

December 29, 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 Department of Parks and Recreation 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 Will Schaafsma, Deputy Director of Administrative Services, at (916) 653-7377, Will.Schaafsma@parks.ca.gov.

BACKGROUND

The mission of the Department is to provide for the health, inspiration, and education of the people of California by helping to preserve the state's extraordinary biological diversity, protecting its most valued natural and cultural resources, and creating opportunities for high-quality outdoor recreation.

The Department manages the Off-Highway Motor Vehicle Recreation Program, the Division of Boating and Waterways, and the Office of Historic Preservation.

This report facilitates responsibilities for the following entities:

- Department of Parks and Recreation
- Parks and Recreation Commission
- State Off-Highway Motor Vehicle Recreation Commission
- California Boating and Waterways Commission
- State Historical Resources Commission

ONGOING MONITORING

As the head of Department of Parks and Recreation, Lisa Mangat, 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 Department of Parks and Recreation internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:

Jordan Burgess, Assistant Deputy Director Admin Services.

MONITORING ACTIVITIES

The Department has created a structure for reporting and documenting monitoring activities that involves all levels of management and includes the Director, Chief Deputy Director, other deputies, and program leads. The Assistant Deputy Director of Administrative Services serves as the Designated

Agency Monitor. Deputy Directors, or delegates as appropriate, from each programmatic area of the department will serve as unit monitors.

Through our ongoing monitoring processes, the Department of Parks and Recreation reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Department has implemented a platform for risk monitoring in which key Executives review sensitive issues during the weekly Executive Staff meetings. These sensitive issues are well documented and progress is tracked weekly.

The general framework for ongoing monitoring activities includes continuous planning and prioritizing of monitoring activities as control environments change, biannual monitoring and result updates as necessary, and annual evaluations conducted by unit monitors to determine emerging risks and analyze control efficacy, implementation, and corrective action plan results.

ADDRESSING VULNERABILITIES

To the extent a new vulnerability or internal control deficiency is identified, and based on the nature of the deficiency or vulnerability, remedies will be discussed via through mentioned processes and meetings.

COMMUNICATION

Monitoring roles, activities and results are discussed on a weekly basis during Executive Staff meetings, Park Operations Chiefs meetings, Park Operations Policy Group meetings, and Administrative Services Roundtable meetings. Additionally, branch managers discuss monitoring results during routine meetings with staff members. Throughout the meetings identified above, communication centers around monitoring activities, control enforcement, implementation, control deficiency remediation, efficacy, and any potential changes needed.

ONGOING MONITORING COMPLIANCE

The Department of Parks and Recreation 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 Department of Parks and Recreation systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Parks and Recreation risk assessment process: Executive Management, Middle Management, and Front Line Management.

RISK IDENTIFICATION

The Department performed a statewide risk assessment to determine which risks and controls have the greatest potential to impact State Parks' ability to fulfill its mission and meet its business objectives. This risk assessment was initialized using a department-wide inquiry sent to the program managers of each major departmental function. These program areas included the following:

- Park Operations
- Division of Boating and Waterways
- Off-Highway Motor Vehicle Recreation
- Administrative Services Division

- Law Enforcement and Emergency Services
- External Affairs
- Office of Historical Preservation
- Acquisition and Development
- Legal Office
- Public Affairs

The communication was created collaboratively by the Assistant Deputy Director of Administrative Services, the Deputy Director of Administrative Services, and the Chief of Audits. Program managers were asked to identify the top risks for their respective programmatic area/division/function. They were provided with the risks identified in the Department's 2015 report, and a description of those risks.

RISK RANKING

Feedback from the survey was gathered and analyzed by the Deputy Director of Administrative Services, Assistant Deputy Director of Administrative Services, and a representative from Park Operations. Based upon the analysis of these individuals and a decision-making process that placed greater importance to risks that could be mitigated without the need for additional funding, the risks presented in this report were chosen.

