

December 28, 2023

Wade Crowfoot, Secretary
California Natural Resources Agency
715 P Street, 20th Floor
Sacramento, CA 95814

Dear Secretary Wade Crowfoot,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Sierra Nevada Conservancy submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Amy Lussier, Deputy Executive Officer, Administration, at (530) 945-9596, amy.lussier@sierranevada.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Sierra Nevada Conservancy (SNC) is a state conservancy within the California Natural Resources Agency. SNC was created by bipartisan legislation and signed into law in September 2004. SNC's governing statutes are in sections 33300-33356 of the Public Resources Code.

SNC's mission is to initiate, encourage, and support efforts that improve the environmental, economic, and social well-being of California's Sierra-Cascade Region (Region), its communities, and the people of California. Building resilience for the landscapes and communities of California's Sierra Nevada and Cascade regions is at the heart of everything SNC does.

SNC's newly revised Regional goals, as drafted for the 2024-2029 update of SNC's Strategic Plan, reflect the primary issue areas that SNC will engage in throughout the Region: healthy forests and watersheds, resilient Sierra-Cascade communities, recreation and tourism, and beneficial natural and working lands. The goals aim to be accomplished using strategies that target one or more goals simultaneously. These strategies include developing in-house Regional expertise via strong community relationships and engagement, innovating to meet critical needs and opportunities, building capacity and catalyzing partnerships, investing in all stages of projects, leveraging funding streams, and communicating about the Region. SNC's goals and strategies are reflective of the dramatic changes in the Region in the previous decade and SNC's understanding of what challenges may come.

Fulfilling the mission and implementing Regional goals require a strong and adaptable organization. SNC recognizes the importance of looking inward to find areas that may need improvement or lend themselves to potential risk. To that end, SNC is working to advance the following organizational goals: securing consistent, reliable funding; focusing on equity;

strengthening internal operations; supporting staff; and tracking outcomes of SNC's work to assess progress, measure impacts, and adaptively respond to needs and changes.

SNC does not oversee any entities.

Control Environment

At the head of SNC is a 16-member Governing Board with 13 voting members and three non-voting members. The voting members include five governor appointees, two legislative appointees, and six local government representatives; each local government representative is a member of the Board of Supervisors from a county within each of SNC's six Subregions. The non-voting members come from the National Park Service, the U.S. Forest Service, and the U.S. Bureau of Land Management. Operations at SNC are delegated by the Board, to the Executive Officer, who works with a Chief Deputy Executive Officer, and a Deputy Executive Officer, Administration (the Executive Team) to oversee and lead the department. The Board meets quarterly in public board meetings. During these meetings, the Executive Team and staff report on operations, including the status of budgets, hiring and other administrative control activities; legislation and policy impacting the region; grantmaking activities; and programmatic priorities. Boardmembers provide feedback and guidance on all matters brought forth by staff.

It is of the utmost importance to SNC's Executive Team and other management that all SNC operations and activities are held to the highest government accountability and ethical standards—standards upheld since SNC's creation in 2004. New SNC staff are made aware of available resources at their time of hire and regularly thereafter. These resources include all current policies, the Equal Employment Opportunity Officer, all Human Resources staff, and statewide resources. To continuously work toward and maintain SNC's ethical environment, the Executive Team strongly encourages employee participation, feedback, and engagement, and provides (or provides access to) related training and information.

SNC continues to function ethically and with government accountability and integrity by responding thoughtfully to needs, changes, and requests, whether from employees, control agencies, laws and regulations, or other stakeholders. SNC's policies, processes, and "open door approach" reflect its commitment to maintaining the highest ethical standards.

As stated above, SNC recognizes that the strength of an organization is paramount—and a critical support pillar is the workforce. SNC has worked hard to build and retain staff that are knowledgeable, responsible, dedicated, and respectful. Communication is open and honest from the top down and encouraged to go from the bottom up. Due to its size (approximately 50 employees), SNC has the ability to quickly adapt to changes that may affect the workforce, like new laws or regulations, and implement improvements based on staff feedback.

Information and Communication

SNC recognizes the importance of communication and maintains robust internal and external communication methods. The size of the department lends itself to a more personal communication style from the Executive Team to all staff members. The Executive Team

maintains an “open door,” encouraging all staff to ask questions, bring up opinions, suggest ideas, and bring forth whatever needs remain. The Executive Team has maintained a regular meeting schedule: for itself, meetings with the division chiefs, meetings with all managers, and meetings with all staff. Participants of each meeting are encouraged to directly bring forward their thoughts, questions, and concerns.

