

Colorado River Board of California
2019 STATE LEADERSHIP ACCOUNTABILITY ACT REPORT

December 20, 2019

Mr. Wade Crowfoot, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Secretary Crowfoot:

In accordance with the State Leadership Accountability Act of 2015 (SLAA), the Colorado River Board of California (Board) submits this biennial report on the review of its systems of internal controls, risk-mitigation strategies and monitoring processes for the biennial period that ends on December 31, 2019.

Should you have any questions regarding this biennial report, please contact Mr. Christopher Harris, Executive Director (csharris@crb.ca.gov), or Mr. Rich Juricich, Principal Engineer (rjuricich@crb.ca.gov), at (818) 500-1625.

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 is located in Glendale, California. The Board currently maintains twelve (12) authorized full-time staff positions; of those, five (5) are administrative, and seven (7) are technical. The Board's executive management team is currently made up of an executive director, principal engineer 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 and manage California's continued use of Colorado River water and hydroelectric power resources, as well as 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 water agencies and districts include: Coachella Valley Water District, Imperial Irrigation District, Los Angeles Department of Water and Power, The Metropolitan Water District of

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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. Consequently, the sources or levels of annual funding for the Board and its operations and administration were not considered at risk during this biennial reporting period, and are not considered at risk in the foreseeable future.

ONGOING MONITORING

As the executive director of the Colorado River Board of California, Mr. Christopher Harris, is responsible for the overall establishment and maintenance of the Board's internal controls system and monitoring processes. The Board has identified Messrs. Christopher Harris and Rich Juricich as its designated agency monitors.

Executive Monitoring Sponsor(s)

The executive monitoring sponsor responsibilities include the facilitation and verification of the Colorado River Board of California's internal control monitoring practices have been, and continue to be, implemented and function as intended. The responsibility of executive monitoring sponsor has been assigned to Mr. Christopher Harris, executive director.

Frequency of Monitoring Activities

The small size of the Board requires that its executive management team engages 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 the program activities of the Board's administration and technical operations, including: procurement, payment of invoices, and budgeting and accounting procedures; payroll; human resources; and employee training, including that of new employees. Board staff continue to ensure that the Board's administrative policies, procedures and protocols are compliant and up-to-date with current regulations, policies and guidance contained in the State Administrative Manual (SAM) and the State Information Management Manual (SIMM). Finally, Board staff continue to engage in communication, coordination, on-the-job training and mentoring to ensure that established internal controls procedures are followed and implemented appropriately.

Addressing Vulnerabilities

In the event that internal controls deficiencies are identified during ongoing monitoring, the Board's executive management team would initiate a process to evaluate, develop and implement appropriate remedial strategies.

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Communication

The monitoring is conducted by the Board's executive management team through regular regular staff meetings, communications among Unit supervisors, and robust information sharing among all staff members responsible for 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. For example, there is currently the need for the Board's principal engineer to perform the executive director's duties in the event of his absence. This internal process is practical and effective due to the small size of the Agency and limited number of Board staffpersons available.

Ongoing Monitoring Compliance

Through the Board's ongoing executive management team monitoring processes and mandated reporting requirements, the Board continuously reviews, evaluates, and improves its systems of internal controls and monitoring processes. As such, the Board has determined that it complies with California Government Code sections 13400-13407.

RISK ASSESSMENT PROCESS

Colorado River Board of California staffpersons involved in its ongoing risk assessment process included the following: (1) executive management team; (2) unit supervisors and staffpersons.

Risk Identification

Pursuant to guidance provided by state law and regulations, the Board's executive director, principal engineer, 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 team meets regularly to review and identify any potential risks to the agency and its operations. This includes a review of the following: (1) effectively meeting the Board's goals and objectives through the use of strategic planning, both short- and long-term; (2) effective management of human resources and personnel, including recruitment of highly qualified candidates and retention of valued staffpersons; (3) annual budget planning, and utilization of up-to-date and appropriate procurement and accounting policies and procedures; (4) maintenance and implementation of effective information technology applications and security practices pursuant to state policies and guidance; and (5) ensuring that up-to-date disaster, operations and information 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 included the following:

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- Operations-Internal-Staff: Key Person Dependence and Workforce Succession Planning;
- Operations-External-Staff: Recruitment, Retention and Maintain Staffing Levels; and
- Operations-External-FI\$Cal Implementation, Maintenance, Functionality, and Support

As potential risks were identified, mitigating controls were developed. The Board's executive management team determined the most significant risks based upon severity of impact as well as probability of occurrence. For each of the risks identified, the corresponding control, working as intended, would provide reasonable and adequate mitigation for that 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 each of those specific risks.

Risk Ranking

The three risks identified by the Colorado River Board of California in this biennial reporting period, listed in order of risk and probability of occurrence, included the following:

- Operations-Internal-Staff: Key Person Dependence and Workforce Succession Planning;
- Operations-External-Staff: Recruitment, Retention and Maintain Staffing Levels; and
- Operations-External-FI\$Cal Implementation, Maintenance, Functionality, and Support

RISKS AND CONTROLS

Risk: Operations—Internal—Staff—Key Person Dependence, and Workforce Succession Planning

The Board continually strives to maintain experienced and knowledgeable professional staff, that address both the technical and administrative functions and needs of the Board. The expertise maintained by the Board is extremely specialized making it very difficult to recruit staff with the necessary knowledge and skills already in place. By necessity, the Board employs on-the-job training to bring new staff up to a proficient level of expertise.

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 would not be completed unless the vacant position's duties were reassigned to another staff member.

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Based upon that risk, it is necessary to ensure that there is a high degree of cross-training in the performance of critical tasks and functions, sharing of historical and specialized subject-matter knowledge, and that each employee possesses broad familiarity with the Board's core functions, technical and administrative programs, as well as the Board's overall mission statement and goals and objectives.

Control A

The requisite control currently being implemented is that Board staff are trained to perform multiple functions on a day-to-day basis. The implementation of this control is further supported by weekly staff meetings and status and task reviews and assignments within both the Board's Technical and Administrative Services Units. Frequent and consistent opportunities for communication and information sharing continues to result in staff maintaining up-to-date knowledge regarding the status and priorities of the Board's policies and procedures and primary programs and activities. Furthermore, in the event an employee is planning to retire, transfers to another state agency, or separates from State service, an effort is made to obtain as much notice as possible, and ensure an effective and orderly transfer of knowledge and transition to the designated replacement staff-person. While a small state agency, the Board endeavors to facilitate upward mobility by maintaining an organizational structure that provides promotional and training opportunities for all staff, entry level through executive management.

Risk: Operations—External—Staff—Recruitment, Retention, and Maintain Staffing Levels

Because of the Board's unique role in representing the State of California and the Six Agencies in protecting California's rights and interests in Colorado River water and hydroelectric power resources, the Board requires highly specialized expertise and recruitment for technical positions can be challenging. Consequently, as vacancies occur, planned or otherwise, it is a very significant challenge to find, recruit, hire, and retain the highly qualified and specialized policy-level and technical expertise required to conduct the Board's important technical functions or protecting and representing California's rights and interests in its Colorado River water rights and resources.

Without the necessary policy-level and technical expertise and those unique skill-sets associated with management of complex Colorado River issues, the immediate result would be a significant increase in workload for senior technical staff and the executive management team and/or an inability to meet all necessary and required day-to-day work objectives, thus degrading the ability of the Board to perform its primary responsibilities.

The Boards' Administrative Unit is composed of highly professional staff. Recruiting individuals with the necessary expertise and retaining administrative positions can be very challenging. Due to the small size of the Board's Administrative Services Unit, staff need to be trained on multiple areas as opposed to subject matter experts in administrative functions. In addition, it is significantly important to maintain the required staffing levels as employee turnover causes an increase in workload that might result in inability to meet

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all necessary as well as mandatory day-to-day administrative operations and functions as required by the State of California.

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, both within and outside of California state government, who have specialized knowledge regarding Colorado River operations and policy-level and technical issues and who may be eligible to be hired by the Colorado River Board as vacancies become available. The Board will consider pursuing a Budget Change Proposal (BCP) if necessary to hire additional technical staff when work load and funding justifies this approach. Finally, the Board periodically makes use of the expertise and skill-sets of retired annuitants as appropriate and as necessary.

The current internal control in place for the Board's Administrative Services Unit is to periodically address and review the workload for each staff person and make a determination based on the evaluation if there is a need to restructure, reorganize and/or develop a BCP to hire more staff. The Board hires permanent and/or limited intermittent and retired annuitant employees who have the administrative expertise to provide administrative support as necessary.

Risk: Operations—External—FI\$Cal Implementation, Maintenance, Functionality, and 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, during this biennial reporting period. This process has been challenging at times and has required significant coordination and consultation with the Department of Finance and the State's FI\$Cal Service Center to address compatibility issues associated with the funding and business relationship between the Board and State Controller's Office. Finally, this transition effort has required significant commitment of the staffing resources of the administrative services unit with mandatory training and working with mentors in the FI\$Cal Service Center in the development of the requisite skills to utilize the State's new financial system appropriately.

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. In fact, 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.

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CONCLUSION

The Board seeks to reduce risks inherent in performing its mission and meeting its goals, objectives, and responsibilities through continuous monitoring of its system of internal controls and implementation of appropriate risk-mitigation strategies. The Board accepts the responsibility to adapt and continuously improve the process by addressing new risks, as they are identified, through the development and implementation of new remediation or mitigation strategies.

In conclusion, I certify that the Board's current systems of internal controls and monitoring processes and risk-mitigation strategies were adequate to identify and address any material risks encountered by the organization.

Christopher Harris, Executive Director

cc: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director, California Department of Finance
Secretary, California Government Operations Agency