

State Water Resources Control Board

2015 SLAA REPORT

March 4, 2016

Matthew Rodriquez, Secretary
California Environmental Protection Agency
1001 I Street
Sacramento, CA 95814

Dear Mr. Rodriquez,

In accordance with the State Leadership Accountability Act (SLAA), the State Water Resources Control Board submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact John Russell, Deputy Director, at (916) 341-5353, John.Russell@waterboards.ca.gov.

BACKGROUND

The State Water Resources Control Board (State Water Board) and the nine Regional Water Quality Control Boards (Regional Water Boards) have broad responsibilities for ensuring the protection of California's surface and ground water quality, and for balancing competing demands on our water resources. Each Regional Water Board has part-time members who represent water supply, irrigated agriculture, industry, and municipal and county government for that region. The State Water Board has five full-time members who, like Regional Board members, fill specialty positions. State and Regional Board members are appointed to four-year terms by the Governor and are confirmed by the Senate.

In recognition that California's water pollution problems are influenced by environmental and social factors that vary regionally, the nine Regional Water Boards are based on watersheds, or hydrologic areas. The Regional Water Boards serve as the frontline for State and federal water pollution control efforts. Each Regional Water Board conducts activities and makes water quality decisions for the protection of the waters within its region. These activities include developing water quality control plans (basin plans) for their watersheds that establish water quality standards and strategies, issuing waste discharge requirements (permits) based on the basin plans and State Water Board plans and policies, monitoring water quality, determining compliance with requirements, and taking enforcement actions.

The Regional Water Boards and the State Water Board work to ensure the protection of water quality in areas such as stormwater, wastewater treatment, water quality monitoring, wetlands protection, ocean protection, environmental education, environmental justice, contaminated sites cleanup, low-impact development, and enforcement. Where water quality issues cross Regional Water Board boundaries or have significant statewide application, the State Water Board may develop water quality control plans and policies, including standards, and general permits. The State Water Board also approves regional basin plans, reviews petitions of Regional Water Board actions, administers financial assistance programs (such as for water pollution control or cleanup), addresses enforcement, and provides administrative and other functions that support the Water Boards.

The State Water Board is also responsible for allocating water rights and adjudicating water right disputes. This joint authority of water allocation and water quality protection enables the Water Boards to comprehensively address protection of California's waters.

On July 1, 2014, the administration of the Drinking Water Program (DWP) transferred from the Department of Public Health (DPH) to the State Water Board per Senate Bill 851. This transfer of responsibility aligns the state's drinking water and water quality programs in an integrated organizational structure to best position the state to both effectively protect water quality and the public health as it relates to water quality, while meeting current needs and future demands on water supplies.

The State Water Boards' mission is to preserve, enhance, and restore the quality of California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations.

RISK ASSESSMENT PROCESS

The risk assessment was performed by Division of Administrative Services (DAS) staff and followed guidelines from the California Government Code and guidance from the Department of Finance's Office of State Audits and Evaluations.

To ensure that all functions of the State Water Board were addressed and evaluated during the review of internal controls, DAS management explained the SLAA evaluation process at a meeting of the executive management team, which includes the Deputy Directors of each division and executive officers of each Regional Board. Each division and Regional Board's management was reminded of the importance of their role in evaluating and ensuring effective internal controls are in place to minimize risk.

DAS staff utilized the following tools when meeting with the executive management team to obtain feedback on each division and Regional Board's risks and controls:

Control Self-Assessment Questionnaire – Evaluation of internal controls.

Control Environment Questions – Additional resource questions.

Risk Assessment Matrix – Required to be completed with the information about the division's risks.

Each division and Regional Board was asked to review the Control Self-Assessment Questionnaire and Control Environment Questions with their management team and then complete and return the Risk Assessment Matrix to DAS management. After reviewing each division and Regional Board's responses, DAS management selected the risks that were of high priority to the State Water Board and addressed issues affecting the quality of the waters of the state. Those risks were subsequently reviewed and finalized by the Executive Officer and included in this report.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Technology—Inadequate Support, Tools, Design, or Maintenance

The Site Cleanup Program (SCP) administrative staff calculates quarterly invoices per site based on a comparison of the site log hours entered by Regional Board staff with the monthly labor and expenditure reports generated monthly based on employee timesheets, plus the addition of program administration and overhead costs. The State Water Board's Accounting Office has determined that while SCP is invoicing for the correct amount of total receivables, the system used to calculate and generate invoices is not accurately calculating and distributing the administration and overhead costs to each site. In addition, adjustments made after the monthly labor and expenditure report are generated requires an extensive and complicated process to correct and requires manual calculations to redistribute the site administration and overhead costs, which are based on the potentially inaccurate original administration and overhead cost calculations.

The State Water Board is in the process of integrating the SCP data into the Daily Activity Recording and Tracking System (DARTS) currently being utilized by the Drinking Water cost recovery programs. This program will compare daily site logs and monthly labor and expenditure reports to calculate and accurately invoice responsible parties, including adjustments.

