December 28, 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 San Diego River 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 Dustin Harrison, Environmental Scientist, at (619) 645-3183, dharrison@sdrc.ca.gov.

BACKGROUND

The San Diego River Conservancy was established by an act of the California Legislature to preserve, restore and enhance the San Diego River Area. The Conservancy’s Governing Board consists of both state and local representatives, creating a partnership which reflects the diversity and dedication to conserving this highly valued resource of statewide significance. The Conservancy is required to submit to the Governor and the Legislature information regarding projects funded or undertaken by the Conservancy and recommendations regarding legislative action that may be needed to provide funding or other resources to enable the Conservancy to more effectively and efficiently carry out its mission, goals, and objectives.

ONGOING MONITORING

As the head of San Diego River Conservancy, Julia Richards, Executive Officer, 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 San Diego River Conservancy internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Julia Richards, Executive Officer, and Dustin Harrison, Environmental Scientist.

Monitoring Activities

SDRC primarily manages grants and works with partner organizations to accomplish its mission. All SDRC staff routinely monitor multiple projects to ensure grantees are compliant with grant agreements and payments are processed efficiently. Additionally, project folders are maintained and updated accordingly with spreadsheets to help track the many different expenditures. Progress reports are obtained, reviewed and checked against projected timelines. Open communication helps inform staff and grantees to stay on schedule and field visits ensure work progress.

Addressing Vulnerabilities

As more project information accumulates, it is imperative SDRC constantly review project folders and
maintain open communication with staff, SDRC’s accounting (DGS - Contracted Fiscal Services) and grantees. For example, project manager reviews requests for disbursement and progress reports. Next, the Administrative Services Manager reviews documentation and inputs data into databases. If additional information is needed or issues arise, SDRC staff contacts grantees or schedules meetings to address the matter. SDRC communicates resolutions to prevent future vulnerabilities and maintain efficiency both internally and externally.

**Communication**

Communication is open and responsibilities are distributed amongst SDRC staff. Different skill sets are combined to double check and cross-reference payments, reporting requirements as well as environmental compliance. SDRC discusses the issues they identify with grants and contracts when reviewing reimbursements. A small entity such as SDRC allows for adequate oversight, equal work distribution and good rapport.

**Ongoing Monitoring Compliance**

The San Diego River Conservancy 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 San Diego River Conservancy systems of controls and monitoring.

**RISK ASSESSMENT PROCESS**

The following personnel were involved in the San Diego River Conservancy risk assessment process: Executive Management, and Staff.

**Risk Identification**

Risks to SDRC’s mission are identified by frequent internal audits of grants which involve all SDRC staff. Internal operations include proposition 1 grant manager maintaining open communication with grantees, reviewing invoices and progress reports, submitting to Administrative Services Manager data to input into statewide databases, then seeking Executive Officer approval. External factors that occur are incorrect invoicing, missing receipts and late reporting by the grantees. Risks identified in last SLAA report are still relevant. Although SDRC staff has procedures for risks, identifying them and controlling them has become more efficient.

**Risk Ranking**

Any risks that prevent SDRC from obtaining its goals, objectives or mission become priority. Some examples include: Bond/grant funds are not available if grantees do not report the correct amount of anticipated expenditures. Prompt payment of invoices is controlled internally and externally. For example, SDRC staff must review invoices from grantee on a monthly basis. If information is missing, grantees are required to follow up with additional information. Any delays in review causes delays in reimbursements, possibly leading to fines and lack of confidence in future partnerships. Timely updates to various state databases ensures reporting requirements are met. If necessary, SDRC staff seek additional consultation with subject matter experts.
RISks AND COnTROLS

Risk: Operations - Internal - FISCal Implementation, Maintenance, or Functionality
Funds not available to SDRC for grants result in delayed reimbursements.
Accurate cash projections and multiple billing requests are organized.
Immediate attention focuses on project reports, invoices and expenditures on spreadsheets allowing for
timely processing.

Control A
Utilization of ABCRS and FI$Cal for project organization and Excel spreadsheets for project tracking.

CONCLUSION
The San Diego River 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.

Julia Richards, 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