

December 27, 2019

Alexis Podesta, Secretary
California Business, Consumer Services and Housing Agency
915 Capitol Mall, Suite 350-A
Sacramento, CA 95814

Dear Ms. Alexis Podesta,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California Board of Podiatric Medicine submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact Brian Naslund, Executive Officer, at (916) 263-2650, brian.naslund@dca.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Mission of Podiatric Medical Board of California (PMBC) is to protect and educate consumers of California through licensing, enforcement, and regulation of Doctors of Podiatric Medicine.

Vision: All California-licensed podiatric doctors will provide safe and competent foot and ankle care.

Values: Consumer protection, effectiveness, fairness, professionalism, service, and transparency.

The Goals of PMBC are:

Enforcement: Protects consumers by preventing violations and effectively enforcing laws, codes, and standards when violations occur.

Licensing: PMBC licenses those practicing podiatric medicine by ensuring that licensing requirements are met. This includes initial application, continuing education, and renewals.

Legislation/Regulations: PMBC participates in legislation, and promulgates regulations, policies, and procedures to meet the challenges of the evolving industry, while protecting consumers.

Administration: PMBC utilizes all available resources to fulfill its mission.

Outreach: PMBC educates, communicates, and interacts with licensees, consumers, and key stakeholders.

Control Environment

PMBC maintains an effective control environment that reflects the values of the board, Department of Consumer Affairs (DCA) and the State of California. Management has established effective communication, written policies and procedures, as well as a positive tone of oversight to achieve

accountability.

Employees conduct their activities and carry out their responsibilities to achieve the stated goals, mission, vision, and values of the board. The last strategic planning process included all board and staff members working together to create a beneficial plan for consumer protection. Through the guidance of the Executive Officer, employees are trained and counseled to understand their responsibilities and duties and the limits of their authority. PMBC follows the Board approved Administrative Manual for guidance as well as written policies and procedures.

Oversight of PMBC includes review by board members, DCA's review, and through the sunset process, a detailed review every four years by the State Senate and Assembly Business and Professions Committees.

The organizational structure of PMBC consists of an Executive Officer (EO) and four employees all working in a small office environment. This structure allows staff to operate as a team and receive direct feedback from management daily. Staff is informed and monitored by the EO as to the implementation of goals and vision of the board. The control environment is created by each staff member developing a technical competence in their area of expertise and an awareness of the ethical commitment required by the Board and EO.

Documentation of the control system is maintained through staff compliance with all procedural and substantive guidelines found in PMBC's procedural manuals, employee evaluations, probationary reporting, and individual development plans.

In the last few years, PMBC has recruited and promoted employees with the best available skills and experience for the job. Each employee has been involved with the updating of their responsibilities as outlined in their duty statements. Management has encouraged, and employees have complied, with courses offered through DCA and other entities as to professionalism, technical expertise, and career development to achieve the highest level of performance.

Information and Communication

PMBC is committed to providing all services with complete transparency. Staff and management work closely together and are able to communicate directly with each other. The structure of the organization allows direct communication to occur where employees are encouraged to bring concerns or questions to management directly. Each employee has been encouraged to be proactive in noticing and reporting inefficiencies or concerns. The EO has an "open door policy" and is able to work with each staff member independently to achieve resolution of any concerns.

PMBC is also committed to providing all services to the public and stakeholders with complete transparency. In order to achieve this goal we utilize social media, website, and listserve that are regularly updated with new information. Additionally, individual questions from members of the public, licensees, and stakeholders are answered directly through the pmbc@dca.ca.gov mailbox and through the office phone line.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and

verifying that the California Board of Podiatric Medicine monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Kathleen Cooper, Associate Governmental Program Analyst.

Internal control systems have been established whereby employees are monitored by management directly and regularly. The performance and workload for each employee is observed directly and management is responsive to communicated challenges with a goal of early resolution.

At each quarterly board meeting the statistical performance of the board's licensing and enforcement programs are reviewed in detail by board members and third-party stakeholders. This balance with external and internal checks that is in place, allows for more knowledgeable evaluations and corrections to improve performance.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Board of Podiatric Medicine risk assessment process: executive management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, consideration of potential fraud, performance metrics, and other.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, tolerance level for the type of risk, and other.

PMBC analyzes and prioritizes risks by assessing the potential impact to the board's mission, goals, and values. Annual trends tend to list similar concerns each year which include revenue, expenditures, and fund condition data as well as possible litigation matters that could impact the board's ability to regulate podiatry in California to protect the public. .

RISKS AND CONTROLS

Risk: Funding Increased Attorney General Charges

The Attorney General notified DCA and its boards on July 1, 2019 that hourly billable service rates would be significantly increased effective September 1, 2019. Because rate increases were scheduled to take place so quickly, fees that fund revenue streams to support these payments have not been adjusted to cover the new rates. This has resulted in dwindling fund condition balances in numerous special funds.

Control: Request for Fee Increase

The Board is working closely with DCA and the Department of Finance to monitor the cash reserves in numerous funds. Additionally, the board has undergone a fee study to determine how to appropriately adjust licensing fees as needed.

Risk: Fi\$cal Impacts to Operations and Decision Making

Accurate and timely revenue and expenditure reports are not currently available from the Fi\$Cal system and this ultimately results in DCA being unable to produce timely reconciled monthly and year-end financial statements to Boards. Specifically, the Board is unable to access timely reports and readily validate the accuracy of data postings. This results in information lags as well as in poor, and inaccurate, real-time reporting to the Board. Further, reports generated from the system often track awkward reconciliation points or contain incomplete or not user-friendly data. Accurate and usable reports are needed to make prudent budget and operational decisions. Special funds often have structural funding concerns, so understanding cash balances and expenditure status is essential. Board staff, as a result, often manually track unresolved Fi\$Cal issues in hopes of providing better real time data to executive level managers. This adds significant staff time, and the manual preparation of reports outside of the system opens the Board up to a larger opportunity for making unintended errors.

Control: Elevating Issues to DCA

The Board is in communication with DCA on a regular basis to resolve open items which include posting corrections, programming concerns, and report suggestions within the system.

CONCLUSION

The California Board of Podiatric Medicine strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Brian Naslund, Executive Officer

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