2. Inadequate Policies and Procedures
3. Ineffective Removal of Assets (Survey Process)
4. Lack of Physical Inventory Process
5. Lack of Sufficient Training and Guidance
6. Record Retention Schedules are Not Periodically Reviewed or Updated
7. Lack of Employee Onboarding and Offboarding Process

## CURRENT DCA ASSETS

As of December 31, 2021, DCA reported \$35,593,910<sup>1</sup> worth of equipment and computer software capital assets:

<b>CAPITAL ASSETS:</b>	<b>FI\$Cal Report 19 Balance</b>
2341 – Equipment	\$33,663,464
2411 – Computer Software – Amortizable	\$1,930,446
<b>TOTAL CAPITAL ASSETS AUDITED</b>	<b>\$35,593,910</b>

The capital assets as reported in the FI\$Cal system are used to create the DCA public financial statements. Therefore, it is critical that the reported amounts are accurate to ensure that the financial statements do not mislead the end users of the financial statements.

The following table is a breakdown of the audit universe of the DCA capital assets included for the audit period of January 1, 2021, to December 31, 2021:

<b>Entity Name</b>	<b>FI\$Cal Report 18 Balance(s)</b>
<b>Board of Barbering and Cosmetology</b>	\$557,722
<b>California Acupuncture Board</b>	\$10,007
<b>Board of Chiropractic Examiners</b>	\$72,863
<b>Arbitration Certification Program</b>	\$7,425
<b>Osteopathic Medical Board of California</b>	\$5,003
<b>Bureau for Private Postsecondary Education</b>	\$34,959
<b>Board of Psychology</b>	\$10,007
<b>Respiratory Care Board of California</b>	\$24,944
<b>Bureau of Household Goods and Services (Electronic and Appliance Repair)</b>	\$186,708
<b>California State Athletic Commission</b>	\$6,085
<b>Bureau of Real Estate Appraisers</b>	\$27,900
<b>Bureau of Automotive Repair</b>	\$15,323,300
<b>California State Athletic Commission (Neurological Exam Acct)</b>	\$31,200
<b>Consumer Affairs Fund (DCA Proper)</b>	\$11,391,034
<b>California Board of Accountancy</b>	\$58,938
<b>California Architects Board</b>	\$17,255
<b>Cemetery and Funeral Bureau</b>	\$144,214
<b>Contractors' State License Board</b>	\$2,786,781
<b>Dental Board of California</b>	\$458,987

<sup>1</sup> Report 19 FI\$Cal run date February 23, 2022

<b>Bureau of Household Goods and Services (Home Furnish and Thermal Insulation)</b>	\$44,621
<b>Medical Board of California</b>	\$947,820
<b>Physical Therapy Board of California</b>	\$5,003
<b>Board of Registered Nursing</b>	\$464,350
<b>California State Board of Pharmacy</b>	\$123,356
<b>Board for Professional Engineers, Land Surveyors, and Geologists</b>	\$33,226
<b>Board of Behavioral Sciences</b>	\$8,319
<b>Structural Pest Control Board</b>	\$145,249
<b>Veterinary Medical Board</b>	\$15,687
<b>Board of Vocational Nursing and Psychiatric Technicians</b>	\$17,378
<b>Division of Investigation (DCA Asset Forfeiture Acct)</b>	\$15,070
<b>Bureau of Cannabis Control (not part of DCA effective 7/12/2021)</b>	\$2,306,287
<b>Bureau of Household Goods and Services (Household Movers)</b>	\$312,214
<b>TOTAL INVESTMENT IN CAPITAL ASSETS</b>	<b>\$ 35,593,910</b>

## SCOPE LIMITATION

The following are out of scope for this audit:

- Physical inventory count for the DCA assets
- Reconciliation of physical assets to the DCA financial statements
- Identification of Missing/Lost/Stolen Assets is limited to a statistical sample of assets for asset business process identification
- Audit of fleet management
- Supply Inventory Management – all functions that track the purchasing of office supplies, the supply warehousing, utilization, and restocking of office supply inventory
- Physical security of the assets per [State Administrative Manual \(SAM\) Section 5365](#), which requires the following: *Each state Entity shall establish and implement physical security and environmental protection controls to safeguard information assets against unauthorized access, use, disclosure, disruption, modification, or destruction*

Another scope limitation is that only 10 targeted assets were validated for each Entity, which does not provide a statistically valid representation of the population of assets owned by DCA. This lack of a statistically valid sample prevents extrapolating the conclusions contained in this report as a representation of systemic issues but does provide an opportunity to document the assets existence as reported by DCA Business Services Office (BSO) and the FI\$Cal system.

Further, this audit did not assess or evaluate the efficiency of the assets purchased, the vendors selected and/or the appropriateness of the purchase with respect to service or quality of the products use/maintenance.

This audit did not include a review of Internal Audit Office (IAO) or Equal Employment Office (EEO) because the reporting structure was under the same responsibility of an audit management team for the audit period. However, both IAO and EEO conducted self-reporting reviews of assets owned and controlled within their organizational structure.

IAO found that identified deficiencies existed and were corrected immediately. EEO is in the process of conducting a physical inventory.

IAO did find out-of-scope findings for the following entity:

- Division of Investigation (DOI)  
Due to the nature of the assets owned and controlled by DOI, the out-of-scope findings will be communicated and resolved separately in a different report for security reasons.

## METHODOLOGY

IAO developed the audit objectives and presented the review objectives to IAC for approval prior to the review. This approval was granted January 3, 2022.

IAO conducted an audit to determine how each Entity tracks and controls assets to ensure that capital and non-capital assets including IT equipment are properly accounted for and protected.

The audit consisted of preplanning along with on-site (field) visits to 55 Entities. Documentation reviewed/gathered included duty statements, manuals, forms, policies and procedures, administrative directives, and other tools used for asset management. In addition, IAO evaluated the organization charts, laws, regulations, and internal memoranda; and interviewed staff and management from 55 Entities.

IAO conducted a compliance test for each Entity to determine if the 10 randomly selected assets exist and are accurately reported as mandated by existing state rules. In addition, a compliance test of five surveyed assets were selected for each Entity to determine if the appropriate process was followed to remove assets no longer in use. Finally, IAO looked at a sample of capital assets for each Entity that reported them on the Statement of Capital Assets.

## DCA ASSET MANAGEMENT BUSINESS PROCESS

[California Government Code Section 15849.22\(b\)\(1\)](#) states, “[a]ll state departments and agencies shall use the FI\$Cal System. The FI\$Cal System shall replace any existing central or departmental systems duplicative of the functionality of the FI\$Cal System.”

The FI\$Cal system modernized how the state of California manages its finances. It eliminates the need for hundreds of independent legacy systems by combining the state’s accounting, budgeting, cash management, and procurement operations into a single financial-management system. Included as part of the accounting system functionality is the FI\$Cal Asset Management (AM) Module, which is intended to be the statewide mechanism to provide accurate records for the acquisition, maintenance, control, and disposition of property.

The DCA Operational Resources Unit within the DCA Business Services Office (BSO) is responsible for the managing of DCA’s properties and assets. The DCA Property and Asset Management Coordinator (PAMC) is responsible for implementing and administering the [DCA Policy BSO 15-01](#) titled “Property and Asset Management.” which accounts for the DCA’s properties and assets. This includes tagging and tracking property and assets, disposing of assets properly, conducting physical inventory, and reconciling property and assets.

Each entity is responsible for monitoring its own assets consistent with and in compliance with the DCA BSO 15-01.

