December 11, 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 Coachella Valley Mountains Conservancy 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 Jim R. Karpiak, Executive Director, at (760) 776-9698, jkarpiak@cvmc.ca.gov.

BACKGROUND

Mission and Goals.

The Coachella Valley Mountains Conservancy (CVMC) is a small agency, with a staff of four, within the Resources Agency. CVMC’s mission, pursuant to Public Resources Code Section 33501, is “to acquire and hold, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley, and to provide for the protection of wildlife resources on, and the public’s enjoyment of, and the enhancement of their recreational and educational experiences on, those lands in a manner consistent with the protection of the lands and the resource values specified in Section 33500.”

Strategic Initiatives/Core Values and Principles.

CVMC’s Board implements its mission through cooperative or joint undertakings where possible. Its partners include the U.S. Fish and Wildlife Service, Bureau of Land Management, Joshua Tree National Park, the State Wildlife Conservation Board and several cities, local districts and tribes, with additional support from local residents through the activities of the Friends of the Desert Mountains (FODM), the Friends of the Palm Springs Mountains (FOPSM), Center for Natural Land Management (CNLM), Mojave Desert Land Trust and other non-profit organizations. CVMC also coordinates with the Coachella Valley Conservation Commission (CVCC) on the implementation of the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP), which is the Natural Communities Conservation Plan (NCCP) in the Coachella Valley, thus furthering the state’s NCCP policy in our area.

In its approach to fulfilling its mission CVMC stresses three principles:

a. Community support. The belief that CVMC cannot be successful unless the community supports CVMC’s mission. Community support is achieved by an outreach program in partnership with the nonprofit organizations listed above to inform the public about CVMC’s work and to involve the community actively in the conservation programs of CVMC and its partners.

b. Creativity/entrepreneurial spirit. In view of its limited fiscal resources, CVMC seeks to employ an entrepreneurial spirit and creativity. The support of non-profit support groups to complement
CVMC's conservation efforts exemplifies this approach.

c. Partnerships. CVMC's board and staff continuously pursue cooperative opportunities such as local matches for grants; partnership acquisitions with various local, state, and federal agencies; and working with CVCC on the CVMSHCP and other joint efforts.

Critical Business Functions, Objectives, Activities.

CVMC acquires land and provides local assistance grants to other entities that acquire land to fulfill this mission. For several years prior to 2008, CVMC prepared the CVMSHCP and has an ongoing contract with CVCC to serve as its Acquisitions Manager to assist in implementation of the CVMSHCP. CVMC also is active in management of its own land and works cooperatively with its grantees to manage their lands efficiently.

CVMC operates a grant program to fund the implementation of the California Water Action in the Coachella Valley through strategic acquisitions of watershed land, restoration of natural land to reduce water use, improve groundwater quality and reduce flooding and erosion, and construction of efficient water system infrastructure. To a great extent, CMVC attempts to focus its habitat and watershed restoration projects in a manner that enhances the habitat value of existing conservation land.

CVMC works with other local agencies on trail planning and building throughout the Coachella Valley. In addition, CVMC, in cooperation with the California Department of Fish and Wildlife, recently acquired a historic ranch amid a valuable habit area, where we are working to preserve the historic features and make them available for educational, research and recreational uses that are consistent with habitat values.

The main funding source for the capital outlay program is state bond measures, including Propositions 1, 12, 40 and 84. CVMC’s support budget includes funds from the Environmental License Plate Fund, reimbursements through contracts for services to other public agencies and state bond program delivery funds where available.

History and statutory duties.

CVMC was established by the California Legislature in 1990. The Conservancy's mission is set forth in state law as Public Resources Code (PRC) §33500, et seq.:

33500. The Legislature hereby finds and declares that the mountains and natural community conservation lands of the Coachella Valley in Riverside County contain unique and important open-space, wildlife, scenic, environmental, anthropological, cultural, scientific, educational, and recreational resources that should be held in trust for the enjoyment of, and appreciation by, present and future generations.

33501. The Coachella Valley Mountains Conservancy is hereby created as a state agency within the Resources Agency to acquire and hold, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley, and to provide for the protection of wildlife resources on, and the public's enjoyment of, and the enhancement of their recreational and educational experiences on, those lands in a manner consistent with the protection of those lands and the resource values specified in Section 33500.