The Executive Team has executive advisory committees to gather cross-organizational input and staff perspectives on key issues: the Justice, Equity, Diversity, and Inclusion team (JEDI), the Disability Advisory Committee (DAC), and the Safety Committee. These committees serve as a place to share resources, to grow understanding, and to help advise the Executive Team on best practices as a state department. Each committee is made up of all levels of employees and has their own internal website with staff resources. SNC continues to create, update, or adjust these types of resources as needed. For example, DAC recently created an internal online page for employees to anonymously submit feedback or inquiries about improving accessibility in the workplace. Additionally, SNC develops and maintains policies that encourage staff to talk to their manager, the Equal Employment Opportunity Officer, and/or Human Resources at any time.

Along with SNC's internal SharePoint site—which houses resources and communication for all units and services in the department—communication within the organization happens via traditional methods: email, cell phones, text messages (including an all-staff texting system for emergencies), and meetings, both in-person and online. Due to the size of the department and the familiarity with each other, SNC staff are generally comfortable exchanging ideas between all levels one-on-one.

Because SNC is governed by a board, a process for communication between the two has been established using a board liaison. SNC also uses Board advisory subcommittees for input on significant projects; this is in addition to the quarterly Board meetings held throughout SNC's Region each year, where Boardmember, staff, and public input and discussion are facilitated.

Other external outreach is supplemented by news releases, the “Sierra Spotlight,” and other focused calls for public input.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Sierra Nevada Conservancy monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Julie Alvis, Chief Deputy Executive Officer; Amy Lussier, Deputy Executive Officer, Administration.

SNC's leadership team, which consists of the Executive Officer; the Chief Deputy Executive Officer; the Deputy Executive Officer, Administration; the Policy & Outreach Division Chief; and the Field Operations & Grants Division Chief, meets weekly for tactical discussions and monthly for strategic planning sessions. Legal staff is involved to assess legal risk on practices and policies and determine legal risk mitigation and actions to be taken.

The full management team (all SNC managers) meets quarterly. Ongoing and new risks are discussed at these meetings; discussion can include updates on the current status of a risk and plan for mitigating the risk, potential issues of an ongoing risk or internal control, and who will be responsible to assess and address the risk. During these status updates, any needed course corrections are identified. Monitoring deficiencies are addressed regularly by the Deputy Executive Officer, Administration, during the meetings, with discussion to follow. Staff not included in meetings are debriefed as appropriate.

Periodic reviews of systems and processes are conducted through control agencies such as the Department of General Services, California Natural Resources Agency, California Department of Human Resources (CalHR), and Department of Finance. These reports, audits, or reviews are documented in writing, such as in the Workforce and Succession Plan, and posted and/or submitted to applicable internal or external agencies or sites.

Risks are also identified and monitored while completing other reports, policies, and documentation, such as the Strategic Plan update.

Monitoring results are communicated to all SNC staff either through email, team meetings, regular online all-staff meetings, or at twice-yearly in-person all-staff meetings.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Sierra Nevada Conservancy risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, performance metrics, and other.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

Other methods used to identify risks include preparation of other documents and reports.

RISKS AND CONTROLS

Risk: Budget Uncertainties

SNC is funded by direct appropriations (Environmental License Plate Fund, General Fund, and bond funds) and reimbursements (non-federal and federal). SNC supports its mission by disbursing this funding into the Sierra-Cascade Region. The General Fund deficit in fiscal years (FY) 2023-24 and 2024-25 are a significant risk to the Region and SNC's mission. In a December 2023 report, the Legislative Analyst's Office (LAO) reported that the state faces a "serious budget deficit" with a \$68 billion budget problem. The report offers various ways the Legislature can address this deficit, including reductions in one-time spending. Shortly after the LAO report was published, the Department of Finance (Finance) released Budget Letter #BL 23-27 directing departments to take immediate action to reduce current-year General Fund

expenditures. The letter also advised departments to spend with more prudence in all other state funds due to the fiscal outlook.

Since FY 2020-21, SNC has received one-time General Fund appropriations under Wildfire and Forest Resilience, Climate Resilience, and Nature-Based Solutions packages. These funds were appropriated for disbursement to the Region to address natural resource issues (with a small portion—up to 5%—of each appropriation available to SNC for support). The General Fund spending freeze is a risk to the ongoing progress in the Region that address these wildfire, forest resilience, and climate issues. Much of the work that SNC funds requires either ongoing maintenance or builds capacity to support these efforts, or both. Loss of time or funding can take projects backward, if not back to square one. The natural resource needs of the state do not wait for budget issues to resolve, and funding delays are detrimental to progress already made. SNC's mission cannot fully be met without disbursing funding into the Region.

Additionally, SNC's bond-funded grant dollars are almost fully spent and a new natural resource-focused bond measure looks unlikely in the near future. SNC's other grant programs that rely on reimbursement agreements are at risk for reduced funding due to budget concerns. Already, SNC cannot meet the immense demand for funding in the Region and a decrease in funding would further exacerbate this issue. On its latest grant round, SNC could fund less than half of the high-scoring quality project proposals received, illustrating the tremendous need for funding to continue the progress made in programs like wildfire and forest resilience. Without ongoing local assistance funding, SNC cannot meet its mission to support the Region.

Additionally, major financial disruptions, like Finance's direction to immediately reduce spending, are a risk to SNC as an organization. It is unclear how the freeze will impact staffing and long-term internal operations. Whether it's a forced loss of staff, a hiring freeze, or other staffing directive, SNC's internal operations will be squeezed. This is a risk to jobs, employee morale, and SNC's strong and efficient operations.

Control: Planning Responsibly for the Future

SNC will continue to analyze, project, and consider the budget when making departmental decisions. SNC will continue to maintain an internal 10-year financial plan allowing department leadership to consider detailed funding needs as decisions are made. SNC's 2024-25 Action Plan is expected to address expenditure reduction plans in detail while the 2024-2029 Strategic Plan commits SNC to manage resources effectively to maintain stability, support staff, and fully deliver on the SNC mission.

Control: Diverse, Secure, and "Ready" Funding

SNC will respond to Regional financial needs by seeking funding from various, reliable sources and maintaining internal readiness to establish additional programs as funding allows. SNC's 2024-2029 Strategic Plan addresses these objectives as a strategic direction for SNC to take in the next five years. SNC's 2024-25 Action Plan is expected to prioritize funding actions based on the current and projected state of the budget and its potential impacts to SNC.

Control: Innovating Ways to Fund SNC Region

SNC will work to develop new and progressive ways to get funding to the Region efficiently, fund projects on a larger scale, leverage multiple funding sources, and build capacity for smaller entities. SNC will also work with other entities to pool funding together to increase the pace and efficiency of restorative work. These concepts are strategies described in the 2024-2029 Strategic Plan with expected actions detailed in the yearly Action Plans.

Risk: Outside Accounting Services

SNC uses the Department of General Services' Contracted Fiscal Services (CFS) for accounting services, essentially splitting what should be one unit into two. SNC starts its accounting processes in-house, then coordinates with CFS to finish the processes. SNC does not have access to all of its accounting data in FI\$Cal due to this split, control over how quickly tasks are accomplished, nor the costs of the services.

Previously, when SNC was established and had lower staffing levels and a less complex funding structure, this arrangement served its purpose. However, as SNC has grown as an organization, the complexities of its budgeting and accounting needs have increased. Where funding was initially one special fund and one bond program, staff now manage multiple direct appropriations, over 10 reimbursement agreements (federal and non-federal), and three bond programs. SNC has two accounting staff who were hired as the intricacies of SNC's accounting needs grew.

Without direct access to SNC's own accounting information and control over accounting functions, it slows response time to grantees and partners, results in duplicative work, and limits SNC's timely access to information that is needed to reconcile and respond to issues that may develop in the regular course of business.

Additionally, the cost to use CFS's services has increased significantly in the last five years. The funds are pulled from the Environmental License Plate Fund (ELPF) at the fund level. Neither SNC nor the California Natural Resources Agency (which manages ELPF) have control over the cost. This is a risk to ELPF, especially as it currently grapples with a low fund balance. Expenditure reductions can help mitigate that risk and SNC has projected that in-house accounting will save ELPF approximately \$100,000 per year.

Control: Fully Establishing Internal Accounting

SNC will seek to establish a full internal accounting unit and separate from outside accounting services in the next three years to ensure accurate, timely, and responsive accounting services while reducing ELPF expenditures.

