

Coachella Valley Mountains Conservancy

2015 SLAA REPORT

December 30, 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 Coachella Valley 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 Kerrie, Godfrey, at (760) 776-5026, kgodfrey@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, with the federal Bureau of Land Management, the State Wildlife Conservation Board, and various cities and local districts, and with the support of local residents through the activities of the Friends of the Desert Mountains, the Friends of the Palm Springs Mountains, Center for Natural Land Management, 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 or 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 to inform community organizations and the public at large about CVMC's work and to involve the community actively in the CVMC's programs.
- 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 conservation efforts exemplifies this approach.
- c) **Partnerships.** CVMC's Board and staff continuously pursue partnership 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. To further this purpose, CVMC prepared the CVMSHCP for, and has an ongoing contract with, CVCC 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.

Additionally, CVMC works with other local agencies on trail planning and building throughout the Coachella Valley.

The main funding sources for the capital outlay program are 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.

RISK ASSESSMENT PROCESS

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, and interviews with all CVMC staff and key CVCC and other partner management staff. In addition, the assessment was discussed at two separate staff meetings.

CVMC's management (i.e., its Executive Director and Associate Director/AGPA), 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.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Oversight, Monitoring, Internal Control Systems

Failure of administrative procedures, budgeting/accounting, procurement, personnel, information access/data integrity, contracts, required inventories, grant processing and board procedures. Note: portions of CVMC's accounting/fiscal functions, procurement and personnel matters are undertaken by Parks, whose administrative controls are not under CVMC's purview.

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 updating of the procedures manual is an ongoing effort by all the CVMC Staff. The Procedures Manual addresses all CVMC office administrative procedures, including but not limited to, budgeting/accounting, bidding/contracts/procurement, personnel, information access/data integrity, inventories, grant processing and board procedures, and it is reviewed and annually. Weekly staff meetings are held to discuss the ongoing logistics of administration to ensure compliance with the Manual.

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 responsible DPR employees are held to coordinate the flow of work and data between their respective staffs.

Operations- Internal- Technology—Inadequate Support, Tools, Design, or Maintenance

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:

- 2-Dell ATG Precision Semi Rugged Laptops 256 GB Solid State Hard Drive;
- 1-Dell Latitude E6440 Laptop 256 GB Solid State Hard Drive
- 2-Workstation-Dell Precision T1600 Tower Computer-Boot Drive 500GB 7200RPM SATA HD;
- 1-Workstation-Dell Precision T1650 Tower Computer-Boot Drive 500GB 7200RPM SATA HD;
- 1-Dell Precision T3500 Workstation 280GB HD;
- 1-HP Design Jet 500 Large Format Color Printer;
- 1-HP Design Jet 7110 Network Color Printer; and
- 1-Sharp AR-M355N copier that is networked to all computers in our office

Current IT Database Management Environment: CVMC uses Microsoft Office Professional 2010 for Database Management, Adobe Professional, ArcGIS, and Metro Scan (an online Real Estate Database).

Current IT Network Environment: CVMC uses the Time Warner Business Class Services for access to the Parks Citrix and Intranet, as well as Internet access. We have downloaded the Citrix Metaframe to our desktops and have user names and passwords to logon.

Staff 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 Simon Computer Solutions to perform the IT functions beyond our capability.

Operations- External- Technology—Data Security

Viruses or theft of data.

Our systems are scanned daily for virus infiltration using ESET NOD32 Antivirus 4 software, and staff adheres to state policy on internet and email usage to reduce opportunities for such infiltration.

Access to accounting and fiscal records is adequately controlled against outside threats. 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 Parks in Sacramento. CVMC prepares and submits an annual Operational Recovery Plan to the Department of Finance.

Operations- External- Fraud, Theft, Waste, Misconduct, Vandalism

Loss or damage to CVMC offices leased from the City of Palm Desert or its furnishings, office equipment and records located therein, or destruction of conservation land owned by CVMC on behalf of the state of California.

