

December 22, 2025

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, 2025.

Should you have any questions please contact Amy Lussier, Deputy Executive Officer, 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.

SNC's Regional goals, as listed in the 2024-2029 Strategic Plan, reflect the primary issue areas that SNC engages in throughout the Region: healthy forests and watersheds, resilient Sierra-Cascade communities, sustainable recreation and tourism and equitable outdoor access, and conservation and stewardship of natural and working lands. The SNC aims to accomplish these 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 requires a strong but 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; embedding equity; maintaining strong internal operations; supporting staff; and tracking outcomes of SNC's work to assess progress, measure impact, and adaptively respond to needs and changes.

SNC does not oversee any entities.

Control Environment

The SNC is led by a 16-member Governing Board, with 13 voting members and three non-voting liaison advisors. The voting members include two ex-officio members, three governor's 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 liaison advisors are 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 the Deputy Executive Officer to oversee and lead the department. The other members of the Executive Team are the division chiefs of Policy & Outreach and Field Operations & Grants and the legal counsel.

The Board holds public board meetings quarterly. In these meetings, the Executive Team and other staff report on operations, including the status of budgets, hiring and other administrative activities; legislation and policy impacting the region; grantmaking activities; and programmatic priorities. Boardmembers provide feedback and guidance on these 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. New SNC staff are made aware of available resources at their time of hire and regularly thereafter. These resources include current SNC policies, the Equal Employment Opportunity Officer, all Human Resources staff, and various statewide resources. To continuously work toward and maintain SNC's ethical environment, the Executive Team strongly encourages employee participation, feedback (informally and through a yearly employee satisfaction survey), and engagement. Staff are also highly encouraged to take training and participate in SNC's Wellness Program.

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 interested parties. 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 size of the department at approximately 50 employees, SNC can 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 staff to ask questions, provide opinions, suggest ideas, and bring forth solutions and other thoughts. The Executive Team has also maintained regular meetings to provide consistency and momentum for the department. These meetings include meetings with just the members of the Executive Team, meetings with all managers, and meetings with all staff. Divisions and units within the department also hold meetings at times and in intervals that are advantageous to those particular teams. In all cases, participants are encouraged to bring forward their thoughts, questions, concerns, and ideas.

The Executive Team has executive advisory committees to gather cross-organizational input and staff perspectives on key issues: the Disability Advisory Committee (DAC) and the Safety Committee. These committees serve as a place to share resources, grow understanding, and 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. SNC also has a representative attend CNRA's Diversity, Equity, and Inclusion meetings to bring information and best practices back to SNC. 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), Teams chat, 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 in a one-on-one format.

Because SNC is governed by a board, a process for communication between the staff and Board has been established. SNC's Board Services team facilitates most communication with the Board; there are also 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: Amy Lussier, Deputy Executive Officer.

The Executive Team meets weekly for tactical discussions and monthly for strategic planning sessions. The full management team (all SNC managers) meets quarterly. Ongoing and new risks are discussed at these meetings; discussions 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 for assessing and addressing the risk. During these status updates, any needed course corrections are identified. Monitoring deficiencies are addressed regularly by the Deputy Executive Officer during the meetings, with discussion to follow. Staff not included in meetings are debriefed as appropriate.

Periodic reviews of systems and processes are conducted with control agencies such as California Natural Resources Agency, the Department of General Services, California Department of Human Resources (CalHR), and the 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.

Monitoring results are communicated to all SNC staff 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, and performance metrics.

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

RISKS AND CONTROLS

Risk: Outside Accounting Services

SNC is required to use 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 relays information to 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.

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.

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 has increased significantly since SNC began using its services. 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 in uncertain budget times. Expenditure reductions will help mitigate that risk and SNC has projected that in-house accounting will save ELPF approximately \$100,000 per year.

Control: Establish a Full Internal Accounting Unit

SNC will actively continue seeking the establishment of a full internal accounting unit.

Risk: Budget Uncertainties

As a state agency, SNC is highly reliant on the state budget cycle and the risks that come with it. Because the state faces a multi-billion-dollar budget problem in future budget years, SNC must proceed with extreme caution in its spending while still completing its mission, goals, and duties. It's extremely difficult to budget internally with the high likelihood of savings drills and other cost-savings measures that could reduce SNC's budget at any time.

Control: Budget Responsibly

While this is always the approach, it is critical to continue budgeting responsibly. All potential expenditures are weighed heavily, gauging necessity against long-term cost. SNC maintains a 10-year plan, allowing the Executive Team to ensure staffing and long-term expenditure commitments are sustainable at least 10 years into the future.

