

December 31, 2021

Jared Blumenfeld, Secretary  
California Environmental Protection Agency  
1001 I Street  
Sacramento, CA 95814

Dear Secretary Jared Blumenfeld,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the State Water Resources Control Board submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

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

## **GOVERNANCE**

### **Mission and Strategic Plan**

The State Water Resources Control Board (State Water Board) and the nine Regional Water Quality Control Boards (Regional Water Boards), collectively known as the California Water Boards (Water Boards), are dedicated to a single vision: abundant clean water for human uses and environmental protection to sustain California's future. Under the federal Clean Water Act (CWA) and the state's pioneering Porter-Cologne Water Quality Control Act, the Water Boards have regulatory responsibility for protecting the water quality of nearly 1.6 million acres of lakes, 1.3 million acres of bays and estuaries, 211,000 miles of rivers and streams, and about 1,100 miles of exquisite California coastline. Specifically, the 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, all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations. In pursuit of our mission, the Water Boards adhere to the following principles and values: protection, sustainability, integrity, professionalism, leadership, collaboration, service and education/outreach. The Water Boards updated its Strategic Plan to identify key areas of focus for 2008-2012. The updated Strategic Plan was the result of input from stakeholders and staff throughout the state. The Strategic Plan was again updated in 2010 to identify actions that were accomplished, are in progress and are on hold. Currently, the California Environmental Protection Agency (CalEPA), is developing a Strategic Plan for all reporting boards, departments and offices.

### **Control Environment**

The Water Boards established guidelines for internal control in the "Standards for Internal Control in the State Water Resources Control Board and the Regional Water Quality Control Boards" document, also referred to as the Green Book. In addition to the Green Book, the organizational structure of the Water Boards provides for oversight and accountability to ensure the department's work is carried out in accordance with its mission statement to protect the quality of California's water resources and drinking water. In recognition that California's water pollution and drinking water issues are influenced by

environmental and population factors that vary from region to region, there are nine semi-autonomous Regional Water Boards that are comprised of seven part-time Board members appointed by the Governor and confirmed by the Senate. Each Regional Board makes critical water quality decisions for its region, including setting standards, issuing waste discharge requirements, determining compliance with those requirements, and taking appropriate enforcement actions. The State Water Board is comprised of five Board members that are appointed by the Governor and confirmed by the Senate. The State Water Board ensures the protection and quality of the of the state's water resources and drinking water by setting statewide policy, coordinating and supporting Regional Water Board efforts, allocating water rights and administering the Water Boards' financial assistance programs. The Water Boards also has a Strategic Plan comprised of goals to guide the work carried out by the State and Regional Water Boards and to ensure the Water Boards' mission is continuously pursued. The Strategic Plan is periodically updated to ensure the goals are appropriate and relative to the priorities of the Water Board.

The key to pursuing and accomplishing the Water Boards' mission is employing and maintaining a competent workforce. In addition to posting vacancies through the California Department of Human Resources and circulating postings internally, the Water Boards currently participate in job fairs organized by a variety of entities, including colleges, professional organizations and other government agencies, to boost recruitment efforts. The Water Boards also have an internship program in place to provide students with exposure to the important work the Water Boards perform and to hopefully build interest in working at the Water Boards in permanent positions. While the Water Boards are in the final stages of completing a workforce plan, it does provide continuous training and education opportunities, both directly and indirectly related to staff workload, career development resources and benefit information. All levels of staff also participate in the annual performance review process and any deficiencies identified are followed up on by management. In addition, new managers and supervisors are required to take the Basic Supervision training classes that cover ethics, integrity and discrimination, among other topics. All managers and supervisors are also required to take on-going training annually to ensure they are competent and effective in managing their staff.

Another key component to the work the State Water Board performs is providing financial assistance opportunities through loans and grants for individuals, businesses and municipalities to assist them with projects to ensure the protection and availability of water resources and drinking water. The State Water Board has in place multiple measures to ensure the proper use and application of funds, including internal and external audits to ensure compliance with federal and state funding guidelines, stakeholder input for projects under consideration for funding, training for entities to ensure compliance with program requirements, and State Board approval for project funding, among other controls. California Environmental Protection Agency (CalEPA), is developing a Strategic Plan for all reporting boards, departments and offices.

## **Information and Communication**

The Water Boards rely on various methods to ensure there is open communication among all levels of staff and management and to ensure the effective exchange of information:

- Management Coordinating Committee (MCC) – Attendees include all Executive Officers and Deputy Directors from the State and Regional Water 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 Water 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 Water Boards. AO meetings are held monthly to discuss administrative changes, policies and procedures, and fiscal matters.
- Division and Program Management Meetings – Each Division at the State and Regional Water 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. Managers also hold regular staff meetings by program and/or branch to relay information from MCC, DMC and AO meetings and to provide an opportunity for discussion and feedback.
- Staff are encouraged to report any inappropriate or improper activity to management, the Equal Employment Opportunity Office, or the California State Auditor.
- Staff are also encouraged to report inefficiencies or suggestions for process improvements to management. Those reports or suggestions will be discussed at the appropriate management meeting to determine if further action should be taken and implementing those steps. The State Water Board and each Regional Water Board holds regular public meetings to discuss regulatory and information items, including enforcement actions, and to approve and rescind permits. All board meetings also allow for open public comment on any matter within the jurisdiction of that respective Board. Individual programs also hold regular stakeholder meetings to discuss permit development, program changes, fees, and other topics related to issues under the Water Boards' jurisdiction.