Operations- Internal- Staff—Training, Knowledge, Competence

The State Water Board is currently evaluating its internal contracting process for effectiveness and efficiency. The three main phases of the contracting process included in the evaluation are: 1) the development of scopes of work and budgets by program staff; 2) preparation of the contract documents by administrative staff; and 3) contract management activities by both program and administrative staff. State Water Board staff have identified adequate training for both program and administrative staff as being key to effectively implementing the contracting process properly. Inadequate training in any one of these areas could lead to financial risk and affect the ability of the State Water Board to meet its mission. The State Water Board currently requires all staff managing service contracts to complete contract management training every three years. However, some staff managing contracts do not have this required training. Part of the inability for the State Water Board to develop contracts is a result of unqualified or untrained staff being assigned to develop and manage contracts, which can lead to repeated untimely and insufficient submissions during the contract preparation phase, and a lack of analytical and appropriate decision-making throughout the contract term. In addition, the administrative contract development phase itself is time-consuming and cumbersome, which contributes to significant delays in the development and execution of contracts required for the State Water Board to meet its mission. An increased focus on contract management training for staff is also necessary for staff to be able to adequately manage the work being conducted during the execution period of the contracts.

The State Water Board is in the process of developing new tools and resources for staff to utilize to ensure each contract is prepared, executed and managed in a fiscally responsible manner. The State Water Board modified its contract management training to include an increased focus on all three of these areas. Based on feedback from previous training session attendees, Contracts Unit staff will be increasing the time spent discussing development of scopes of work and budgets in upcoming training sessions. The State Water Board is also participating in the Governor's GoBiz Process Improvement Project in Early 2016 with the goal of streamlining the contract development phase by identifying and eliminating unnecessary administrative steps as well as providing useful tools to staff. The Accounting Office now leads a module in each training session to explain the proper invoicing review and approval process. These changes will be discussed at executive and program management team meetings as a reminder that contracts be assigned to qualified and trained staff to minimize the financial risk to the State Water Board and to ensure it meets its mission.

Compliance- Internal- Staff Not Adhering to Policies, Procedures, or Standards

On April 19, 2013 the United States Environmental Protection Agency (USEPA), Region IX office issued to the Drinking Water State Revolving Fund (DWSRF) program a Notice of Non-Compliance indicating that the program was in violation of 40 C.F.R §35.3550(l), (c) and 40 C.F.R §35.3560(d). The notice indicated that the DWSRF program was not make expeditious and timely use of funds, lacked adequate personnel and resources to manage the program and was not providing USEPA with quarterly estimated cash draw schedules on a yearly basis. In accordance with 40 C.F.R §35.3585(b), the DWSRF program must take corrective action and adjust program management. In the event that the DWSRF program is unable to achieve compliance with 40 C.F.R §35.3550(l), (c) and 40 C.F.R §35.3560(d) and pursuant to 40 C.F.R §35.43, USEPA may withhold future grant awards, wholly or partly suspend current awards or wholly or partly terminate current awards.

On June 24, 2013 to DWSRF program submitted to USEPA a Corrective Action Plan (CAP) in response to the Notice of Non-Compliance in accordance with 40 C.F.R §35.3585(c). At the request of USEPA the DWSRF revised the format of the CAP, submitting the revised version on July 12, 2013 which was accepted by USEPA on July 23, 2013. The CAP is comprised of 29 requirements which need to be met by specific deadlines over the course of approximately three (3) years ending June 30, 2016. To date the DWSRF program has met the requirements of 23 of the 29 CAP item elements and continues to make progress towards meeting the remaining six (6) elements by June 30, 2016. In accordance with the CAP, the DWSRF program holds monthly progress meetings with USEPA to ensure the DWSRF returns to full compliance by June 30, 2016.

ONGOING MONITORING

Through our ongoing monitoring processes, the State Water Resources Control Board reviews, evaluates, and improves our systems of internal controls and monitoring processes. The State Water Resources Control Board is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of State Water Resources Control Board, Thomas Howard, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified John Russell, Deputy Director, as our designated agency monitor(s).

Frequency of Monitoring Activities

The State Water Board holds regular meetings for all levels of management:

- Management Coordinating Committee (MCC) - Attendees include all Executive Officers and Deputy Directors from the State and Regional Boards. The MCC meets every other month for information sharing, policy making, and discussions about fiscal matters.
- Deputy Management Committee (DMC) - Attendees include all Assistant Executive Officers and Assistant Deputy Directors from the State and Regional Boards. The DMC meets every other month for information sharing, policy recommendations and discussions about fiscal matters.
- Administrative Officers (AO) Meeting - Attendees include all Administrative Officers from the State and Regional Boards. AO meetings are held monthly to discuss administrative changes, policies and procedures, and fiscal matters.
- Division and Program Management Meetings - Each Division and at the State and Regional Boards holds regular meetings for their management teams to relay information from MCC and DMC meetings, discuss changes in policies and procedures, and fiscal and human resources matters.

Reporting and Documenting Monitoring Activities

Monitoring activities will be discussed and reported every other month, or more frequently if required, at the MCC and DMC meetings. In addition, major funds, such as the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund, are audited annually and the results are document and reported to the Executive Director and applicable management. The State Water Board also has a robust performance reporting structure in place for most of its organizations and programs. As part of the development of the State Water Board's annual Performance Report, most organizations evaluate and report on their performance measure achievements towards accomplishing the State Water Board's mission. This performance tracking structure is continually being improved and expanded to incorporate new and existing activities.

Procedure for Addressing Identified Internal Control Deficiencies

Identified deficiencies will be tracked and reported to the appropriate executive and program management, including the Executive Director, to be rectified as soon as possible. In addition, identified deficiencies will be reported and discussed at MCC and DMC meetings. Audit findings will be addressed as appropriate and reported to the Executive Director.

CONCLUSION

The State Water Resources Control Board strives to reduce the risks inherent in our work through ongoing monitoring. The State Water Resources Control Board accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Thomas Howard, Executive Director
State Water Resources Control Board

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations