

December 29, 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 Department of Fish and Wildlife 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 Gabe Tiffany, Deputy Director, at (916) 653-4325, Gabe.Tiffany@wildlife.ca.gov.

BACKGROUND

Within the Natural Resources Agency, the California Department of Fish and Wildlife (Department) is responsible for the administration and enforcement of the California Fish and Game Code. The Department's policies are formulated in collaboration with the Fish and Game Commission. The Department's Director is appointed by the Governor and confirmed by the Senate. The Director is responsible to the public, which includes a broad array of stakeholders whose activities are managed or regulated by the Department.

The mission of the Department is to manage California's diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological values and for their use and enjoyment by the public. To meet this challenge, the Department:

- Manages land for ecological and recreational uses. The Department currently owns or administers 749 properties statewide, totaling 1,173,922 acres (684,964 acres owned and 488,958 acres administered). The 749 properties include 111 wildlife areas, 136 ecological reserves, 315 undesignated lands, 127 public access areas, 21 fish hatcheries, and 39 miscellaneous lands.
- Develops and implements plans to conserve biological diversity at the ecosystem level in partnership with local, state, and federal stakeholders resulting in large reserve systems.
- Conserves and restores anadromous fisheries and watershed health. Manages sustainable recreational and commercial opportunities by providing desirable fishing, hunting, and other wildlife related recreational programs and promoting their economic benefits to local communities. In 2016, the Department produced and stocked over 39 million trout, steelhead, and salmon in lakes, rivers, and streams throughout California from its 21 fish hatchery facilities. The Department also offers hunting opportunities for waterfowl, doves, pheasants, quail, turkeys, deer, wild pigs, elk, bears, big horn sheep, and small mammals.
- Serves as a lead agency for preventing, responding, and cleaning up oil spills and spills of other deleterious materials on land and water.
- Collects and analyzes scientifically based data on the distribution and abundance of fish, wildlife, and native plant species and the natural communities and habitats in which they live.

- Secures millions of dollars in federal grant funding to protect habitat, restore watersheds, assist local governments with conservation planning, restore the Bay Delta ecosystem, and leverage other sources of funding for critical conservation actions.
- Conserves and recovers threatened and endangered plants and animals and the habitats upon which they depend for survival.
- Enforces laws and regulations relating to fish, wildlife, and habitat within the State and offshore waters.

This report also contains information for the California Fish and Game Commission (Commission). The Commission was established by the California Constitution (Article IV, Section 20), and consists of five members appointed by the Governor and confirmed by the Senate. The Constitution provides that the Legislature may delegate to the Commission powers relating to the protection and propagation of fish and game. These include:

- Formulation of general policies for the conduct of the Department.
- Seasons, bag limits and methods of take for game animals, sport fishing and some commercial fishing.
- Controlling non-native species importation, possession, and sale.
- Establishing protected lands/waters (marine protected areas, wildlife areas and ecological reserves).
- Regulating uses of protected areas.
- Listing and delisting of threatened/endangered species under the California Endangered Species Act.
- Accepting mitigation lands on behalf of the State.
- Leasing State water-bottom for shellfish cultivation.
- Leasing kelp beds for harvest.
- Assuming a quasi-judicial role in considering appeal hearings for revocation or suspension of licenses and permits.
- Prescribing terms and conditions for issuance, suspension and revocation of licenses/permits issued by the Department.

ONGOING MONITORING

As the head of Department of Fish and Wildlife, Charlton Bonham, Director, 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 Department of Fish and Wildlife internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Stafford Lehr, Deputy Director, Wildlife and Fisheries Division.

MONITORING ACTIVITIES

The Department formed a diverse group of executive-level representatives, the Executive Risk Group (ERG). The group met in 2017 to review risk survey data (survey of leadership team regarding departmental risks) and to prepare the 2017 report. The ERG will act as an ongoing monitoring advisory group, meeting with the Department's Risk and Operations Management Unit (ROM) and the Executive Monitoring Sponsor quarterly. Prior to each quarterly ERG meeting, ROM will request

updates from each unit monitor, particularly where significant changes have developed, or when implementation delays or challenges occur. The unit monitors and persons in charge are encouraged to use the ERG as a resource and to attend their meetings for input, assistance in developing controls, or with challenges regarding the implementation of controls.