## 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 State Water Resources Control Board monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: John Russell, Deputy Director.

In addition to ensuring all levels of management are trained on the implementation of internal controls through the use of the Green Book, the Water Boards also produce an interactive annual Performance Report that provides a mechanism for internal and external stakeholders to measure and evaluate what the Water Boards are doing and how the environment is responding. The Performance Report includes specific performance measures for outputs and outcomes organized by key functional categories of the Water Boards' work. To develop the Performance Report, the Office of Information Management and Analysis (OIMA) works with the divisions, offices, and State and Regional Board management to develop and set targets in line with annual priorities. All targets, performance measures and priorities are evaluated annually by divisions, offices and State and Regional Boards to ensure appropriateness, including evaluating targets that are not met and determining what steps need to be taken to meet those targets in the future. The Performance Report is published on the Water Boards' public website at the completion of each fiscal year and OIMA presents highlights of the completed Performance Report and next steps annually at a State Water Board meeting as an informational item to allow Board Members and the public an opportunity to provide feedback. Staff is continuously working to improve

the Performance Report, including modifying some reporting functions to update in real-time to help better inform decision-making and ensure public accountability. Along with public board meetings, stakeholder meetings, internal staff and management meetings, the Performance Report is a key tool in ensuring the effectiveness of the Water Boards' internal controls in assisting staff in continually striving to accomplish and uphold our mission.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the State Water Resources Control Board risk assessment process: executive management, and middle management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, consideration of potential fraud, performance metrics, and other.

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

## **RISKS AND CONTROLS**

### **Risk: Racial Equity, Diversity, and Inclusion Efforts**

At its August 18, 2020 meeting, the State Water Board acknowledged the historic effects of institutional racism that must be confronted throughout government and directed staff to develop strategies and action plans that address these systematic deficiencies throughout the Water Boards and in the communities we serve. The executive director established a Racial Equity Steering Committee and Working Group (collectively Racial Equity Team) comprised of state and regional Water Board employees. The Water Boards' Racial Equity Team developed a racial equity resolution that was adopted by the State Water Board on November 16, 2021. The resolution adopts racial equity, diversity, and inclusion as core values; directs staff to institutionalize racial equity through a number of specific actions, including developing racial equity training for all Water Boards' staff to normalize conversations about race and racism; bringing a racial equity lens to the Water Boards' decision-making processes; and including more meaningful opportunities for community involvement. Additionally, the State Water Board will work to build a more diverse workforce through outreach to groups underrepresented at the Water Boards and updating hiring practices to promote diversity.

#### **Control: Establish an Office of Equity, Diversity, and Inclusion**

In addition to the current Racial Equity Team comprised of employee volunteers, the Water Board is working to establish a permanent Office of Equity, Diversity, and Inclusion to increase our capacity to address systemic and institutional racism throughout the Water Boards and in the communities we serve.

#### **Control: Develop and Implement a Racial Equity Action Plan**

The Water Board is developing, implementing, and will be continuously improving a Racial Equity Action Plan as directed by the board. The timeline includes the following target dates:

- January-March 2022 – Engage with Stakeholders and Community Partners
- January 2022 – Launch Ongoing Public Survey
- April 2022 – Launch Ongoing Employee Survey
- June 2022 – Develop Public Comment Outreach Materials
- July 2022 – Public Workshop
- July-August 2022 – Racial Equity Action Plan Public Comment Period
- November 2022 – Present Racial Equity Action Plan to State Water Board

### **Control: Annual Report on Racial Equity Action Plan Implementation**

Staff will update the State Water Board annually on progress made in meeting the Racial Equity Action Plan goals and objectives.

### **Risk: Risk Assessment and Management**

To accomplish its mission of ensuring the quality of California's water resources, the State Water Board administers both regulatory and financial assistance programs. While many of the financial assistance programs require regular external audits or self-reporting on specific metrics, many of the Water Boards' regulatory programs do not have the same requirements. Beyond program managers monitoring risks, there is no organization-wide effort dedicated to tracking, coordinating, evaluating, and managing risks, including the implementation of appropriate controls. Water Boards managers are required to monitor risks in their own programs and implement controls as needed, but this process lacks an outside perspective; one that will provide objective insight and an unbiased evaluation of its programs. This objective evaluation is essential to ensuring the Water Boards' have appropriate policies and procedures to ensure it is complying with applicable laws and regulations, and to mitigate any risks. Regular internal evaluation will build up the public's confidence in the Water Boards and lead to better working relationships with stakeholders. Internal risk evaluation will also assist staff in being better prepared for the regular external audits.

The Water Boards currently do not have a centralized internal audit unit to perform the tasks described above. This Risk will involve evaluating whether or not the Water Board requires a centralized internal audit unit. If it is determined that the Water Board has sufficient work to support the establishment of such a unit, this Risk will evaluate the specifics of establishing such a unit.

### **Control: Develop a Plan to Evaluate the Audit Needs of the Water Board**

Management will be developing a plan to assess and evaluate whether or not the business needs of the Water Board are sufficiently complex and material enough to support the establishment of an internal audit unit.

- The Plan should address the following:
  - Inventory, catalog and evaluate Water Boards' potential major risks and existing internal controls
  - Evaluate who is currently implementing the internal controls for these risks and

- reporting structures currently in place
- Determine if existing internal controls and reporting are both sufficient to address the risks.
- Determine if existing internal staffing, processes and procedures adequately identify and manage risks effectively and efficiently, or whether a separate internal audit unit may be warranted.

**Control: If it is determined a separate internal audit unit is necessary, develop a Plan to establish such a unit**

If the assessment of the audit needs of the Water Board determines an internal audit unit is appropriate, management will develop a plan to establish the unit and the plan should include:

- A survey of comparable State departments with internal audit units to determine the responsibilities and staffing of those units to help inform the establishment of a Water Board internal audit unit.
- A proposed set of roles and responsibilities for this unit, including performance metrics.
- A proposed staffing plan for this unit, including an evaluation of whether or not existing staff can be redirected to this unit, or if additional resources are necessary.
- A proposed placement of the unit within the Water Board organization, including reporting responsibilities.
- A proposed timeline for establishing the unit.

**Risk: Effective Telework Operations**

The COVID-19 pandemic required the State Water Board to move almost its entire workforce to a remote environment with little advanced notice or preparation. The resulting emergency telework program demonstrated that an expanded ongoing program would have numerous positive benefits for the Water Boards' workforce even after pandemic protocols are no longer being implemented. An expanded telework program is also in line with the Water Boards' environmental mission by reducing the number of cars on the road, thereby reducing overall greenhouse gas emissions and fossil fuel consumption. As the state undergoes a transition from emergency to more traditional operations, by implementing a hybrid work model in which most employees' time will be divided between a home office and a more traditional workplace, the Water Boards will retain the positive benefits from the expanded telework program that was initiated during the pandemic. This transition will also require the development of new, or the revision of, existing guidance to ensure the program is implemented in a consistent manner across the entire organization.

**Control: Implement an Agency-Wide Telework Policy**

In cooperation with other CalEPA Boards, Departments, and Offices, finalize and implement the CalEPA agency-wide telework policy. This policy is expected to encourage participation of eligible employees, reduce required state office space, improve employee retention and recruitment, maintain or improve employee productivity, reduce state environmental impacts, and maintain or improve customer service.

### **Control: Finalize a Hybrid Workplace Pilot Program**

Within the framework of the CalEPA Telework Policy, the Water Board is finalizing a Hybrid Workplace Pilot Program that provides a flexible approach - telework coupled with some office time for direct colleague/stakeholder engagement – that strikes a balance to allow the Water Boards to maintain a high degree of public service and resource protection. The Hybrid Workplace Pilot Program will provide an implementation framework that organizations can use to ensure that the expanded telework program is implemented consistently across all organizations.

### **Control: Pilot Program Transition Period**

During this transition period, the Water Boards will: 1) re-evaluate job duties of each staff person to determine the appropriate level of telework; 2) have supervisors and managers complete mandatory training developed by the Government Operations Agency (GovOps) and the Department of Human Resources (CalHR); 3) complete administrative requirements; and 4) continue to monitor conditions to refine the program. The overarching goal of the transition period is to ensure that both staff and supervisors are prepared to successfully implement the Hybrid Workplace Pilot Program.

### **Control: Long-Term Implementation**

The overarching goal of the Pilot Program is to ensure that both staff and supervisors are successful in implementing a hybrid workplace where staff are both teleworking and working in the office workplace. The executive management of each Water Board Division and Regional Water Board will have flexibility implementing the Hybrid Workplace Pilot Program.

The Executive team plans to periodically and regularly assess the Hybrid Workplace Pilot Program. During both the transition period and the pilot program data, information and observations will be collected, compiled and analyzed to evaluate the overall effectiveness of the Hybrid Workplace program. This evaluation will include workforce performance and employee engagement and collaboration, including efforts to advance equity, diversity and inclusion in the Water Board and our programs.

## **CONCLUSION**

The State Water Resources Control Board 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.

**Eileen Sobeck, 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