DCA BSO management stated that around October 2017 the DCA began the migration to the FI\$Cal<sup>2</sup> AM Module to track assets. DCA was allowed to have a “one time data dump” into the FI\$Cal AM to start the DCA asset management business process moving forward.

Per DCA BSO management, the FI\$Cal management/subject matter experts requested that all data be accurate prior to the upload to the AM by “cleansing/scrubbing data” so that only accurate data is uploaded. However, due to the limited time to upload the information and training challenges, the information was not cleansed prior to the upload by BSO staff in October 2017. In addition, there is no written documentation to support the process for including/excluding DCA asset data into the FI\$Cal system.

The FI\$Cal training to use the AM Module was not provided to the PAMC or other BSO management staff until May/June 2021.

DCA PAMC stated that a new business process was started around October 2021 to run reports in FI\$Cal every Monday so that a reconciliation could be performed between BSO Access Database and FI\$Cal. However, asset reconciliation to FI\$Cal system has not been completed.

DCA Office of Information Services (OIS) does not manage the information technology (IT) assets for DCA. IT assets are managed by DCA PAMC in the BSO Access Database. DCA OIS does know what user is using which computer, that is, the physical object, but does not know what monitor and/or docking station is assigned to each person. In addition, DCA OIS does not track the movement of computers (e.g., moved/transferred between staff or units). When an Entity purchases IT equipment, it goes to the Entity with the asset tags provided by PAMC. In addition, DCA has five network domains:

- ✓ DCA Proper
- ✓ Contractors’ State License Board (CSLB)
- ✓ Medical Board of California (MBC)
- ✓ Bureau of Real Estate Appraisers (BREA), and
- ✓ California Board of Accountancy (Accountancy).

DCA Chief Technology Officer Enterprise Technology Services stated that it is a long process to consolidate network domains because each domain has its own server room and equipment.

**Audit Observation:** It is not a best practice to maintain five separate network domains. This was outside of the scope of this audit. However, it is included here due to the critical nature of the business process<sup>3</sup>.

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<sup>2</sup> <https://fiscal.ca.gov/> web-based application with access limited to authorized users

<sup>3</sup> <https://webnamescorporate.com/6-corporate-risk-factors-arising-from-domain-management-practices/>



## DCA ASSET MANAGEMENT TRACKING DATABASE(S)

The asset management process begins when PAMC receives Purchase Orders (PO) provided by the DCA BSO Purchasing Unit<sup>4</sup> analyst. If assets are purchased via the CAL-Card business process, PAMC is not notified. PAMC will enter a new asset record for the purchase into the BSO Access Database<sup>5</sup>. PAMC stated that there have been instances where POs have not been provided but the omission is “caught” when the Entity is not provided asset tags.

Currently, DCA has four stand-alone databases to track department assets. The process is a mix of manual entries into separate systems. The entries are duplicative and are not reconciled.

Figure 1 on the next page displays the relationships between the four systems: FI\$Cal system<sup>6</sup>, BSO Access Database<sup>7</sup>, IT (Cherwell)/Lansweeper, and Entity Microsoft Excel tracking documents.

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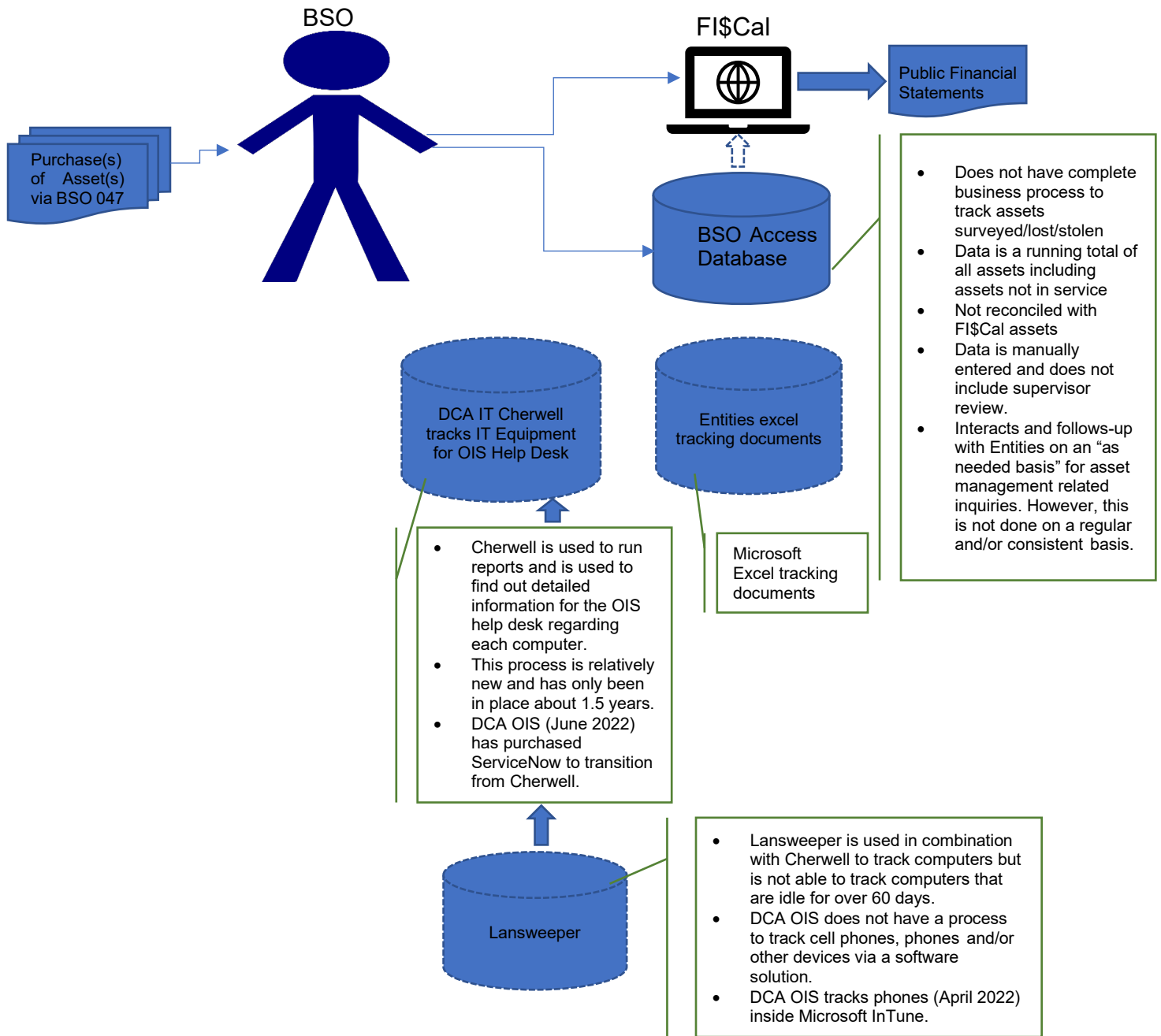
<sup>4</sup> Scope limitation: The IAO accepted that the process starts when the PO is received. This audit does not include the purchasing process and/or if it is effective/efficient and/or accurate.

<sup>5</sup> BSO Access Database is not supported by a written development plan to ensure compliance with IEEE Standards Association’s [Standards Board Operations Manual](#). BSO indicated that they will be moving the BSO Access Database to a more secure platform.

<sup>6</sup> FI\$Cal is a web-based system with access controls/hard internal controls.

