

December 29, 2021

Wade Crowfoot, Secretary  
California Natural Resources Agency  
715 P Street, 20th Floor  
Sacramento, CA 95814

Dear Secretary Wade Crowfoot,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the State Coastal Conservancy submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

Should you have any questions please contact Mary Small, Deputy Executive Officer, at (510) 286-4181, [mary.small@scc.ca.gov](mailto:mary.small@scc.ca.gov).

## **GOVERNANCE**

### **Mission and Strategic Plan**

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

The Coastal Conservancy (“Conservancy”) was established in 1976 to protect and improve natural lands and waterways, help people access and enjoy the outdoors, and sustain local economies along the length of California’s coast and around San Francisco Bay. The Conservancy is a non-regulatory agency that supports projects to protect coastal resources and increase opportunities for the public to enjoy the coast.

The Conservancy provides technical assistance through its staff and provides grant funds to help develop and implement projects that achieve its goals. The Conservancy’s enabling legislation, Division 21 of the Public Resources Code, authorizes the Conservancy to undertake projects and award grants to advance a number of goals including: protecting the natural and scenic beauty of the coast; enhancing wildlife habitats; helping people get to and enjoy beaches and parklands; adapting to climate change impacts, including sea level rise; keeping farmland and timberlands in production; revitalizing working waterfronts; improving water quality.

#### **Mission Statement**

*The Conservancy vision is of a beautiful, restored, and accessible coast for current and future generations of Californians. We act with others to protect and restore, and increase public access to California’s coast, ocean, coastal watersheds, and the San Francisco Bay Area.*

Every five years, the Conservancy adopts a Strategic Plan, which identifies goals and specific objectives. The most recent Strategic Plan was adopted by the Board on November 30, 2017 and is posted on our website. The current Strategic Plan identifies 19 goals with multiple quantified objectives under each goal. The goals are:

1. Develop the California Coastal Trail as a major recreational amenity, tourist attraction, and alternative transportation system.
2. Expand the system of coastal public accessways, open-space areas, parks, and inland trails that connect to the coast.
3. Revitalize coastal and inland waterfronts that provide significant public benefits and promote sustainable economic development.
4. Expand environmental education efforts to improve public understanding, use, and stewardship of coastal resources.
5. Protect significant coastal resource properties, including farmland, rangeland, and forests.
6. Enhance biological diversity, improve water quality, habitat, and other natural resources within coastal watersheds.
7. Enhance coastal working lands, including farmland, rangeland, and forests.
8. Enhance the resiliency of coastal communities and ecosystems to the impacts of climate change.
9. Improve public access, recreation, and educational facilities and programs within the Santa Ana River Parkway.
10. Protect and enhance natural habitats and connecting corridors, watersheds, scenic areas, and other open-space resources of regional importance in the Santa Ana River watershed.
11. Identify and prioritize long-term resource and recreational goals for the San Francisco Bay Area.
12. Protect and enhance natural habitats and connecting corridors, watersheds, scenic areas, and other open-space resources of regional importance in the Bay Area.
13. Improve public access, recreation, and educational facilities and programs in and around San Francisco Bay, along the coast, the ridgelines, in urban open spaces, and natural areas.
14. Protect Bay Area working lands and support farmers and ranchers in implementing stewardship of the natural resources on their lands.
15. Provide leadership, partnership, and assistance to organizations engaged in conservation and public access within the Conservancy's jurisdiction.
16. Ensure that the work of the Conservancy promotes environmental equity and justice.
17. Implement a sustainable funding strategy for the Conservancy's projects and programs.
18. Organize the Conservancy's structure to align staff resources with the Conservancy's sources of funding and Strategic Plan objectives.
19. Ensure full transparency and accountability, including external communications about the Conservancy's purposes, actions, and accomplishments.

Staff report on progress implementing the Strategic Plan to the Conservancy Board once a year. Regional managers report progress achieving the objectives in the Strategic Plan to the Executive Officer every year.