ADDRESSING VULNERABILITIES

As new items are identified, the ERG will review and discuss the items during their quarterly meetings. The group will assist in the identification of subject matter experts for each item (likely would become unit monitors). The Department will put procedures in place to address these vulnerabilities as become known through this process. The ROM will track these new items for consideration in future SLAA reports.

COMMUNICATION

The Department is committed to evaluating and improving the SLAA process with each cycle. The 2017 risk assessment process led to the formation of the ERG and was the first year the ROM took the lead in SLAA. ROM will include monitoring and results, as well as new risks, on the agenda for quarterly ERG meetings. The Organizational Development Branch Chief will provide updates and invite input at recurring executive management meetings throughout the year and will provide regular/continuous updates to the Executive Monitoring Sponsor (at least monthly).

ONGOING MONITORING COMPLIANCE

The Department of Fish and Wildlife is in the process of implementing and documenting 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 Department of Fish and Wildlife systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Fish and Wildlife risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

RISK IDENTIFICATION

The 2017 risk assessment process began with an overview of SLAA's purpose and requirements, which the Department's Organizational Development Branch (ODB) presented to the leadership team (Director, Chief Deputy Director, Deputy Directors, and Branch Chiefs). The presentation included examples of risks reported in the 2015 SLAA report and an appeal to the leadership on the importance of participation in the SLAA process. The ODB then convened the "Executive Risk Group" or ERG with participants representative of the department's many areas of responsibility. The ODB then conducted an electronic survey of the entire leadership team to gather their input on risks facing the Department. This survey produced numerous risks and associated preliminary controls, which the ODB then organized and prepared for review. The ERG met several times to review, refine, and evaluate the risks that were identified in the survey. The ERG assessed the grouping of risks, determined whether the risks were appropriate for inclusion in the report based on SLAA criteria, and evaluated risks based on their potential impact (high, medium, or low). They also generated controls and assisted in identifying subject matter experts who could further refine controls. The ERG included representation from Administration, Data and Technology, General Counsel, Regional Operations, Law Enforcement, Wildlife, Fisheries, and Oil Spill Prevention and Response. Following these meetings, the ODB then

worked with executive sponsors to finalize and submit the report.

RISK RANKING

The Department has a wide variety of responsibilities that are carried out with staff dispersed across the State. These staff conduct many different program activities that carry varying levels of risk. The Department took a broad view of the organization's operations in assessing risks to ensure that the most pressing issues are addressed in this report. In determining which risks to include in this report, programs were analyzed with consideration given to the potential impact of each risk and the likelihood of occurrence. Subject matter experts who are familiar with the Department's day-to-day operations were consulted to help assess each potential risk.

RISKS AND CONTROLS

RISK: OPERATIONS -INTERNAL-STAFF—SAFETY

Because of the nature of the Department's work, there is a risk to employee health and safety.

Department employees work in remote locations throughout the state in all types of terrain. Many employees, such as those at fish hatcheries, operate heavy equipment on a daily basis. Department staff often come into contact with wildlife in the course of their duties, which can be unpredictable and dangerous. Additionally, the Department's wildlife officers make frequent contact with potentially dangerous subjects, most of which are armed, in fulfilling their law enforcement responsibilities.

Because the Department's mission requires that employees take on these inherently dangerous tasks, there is a risk to employee health and safety.

CONTROL A

The Department has formed a new unit to house risk management and health and safety staff to provide a central contact point for employees' health and safety needs. Within this unit, an industrial hygienist was recently hired, who, among other duties, will perform an internal assessment of our current health and safety status and develop recommendations for enhancing programs, policies, procedures and other activities to better protect our employees.

CONTROL B

Employees receive training specific to their required duties. For example, environmental scientists involved in animal population surveys in the field go through a rigorous training program to learn wildlife restraint techniques. Law enforcement officers attend a POST-certified academy, followed by several months of field training that is overseen by veteran officers. While accidents are not completely avoidable, training is a strong preventive measure that reduces the risk of injury.

