

Memorandum

To: John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1300
Sacramento, California 98514

Date: December 31, 2015

From: John P. Donnelly, Executive Director, Wildlife Conservation Board
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(916) 445-8448 Fax (916) 323-0280

Subject: Review of the Systems of Internal Control

In accordance with the State Leadership Accountability Act of 2015, Government Code sections 13400 through 13407, I am submitting the enclosed report describing the review of our systems of internal control for the biennial period ended December 31, 2015.

As statutorily required, the Wildlife Conservation Board is partially in compliance with Government Code Section 13400 - 13407.

Enclosure

cc: Director of Finance, FISMAhotline@dof.ca.gov
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Wildlife Conservation Board

2015 SLAA REPORT

December 30, 2015

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

Dear Mr. Laird,

In accordance with the State Leadership Accountability Act (SLAA), the Wildlife Conservation Board submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Peter Perrine, Assistant Executive Director, at (916) 445-1109, peter.perrine@wildlife.ca.gov.

BACKGROUND

The Wildlife Conservation Board (WCB) is a separate and independent body of the State within the California Department of Fish and Wildlife (CDFW). WCB's mandates are in Fish and Game Code Section 1300 et seq. The California legislature created the WCB in 1947 to conserve California's wildlife resources and provide for suitable public recreation. As a result of its successful performance, WCB's role has expanded throughout its 68 years of service. In addition to fulfilling its original purposes, WCB is also responsible for implementing a variety of legislative and voter-approved conservation programs statewide. The agency awards grants to other State and local entities and non-profit organizations, and also acquires lands and property interests on behalf of the CDFW to protect wildlife habitats. WCB programs fund critical work of conservation partners throughout California, and focus primarily on acquisition of lands to conserve wildlife habitats (fee title and conservation easements), wildlife habitat restoration and enhancement, and development of wildlife-oriented public access facilities.

The Wildlife Conservation Board consists of three voting members: the Director of CDFW, the Director of the California Department of Finance, and the President of the Fish and Game Commission. Non-voting members include three advisors each from the State Assembly and the State Senate. WCB has 30.5 full-time staff members focused on land acquisition, habitat restoration, recreational public access, budget analysis and other program support activities. WCB is a relatively small entity and relies on the CDFW for several of its critical business functions including accounting services, business management, human resources and information technology services.

As a steward of California conservation dollars, WCB has consistently managed their role and responsibilities effectively and efficiently and has repeatedly earned the respect of consecutive administrations, legislatures, and the statewide conservation community through a history of performance. WCB has achieved this long standing excellent reputation by continually reinforcing an established core set of values and fostering high standards of professionalism that starts with management and is communicated to all staff and through all operational activities. WCB has well defined roles and responsibilities, established lines of authority, sufficient internal controls and strong lines of communication with internal and external partnerships.

RISK ASSESSMENT PROCESS

WCB management met to identify risks that could adversely impact the WCB's ability to implement objectives and its overall mission. Further, management also reviewed the FISMA Report submitted for the prior biennial period and observations noted by the Office of State Audits and Evaluations during compliance audits of WCB grantees.

Risk statements were prepared, reviewed and then ranked, based on both the severity and possibility of occurrence. For the risks identified, related existing controls were identified that, if working as intended, would provide reasonable assurance that risks would be mitigated. In addition, management identified additional controls that upon implementation would further mitigate possible risks.

Consistent with SLAA requirements, in addition to complying with biennial reporting, the WCB will evaluate internal controls on an ongoing basis through regular and ongoing monitoring processes and, when detected, weaknesses will be corrected. The WCB will implement improved internal controls on an ongoing basis when risks are identified through an ongoing assessment and evaluation of the effectiveness of established internal controls. For this biennial reporting period, additional risks were identified during the risk assessment process; however, those identified are the highest ranked.