## **Control Environment**

The Coastal Conservancy consists of a Board, an Executive Officer, and about 66 full time employees. The Conservancy Board has seven members: two governor's appointees, one senate appointee, one assembly appointee and representatives from the Department of Finance, Natural Resources Agency and Coastal Commission. The Board meets about five times per year. The Executive Officer updates the Board at each meeting, consults regularly with management team and staff members about both significant agency-wide decisions as well as day-to-day departmental operations.

The Conservancy's management team includes the Executive Officer, Deputy Executive Officers, Regional Program Managers, Regional Deputy Managers, General Legal Counsel, Director of Fiscal Services, Accounting Manager, and Procurement Manager. The twice monthly meetings of the management team are a forum to discuss and make decisions regarding agency-wide issues requiring input from or affecting the organization. Management team establishes and demonstrates integrity and ethical values.

Each work group also holds regular meetings to provide information to their staff and to solicit input on current and upcoming issues. The four regional programs within the Conservancy (North Coast, San Francisco Bay Area, Central Coast, and South Coast) each conduct monthly meetings that include the regional manager and the staff in the region. These meetings serve as an opportunity for regional managers to convey guidance from management team and for project staff to provide project updates and raise concerns or issues. In addition, there are biweekly meetings of all staff.

The internal control system is communicated to all staff through their direct supervisor and from senior management. The management team (supervisors and senior management) are responsible for design, implementation, and operating effectiveness of the internal control system. Managers' responsibilities are tailored to their functions in the organizational structure. The internal control system is documented in a variety of ways, including written step by step instructions, internal forms that require documented approval, templates, and trainings.

All managers are readily accessible to all staff. This open communication allows decisions to be made with the contribution of staff at all levels. All Conservancy staff have a voice within the organization to raise an issue/concern; the chain of command often provides informal resolution. However, resolutions requiring further discussion, consent, procedural or other changes and follow-up, are brought to the Deputy Executive Officer for calendaring for the next twice monthly management team meeting. If the matter is urgent and cannot wait until the next management team meeting, a meeting will be convened with appropriate staff to discuss and resolve a matter.

The Conservancy completed a Workforce Plan in May 2019 and is now implementing that plan. Maintaining a competent workforce is a focus of all managers at the Conservancy. In addition to external training, such as CalHR trainings and Fi\$Cal Academy, the Conservancy provides regular in-house training to develop skills and share knowledge among staff. Probation reports are completed for all new hires and annual performance reviews are performed for all staff. All staff are annually invited to complete Individual Development Plans.

## Information and Communication

The Executive Officer updates the Conservancy Board at each meeting and consults regularly with management team and staff members about both significant agency-wide decisions as well as day-to-day departmental operations. The Executive Officer provides an annual financial report to the Conservancy Board and the public which is an overview of the operational and financial resources of the Conservancy. Staff recommendations considered by the Conservancy Board include a great deal of information to document the decision-making process. The Conservancy completes the Two Week Ahead Reports to communicate critical issues to the Secretary of Resources and the Administration.

The Conservancy has a public information officer who manages external communication, including updates to the Conservancy's website and other public information materials. Conservancy staff work with many stakeholders and regularly present our work at conferences and workshops. Finally, the Conservancy hosts webinars to share information among our partners on projects and funding.

Staff meetings led by the Conservancy's Executive Officer are held with all staff twice monthly, providing a forum for the Executive Officer to provide information of agency-wide interest, for managers to announce major staff accomplishments, and for staff to ask questions, express concerns, or to make additional announcements from their respective working groups. Internal control systems are documented through various forms, written procedures and guidelines, and memos to staff. Decisions or changes to procedure are communicated at twice monthly all staff meetings, at unit or workgroup meetings, via emails, and occasionally through staff training sessions. Decisions are documented in memos or changes to internal control forms, depending on the nature of the issue.

## 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 State Coastal Conservancy monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Mary Small, Deputy Executive Officer; Amy Hutzal, Executive Officer; and Helen Kang, Director of Fiscal Services.

