

California Coastal Commission

2015 SLAA REPORT

December 31, 2015

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 California Coastal Commission 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 Susan Hansch, Chief Deputy Director, at (415) 904-5244, Susan.Hansch@coastal.ca.gov.

BACKGROUND

The California Coastal Commission was first created by voter initiative in 1972 (Proposition 20) and then statutorily established by the Legislature in the California Coastal Act of 1976.

The Commission, in partnership with coastal cities and counties, plans and regulates the use of land and water in the coastal zone. Development activities, which include, among other things, construction of buildings, divisions of land, and activities that change the intensity of use of land or public access to coastal waters, generally require a coastal permit from either the Coastal Commission or a local government.

The Coastal Act includes specific policies (see Division 20 of the Public Resources Code) that govern issues such as shoreline public access and recreation, lower cost visitor-serving facilities, terrestrial and marine habitat protection, visual resources, landform alteration, agricultural lands, commercial fisheries, industrial uses, water quality, offshore oil and gas development, transportation, development design, power plants, ports, and public works. The policies of the Coastal Act constitute the statutory standards applied to planning and regulatory decisions made by the Commission and by local governments, pursuant to the Coastal Act.

The Commission is an independent, quasi-judicial state agency. The Commission is composed of twelve voting members, appointed equally (four each) by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six of the voting commissioners are locally elected officials and six are appointed from the public at large. Three ex officio members represent the Resources Agency, the California State Transportation Agency, and the State Lands Commission.

The coastal zone, which was specifically mapped by the Legislature in 1976, covers an area larger than the State of Rhode Island. On land the coastal zone varies in width from several hundred feet in highly urbanized areas up to five miles in certain rural areas. Offshore the coastal zone extends out three miles from shore. The coastal zone established by the Coastal Act does not include San Francisco Bay, where development is regulated by the Bay Conservation and Development Commission.

Key Statutory Responsibilities

California's coastal management program is carried out through a partnership between state and local governments. Implementation of Coastal Act policies is accomplished in part through the preparation of local coastal programs (LCPs) that are required to be completed by each of the 15 counties and 61 cities located in whole or in part in the coastal zone. Completed LCPs must be submitted to the Commission for review and approval. An LCP includes a land use plan (LUP) which may be the relevant portion of the local general plan, including any maps necessary to administer it, and the zoning ordinances, zoning

district maps, and other legal instruments necessary to implement the land use plan. Coastal Act policies are the standards by which the Commission evaluates the adequacy of LUPs. Implementing ordinances and programs must be consistent with and adequate to carry out the LUP. Amendments to certified LCPs only become effective after approval by the Commission.

Development within the coastal zone may not commence until a coastal development permit has been issued by either the Commission or a local government that has a Commission-certified local coastal program. After certification of an LCP, coastal development permit authority is delegated to the appropriate local government, but the Commission retains original permit jurisdiction over certain specified lands (such as tidelands and public trust lands). The Commission also has appellate authority over development approved by local governments in specified geographic areas as well as certain other developments.

The Commission reviews and acts on port master plans and amendments to them from the industrial ports of Hueneme, Los Angeles, Long Beach, and San Diego. Commission approval is necessary to allow port expansions to meet future growth needs. A similar requirement applies to land areas of universities in the coastal zone (e.g., the University of California campuses at Santa Cruz, Santa Barbara, and San Diego; Pepperdine University; and San Diego State University). The Commission also has an oil spill prevention and response program, a statewide Coastal Act Enforcement Program, and a federal consistency program authorized under the federal Coastal Zone Management Act, through which the Commission is able to review federally authorized and conducted activities in and outside the coastal zone that affect California's coastal resources for consistency with the Coastal Act.

The Commission also implements a Coastal Access Program, in partnership with other state agencies such as the Coastal Conservancy, State Lands Commission, California State Parks and federal, regional and local park and recreation entities. The Commission carries out an extensive public education program that includes annual statewide coastal clean-up events, the "Adopt-A-Beach" program and the WHALE TAIL license plate program. It also maintains a Coastal Resource Information Center.

RISK ASSESSMENT PROCESS

The Commission updated and adopted its Strategic Plan in 2013. Through the strategic planning process, the Commission identified its vision, mission, and core values and adopted a series of strategic goals, objectives and actions to carry out its mission and adhere to the identified vision and core values. The Commission actively uses its Strategic Plan to monitor and address risks to the agency that were identified as part of that process, and ensure that the agency is adhering to its mission.