CVMC has adequate internal control over its fixed assets. The offices are in a secured complex that is monitored and maintained by the landlord in accordance with CVMC's lease. State assets are identified by decals and safeguarded. Acquisitions and dispositions were properly approved and documented. For budget items valued over \$5000, CVMC personnel conduct a complete physical inventory annually and forward any additions or changes to the Parks Property Control Office.

For the conservation land, staff performs periodic land monitoring and management procedures and submits the Statewide Property Inventory verification annually to the Department of General Services.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

Inaccurate personnel and payroll records.

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

Operations- External- Funding—Sources, Levels

Loss of budget authority or appropriations.

The CVMC Executive Director, in conjunction with CVMC's DPR budget analyst, prepares the annual budget and related documents, such as the Five Year Infrastructure Plan, BCPs, COBCPs, etc. and submits them to Parks, where a budget officer then finalizes them and submits them to Resources Agency and Department of Finance. All official records of disbursements pursuant to the budget are maintained by Parks.

CVMC consistently operates under tight budgets because we do not receive full funding from the State for our operations and must rely on reimbursements from contract work for a portion of our operating expenditures. As a result, we continually scrutinize our expenditures to assure remaining within our budget. Executive management reviews the budget quarterly to review expenditures and fund balances.

CVMC maintains its own records of expenditures and fund balances and reconciles this periodically, including a final end of year reconciliation, with DPR's records.

Operations- Internal- Resource Management

Improper or wasteful procurement.

Decisions regarding all but routine purchases are made by the Executive Director. The other two staff members are authorized to make routine purchases for office supplies and have been issued Calcards for small routine office purchases. Small routine procurements are made using a Calcard and the record of purchases is reviewed monthly by the Executive Director.

Purchases above the Calcard limit of \$5000, or which cannot be made via Calcard, require a contract or purchase order, which must be approved by Parks. Applicable Parks procurement procedures are followed.

Operations- Internal- Resource Management

Improper awards, disbursements or uses of Grant Funds.

Decisions regarding all local assistance grants are made by the CVMC Board consisting of 23 members. After approval, the Executive Director and other staff members prepare and execute all the grant documents for submission to SCO through DPR for disbursement of bond funds.

CVMC coordinates with DPR and DOF to perform annual bond fund audits. All invoices and fund disbursements needed for acquisitions are handled by Parks. CVMC prepares the documents and sends them to DPR 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 funds. We have quarterly monitoring meetings with our main grantees to ensure compliance.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

Improper Contracting controls.

CVMC staff prepares contract documents for various aspects of CVMC's operations and they are approved by the Executive Director and then staff forwards these to Parks, which then approves and implements them to ensure adequacy and availability of funds.

CVMC staff submits invoices for disbursements to DPR; at least two staff CVMC staff persons review each invoice and its documentation prior to it being submitted to DPR.

ONGOING MONITORING

Through our ongoing monitoring processes, the Coachella Valley 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 Coachella Valley Mountains Conservancy, Jim R. Karpiak, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified as our designated agency monitor(s).

Frequency of Monitoring Activities

CVMC implements weekly staff meetings to oversee ongoing compliance with procedures and status of operations. CVMC's executive management complete reviews quarterly or more frequently as described above.

Reporting and Documenting Monitoring Activities

The Executive Director is responsible for monitoring personnel matters (including overseeing the internal monitoring activities of staff) and all external risks, including budget activities and grant compliance.

The Associate Director/AGPA monitors expenditures, fund balances, procurement, contracting and IT matters.

Procedure for Addressing Identified Internal Control Deficiencies

Deficiencies in internal risks are remedied as soon as possible, but in any case within two weeks. Deficiencies in external risks are remedied as soon as possible given the requirements of the other parties involved (e.g., departmental processes, grantee or outside agency board approval process, etc.)

All deficiencies are reported to the Executive Director in writing.

CONCLUSION

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

Jim R. Karpiak, Executive Director
Coachella Valley Mountains Conservancy

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