EVALUATION OF RISKS AND CONTROLS

Operations- External- Staff—Recruitment, Retention, Staffing Levels

RISK: Recruitment and Retention of Human Resources

The WCB is a complex yet small organization with 30.5 permanent full time staff, divided into three units, the Land Acquisition Unit, the Restoration and Development Unit, and the Administration Unit. Recruiting and retaining qualified staff is a critical need for WCB due to its complexity and important role in protection, restoration and enhancement of California's natural resources. The Land Acquisition Unit and Restoration and Development Unit staff are tasked with the implementation of 11 different conservation and development programs, as well as, fulfilling statutory mandates associated with five different conservation related legislative acts. Due to the autonomous nature of the WCB, the Administrative Unit is tasked with providing diverse and extensive support services that are further complicated due to a funding structure that includes federal funds, as well as, eight different state funding sources totaling over \$3 billion in the past 15 years. Failure to recruit and retain adequate staff resources has the potential to result in mismanaged state and federal funds, non compliance with legislative mandates, missed opportunities to protect and enhance California's natural resources, and could result in the loss of the public trust in the WCB's ability to contribute effectively to statewide conservation efforts.

Mitigating Controls

WCB ensures that adequate candidate pools for all positions are available by continually assessing the appropriateness and desirability of classifications used for all staff positions.

Recently the WCB successfully obtained the approval to reclassify applicable Restoration and Development staff positions to the Environmental Scientist (ES) classification due to failed recruitment efforts for vacant Public Land Management Specialist (PLMS) positions.

Historically, recruitment for vacancies has been largely drawn from the Environmental Scientist (ES) classification series; however, recent pay increases in the ES series drastically impacted WCB's ability to recruit successfully for PLMS vacancies.

WCB promotes upward mobility by maintaining an organizational structure that provides promotional opportunities for all levels of staff, including entry level through management.

Recently, after undergoing an internal evaluation of organizational structure, the WCB elected to create an Assistant Executive Director position and a Supervising Land Agent position to broaden staff promotional opportunities and to strengthen internal leadership and institutional knowledge and expertise.

WCB embraces opportunities for staff growth by providing Training and Development assignments, conducting annual performance evaluations and creating Individual Development Plans for staff. Additionally, WCB has implemented staff cross training within and between units to both strengthen institutional knowledge and create opportunities for employees to expand their skill set and job experiences.

Operations- Internal- Organizational Structure

RISK: Implementing the Strategic Plan

The WCB completed its first Strategic Plan in August of 2014. The Strategic Plan provided direction on achieving the WCB's vision for the future and identified a long term process of assessment, goal setting, and strategy building. The plan also includes five implementing actions that are intended to support the strategies, actions and project selection criteria identified in the plan. If these implementing actions are not completed, the WCB runs the risk of losing the trust of the conservation community and compromise its ability to continue its contributions to the statewide conservation efforts. The timeline for completing the implementing actions will begin in 2016 and will conclude a year later.

Mitigating Controls

WCB assessed and identified the human resources needed to effectively lead the strategic plan implementation effort and successfully recruited for an Assistant Executive Director position. An internal candidate was selected who has extensive experience and institutional knowledge of the WCB and held a critical role during the plan's development process. The Assistant Executive Director is responsible for the overall implementation of the strategic plan and for complying with applicable state laws, policies, and procedures governing strategic planning and implementation.

WCB's implementation strategy engages and seeks the input of statewide leaders and partners in conservation and draws from established statewide and regional plans and initiatives. The implementing actions include having a series of dialogs with conservation partners to obtain input on priority conservation issues. These dialogs will result in holding a conservation summit in conjunction with California Department of Fish and Wildlife (CDFW) and conservation partners to respond to proposed recommendations. Additionally, strategic planning implementation will rely on established statewide and regional plans and initiatives supported by rigorous science-based approaches, including but not limited to the Wildlife Action Plan, Habitat Conservation Plans, Natural Community Conservation Plans, State and Federal Species Recovery Plans, Local, regional and State parks plans, etc.

