

December 27, 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 California Coastal Commission 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 Susan Hansch, Chief Deputy Director, at (415) 904-5244, [Susan.Hansch@coastal.ca.gov](mailto:Susan.Hansch@coastal.ca.gov).

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## BACKGROUND

The California Coastal Commission was first created by voter initiative in 1972 (Proposition 20) and then statutorily established by the Legislature in the California Coastal Act of 1976.

The Commission, in partnership with coastal cities and counties, plans and regulates the use of land and water in the coastal zone. Development activities, which include, among other things, construction of buildings, divisions of land, and activities that change the intensity of use of land or public access to coastal waters, generally require a coastal permit from either the Coastal Commission or a local government.

The Coastal Act includes specific policies (see Division 20 of the Public Resources Code) that govern issues such as shoreline public access and recreation, lower cost visitor-serving facilities, terrestrial and marine habitat protection, visual resources, landform alteration, agricultural lands, commercial fisheries, industrial uses, water quality, offshore oil and gas development, transportation, development design, power plants, ports and public works. The policies of the Coastal Act constitute the statutory standards applied to planning and regulatory decisions made by the Commission and by local governments, pursuant to the Coastal Act.

The Commission is an independent, quasi-judicial state agency. The Commission is composed of twelve voting members, appointed equally (four each) by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six of the voting commissioners are locally elected officials and six are appointed from the public at large. Three ex officio members represent the Resources Agency, the California State Transportation Agency, and the State Lands Commission.

The coastal zone, which was specifically mapped by the Legislature in 1976, covers an area larger than the State of Rhode Island. On land, the coastal zone varies in width from several hundred feet in highly urbanized areas, to up to five miles in certain rural areas. Offshore, the coastal zone extends out three miles from shore. The coastal zone established by the Coastal Act does not include San Francisco Bay, where development is regulated by the Bay Conservation and Development Commission.

### **Key Statutory Responsibilities**

California's coastal management program is carried out through a partnership between state and local

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governments. Implementation of Coastal Act policies is accomplished in part through the preparation of local coastal programs (LCPs) that are required to be completed by each of the 15 counties and 61 cities located in whole or in part in the coastal zone. Completed LCPs must be submitted to the Commission for review and approval. An LCP includes a land use plan (LUP) which may be the relevant portion of the local general plan, including any maps necessary to administer it, and the zoning ordinances, zoning district maps, and other legal instruments necessary to implement the land use plan. Coastal Act policies are the standards by which the Commission evaluates the adequacy of LUPs. Implementing ordinances and programs must be consistent with and adequate to carry out the LUP. Amendments to certified LCPs only become effective after approval by the Commission.

Development within the coastal zone may not commence until a coastal development permit has been issued by either the Commission or a local government that has a Commission-certified local coastal program. After certification of an LCP, coastal development permit authority is delegated to the appropriate local government, but the Commission retains original permit jurisdiction over certain specified lands (such as tidelands and public trust lands). The Commission also has appellate authority over development approved by local governments in specified geographic areas as well as certain other developments.

The Commission reviews and acts on port master plans and amendments to them for the industrial ports of Hueneme, Los Angeles, Long Beach, and San Diego. Commission approval is necessary to allow port expansions to meet future growth needs. A similar requirement applies to land areas of universities in the coastal zone (e.g., the University of California campuses at Santa Cruz, Santa Barbara, and San Diego; Pepperdine University). The Commission also has an oil spill prevention and response program, a statewide Coastal Act Enforcement Program, and a federal consistency program authorized under the federal Coastal Zone Management Act, through which the Commission is able to review federally authorized and conducted activities in and outside the coastal zone that affect California's coastal resources for consistency with the Coastal Act.

The Commission also implements a Coastal Access Program, in partnership with other state agencies such as the Coastal Conservancy, State Lands Commission, California State Parks and federal, regional and local park and recreation entities. The Commission carries out an extensive public education program that includes annual statewide coastal clean-up events, the "Adopt-A-Beach" program and the WHALE TAIL license plate program. It also maintains a Coastal Resource Information Center.

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## **ONGOING MONITORING**

As the head of California Coastal Commission, Jack Ainsworth, Executive 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 California Coastal Commission internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:  
Susan Hansch, Chief Deputy Director.

### **MONITORING ACTIVITIES**

Senior staff reports on major items through weekly senior staff meetings, and significant items are then brought to the executive staff meeting each month. Meeting topics include discussion of a wide range of current and potential internal control issues that need to be addressed, including issues related to the risks identified below. These meetings also allow management to discuss issues they

have been made aware of by line staff and decide what steps are needed to mitigate the issues that arise. These staff meetings also inform the reports to the Coastal Commission, including the annual update on progress made on the Commission's Strategic Plan.

The annual update on the Commission's Strategic Plan is a public document that is posted on the Commission's website. Executive staff presents the monitoring report to the Commissioners at a regularly scheduled Commission hearing, according to the Commission's typical hearing procedures. Key staff members are responsible for each Strategic Plan action item, including those items related to the risks identified below. Senior staff seeks input from all staff members on evaluating progress on Strategic Plan action items prior to publishing the annual monitoring report, and all staff is encouraged to review the completed monitoring report.

If progress on the Strategic Plan or other agency initiatives is determined to be inadequate, either by the Commission or by Commission staff, executive staff, including through their monthly meeting, will determine if changes are needed.

The Commission staff has also been monitoring its activities through the Corrective Action Plan (CAP) process associated with the OSAE report (see discussion, below). The CAP will be updated and submitted to the Department of Finance every six months until the planned actions have been implemented, and the Commission staff has made significant progress on implementation.

#### **ADDRESSING VULNERABILITIES**

As vulnerabilities are identified, they are evaluated through regular meetings with senior staff and executive staff. Depending on the nature of the vulnerability, responses are identified either by senior staff or executive staff. After determining the appropriate response, executive staff will identify the staff who will be responsible for overseeing implementation of the response. The staff who is responsible for overseeing implementation will also be required to report on the response regularly, so that it can be monitored and adjusted by executive staff, as necessary.

#### **COMMUNICATION**

The Coastal Commission is a small agency that is highly focused on its core mission. This structure facilitates ample communication between staff and management and between different units. Communication happens on a regular basis at monthly executive staff meetings, weekly senior staff meetings, and at district (or unit) meetings, which include both management and staff. Implementation of our Strategic Plan, as described above, is a key mechanism for communicating about risks and responses and for tracking progress made on implementation of responses. In addition, the Commission staff is in the process of updating all of its duty statements to ensure they are up to date and include all position responsibilities, including those related to monitoring and implementation of Strategic Plan action items and other internal controls.

As needed, the executive staff informs senior staff of any policy or procedure changes needed to assist in the mitigation of the vulnerabilities discovered, and all-staff email memos or other forms of written communication are used when appropriate.

#### **ONGOING MONITORING COMPLIANCE**

The California Coastal Commission 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 California Coastal Commission systems of controls and monitoring.

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## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the California Coastal Commission risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

### **RISK IDENTIFICATION**

The Commission's risk assessment process was informed by several related efforts. Notably, the Department of Finance Office of State Audits and Evaluations (OSAE) completed a nonaudit services engagement on the California Coastal Commission's fiscal management and internal controls for the period July 1, 2015 through June 30, 2016. The OSAE report identifies several risks and includes 11 recommendations to address those risks. The Commission has made good progress on implementing these recommendations as detailed in our Corrective Action Plan (CAP), which contains milestones and target dates to address all of the recommendations.

In addition, the Commission updated and adopted its Strategic Plan in 2013. Through the strategic planning process, the Commission identified its vision, mission, and core values and adopted a series of strategic goals, objectives and actions to carry out its mission and adhere to the identified vision and core values. The Commission actively uses its Strategic Plan to monitor and address risks to the agency that were identified as part of that process, and ensure that the agency is adhering to its mission. The Commission will be updating its Strategic Plan in 2018, and the updated Strategic Plan will likewise be used to monitor and address risks.

Finally, in July 2017, the California Military Department Cyber Security Defense Team conducted an Independent Security Assessment (ISA) of the Coastal Commission's computer network systems and operations. The ISA identified a number of equipment and software upgrades and changes to operational practices to enhance the security of the Commission's computer network systems and operations. Based on these findings and recommendations, the Commission is preparing an action plan for necessary upgrades and remediation. The action plan will be implemented in the coming months.

The Commission's senior staff members, including the Executive Director, Chief Deputy Director, and Deputy Directors meet weekly to identify and discuss issues, priorities and risks to each District Office, as well as the agency as a whole. At these meetings, managers raise issues that are tracked in the Strategic Plan, as well as issues related to all aspects of the program, including personnel, business services and accounting.

A small team of senior staff members, including the Executive Director and Chief Deputy Director completed the risk assessment process by identifying risks, including issues and risks raised during weekly management meetings and issues and risks identified in the OSAE report, the Strategic Plan, and the ISA. The team used the Control Environment questions and the SLAA Risk Catalog to ensure all potential risks to the agency and major issues were considered.