<sup>7</sup> DCA Access Database is a stand-alone system housed on the desktop of the PAMC and two others who backup the system.

**Figure 1: Overview of DCA Databases for Asset Management**



## DCA ASSET TAGGING PROCESS

The asset tagging process at DCA is a manual process. DCA asset tags are controlled and distributed (as applicable) by PAMC. PAMC stated that asset tags have not been lost. It is possible Entities have lost tags due to it falling off, being misplaced, and/or for other reasons. If a tag needs to be reissued, it will involve assigning a new asset tag number that is an event tracked in the BSO Access Database under the comments section of the record. PAMC will also track the date the new tags are issued, and the number(s) of the tag(s) assigned to the asset(s). PAMC maintains an excel document called "Property Tag Weekly Spreadsheet 2022" to track the tags provided to an Entity.

PAMC maintains a separate set of pre-purchased tags for each Entity that is prepopulated with the following information:

- ✓ State of California
- ✓ Bar Code (not tied to anything)
- ✓ Sequential Number
- ✓ Board/Bureau Name
- ✓ Department of Consumer Affairs

**Figure 2.** Example of DCA Asset Tag



The pre-purchased tags are kept in the locked desk drawer of the DCA PAMC. Tags are provided in sequential order with the Property Transaction Form (AISD 34). See **Exhibit A**. The Property Transaction Form (AISD 34) is an internal form designed to be used **only** by BSO staff and is intentionally not available on the DCA intranet. The AISD 34 is partially completed by PAMC to include the property tag number and the item description into a new record. This form is sent to the Entity to provide the serial number, acquisition date of the property, the name of the employee assigned/unit name, and the supervisor's name onto the AISD 34. The acquisition date is the date of the PO not when the item is put into service. The Entity is tasked with:

- ✓ Signing and dating the Property Transaction Form; and
- ✓ Making a copy for their Entity's records.

The completed AISD 34 is then returned to PAMC within the following timeframe below:

- 60 days for Non-IT items
- 90 days for CALPIA
- 120 days for IT equipment

The above time frames are based on an internal BSO analysis of “how long it takes to receive purchased items.” These dates are used like a “tickler” by PAMC to remember to come back to enter outstanding POs.

Once the missing data is provided to PAMC, BSO Access Database is updated. The Property Transaction Form and the property tags will accompany a copy of the executed PO and be provided to the Entity.

## **DCA SURVEY/TRANSFER ASSET PROCESS**

The survey process at DCA requires that each Entity be responsible for surveying old equipment and identifying/reporting lost or stolen equipment. The survey process is cumbersome. Generally, an Entity will need to determine if the asset will be replaced and/or if it is broken, determine the next action steps to be taken. This has caused some Entities to have workspace areas devoted to housing a “graveyard” of unused assets. By waiting to remove unused assets, it may become overwhelming to clear out multiple assets not in use and it is a waste of potentially useful assets for other Entities. Moreover, it may be a loss for other state agencies or charitable organizations that are in dire need of the unused assets. For these reasons the survey process should be done timely and accurately to maximize the full potential of life of an asset.

IAO found that many Entities have not surveyed equipment timely. DCA does not have a staging area or a process to house equipment to be surveyed. This means that each Entity must house their equipment to be surveyed until approval is provided for the appropriate disposal of the property. The approval process can be lengthy because it requires multiple approvals from the Entity, DCA and the Department of General Services (DGS) for the disposal method selected.

[The DCA Client Purchasing Handbook](#) provides the process for the entities to follow to survey assets. For example, the entities must decide on the disposal method prior to submitting the Property Survey Request (**Exhibit B**) for approval.

1. Trade-In: When the vendor will be picking up the old equipment upon delivery of the new equipment.
2. Valueless: When an item is no longer valuable/working, to be legally/safely disposed of.
3. Donation to Eligible Non-Profit Organization: The recipient must be an eligible public school/district in California. Note: State agencies are not permitted to donate state surplus property to regular nonprofit organizations or charities.
4. DGS Property Reuse Program: When an item is listed in fair condition and is still operable, contact the DGS Property Reuse Warehouse to inquire if there is interest

- in the item(s) being disposed of prior to submitting the Property Survey Request form to PAMC. Once the approval email from PAMC is received contact the DGS Property Reuse Warehouse to schedule the delivery of items with them.
5. Universal Waste: When an item is in poor or junk condition and is considered salvageable or recyclable it can be given to a salvage dealer, certified recycler, or E-waste facility.
  6. Lost, Stolen or Destroyed Property: When property is lost, stolen, or destroyed, the Entity will prepare a Property Survey Request.
  7. Transfer: When the item is still operable, in fair condition or better and another program or state agency can use it.

## FINDINGS AND RECOMMENDATIONS

### ❖ Inadequate Asset Tracking Processes

[California Government Code Section 15849.22\(b\)\(1\)](#) states, “[a]ll state departments and agencies shall use the FI\$Cal System. The FI\$Cal System shall replace any existing central or departmental systems duplicative of the functionality of the FI\$Cal System.” All assets that are considered capital assets according to [SAM Section 8602](#) are required to be entered into FI\$Cal. Capital assets are assets with a total cost of \$5,000 or more. FI\$Cal has full functionality to enter all non-capital assets into FI\$Cal in compliance with [SAM Section 8603](#) and [8650.1](#).

SAM Section 8650.1 requires departments to maintain a record of state property, whether capitalized or not, in a property accounting or inventory system. Departments must maintain adequate control over assets that are considered “high risk and sensitive” pursuant to SAM Section 8603.

[SAM Section 8660](#) requires that all capital assets be included in Year-End Financial Reports 18 (**EXHIBIT C**) and 19 (**EXHIBIT D**).

The databases used by PAMC require manual input into standalone systems that are not interfaced and/or reconciled. Currently, there is not a process in place to validate data entered by PAMC. This may cause input errors if a process is not in place for review, validation, and reconciliation. Moreover, having four stand-alone systems is not economically efficient and effective, especially if time and resources are used to ensure records are accurate across the systems<sup>8</sup>. An effective asset tracking and management system helps produce accurate and flexible reports. If duplicative systems are present, it will increase downtime to locate lost assets.

DCA BSO management stated that around October 2017, DCA began the migration to the FI\$Cal AM Module to track assets. DCA was allowed to have a “one time data dump” into the FI\$Cal AM to start the DCA asset management business process

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<sup>8</sup> Source: <https://shop.eroad.com/blogs/eroad-where/what-are-the-business-risks-of-not-using-proper-asset-tracking>

moving forward. As previously discussed, the data entered into FI\$Cal was not validated to ensure the accuracy of DCA assets. The information contained in FI\$Cal is public and needs to be accurate; therefore, this data needs to be “cleaned up.”

DCA property assets do not identify physical location and/or ownership of the assets for Entities within DCA proper, specifically Fund 702 in Report 19 in the FI\$Cal database. This will make it difficult to run reports in FI\$Cal for all DCA entities to separate their respective assets by physical location and ownership. Lack of asset physical location reporting will make conducting physical inventories difficult and, in some cases, impossible.

The maintenance of accurate records is critical for a good asset management process. Accurate records include a process to validate the physical location of the assets, a routine physical inventory, and physical condition of assets. Testing for assets consisted of tracing a sample of 10 assets from DCA Access Database and FI\$Cal Report 19 Database to the physical asset location. The objective of testing was to ascertain the physical existence of assets and verify the accuracy of the information recorded in the DCA Access Database for non-capital assets, and FI\$Cal Report 19 Database for capital assets. IAO found that some entities have assets not listed in BSO Access Database or in FI\$Cal Report 19 Database for the audit period of calendar year 2021. IAO also found that some entities did not retain proper documents to support the physical asset location.