WCB existing Strategic Plan has established goals and performance measures to guide the initial implementation effort. The existing plan identifies five major goals which include, Environmental Protection and Conservation, Environmental Restoration and Enhancement, Public Use and Recreation, Public Awareness and Education, and Fiscal and Organizational Effectiveness. Additionally, the existing plan identifies achievable and quantifiable performance measures for evaluating effectiveness which will be further defined in greater detail through the implementation process.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

RISK: Implementing a Monitoring Plan

WCB is required to monitor a high volume of land acquisitions, conservation easements, restoration projects and public access improvement projects in order to ensure long term compliance with State and Federal grant terms and conditions. WCB has limited staff resources and funding available to provide the required monitoring. If completed projects are not adequately monitored to ensure investments made by the WCB are sufficiently maintained and/or preserved, the result could cause a loss of trust in WCB's management of California conservation dollars and compromise its ability to continue its contributions to statewide conservation efforts.

Mitigating Controls

WCB established project monitoring policies in 2006 and includes grant agreement conditions that allow for adequate project monitoring for all project types.

WCB dedicated staff resources for project monitoring. However, for the past 12 months the dedicated project monitor was redirected to assist with project related workload due to unsuccessful recruitment efforts to back fill a restoration program manager position. The absence of the dedicated resources has delayed the successful implementation of the monitoring program. WCB successfully resolved this issue in late 2015 by obtaining approval for the reclassification of program manager positions to the Environmental Scientist

classification, which adequately provides qualified resources for recruitment needs. This solution provides a long term resolution to the recruitment issues causing the staff redirection. WCB anticipates no additional need to redirect the dedicated monitoring resource and has internally acknowledged its high degree of importance and committed to avoid any future redirections.

WCB developed and implemented monitoring procedures which were communicated to the appropriate staff in written form. However, the program as initially designed was not determined to be effective. WCB had intended for the monitor to conduct the majority of site visits by focusing on all projects types regionally with minor assistance from other project managers as needed. This method proved ineffective due to both the volume and varying types of projects, limitations of staff time available and the restrictions of initial database enhancements. As a result, the WCB has begun the process of redeveloping the Monitoring Program to allow the dedicated resource to function as a monitoring coordinator and to spread the responsibility for physically monitoring projects equally among all project staff.

WCB completed enhancements to its database reporting capabilities to provide on-going data on projects requiring monitoring and the applicable dates for periodic reports. However, during the initial implementation of the monitoring program the WCB determined that the enhancements were not adequately addressing the needs of the program and were not effective. WCB was forced to return to the design phase and is currently completing additional enhancements. These enhancements include the ability to more efficiently identify projects requiring monitoring and more effectively report information on project compliance. Additionally, the WCB has established a general email account, wcbmonitoring@wildlife.ca.gov, for grantees to electronically send in monitoring reports and is in the process of developing a web-based electronic form and acquiring electronic devices that can be used in the field to maximize staff efficiency and monitoring effectiveness.

Reporting- External- Information Communicated—Inadequate, Inaccurate, Misinterpreted, Untimely

RISK: Identifying and Evaluating Incidental Costs

WCB awards grants to federal, state and local public agencies, as well as, non-profit organizations to fund projects that meet the objectives of one or more of its 11 established programs. Each fully executed grant agreement includes an approved budget amount and a detail of approved line items. Examples of approved costs include but are not limited to project design, planning, permitting, construction and incidental costs, which are defined as project related indirect costs. Incidental costs are associated with “day-to-day” operations that, while necessary for project delivery, cannot be directly and easily attributed to that delivery. Allowable incidental costs include, but are not limited to, workers compensation insurance, utilities, office space rental, phone, and copying. Previously WCB relied on a generally known policy that allowed the project manager to evaluate and approve an incidental rate not to exceed 10% during the finalization of the budget allocation and prior to fully executing the grant agreement. Grantees or contractors that wish to charge incidental costs must explain the methodology used to determine how those costs are calculated and provide details to support the request. WCB also allows the use of a federally recognized overhead rate not to exceed 10% of the project cost. However, no written policy or documented procedures for internal evaluation and approval for incidental costs exists. Lack of written policies and procedures for both project managers and grantees significantly increases the possibility that WCB could mismanage state funding by approving reimbursement of ineligible costs due to miscommunications between project managers, management and grantees on allowable costs. Likewise grantees are vulnerable to being subjected to repayment of ineligible costs identified in grantee audits conducted by the Department of Finance, Office of State Audits and Evaluations. In both cases a loss in credibility is possible due to mismanagement of state funds and non compliance determinations. Additionally, payment for unsupported costs reduces funding that could be used on other projects and could cause a loss of trust in the WCB’s management of California conservation dollars and compromise its ability to continue its contributions to statewide conservation efforts.

