

December 12, 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 Colorado River Board of California 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 Gail Farber , Deputy Director , at (818) 500-1625, gfarber@crb.ca.gov.

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## BACKGROUND

The Board was created in 1937, pursuant to Sections 12500 through 12565 of the Water Code, and is an independent headquarters agency, under the California Natural Resources Agency, and located in Glendale, California. The Board currently maintains eleven (11) authorized full-time staff positions; of those, three (3) are administrative, and eight (8) are technical. The Board's executive management team is currently made up of an executive director, deputy director and an administrative staff services manager. The Board's primary responsibilities include the following:

- Protecting and maintaining California's rights and interests in its Colorado River water and hydroelectric power resources;
- Representing California in discussions among the seven Colorado River Basin States, Native American Indian Tribes, the federal government and others in implementing joint cooperative programs to protect California's continued use of Colorado River water and addressing related environmental and water quality issues; and
- Representing California in negotiations and discussions associated with the on-going implementation of the 1944 U.S./Mexico Water Treaty through cooperative efforts with the U.S. International Boundary and Water Commission, the U.S. Bureau of Reclamation and the other six Colorado River Basin states.

Board Members include representatives of the six water agencies and districts with Colorado River water rights and utilizing Colorado River water resources. These agencies and districts include: Coachella Valley Water District, Imperial Irrigation District, Los Angeles Department of Water and Power, The Metropolitan Water District of Southern California, Palo Verde Irrigation District, and the San Diego County Water Authority (Six Agencies). Additionally, the Directors of the Departments of Water Resources and Fish and Wildlife, or their designees, serve on the Board as *ex officio* members. There are also two members of the general public appointed by the Governor.

Finally, the Board is 100% funded and supported by annual contributions from the Six Agencies, and does not receive any general funds, bond funding, or special funds.

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## **ONGOING MONITORING**

As the head of Colorado River Board of California, Chris Harris, Executive Director, 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 Colorado River Board of California internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Chris Harris, Executive Director.

### **MONITORING ACTIVITIES**

#### **Frequency of Monitoring Activities**

The small size of the Board requires that its executive management engage in monitoring of the internal controls system on a weekly, if not daily, basis through the review and implementation of internal controls protocols associated with procurement, payment of invoices and accounting procedures; payroll; human resources; and employee training, including that of new employees. Board staff ensure that the Board's administrative policies, procedures and protocols are compliant with regulations, policies and guidance contained in the State Administrative Manual (SAM) and the State Information Management Manual (SIMM). Finally, Board staff engage in communication, coordination and mentoring to ensure that established internal controls procedures are followed.

### **ADDRESSING VULNERABILITIES**

Procedure for Addressing Identified Internal Control Deficiencies In the event that internal controls deficiencies are identified during ongoing monitoring, the Board's executive management would evaluate, develop and implement appropriate remedial strategies.

### **COMMUNICATION**

Reporting and Documenting Monitoring Activities The monitoring will be conducted by the Board's executive management team through meetings, communication and information sharing, who are knowledgeable about the ongoing activities within the agency. The Board has documented the internal process to be followed in the event the executive director is not available, or the position is vacant, and there is a need for the deputy director to perform the executive director's duties. This internal process is practical and effective due to the small size of the Board's staff.

## **ONGOING MONITORING COMPLIANCE**

The Colorado River Board of California 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 Colorado River Board of California systems of controls and monitoring.

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## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Colorado River Board of California risk assessment process: Executive Management, Middle Management, and Staff.

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## **RISK IDENTIFICATION RISK ASSESSMENT PROCESS**

Pursuant to guidance provided by state law and regulations, the Board's executive director, deputy director and administrative staff services manager have reviewed the Board's current system of internal controls and have identified three risks described below. The Board's executive management meet regularly to review and identify any potential risks to the agency. This includes a review of the following: (1) effectively meeting the Board's goals and objectives through the use of strategic planning; (2) effective management of human resources and personnel; (3) annual budget planning, and utilization of appropriate procurement and accounting procedures; (4) maintenance and implementation of effective information technology applications and practices; and (5) ensuring that up-to-date disaster, operations and technology recovery planning processes are in place. The Board currently has procedures and controls in place to address potential risks.

The three risks identified by the Board include the following:

- Operations-Internal-Staff: Key Person Dependence and Succession Planning;
- Operations-External-Staff: Recruitment, Retention and Staffing Levels; and
- Operations-External-FI\$Cal Conversion Process

As potential risks were identified, mitigating controls were developed. The Board's executive management determined the most significant risks based on severity as well as probability of occurrence. For the risks identified, the corresponding control, working as intended, would provide reasonable and adequate mitigation for the specific risk. Because of the small number of Board staff, it was relatively straight-forward to examine the risks and controls that need to be put into place to address those specific risks.

## **RISK RANKING**

The three risks identified by the Board include the following:

- Operations-Internal-Staff: Key Person Dependence and Succession Planning;
- Operations-External-Staff: Recruitment, Retention and Staffing Levels; and
- Operations-External-FI\$Cal Conversion Process

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## **RISKS AND CONTROLS**

### **RISK: OPERATIONS-INTERNAL-STAFF—KEY PERSON DEPENDENCE, WORKFORCE PLANNING**

The Board would be unable to maintain experienced and knowledgeable professional and administrative staff.

Because of the small size of the agency, each employee's duties and responsibilities are important and therefore having a vacancy poses a risk that certain key or core functions will not be completed unless the vacant position's duties are reassigned to another staff member.

Based upon that risk, it is necessary to ensure that there is a high degree of cross-training, sharing of historical and subject-matter knowledge, and familiarity with the Board's technical and administrative programs, and mission goals and objectives.

### **CONTROL A**

The control currently being implemented is that Board staff are trained to perform multiple functions on

a day-to-day basis. In the event an employee is planning to retire, transfers to another position, or separates from State service, an effort is made to obtain as much notice as possible, and ensure an effective transfer of knowledge and transition to a replacement staff-person. The Board facilitates upward mobility by maintaining an organizational structure that provides promotional and training opportunities for all levels of staff, including entry level through management.

**RISK: OPERATIONS -EXTERNAL-STAFF—RECRUITMENT, RETENTION, STAFFING LEVELS**

The Board employs highly specialized technical staff and recruitment for those positions can be challenging. The Board can be left lacking sufficient technical expertise to meet the Board's ongoing workloads and mission goals and objectives. As an emergency stopgap measure, the Board could periodically make use of the expertise and skill-sets of retired annuitants as appropriate and as necessary.

The Board has a unique role in representing the State of California and the Six Agencies in protecting California's rights and interests in Colorado River water and power resources. Consequently, it is a continuous challenge and difficult to find, recruit and retain the professional technical expertise necessary to conduct the Board's technical and administrative functions.

Without the necessary technical expertise and unique skill-sets associated with the management of complex Colorado River issues, the immediate result would be a significant increase in workload for senior technical staff and/or an inability to meet all necessary and required day-to-day work objectives. Thus, degrading the overall ability of the Board to meet its ongoing goals and objectives.

**CONTROL A**

The current control in place to address the periodic need to hire and retain qualified staff, the Board is to identify and maintain contact with individuals who have specialized knowledge regarding Colorado River operations and issues and who may be eligible to be hired by the Colorado River Board as vacancies become available.

**RISK: OPERATIONS -EXTERNAL-FISCAL IMPLEMENTATION, MAINTENANCE, FUNCTIONALITY, OR SUPPORT**

The Board began the transition from the CALSTARS financial tracking system to the State's new Financial Information System for California (FI\$Cal) in July 2016.

This process has been challenging at times and has required significant coordination and consultation with the Department of Finance and the FI\$Cal Service Center to address compatibility issues associated with the funding and business relationship between the Board and State Controller's Office.

Some of the issues encountered during the transition process have required the development of unique "work-arounds" by Board staff in collaboration with the FI\$Cal Service Center.

**CONTROL A**

The Board's current control to address the on-going challenges associated with the successful transition to the new FI\$Cal system is to ensure that the Board's administrative staff effectively cross-train and share information, and continue to develop and maintain good working relationships and effective lines of communication and coordination with Department of Finance and staff in the FI\$Cal Service Center.

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## CONCLUSION

The Colorado River Board of California 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.

**Chris Harris, Executive Director**

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