The Commission's senior staff members, including the Executive Director, Chief Deputy Director, and Deputy Directors meet weekly to identify and discuss issues, priorities and risks (Risks: as defined by SLAA) to each District Office, as well as the agency as a whole. At these meetings, managers raise issues that are tracked in the Strategic Plan, as well as issues related to all aspects of the program, including personnel, business services and accounting.

A small team of senior staff members, including the Executive Director and Chief Deputy Director completed the risk assessment process by identifying risks, including issues and risks raised during weekly management meetings and issues and risks identified in the Strategic Plan, and then ranked risks based on the severity and likelihood of occurrence. The team used the Control Environment questions and the SLAA Risks and Definitions document to ensure all potential risks to the agency and major issues were considered. Once the risks were identified and ranked, the team identified the controls which serve to mitigate the risks and discussed the effectiveness of the controls in place. These conversations about controls allowed Commission staff to determine that new controls are not needed at this time.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- FI\$Cal Conversion

The Commission is in FISCAL Conversion Wave 4, with a 'go live' date of July 2017. The conversion to FISCAL will affect many of the Commission's accounting and budgeting procedures and if staff is not prepared for the conversion, agency operations will be negatively impacted. Based on the experience of FISCAL early wave departments and the Coastal Commission staff's experience with the initial steps in conversion to FISCAL, we believe that the conversion to FISCAL raises a significant potential risk to the operation of the Commission and other state agencies. The conversion to FISCAL may require additional Commission staff resources that are currently not available. Based on the current state of FISCAL we believe that the transition will be challenging, time consuming, and could be a risk to the Commission's operations if the problems with FISCAL are not resolved before the transition to FISCAL in Wave 4. Commission Executive management will work collaboratively with the Resources Agency and Department of Finance on FISCAL implementation for the Coastal Commission. We will continue to identify actions and internal controls to address these risks as more information is available.

The Commission is addressing this risk by identifying and empowering a team of FISCAL 'super users' to oversee implementation. The super user team is made up of high level staff from multiple key departments, including budgeting, accounting, business services (procurement), and statewide planning. The team will participate in the FISCAL training and is charged with overseeing implementation of the system within the agency. As the roll-out of FISCAL continues, the Commission's FISCAL super user team will identify specific needs and pursue resources to help address those needs.

The Commission is also addressing this risk by working with the consultant that will be hired by the Resources Agency to review existing systems and develop modifications to those systems to ease the conversion to FISCAL. The super user team (see above) will work with the Resources Agency consultant to explain the Commission's current systems and processes and ensure the modifications needed to align with FISCAL can be adopted by Commission staff.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

The California Coastal Commission, like many state agencies, is facing a very large number of retirements in the current year and over the next one to five fiscal years. This wave of retirements will include numerous senior staff members who have had long careers in public service.

The Commission has 167 authorized positions. Approximately 74 of the 167 staff members or 44% are currently in the retirement age range. The Commission evaluated retirement projections and program implications over the next five years. The results show a large number of retirements in FY 15-16 and thereafter. For FY 16-17, at least 10-15 experienced senior staff are currently planning retirement.

The Commission is preparing for the loss of the experienced staff by implementing succession planning and knowledge transfer strategies, recruiting and training a skilled and diverse new staff, and pursuing structural salary increases for the Coastal Program Analyst job classification series to improve retention.

These measures are existing internal controls that are described in the Commission's Strategic Plan and are carried out pursuant to the implementation and monitoring processes provided in that document. These measures will help ensure the Commission continues to operate effectively and efficiently throughout the upcoming wave of retirements.

Increasing and fostering diversity in the workplace is a goal shared by the Commission and agencies, organizations, and businesses across all sectors. A diverse workforce enables organizational success by supporting a broad range of employee perspectives, skills, and ideas. Through the Strategic Plan, the Commission will continue and expand its internship program, and it will identify opportunities and strategies for enhanced outreach to recruit a diverse and highly qualified applicant pool for needed positions.

Large numbers of retirements in a fiscal year will place a financial burden on the agency. We are addressing this risk by requiring all employees to reduce leave credits to a maximum of 640 hours. We are working with employees to estimate peak retirement years and plan as much as possible for peak retirement pay-out periods.

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

State salaries, especially in coastal areas are much lower than salaries for comparable positions in local and federal agencies. The Commission recruits and hires excellent staff, but because of low state salaries for many of its positions the Commission has trouble retaining staff. In the past few years, we have seen a real pattern of entry level staff staying only one to two years and leaving for higher paying government jobs. This is a very real risk and problem and means that it is very difficult to sustain a team of well trained staff to implement the Coastal Act.

