

December 24, 2025

Wade Crowfoot, Secretary
California Natural Resources Agency
715 P Street, 20th Floor
Sacramento, CA 95814

Dear Secretary Wade Crowfoot,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Conservation submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Clayton Haas, Division Director of Administration, at (916) 323-2950, Clayton.Haas@conservation.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Department of Conservation's (DOC) mission balances today's needs with tomorrow's challenges and fosters intelligent, sustainable, and efficient use of California energy, land, and mineral resources.

The DOC provides a safe and sustainable environment for all Californians through services and information promoting environmental health, economic vitality, informed land-use decisions, and sound management of our state's natural resources. With a team of scientists and other dedicated professionals, the DOC administers a variety of programs vital to California's public safety, environment, and economy. The Department is comprised of program Divisions which include: The California Energy Management Division (CalGEM), Division of Land Resources Protection (DLRP), Division of Mine Reclamation (DMR), and the California Geological Survey (CGS). The Department objectives include:

- Regulate oil, gas, and geothermal industries by overseeing drilling, operations, maintenance, and plugging of oil, natural gas, and geothermal wells, while protecting public health and the environment.
- Protect agricultural farmland and open space through various projects and financial mechanisms in accordance with the Land Conservation Act of 1965 (commonly known as the Williamson Act).
- Oversee local lead agency implementation of the Surface Mining Reclamation Act of 1975, requiring mine operators to establish reclamation plans and financial mechanisms

to assure adverse environmental impacts are minimized and mined lands are reclaimed to usable conditions.

- Compile an inventory of the State's abandoned mines and conduct remediation of the sites where applicable.
- Identify, evaluate, and map the State's geology, geologic, and seismologic induced hazards such as earthquakes, landslides, tsunami, volcanic eruption threats, and hazardous mineral exposure.
- Analyze critical facility sites such as reservoirs, bridges, and hospital sites for seismic safety; provide applicable policy recommendations based upon analysis.
- Operate the world's largest Strong Motion Instrumentation network to provide seismic data to various international, state, and local entities and assist in the development of improved building codes.

Control Environment

DOC Executive management has developed a baseline set of controls by defining principles to assist employees designing/implementing work plans, projects, staff management and internal and external stakeholder communications. On May 29, 2018, DOC's Director announced and implemented DOC's Operating Principles. The Operating Principles are used as a controlled standard for Department projects and programs to ensure alignment with the following:

- Demonstrate accountability to ourselves and the public through the quality and integrity of our work. Employees concerns regarding integrity and ethical conduct issues can report their concerns to either the DOC's Ethics Officer or the Equal Employment Opportunity Officer (EEO).
- Provide unbiased, sound science and engineering to the people of California. Report timely data on the Department's website relevant to the various Department Divisions, available to the public and various stakeholders.
- Maintain a professional, respectful, and collaborative work environment.
- Promote and implement a Diversity, Equity, and Inclusion (D.E.I.) Action Plan to develop and expand outreach activities to underrepresented communities, creating an inclusive culture that attracts and retains diverse talented staff who are committed to excellence and ethical performance. DOC's soon to be updated recruitment plan will develop a working pipeline of talented potential future applicants interested in State service. The Outreach Coordinator and D.E.I. Specialist will coordinate and attend a variety of public recruiting events to seek skill sets and talent as well as develop and maintain communication and professional relationships.

- Seek continuous improvement in delivery of our products and services.
- Anticipate future needs in the actions and decisions we make today.

DOC Director, Jennifer Lucchesi, and the Executive management team are responsible for the overall establishment and maintenance of all internal controls/monitoring systems. Executive Monitoring Sponsors are also responsible for facilitating and verifying DOC internal control practices are functioning as intended. All managers and supervisors are responsible for integrating the Operating Principles throughout their Divisions plans/projects/programs. Managers and supervisors ensure DOC's products (e.g., science and engineering data) adhere to Operating Principles. Managers and supervisors enforce accountability and address performance issues not meeting the standards of the Operating Principles. Performance issues are addressed and vetted accordingly, following Department-specific and State processes and procedures.

