

December 30, 2019

Wade Crowfoot, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Wade Crowfoot,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the San Diego River Conservancy 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 Dustin Harrison, Environmental Scientist, at (619) 645-3183, dharrison@sdrc.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The mission of the San Diego River Conservancy is to preserve, restore and enhance the San Diego River Area. This is accomplished by acquiring, managing and conserving land; and protecting or providing recreational opportunities, open space, wildlife species and habitat, wetlands, water quality, natural flood conveyance, historical/cultural resources and educational opportunities. One important Conservancy goal is to build, in conjunction with its partners, a River-long park and hiking trail stretching fifty-two miles from the River's headwaters near Julian to the Pacific Ocean. The Conservancy administers grants (Proposition 1 and 68) and operates environmental programs (invasive removal and San Diego Rivers Watershed Consortium) consistent with its statute and Strategic Plan Update (2018-2023) 6 program areas: 1) Conserve Land; 2) Support and Encourage Recreation and Education; 3) Preserve and Restore Natural Resources; 4) Protect and Preserve Cultural and Historical Resources; 5) Enhance Water Quality and Natural Flood Conveyance; 6) Expand the Organization's Capacity and Public Outreach.

Control Environment

The San Diego River Conservancy (Conservancy) sets the tone for the implantation and operation of all components of internal control. It starts with the ethical commitment of senior management, oversight by those in governance, and a commitment to competent employees.

The five principles are as follows:

Principle 1 – A commitment to integrity and ethical values.

First, and foremost, is that an entity must have the appropriate tone at the top for a commitment to ethics and doing business in compliance. It also means that an organization establishes standards of conduct through the Oath of Office or other baseline documents. The next step is to demonstrate adherence to this standard of conduct by management and individual employees and throughout the

Conservancy.

Principle 2 – The Governing Board Members exercise oversight of the development of internal control.

It is critical that a compliance reporting line go up through and to the Board. The Conservancy evaluates all organization structures and then moves to define the appropriate roles of compliance responsibility.

Principle 3 – The Conservancy’s management establishes with board oversight, structures, reporting lines and appropriate authorization and responsibility in pursuit of the objectives.

Principle 4 – Recruitment & Succession: The organization demonstrates a commitment to attract, develop and retain competent individuals in alignment with the objectives and skill sets and adheres to the Conservancy’s professional standard of doing business ethically and in compliance with state, federal and local laws. The Conservancy is currently developing a succession plan.

Principle 5 – The organization holds individuals accountable for their internal control responsibilities in the pursuit of the objectives above. The Conservancy must establish positions to do business ethically and in compliance, conform to performance metrics, and provide incentives (gift cards) and reward staff through the promotion process. The Conservancy’s internal controls will be able to identify and manage the compliance risks that cannot be effectively mitigated.

The Conservancy does not have the ability to allocate resources for recruitment efforts. Nevertheless, recruitment efforts align with the Conservancy’s strategic plan and annual work plan to ensure top talent is being recruited. Having the right people with the right skills helps to meet its strategic goals.

Eligible lists are created/maintained by state agencies on the basis of merit and fitness, and, as such, shall result from recruitment strategies designed to be as broad and inclusive as necessary to best meet the selection need (Cal. Code Regs., tit. 2, § 250).

The Conservancy’s Executive Officer engages in general recruitment and outreach programs to all individuals, including persons who are economically disadvantaged. California Government Code allows public sector employers to conduct outreach efforts with a recruitment goal to supplement word-of-mouth recruitment that should result in increasing diversity of the workforce (Gov. Code, §7400, subs. (3), (d), added by Stats. 2016).

Management evaluates staff performance daily by delegating appropriate work and cross checking for accuracy and completeness. This open communication allows for risks to be identified as well as cross training in the Fi\$Cal and ABCRS systems.

Information and Communication

All major decisions with relevant and reliable information are presented to the Governing Board in board materials as staff recommendations, or through presentations during public meetings and a quorum approves resolutions by majority vote. In the early stages of a grant program, guidelines are drafted to support the intent of a bond measure and applications are consistent with the Conservancy’s enabling legislation and strategic plan. Guidelines are sent for review and input is requested from board members, staff, management, other state and local agencies, partners and stakeholders and posted on the Conservancy’s and Natural Resources Agency’s website for a 30-day public review.

With open communication, staff meets and corresponds for regular updates with Board Members, grantees, stakeholders, partners and other agencies through email and phone calls. Conservancy encourages staff to notify management to report inefficiencies and inappropriate actions regarding the Conservancy's programs, projects, permits and fiscal duties.

Whenever feasible, meetings are held at the Conservancy's office or stakeholder's office to address any concerns related to operational, programmatic and financial issues of the Conservancy.

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 San Diego River Conservancy monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Julia Richards, Executive Officer; and Dustin Harrison, Environmental Scientist.

Requests for disbursements undergo scrupulous review which begins by date stamping, once received. The amount requested is recorded on Excel spreadsheets against total grant award to observe remaining balance and track progress. Program manager and analyst review supporting documentation and invoices to ensure accuracy. In some instances, dispute notifications are issued to grantees when additional information is requested or accounting errors are identified.

In one circumstance, expenses were ineligible because they were not project related (for example, tipping Lyft driver). Terms and conditions are frequented and if vulnerabilities are identified they can usually be corrected with amendments. One example includes a grantee unexpectedly delayed with rain events. This delay was corrected by extending performance period three months to compensate for inclement weather.

Periodically, the Conservancy's Executive Officer audits existing agreements to identify and address vulnerabilities and ensure compliance with rules, regulations, terms and conditions. Invoices are logged correctly and accounting matches state databases.

RISK ASSESSMENT PROCESS

The following personnel were involved in the San Diego River Conservancy 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, and timing of potential event.

The Conservancy's front-line management includes contract with State Coastal Conservancy (SCC) to maintain computer network, security firewall and assist with other Information Technology concerns. If fraudulent or suspicious emails are encountered, they are flagged and forwarded to SCC's IT Specialist

and the Conservancy notifies Natural Resources Agency's IT staff. Furthermore, any questionable requests or formal interviews are sent up the chain of command to be responded to appropriately.

RISKS AND CONTROLS

Risk: Complying with Grant Terms and Conditions

Conservancy grant terms and conditions can be lengthy; therefore, it is important potential grant applicants thoroughly review what is expected if they agree to receive funding. One example of anticipated events clearly described in the grant agreement is no "alteration of land other than what is approved in the scope of work." The conditions of the grant agreement required a 10 to 20-year agreement or the Conservancy may seek reimbursement for that portion of the project. If incidents like this occur unchecked on multiple occasions, the Conservancy would not be able to protect the state's investments in the San Diego region and accomplish its goals/objectives. Additionally, the Conservancy maintains permits for project implementation. Regular reporting, permit renewals and communication with authorizing agencies and partners has expanded the invasive vegetation removal program.

Control: Ongoing Monitoring

The Conservancy maintains organized files and folders (in hard copy and electronically) to accurately track each of its projects. With open communication between Conservancy staff and grantees, disputes are identified early and meetings are held as frequently as necessary to reduce issues that might prevent obtaining goals and objectives in the future. The Conservancy utilizes the invoice dispute notification when packages are submitted with errors or lack supporting documentation. It is the intent of ongoing monitoring to reduce potential risks associated with accounting, financing, project implementation and regulatory compliance. Also, to help mitigate this risk, controls are in place and practiced to allow the Conservancy to preserve, restore and enhance the San Diego River Area.

CONCLUSION

The San Diego 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 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.

Julia Richards, 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