

Santa Monica Mountains Conservancy

2015 SLAA REPORT

January 3, 2016

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 Santa Monica Mountains Conservancy 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 Rorie Skei, Chief Deputy Director, at (310) 589-3200 ext. 112, skei@smmc.ca.gov.

BACKGROUND

The Santa Monica Mountains Conservancy was established by the Statutes of 1979 under Division 23 of the Public Resources Code. It is an independent California state agency under the Natural Resources Agency.

Mission Statement: Through direct action, alliances, partnerships, and joint powers authorities, the mission of the Santa Monica Mountains Conservancy is to strategically buy back, preserve, protect, restore, and enhance treasured pieces of Southern California to form an interlinking system of urban, rural and river parks, open space, trails, and wildlife habitats that are easily accessible to the general public.

Essential Functions: Normal essential functions are related to implementation of the Conservancy Act and Conservancy Board policies and direction for land planning, acquisitions, restoration, and improvements. Critical functions include project planning and design, land acquisition, resource management, grants to government agencies and nonprofit organizations; grant monitoring; managing the Santa Monica Mountains Comprehensive Plan, the Rim of the Valley Trail Corridor Master Plan, the SMMC Strategic Plan; implementation of the Los Angeles River Master Plan and Los Angeles River Revitalization Plan, and the San Gabriel and Los Angeles Rivers Watershed Plan ("Common Ground Plan"). Formal and informal partnerships with other government agencies are essential for SMMC to carry out its mission in the complex real estate and jurisdictional milieu of Southern California. In furtherance of the mission and for cost-effectiveness, SMMC has entered into joint exercise of powers agreements with a number of local governments, and has entered into Memoranda of Understanding with local, state, and federal governments for efficiencies of mission related partnerships. Land management operations are provided at no cost to SMMC by one of the joint powers agency partners. As a small agency, SMMC may not itself provide the essential functions as defined for large departments, but plans and procedures for response during times of emergency have previously been developed for the SMMC's Operational Recovery Plan and Continuity of Operations/Continuity of Government Plan. In extraordinary events, essential functions are prioritized as (1) Life Safety: Protection in place or evacuation of personnel and park visitors. (2) Protection of facilities to the extent possible. (3) Protection of natural resources to the extent possible. (4) Protection of any key data and agency archives to the extent possible.

Department Environment: SMMC has either directly or through partnerships and grants preserved over 73,000 acres of land for habitat, recreation, open space, and restoration purposes, and is a leader in Southern California for planning for additional preservation, especially in urban areas and for increasing public access and protection of natural resources.

The Santa Monica Mountains Conservancy Board governs SMMC. Members are appointed by the

Governor, Senate President Pro Tempore, Speaker of the Assembly, Secretary of the Natural Resources Agency, City of Los Angeles, County of Los Angeles, County of Ventura, National Park Service, California Department of Parks and Recreation (Angeles District Superintendent), State Coastal Commission (member voting on Coastal Zone items), State Coastal Conservancy (ex officio), and USDA Forest Service/Angeles National Forest Service (voting on Angeles Forest-adjacent items). A 26-member Advisory Committee advises the Board in their concurrent public meetings, and consists of representatives from counties, municipalities, special districts, and state offices. Representatives from three Senate districts and three Assembly districts also sit as non-voting Legislative Representatives at the board meetings. Meetings are open public hearings noticed pursuant to the Bagley-Keene Act.

Staff: SMMC has 5.0 authorized positions: Executive Director; Staff Services Manager II (Chief Deputy Director), Attorney III; Associate Governmental Program Analyst (Budget and Grants Officer); Conservancy Project Development Manager (Deputy Director for Natural Resources and Planning-1/2 PY); and Executive Secretary (1/2 PY).

Funding: SMMC receives no General Fund appropriations. Agency support is funded through special funds: Bond funds program delivery, and Environmental License Plate Fund. Pursuant to Section 33215 of the Public Resources Code, the Conservancy Fund is the repository for any donations, bequests, settlements, in lieu fee mitigation funds, and grants to SMMC from other agencies. State capital outlay and grants are funded by appropriation from current resource bonds or to a much lesser extent, the Conservancy Fund. Funding has also come from local ballot measures such as the Los Angeles County Safe Neighborhood Parks and Open Space measures (Proposition A) approved by county voters in 1992 and 1996.

RISK ASSESSMENT PROCESS

Risk Assessment: The organizational risk assessment was performed by the Chief Deputy Director, in consultation with the Executive Director, Staff Counsel, Deputy for Natural Resources and Planning, and the Budgets and Grants Officer. The methodology includes a review of the agency's Operation Recovery Plans, the enabling statute, current and planned adopted Workprogram elements and Proposition 1 grant guidelines for land acquisition, park developments/improvements; and planning; staffing level; state-mandated activities (e.g., this report; Executive Orders; ongoing state budget drills and bond reporting; energy, water, solid waste reports; SMMC Annual Report; California Information Security annual SIMM reports; conversion to FI\$CAL etc.); also review of current budget appropriations, proposed Budget Change Proposals, status of bond funds available to the agency in upcoming years, and the status of the Conservancy Fund and Support Budget.

