

December 29, 2023

Melinda Grant, Undersecretary  
California Business, Consumer Services and Housing Agency  
500 Capitol Mall, Suite 1850  
Sacramento, CA 95814

Dear Undersecretary Melinda Grant,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Contractors' State License Board submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Michael Jamnetski, Chief Deputy Registrar, at (916) 255-2798, michael.jamnetski@cslb.ca.gov.

## **GOVERNANCE**

### **Mission and Strategic Plan**

#### **GOVERNANCE**

##### **Mission and Strategic Plan**

The California legislature established CSLB in 1929 as the Contractors' License Bureau under the Department of Professional and Vocational Standards. Today, CSLB is part of the Department of Consumer Affairs (Department or DCA).

The CSLB is responsible for licensing and regulating California's construction industry. Today, there are over 282,000 licensed contractors in the state.

#### **BOARD STRUCTURE AND FUNCTIONS**

CSLB's 15-member Board directs administrative policy for the agency's operations. The Board includes 10 public members (including one labor representative, one local building official, and one representative of a statewide senior citizen organization), and five contractors. Appointments are made by the Governor and the State Legislature.

The Board appoints, with the approval of the Director of the Department, the Registrar of Contractors (Registrar), who directs administrative policy for CSLB's statewide operations.

The Registrar oversees a staff of more than 400 employees who work at CSLB's headquarters in Sacramento and at field offices throughout the state.

#### **CSLB'S MISSION & VISION**

##### **MISSION**

CSLB protects consumers by regulating the construction industry through policies that promote the health, safety, and general welfare of the public in matters relating to construction. The Board accomplishes this by:

- Ensuring that construction is performed in a safe, competent, and professional manner;
- Licensing contractors and enforcing licensing laws;
- Requiring licensure for any person practicing or offering to practice construction contracting;
- Enforcing the laws, regulations, and standards governing construction contracting in a fair and uniform manner;
- Providing resolution to disputes that arise from construction activities; and
- Educating consumers so they can make informed choices.

## **VISION**

CSLB is a model consumer protection agency, integrating regulatory oversight of the construction industry as necessary for the protection of consumers and licensed contractors.

## **STRATEGIC PLAN**

CSLB utilizes DCA's SOLID Training and Planning Solutions Unit to provide strategic planning services, most recently in developing the Board's 2022-2024 Strategic Plan.

Representatives from SOLID met with Board members, the Registrar, and Chief Deputy Registrar to discuss the planning method, strategic planning goal areas, and target dates. Also, an electronic survey was conducted to gather input from Board members, staff, and stakeholders.

As part of the strategic planning process, SOLID conducted one-on-one interviews with Board members to identify strengths, weaknesses, internal and external threats, and opportunities. SOLID also garnered input from the Registrar, Chief Deputy Registrar, and senior staff.

SOLID conducted an environmental scan which involves a compilation and analysis of the data from the interviews, focus group discussion, and electronic survey results.

In 2022, the Board completed development of its new 2022-24 Strategic Plan, which was formally approved at its March 2022 meeting. The plan was a joint effort between Board Members and staff and included public input. As part of the strategic review process a survey of Board Members, staff, and stakeholders was conducted. Objectives were developed in the areas of Enforcement, Executive, Legislative, Licensing and Testing, and Public Affairs. Strategic plan objectives are reviewed, and progress is reported at Board and committee meetings. Copies of strategic plans since the last Sunset Review are available on CSLB's website. In addition, the Board annually prepares and distributes an Accomplishments and Activities Report, which are available on the Reports page of CSLB's website.

## **Control Environment**

### **Control Environment**

CSLB provides an effective control environment. CSLB establishes and demonstrates integrity

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and ethical values (core values, codes of conduct, ability to report ethical concerns, etc.) in day-to-day operations and is built into the organization. These core values, codes of conduct, and organizational structure include the following.

## BOARD STRUCTURE AND FUNCTIONS

CSLB's 15-member Board directs administrative policy for the agency's operations. Appointments are made by the Governor and the State Legislature.

CSLB currently has five standing Board Committees that perform various functions.

- **Licensing Committee:** Ensures that all applicants and licensees meet minimum qualifications to provide construction services.
- **Enforcement Committee:** Helps reduce, eliminate, or prevent unlicensed activity and unprofessional conduct that pose a threat to public health, safety, and welfare.
- **Public Affairs Committee:** Educates consumers about making informed choices related to construction services and provides information to licensed contractors so they can improve their awareness of contracting laws and their technical, management, and service skills.
- **Legislative Committee:** Ensures that statutes, regulations, policies, and procedures strengthen and support CSLB operations.
- **Executive Committee:** Enhances organizational effectiveness and improves the quality of service in all programs.