ONGOING MONITORING

As the head of Coachella Valley Mountains Conservancy, Jim R. Karpiak, Executive 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 Coachella Valley Mountains Conservancy internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Kerrie Godfrey, Associate Director.

Monitoring Activities
Internal risk monitoring occurs on an ongoing basis through weekly staff meetings, maintenance of independent records of bond fund expenditures and balances, quarterly budget reviews, quarterly meetings with CVCC and partner non-profit organizations, maintenance of logs for the status of contracts and grant deadlines, and master calendars for land transactions and capital grant programs. Disbursement requests, approvals of expense reports and staff time sheets require review by two separate staff members (usually Executive Director and Associate Director) before they can be submitted. For ongoing restoration projects, the Executive Director and staff coordinating the program meet weekly to discuss the status of grantee performance.

Addressing Vulnerabilities
The ongoing active monitoring activities described above allow vulnerabilities (such as errors, delays, lack of communication) to be discovered timely. Typically potential solutions are discussed at a staff meeting and implemented via policy changes if needed, or if not, modifications in internal routing or communication practices. Follow up discussions are held at subsequent staff meetings to ensure that the solution is effective.

Communication
Written internal policies and procedures are documented by CVMC’s Standard Procedures Manual. We also have numerous stand-alone policies, for example, detailing how public records requests should be handled and how to process returned bond funds, as well as checklists for such activities as managing real estate transactions, establishing and maintaining audit files for grant agreements and reviewing grant applications. Those documents are available for reference and use by all staff and changes are discussed at staff meetings. Day to day communication or urgent matters are addressed by email communication or additional staff meetings.

Ongoing Monitoring Compliance
The Coachella Valley Mountains Conservancy has implemented and documented 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 Coachella Valley Mountains Conservancy systems of controls and monitoring.

Risk Assessment Process
The following personnel were involved in the Coachella Valley Mountains Conservancy risk assessment process: Executive Management, and Staff.

Risk Identification
CVMC’s Executive Director prepared this biennial report through a review of relevant CVMC records, analysis of issues identified in December 1, 2011 and December 27, 2013 CVMC FISMA Reports, the December 30, 2015 SLAA Report, and interviews with all CVMC staff and key CVCC and Partner
management staff. In addition, the assessment was discussed at a staff meeting.

CVMC’s management (i.e., its Executive Director and Associate Director/SSM1), with assistance from and in coordination with California State Parks (Parks), is responsible for the establishment and maintenance of internal and administrative controls. These controls are defined as a process to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting; (b) effectiveness and efficiency of operations; and (c) compliance with applicable laws and regulations. Most administrative and fiscal functions are provided for CVMC by Parks through an interagency agreement, including, in whole or in part, human resources, payroll, contracting, budgeting, and other fiscal services for CVMC. As a result, the systems of internal accounting and administrative control for these aspects of CVMC’s functioning are significantly dependent on Parks.

CVMC’s management is responsible for establishing and maintaining adequate internal controls. This responsibility, in accordance with Government Code Sections 13400-13407, includes documenting internal control, communicating requirements to employees, and assuring that internal control is functioning as prescribed. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control are to provide reasonable, but not absolute, assurance that:

a. Assets are safeguarded against loss from unauthorized use or disposition.

b. Transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of reliable financial statements.

c. Financial operations are conducted in accordance with policies and procedure established in the State Administrative Manual.

Internal risk monitoring occurs on an ongoing basis through weekly staff meetings, maintenance of independent records of bond fund expenditures and balances, quarterly budget reviews, quarterly meetings with CVCC and partner non-profit organizations, maintenance of logs for the status of contracts and grant deadlines, and a master calendar/schedule for land transaction and grant applications.

Risk Ranking

The risk ranking was done through the same process as risk identification, with the Executive Director and Associate Director ranking the risks based on:

a. Likelihood of occurrence, based on past history, estimated frequency, degree of third party or public contact, and complexity of the activity.

b. Potential impact on day to day operations, particularly on the ability to achieve our mission and the cost of remedy.

c. Effectiveness of potential controls, especially where third parties or other agencies interact with CVMC on the activity.

d. Cost effectiveness of controls, including demand on staff resources.

