Memorandum

To: John Laird, Secretary  
California Natural Resources Agency  
1416 Ninth Street, Suite 1300  
Sacramento, California 98514

Date: December 28, 2017

From: John P. Donnelly, Executive Director, Wildlife Conservation Board  
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(916) 445-8448  Fax (916) 323-0280

Subject: Review of the Systems of Internal Control

In accordance with the State Leadership Accountability Act of 2015, Government Code sections 13400 through 13407, I am submitting the enclosed report describing the review of our systems of internal control for the biennial period ended December 31, 2017.

As statutorily required, the Wildlife Conservation Board is partially in compliance with Government Code Section 13400 - 13407.

Enclosure

cc: Director of Finance, FISMAhotline@dof.ca.gov  
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Attorney General, OPRA@doj.ca.gov
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 Wildlife Conservation Board 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 Peter Perrine, Assistant Executive Director, at (916) 445-1109, peter.perrine@wildlife.ca.gov.

BACKGROUND

The Wildlife Conservation Board (WCB) is a separate and independent body of the State within the California Department of Fish and Wildlife (CDFW). WCB’s mandates are in Fish and Game Code Section 1300 et seq. The California legislature created the WCB in 1947 to conserve California’s wildlife resources and provide for suitable public recreation. As a result of its successful performance, WCB’s role has expanded throughout its 70 years of service. In addition to fulfilling its original purposes, WCB is also responsible for implementing a variety of legislative and voter-approved conservation programs statewide. The agency awards grants to other State and local entities and non-profit organizations, and also acquires lands and property interests on behalf of the CDFW to protect wildlife habitats. WCB programs fund critical work of conservation partners throughout California, and focus primarily on acquisition of lands to conserve wildlife habitats (fee title and conservation easements), wildlife habitat restoration and enhancement, and development of wildlife-oriented public access facilities. The Wildlife Conservation Board consists of the President of the Fish and Game Commission, the Director of the California Department of Fish and Wildlife, the Director of the Department of Finance, and four public members, two appointed by the legislature and two by the Governor. Legislation that created WCB also established a Legislative Advisory Committee consisting of three members of the Senate and three members of the Assembly, which meet with the Board, providing legislative oversight. WCB has 31 full-time staff members focused on land acquisition, habitat restoration, recreational public access, budget analysis and other program support activities. WCB is a relatively small entity and relies on the CDFW for several of its critical business functions including accounting services, business management, human resources and information technology services. As a steward of California conservation dollars, WCB has consistently managed their role and responsibilities effectively and efficiently and has repeatedly earned the respect of consecutive administrations, legislatures, and the statewide conservation community through a history of performance. WCB has achieved this long standing excellent reputation by continually reinforcing an established core set of values and fostering high standards of professionalism that starts with management and is communicated to all staff and through all operational activities. WCB has well defined roles and responsibilities, established lines of authority, sufficient internal controls and strong lines of communication with internal and external partnerships.
ONGOING MONITORING

As the head of Wildlife Conservation Board, John Donnelly, 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 Wildlife Conservation Board internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Peter Perrine, Assistant Executive Director.

Monitoring Activities
Through ongoing monitoring of processes, the WCB reviews, evaluates, and improves systems of internal controls. The frequency of separate evaluations performed by the WCB will be conducted on quarterly, semi-annually, annually and biennially schedules based on the assessed severity and probability of the associated risk. For example, ongoing and impartial monitoring of financial reconciliations will be performed quarterly, which is consistent with financial status reporting required for quarterly board meetings. Alternatively, effectiveness of program implementation evaluations will occur semi-annually and on a rotation basis due to the number of programs and the lower risk assessed. The frequency of planning and prioritizing monitoring activities will occur annually through a major and comprehensive organization wide risk assessment completed by Executive Management and additional staff as appropriate. Additionally, a minor mid-year risk assessment will occur to ensure adequate resources have been provided for ongoing monitoring and that priorities do not require adjustments. The frequency of monitoring results will occur monthly at internal unit status meetings. If results are pending completion of on-going monitoring evaluations then a status update will be provided on the work performed to date.

Addressing Vulnerabilities
The timeframe for deficiencies to be remedied will be dependent on the severity and probability of the risk(s) associated with the deficiency. As a general guideline the WCB will require corrective action to begin within 60 days of the identified deficiency and updates on corrective actions provided every subsequent 30 day period until adequate mitigation measures have been fully implemented. Deficiency statements will be identified as findings in final reports submitted at the conclusion of each evaluation and assessment performed. Executive Management and applicable staff/units will receive information through copies of reports or high level summaries on any identified deficiencies as appropriate, as well as, status updates on corrective action taken.

Communication
The individuals responsible for performing monitoring functions will be selected based on their objectivity, and ability to maintain integrity, impartiality, and a questioning state of mind, and the ability to accurately and fairly assess circumstances and draw sound conclusions. The WCB will engage knowledgeable and capable resources from internal resources and seek external resources if needed. Monitoring results will be documented in written form and follow conventional internal auditing reporting requirements including scope, methodology, objectives, observations, findings and recommendations. All monitoring results will be kept on file by the Agency Monitor both in a hardcopy and an electronic file for a period of no less than five years. Monitoring results will be communicated first to executive management and then communicated to applicable units/staff at monthly staff meetings as appropriate.
Ongoing Monitoring Compliance

The Wildlife Conservation Board 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 Wildlife Conservation Board systems of controls and monitoring.