IAO tested capital assets as part of this audit to ensure that the assets are reported at the correct cost. Capital assets/property acquired through purchase will be reported at the historical cost (i.e., the cost of the asset, and the related costs necessary to place the asset in its intended location and condition for use) per SAM Section 8618. IAO found that assets do not capture the full cost as mandated. This will cause the capital assets to be over or under valued.

IAO found that some entities have Internally Generated Software not listed in FI\$Cal Report 19 Database as mandated by SAM Section 8615.3. The following are entities that may have Internally Generated Software:

No.	Entities	Entities with Internally Generated Software
1	Bureau of Real Estate Appraisers (BREAs)	BREAs use an internally generated software asset, REALE. REALE is an acronym for Real Estate Appraisers Licensing and Enforcement. REALE is a web application that BREAs staff from management, licensing, enforcement, legal, and administration launch and run daily. BREAs stated that REALE is developed by a Third-Party contractor, was built from scratch, and BREAs staff perform maintenance, operation, and update of REALE.

2	Contractors' State License Board (CSLB)	<p>The following is a list of internally generated software used by CSLB:</p> <ul style="list-style-type: none"> <li>• Score,</li> <li>• Teale,</li> <li>• IWas,</li> <li>• Application Programming Interface (API), and</li> <li>• IVR</li> </ul> <p>CSLB does not track the cost associated with Internally Generated Software customization. These internally generated software costs may need to be capitalized in accordance with SAM 8635.3.</p>
3	Office of Information Services <sup>9</sup> (OIS)	<p>OIS Internally Generated Software utilized for DCA entities are:</p> <ul style="list-style-type: none"> <li>• Consumer Affairs System</li> <li>• Applicant Tracking System</li> <li>• BreEZe</li> <li>• InLumon, and</li> <li>• Configuration Management Database in Cherwell.</li> </ul> <p>OIS does not track any cost associated with Internally Generated Software. These Internally Generated Software costs may need to be capitalized in accordance with SAM 8635.3.</p>
4	Bureau of Automotive Repair (BAR)	<p>The following is a list of internally generated software used by BAR:</p> <ul style="list-style-type: none"> <li>• ETMIS – Smog Check Program (Suite of Applications) prior to 2010</li> <li>• ARDIS – Auto Repair Dealer Inspection System</li> <li>• CAP.NET – Consumer Assistance Program 2010</li> <li>• EDT – Electronic Data Triggers</li> </ul> <p>IAO defers to OIS and BAR to determine if the Internally Generated Software costs need to be capitalized in accordance with SAM 8635.3.</p>
5	Fiscal Operations (FO)	<p>FO uses an internally generated software asset, named FACET. FACET stands for The Financial Accounting and Cashiering Electronic Transaction software that is used exclusively by the Revenue Unit to reconcile and upload revenue information into FI\$Cal, issue refunds for overpayment of fees, track FTB setups and payments, record dishonored checks and buyback information, and provide revenue reports for financial adjustments. These Internally Generated Software costs may need to be capitalized in accordance with SAM 8635.3.</p>
6	Office of Human Resources (OHR)	<p>OHR uses an Internally Generated Software asset, Netfile. Netfile is used to track Form 700 Conflict of Interest filings for staff. IAO defers to OIS and OHR to determine if Netfile is an Internally Generated Software asset that needs its costs capitalized in accordance with SAM 8635.3.</p>

**Recommendations:**

- DCA Fiscal Operations should correct the reporting structure for DCA Proper for each Entity's assets by location and ownership.
- DCA BSO should define clear business processes for Entities to follow.
- DCA BSO should ensure that the full FI\$Cal functionality is utilized.

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<sup>9</sup> Includes OIS Family Support

- DCA BSO and DCA Fiscal Operations need to utilize FI\$Cal to track both Capital and Non-Capital assets. In accordance with the SAM Section 8650, departments will track State property, whether capitalized or not, in an automated property accounting system. [SAM Section 8601](#) defines property as all assets used in governmental operations. Property includes infrastructure, land, buildings, improvements, machinery, furniture, tools, intangibles, etc.
- DCA BSO needs to ensure that the data contained in FI\$Cal is accurate.
- DCA BSO should establish cost accounting basis for the internally generated software. Internally generated software should be capitalized/amortized as mandated by SAM Section 8615.3 by utilizing the full FI\$Cal system business process.

#### ❖ **Inadequate Policies and Procedures**

Policies and procedures are outdated. Specifically, DCA Policy BSO 15-01 dated July 14, 2015, does not provide clear guidance or applicable legal requirement for DCA Asset Management processes. The legal citation contained in the Policy Directive is inaccurate, outdated, and needs to include revised SAM Sections [3520.10](#), [3520.11](#), [3521](#), [3521.1](#), and [3522](#). In addition, the policy should define the roles and responsibilities for all DCA program liaisons and be communicated to all DCA Entities.

The DCA asset management policy lacks a clear definition of which assets should and should not be tracked. For example, some entities track furniture, and some do not. There should be reporting standards so that DCA management can utilize the reported data to make informed decisions regarding equipment needs. As a result, DCA management could use a more consolidated purchasing methodology and obtain cost saving for bulk purchases by having an accurate account of equipment needs.

#### **Recommendations:**

- As the policy owner of the DCA Policy BSO 15-01, DCA BSO should update DCA Policy BSO 15-01. The BSO should communicate the revised policy to DCA Entities and provide training as applicable.
- DCA should define what assets should be tracked by category/type and what assets should not be tracked.
- DCA should form a workgroup to define Internally Generated Software and its full cost accounting as mandated by SAM Section 8615.3.

#### ❖ **Ineffective Removal of Assets (Survey Process)**

Testing for assets consisted of tracing a sample of five surveyed assets from DCA Access Database to the survey process being followed and appropriate documents being retained. IAO found entities had surveyed assets, but the assets were still reported in the Entity's asset list in the DCA Access Database.

In addition, Entities do not always identify and dispose of assets that are no longer used or obsolete. The storage of unused or obsolete assets creates unnecessary



retention of assets that just sit and take up space in many DCA Entity locations. The graveyard of assets limits the use of office space and may create physical hazards. A critical concern for not surveying obsolete capital assets promptly is the overstatement of capital asset value in the public financial statement.

DCA Entities do not always have a common staging area to stage assets for removal. Moreover, there are instances where the Entities do not maintain appropriate survey documentation for the surveyed assets.

**Recommendations:**

- The DCA Client Purchasing Handbook should provide clear guidance for the DCA survey process.
- DCA should consider establishing a common staging area for surplus properties prior to its final disposition.
- Entities need to periodically and systemically identify and properly dispose of items not in service/obsolete equipment.
- DCA should establish an intranet page of surplus properties with life expectancy left for possible use by other Entities.

❖ **Lack of Routine Physical Inventory Process**

DCA Policy BSO 15-01 explicitly states that each Entity should conduct a physical inventory of all property and reconcile the inventory records with the DCA PAMC records at least once every three (3) years. Generally, Entities have not been performing the physical inventory as required. IAO determined that only DOI performed annual physical inventory due to sensitivity and risk level of their assets type (e.g., weapons).

**Recommendations:**

Entities need to conduct routine physical inventory and reconcile the inventory records at least once every three (3) years and/or on a rotating basis as required by DCA Policy BSO 15-01.

