December 29, 2017

David M. Lanier
California Labor & Workforce Development Agency
800 Capitol Mall, MIC-55
Sacramento, CA 95814

Dear Mr. David M. Lanier,

In accordance with the State Leadership Accountability Act (SLAA), the Employment Training Panel (ETP) submits this report on the review of its system of internal control for the biennial period ended December 31, 2017.

Should you have any questions, please contact Stewart C. Knox, Executive Director, Employment Training Panel, at (916) 327-5240, Stewart.Knox@etp.ca.gov.

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BACKGROUND

The Employment Training Panel (ETP) is a business and labor-supported state agency that funds the costs of vocational training. It is governed by an eight-member panel setting its program goals and directions.

- The program is funded by the Employment Training Tax, which is paid by California employers, and targets firms threatened by out-of-state competition or those who compete in the global economy. The tax on employers is collected along with the UI tax, and the ETP does not receive General Fund support.
- The program is performance-based. Employers must provide proof that training hours have been completed and trainees have been retrained in well-paying jobs for a specific period of time at a specified wage before the ETP reimburses payment.
- Since its inception in 1982, the ETP has reimbursed employers well over $1 billion for training workers in more than 80,000 California businesses.
- For incumbent worker training, employers contribute to the cost of training. Further, the ETP funds training for unemployed workers.
- The ETP provides additional incentives to assist small businesses and employers in high unemployment areas of the State.

The ETP's mission is to provide financial assistance to California businesses to support customized worker training to:

- Attract and retain businesses that contribute to a healthy California economy.
- Provide workers with secure jobs that pay good wages and provide opportunities for advancement.
- Assist employers to successfully compete in the global economy. Promote the benefits and ongoing investment of training among employers.

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ONGOING MONITORING

As the head of ETP, Stewart C. Knox, Executive Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

EXECUTIVE MONITORING SPONSOR

The executive monitoring sponsor responsibilities include facilitating and verifying that the Entity internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor have been given to: Kulbir Mayall, District Manager of Fiscal & Northern California Regional Offices.

MONITORING ACTIVITIES

The ETP's Executive staff and the Technical Operations Branch meet weekly to actively monitor the control activities for risks. The controls as well as the criticality, likelihood of occurrence, and impact of each risk contribute to the frequency of monitoring activities. Monitoring activities occur on both a weekly and as needed basis.

ETP currently conducts weekly progress meetings with Executive staff and the Technical Operations Branch to monitor project performance. These activities include executing a developed project plan to track project scope, schedule, and available resources to ensure timely delivery of project deliverables. ETP will report and document on-going risk management, cost and schedule management, and scope and change management processes to ensure timely project progress.

ADDRESSING VULNERABILITIES

When an internal control vulnerability is identified, the executive monitoring sponsor (Kulbir Mayall, District Manager of Fiscal & Northern California Regional Offices) evaluates and addresses the control's weakness within a timeframe adequate to mitigate the risk. During this time, the executive monitoring sponsor notifies ETP

executive management of the progress of mitigation efforts. Notifications are provided as frequently as necessary and are provided until the deficiency is adequately addressed.

COMMUNICATION

The ETP's Executive staff, and ETP's Technical Operations Branch, an organizational branch that embodies Senior Management Business/Program staff, Mid-level Management Business/Program staff, and Senior Management IT personnel, will be engaged in addressing the business problems/opportunities identified in ETP's risk management processes. In each departmental unit under the Technical Operations Branch, managers are assigned the task of identifying risks and evaluating their impact. Once the risks have been identified and evaluated by departmental managers under the Technical Operations Branch, the risks are then elevated to Executive staff. ETP's Executive staff then determines the best method and course of action to mitigate the impact these identified risks impose on the agency.

ONGOING MONITORING COMPLIANCE

The ETP 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 Entity's systems of controls and monitoring.

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RISK ASSESSMENT PROCESS

The following personnel were involved in the Entity risk assessment process: ETP's Executive staff, Senior Management Business/Program staff, Mid-level Management Business/Program staff, and Senior Management IT personnel.

RISK IDENTIFICATION

The ETP identifies its current risks by conducting weekly progress meetings, holding brainstorming sessions, and utilizing front-end project planning to project future emerging risks and vulnerabilities as they arise. Front-end project planning provides ETP the means to assess risk at various stages in the project planning process, and to focus efforts on high-risk areas that need additional definition. The Executive Staff facilitates the Technical Operations Branch's assessment of risks in the areas of project scope, cost, and schedule.