Risks and Controls

Risk: Operations - Internal Oversight, Monitoring, Internal Control Systems

Risks include failure of administrative procedures, budgeting/accounting, procurement, personnel,
information access/data integrity, contracts, required inventories, grant processing and board procedures. 

Note: significant portions of CVMC’s accounting/fiscal functions (including Fi$Cal conversion), procurement and personnel matters are undertaken by Parks, whose administrative controls are not under CVMC’s purview.

Causes would be mostly staff error or failure to communicate properly, lack of training, or sometimes equipment failure.

Results could be that reporting or contractual performance deadlines can be missed, access to funds can be delayed, governance and statutory obligations can be improperly carried out or not timely completed, and employee productivity or morale can be negatively effected.

**Control A**

CVMC has developed a Standard Procedures Manual that documents policies and procedures that ensure proper control and accountability over the operations of CVMC. Development and update of the procedures manual is an ongoing effort by all the CVMC Staff. The Manual addresses all CVMC office administrative procedures, budgeting/accounting, procurement, personnel, information access/data integrity, contracts, required inventories, grant processing and board procedures and is updated and reviewed annually.

**Control B**

CVMC has an interagency agreement with the Department of Parks and Recreation that identifies the roles and responsibilities of each entity’s staff. Periodic conference calls between CVMC’s executive management and appropriate DPR employees (i.e., budget analyst, accounting manager and bond manager) are held to coordinate the flow of work and data between the staffs.

**Risk: Operations - Internal - Technology—Support, Tools, Design, or Maintenance**

Risks are failure of IT connections, equipment or software. CVMC’s user technical environment is completely separate from that of Parks. CVMC does not own any servers.

**Current IT Equipment:**

One network station, one wireless router, two laptops, three work stations, one color printer, one large format color printer, one copier that is networked for computer printing and one Iphone for field work.

**Current IT Database Management Environment:** CVMC uses commercially available operating systems and software, selected in consultation with Department of Parks and Recreation IT staff. Our systems are scanned daily for virus infiltration.

**Current IT Network Environment:** CVMC uses locally-available business-class internet service. We have desktop access to various state sytems, user name and password protected, with connections set up in consultation with DPR IT staff. All personnel have email addresses through a Natural Resources Agency domain, cvmc.ca.gov.

Causes could be staff or technological error, or inadequate staff training.

Results might be lack of access to records, delays in completing tasks, loss of staff time and productivity.

**Control A**

**IT Resources and Skill Sets:** Staff, with some outside support from a local IT company, performs all IT purchases, initial set-up, updates, repair and disposal of old equipment, installs and maintains
software, internet, and email. CVMC’s IT repair capabilities are limited. Using the Parks IT help desk for more in-depth hardware questions and maintenance is not a timely solution so we consult with a local network company to perform the IT functions beyond our capability.

**Risk: Operations -External-Technology—Data Security**

Risks are viruses or thefts of data.

Causes could be virus or hacker intrusion.

Results could be loss of data or access to records.

**Control A**

Our systems are scanned daily for virus infiltration using commercially available software selected in consultation with DPR IT staff, and staff adheres to state policy on internet and email usage to reduce opportunities for such infiltration. All personnel are required to utilize a password to log into each computer system. CVMC maintains only unofficial fiscal records; all official records are maintained by State Parks in Sacramento. CVMC prepares and submits a periodic Operational Recovery Plan to the Department of Finance.

**Risk: Operations -External-Fraud, Theft, Waste, Misconduct, Vandalism**

Risks are loss or damage to (i) CVMC offices leased from the City of Palm Desert or its furnishings, office equipment and records located therein; (ii) the Shumway Ranch acquired by CVMC in September 2017 or the vacant historic buildings located thereon; or (iii) damage or contamination of conservation land owned by CVMC on behalf of the State of California.

Causes could be entry by intruders due to poorly secured structures.

Results could be expenses for repair of damages, loss of use of equipment, inpromper distribution of documents, or destruction of habitat values that protect endangers species and natural conditions on conservation land.

