

December 31, 2025

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Business, Consumer Services, and Housing submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Amy Manasero, Deputy Secretary, Fiscal Policy and Administration, at (916) 704-4006, Amy.Manasero@bcsh.ca.gov.

GOVERNANCE

Mission and Strategic Plan

BCSH provides strategic oversight, leadership, and coordination of 12 state entities that advance policies, regulations, and programs to protect consumers, promote and preserve affordable housing, prevent and end homelessness, and safeguard civil rights.

Agency Values:

- Accountability
- Collaboration
- Equity
- Leadership
- Service Agency

Strategic Goals:

Goal 1: Promoting Affordable Housing for All

Goal 2: Preventing and Ending Homelessness

Goal 3: Protecting Consumers

Goal 4: Safeguarding Civil Rights and Advancing Equity

Goal 4: Strengthening Engagement and Operational Excellence

Control Environment

Agency strives to provide continuous and ongoing monitoring efforts. An executive team was created and is involved in the risk assessment process. The executive team consists of eleven (11) Governor appointments, a Career Executive Assignment (CEA) and a Staff Services Manager III who oversee specific statewide program areas (i.e. administrative policy, information technology, fiscal policy, etc.) The executive team continually evaluates internal control systems to ensure that risks are adequately addressed. Experts in each program area discuss concerns in daily, weekly, monthly, quarterly and annual meetings and raise potential issues for consideration. Any critical items identified are evaluated for mitigation. The executive team is charged with enforcing accountability and assisting all levels of Agency's operational management with their oversight responsibilities for legal, ethical and regulatory compliance and performance obligations by:

- Engaging deputies and managers on performance accountability and in maintaining adequate operational internal controls.
- Overseeing the preparation, presentation and integrity of Agency's financial statements and financial reporting processes, policies and practices.
- Overseeing Agency's internal accounting systems and financial and operational controls.
- Management demonstrating the importance of integrity and ethical values by modeling the way through their directives, attitudes and behavior.
- Recruiting and developing a competent workforce (i.e. establishing hiring matrix, onboarding staff, providing training and providing clear performance and accountability expectations).

Information and Communication

Agency is actively engaged to reduce risk through ongoing monitoring and open communication. Agency issues emails, memorandums, and individually tailored meetings to address vulnerabilities and resolve issues before they have the potential to advance. The Executive team meets on a weekly basis and address the various issues of the agency and the departments that fall under the Agency's umbrella. If there are critical risks identified, they are addressed in those meetings and shared with the Governor's Office. Additionally, staff are encouraged to notify executive management if issues are discovered that should be addressed that would impact our mission. When new policies and procedures are established or updated, changes are communicated by email to all staff and if further clarification is needed, additional meetings can be scheduled as well as one-on-one meetings. The Agency actively communicates and shares appropriate risk issues with the legislature and external

stakeholders via in-person meetings, emails, phone calls, and through the legislative hearings process.

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 Business, Consumer Services, and Housing monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Melinda Grant, Undersecretary; Tomiquia Moss, Secretary.

Monitoring is an entity-wide, continuous process used to ensure that internal control systems function as intended.

To confirm the effectiveness of internal control systems, identify potential problems, and respond to vulnerabilities, the Agency will use the following processes:

Routine Monitoring Activities:

The executive team regularly analyzes key performance indicators to identify trends, bottlenecks, or processes that could be streamlined. The executive team also conducts check-in meetings to assess workload distribution.

Periodic Detailed Reviews:

Because of the Agency's small size, all staff, are familiar with day-to-day operations. State oversight entities conduct mandatory reviews to ensure objectivity and compliance with statewide policies.

Comparison of Results to Expectations:

If monitoring identifies deviations from expected performance or inefficiencies, the executive team will evaluate whether process improvements or workload adjustments are required. The deputy secretaries will present recommended corrective actions to the Undersecretary and Secretary and will notify the Governor's Office when issues have statewide policy implications.

Assignment of Ownership and Corrective Actions:

The Secretary and Undersecretary are responsible for assigning ownership of corrective actions to the appropriate staff—such as legal and administrative personnel—and ensuring that roles,

timelines, and expected outcomes are clearly defined. Staff receiving assignments are accountable for implementing corrective measures and reporting progress.

Monitoring Progress on Vulnerabilities:

The executive team will document vulnerabilities, track corrective actions, and measure whether changes are producing the intended effect. Progress will be reported to the Undersecretary, Secretary, and the Governor's Office, as appropriate.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Business, Consumer Services, and Housing risk assessment process: executive management, middle management, front line management, and staff.

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

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.

RISKS AND CONTROLS

Risk: Risk 1 - Workforce Resources, Training, and Competence During Organizational Restructure

In accordance with the enacted 2025 Governor's Reorganization Plan, the Agency is being restructured. The Business, Consumer Services and Housing Agency will be split into two separate organizations, effective July 1, 2026. The Agency's focus is on creating a unified, streamlined, efficient, and fiscally responsible organization. The Agency regularly assesses staffing needs to meet the evolving nature and demands of the environment in which we do our work. As such Agency must adjust to relevant operational and administrative needs to successfully implement this organizational restructure.

Inadequate staff resources, training, knowledge, and competence pose a risk to the implementation of this organizational restructure, including departmental oversight responsibilities, streamlining existing policies and programs, and operationalizing these new policies and organizations, all in a timely manner.

Control: Control 1 Resource Identification

Through ongoing programmatic oversight and evaluation, the Agency will determine if it has the appropriate resource allocation to meet its mission. The Agency will continue to annually assess its resource needs and utilize the administrative, budget, and legislative process to request resources to meet these needs.

Risk: Risk 2 - Key Person Dependence

Agency is comprised of eleven Governor appointees, 14 permanent civil service employees. Due to the small number of staff, the agency is at risk of not having sufficient institutional knowledge and experience in key program areas when employees leave. It is difficult to develop/implement a succession plan that fully meets its needs. Agency has been able to develop a workforce plan/succession for its civil service employees/positions and is attempting to incorporate the appointees; however, it continues to be a difficult task to complete. Governor appointees serve at the pleasure of the Governor. An appointed incumbent can be replaced immediately without advanced notice.

Control: Development of Key Leadership Roles

Agency is at risk if there were a significant simultaneous loss of appointed staff. Agency's executive team continues to cross-train permanent staff on internal processes, provide leadership training to the permanent management staff to ensure that they are prepared to step-in to a leadership role during the interim of vacated appointments.

Control: Continuous Communication with the Governor's Appointments Office

The Governor's Office is the appointing power for the eleven Deputy Secretary positions. The Agency Secretary and Undersecretary work closely and on a continuous basis to help mitigate this risk.

Control: Training and Development

A key element to developing workforce capacity and employee retention is training and development. While the Agency has made progress in this area, such as providing additional resources to increase access and provide additional employee development and training resources, continually assessing specialized training needs for each position, distributing weekly updates to all staff, and hiring permanent civil service team members to support governor appointee's, the Agency will continue to take active steps to continue to cross train and educate the entire team on processes, policies, and oversight activities. This includes working with the Equal Employment Opportunity Office to strengthen the Upward Mobility Program, building on business processes to clearly define expectations and workplace procedures, and developing a New Employee Orientation Training.

CONCLUSION

The Business, Consumer Services, and Housing 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.

Tomiquia Moss, Secretary

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