Additionally, the Department's newly-implemented Sensitive Issues risk monitoring process aided in the analysis of Departmental risks and controls. No internal control deficiencies have been identified since the Department's 2015 report. To the extent a new internal control deficiency is identified, and based on the nature of the deficiency, remedies will be discussed via through mentioned processes and meetings.

Evaluation of risks and controls included in this report:

1. Emergency Planning
2. Cash Handling, Security, and Reporting
3. Data Security
4. Asset Security
5. Communications

RISKS AND CONTROLS

RISK: OPERATIONS -EXTERNAL-BUSINESS INTERRUPTION, SAFETY CONCERNS

Park assets are placed at risk by natural disasters such as wildfires, floods, and earthquakes.

These natural disasters are generally unforeseeable events.

These events present a risk to public safety, as well as, state assets, including natural and cultural resources.

CONTROL A

In order to mitigate this risk, the Department employs coherent and coordinated preparedness and response across all of its functions through routine training, support, and documented communication.

The Department is in the process of updating the Continuity of Operations/Continuity of Government Program (COOP/COG). The COOP/COG are successor programs to the Emergency Action and Emergency Response Plans.

The Standardized Emergency Management System and the National Incident Management System are coordinated at the state and federal levels. The department provides specific training for response and task force teams in the event of a disaster. The training is recorded in the Department's Employee Training Management System. This effort is led by the Chief of Law Enforcement and Emergency Services, and is the direct connection point with the Governor's Office of Emergency Services.

These controls mitigate risk by providing up-to-date documented preparedness, communication, and training for emergency events and serve to protect and preserve human life and state assets.

RISK: OPERATIONS -INTERNAL-OVERSIGHT, MONITORING, INTERNAL CONTROL SYSTEMS

Some field-based fee transactions are made with cash, exposing the Department to internal theft, misuse of funds, and incomplete accounting.

The Department has historically relied on cash transactions for park entry fees and other field-based transactions. These risks are compounded when a district has one employee performing all functions with no checks and balances. Due to difficulty in recruiting and retaining staff at the field level, separation of duties can be difficult to achieve.

Undetectable financial losses may result. The result is an impairment to management's ability to provide active, ongoing oversight and monitoring for the prevention and early detection of fraud and errors. To the extent that actual losses are detected and prevented, increased revenues may be realized.

CONTROL A

Adequate cash handling processes are established in the Department's *Cash Handling Handbook*. This includes daily accountability of collections; theft and loss prevention, including safe storage; reconciliation; and shortage reporting.

The established cash handling processes documented in the Department's *Cash Handling Handbook* provides for adequate separation of duties, cash handling accountability under various scenarios, maximum amounts of cash storage, methods of cash storage, theft and loss prevention, reconciliation, and shortage reporting.

Modernization of fee collection technology, including debit and credit cards and electronic reservation systems, will also improve internal business practices and financial controls and is currently under way. The Recreation and Reservations Sales Service is the Department's new reservation and fee collection modernization system that has been partially implemented. Once full implementation is achieved, reduced reliance on cash operations and increased use of electronic transactions will reduce the possibility of human error, as well as the opportunity for fraud that would otherwise go undetected.

RISK: OPERATIONS -EXTERNAL-BUSINESS INTERRUPTION, SAFETY CONCERNS

The Department's most sensitive materials, data, and information must be secure, retrievable, and usable to meet legal mandates and the Department's mission.

California State Parks administers highly sensitive sets of information, from prehistoric archaeological sites to information associated with law enforcement reports and investigations. State Park Peace Officers are also required to hold evidence in carrying out their duties, requiring secure holding spaces throughout the

California State Parks system and standardized procedures for their management.

There is potential exposure to legal action if sensitive information is not secured. Should evidence be tampered with or lost, prosecutions are compromised and any potential restitution the department may realize is jeopardized. Should a permanent loss of data which is of historical or cultural significance value occur, the loss to the public is irreplaceable.

CONTROL A

Information security and privacy policies, standards and procedures are prescribed under State Administrative Manual (SAM) 5300 and overseen by California Information Security Office (CISO). CISO requires all agencies to submit a Risk Management and Privacy Program Compliance Certification (SIMM 5330-B) by January 31 annually, certifying that the agency has met all of the requirements under SAM 5300. The Department is in compliance with the Technology Recovery Plan that describes how key data can be retrieved in an event of a data loss. Standardized procedures for law enforcement are outlined in the current Department Operations Manual (DOM) Section 1300 also known as the LEXIPOL Law Enforcement Policy Manual. This includes guidelines on secure holding spaces requirements and standardized procedures for their management.

When electronic information and physical evidence is secured, Department operations run efficiently and effectively, and cultural resources of the Department belonging to the public are safeguarded.

RISK: OPERATIONS -INTERNAL-TECHNOLOGY—DATA SECURITY

Legally mandated inventory responsibilities which use paper documentation can be susceptible to natural disasters.

These events place records at risk entirely or lead to lack of access to records and impact the Department's ability to responsibly carry out disaster response and recovery efforts.

Lack of a digitized process for storing historical records that can be readily accessed in an event of disaster can jeopardize the Department's ability to effectively and efficiently achieve its mission and objectives of preserving the historical documents and making information available when needed.

CONTROL A

The Department has assigned the Central Records Office and California State Parks Archives to preserve and make accessible the Department's records as mandated by state laws and regulations. The responsibilities of these units include the preservation of historical documents. The Office of Historic Preservation's (OHP) currently has some of the inventory documents digitized and maintained in their own database. In addition, some of the inventory is also stored in an information center database.

RISK: OPERATIONS -INTERNAL-OVERSIGHT, MONITORING, INTERNAL CONTROL SYSTEMS

Property must be adequately safeguarded to prevent loss and replacement of missing property.

As a large and decentralized department, items may be purchased by one part of the organization, then distributed throughout the Department or district.

As a result, there is a substantial opportunity for property to be lost or stolen. Costs to replace property can be prohibitive.

CONTROL A

Department equipment property is to be asset-tagged, and entered then tracked in the Department's asset management tracking system (MAXIMO). The Department of General Services requires a physical inventory every three years of all Parks' equipment. Whenever property is lost, stolen, or damaged/destroyed, the Department is required to complete a Report of Crime or Criminally Caused Property Damage on State Property (Std. 99) for submission to the California Highway Patrol. Additionally, Parks employees must fill out a DPR 385 to report lost, stolen, or damaged report that occurs at a district level. Loss of state property due to fraud or embezzlement will be reported to the Department of Finance Office of State Audits and Evaluations and the California State Auditor's Office. These controls are intended to account for all property.

RISK: OPERATIONS -INTERNAL-OVERSIGHT, MONITORING, INTERNAL CONTROL SYSTEMS

Outdated authoritative documents (Department Administrative Manual (DAM) and (DOM) expose the department to the risk of non-compliance with current laws and policies and its ability to effectively and efficiently achieve its mission and objectives, failure to track policy or procedure revisions through the established process impairs knowledge transfer, employee training, and accountability.

Employees do not have access to centralized and consistently updated reference sources of approved internal policies and procedures to follow.

Changes to Departmental policy and procedures are often communicated through memorandums issued to "All Employees" or other targeted employee groups (i.e., Administrative Officers, Managers/Supervisors, District Superintendents, etc.).

CONTROL A

DAM policy establishes that all new internal policies, procedures, or instructions, as well as, any changes in existing policies and procedures, are made only by manual revisions or Departmental Notices. This policy excludes memorandums as approved methods of making such revisions or issuing such instruction and identifies the Business Management Services Section as responsible for the provision and maintenance of current Department manuals. This control is intended to ensure that the Department's DAM and DOM manuals are kept current and to ensure effective methods are in place to disseminate information within the organization.

CONCLUSION

The Department of Parks and Recreation 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.

Lisa Mangat, 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