Commission management has begun developing a request to CALHR and SPB to address these salary issues. We anticipate submitting the salary package in the first half of 2016.

Operations- Internal- Staff—Training, Knowledge, Competence

Staff training and capacity is one of the most fundamental areas to address to ensure the future success of the Commission, particularly with the anticipated level of retirements and necessary succession in the agency. Given the complex nature of the Commission's work and the need for very specialized legal and technical knowledge, if staff is not appropriately trained, the agency will not be able to support effective implementation of the Coastal Act.

The Commission conducts regular staff training, including on technical, legal, enforcement and IT/database related topics, and updates and disseminates related staff training materials. Through its Strategic Plan, the Commission will also be developing a formalized Staff Training and Professional Development Program. These measures ensure existing training activities are continued and that they will be expanded in the future as the number of retirements and coinciding new staff hires increase.

Operations- Internal- New System Implementation (Other Than FI\$Cal)

The Commission deployed its new Coastal Data Management System (CDMS) in 2014. The system consolidated multiple stand-alone databases with information on Coastal Development Permits (CDPs), Local Coastal Programs (LCPs) and other agency work, and moved historic data into the CDMS. Once the software producer has completed the production of needed software, the CDMS will ultimately be used by the public to directly access the Commission's data. Information management is critically important to improving effectiveness of the Commission's implementation of the Coastal Act. The new system provides the Commission with an enhanced capability to manage pending projects and provide current information to the Commission and the public to support program implementation. However, if staff is not properly trained, data entry may not be completed, and the system may not be used to its full potential.

IT support will be utilized to train staff on an ongoing basis to ensure data entry is completed and the system is used to its full potential (see section on Training, Knowledge, Competence).

Operations- External- Political, Reputation, Media

The Commission is a quasi-judicial body that takes actions on land use regulations and development permits at monthly public meetings. Many of these actions are highly sensitive, with numerous

stakeholders and intense public interest. This puts the Commission at risk for negative media attention. Further, as social media changes the nature of information sharing, it is increasingly important to establish a proactive social media presence.

Last year, the Commission established a Public Information Officer position and hired a new staff member to fill the position. The Public Information Officer prepares press releases and works with staff to effectively communicate with members of the press. The Public Information Officer is responsible for monitoring and reporting on significant negative media attention and developing appropriate response strategies. Through the Strategic Plan, the Commission will also develop a social media strategy, press protocol, and model press release to help protect the Commission's reputation and media presence.

ONGOING MONITORING

Through our ongoing monitoring processes, the California Coastal Commission 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 California Coastal Commission, Charles Lester, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Susan Hansch, Chief Deputy Director, as our designated agency monitor(s).

Frequency of Monitoring Activities

Coastal Commission staff holds weekly management meetings. Meeting topics include discussion of a wide range of current and potential internal control issues that need to be addressed, including issues related to those risks identified above. These meetings also allow management to discuss issues they have been made aware of by line staff and decide what steps are needed to mitigate the issues that arise.

Commission staff monitors action items from the Strategic Plan on an ongoing basis and provides updates to executive staff on a semiannual basis. The semiannual update is used as an opportunity to prioritize internal control activities over the next six-month period.

Reporting and Documenting Monitoring Activities

Senior staff reports on major items through weekly senior staff meetings, and significant items are then brought to the executive staff meeting each month. These staff meetings inform reports to the Coastal Commission, including the annual update on progress made on the Commission's Strategic Plan.

The annual update on the Commission's Strategic Plan is a public document that is posted on the Commission's website. Executive staff presents the monitoring report to the Commissioners at a regularly scheduled Commission hearing, according to the Commission's typical hearing procedures. Key staff members are responsible for each Strategic Plan action item, including those items related to the risks identified above. Senior staff seeks input from all staff members on evaluating progress on Strategic Plan action items prior to publishing the annual monitoring report, and all staff is encouraged to review the completed monitoring report.

Procedure for Addressing Identified Internal Control Deficiencies

Executive staff holds monthly meetings to review any deficiencies noted in either the semiannual internal report or annual public reports or deficiencies that have been recently identified. The timeframe for addressing deficiencies depends on the nature of the deficiency.

The executive staff informs senior staff of any policy or procedure changes needed to assist in the mitigation of the deficiencies discovered, and all-staff email memos or other forms of written communication are used when appropriate.

CONCLUSION

The California Coastal Commission strives to reduce the risks inherent in our work through ongoing monitoring. The California Coastal Commission 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.

Charles Lester, Executive Director

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