Control: Monitor State Budget Health

SNC's budget unit, legislative unit, and Executive Team will continue to closely monitor the health of California's budget to identify areas of potential direct impact to SNC. This will provide SNC some additional time to prepare for budget changes that may come later.

Risk: Aging Firewalls and Switches

SNC's firewalls and switches are over five years old and at the end of their life. While still secure, these critical IT components are close to being ineligible for security updates. If they reach that milestone, there is heightened risk for security compromise. Additionally, due to the age of these components, the process of patching zero-day vulnerabilities is more complicated than necessary, redirecting IT staff from other duties.

Control: Purchase and Install New Firewalls and Switches

SNC has placed an order for new firewalls and switches and will install them as soon as possible upon arrival. Until they are successfully installed and running, the IT unit will continue monitoring and maintaining the aging units.

Risk: Succession Planning Challenges

As a small department, SNC is susceptible to succession challenges--most notably the loss of historical knowledge and subsequent workload issues when high-level and/or highly knowledgeable staff leave the department. SNC is facing the retirement of 2-5 critical staff members in the next five years, putting those job duties and tasks at risk of temporary neglect. Budget constraints and full workload across the department make cross-training difficult.

Control: Strive for Robust Cross-Training

While it's difficult, SNC makes every attempt to provide cross-training to employees. This is especially important where only one employee is experienced in a task.

Control: Career Growth & Staff Development

SNC continues to provide cross training and leadership training opportunities for staff. Line staff are sought out to become project leaders and participate on cross-organizational groups. Managers are encouraged to identify candidates who have expressed an interest in leadership and cross-training opportunities. Ongoing employee evaluation, through annual performance reviews and development of Individual Development/Training Plans helps to identify training and development needs and opportunities.

Risk: Organizational Stability Due to Salary and RTO Concerns

- 1. 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. Additionally, it dampens the possibility of bringing in other valuable classifications that would benefit the department but require higher pay.
- 2. Return-to-Office.** The back and forth on return-to-office (RTO) caused considerable confusion, upheaval, and a reduction in morale in spring/summer 2025. It also had a huge impact on the workload of several staff positions, including those in HR, business services, and the Executive Team. With the RTO issue coming around again in spring 2026, it will once again cause upheaval and confusion. It may also cause staff to leave the state for the private sector where telework is more accepted.

Control: Explore Opportunities for Pay Increases

SNC will seek to work with CNRA to increase these conservancy director/ executive officer salaries across the board.

Control: Prepare for RTO

SNC will do what it can to prepare staff and the office for a potential RTO order. This includes communicating clearly with staff, ensuring office readiness, and being prepared for both a return to office *and* the status quo.

Risk: Pending Legislation - IDC & Prompt Payment

- 1. Indirect Cost (IDC) - Increasing indirect cost rates decrease direct project funding.** SNC's current grant guidelines stipulate a maximum indirect cost rate of 15%. SNC grantees request indirect cost rates based on their actual needs as calculated in their Cost Allocation Plan, which is completed as part of their grant program application. Of the four indirect cost rate options AB 880 proposes, three of them could result in grantees requesting indirect costs above 15%. SNC's grant program funding is limited, and without a commiserate increase in program funding, a smaller portion of the total grant award will go towards direct project costs. Less funding toward direct projects costs slows the pace and scale of forest and watershed restoration, natural and working lands conservation, outdoor access expansion, and wildfire and climate resilience. This component of the bill also adds complexity to SNC's grant administration processes, which creates additional, but absorbable, workload. To comply, SNC will need to revise grant applications and agreements, and update evaluation processes.
- 2. Prompt Payment Act (PPA) - Compliance with expanded PPA adds cost pressure to SNC budget.** The PPA requires penalty payments to be paid out of a state agency's support appropriation. While the SNC will make every effort to comply with an expanded PPA, there are numerous unforeseen delays and processes

which SNC does not have autonomy over which could result in late payments and associated penalty costs to SNC. The SNC already functions under a very efficient operational budget, and the expanded PPA exposes SNC's budget to more risk. If SNC were to incur payment penalties for each day beyond the 45-day threshold required, SNC's limited operating budget could quickly be stressed by this program alone.

Control: Inform Decision Makers

SNC will continue to inform decision makers on the effects of the legislation to provide as much information as possible on the potential impacts to small departments, grantees, and other interested parties.

Control: Gear Up for Legislation Passage

SNC will begin the initial stages of preparing for this bill to pass. While it's not feasible to overhaul processes or update all procedures in anticipation of passage, SNC will start to consider the process changes and implementation plan that would be needed if the bill does pass.

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, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency