

December 21, 2017

Michael Cohen, Director  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the California Law Revision Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Debora Larrabee, Associate Governmental Program Analyst, at (530) 752-3620, [dlarrabee@clrc.ca.gov](mailto:dlarrabee@clrc.ca.gov).

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## BACKGROUND

The California Law Revision Commission is an independent agency reporting directly to the Governor. We are reporting for ourselves with no other entities included.

The Commission studies the law in order to discover defects and anachronisms and recommends legislation to make needed reforms.

The Commission assists the Legislature in keeping the law up to date by:

- Intensively studying complex and sometimes controversial subjects
- Identifying major policy questions for legislative attention
- Gathering the views of interested persons and organizations
- Drafting recommended legislation for legislative consideration

The Commission's efforts enable the Legislature to focus on significant policy questions in a recommendation rather than on technical issues that can be resolved in the process of preparing background studies, working out intricate legal problems, and drafting implementing legislation. The Commission thus helps the Legislature accomplish needed reforms that otherwise might not be made because of the heavy demands on legislative time. In some cases, the Commission's report demonstrates that no new legislation on a particular topic is needed, thus relieving the Legislature of the need to study the topic.

The Commission's critical business functions (mostly word-processing and some data base and spreadsheets) are done on desktop computers in an Apple Macintosh OS X (10.12.6) environment.

The Commission's objectives are to fulfill the mission of the agency. This mission is to study laws in order to discover defects and anachronisms and recommend legislation to make needed reforms. All Commission activities are to promote this end.

The California Law Revision Commission was created in 1953 as the permanent successor to the California Code Commission and given responsibility for the continuing substantive review of California statutory and decisional law (Gov't Code §§ 8280 - 8298).

The Commission's 5.5 positions include four attorneys (two of whom are managers), an administrative analyst, and an executive secretary. This tight-knit structure permits direct supervision by professionals and managers at every level of the organization, strong personal commitment to the values and goals of the organization, and a sense of shared obligation to uphold the high standards of integrity that have consistently been stressed and modeled by agency managers.

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## **ONGOING MONITORING**

As the head of California Law Revision Commission, Brian Hebert, Executive Secretary, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

### **EXECUTIVE MONITORING SPONSOR(S)**

The executive monitoring sponsor responsibilities include facilitating and verifying that the California Law Revision Commission internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Brian Hebert, Executive Secretary.

### **MONITORING ACTIVITIES**

The Executive Secretary consults individually with every staff member on a frequent basis (at least weekly, often daily). These consultations allow the Executive Secretary to directly exercise internal control. Since these consultations are a frequent and routine activity, they are suited to the early identification of potential problems in every area of the Commission's work. The Executive Secretary is responsible for comparing results and expectations of internal controls and determining if change is necessary to any process. With only 6 employees in the Commission as a whole, every staff member is directly involved in day-to-day operations. This means that it is not possible to have uninvolved employees conducting control review. If the need ever arose and the resources were available, the Commission would need to contract with an outside consultant to conduct an independent control review.

### **ADDRESSING VULNERABILITIES**

Our Executive Secretary is responsible for responding to all vulnerabilities. This is done as part of the individual staff consultation that the Executive Secretary conducts. In consulting with every staff member directly, the Executive Secretary is able to assess which staff member would be in the best position to help reduce the identified vulnerability. Those responsibilities are then assigned. Additional consultations may be scheduled, as needed, to confirm the effectiveness or monitor the progress of a solution to an identified vulnerability.

### **COMMUNICATION**

As the head of California Law Revision Commission and the agency's monitoring sponsor, the Executive Secretary is responsible for the overall establishment, maintenance, and communication of the internal control system. With only 6 employees in our agency, monitoring internal controls is straightforward, as it is possible for the Executive Secretary to work directly with every staff member individually. There is only one management tier, allowing the Executive management full communication with the staff. Communication about vulnerabilities and control inefficiencies occurs as a natural part of the Executive Secretary's regular consultation with staff members. These communications occur in person, by phone, or by email at least weekly and usually more frequently. Communication also occurs as needed if a risk arises.

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## ONGOING MONITORING COMPLIANCE

The California Law Revision Commission has implemented and documented the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the California Law Revision Commission systems of controls and monitoring.