RISK RANKING

The ETP utilized a standard impact analysis matrix to rank the risks that posed the greatest short-term, and subsequently long-term impact to ETP's business needs and requirements. The program areas of impact that were assessed include, but aren't limited to: business impact, technical impact, customer impact, financial impact, and security impact. The impact analysis matrix is as follows:

		Business Impact	Technical Impact	Customer Impact	Financial Impact	Security Impact
Impact Severity	HIGH					
	MEDIUM					
	LOW					

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RISKS AND CONTROLS

Operations – Internal

Risk Description:

What could go wrong?
The risk ETP is confronted with is that the conversion from existing ETMS and legacy data systems will impact ETP's ability to support future business requirements.

What is the cause?
The ETP is currently replacing legacy data systems and the Employment Training Management System (ETMS) with a single, modular platform that is hosted by an application services provider. The project will provide to the ETP business users, both internal and external, the ability to use web-based cloud technologies to dynamically submit, process and administer ETP training proposals and contracts. It will be based on revised, streamlined business rules and will provide a path to integrate both legacy and ETMS contracts into the database to continue to manage these contracts. The system will allow ETP staff to manage business rules and work flow settings for the basic application and contract documents. It will provide screen(s) and upload features for applicants and their representatives to submit application and billing materials. Lastly, it will provide customers export and reporting capabilities using reporting tools intended for a non-technological person.

What is the result?
If the current implementation of the ETP Online technology transformation is not realized, then the current legacy data system issues involving overall

security, business continuity, and technology recovery have the potential to adversely impact ETP business and customers.

CONTROLS

As noted for each control area, the ETP's Executive staff and the Technical Operations Branch is currently implementing each control in an effort to mitigate the risk that the ETP Online technology transformation will not meet all of ETP's needs in its entirety, or that the conversion from existing ETMS and legacy systems will negatively impact future business requirements.

CONTROL A

External Stakeholder Involvement: During the development of the ETP Online technology transformation, external customers (employers and their representatives) will be included in the design and development phases of the project. This is especially important as specific business processes and definitions can be subject to change by ETP's governing entities. With the ETP Online transformation effort, customer forums will be held and various customers will be included in prototyping sessions. During these sessions ETP will hear from the customers, but will also provide a clear delineation of program requirements to features of the system. Lastly, a key customer representative will be included in the Steering Committee.

CONTROL B

Realigning Business Processes: For more than 6 months, ETP has been streamlining its business processes and getting Panel approval for these changes. Efforts are targeted at easing some of the program application determinations and funding striations.

It is apparent that ETP will remain a dynamic business that must implement new initiatives and program changes that the panel requires. This will require a system that has editable business rules. Lastly, transparency for employers will continue to be an important consideration, as inputs and outputs from the new system will need to meet their needs.

It would be the goal of the new system to not force the creation of new business processes; but rather allow for the evolution of system features that are in line with the Panel directions.

CONTROL C

Leadership Participation: The ETP's Executive staff, Senior Management Business/Program staff, Mid-level Management Business/Program staff, and Senior Management IT personnel will be engaged in addressing the business problems/opportunities identified in the implementation of the ETP Online technology

transformation project. The ETP has also retained the services of a consultant to assist in the support of ETMS and the transition to the long term technology solution for ETP. ETP will also retain the services of a vendor to develop the new enterprise architecture. This position is not currently part of the ETP IT organization. The Executive Director will be the lead IT executive for the project.

CONTROL D

Resource Capacity/Skills/Knowledge: ETP has a planning organization that will lead the Alternative Analysis effort. Some of this staff worked on developing the current ETMS effort which will be similar in size and scope to the new effort. A program director will be used to manage the effort and has more than 35 years of experience working on State of California technology efforts. Mr. Mike South, the ETP CIO, will be part of the team as well as key ETP staff.

CONTROL E

Data Management: ETP has an established data dictionary for both its legacy systems and ETMS. Controls are in place to control the structure and actual application and contract specific data.

CONTROL F

Training: Training for the ETP Online will be in the form of both hands-on training and computer-based training. The ETP's Technical Operations Branch has a well-established technical training team to accommodate the training of staff on the new functionality requirements for the ETP Online technology transformation.

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CONCLUSION

The Employment Training Panel strives to reduce the risks inherent in our program and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address current and potential risks facing the organization.

Stewart C. Knox, Executive Director
Employment Training Panel

CC:

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

ETP SLAA Team: Stewart C. Knox, Executive Director
Kulbir Mayall, District Manager of Fiscal & Northern
     California Regional Offices
Bryan Lytle, Research Program Specialist