

October 09, 2017

John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. John Laird,

In accordance with the State Leadership Accountability Act (SLAA), the San Joaquin River Conservancy submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Melinda Marks, Executive Officer, at (559) 253-7324, Melinda.Marks@sjrc.ca.gov.

BACKGROUND

The San Joaquin River Conservancy is a regionally governed state agency within the California Natural Resources Agency formed by the Legislature to implement and manage the San Joaquin River Parkway, a planned 22-mile regional natural and recreation area in the floodplain extending from Friant Dam to Highway 99. The Conservancy's statutory mission includes acquiring approximately 5,900 acres from willing sellers; developing and managing those lands for public access and recreation; and protecting, enhancing, and restoring riparian and floodplain habitat.

The Conservancy has three staff, consisting of the Executive Officer and two support staff. Administrative support services, including fiscal support services (budgeting, accounting, contracting, grants, and procurement controls) are provided to the Conservancy through contracts with the Department of Parks and Recreation (DPR) and Wildlife Conservation Board (WCB) to ensure compliance with State requirements and procedures. The risk assessment of those functions is provided through those agencies' SLAA reporting. Neither of these two State entities have indicated any risks associated with their controls over Conservancy programs, and no risks associated with these service providers were identified by the Conservancy during this risk assessment process. There is redundancy and communication among the agencies, ensuring all records of activities are reconciled. The Conservancy's and WCB's responsibilities are delineated in a Memorandum of Understanding, and an administrative service contract is in place with DPR.

ONGOING MONITORING

As the head of San Joaquin River Conservancy, Melinda Marks, Executive Officer, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

EXECUTIVE MONITORING SPONSOR(S)

The executive monitoring sponsor responsibilities include facilitating and verifying that the San Joaquin River Conservancy internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Melinda Marks, Executive Officer.

MONITORING ACTIVITIES

The Conservancy's ongoing monitoring is performed by the Executive Officer (EO), who has management control and responsibility for all programs, operations, and assets (as described in the Job Duty statement and Delegation of Authority). Since all activities of Conservancy staff are directly performed, or directly authorized, approved, and supervised by the EO, with no other supervisory or management staff in the organizational structure, monitoring consists of day-to-day oversight and ongoing internal review and close supervision by the EO of all business and program activities. Internal control systems are tightly integrated, without elaborate hierarchy and chain of command, and often communicated task-by-task and one-on-one. The Executive Officer communicates with and provides review of all staff's tasks and work progress, and sets priorities as necessary. The Executive Officer oversees and approves all operations, including fiscal authorizations; contract development, execution, and processing; state reports; project management; land negotiations; public relations and media; and policy and Board management.

ADDRESSING VULNERABILITIES

The Executive Officer ensures that the three staff members are assigned tasks as necessary for operations and as appropriate for their job duties, including tasks necessary to address risks. The EO personally and closely monitors the performance of assigned tasks and provides guidance and correction as tasks are completed. There are no supervisors or mid-level managers. The Executive Officer on an on-going basis oversees all agency and staff processes, activities, and tasks, makes all required authorizations, and determines additional measures to mitigate any risks. The Executive Officer makes a determination of the next steps—analyses, corrections, management measures, etc.—immediately upon the identification of a deficiency.

COMMUNICATION

All policies are communicated to staff by the EO through one-on-one communications, memos, review of documents prepared by staff, emails, and staff meetings. Any formal practices and procedures that are not already documented in the SAM, State contracts manual, etc., are made in writing and filed in hard copy and computer files. Office procedures are documented in an office procedures manual.

ONGOING MONITORING COMPLIANCE

The San Joaquin River Conservancy 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 San Joaquin River Conservancy systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the San Joaquin River Conservancy risk assessment process: Executive Management, and Staff.

RISK IDENTIFICATION

The Conservancy risk assessment was performed by the Executive Officer (EO), who has management control and responsibility for all programs, operations, and assets. Since all activities of the Conservancy are directly performed, or directly authorized, approved, and supervised by the EO, with no other supervisory or management staff in the organizational structure, this risk assessment consisted of an internal review by the EO of all business and program activities, and identification and

prioritization of potential risks within the categories provided based on 16 years of experience in managing the Conservancy. Staff were individually consulted to brainstorm gaps in the Conservancy's procedural protections.