### **RISK RANKING**

After identifying the risks, the risk assessment team evaluated each risk for its potential impact to the agency and the likelihood that it could occur, and then ranked the risks based on these factors. After the risks were ranked, the team identified the controls which serve to mitigate the risks and discussed the effectiveness of the controls in place. These conversations about controls allowed Commission staff to determine that new controls are not needed at this time.

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## RISKS AND CONTROLS

### **RISK: OPERATIONS -INTERNAL-FI\$CAL IMPLEMENTATION, MAINTENANCE, OR FUNCTIONALITY**

The Commission is in FI\$Cal Conversion Wave 4, and had a 'go live' date of July 2017. The conversion to FI\$Cal has affected many of the Commission's accounting and budgeting procedures. As with many other State agencies, the conversion has presented numerous challenges. The Commission is still transitioning into FI\$Cal, and is continuing to use CALSTARS to ensure our accounts are accurately tracked. We have found that although our staff completed the training, using the FI\$Cal system is more time consuming than previous systems, and there could be errors in data entry or otherwise that could result in inaccurate accounting. The Commission expects these challenges to continue as we complete our transition to FI\$Cal.

The cause of this risk is the requirement to transition to a new accounting system.

The result could be inaccurate accounting and need for additional staff resources.

#### **CONTROL A**

The Commission is continuing to address this risk by empowering our team of FI\$Cal 'super users' who oversee implementation. The super user team is made up of high level staff from multiple key departments, including budgeting, accounting, and business services (procurement). The team participated in the FI\$Cal training, and is charged with overseeing implementation of the system within the agency. The super user team will continue to identify specific needs and pursue resources to help address those needs.

#### **CONTROL B**

The Commission is also addressing this risk by working with the consultant that was hired by the Resources Agency to review existing systems and develop modifications to those systems to ease the conversion to FI\$Cal. The super user team will work with the Resources Agency consultant to explain the challenges the Commission is having with FI\$Cal, and to ensure that modifications needed to align with FI\$Cal can be adopted by Commission staff.

### **RISK: OPERATIONS -INTERNAL-STAFF—KEY PERSON DEPENDENCE, WORKFORCE PLANNING**

The Commission, like many state agencies, is facing a very large number of retirements in the current year and over the next one to five fiscal years. This wave of retirements will include numerous senior staff members who have had long careers in public service.

The cause of the risk is that the state workforce has a large number of baby boomers, who are now reaching retirement age.

The potential result of a large number of retirements could be loss of institutional knowledge and related disruption to operations.

#### **CONTROL A**

The Commission is preparing for the loss of the experienced staff by implementing succession planning and knowledge transfer strategies, recruiting and training a skilled and diverse new staff, and pursuing structural salary increases for the Coastal Program Analyst job classification series and geopay for all statewide classes to improve retention in all Commission offices. These measures are existing internal controls that are described in the Commission's Strategic Plan and are carried out pursuant to the implementation and monitoring processes provided in that document. These measures will help ensure the Commission continues to operate effectively and efficiently throughout the upcoming wave

of retirements.

**CONTROL B**

Increasing and fostering diversity in the workplace is a goal shared by the Commission and agencies, organizations, and businesses across all sectors. A diverse workforce enables organizational success by supporting a broad range of employee perspectives, skills, and ideas. Through the Strategic Plan, the Commission will continue and expand its internship program, and it will identify opportunities and strategies for enhanced outreach to recruit a diverse and highly qualified applicant pool for needed positions.

**CONTROL C**

Large numbers of retirements in a fiscal year will place a financial burden on the agency. We are addressing this risk by working with employees to estimate peak retirement years and plan as much as possible for peak retirement pay-out periods. As of December 31, 2017, all civil service employees of the Commission have less than 640 hours of leave. Keeping leave balances below 640 hours by every December 31st (as required by CalHR) will reduce the financial burden of retirements.

**RISK: OPERATIONS -EXTERNAL-FUNDING—SOURCES, LEVELS**

The Commission receives approximately 10% of its total budget from the Federal government through Coastal Zone Management Grants. Although this has been a steady funding source for many years, recent discussions at the national level indicate that Federal funding for this program may be reduced significantly this year or in the next several years.

The cause of this risk is changes in policy direction at the Federal level.

The loss of this funding would have a significant impact on the Commission's ability to maintain its operations and staffing levels.

**CONTROL A**

The Commission's senior staff is closely monitoring Federal budget discussions and evaluating potential impacts of a loss or reduction of this funding on operations. The result will be that the Commission will be prepared to develop and submit a budget change proposal in the event that funding is significantly reduced or cut altogether.

**RISK: OPERATIONS -EXTERNAL-STAFF—RECRUITMENT, RETENTION, STAFFING LEVELS**

The Commission recruits and hires excellent staff, but because of low state salaries for many of its positions, the Commission has trouble retaining staff.

