

Department of Parks and Recreation

2015 SLAA REPORT

December 31, 2015

John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Laird,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Parks and Recreation 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 Will Schaafsma, Assistant 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

RISK ASSESSMENT PROCESS

Earlier this year, 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 survey 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
- Administration
- Law Enforcement and Emergency Services
- External Affairs
- Office of Historic Preservation
- Acquisition and Development
- Legal Office
- Public Affairs

The survey was created collaboratively by the Assistant Deputy Director of Administrative Services, the Deputy Director of Administrative Services, and the Chief of Audits.

In order to facilitate the risk assessment, program managers were asked to do the following:

1. Identify the top three to four risks for their respective programmatic area/division/function. "Control Environment Questions" and "Risks and Definitions" documents provided by the Department of Finance were provided to program managers to aid in their deliberation of risk.
2. Evaluate the identified risks and rank in order of likelihood of occurrence and impact to the department if each risk did occur. The following instructions provided by the Department of Finance were provided to program managers to rank and evaluate their respective risks:

"There are various ways to sort out the risks you have. One measurement method is to use very likely, likely, unlikely and very unlikely for assessing likelihood of occurrence. Then high, medium, and low for assessing impact. Some measurement methods use a scale of 1-10 for a finer assessment. Others identify various factors, assign numbers, and weight the factors. You should select the methodology that works best and produces a useful assessment. Some departments use a simple numbering system and plot the assessment for each risk into one of four quadrants: high occurrence and impact, high occurrence but low impact, low occurrence but high impact, and low occurrence."

Feedback from the survey was gathered and analyzed by the Chief Deputy Director, 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.

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

EVALUATION OF RISKS AND CONTROLS

Operations- External- Business Interruption, Safety Concerns

Park assets are placed at risk by natural disasters such as wildfires, floods, and earthquakes. These events present a risk to public safety as well as state assets, including natural and cultural resources.

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 staff training for emergency events and serve to protect and preserve human life and state

assets.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

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

This risk is 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.

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 underway. The Recreation and Reservations Sales Service is planned as the new reservation and fee collection modernization system. 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.

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.

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 31st of every year, 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.

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.

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 State Historic Preservation's (OSHP) 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.

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. Costs to replace stolen property can be prohibitive.

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.

Operations- Internal- Oversight, Monitoring, Internal Control Systems

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.). 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.

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 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.

ONGOING MONITORING

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 of Parks and Recreation 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 Department of Parks and Recreation, Lisa Mangat, Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Will Schaafsma, Assistant Deputy Director of Administrative Services, as our designated agency monitor(s).

Frequency of Monitoring Activities

The Department has established a general framework for ongoing monitoring activities. Preliminary plans for frequency of reporting activities include the following:

- Continuous planning and prioritizing of monitoring activities.
 - As control environments change.
- Biannual monitoring results updates.
 - Result updates will correspond with Corrective Action Plan reporting cycles as necessary.
- Annual separate evaluations.
 - Evaluations will be conducted by unit monitors to determine emerging risks and analyze control efficacy, implementation, and corrective action plan results.

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

Monitoring results will be communicated in written format on a biannual basis and will be shared with the executive management team. Results will discuss monitoring activities, control enforcement, implementation, control deficiency remediation, efficacy, and any potential changes needed. An initial meeting is scheduled for January 2016.

Procedure for Addressing Identified Internal Control Deficiencies

The Department is in the process of determining timeframes for any potential control deficiencies to be remedied. It is likely that timeframes will be determined on a case-by-case basis depending on the severity of the remedy that is required. Control deficiencies and remediation strategies, including the status of remedy implementation, will be reported as a component of the ongoing monitoring reporting activities and will be delivered to the executive management team.

CONCLUSION

The Department of Parks and Recreation strives to reduce the risks inherent in our work through ongoing monitoring. The Department of Parks and Recreation 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.

Lisa Mangat, Director

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