RISK RANKING

Risks that cannot readily be resolved through ongoing communications and are outside the direct control of the agency are prioritized in this report, and ranked accordingly. For example, some risks are inherent in managing a program with such limited staff; this limitation is accepted as a given, and recommendations focus on improving conditions within existing resources.

RISKS AND CONTROLS

RISK: OPERATIONS -EXTERNAL-FUNDING—SOURCES, LEVELS

State property under the jurisdiction of the Conservancy which is not developed and open to the public for recreation is often subject to vandalism, public safety concerns (e.g., unlawful activities by transients, unauthorized hunting), and harm to habitat (wood cutting, trash accumulation, illegal dumping), without timely or adequate recourse by the Conservancy.

Funding appropriated for Conservancy purposes includes capital improvements, acquisitions, administration and Board support, and planning. State funding is not available to operate and maintain State property under the Conservancy's jurisdiction. Properties in close proximity to urban areas receive a tremendous amount of abuse.

Repairs, maintenance, and public safety oversight are minimal and delayed.

CONTROL A

The Conservancy works to create partnerships with local agencies and nonprofits to support Parkway services. State properties managed under the Conservancy's jurisdiction are closed to the public when and where there are not adequate resources for public access and recreation, and to protect natural resources and public safety. The Conservancy coordinates with the California Highway Patrol state security officers, DFW game wardens, and local enforcement authorities.

RISK: OPERATIONS -EXTERNAL-STAFF—RECRUITMENT, RETENTION, STAFFING LEVELS

There is no succession capacity for the Executive Officer position. Staff turnover at the administrative support level is relatively high.

Staffing levels—three total staff—are minimal relative to the statutory obligations and expectations, workload, etc. The Conservancy has management responsibility for over 2500 acres of State-owned land; more than 12 ongoing capital improvement projects, local assistance grants, and land negotiations; policy and plan development; and partner liaison development. The Conservancy is responsible for properly allocating and expending a remaining balance of \$29 million in Proposition 40 and 84 funds, and \$7 million in Proposition 1 funds.

Since there are no mid-level supervisory or management positions within the Conservancy, turnover is high as support staff transfer to other agencies for promotions, and there is no internal capability to develop experienced management staff.

CONTROL A

The Conservancy uses bond fund program delivery funds to support its capital outlay program, reimbursing the WCB for 1 PY for support services. The Conservancy develops partnerships with other agencies and nonprofits that share the Conservancy's goals and objectives.

RISK: OPERATIONS -EXTERNAL-FRAUD, THEFT, WASTE, MISCONDUCT, VANDALISM

There have been no instances of fraud, theft, waste, or misconduct. Vandalism, external to the organization (i.e., by the public), is a significant drain on the quality of San Joaquin River Parkway facilities and assets, including lands and facilities owned by the State and other public Parkway lands supported by grants from the Conservancy.

Vandalism is a criminal activity, and is not often conducted in view of the public or enforcement agencies. Vandalism on conservation lands is often associated with transient, illicit camping.

Hazardous conditions occur, such as open fires and other fire hazards, destruction of habitat, unsanitary wastes, and destruction of signs, gates, and fences intended to inform people that access is prohibited.

CONTROL A

Nonprofit and local agencies have access licenses to Conservancy properties to provide volunteer stewardship services, which address some illegal dumping and repairs. They are required to provide site condition reports, providing important oversight information. Conservancy staff make periodic routine site visits and document site conditions. Funds from long term leases on Conservancy-managed property are appropriated to and used by the Conservancy to provide fundamental property management, including repairs.

RISK: OPERATIONS -INTERNAL-STAFF—KEY PERSON DEPENDENCE, WORKFORCE PLANNING

If the Executive Officer position becomes vacant, there are no middle management staff that can assume delegated authorities, or that have management and executive policy-level expertise.

The organizational structure of the agency does not provide a ladder for increasing professional skills from support staff, through mid-level management, to gain experience necessary to fulfill the Executive Officer role.