Risk review is focused primarily on how to most efficiently and effectively balance the agency's mission and activities with limited staff and funding, while simultaneously complying with increasingly frequent and complex state reporting requirements in the midst of a not-seamless new FI\$CAL system that is proving challenging to this very small department.

The greatest vulnerability for the agency is future-year funding for mission-critical capital outlay and support. SMMC is not a General Fund agency; grants and program delivery is funded from bond funds, with a decreasing proportion of support from the Environmental License Plate Fund. The support budget is further stretched by charges from other state agencies, notably a 3-fold increase in fees from Dept of General Services/Contracted Fiscal Services, also direct charges from the Department of Justice for services by the Attorney General.

EVALUATION OF RISKS AND CONTROLS

Operations- External- FI\$Cal Conversion

The conversion to FI\$Cal has been fraught with issues, such as apparent incompatibility of the FI\$Cal templates and program with our very small agency's business, and communication issues between DGS-

CFS and Fi\$Cal. SMMC has for many years contracted with DGS-Contracted Fiscal Services for all financial transactions, and must continue to do so for the foreseeable future. Getting invoices paid for our grantees has been held up by one Fi\$Cal or CFS glitch or another for nearly 6 months. It is not acceptable that the SMMC-State of California is not able to pay its legitimate bills, and grantees' projects are being delayed as a consequence. An inordinate amount of our limited staff's time has been devoted to entering data over and over again to try to successfully get the State Controller to issue reimbursement checks to grantees. Even getting agency phone bills paid has required work-arounds with DGS-CFS, avoiding Fi\$Cal. The Fi\$Cal staff has been unfailingly responsive, but the problem of payments persists to date. We are hopeful the issue can finally be resolved by January 2016.

SMMC's AGPA is working daily with Fi\$Cal and DGS-CFS staff to resolve computer program issues that are invoice/grant processing roadblocks; Natural Resources Agency aware of issue.

Operations- External- Funding—Sources, Levels

SMMC is not a General Fund agency and is dependent for support (staff, state set-asides and state agency fees for services) on yearly appropriation from bond measures or Environmental License Plate Fund for program delivery and support. Bond measures provide the capital outlay funding to implement the SMMC's Mission.

For near term, working closely with DOF Analyst and DGS-CFS for ongoing monitoring of budget appropriations and cost of state services such as Attorney General, DGS Real Estate Services, and DGS Contracted Fiscal Services.

For longer term, staff monitors funding available for capital outlay grants for local assistance in conjunction with SMMC Workprogram and Grant Guidelines to project available funding into out years as possible. SMMC continues to seek other funding sources for its mission, including local park and open space measures, land donations and dedications, and in lieu fee mitigation programs.

ONGOING MONITORING

Through our ongoing monitoring processes, the Santa Monica Mountains Conservancy reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of Santa Monica Mountains Conservancy, Joseph T. Edmiston, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Joseph T. Edmiston, Executive Director, as our designated agency monitor(s).

Frequency of Monitoring Activities

Risk will be monitored by the newly established, monthly SLAA Baseline Situation Report, that will review and evaluate all potential risk factors, incarnate and inchoate. that Budget and Contracts Officer, then transmitted through the Staff Counsel to the Chief Deputy Director. Alternative channel compliance is ensured by randomizing responses through the Deputy Director for Natural Resources and Planning. The Executive Director is both the ultimate consumer of the Baseline Situation Report and a frequent contributor thereto, having himself primary responsibility for generating compositional material therein.

Reporting and Documenting Monitoring Activities

The above referenced report, which will be known internally by its acronym, but externally, for security purposes, will be assigned a coded referent, will be compiled in the first instance by the Budget and

Contracts Officer, then transmitted through the Staff Counsel to the Chief Deputy Director. Alternative channel compliance is ensured by responses through the Deputy Director for Natural Resources and Planning and alternatively through the Board Secretary on a .5 randomization paradigm (these positions being themselves .5 PY employees). The Executive Director is both the ultimate consumer of the Baseline Situation Report and a frequent contributor thereto, having himself primary responsibility for generating composite material therein.

Procedure for Addressing Identified Internal Control Deficiencies

All staff meets at least weekly and any internal control deficiencies are addressed in person at that time. All identified problems will be compiled into the Internal Nominal Control Incident Prescription and Incident Description Report. This report is an integral part of the combined monthly SLAA Monthly Baseline Situation Report and the Executive Director shall review the report with the Chief Deputy Director with a view toward immediate implementation of Article 1 (commencing with Section 19572) of Chapter 7 of Part 2 of Division 5 of Title 2 of the Government Code with respect to any employee identified, and particularly with respect to any action causing a reportable consequence, as identified, pursuant to subdivisions (e), (g), (h), (o), (u) and (v) of said Section 19572. Incidents or actions causing reportable consequences, pursuant to subdivisions (b), (c) (d), (f), and (m) of said section will be reported to the State Personnel Board for evaluation of whether such actions justify dismissal, demotion, suspension, or other disciplinary action based on whether such actions are otherwise commonplace within the control departments of state government (Finance, General Services, State Controller), and if so found, adverse actions will be taken proportional to the precedential decisions of the State Personnel Board.

CONCLUSION

The Santa Monica Mountains Conservancy strives to reduce the risks inherent in our work through ongoing monitoring. The Santa Monica Mountains Conservancy 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.

Joseph T. Edmiston, Executive Director

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