Information and Communication

Each division's work plan/project is available to all staff. Staff reviews and comments are invited, encouraging transparency within each division. If a work plan/project interfaces with other divisions and departments, collaborative meetings are conducted to ensure open lines of communication. These meetings are opportunities for employees to report inefficiencies in policies/procedures, financial decisions, and/or inappropriate actions to management and decision makers so DOC Operating Principles can be reviewed, allowing for review and changes in work plans/projects to be incorporated. Divisions follow division-specific policies/procedures to maintain consistent communication when gathering relevant project research from either internal or external parties.

Weekly meetings are conducted by management allowing divisions to continually maintain consistency with internal policies/procedures. Weekly meetings also encourage management and internal subject matter experts to communicate on various topics (e.g., performance issues and necessary course-correction). DOC holds quarterly program management meetings where Executive management is informed of the quality control practices being conducted, whether improvements are needed, and the overall successes and challenges within each division. This information is summarized and reported to the DOC Director. The DOC Director is also briefed on the status of programs/projects through collaborative Executive management weekly meetings. Final projects and accomplishments are communicated to all staff via their direct-line supervisor, DOC all staff meetings, email, internal intranet, as well as communicated to external parties via public website.

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 Department of Conservation monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Clayton Haas, Division Director of Administration.

The DOC has implemented a continuous entity-wide process to ensure internal control systems are working as intended. In addition to the executive monitoring sponsor, monitoring responsibilities are assigned to, CGS Chief Deputy, Jeff Newton, CalGEM Deputy Supervisor, Elizabeth Yura, DMR Supervisor, Lindsay Whalin, and DLRP Assistant Director, Shanna Atherton. DOC confirms the effectiveness of the internal control systems by monitoring progress of division-wide work plans and/or projects. Each division utilizes program-level work plans, vetted by management to determine key performance indicators tracked and reviewed on a frequent and regular basis. Periodic detailed reviews are conducted by program subject matter experts who evaluate, analyze, and provide results to Executive Management during weekly Executive staff meetings. Reported data is compared to expectations (Operating Principles) allowing necessary course-correction coupled with updated documentation when needed. The oversight encourages an adaptable workforce, reinforcing an environment of accountability. Vulnerabilities are often identified during work plan development. When identified, risk assessments are conducted, accounting for both impact and likelihood of occurrence. Severity of risks determine monitoring mechanisms (e.g., dedicated staff oversight).

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Conservation risk assessment process: executive management, middle management, front line management, and staff.

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

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, and tolerance level for the type of risk.

RISKS AND CONTROLS

Risk: Risk 1: Recruitment and Succession Planning

DOC is facing increasing pressure from multiple angles in recruiting high-quality candidates to fill vacancies, with a current vacancy rate of 15 percent (134 positions). This includes a 20 percent vacancy rate (94 positions) in our largest and most visible division, CalGEM. Many open positions across DOC are technical or scientific in nature, making recruitment particularly challenging and often requiring multiple job postings. Compounding this issue, DOC has an aging workforce, with 49 percent of staff eligible to retire within the next five years, identified in our latest Workforce and Succession Plan. A significant portion of these potential retirees hold key leadership and technical roles, risking a critical loss of both expertise and leadership. DOC must navigate the dual challenge of backfilling impending retirements while also addressing current vacancies.

Since FY 2019–20, DOC has grown significantly, increasing from 641 to 930 permanent positions—a 45% increase. The CalGEM division has grown even more dramatically, from 306 to 528 positions—a 72% increase. This rapid expansion has created challenges in hiring high quality candidates, compounded by a reliance on internal promotions, which often leave a trail of backfilled vacancies and trigger multiple recruitments for a single opening. For example, filling one second-level manager role can result in up to four separate recruitments due to internal advancement.

DOC performs highly specialized work that does not readily overlap with other state agencies, particularly in areas such as oil, gas, and geothermal industries, and geological work performed by staff in the CGS division. CGS is the only state entity creating geologic hazard mapping such as tsunami and seismic mapping, making internal candidates the most qualified for advancement. One vacant position in a budget change proposal or caused by a retirement, has the potential to create multiple hiring packages.

Additionally, recent return-to-office mandates are limiting remote work options that previously enabled successful statewide recruitment, particularly from the private sector. From 2020 to 2024, remote work flexibility was instrumental in attracting skilled scientists with valuable outside experience. With full in office requirements taking effect by July 1, 2025, DOC is already experiencing attrition and anticipates a reduced candidate pool, as recruitments will now be limited to specific office locations.