**Control A**

The offices are in a secured complex that is monitored and maintead by the landlord in accordance with CVMC’s lease. State assets are identified by decals and safeguarded. For budget items valued over $5000, CVMC personnel conduct a complete physical inventory annually and foward any additions or changes to the Parks Property Control Office. The Shumway Ranch is fenced and gated, and each of the four structures there is locked and/or boarded up. Staff inspects the Ranch frequently and is in the process of developing a plan to survey and stabilize the three historical structures and improve the one-nonhistoric structure for limited use. Finally, the acquisition of all conservation lands were properly inspected, approved and documented, and staff also performs regular land monitoring and management procedures and submits the State Property Inventory verification annually to the Department of General Services.

**Risk: Operations -Internal-Oversight, Monitoring, Internal Control Systems**

Risks are inaccurate personnel and payroll records.

Cause would mostly be staff error.

Results could be inaccurate reporting leading to in accurate budgeting and operational planning.
**Control A**

CVMC staff submit monthly time reports and new/transfer employee forms, but otherwise, all records and documents regarding personnel, including payroll, annual leave and benefits are maintained by State Parks. Time reports are reviewed by the Associate Director and the Executive Director prior to submission to Parks.

**Risk: Operations - External-Funding — Sources, Levels**

Risks include potential loss of budget authority or appropriations.

Causes could be lack of communication of operational needs or mission to Parks or Department of Finance.

Results could be lack of funding to carry out our mission due to insufficient appropriations or lack of access to local assistance appropriations whose encumbrance dates have passed.

**Control A**

The Executive Director, in conjunction with CVMC’s DPR budget analyst prepares the annual budget and related documents, such as Five Year Infrastructure Plans, BCPs, finance letters, etc., and submits them to Parks, where they are finalized and then submitted to the Resources Agency and Department of Finance. All official records of disbursement pursuant to the budget are maintained by Parks. As we consistently operate under tight budgets because we do not receive full funding from the State for our operations and rely on reimbursements from contract work to fund a portion of our overhead, we continually scrutinize our expenditures to assure that we remain within our budget. Executive management reviews expenditures and appropriation balances. We also maintain our own records of expenditures and fund balances and reconcile them periodically with State Parks records.


Risks are improper or wasteful procurement.

Causes could include staff error or inadequate planning.

Results could be inefficient use of budgeted funds.

**Control A**

Decisions regarding all but routine purchases are made by the Executive Director based on recommendation from the Associate Director. Staff members have Calcards for small routine office purchases. The records of such purchases are reviewed monthly by the Executive Director or Associate Director. Purchases above the Calcard limit of $5000, or which cannot be made via CalCard, requiring a contract or purchase order, must be approved by the Associate Director and Executive Director as well as the purchasing officer at State Parks. Applicable Parks procurement procedures are followed.


Risks are potential improper awards, disbursements or uses of grant funds.

Causes would be staff or grantee errors.

Results could include unapproved uses of grant funds.

**Control A**

Decisions regarding all local assistance are made by the CVMC Board consisting of 20 members.
After approval, the Executive Director and other staff members prepare and execute grant documents for submission to SCO through State Parks for disbursement of bond funds. CVMC coordinates with State Parks and DOF to perform period and annual bond fund reports or audits. All invoices and fund disbursements needed for acquisitions are handled by State Parks. CVMC prepares the documents and sends them to State Parks, but we do not disburse any funds directly. CVMC requires entities that receive grants to submit and comply with long term management plans for land purchased with CVMC bond funds. We have quarterly monitoring meetings with our main grantees to ensure compliance.

**Risk: Operations - Internal Oversight, Monitoring, Internal Control Systems**

Risks are improper contracting controls.

Causes could be staff or contractor errors.

Results would include delays in contract implementation.

**Control A**

CVMC staff prepares contract documents for various aspects of CVMC’s operations and they are approved by the Executive Director and then forwarded to State Parks; which also approves them and sets them up for payment, thus assuring adequacy and availability of funds. CVMC submits invoices for disbursements to State Parks, and at least two CVMC staff members review each invoice and its documentation prior to submittal to State Parks.

**Conclusion**

The Coachella Valley Mountains Conservancy 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.

*Jim R. Karpiak, Executive 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