RISK: OPERATIONS -INTERNAL-FI\$Cal IMPLEMENTATION, MAINTENANCE, OR FUNCTIONALITY

With the significant scope of change to the Department's business operations, FI\$Cal requires a significant investment in staff time to learn the new system. In addition, system limitations have presented challenges in processing transactions, including vendor payments in FI\$Cal. The transition to FI\$Cal has resulted in some delay in vendor payments and other challenges related to contracting and purchasing.

The Department went live in FI\$Cal in July 2017, requiring new processes for all staff in the Department involved in purchasing and contracting. Significant workload is imposed on accounting staff, who must

process payments in the new system and provide support to other Department employees working in FISCAL.

Delayed vendor payments have resulted in the suspension of services in some isolated cases. These situations have been limited and have not been a major problem after the first few months after going live; however, continued challenges with FISCAL transition require diligence of several dedicated Department staff to ensure payments are processed in a timely manner.

CONTROL A

The Department has redirected staff with fiscal and business administration subject matter expertise to form a FISCAL Team dedicated to overseeing and implementing FISCAL conversion and on-going support.

CONTROL B

The FISCAL Team has collaborated with the Natural Resources Agency's (Agency) FISCAL consultants to document Department-specific and Agency-common business processes and structures, identify gaps and disconnects with FISCAL, and work to find and implement solutions. The Department also maintains contact with high-level FISCAL representatives that are able to address the most urgent issues.

CONTROL C

Training on the FISCAL system is vital to proper implementation and ongoing use of the system. The Department's FISCAL Team has developed ongoing group and webinar sessions, and also provides individual training as needed. The FISCAL Team also holds recurring coordination meetings with the Department's administrative and program units. The purpose of the meetings will be to provide implementation updates, receive briefings from the Agency consultants and Department of General Services staff, and receive and address inquiries and problems from the unit representatives regarding the system implementation and operation.

CONTROL D

To provide ongoing support to Department staff on FISCAL, the FISCAL Team maintains an FAQ intranet page to meet the needs of Department staff and to address routine and recurring informational requests.

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

The physical condition of the Department's large and aging property inventory presents a risk to employees and the public.

The Department owns or manages more than 700 properties covering over one million acres of land in California. This includes over 100 wildlife areas and 21 fish hatcheries. Most of these areas are open to the public, some of which experience high visitation, such as fish hatcheries used by school groups for educational field trips. Many of the facilities on these properties are over 50 years old and are in varying states of repair. Employees are required to live in Department housing in some cases to ensure operations of essential facilities, such as hatcheries where live fish are present. Until recently, funding has not been available to address most deferred maintenance needs.

Without sufficient funding, some items may be repaired by field staff on an ad hoc basis.

CONTROL A

The Department has established a team and process by which all currently identified deferred maintenance projects will be tracked and reported as required by applicable statutes. The team is made up of environmental program managers from the Wildlife and Fisheries Branches and senior Engineering Section staff; the reporting and approval will be done by the Assistant Deputy Director of the Administration Division.

CONTROL B

The Department is conducting a training program for all staff working in wildlife areas, fish hatcheries and other properties focusing on safety of employees and public visitors. Some areas require restricted access to assure the safety of the public. In addition, the Department's Injury and Illness Prevention Program addresses the shared roles and responsibilities that provide employees a healthy and safe workplace.

CONTROL C

The Department received an appropriation of \$15 million in the Budget Act of 2016 for deferred maintenance on Department facilities. The Department is using these funds to complete projects that will reduce safety risks to employees and the public. The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, if passed by the voters in June 2018, would provide an additional \$50 million for deferred maintenance projects.

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

The loss of institutional knowledge is a significant risk to the Department. Many current employees have worked for the Department for many years, if not their entire careers. During this time, they have gained in-depth knowledge on various topics and may have developed scientific methodologies that are very technical and specific. As retirements occur, this knowledge may be lost if other staff are not trained to continue to carry out these job requirements.

The Department is experiencing a large number of retirements, a trend that is expected to continue into 2018. Recent salary increases for scientists have created additional incentive for employees to retire.

Without proper succession planning, the Department's ability to carry out its wide variety of responsibilities, many of which require very detailed scientific methods, could be compromised.