Risk Assessment Process

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

Risk Identification

WCB management met to identify risks that could adversely impact the WCB’s ability to implement objectives and its overall mission. Further, management also reviewed the SLAA Report submitted for the prior biennial period and observations noted by the Office of State Audits and Evaluations during compliance audits of WCB grantees. Finally, WCB management sought input from all staff to identify potential risks.

Risk Ranking

Risk statements were prepared, reviewed and then ranked, based on both the severity and possibility of occurrence. For the risks identified, related existing controls were identified that, if working as intended, would provide reasonable assurance that risks would be mitigated. In addition, management identified additional controls that upon implementation would further mitigate possible risks. Consistent with SLAA requirements, in addition to complying with biennial reporting, the WCB will evaluate internal controls on an ongoing basis through regular and ongoing monitoring processes and, when detected, weaknesses will be corrected. The WCB will implement improved internal controls on an ongoing basis when risks are identified through an ongoing assessment and evaluation of the effectiveness of established internal controls. For this biennial reporting period, additional risks were identified during the risk assessment process; however, those identified are the highest ranked.

Risks and Controls

Risk: Operations - External Staff — Recruitment, Retention, Staffing Levels

Recruiting and retaining qualified staff is a critical need for WCB due to its complexity and important role in protection, restoration and enhancement of California’s natural resources.

The WCB is a complex yet small organization with 30.5 permanent full time staff, divided into three units, the Land Acquisition Unit, the Restoration and Development Unit, and the Administration Unit. The Land Acquisition Unit and Restoration and Development Unit staff are tasked with the implementation of 11 different conservation and development programs, as well as, fulfilling statutory mandates associated with five different conservation related legislative acts. Due to the autonomous nature of the WCB, the Administrative Unit is tasked with providing diverse and extensive support services that are further complicated due to a funding structure that includes federal funds, as well as, eight different state funding sources totaling over $3 billion in the past 15 years.

Failure to recruit and retain adequate staff resources has the potential to result in mismanaged state and federal funds, non-compliance with legislative mandates, missed opportunities to protect and enhance
California’s natural resources, and could result in the loss of the public trust in the WCB’s ability to contribute effectively to statewide conservation efforts.

**Control A**

WCB ensures that adequate candidate pools for all positions are available by continually assessing the appropriateness and desirability of classifications used for all staff positions. Previously the WCB successfully obtained the approval to reclassify applicable Restoration and Development staff positions to the Environmental Scientist (ES) classification due to failed recruitment efforts for vacant Public Land Management Specialist (PLMS) positions. Currently, the WCB is proactively collaborating with human resource management to obtain a similar solution for Land Acquisition staff positions due to a decreasing response to advertisements for vacancies. Management researched statewide classifications for comparable duties and skill sets and determined that the existing classification used by WCB was significantly less desirable than other similar options and is therefore seeking to rectify the issue internally before failure to recruit adequate resources negatively impacts the WCB’s programs’ effectiveness.

**Control B**

WCB promotes upward mobility by maintaining an organizational structure that provides promotional opportunities for all levels of staff, including entry level through management. WCB routinely undergoes internal evaluation of its operational structure, and when needed reorganize resources to create positions to provide the leadership, breadth of experience and promotional opportunities critical to foster and strengthen internal leadership, as well as maintain and expand institutional knowledge and expertise.

**Control C**

WCB embraces opportunities for staff growth by providing Training and Development assignments, conducting annual performance evaluations and creating Individual Development Plans for staff. Additionally, WCB has implemented staff cross training within and between units to both strengthen institutional knowledge and create opportunities for employees to expand their skill set and job experiences.

**Risk: Operations - Internal Organizational Structure**

The WCB’s Strategic Plan requires the completion of implementing actions within specified time frames. The WCB completed its first Strategic Plan in August of 2014. The Strategic Plan provided direction on achieving the WCB’s vision for the future and identified a long term process of assessment, goal setting, and strategy building. The plan also includes five implementing actions that are intended to support the strategies, actions and project selection criteria identified in the plan.

Failure to effectively complete implementing actions may cause the WCB to lose the trust of the conservation community and compromise its ability to continue its contributions to the statewide conservation efforts.

**Control A**

WCB assessed the human resources needed to effectively lead the strategic plan implementation effort and successfully recruited an Assistant Executive Director (AED), with extensive experience and institutional knowledge of the WCB who also held a critical role during the plan’s development process. The AED has been responsible for the overall implementation of the strategic plan, for complying with
applicable state laws, policies, and procedures governing strategic planning and implementation, and has been accountable for presenting outcomes before the board at each quarterly meeting.