The cause of this risk is that state salaries, especially in coastal areas are much lower than salaries for comparable positions in local and federal agencies. The Commission had a salary study prepared for the Coastal Program Analyst series, and found that employees are paid up to 40% less than their local government counterparts.

The result is that in the past few years, we have seen a pattern of entry level staff staying only one to two years and leaving for higher paying government jobs. This makes it very difficult to sustain a team of well trained staff to implement the Coastal Act.

**CONTROL A**

The Commission submitted a salary package to CalHR, and is continuing to pursue salary increases, as well as geopay for our employees. Salary increases will help the Commission improve retention levels.

**RISK: OPERATIONS -INTERNAL-STAFF—TRAINING, KNOWLEDGE, COMPETENCE**

Staff training and capacity is one of the most fundamental areas to address to ensure the future success of the Commission, particularly with the anticipated level of retirements and necessary succession in the agency.

The cause of this risk is the complex nature of the Commission's work and the need for very specialized legal and technical knowledge.

The potential result is that if staff is not appropriately trained, the agency will not be able to support effective implementation of the Coastal Act.

**CONTROL A**

The Commission conducts regular staff training, including on technical, legal, enforcement and IT/database related topics, and updates and disseminates related staff training materials. In addition, the Commission recently secured a Federal grant to develop and implement a staff training program focused on Local Coastal Programs (LCPs), which are a key tool in our partnership with local governments throughout the state. The Commission conducted a survey of our line staff and developed a draft framework to ensure staff needs are met. In the coming years, the Commission will utilize Federal grant funds to finalize the training framework and to deliver new training sessions and materials. This work will be monitored through the Federal grant reporting process, as well as through the Strategic Plan, which has several action items related to this grant. These actions will enhance staff training.

**RISK: OPERATIONS -INTERNAL-NEW SYSTEM IMPLEMENTATION (OTHER THAN FI\$CAL)**

The Commission deployed its new Coastal Data Management System (CDMS) in 2014. The system consolidated multiple stand-alone databases with information on Coastal Development Permits (CDPs), Local Coastal Programs (LCPs) and other agency work, and moved historic data into the CDMS. Ultimately, the CDMS will be used by the public to directly access the Commission's data. Information management is critically important to improving the effectiveness of the Commission's implementation of the Coastal Act. The new system provides the Commission with an enhanced capability to manage pending projects and provide current information to the Commission and the public to support program implementation.

The CDMS poses a risk to the agency because, due to the complex nature of the Commission's work, the database is also complex. If staff is not properly trained, data entry may not be completed properly.

The result of this risk is that the system may not be used to its full potential, and there may be errors or incomplete information provided.

**CONTROL A**

The Commission has provided numerous training sessions and materials to staff on an ongoing basis to ensure data entry is completed and the system is used to its full potential.

**RISK: OPERATIONS -INTERNAL-TECHNOLOGY—DATA SECURITY**

In July 2017, the California Military Department Cyber Security Defense Team conducted an Independent Security Assessment (ISA) of the Coastal Commission's computer network systems and operations. The



ISA identified a number of equipment and software upgrades and changes to operational practices to enhance the security of the Commission's computer network systems and operations.

This data security risk is caused by the increasing capabilities and ever-evolving nature of information technology.

The result of the risk could be a breach of confidential or other sensitive information.

**CONTROL A**

To address the findings and recommendations of the ISA, the Commission is preparing an action plan for necessary upgrades and remediation. The action plan will be implemented in the coming months and will be monitored and adjusted as necessary on an ongoing basis by the Commission's IT staff.

**RISK: OPERATIONS -EXTERNAL-POLITICAL, REPUTATION, MEDIA**

The Commission is a quasi-judicial body that takes actions on land use regulations and development permits at monthly public meetings. Many of these actions are highly sensitive, with numerous stakeholders and intense public interest. Further, as social media changes the nature of information sharing, it is increasingly important to establish a proactive social media presence.

The cause of this risk is the nature of the Commission's actions on land use regulations and development permits, including actions that affect high profile people and businesses, as well as actions that affect important beach access and coastal resource areas.

The result could be negative media attention targeted towards the Commission.

**CONTROL A**

The Commission established and filled a Public Information Officer position. The Public Information Officer prepares press releases and works with staff and the Commission to effectively communicate with members of the press. The Public Information Officer is responsible for monitoring and reporting on significant negative media attention and developing appropriate response strategies. Through the Strategic Plan, the Commission will continue to enhance its social media strategy and press protocols to help protect the Commission's reputation and media presence.

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**CONCLUSION**

The California Coastal Commission 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.



**Jack Ainsworth, 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