❖ **Lack of Sufficient Training and Guidance**

DCA does not have any formal training for designated program liaisons to ensure that established policies and procedures are followed timely and accurately. IAO determined that training offered for asset management is ineffective and insufficient. PAMC provides informal (as needed basis) asset management advice to Entities that ask for it. The formal training for asset management should be comprehensive and include an overview of assets management, roles and responsibilities of asset management program liaisons, inventory definitions (non-capitalized and capitalized, and surveyed), and the life cycle of an asset (acquisition, tagging, transfers, and disposals).

IAO determined that DCA lacks consistent identified duties for appropriate asset management program liaison(s) by defining appropriate tasks that must be performed to meet mandated asset management duties. Most Entities did not have duties clearly identified for asset management program liaisons in their duty statement. Moreover, PAMC does not maintain a master list of all Entity asset management program liaisons.

The following are the Entities that do not have a formally designated asset management program liaison:

No.	Entities	Entities do not have Program Liaison
1	Board for Professional Engineers, Land Surveyors, and Geologists	X
2	State Athletic Commission	X
3	Board of Behavioral Sciences	X
4	Office of Public Affairs	X
5	California State Board of Pharmacy	X
6	California Board of Occupational Therapy	X
7	Naturopathic Medicine Committee	X
8	Office of Information Services <sup>10</sup>	X
9	Information Security Office	X
10	California Acupuncture Board	X
11	Board of Chiropractic Examiners	X
12	Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board	X
13	Dental Hygiene Board of California	X
14	Bureau of Automotive Repair	X
15	Consumer Information Center <sup>11</sup>	X
16	Professional Fiduciaries Bureau	X

**Recommendations:**

- DCA should establish training for designated asset management program liaisons.
- DCA should establish standard duty statement language for asset management duties.
- DCA PAMC should maintain a living list of all entities asset management program liaisons and ensure all entities have designated and current liaisons.

**❖ Record Retention Schedules are Not Periodically Reviewed or Updated**

IAO in the review of records management discovered that some entities are operating with expired Records Retention Schedules. IAO interviewed various Entities

<sup>10</sup> Includes OIS Family Support

<sup>11</sup> Includes Division of Policy and Program Review

management who stated that they are currently in the process of updating the Records Retention Schedule.

An expired Record Retention Schedule shows the Entity is out of compliance with the State Records Management Act. This may also increase the likelihood that State records, especially those critical to asset management, are not being retained, stored, and disposed of properly, which may result in the loss and/or misappropriation of records and files. The following are Entities with an expired Record Retention Schedule:

No.	Entities	Record Retention Schedule Expiration Date
1	Veterinary Medical Board	October 23, 2018
2	Bureau of Household Goods and Services	May 18, 2020
3	Cemetery and Funeral Bureau	August 1, 2018
4	<b>Division of Investigation</b> Special Operations Units Health Quality Investigation Unit	July 9, 2020 July 17, 2020
5	Board of Registered Nursing	April 19, 2021
6	Medical Board of California	December 19, 2021
7	Respiratory Care Board of California	No Expiration Date. Signed December 16, 2011.
8	California Board of Occupational Therapy	May 17, 2022
9	Naturopathic Medicine Committee	May 23, 2017
10	Information Security Office	September 10, 2020
11	California Board of Podiatric Medicine	December 22, 2021
12	Board of Chiropractic Examiners	April 19, 2019
13	Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board	November 16, 2016
14	Dental Hygiene Board of California	No Expiration Date. Signed April 12, 2017.
15	Bureau for Private Postsecondary Education	No Expiration Date. Not Signed and Approved.

**Recommendations:**

Entities should periodically review their Records Retention Schedule and ensure it is not expired.

**❖ Lack Of Employee Onboarding and Offboarding Process**

IAO found that there is no current DCA standard process for onboarding and offboarding employees to ensure all assigned equipment, including sensitive computing equipment, is accounted for when they stop working for an Entity. DOI established an in-house onboarding and offboarding checklist due to the sensitivity and risk level of their assets type (e.g., weapons). The current telework agreement form, used by DCA employees that telework, does have an area on the form that lists the assets used by the employee in order to telework. However, there is no review or approval process that everyone completes telework agreements accurately and

consistently when employees list their teleworking assets on the form. As a result, one employee may list “computer” or “laptop” without specifying the model number or the asset tag information. As a result, DCA cannot rely on telework agreement forms to accurately track the assets of employees.

**Recommendations:**

DCA should form a workgroup to define an onboarding and offboarding process for DCA assets.

## **RISK ASSESSMENT OF AUDIT ISSUES**

The scope of this audit did not include a risk assessment of the issues identified. However, because of the critical nature of the issues identified DCA may have risks that should be mitigated to correct issues identified by the audit. The following table is intended to be a high-level overview and does not include specific objectives for each issue. In addition, this table does not include measurable objectives to set specific criteria for measuring progress (metrics).

CATEGORY	ISSUE	RISK=Reputation Risk/Financial Risk	RISK PRIORITY RANKING	MITIGATE: SHORT TERM = 12 MONTHS OR LESS or LONG TERM = 12 + MONTHS	RESPONSIBLE BUSINESS OWNER TO MITIGATE
Policy	<p>The DCA Policy BSO 15-01 is outdated and does not provide clear guidance for the life cycle of an asset.</p> <ul style="list-style-type: none"> <li>• Legal citation needs to be updated</li> <li>• Forms need to match current process and/or future updated policy</li> <li>• DCA assets to be tracked and method of tracking need to be standardized.</li> <li>• A central unified tracking mechanism needs to be developed.</li> <li>• Once the asset management program liaison roles are defined, an appropriate and applicable duty statement should be developed.</li> </ul>	Lack of a standardized process of life cycle of an asset.	1	LONG TERM	<ul style="list-style-type: none"> <li>• As the policy owner of the DCA Policy BSO 15-01, BSO should update the DCA Policy BSO 15-01. The BSO should communicate the revised policy to DCA Entities and provide training as applicable.</li> <li>• DCA should form a workgroup to define what assets should be tracked by category/type and what assets should not be tracked.</li> </ul>

<p>FI\$Cal/DCA Database(s)</p>	<ul style="list-style-type: none"> <li>• All assets that are considered capital assets according to SAM Section 8602 are required to be entered into the FI\$Cal/DCA Database.</li> <li>• Departments must maintain adequate control over assets that are considered “high risk and sensitive” pursuant to SAM Section 8603.</li> <li>• SAM Section 8660 requires that all capital assets be included in Year-End Financial Reports 18 and 19.</li> </ul>	<p>Data is not captured in a consistent manner and may lead to inaccurate asset data.</p>	<p>2</p>	<p>LONG TERM</p>	<p>DCA should develop and utilize FI\$Cal as the single repository of assets management.</p>
<p>Training</p>	<ul style="list-style-type: none"> <li>• No formal training for designated Asset Management Program Liaisons to ensure that established policies and procedures are followed timely and accurately.</li> </ul>	<p>Lack of training could pose risks of inconsistent practices of asset management across the DCA and loss of knowledge in the event of employee turnover.</p>	<p>3</p>	<p>LONG TERM</p>	<ul style="list-style-type: none"> <li>• BSO should develop a training plan for an end-to-end asset management process.</li> <li>• DCA Client Purchasing Handbook needs to be periodically updated to match utilization of FI\$Cal as the single repository of assets management.</li> </ul>

Tracking	<ul style="list-style-type: none"> <li>• SAM Section 8650 requires departments to maintain a record of state property, whether capitalized or not, in a property accounting or inventory system.</li> <li>• No current standard process of onboarding and offboarding process for assets management.</li> <li>• Telework agreement has an area for specific employee assets to be identified. However, there is no review or approval process that everyone completes the telework agreement accurately and consistently.</li> </ul>	Lack of an accurate asset tracking process and maintenance of accurate records could pose risks of an inaccurate process to validate the physical location of the assets, a routine physical inventory, and physical condition of assets.	4	LONG TERM	DCA should form a workgroup to define an onboarding and offboarding process for DCA assets
Separate Network Domains (Audit Observation)	<p>DCA has 5 network domains with each domain having its own server room and equipment:</p> <ul style="list-style-type: none"> <li>✓ DCA and DCA proper</li> <li>✓ CSLB</li> <li>✓ MBC</li> <li>✓ BREA</li> <li>✓ Accountancy</li> </ul>	The best practice is to have a single unified domain	5	LONG TERM	OIS should explore the option to unify the five separate domains. However, the IAO will not follow-up this risk unless there is possible fraud.

## CONCLUSIONS

Based on the review, IAO concludes that DCA should consider the following to improve the asset management process and to be in compliance with asset management established policies and procedures.

Recommendations	DCA BSO	DCA OIS	DCA FI\$Cal	Entity
The Entity assigns an Asset Management Program Liaison.	X			X
<ul style="list-style-type: none"> <li>DCA BSO establishes guideline for liaison role</li> <li>DCA BSO establishes guideline for liaison duties</li> <li>DCA BSO establishes clear definition of cost basis of an asset</li> </ul>	X			
Training should be provided to liaisons	X			X
Records Retention Schedules should be periodically reviewed and/or updated	X			X
Tracking database should include necessary documentation during the life cycle of assets	X		X	X
Conduct a physical inventory at least once every 3 years and/or on an annual rotating basis				X
Maintain an accurate list of assets (non-capitalized assets, capitalized assets, and surveyed assets)	X			X
DCA BSO establishes clear distinction of capitalized assets for each DCA Entity	X		X	
Assets at the end-of-life cycle should be properly surveyed based on type of assets	X	X		X
Assets should be properly documented when transferred from or to other Entity	X		X	X
Develop and implement an onboarding/offboarding process for assets	X			X
Telework agreement should properly track the assets (and their tag numbers) assigned to teleworkers	X		X	X
<ul style="list-style-type: none"> <li>DCA should establish cost basis for the Internally Generated Software.</li> <li>Internally Generated Software should be capitalized/amortized as mandated by SAM Section 8615.3 by utilizing the full FI\$Cal system business process</li> </ul>	X	X	X	X



**EXHIBIT A**

**Exhibit 7.1: Property Transaction Form (AISD-034)**

DEPARTMENT OF CONSUMER AFFAIRS, OFFICE OF ADMINISTRATIVE SERVICES, BUSINESS SERVICES OFFICE					
<b>PROPERTY TRANSACTION FORM</b>					Page 1 of 1
AISD-034 (Rev. 8/2014)					
PO NUMBER	SUPPLIER NAME	PROGRAM NAME, ADDRESS AND CONTACT PERSON		PURCHASE ORDER DATE	
REQ0012345	Prison Industry Authority	Board of Cat Groomers: 1234 Arena Blvd, Sacramento, Ca 95834 Contact: Jane Doe (916) 123-4567		2/19/2015	
Property Tag #	Item Description	Serial Number	Acquisition Date	Assigned Employee/ Reporting Unit	Supervisor
0012245	Madison Conference Chair w/headrest				
<div style="border: 1px solid blue; padding: 5px; width: fit-content; margin: 0 auto;">                     These columns are completed by Board/Bureau staff after property is received and property tags are affixed.                 </div>					
<div style="border: 1px solid blue; padding: 5px; width: fit-content; margin: 0 auto;">                     The signature and date section below is also completed by Board/Bureau staff after property is received and property tags are affixed.                 </div>					
I HEREBY CERTIFY HAVING AFFIXED THE PROPERTY TAG(S) ON THE ABOVE ITEM(S)			NOTES:		
DATE:			Affix the enclosed property tag(s) on the listed equipment. Tag(s) must be affixed in plain sight and easy to read. Do not cover manufacturer information.		
X			If property is located at a different address, complete the table on the reverse side of this form.		
			<b>Complete all fields of this form.</b>		
			The Property Transaction Form must be returned to the Business Services Office, attention: Property and Asset Coordinator within the specified timeframe indicated below:		
			60 days for Non-IT equipment		
			90 days for CALPIA		
			120 days for IT equipment		

**Source: DCA Client Purchasing Handbook, Chapter 7, Page 71**



**EXHIBIT C -  
Auditor created 1  
page screenshot**

Page No : 1

REPORT 18 – STATEMENT OF CHANGES IN CAPITAL ASSETS  
 Department of Consumer Affairs - 1111  
 Fund 0069  
 Fiscal Year 2021-22  
 As of 12/31/2021

Business Unit: 1111 - Department of Consumer Affairs  
 Fund: 0069 - BARBERING/COSMETOLOGY CONT FD  
 Subfund: 000

Report ID: RPTGL075  
 Run Date: 03/22/2022  
 Run Time: 21:37:47

Account – Description	Beginning Balance	Additions	Deductions	Ending Balance
<b>Tangible Assets</b>				
2341 - Equipment	557,721.67	0.00	0.00	557,721.67
<b>Intangible Assets</b>				
2416 - Rights Leased Buildgs-Amortiz	0.00	6,305,391.63	2,643,219.88	3,662,171.75
Fund: 0069	<u>557,721.67</u>	<u>6,305,391.63</u>	<u>2,643,219.88</u>	<u>4,219,893.42</u>
Sub Fund: 000				

**Source: FI\$Cal Report 18 run  
date 3/22/2022.**

**EXHIBIT D**

Page No: 1

**REPORT 19 - STATEMENT OF CAPITAL ASSETS**  
 Department of Consumer Affairs - 1111  
 Fiscal Year 2021-22  
 As of 12/31/2021

Business Unit: 1111 - Department of Consumer Affairs

Report ID: RPTGL076  
 Run Date: 02/23/2022  
 Run Time: 09:28:42

<b>CAPITAL ASSETS:</b>	<u>DEBIT BALANCE</u>	<u>CREDIT BALANCE</u>
<b>Tangible Assets</b>		
2321 - Buildings and Building Improve	1,938,000.00	0.00
2341 - Equipment	33,863,463.74	0.00
<b>Intangible Assets</b>		
2411 - Computer Software - Amortizabl	1,930,446.15	0.00
2416 - Rights Leased Buildgs-Amortiz	56,063,549.75	0.00
<b>TOTAL CAPITAL ASSETS</b>	<b>93,593,459.64</b>	<b><u>0.00</u></b>
 <b>INVESTMENT IN CAPITAL ASSETS FROM:</b>		
Fund: 0069 - Barbering&CosmetologyContFd	0.00	4,219,893.42
Fund: 0108 - Acupuncture Fund	0.00	10,006.52
Fund: 0152 - Chiropractic Examiners Fund	0.00	72,863.26
Fund: 0166 - Certification Account, Consume	0.00	7,425.09
Fund: 0239 - Private Security Services Fund	0.00	0.00
Fund: 0264 - Osteopathic Med Bd Cal Contn	0.00	5,003.26
Fund: 0305 - Private Postsecondary & Vocati	0.00	1,381,652.62
Fund: 0310 - Psychology Fund	0.00	10,006.52
Fund: 0317 - Real Estate Fund	0.00	0.00
Fund: 0319 - Respiratory Care Fund	0.00	244,632.44
Fund: 0325 - Electronic And Appliance Repai	0.00	186,707.63
Fund: 0326 - Athletic Commission Fund	0.00	6,085.00
Fund: 0376 - Speech-Language Pathology Aud	0.00	510,189.95
Fund: 0400 - Real Estate Appraisers Regulat	0.00	420,271.00
Fund: 0421 - Vehicle Inspection And Repair	0.00	22,758,303.96
Fund: 0492 - Athlto Comm Neurologcl Exm Acct	0.00	31,200.00
Fund: 0702 - Consumer Affairs Fund	0.00	26,753,526.96
Fund: 0704 - Accountancy Fund	0.00	58,937.68
Fund: 0706 - California Architects Board Fu	0.00	17,255.30
Fund: 0717 - Cemetery and Funeral Fund	0.00	144,213.51
Fund: 0735 - Contractors License Fund	0.00	8,037,993.07
Fund: 0741 - Dentistry Fund, State	0.00	458,986.78
Fund: 0752 - Home Furnish & Thermal Insulat	0.00	44,621.17
Fund: 0758 - Contingent Fd Medio Brd of CA	0.00	10,566,001.54
Fund: 0759 - Physical Therapy Fund	0.00	5,003.26
Fund: 0761 - Registered Nursing Fund, Board	0.00	9,335,638.48
Fund: 0763 - Optometry Fund, State	0.00	211,830.33
Fund: 0767 - Pharmacy Board Contingent Fund	0.00	1,489,825.71
Fund: 0770 - Prof Engineer, Lnd Surv, GeoFd	0.00	1,209,286.42
Fund: 0771 - Court Reporters Fund	0.00	119,249.20
Fund: 0773 - Behavioral Science Examiner FD	0.00	8,319.00
Fund: 0775 - Structural Pest Control Fund	0.00	145,249.03
Fund: 0777 - Veterinary Medical Bd Contg Fd	0.00	597,087.62
Fund: 0779 - Voc Nursing & Psych Tech	0.00	1,559,327.20
Fund: 0942 - DCA Asset Forfeiture Acct	0.00	15,070.00
Fund: 3017 - Occupational Therapy Fund	0.00	333,295.67
Fund: 3108 - Professional Fiduciary Fund	0.00	0.00
Fund: 3288 - Marijuana Control Fund	0.00	2,306,287.04
Fund: 3315 - Household Movers Fund	0.00	312,214.00
<b>TOTAL INVESTMENT IN CAPITAL ASSETS</b>	<b><u>0.00</u></b>	<b>93,593,459.64</b>

**Source: FISCAL Report 19 run date 2/23/2022.**



# **STRATEGIC PLAN 2022–2027**



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- 9 Goal 5: Enforcement**
- 10 Goal 6: Licensing**
- 11 Strategic Planning Process**

## DCA EXECUTIVE TEAM

**Kimberly Kirchmeyer**, *Director*

**Christine Lally**, *Chief Deputy Director*

**Grace Arupo Rodriguez**, *Assistant Deputy Director, Legal Affairs Division*

**Brian Clifford**, *Senior Planning and Implementation Manager*

**Tonya Corcoran**, *Compliance and Equity Officer*

**Nicole Le**, *Deputy Director, Office of Administrative Services*

**Ryan Marcroft**, *Deputy Director, Legal Affairs Division*

**Tracy Montez**, *Chief, Division of Programs and Policy Review*

**Kathleen Nicholls**, *Deputy Chief, Division of Investigation*

**Jason Piccione**, *Deputy Director, Office of Information Services*

**Jennifer Simoes**, *Deputy Director, Legislative Affairs Division*

**Monica Vargas**, *Deputy Director, Communications Division*

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**Gavin Newsom**, *Governor*

**Lourdes M. Castro Ramírez**, *Secretary, Business, Consumer Services and Housing Agency*

# MESSAGE FROM THE DIRECTOR

As the director of the Department of Consumer Affairs (DCA), I am proud to share DCA's 2022–2027 Strategic Plan.

DCA is uniquely comprised of various entities that license and regulate millions of professionals in more than 280 license types. This plan outlines DCA's organizational objectives and path forward for upcoming years. With our mission, vision, and values as touchstones, we pledge to protect the 40 million Californians who depend on the Department for their health, safety, and services.

The Department holds itself to a high standard in providing outstanding support services, oversight, and innovative solutions to those who regulate California professionals and vocations so that—through this partnership—all Californians are informed, empowered, and protected.

Our state's values are a source of pride: They are the gift of our past and the foundation of our future as we create and celebrate a California for All. These values are evident in DCA's strong commitment to diversity, equity, and inclusion, as well as in our shared dedication to each and every consumer.

For nearly 150 years, California—the Golden State—has served as the nation's gold standard for consumer protection. With this latest Strategic Plan, DCA will build upon California's legacy of leadership and service by focusing on goals in six key areas:

1. Policy and Advocacy
2. Communications
3. Organizational Effectiveness and Services
4. Technology
5. Enforcement
6. Licensing

Like consumer protection itself, this Strategic Plan is a true team effort, drawing on the diversity, expertise, and dedication of our staff. This guiding document is the direct result of feedback, insights, and inspiration from employees at all levels. It belongs to all those who participated, to those we support, and to our entire workforce. On behalf of DCA, I thank all who played a role in this vital process.

I invite all DCA employees to join me in implementing this Strategic Plan. Together, we protect California consumers.



Kimberly Kirchmeyer  
Director, Department of Consumer Affairs



## ABOUT US

DCA is a unique and dynamic department made up of 36 different boards, bureaus, a committee, a commission, and a program (referred to as boards and bureaus hereafter) that license and regulate more than 3.4 million licensees in more than 280 license types including certificates, registrations, and permits. Together, DCA protects and serves consumers in many ways:

- **DCA is a service provider**—Through several administrative divisions and offices, including Communications, Legislative Affairs, Legal Affairs, Human Resources, Business Services, Fiscal Office, and Information Technology, DCA provides oversight and support services for these boards and bureaus to assist them in their mission of consumer protection.
- **DCA is an educator**—DCA and its licensing boards and bureaus educate consumers by giving them information they need to avoid being victimized by unscrupulous, unlicensed, or unqualified people who promote deceptive or unsafe services.
- **DCA is a licensing entity**—Through its licensing boards and bureaus, DCA licenses more than 3.4 million professionals and enables consumers to check the license status of these professionals online or by phone.
- **DCA is a regulator**—Through its licensing boards and bureaus and its Division of Investigation, DCA investigates consumer complaints on issues under its jurisdiction. If violations are found, license holders can face discipline that may include probation, suspension or revocation of a license, fines and citations, letters of reprimand, cease and desist orders, or criminal charges.

DCA is committed to supporting the core mission of consumer protection, which is shared by all its boards and bureaus. The individuals who serve at DCA inform and empower consumers, promote consumer interests before lawmakers, enforce consumer protection laws, collaborate with law enforcement to fight consumer fraud, promote use of fair and valid licensing examination programs, and work to ensure that consumers are protected in California.

# MISSION, VISION, AND VALUES

## Our Mission

Provide outstanding support services, oversight, and innovative solutions to boards and bureaus that regulate California professionals and vocations so that through this partnership all Californians are informed, empowered, and protected.

## Our Vision

Together, protecting California consumers.

## Our Values

- Accountability
- Communication
- Consumer Protection
- Diversity
- Equity
- Inclusion
- Innovation
- Integrity
- Leadership
- Teamwork
- Transparency
- Trust

# GOAL 1: POLICY AND ADVOCACY

DCA advocates on behalf of boards and bureaus by ensuring that statutes, regulations, policies, and procedures support and further the mandates and mission of DCA.

- 1.1** In partnership with the boards and bureaus, evaluate the regulation process to promote efficiency, reduce time frames, and maximize resources, consistency, and transparency.
- 1.2** Establish a regulatory subject matter expert group to promote an understanding of the regulatory process, provide mentorship, and develop best practices.
- 1.3** Standardize coordination, monitoring, and assessment of legislation implementation to ensure compliance with statutory requirements.
- 1.4** Develop continuing education guidelines to ensure the education creates a more competent licensing population to enhance public protection.
- 1.5** Establish a committee to build a sustainable diversity, equity, and inclusion strategy to strengthen policies, enhance training, and provide opportunities for employee engagement.

## GOAL 2: COMMUNICATIONS

DCA provides resources, tools, and support for delivering relevant, timely, and accurate information.

- 2.1** Develop an internal communications plan for consistency and efficiency of content delivery.
- 2.2** Develop an external communications plan to standardize communication, reach diverse audiences, and educate about DCA's roles and responsibilities.
- 2.3** Promote the development of consistent, efficient, and relevant content to increase awareness of DCA's value to boards and bureaus.
- 2.4** Highlight DCA success stories and services available to consumers to assist boards and bureaus to raise awareness of their consumer protection efforts with the public.
- 2.5** Expand outreach through multilingual communications, partner agencies, stakeholder groups, trusted messengers, and other strategies to increase accessibility, awareness, and utilization of resources for consumers, licensees, and future applicants.
- 2.6** Utilize innovative modes of communication to enhance user experience and reduce service request wait times for call centers.

## GOAL 3: ORGANIZATIONAL EFFECTIVENESS AND SERVICES

DCA utilizes effective leadership, governance, and best practices to provide oversight and quality services to support the boards and bureaus.

- 3.1** Implement service catalogs with service-level targets to set expectations and provide consistent services to clients.
- 3.2** Enhance and update internal webpage/intranet information to centralize communication and resources.
- 3.3** Create a modernized board and committee member database to improve the ability of Board and Bureau Relations to provide services to the boards, bureaus, agencies, and the Governor's Office.
- 3.4** Assess feedback from boards and bureaus on central services to improve customer service.
- 3.5** Equip leaders, managers, and supervisors with the tools and resources to establish results-based management.
- 3.6** Utilize innovative methods to expand recruitment efforts and widen candidate pools to enhance DCA's ability to fill vacancies with qualified applicants.
- 3.7** Implement a more comprehensive onboarding process to prepare employees for working at DCA and understanding their roles in supporting DCA's mission.
- 3.8** Implement a more comprehensive offboarding process for employees to promote better security and safety.
- 3.9** Incorporate implicit bias awareness training for all employees to create a culture of awareness of implicit bias and how it may impact the decision-making process.
- 3.10** Create a pool of licensing and enforcement experts to transfer knowledge to existing staff and assist with mission-critical workloads during times of influx.
- 3.11** Capitalize on lessons learned and best practices from COVID-19 to eliminate barriers, improve processes, and modernize services.

## GOAL 4: TECHNOLOGY

DCA addresses business needs through creative, secure, and intuitive solutions.

- 4.1** Create Department-wide security architecture to ensure data security and compliance with the state's CAL-Secure Initiative.
- 4.2** Continue DCA Business Modernization efforts for all boards and bureaus to enhance digital user experience and reduce carbon footprint.
- 4.3** Encourage DCA divisions to assess critical internal processes and reduce processing times.
- 4.4** Implement a tracking system for DCA services to ensure accountability.
- 4.5** Develop a DCA-wide mobile application to increase access and outreach to consumers.
- 4.6** Develop measurement tools to transition to results-based management focusing on performance, delivery, efficiency, and accountability.

## GOAL 5: ENFORCEMENT

DCA provides resources for its boards and bureaus to promptly protect consumers from harmful conduct by unlicensed and licensed professionals who pose a threat to the public's health, safety, and welfare.

- 5.1** Enhance the quality, thoroughness, and timeliness of Division of Investigation (DOI) investigations to provide boards and bureaus with efficient services to protect consumers and employees.
- 5.2** Strengthen communication with the boards and bureaus to provide updates and transparency on investigation progression.
- 5.3** Restructure the cost model for client billing of DOI services.
- 5.4** Standardize training for DOI staff to achieve consistency and maintain quality investigations.
- 5.5** Provide special investigative (non-sworn) services for appropriate<sup>1</sup> cases to reduce costs and timelines for boards and bureaus without non-sworn investigators.
- 5.6** Utilize subject-matter experts and technology to standardize processes, identify enforcement and enforcement data best practices, and improve training for enforcement staff.
- 5.7** Reestablish enforcement user groups to achieve more accurate and standardized data collection and reports.
- 5.8** Provide boards and bureaus with standardized language and content to promote understanding of the enforcement process.
- 5.9** Standardize public posting of disciplinary actions to educate consumers and increase awareness.

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<sup>1</sup> Prioritization Category 3 & 4.

## GOAL 6: LICENSING

DCA provides resources for boards and bureaus to expeditiously license qualified applicants to allow timely entrance into the workforce, avoid establishing artificial barriers to licensure, and maintain consumer protection.

- 6.1** Partner with boards and bureaus to develop a standardized structure to promote understanding of licensing requirements and processes to potential applicants, licensees, and other external stakeholders.
- 6.2** Utilize subject matter experts and technology to standardize processes, identify licensing and licensing data best practices, and improve training for licensing staff.
- 6.3** Standardize training for board and bureau staff to achieve consistency and maintain quality standards among all licensing processes.
- 6.4** Reestablish licensing user groups to achieve more accurate and standardized data collection and reports.
- 6.5** Monitor and assess data to ensure licensing resources and services are expeditiously provided for military members and their families.
- 6.6** Partner with boards and bureaus to evaluate occupational licensing requirements to comply with Business and Professions Code section 139 and reduce potential barriers to licensure.



## STRATEGIC PLANNING PROCESS

To understand the environment in which DCA operates and to identify factors that could impact the Department's success, the DCA SOLID Planning Unit (SOLID) conducted an environmental scan of the internal and external environments by collecting information from different stakeholder groups. Interviews were conducted with members of the DCA executive team and DCA centralized services deputy and division chiefs. Additionally, an online survey was sent out to board and bureau leadership, board and committee members, and external stakeholders. A total of 230 people participated in providing feedback for the environmental scan.

The most significant themes and trends identified from the environmental scan were discussed by the Department's executive team during strategic planning sessions facilitated by SOLID. This information guided the executive team in the review of its mission, vision, and values while directing the strategic goals and objectives outlined in its new strategic plan.



**Department of Consumer Affairs—Executive Office**

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Sacramento, CA 95834

**[www.dca.ca.gov](http://www.dca.ca.gov)**

**Strategic Plan Adopted on June 1, 2022**

This strategic plan is based on stakeholder information and discussions facilitated by SOLID for the Department of Consumer Affairs. Subsequent amendments may have been made after the adoption of this plan.

**Prepared by:**

SOLID Planning Solutions

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