**Control B**
WCB’s implementation strategy engages and seeks the input of statewide leaders and partners in conservation and draws from established statewide and regional plans and initiatives. The implementing actions included a series of dialogs with conservation partners to obtain input on priority conservation issues. These dialogs resulted in a conservation summit in conjunction with California Department of Fish and Wildlife (CDFW) and conservation partners obtaining responses to proposed recommendations. Additionally, strategic planning implementation has relied on established statewide and regional plans and initiatives supported by rigorous science-based approaches, including but not limited to the Wildlife Action Plan, Habitat Conservation Plans, Natural Community Conservation Plans, State and Federal Species Recovery Plans, Local, regional and State parks plans, etc.

**Control C**
WCB’s existing Strategic Plan established goals and performance measures to guide the initial implementation effort. The existing plan identified five major goals which include, Environmental Protection and Conservation, Environmental Restoration and Enhancement, Public Use and Recreation, Public Awareness and Education, and Fiscal and Organizational Effectiveness. Additionally, the existing plan identified achievable and quantifiable performance measures for evaluating effectiveness which have been further defined in greater detail through the implementation process.

**Risk: Operations - Internal Oversight, Monitoring, Internal Control Systems**
Projects funded by the WCB are not adequately monitored to ensure investments made by the WCB are sufficiently maintained and/or preserved.

WCB is responsible for a high volume of land acquisitions, conservation easements, restoration projects and public access improvement projects and monitoring is necessary in order to ensure long term compliance with State and Federal grant terms and conditions. WCB has limited staff resources and funding available to provide the necessary monitoring.

If completed projects are not adequately monitored to ensure investments made by the WCB are sufficiently maintained and/or preserved, the result could cause a loss of trust in WCB’s management of California conservation dollars and compromise its ability to continue its contributions to statewide conservation efforts.

**Control A**
Monitoring procedures were presented to the Board in August and November identifying processes to efficiently and effectively monitor past projects with current staffing levels. Methods included identifying a proportion of projects to monitor through a random sampling technique, collaboration with project partners and CDFW headquarters and Regions to exchange monitoring information, and reliance on grantees to continue to monitor past projects and submitting monitoring reports where applicable. Training WCB staff for monitoring will be complete by January 31, 2018. Monitoring sampling will occur from January through December 2018. Initial collaboration with partners and CDFW has begun and continued collaboration will be ongoing. The Monitoring Plan is on schedule to be completed by Spring 2018.
RISK: REPORTING -EXTERNAL-INFORMATION COMMUNICATED—ADEQUACY, ACCURACY, INTERPRETATION, TIMELINESS
WCB grantees or contractors that wish to charge incidental costs must explain the methodology used to determine how those costs are calculated and provide details to support the request. However, lack of written policies and procedures for both project managers and grantees significantly increases the possibility that WCB could mismanage state funding by approving reimbursement of ineligible costs due to miscommunications between project managers, management and grantees on allowable costs. Likewise grantees are vulnerable to being subjected to repayment of ineligible costs identified in grantee audits conducted by the Department of Finance, Office of State Audits and Evaluations.

WCB awards grants to federal, state and local public agencies, as well as, non-profit organizations to fund projects that meet the objectives of one or more of its 11 established programs. Each fully executed grant agreement includes an approved budget amount and a detail of approved line items. Examples of approved costs include but are not limited to project design, planning, permitting, and construction. Incidental costs, which can be an approved line item, is defined as project related indirect costs. Incidental costs are associated with “day-to-day” operations that, while necessary for project delivery, cannot be directly and easily attributed to that delivery. Allowable incidental costs include, but are not limited to, workers compensation insurance, utilities, office space rental, phone, and copying. Previously WCB relied on a generally known policy that allowed the project manager to evaluate and approve an incidental rate not to exceed 10% during the finalization of the budget allocation and prior to fully executing the grant agreement. However, this policy is inconsistent with CDFW policies for its grant programs.

The WCB and its grantees may lose credibility due to mismanagement of state funds and non-compliance determinations. Additionally, payment for unsupported costs reduces funding that could be used on other projects and could cause a loss of trust in the WCB’s management of California conservation dollars and compromise its ability to continue its contributions to statewide conservation efforts.

Control A
Strong Working Relationship with Grantees - WCB has a long standing practice of maintaining constant lines of communication with grantees after project approval. Project managers provide initial training to grantees on meeting requirements of grant terms and conditions for providing appropriate support documentation for eligible expenditures. Project managers provide on-going direction to grantees throughout the project period to ensure that project budgets remain aligned or receive timely approvals for adjustments as appropriate.

Control B
WCB will finalize development of the following steps to address incidental costs:

- A unified policy that defines standard language and definitions for incidental costs and assures these are consistent among all WCB Development programs and grants, and with those of CDFW.
- A webpage for WCB Development grants that will have links to templates, policies and guidance specific to project implementation grants.
- Written policy and updated training for WCB staff to assure consistent policy guidance to grantees.
- A checklist added to the WCB Development application that will identify applicants’ administrative activities, procedures and accounting standards.
- Additions to the WCB Development grant language that will provide a definition of incidental costs, outline required documentation, and explicitly state Grantees’ responsibilities.
CONCLUSION

The Wildlife Conservation Board 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.

John Donnelly, 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