

March 25, 2022

Lourdes M. Castro Ramirez, Secretary
California Business, Consumer Services and Housing Agency
915 Capitol Mall, Suite 350-A
Sacramento, CA 95814

Dear Secretary Lourdes M. Castro Ramirez,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California State Board of Pharmacy submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

Should you have any questions please contact Anne Sodergren, Executive Officer, at (916) 518-3110, Anne.sodergren@dca.ca.gov.

GOVERNANCE

Mission and Strategic Plan

Mission and Strategic Plan

Mission Statement

The Board of Pharmacy (Board) protects and promotes the health and safety of Californians by pursuing the highest quality of pharmacist's care and the appropriate use of pharmaceuticals through education, communication, licensing, legislation, regulation, and enforcement.

Strategic Goals:

LICENSING

The Board promotes licensing standards to protect consumers and allow reasonable access to the profession.

ENFORCEMENT

The Board protects consumers by effectively enforcing laws, codes, and standards when violations occur.

LEGISLATION AND REGULATION

The Board pursues statutes, regulations, and procedures that strengthen and support the Board's mandate and mission.

COMMUNICATION AND PUBLIC EDUCATION

The Board educates consumers, licensees, and stakeholders about the practice and regulation of the profession.

ORGANIZATIONAL DEVELOPMENT

The Board provides excellent customer service, effective leadership, and responsible management.

Control Environment

The Board has established Workplace Guidelines and Staff Expectations that are reviewed and acknowledged by each employee. These guidelines and expectations are intended to communicate to Board staff how they shall conduct themselves in the workplace. Any changes to the guidelines or expectations must be preapproved by management. Board management and staff should have the same understanding concerning these expectations. If staff have any questions concerning these guidelines, they can consult with their immediate supervisor.

As a result of the COVID-19 pandemic, Board management developed and maintains a COVID-19 response plan as well as abides by county, state, and federal safety requirements. Management staff participated in required mandatory training on Managing a Hybrid Workforce.

The Board follows the policies and procedures implemented by the Department of Consumer Affairs (Department or DCA) including Information Security, Conflict of Interest, and Sexual Harassment Prevention policies.

Oversight is provided by a Board, outside entity, or top executive

The Board consists of 13 members who are appointed to four-year terms. Members can serve only two terms. The governor appoints seven registered pharmacists who reside in different parts of the state and four public members. The Senate Rules Committee and the Speaker of the Assembly each appoint one public member. Public members are not licensed by the Board.

Members of the Board appoint the executive officer who directs the Board's operations and oversees staff, including field inspectors who are registered pharmacists.

The Board maintains an up-to-date organizational chart that clearly identifies the chain of command for each component of the Board. Each managerial position has a specific duty statement that outlines the level of responsibility, authority, and duties.

As determined by law, the Board submits a Sunset Review Report to the California State Legislature. This report outlines various recommendations from the appointed Board members and executive officer.

The Board is a quasi-autonomous entity with budget and personnel oversight provided by DCA; Business, Consumer Services and Housing Agency; and the Department of Finance.

The entity ensures appropriate levels of responsibility and authority, and documentation of internal control systems

DCA makes available the services of the Internal Audit Office to all programs within DCA. DCA Internal Audit Office assists in the following ways:

1. Reviews policies and procedures as well as any laws and regulations applicable to the operations.

2. Interviews management and staff.
3. Conducts attribute sampling of transactions performed by the Board.
4. Provides meaningful feedback to management on strengths and deficiencies with the Board.

Establishing and maintaining a competent workforce

The efficiency of the organization requires establishing and maintaining a competent workforce. This is done through recruitment and training of staff to maintain the skill level and knowledge to sustain high performances.

- Utilize internal and external training resources including training plans for newly hired staff.
- Address significant changes with staff.
- Provide training when there are changes in workforce skills needed to accomplish the job.
- Provide training in line with job requirements.
- Announce staff achievements, including new staff, staff promotions and milestones reached in state service.
- Provide staff with opportunities for cross-training and upward mobility.