Risk: Classification & Pay Issues

Classification & pay issues within SNC are a risk to the strong foundational structure of the department, and thus the mission of SNC. There are several facets of this issue, which, when combined, are an operational risk that impacts SNC's employees and morale. Recent

changes to compensation levels negotiated statewide by CalHR have led to serious operational impacts on SNC's primary program classifications, including salary compaction, salary inequities, and suspension of the use of the Conservancy Program Development Analyst (CPDA) series. The risks associated with these actions include:

- SNC borrows the CPDA series from the Coastal Conservancy as its primary program classification. Not "owning" the classification means SNC has little control over its examinations. Because the CPDA series had basically the same salary and qualification requirements as the general analyst series (Staff Services Analyst and Associate Governmental Program Analyst), SNC applicants could access the online examinations for these classes in order to become eligible for appointment in the CPDA series. Recent changes to compensation levels have made now made access to the online general analyst classifications for CPDA positions inappropriate. If SNC decides to continue to use the CPDA series it would need to conduct its own exam, which is cost- and time-prohibitive for a small department. Additionally, not being able to access a statewide online exam can unwittingly narrow down the candidate pool, leading to fewer applicants and a decrease in diversity in multiple capacities (race, ethnicity, experience, education, etc.). Positions with a natural resource focus and experience are necessary for SNC to be a leader in addressing climate change, forest health, and other watershed-related issues in the Region. The general analyst series does not typically bring forward applicants with the necessary background in natural resources.
- Another complication with the CPDA compensation changes is salary compaction. At SNC, CPDAs are managed by Staff Services Managers I (SSM I), who are in a different classification series. The significant Special Salary Increase for CPDAs that was recently negotiated, without a comparable increase for SSMs, has caused salary compaction, with staff salaries higher than that of their supervisors, leading to decreased morale and an unbalanced hierarchy. Best practice is that at least a 5% difference (supervisors over highest paid staff) is retained. This could lead to a departmental reorganization, disrupting existing assignment structures and developed staff/management relationships.
- Another risk to organizational stability is low pay for conservancy directors/executive officers. The maximum in the ranges for the exempt classifications used by state conservancy directors and executive officers is relatively low. Conservancies are locked into these exempt salary maximums which puts all state conservancies at risk for executive-level retention and recruitment problems. Inability to increase executive-level leadership results in several risks:
 - A relatively low pay maximum for the executive officer affects the classification possibilities for the rest of the department. For example, SNC currently uses the Environmental Scientist (ES) and Senior Environmental Scientist (SR ES) classifications for addressing climate change, forest health, and watershed-related issues in the Region. At this point the only positions within SNC to supervise the highest paid SR ES with a pay base high enough to avoid salary compaction are the Executive Officer and Chief Deputy Executive Officer. Any increases in pay rates in the ES series, which are presently in negotiations, would

- likely result in a salary greater than everyone at the SNC.
- This salary compaction has already occurred in the Executive Team. The Chief Deputy Executive Officer, in a Career Executive Assignment (CEA) level B, came into the department with a salary nearly the same as the Executive Officer. To compensate the Chief Deputy Executive Officer commensurate with her performance and avoid retention issues at this level, the Chief Deputy Executive Officer is now being paid a higher monthly salary than the Executive Officer.

Control: Classification Analysis

These are serious risks that require a concerted approach to determine appropriate and prudent solutions. To mitigate the risks associated with these classification & pay issues, SNC will conduct a department-wide classification study to analyze workload impacts, potential re-classification and/or reorganization of existing positions, and overall effects on the department.

SNC would subsequently determine which, if any, classifications would be better suited to meet SNC's organizational needs and other actions and recommendations needed to reduce the effect of these risks.

Risk: Not Meeting the Intent of Government Code 19797

Each state department is to develop, update annually, and implement an equal employment opportunity plan. At a minimum, this plan is to identify the areas of significant underutilization of specific groups based on race, ethnicity, and gender, within each department by job category and level, contain an equal employment opportunity analysis of all job categories and levels within the hiring jurisdiction, and include an explanation and specific actions for removing any non-job-related employment barriers. Additionally, by January 1, 2024, and once every two years thereafter, each department is to establish a plan to recruit, attract, and retain employees identified above and submit the plan to CalHR.

As a department that has approximately 50 employees, ensuring that race and ethnicity goals are met can be challenging as each employee in the department makes up a higher percentage of the total. Therefore, meeting the intent of the Government Code 19797 may not be immediately feasible. Failure to make a good-faith effort to comply with Government Code 19797's plan requirements could potentially lead to a loss of SNC's hiring delegation.

Control: Identify Underutilized Groups and Establish a Plan

SNC will work throughout the year to identify underutilized groups and establish a plan for recruiting, attracting, and retaining the employees identified in Government Code 19797. SNC will consider the most effective way to achieve this goal, while considering current employee workload, the efficiencies of the potential plan, and how it intersects with other HR and SNC goals.

Control: Good-Faith Effort

SNC will always make a good-faith effort to meet equal employment opportunity and diversity goals.

CONCLUSION

The Sierra Nevada Conservancy strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Angela Avery, 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