A second Deputy Executive Officer position is currently vacant, when hired that person will also have executive monitoring responsibilities.

In addition to the executive monitoring staff, internal controls are implemented by: Johanna Collins, Personnel; Amy Roach, General Counsel; Marita Nuval, Accounting Manager; and Erlinda Corpuz, Procurement Manager.

Potential and current risks or other issues which may cause or are causing vulnerabilities in internal controls, project development and/or implementation problems, or other losses to the state or public are discussed at management team meetings with input from appropriate staff members. Decisions requiring follow-up are tracked internally with information including the issue, responsible staff, next steps and progress, and are followed through to completion. Follow-up is discussed both at management team meetings and all staff meetings. Resolution of a risk, problem, or other issue may require sub-committees to address and provide options for resolution and additional input from staff and management team members.

The Conservancy is regularly audited by the Office of State Audits and Evaluations for specific projects and for its funding programs. When the auditors raise concerns, the Conservancy acts quickly to implement changes to address those issues and ensure that corrective actions are implemented.

Risks and vulnerabilities are brought forward from all levels of line, program, and administrative staff as they are identified in the course of working, from external or internal entities, or through ongoing risk monitoring. Typically, staff report to their unit managers and/or unit managers will request calendaring on the next twice monthly management team, depending on the nature of the risk and who first became aware of it. If the situation is urgent, it will be heard and dealt with on an ad hoc basis as needed to address and resolve the issue prior to the next management team meeting. If risk or resolution requires intervention and action of more than one unit within the agency and procedural changes and monitoring, the situation will likely be brought to management team for discussion, action, follow-up and reporting back after implementation. For risks that are either minor in their potential impact or impact only one unit, assessment, mitigation and monitoring may be done outside of the management team setting, typically with an executive, the unit manager, and the appropriate staff. If necessary, post implementation discussion may take place at management team to inform members who may not have been aware; discuss the issue and resolution; if new information is provided which may require further actions to ensure the risk/ vulnerability has been dealt with for the future as well as what has already been dealt with, this will be worked into the final mitigation process.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the State Coastal 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, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/ goals/objectives, potential impact of remediation efforts, and tolerance level for the type of risk.

Risks are identified in a variety of ways. The Coastal Conservancy's twice monthly management team meeting agenda items include all risks and problems identified that have not been addressed and mitigated/resolved at lower levels. Where the resolution/mitigation affects more than one business unit are discussed at management meetings for informational purposes and to ensure that the proposed/ implemented steps for resolution do not adversely affect another business unit. Ongoing and potential risks are calendared for either urgent ad hoc or twice monthly management team meetings for discussion, evaluation, prioritization, assignment and implementation of mitigation measures. The nature, urgency, potential for fraud, and other factors of the risk determine the appropriate level for discussion and decision-making to address and mitigate/resolve. Additionally, there is an annual management team retreat to discuss significant changes, challenges, and priorities facing the agency.

Risks are often raised verbally and followed up in writing to those affected and needed for research, discussion, decision-making and authorization to move forward with mitigation processes. Additionally, staff will periodically review and evaluate the effectiveness of the mitigation/resolution measures. Risks are discussed as they arise or are identified; and follow up is an ongoing process. Emerging issues of an urgent nature are evaluated as they are identified; more stable issues are calendared at twice

monthly management team meetings for discussion and evaluation.

## **RISKS AND CONTROLS**

### **Risk: Turnover**

The Conservancy experienced significant staff turnover in 2021, losing nearly 15% of our workforce (11 of 67 positions). This turnover included 3 staff retirements, 5 staff moving to other state agencies, and other staff leaving state service or moving out of state. The Conservancy has serious concerns about retaining staff and the costs of recruiting, hiring, and training new staff, which puts additional demands on the Conservancy's human resources staff and managers. A stable workforce is critical for the agency to focus on its mandated programs.