Personnel need to possess and maintain a level of competency that allows them to accomplish their assigned responsibilities, as well as understand the importance of effective internal controls. Holding individuals accountable to established policies by evaluating personnel's competence is integral to attracting, developing, and retaining individuals.

Management evaluates competence of personnel across the entity in relation to established policies. Management acts as necessary to address any deviations from the established policies.

The Board maintains morale through team meetings and team-building activities. Management coaches and fosters upward mobility through mentoring. The Board uses detailed onboarding plans and provides feedback both informally and formally through probation and annual performance appraisals. Management leads by example.

Management evaluates performance and enforces accountability

The Board utilizes a performance appraisal process that assesses an employee's job performance and productivity in relation to established criteria and organizational objectives. The manager/supervisor may consider other factors, including, but not limited to behavior, accomplishments, potential for future improvement, strengths and weaknesses, etc. The performance appraisal should reflect the employee's performance for the previous 12 months, inform them of the managers'/supervisors' expectations, and advise them if the expectations are met.

The Individual Development Plan (IDP) is used for permanent employees who have passed their probationary period to establish personal objectives and develop a plan for achieving professional growth, career mobility, and/or future career changes. IDPs are encouraged but not required. Annual performance appraisals are required to review staff's performance and provide input to staff.

Managers/supervisors are required to notify eligible employees of the opportunity to submit an IDP at least on an annual basis.

The IDP identifies specific methods by which the employee can accomplish the performance objectives through the identification of training opportunities and goals.

Information and Communication

Information requirements are established and met with reliable and relevant sources

Management at the Board and DCA disseminates information about the operational processes to personnel to help them achieve the Board's objectives.

Additionally, management receives information about the operational processes that flows up the reporting lines from personnel to help management achieve and determine if the Board's objectives are being met. As information reaches each level, both going up and down the chain of command it is evaluated for its reliability and relevance to the appropriate units within the Board.

Finally, the appointed 13-member oversight body receives information on the operations of the Board from the executive officer. Information is also reported as part of quarterly meetings. Information relating to internal controls communicated to the oversight body include significant matters about adherence to, changes in, or issues arising from the internal control system.

Quality information is communicated to internal parties within the entity

Internal communication is established through senior managers meetings, all staff meetings, team meetings, and one-on-one meetings to provide feedback.

Management obtains statistical data obtained from internal systems and disseminates it to senior and mid-level managers on a monthly and quarterly basis to identify trends, both positive and negative.

If a staff member has information that they believe is related to inefficiencies or inappropriateness within the Board, they are encouraged to share with managers or during team meetings. Further, policies of the DCA detail the appropriate means to report violations or other issues to the appropriate DCA office as applicable.

Quality information is communicated to external parties

The Board, through its Public Information Officer, currently uses its website, an email alert system, and social media (Twitter) to communicate reliable and relevant information to the licensee population and general public.

The Board hosts public meetings, through various committees and the Board meetings. Licensees and the general public are able to comment on agenda items and request items/topics be discussed at future meetings. The Board publishes a newsletter and develops informational material for consumers and licensees. Such information is made available on the Board's website.

Board staff provides training seminars, conducts presentations, and briefings to the licensee population throughout the year.

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 State Board of Pharmacy monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Maryjo Tobola, SSMII; and Julia Ansel, Chief of Enforcement.

The executive officer is ultimately responsible for management of the plan with responsibilities as the executive monitoring sponsors delegated in part to: Julia Ansel, Chief of Enforcement and MaryJo Tobola, Staff Services Manager II.

Monitoring activities are performed, documented, and measured against a baseline

Management has established monitoring activities to monitor the internal control system and evaluate the results. An example of this is the volume of work. For the Board, prime areas of focus include, the number of licensing applications, processing times, issuance of licenses and completion times of investigations. Through the establishment of timelines for completion of workload in most units, management evaluates the efficiency of the unit, the need to increase the workforce and review the workflow process to determine if the action system that has been established is the most efficient and accurate.

Some baseline goals are adopted from DCA's performance measures. As an example, the DCA has a 10-day target timeframe from the date the complaint is received until the matter is assigned for investigation or otherwise closed. DCA's target time for case investigations not transmitted to the Attorney General is 210 days, which includes both intake and investigation.

The Board is currently developing its new Strategic Plan that will include action plans to achieve strategic objectives.

Management evaluates results and ensures appropriate corrective actions are implemented and documented.

Investigative data is available for review. Internally, management reviews various data and internal operations on a monthly basis to evaluate for successes or changes needed. Management provides the Board with quarterly and yearly statistical data for review and recommendations at committee and full Board meetings. Analysis is conducted to identify upward or downward trends. Senior management meets routinely to evaluate the data to adjust assigned workload if necessary, in an attempt to meet the established baseline goals. Lessons learned are integrated into processes as appropriate and norming sessions are held regularly to ensure standardization across the organizations.

Performance measures are available through the department's public website for certain areas of operations and licensing and investigation processing times are reported quarterly and posted on the Board's website. This documentation allows for full transparency.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California State Board of Pharmacy risk assessment process: executive management, middle management, and front line management.

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, and tolerance level for the type of risk.

Management identifies, analyzes and responds to risks

Executive and management staff meet and review Board operations on a weekly and monthly basis through team meetings and one-on-one meetings. These meetings are part of ongoing monitoring of activities across the Board. If managers or staff (through reporting to their respective manager) become aware of risks, challenges or issues that need to be addressed to ensure optimal functioning across the organization, these issues are addressed in these meetings and discussed as a group by the management staff.

There are times when risks or issues are identified at the staff level and then brought to management. In other instances, risks are identified by management. Risks are discussed openly with staff in unit meetings.

During Board and committee meetings, external stakeholders and Board members have the opportunity to discuss potential risks to the organization in an open, transparent public forum. In these settings, if a change needs to be made within the operations of the Board, staff takes direction from the 13-member Board on how to proceed. Such actions could include implementation of new activities, processes or procedures to mitigate the risk that has been brought to the Board's attention.

Significant changes are considered when identifying, analyzing and responding to risks

If the Board believes a risk jeopardizes its vision, mission, strategic plan, goals or objectives, it will be addressed. If the risk is in the Board's control to manage, the Board will consider changes to operations, procedures and processes to mitigate that risk. The Board's mandate is protection of the public and if a risk is evident that may have a potential impact to that mandate, the Board will act on it, as the tolerance level for risk is low when it comes to protecting the citizens of California.

RISKS AND CONTROLS

Risk: Risk: Budget Management and Expenditure Authority

The Board licenses and regulates approximately 140,000 licensees. The Board has experienced significant growth in expenditures over the past several years. Sources of increased

expenditures include staff salaries/benefits, enforcement related costs, and pro rata. The Board has very little control of the costs incurred by the Office of the Attorney General and pro rata costs incurred. Further, salary and benefits are negotiated through collective bargaining and ratified by the Legislature. The Board's current authorized expenditures do not sufficiently support the Board's personnel and operating expenses resulting in annual operational challenges. The Board has struggled to close the gap.

Failure to mitigate this risk will result in the Board's inability to meet its consumer protection mandate, potential over-expenditure, or financial insolvency.

Control: Controls: Budget Management and Expenditure Authority

Control: Budget Monitoring

The Board is a self-funded organization and secured a fee increase in 2020. This increase in fees has provided for stability in the Board's fund; however, it did not address the budget challenges associated with underfunding in the Board's operational expenses. Delays in reporting stemming from the Fi\$Cal system create challenges with monitoring the Board's budget in real-time. The Board will continue to work with DCA to identify options for more real-time expense monitoring. As part of the purchase and contract process, staff routinely look for the lowest price for goods and services.

Control: Budget Augmentation

The Board will seek budget augments to right-size the Board's budget.

Control: Resource Projections

The Board is developing a five-year plan for organizational needs.

Control: Fee Audit

The Board is working to secure the necessary resources to complete a fee audit of the Board's expenditures.

CONCLUSION

The California State Board of Pharmacy 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.

Anne Sodergren, 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