During the absence of or recruitment for an EO, operations will be delayed; policy development, leadership, new initiatives will be postponed. Key programs, such as development of capital outlay and local assistance grant projects, will be significantly hindered.

CONTROL A

The Executive Officer must keep complete records so that an external successor can assume the responsibilities with a smooth and fully-informed transition. To the extent possible, support staff must have exposure to and understanding of the broad policies, responsibilities, programs, requirements, and processes of the agency.

RISK: OPERATIONS -INTERNAL-PHYSICAL RESOURCES—MAINTENANCE, UPGRADES, REPLACEMENTS, SECURITY

Unaddressed safety hazards can occur on State-owned property under the Conservancy's jurisdiction.

Lack of adequate funding for property management.

The Conservancy has identified unfunded deferred maintenance within State properties the Conservancy manages.

CONTROL A

Properties are inspected routinely and deferred maintenance needs are identified. Some deferred maintenance funds were secured through a BCP in BY 16/17, and remain available for expenditure/encumbrance in BY 17/18. Risks to public health and safety are addressed to the extent possible within existing resources and through partnerships.

RISK: OPERATIONS -INTERNAL-STAFF—TRAINING, KNOWLEDGE, COMPETENCE

Personnel may not be fully informed of the breadth of State procedures they may be required to administer.

The Conservancy has a small staff, somewhat isolated from the broad support staff and expertise typical of large agencies.

Through work with the WCB and DPR support services, and legal counsel provided by the DOJ, occasional mistakes are corrected prior to becoming large problems.

CONTROL A

The Conservancy relies through agreements on administrative support services provided by Department of Parks and Recreation and Wildlife Conservation Board, which are consulted to ensure fiscal, procurement, contracts, etc. are in accord with State procedures. DPR and WCB provide support services to process Conservancy administrative tasks and secure their approval/implementation by Department of General Services, State Controller's Office, Department of Finance, etc. Staff have a working familiarity with the State Contracts Manual and State Administrative Manual. Staff has access to legal counsel through the DOJ.

RISK: OPERATIONS -EXTERNAL-OVERSIGHT OF OR PROGRAM COORDINATION WITH OTHERS

Service providers and grantees could fall short of their contractually required service and project commitments.

The Conservancy has vendors for various services and a concession agreement. Services are provided off-site at Conservancy-managed properties. The Conservancy manages dozens of Conservancy-awarded grants with state and local agencies and nonprofit organizations. There is a significant workload in supervising vendors, contractors, and grantees for the small Conservancy staff.

If there was inadequate oversight, unresolved problems could arise in terms of improper payments, lack of performance, public accountability, lack of adherence to policies, etc.

CONTROL A

All invoices require service reports. Staff performs periodic site inspections to ensure services are properly provided in accord with agreements. The Conservancy is actively involved in project implementation, including active coordination with project managers, review of work products, status reports to the Conservancy Board, and review of all invoices and requests for changes in scopes of work or budgets. The program is also supported by 1 PY at the Wildlife Conservation Board.

RISK: OPERATIONS -INTERNAL-OVERSIGHT, MONITORING, INTERNAL CONTROL SYSTEMS

With a staff of only three, in the temporary absence of any one staff person or the Executive Officer, there is no backup manager or supervisor to ensure proper performance and judgement, and there is no backup staff to perform the required function.

The Conservancy's staff consists of three personnel, with no redundancy of roles and responsibilities.

During vacancies or absences, work is disrupted to a level that would not occur within a larger staff and could result in a lapse of internal control.

CONTROL A

The Executive Officer meets often with each employee to discuss tasks, policies, procedures, and progress. Internal budget and task status reports are updated monthly.

CONCLUSION

The San Joaquin River Conservancy strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

The Conservancy, as an agency totaling 3 staff, has a tight management and team-work structure which allows all activities to be closely internally monitored and directed. However, due to the breadth of responsibilities for the staff, specific expertise in all State processes and procedures is not possible. Therefore, the Conservancy relies to a great extent on administrative support agreements with DPR and WCB, and legal guidance of the DOJ, for compliance with State fiscal, procurement, contracting, and regulatory requirements. Further, the limitations on resources creates risks in protecting State property assets under the Conservancy's management jurisdiction.

Melinda Marks, 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