The Board-appointed Registrar directs administrative policy for CSLB's statewide operations.

The Registrar oversees a staff of more than 400 employees who work at CSLB's headquarters in Sacramento and at field offices throughout the state. CSLB protects and serves California consumers while ensuring a competent and fair marketplace. CSLB helps consumers learn how to protect themselves from unscrupulous and unqualified individuals.

CSLB also protects professionals from unfair competition by unlicensed practitioners. CSLB management always bears in mind that the Board is here to support delivery of those activities contributing to the protection and education of others.

CSLB works closely with the various units of DCA to identify, hire, train, and retain a competent workforce including supervisors and managers. CSLB supervisors and managers have direct contact with employees who they supervise. Supervisors and managers report to the various division chiefs and ultimately to the Chief Deputy Registrar and Registrar of the Board.

The CSLB executive office issues a memorandum to all CSLB supervisors and managers that defines supervisor/manager expectations. These expectations are issued annually. The CSLB executive office recognizes that effective supervision is a foundation of a successful organization. The memorandum affirms that CSLB supervisors and managers bear significant responsibility, accountability, and authority within the organization. These expectations ensure that CSLB's and DCA's goals are met while adhering to CSLB's values of Accountability, Consumer Protection, Customers Service, Innovation, Integrity, Diversity, and Leadership.

CSLB expects supervisors and managers to:

- Establish strategies, objectives, and action items to achieve CSLB/DCA/Business, Consumer Services and Housing Agency goals, seek to improve current processes, use work plans for assigned tasks and project management, and meet established due dates.
- Hold regular staff meetings to clearly communicate goals and objectives, manage workload, and keep staff apprised of information they need to perform their jobs.
- Keep the respective chain of command informed of issues and problems as soon as they become aware that they may have a significant impact on a CSLB program, DCA, involved control agencies, or management at an executive level. Examples include issues that may result in litigation, issues that have DCA-wide impact, are the subject of investigations, or those that are politically sensitive.
- Manage the allocation of resources and work within that allocation. They must keep their chain of command informed if the program for which they are responsible is exceeding its assigned resources, or not meeting assigned goals as soon as they are aware of the problem.

## **VALUES**

CSLB's values include:

- Being responsive and treating all consumers and contractors fairly;
- Focusing on prevention and providing educational information to consumers and contractors;
- Embracing technology and innovative methods to provide services; and
- Supporting a team concept and the professional development of staff.

## **Information and Communication**

### **Information and Communication**

CSLB has several processes to collect and communicate relevant and reliable information needed for operational, programmatic, and financial decision making. This includes communication channels across staff and management, organizational lines, and external stakeholders.

### **CSLB STAFF MEETINGS**

All CSLB division chiefs, supervisors, and managers are required to hold regular staff meetings. The purpose of these meetings is to clearly communicate goals and objectives, to manage workload, and to keep staff apprised of information they need to perform their jobs. These staff meetings are also used to collect feedback and allow employees an opportunity to report inefficiencies to management.

### **PUBLIC MEETINGS**

CSLB holds regularly scheduled public meetings throughout the state on policy setting, legislative, and regulatory matters. These meetings provide the public an opportunity to comment on agenda items and other issues. CSLB maintains a "Board Meetings" page on its website to publicize agenda and background materials for all committee and board

meetings. Agendas are posted to the website at least 10 days prior to the meeting. In addition, this website section includes archive video of all meeting webcasts. Board and committee meeting materials are usually posted online within one week of a meeting. All posted meeting materials remain online indefinitely. Draft meeting minutes are not posted online; final minutes are posted after approval by the Board at its next quarterly meeting. Meeting minutes are not removed and remain available online indefinitely. CSLB also maintains an extensive "Newsroom" page on its website, which includes links to all news releases, consumer alerts, industry bulletins, and licensee newsletters. The newsroom page also includes CSLB-produced videos.

All CSLB Board and Committee meetings are webcast, except the strategic planning meeting and the rare closed session Board meeting, unless technical difficulties preclude a webcast. In April 2016, CSLB became the first DCA regulatory board to provide real-time live captioning of its meeting webcasts. All webcasts are posted to CSLB's YouTube Channel and remain online indefinitely. The Board's meeting calendar is included as an agenda item at Board meetings. CSLB's "Board Meetings" website page is updated with upcoming meeting information as soon as it becomes available.

### **CONSUMER SATISFACTION SURVEY**

The CSLB consumer satisfaction survey is delivered through an online survey service. Surveys are sent monthly to all complainants who provide an email address, with an average response rate of 20% over the last four years. The eight questions employ a seven-point agreement scale. The ratings have remained constant over the years. Consistently, the highest ratings are received in response to the question about courteous treatment and the lowest ratings for the question about the action CSLB ultimately took in response to the complaint. CSLB collects and reports consumer satisfaction data by calendar year.

### **SOCIAL MEDIA**

CSLB continues to expand its presence on social media to reach consumers, licensees, the news media, and other stakeholders. CSLB has seen continued growth in the number of followers on Facebook, Twitter, YouTube, LinkedIn, Nextdoor, and Instagram.

### **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 Contractors' State License Board monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: David Fogt, Registrar; Michael Jamnetski, Chief Deputy Registrar.

### **MONITORING**

The role of the executive monitoring sponsor includes facilitating and verifying that the Board's monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to David Fogt, Registrar and Alex Christian, Staff Services Manager I.

Mr. Christian works closely with the CSLB Registrar, Chief Deputy Registrar, and all division chiefs to ensure that all activities are performed, documented, and measured against the appropriate baselines. Mr. Christian ensures that all levels of CSLB management evaluates results and ensures appropriate corrective actions are implemented and documented.

Mr. Christian works with all CSLB division chiefs to identify risks and assigns ownership to processes that address vulnerabilities identified through monitoring. This includes comparing results to expectations to determine if change is needed.

Monitoring activities include routine and periodic verification performed by CSLB division chiefs and executive staff and reporting the progress to reduce the identified vulnerabilities.

The CSLB executive sponsor also works closely with the Department's Internal Audit office to ensure compliance with all risk management practices and requirements.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Contractors' State License Board risk assessment process: executive management, middle management, front line management, and staff.

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

The following criteria were used to rank risks: likelihood of occurrence, and potential impact to mission/goals/objectives.

## **RISKS AND CONTROLS**

### **Risk: Risk 1**

## **RISKS AND CONTROLS**

### **Risk: Allocation of Resources for Underground Unlicensed Activity and Disaster Response**

Wildfire and other disaster response is an essential annual function for many California State agencies. For CSLB, this means ensuring effective resources to timely perform outreach to disaster survivors, collaborate effectively with other state agencies, local building departments, and law enforcement; and perform timely investigation of consumer complaints that often include unlicensed practice and egregious contracting activity.

There is an annual increase in the need for CSLB staff to dispatch to assistance centers and respond to disaster-related consumer complaints. Between 2014-2018, CSLB received an average of 24 disaster-related consumer complaints a year. Between 2018-2022 this number increased to 180 a year. From fiscal year (FY) 2018 through 2023, CSLB was asked to attend 45 assistance centers, averaging 1,443 personnel hours at centers each FY. In FY 22-23 alone, CSLB attended 47 centers at 10,284 personnel hours.

A related concern is unlicensed predatory contractors taking advantage of the lack of licensed contractors available for rebuilding in remote areas of the state. The scope of unlicensed practice in California is difficult for CSLB to estimate since transactions are not

formally reported or documented. CSLB is only aware of the unlicensed activity that is reported to the Board or that CSLB proactively investigates which nonetheless constitutes over 20% of its workload (4,397 complaints out of 20,595 in the year 2022). CSLB needs to understand the scope of unlicensed practice in California to properly allocate resources and is unaware of a study that evaluates the scope of the problem as it relates to unlicensed construction contractors.

There is a risk to CSLB's mandate of consumer protection and mission to educate and inform the public if available resources are ineffective to address unlicensed activity and CSLB's obligations in declared disaster areas: removing bad contractors from the marketplace and being available to educate consumers trying to rebuild.

### **Control: Control 1**

#### **Control: Evaluate the Scope of the Problem and Resource Needs**

In December 2022, the Board approved \$75,000 for the hiring of a consultant to analyze the resources needed to effectively respond to consumer protection issues in the matters of CSLB response in declared disaster areas (staffing assistance centers and responding to construction complaints).

On October 5, 2023, the Request for Proposal (RFP) was released. The requested areas for study:

Conduct research to determine the scope of unlicensed contracting in California and the CSLB's ability to address:

1. Methods of encouraging individuals to apply for a license;
2. Methods for outreach to local government and communities where unlicensed practice is more prevalent;
3. Analysis of need for increased outreach and/or enforcement staffing in these issue areas.
4. Conduct research to determine CSLB resource needs to effectively respond to consumer protection needs relating to declared natural disasters (wildfire, flood, earthquake, and other disasters) in California to include:
  1. Analysis of CSLB ability to staff disaster recovery centers (DRCs/ federal and state) and local assistance centers (LACs/state and local);
  2. Evaluation of resource needs and allocation to provide a timely response to disaster related egregious and/or criminal activity.

On November 23, 2023, the bidding period closed. The contract is expected to be effective on January 1, 2024, and should conclude by December 31, 2024.

### **CONCLUSION**

The Contractors' State License Board 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.

**David Fogt, Registrar**

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