CONTROL A

The Department is in the process of developing a succession plan. CalHR recently mandated that all departments develop and submit workforce and succession plans. The Department has created the Workforce and Strategic Planning Unit (WSP), and staff in this new unit are currently completing the CalHR succession planning training program. The WSP has formed workgroups in two occupational groups where the most urgent and critical need exists: scientific and law enforcement leadership. The Department has identified an executive sponsor for these succession planning efforts to provide guidance and oversight. The WSP intends to have a draft plan ready for review in February 2018. Strategies will include methods to capture and transfer institutional knowledge and expansion of leadership development programs.

CONTROL B

The Department will develop a workforce plan, per the CalHR mandate (following completion of the succession plan). The workforce plan looks at all staff levels and functions and widens the strategies

to include innovative recruitment, employee engagement/retention efforts, examination of classification issues, and enhancements to professional development efforts. The WSP will gather relevant data from the Human Resources Branch (HRB) regarding age and services months in each key classification series and assess key areas of vulnerability. As with the succession plan, the WSP will form workgroups to examine the issues and develop strategies to ensure that the Department has the right people, in the right place, at the right time, with the right skills.

CONTROL C

The Department will continue strategic planning efforts, a foundational piece to workforce and succession planning. A strategic plan is one of the most effective methods to address loss of knowledge and helps those who succeed in key leadership positions know the priorities and the key strategies for achieving them. The WSP currently provides support and consultation to divisions/programs in the development of strategic plans. The Department presents the basics of strategic planning as part of the Department's basic supervision training program.

CONTROL D

The Department will enhance its ability to capture and transfer institutional knowledge, with particular attention to policy knowledge and compliance. The Risk and Operations Management (ROM) Section of the ODB has already added resources to its intranet page and provided presentations on the subject to guide efforts throughout the Department. The content will be added to basic supervision training in March of 2018. The ROM/ODB will expand its communication efforts regarding the Department's Operations Manual to increase awareness, use of the manual, and policy compliance. The communication is planned for Department orientation, basic supervision training, and email/intranet.

RISK: OPERATIONS -INTERNAL-ORGANIZATIONAL STRUCTURE

Many of the Department's functions, particularly in the administrative area, are decentralized. Regional staff perform duties such as personnel transactions that can have significant impact on employees' salary and benefits. Other functions such as procurement are also decentralized. This structure can lead to inconsistent application of laws, regulations and Department policies.

Regional staff sometimes do not have supervisors in the region with the appropriate experience to oversee the work, and must rely on Sacramento headquarters for support. For example, personnel supervisors in the regions do not have managers in the region at the appropriate classifications for oversight, so they must get direction from the human resources branch in Sacramento. This can create delays in resolving certain situations, or may put regional staff in the position of making a decision without complete information.

Decentralization creates the potential for redundancy or duplication of effort, difficulty in coordinating complex tasks, and challenges in keeping staff adequately trained to consistently perform this work effectively. Inaccuracies or inconsistencies in applying policy and procedures can lead to adverse audit findings, reduction or elimination of delegated authority from control agencies, and can adversely affect employees' pay and/or benefits.

CONTROL A

The Department is currently conducting reviews of regional personnel data to determine whether the decentralized structure leads to inaccuracies in processing personnel transactions. In December 2017, the Department formed a work group that includes regional administrative officers, regional managers and the human resources branch to develop recommendations for improving personnel management. The recommendations will be presented to the executive management team in January 2018, when a

decision will be made on what course of action to take. Among the options being considered is full centralization of personnel transactions in the Department.

CONTROL B

In addition to personnel, the Department will review other functions to determine whether a more centralized structure will improve efficiency, consistency and quality of work products. This review will include an analysis of the feasibility of centralizing functions that are currently performed in regions and programs, including the cost/benefits of centralization and potential phased strategy to manage the change, if deemed appropriate.

CONTROL C

The Department is currently engaged in a mission-based budgeting effort with the Department of Finance (Finance) to determine the most efficient allocation of resources. The Department's decentralized structure has been a topic of these discussions with Finance. The Department will consider further centralization of Department functions if the final recommendation from the mission-based budgeting team suggests a more centralized structure would lead to more efficient operations.

RISK: OPERATIONS -EXTERNAL-FUNDING—SOURCES, LEVELS

Insufficient funding could result in the inability to satisfy statutory mandates and impede progress toward conservation of fish and wildlife resources in California.

Funding for fish and wildlife programs has not kept up with statutory mandates as they have increased over recent decades. The Department's main source of funding is the Fish and Game Preservation Fund (FGPF), which receives revenues primarily from fishing and hunting license fees. The Department also receives support from the General Fund and federal grant funds, which are both subject to reductions during times of economic downturn. In addition, the Department must compete with other state priorities, such as education and health care for General Fund resources.

The Department needs long-term sustainable and dedicated fund sources to be able to carry out its numerous statutory mandates and to accomplish its mission.

CONTROL A

The Department's Recruitment-Retention-Reactivation Task Force will implement an action plan aimed at increasing revenues by: (1) recruiting new license buyers through a marketing campaign; (2) retaining current license buyers through improved service to ensure that they continue to purchase annual licenses; (3) encouraging people to buy licenses who previously did but have not purchased them in recent years.

CONTROL B

The Department held a series of stakeholder advisory group meetings in the fall of 2017, with the main topic being sustainable funding for fish and wildlife. The group reviewed funding mechanisms used in other states and discussed what methods for generating revenue might work in California. The Department presented an expenditure concept to the group, detailing the activities that would be enhanced or added if a new permanent funding source were to materialize. In addition, the Department is currently engaged in a mission-based budgeting effort with the Department of Finance to determine the most efficient allocation of resources.

CONTROL C

The Law Revision Commission (Commission) is currently engaged in an effort to recodify the entire Fish and Game Code, being conducted at the request of the Legislature. In response to a request from the Secretary for Natural Resources, the Commission has focused its review on the statutory funding provisions of the code. The Commission's work in this area will help the Department identify unfunded mandates and will be useful in informing the mission-based budgeting process.

CONTROL D

Because federal funding is vulnerable during times of economic downturn, the Department is attempting to restrict the number of employees supported by federal grant funds. Current support from the federal Sport Fish Restoration Act (SFRA) funds 69 positions. The Department has a plan to reduce positions on SFRA funds from 69 to 22 by 2019-20.

RISK: OPERATIONS -EXTERNAL-LITIGATION

The diversity of viewpoints throughout the State of California regarding the Department's exercise of its statutory responsibilities leads to the potential for litigation.

For example, project proponents apply to the Department for authorizations under the California Endangered Species Act (Fish & Game Code sections 2050 et seq.) and the Lake and Streambed Alteration Program (Fish & Game Code sections 1600 et seq.) to perform activities that impact the State's fish and wildlife resources. The Department's issuance of permits or entitlements pursuant to those programs are potential targets for litigation either by organizations that believe the Department's decision was insufficiently protective of the State's fish and wildlife resources, or by the project proponent who might perceive the Department's decision to be overly protective of the state's fish and wildlife resources. Similarly, the Department owns or manages a variety of properties, and outside entities may find the Department's management of those properties to be overly, or insufficiently, protective of the fish and wildlife resources, resulting in the potential for parties to pursue litigation.

Many of these actions trigger obligations under the California Environmental Quality Act, which provides an additional opportunity to bring litigation.

CONTROL A

To reduce the frequency with which litigation is brought as well as the frequency of successful challenges to Department actions, the Department provides extensive training to staff administering the Department's programs most at risk of litigation. Staff throughout the Department's regional offices participate in these trainings which provides subject matter expertise support to all the Department's offices.

CONTROL B

The Office of General Counsel (OGC) provides and updates templates for documents, including incidental take permits pursuant to the California Endangered Species Act, Lake and Streambed Alteration Agreements pursuant to Fish & Game Code sections 1600 et seq., California Environmental Quality Act findings and forms, as well as conservation easements. The templates, along with a department-wide signature authority matrix, set forth the protocol by which approval of the action must be obtained. Thus, for the many matters that do not require deviation from the template or present more complex legal issues, a regional office may approve the permit or other action. However, where the facts require deviation from the template, or present more complex facts, the permits must be reviewed by the Habitat Conservation and Planning Branch as well as by the OGC.

CONTROL C

The OGC periodically updates the Director on the status of litigation and provides advice on strategy and course of action with respect to existing litigation.

CONCLUSION

The Department of Fish and Wildlife 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.

Charlton Bonham, Director

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