Mitigating Controls

WCB staff including project managers and executive management are currently developing written policies and procedures for evaluation and approval of incidental costs. In addition, WCB will develop and implement a communication plan that will effectively inform appropriate staff and grantees of the evaluation and approval policy and procedures.

Strong Working Relationship with Grantees - WCB has a long standing practice of maintaining constant lines of communication with grantees after project approval. Project managers provide initial training to grantees on meeting requirements of grant terms and conditions for providing appropriate support documentation for eligible expenditures. Project managers provide on-going direction to grantees throughout the project period to ensure that project budgets remain aligned or receive timely approvals for adjustments as appropriate.

ONGOING MONITORING

Through our ongoing monitoring processes, the Wildlife Conservation Board reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Wildlife Conservation Board is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Wildlife Conservation Board, John Donnelly, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Laura Featherstone, Budget and Fiscal Officer, as our designated agency monitor(s).

Frequency of Monitoring Activities

The frequency of separate evaluations performed by the WCB will be conducted on quarterly, semi-annually, annually and biennially schedules based on the assessed severity and probability of the associated risk. For example, ongoing and impartial monitoring of financial reconciliations will be performed quarterly, which is consistent with financial status reporting required for quarterly board meetings. Alternatively, effectiveness of program implementation evaluations will occur semi-annually and on a rotation basis due to the number of programs and the lower risk assessed. The frequency of planning and prioritizing monitoring activities will occur annually through a major and comprehensive organization wide risk assessment completed by Executive Management and additional staff as appropriate. Additionally, a minor mid-year risk assessment will occur to ensure adequate resources have been provided for ongoing monitoring and that priorities do not require adjustments. The frequency of monitoring results will occur monthly at internal unit status meetings. If results are pending completion of on-going monitoring evaluations then a status update will be provided on the work performed to date.

Reporting and Documenting Monitoring Activities

The individuals responsible for performing monitoring functions will be selected based on their objectivity, and ability to maintain integrity, impartiality, and a questioning state of mind, and the ability to accurately and fairly assess circumstances and draw sound conclusions. The WCB will engage knowledgeable and capable resources from internal resources and seek external resources if needed. Monitoring results will be documented in written form and follow conventional internal auditing reporting requirements including scope, methodology, objectives, observations, findings and recommendations. All monitoring results will be kept on file by the Agency Monitor both in a hardcopy and an electronic file for a period of no less than five years. Monitoring results will be communicated first to executive management and then communicated to applicable units/staff at monthly staff meetings as appropriate.

Procedure for Addressing Identified Internal Control Deficiencies

The timeframe for deficiencies to be remedied will be dependent on the severity and probability of the risk(s) associated with the deficiency. As a general guideline the WCB will require corrective action to begin within 60 days of the identified deficiency and updates on corrective actions provided every

subsequent 30 day period until adequate mitigation measures have been fully implemented. Deficiency statements will be identified as findings in final reports submitted at the conclusion of each evaluation and assessment performed. Executive Management and applicable staff/units will receive information through copies of reports or high level summaries on any identified deficiencies as appropriate, as well as, status updates on corrective action taken.

CONCLUSION

The Wildlife Conservation Board strives to reduce the risks inherent in our work through ongoing monitoring. The Wildlife Conservation Board accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

John Donnelly, Executive Director
Wildlife Conservation Board

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations