

Air Resources Board 2015 SLAA REPORT

December 23, 2015

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 Air Resources 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 Alice Stebbins, Division Chief, at (916) 322-8198, alice.stebbins@arb.ca.gov.

BACKGROUND

The California Air Resources Board is a part of the California Environmental Protection Agency, an organization which reports directly to the Governor's Office in the Executive Branch of California State Government.

The Mission of the California Air Resources Board:

- To promote and protect public health, welfare and ecological resources through the effective and efficient reduction of air pollutants while recognizing and considering the effects on the economy of the state.

The Major Goals of the Board are to:

- Provide Safe, Clean Air to All Californians
- Protect the Public from Exposure to Toxic Air Contaminants
- Reduce California's Emission of Greenhouse Gases
- Provide Leadership in Implementing and Enforcing Air Pollution Control Rules and Regulations
- Provide Innovative Approaches for Complying with Air Pollution Rules and Regulations
- Base Decisions on Best Possible Scientific and Economic Information
- Provide Quality Customer Service to All ARB Clients

RISK ASSESSMENT PROCESS

The Executive Team, including the Executive Office, Chair's Office and Division and Office Chiefs, along with key members of the ARB management team independently identified the most significant risks to meeting their objectives. ARB's management team then met to prioritize the risks and identify potential solutions.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- Staff—Key Person Dependence, Succession Planning

22 percent of ARB's staff is 55 or older. Retirement and imminent retirement of key managers and staff have the potential to compromise the ability of ARB to meet its mission.

- Succession plan under development to meet current needs
- Administration Academy in place to support supervisors and management
- Access to training, including tuition assistance in place
- Informal mentoring encouraged

Operations- External- Technology—Data Security

ARB is in compliance with State data security practices and remains proactive in implementing security technologies and organizational and management practices to protect information assets. However, there is no way to completely eliminate all vulnerabilities, especially in legacy systems. The following security practices are in place with a goal of increasing data security for all ARB systems.

- Perform ongoing reviews to determine high priority systems for remediation, and test ARB systems with security scanning software to identify and mitigate vulnerabilities
- Continue the migration of ARB systems to a secure State data center
- Deploy security technology to further protect ARB systems from attacks
- Require ongoing security training for all staff, with more intensive training for system developers and support staff
- Perform responsive investigations of security threats and perform prompt remediation

Compliance- External- Complexity or Dynamic Nature of Laws or Regulations

ARB is at the forefront of California's climate mitigation efforts. However, California represents less than 2 percent of worldwide greenhouse gas emissions so it is critical that other jurisdictions follow California's lead on climate mitigation in order to impact global climate change.

- Designing regulations and other programs to be portable nationally and internationally
- Memoranda of Understanding and other agreements with other jurisdictions to build partnerships for climate action
- Hosting international visitors for information sharing

ONGOING MONITORING

Through our ongoing monitoring processes, the Air Resources Board reviews, evaluates, and improves our systems of internal controls and monitoring processes. The Air Resources 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 Air Resources Board, Richard Corey, Executive Officer, is responsible for the overall establishment and maintenance of the internal control system. We have identified Edie Chang, Deputy Executive Officer, as our designated agency monitor(s).

Frequency of Monitoring Activities

The Executive Team consists of four Deputy Executive Officers and the Executive Officer, along with the head of the Chair's Office, and the Division Chiefs. This group meets weekly to discuss emerging issues and identify solutions. The team has open discussions, consisting of issue spotting, proposed alternatives and assignment of action items.

The four Deputy Executive Officers and the Executive Officer also meet monthly with the Administrative

Services Division Chief and the Branch Chief of Human Resources, Budget and Accounting team updating the current issues, identifying potential future issues and assigning action items.

The four Deputy Executive Officers and the Executive Officer also meet monthly with the Office of Information Services updating the current issues, identifying potential future issues and assigning action items.

The verbal discussions are followed up with emails.

Reporting and Documenting Monitoring Activities

The Executive Officer has assigned the Deputy Executive Officer over Administration and Information Services to be ARB's Designated Agency Monitor. The Executive Officer assigned each risk to a Deputy Executive Officer. The Designated Agency Monitor meets with each Deputy Executive Officer on their assigned risks and updates the Executive Team at the regular Executive Team meetings. The verbal discussions are followed up with emails.

Several of the Deputy Executive Officers have met internally with their teams and with consultants. The consultants prepared a report summarizing the meetings and action items for continuous monitoring.

Procedure for Addressing Identified Internal Control Deficiencies

Programmatic deficiencies are assigned to the relevant program chief, and monitored via weekly meetings with the appropriate Deputy Executive Officer and, on occasion, the Executive Officer. Administrative deficiencies are addressed by the Chief of the Administrative Services Division, in consultation with the appropriate control agencies and under the oversight of the appropriate Deputy Executive Officer and the Executive Officer. Similarly, deficiencies associated with information technology are addressed by the Chief of the Office of Information Services, in consultation with the appropriate control agencies and under the oversight of the appropriate Deputy Executive Officer and the Executive Officer.

The Designated Agency Monitor alerts the Executive Officer of any internal control deficiency and makes recommendations to address the issue. The verbal discussions are followed up with emails.

CONCLUSION

The Air Resources Board strives to reduce the risks inherent in our work through ongoing monitoring. The Air Resources 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.

Richard Corey, Executive Officer

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller

Secretary of Government Operations