

December 21, 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 Sierra Nevada 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 Amy Lussier, Administrative Services Division Chief, at (530) 823-4707, amy.lussier@sierranevada.ca.gov.

BACKGROUND

The SNC was created by bi-partisan legislation known as the Laird-Leslie Sierra Nevada Conservancy Act, signed into law by Governor Arnold Schwarzenegger in September 2004, and codified in the Public Resources Code, Sections 33300-33302. The SNC is a state agency within the California Natural Resources Agency (CNRA), established to provide support to and give strategic direction for environmental, economic, and social benefit of the Sierra Nevada area and its communities.

The SNC's service area covers 25 million acres and all or part of 22 counties, from Modoc County in the north to Kern County in the south. Comprising 25 percent of California's total land area, it is the largest conservancy region in the state. The statute establishing the SNC divides the Region into six smaller Subregions. The Sierra Nevada Region is an extraordinary resource of regional, statewide, national, and even global significance. It is the state's principal watershed, supplying more than 60% of California's developed water supply. The Sierra sustains 60 percent of California's animal species and nearly half of its plant species, including the world's largest living thing: General Sherman, a Giant Sequoia.

In addition to providing water for the state, the Sierra supplies up to half of California's annual timber yield and 15 percent of the state's power needs. It holds untapped potential to increase its contribution to California's green energy portfolio through the use of biomass removed from the Region's forests, while at the same time improving the forests' ecological health. Its forest and agricultural lands are also uniquely suited to help reduce the warming impact of a changing climate by removing carbon dioxide from the atmosphere and storing it in tree trunks, branches, foliage, roots, and soils. The Sierra also hosts more than 50 million recreational visits per year and is home to more than 600,000 residents in 200+ local communities – communities that depend in large part on natural resources for economic sustainability, job creation, recreation, and to preserve the community character and watersheds that are unique to the Sierra Nevada Region.

The SNC's mission is to initiate, encourage, and support efforts that improve the environmental, economic, and social well-being of the Sierra Nevada regions, its communities, and the citizens of California. Its vision is that the magnificent Sierra Nevada Region enjoys outstanding environmental, economic, and social health with vibrant communities and landscapes sustained for future generations.

The SNC has seven statutorily established program areas: protect, conserve and restore the Sierra Nevada's physical, cultural, archaeological, historical, and living resources; aid in the preservation of working landscapes; reduce the risk of natural disasters such as wildfires; protect and improve water and air quality; assist the Regional economy through the operation of its programs; undertake efforts to enhance public use and enjoyment of lands owned by the public; and provide increased opportunities for tourism and recreation.

At the head of the SNC is a 16-member Governing Board that includes the Secretary for the California Natural Resources Agency; the Director of the Department of Finance; three members appointed by the Governor; one appointed by the Assembly Speaker; one appointed by the Senate Rules Committee; six county supervisors, each representing one of the six Subregions of the Sierra Nevada; and three non-voting federal liaisons, one each from the National Park Service, the United States (U.S.) Forest Service, and the U.S. Bureau of Land Management.

Operations at the SNC are led by an Executive Officer and an Assistant Executive Officer, with two division chiefs at the next level. Legal counsel is provided through an interagency agreement with the California Tahoe Conservancy and a retired annuitant. The SNC currently has 28 permanent, full-time positions and five to ten part-time, temporary staff, depending on the needs of the department. The SNC headquarters office is in Auburn and it has five satellite offices located in Mariposa, Bishop, Quincy, North Fork, and Three Rivers.

The SNC receives its base (annual operating expenses) from the state's Environmental License Plate Fund. The SNC may also receive funds and interests in real or personal property by gifts, bequests, or grants, although this has not occurred to date. The SNC's grant program is funded by two funding sources: 1) Proposition 1, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, and 2) Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.

Proposition 1 was approved by California voters in November 2014, and allocated \$25 million to the SNC to support projects that will protect watersheds throughout the Sierra Nevada region. Of the \$25 million, \$2 million will be allocated for administration and \$23 million for grant funding. Proposition 84 was approved by California voters in November 2006, and allocated \$54 million to the SNC to support projects that will improve watershed health throughout the Sierra Nevada Region. Of the \$54 million, \$4 million was allocated for administration and \$50 million for grant funding.

ONGOING MONITORING

As the head of Sierra Nevada Conservancy, Jim Branham, 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 Sierra Nevada Conservancy internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Jim Branham, Executive Officer, and Amy Lussier, Administrative Services Division Chief.

MONITORING ACTIVITIES

The SNC Executive Team, which consists of the Executive Officer, Assistant Executive Officer, Policy & Outreach Division Chief, and Administrative Services Division Chief, currently meets once a month and

includes a discussion of monitoring activities. Staff is also encouraged to report any possible issues to their manager, who reports it to the Administrative Services Division Chief who is the designated monitor for SNC. These allow the SNC to review, evaluate, and improve its systems of internal controls and monitoring processes.

ADDRESSING VULNERABILITIES

Monitoring deficiencies will be addressed by the Administrative Services Division Chief on a monthly basis and reported to the Executive Team on a monthly basis. Deficiency reports will be disseminated to the Executive Team and any applicable staff.

COMMUNICATION

Monitoring results are communicated to SNC staff via quarterly all-staff meetings and e-mails, as necessary. Results are also saved on a shared drive that all SNC staff can access.

ONGOING MONITORING COMPLIANCE

The Sierra Nevada Conservancy has implemented and documented 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 Sierra Nevada Conservancy systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Sierra Nevada Conservancy risk assessment process: Executive Management, Middle Management, and Staff.

RISK IDENTIFICATION

To review recent improvements and to assess the risks it is currently facing, the SNC prepared and distributed a survey instrument to the management team, followed by a management discussion of the possible risks and mitigating steps described in the survey document.

RISK RANKING

The management team assessed the impact and likelihood of the various risks in order to prioritize additional actions needed. Certain staff members who might be involved with addressing risks and/or preparing the SLAA report were included in this management discussion.

RISKS AND CONTROLS

RISK: OPERATIONS -INTERNAL-TECHNOLOGY—SUPPORT, TOOLS, DESIGN, OR MAINTENANCE

SQL Server and Backup data files have failed.

The SNC's SQL server houses SharePoint and Tempo (SNC's Payroll system). The Conservancy uses SharePoint for all critical business functions, including Board meeting preparation, grants management and implementation, file storage and sharing, inventory, policies, and procedures. Tempo is used for employees to submit, and managers approve, timesheets and leave requests. In October, SNC's SQL server crashed leaving the system basically unusable. When SNC tried to restore the system, the backups themselves were corrupted.

SNC has gone months without critical systems.

CONTROL A

SNC is working with the CNRA to transition from a medium availability, non-redundant, on-premises database (SQL) and SharePoint server to a high-availability, redundant solution located at CNRA's Datacenter in Sacramento.

RISK: COMPLIANCE-EXTERNAL-FUNDING—SOURCES, LEVELS

Receiving reimbursement money through grants and federal sources.

SNC's only permanent source of funding is the Environmental License Plate Fund, which provides enough funding to pay for operations and staff but does not allow SNC to implement all aspects of its mission. Thus SNC has been seeking reimbursement dollars through grants and federal monies. SNC has recently secured two grants and a small amount of federal funding.

Grants and federal dollars require SNC to expend funds prior to being reimbursed. This poses a risk to SNC's small operating budget if it are not reimbursed for its work.

CONTROL A

SNC is working with other departments under the CNRA to ensure a strong accounting system to track and receive all reimbursable dollars is instituted.

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 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.

Jim Branham, 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