#### **Control: Support for Human Resources**

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We have begun to cross train one more staff person to assist with the Human Resources workload. This has helped somewhat, but the training takes time and the staff person being trained already had a full workload so we have to shift work throughout the administrative team. We are also exploring possibly hiring a retired annuitant to help with Human Resources work if we can find a candidate. The Workforce Plan includes multiple actions focused on recruitment, hiring, retention, succession planning, and cross-training. Human Resources staff lead implementation of these actions, but the recent volume of hiring has increased workload and made it challenging to implement all of the actions.

### **Risk: Staff Training Needs**

With high level of staff turnover, there is a continued need to train new staff. As discussed above, the Conservancy has lost several senior staff people over the past year, and with them a great deal of institutional knowledge.

#### **Control: Training and Documentation**

The Conservancy has instituted an in-house training series for our project staff. Most of the training sessions are recorded so that new staff can get detailed instruction on topics specific to the Conservancy's work. In addition, the Conservancy is working on documentation of processes so new hires have clear instructions or desk manuals explaining how to perform their roles. We are cross training where possible. Human Resources staff intend to develop a Succession Plan when spots are available in CalHR's program. Ongoing staff training and cross training support staff growth and succession planning. The Conservancy has instituted an in-house training series for our project staff. Most of the training sessions are recorded so that new staff can get detailed instruction on topics specific to the Conservancy's work. In addition, the Conservancy is working on documentation of processes so new hires have clear instructions or desk manuals explaining how to perform their roles. We are cross training where possible. Human Resources staff intend to develop a Succession Plan when spots are available in CalHR's program. Ongoing staff training and cross training support staff growth and succession planning.

### **Risk: Workload and Capacity**

The FY 2020-21 Early Action Funds and the 2021-22 Budget expanded some Conservancy programs including Wildfire Resilience Program and the Great Redwood Trail. The Budget Trailer Bills recommended future appropriation of significant funding for the Coastal Conservancy. Collectively, these bills will result in a significant increase in workload for the Conservancy, that cannot be implemented with the existing staff resources.

#### **Control: Request New Positions**

The Conservancy will work with the Department of Finance and the administration to request adequate new positions to implement this work.

### **Risk: Year End Reporting Delayed**

The Coastal Conservancy is one of many departments transacting in Fi\$Cal that is delayed in closing and reconciling prior year financial statements. The Conservancy began transacting in Fi\$Cal in FY 2017. The Coastal Conservancy has an exceptionally complicated budget and accounting workload. The Conservancy's support budget is comprised of 38 separate funding sources and the agency uses bond funds extensively. Bond funds have a separate set of reporting requirements. The agency's accounting is complicated by the fact that it both receives grants and awards grants and contracts. Conversion to Fi\$Cal resulted in incomplete information, missing reporting requirements, and delays in month-end and year-end reconciliations.

Since the last SLAA report, the Conservancy's accounting and procurement staff have made enormous progress reconciling and correcting records in Fi\$Cal. We have completed many activities anticipated in our prior Implementation Plan, but despite this progress, the Conservancy missed some reporting deadlines this year and still have outstanding bond reports.

#### **Control: Staff Resources and Procedures**

The Conservancy staff have been working closely with their Fi\$Cal Liaison to get through the backlog of reporting and to resolve issues in the Fi\$Cal system. The Conservancy has reorganized the accounting unit to improve performance and is currently filling two vacant positions to help with the workload. The Conservancy is making improvements to its processes and gaining experience using the Fi\$Cal system.

The Conservancy will continue to train new hires in the accounting unit. We are currently hiring two new staff for our accounting team because two staff accepted promotions at other state agencies. We are developing checklists and document procedures to improve staff training and maintain consistent accounting practices. We are continuing cross training of staff to reduce single person dependencies. The Conservancy has established and will update a monthly support budget expenditure report for senior management. The Conservancy will continue to update the Accounting Procedures Manual and reduce outstanding reports.

### **CONCLUSION**

The State Coastal Conservancy strives to reduce the risks inherent in our work and accepts the

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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.

**Amy Hutzal, 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