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## RISK ASSESSMENT PROCESS

The following personnel were involved in the California Law Revision Commission risk assessment process: Executive Management, and Staff.

### RISK IDENTIFICATION

The Commission's risk assessment is performed internally by the Executive Secretary (executive management) and the Administrative Analyst (staff) annually in December. With only 6 total employees, one-third of the agency's employees are directly involved in the risk assessment process.

In a collaborative effort, this team meets and brainstorms to identify possible risks to the Commission. They do not focus on one area of Internal Controls. The team also takes into consideration prior and emerging risks including single audit findings, and any changing factors the Commission may be facing. At this time, we also evaluate our IT risk using the Information Security Assessment tool for State Agencies. Our score on organizational reliance on information technology was very low and the total security assessment score was good.

### RISK RANKING

Identified risks are ranked by the degree of impact to the Commission's mission after risks are identified during the annual risk assessment meeting by the risk assessment team.

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## RISKS AND CONTROLS

### RISK: OPERATIONS -EXTERNAL-FUNDING—SOURCES, LEVELS

Our greatest source of operational vulnerability is the prospect of a reduction to our annual appropriation. As a very small agency, with extremely limited overhead, most of our appropriation goes to paying personnel costs.

This risk exists because the Commission is no longer funded through the general fund and is currently funded through reimbursement from the Office of Legislative Counsel. Legislative Counsel is not currently receiving any additional funds to their appropriation to support the Commission. If the Office of Legislative Counsel has need of all of their appropriation, the Commission could be left unfunded or with reduced funds.

Any reduction to our budget would require a reduction of staff. That would directly affect our ability to complete our core mission.

### CONTROL A

To mitigate this risk, the Commission will continue to work with the Office of Legislative Counsel and the Department of Finance to address any concerns about the Commission's funding and use of funds.

**RISK: OPERATIONS -EXTERNAL-STAFF—RECRUITMENT, RETENTION, STAFFING LEVELS**

CLRC management is concerned with retaining experienced and knowledgeable staff and reducing the training burden involved in “breaking in” new staff.

Staff retention can be challenging at times given that state attorneys receive less in salary than comparable attorneys in private practice or local government. This problem is exacerbated by the very small opportunity for upward mobility in a very small agency.

Losing experienced and knowledgeable staff would reduce the productivity of the Commission and cause difficulty in achieving our mission.

**CONTROL A**

To mitigate this risk, the management is committed to providing a flexible work environment to better accommodate work schedules and family needs. Recent examples include: relocation of an employee’s main work location to reduce commute time and flexible start and stop times for employees with child care issues. These sorts of lifestyle accommodations can improve morale and retention without having a significant negative effect on productivity.

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

All of the Commissions administrative functions and state reporting are handled by one person.

CLRC is a small agency of 5.5 employees with a single part-time administrative analyst. One person handles all of the administrative tasks of the Commission.

As a result of these conditions, key person dependency is unavoidable.

**CONTROL A**

To mitigate this risk, we have established a written procedure manual to cover the administrative tasks. This would make it easier to training a replacement when that becomes necessary.

**CONTROL B**

To mitigate this risk, we could cross-train personnel so administrative knowledge would not be completely lost with personnel transition. The downside to this approach is that it would reduce the resources available for the Commission’s mission work. All other available staff are fully committed to such work.

**RISK: OPERATIONS -EXTERNAL-FI\$CAL IMPLEMENTATION, MAINTENANCE, FUNCTIONALITY, OR SUPPORT**

We are a very small agency with only 5.5 positions. The .5 (half time) position is the agency’s only staff available to work on the FI\$Cal conversion.

The FI\$Cal conversion has and will continue to require work and training from our part-time analyst while all other required state reporting and job requirements are still ongoing.

With only one analyst to work on these tasks, rather than the specialized teams available in larger agencies, we have a very steep learning curve. In addition, resources spent on FI\$Cal conversion must be taken from other functions.

**CONTROL A**

To mitigate this risk, the Commission has sought exemptions from some parts of FI\$Cal and has requested a longer time period for implementation.

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**CONCLUSION**

The California Law Revision Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Brian Hebert, Executive Secretary**

CC: California Legislature [Senate (2), Assembly (1)]  
California State Auditor  
California State Library  
California State Controller  
Director of California Department of Finance  
Secretary of California Government Operations Agency