The Department is facing two primary risks impacting recruitment and succession planning. First, filling vacancies to perform statutorily required work including oil and gas inspections, mine inspections, and geologic work such as hazard mapping. The inspections we perform as a department directly affect the health and safety of those near oil and gas fields and mining operations. Performing mandatory inspections is essential to protecting public health, the environment, and especially communities near these operations, many of which are disadvantaged and rely heavily on this oversight.

Second, DOC anticipates significant retirements over the next five years, including managers, supervisors, and executive leadership. This expected loss of institutional knowledge presents a major succession planning challenge, especially as the return-to-office mandate may accelerate retirements among staff accustomed to remote work. To address this, the organization must invest in identifying, training, and preparing internal talent to step into future leadership roles.

Control: Control 1: Emerging Leaders

DOC is reinstating its internal Emerging Leaders Program, an 80-hour leadership development initiative aimed at preparing staff for future leadership roles within the Department. Participants will complete prerequisite training, undergo an application and management approval process, and Executive selection to join a 25-person cohort for targeted leadership training. The program will be launched at the start of the 2025–26 fiscal year, with classes beginning in January 2026.

Control: Control 2: Recruitment Fair

DOC has not held recruitment fairs in several years, but due to a high number of vacancies in CalGEM, particularly in the Central District Office, it will host a recruitment fair in Spring 2026. The event will be widely advertised through local newspapers and various media platforms, targeting individuals in the oil and gas industry and students at California State University, at Bakersfield. The fair will primarily focus on recruiting engineers and geologists for CalGEM. DOC continues to participate in recruitment events located in the greater Sacramento area.

Risk: Risk 2: Dependence on External Funding Sources

Over 15%—nearly \$8 million—of CGS's annual operating budget is derived from contracts with other State agencies and federal grant funding. Many of these State agency contracts are reimbursable and reliant on federal passthrough funds, with up to 6–7% of CGS's budget ultimately tied to federal sources. These external funds are critical to the successful operation of programs that support public safety, infrastructure resilience, seismic monitoring, and hazard mitigation across California. This exposes CGS to risks in several areas:

- **Federal Budget Volatility:** Reductions or delays in the distribution of federal funds—particularly those affecting key agencies such as the United States Geological Survey (USGS), National Oceanic and Atmospheric Administration (NOAA), Federal Emergency Management Agency (FEMA), and the National Weather Service (NWS)—can disrupt funding streams. These agencies support programs that are foundational to CGS operations, including seismic instrumentation, hazard mapping, tsunami warning systems, and post-disaster assessments.
- **Programmatic Disruption:** Cuts or reallocations at the federal level may trigger corresponding shifts in State funding priorities. This could result in delayed or canceled projects and lower operational readiness for disaster response.
- **Reduced Community Resilience:** The potential erosion of CGS's technical and operational capabilities could diminish the State's ability to deliver timely, actionable scientific data to local governments, emergency responders, and the public. This could weaken California's preparedness and response to earthquakes, landslides, tsunamis, and other geologic hazards.

The unpredictability of federal funding presents a significant strategic and operational risk to CGS. Proactive mitigation strategies—such as diversifying funding sources, strengthening State level budget commitments, and maintaining strong partnerships with federal agencies—are essential to ensure program continuity and protect public safety outcomes Statewide.

Control: Control 1: Diversification and Stabilization of Funding Streams

CGS has initiated efforts to reduce vulnerability associated with reliance on federally backed contracts and grants by focusing on revenue diversification and strengthening partnerships with key State agencies. This control is partially complete, with significant progress made in establishing long-term funding strategies. The CGS has:

- Engaged in discussions with Caltrans and DWR to develop multi-year partnerships expected to bring substantial funding over the next three years. These engagements are going to increase Division funding approximately \$1.0M to \$1.5M annually over the next three years.
- The CGS senior management team is actively collaborating with State and federal partners and continues to identify and develop long-term funding opportunities.
- Continued work on identifying priority programs at highest risk and modeling contingency plans to maintain baseline operations.

Once the contracts are fully implemented, this control will improve budget outlook, reduce funding volatility, and ensure continuity for mission-critical programs through diversified revenue streams and strategic partnerships.

Control: Control 2: Development and Implementation of a Comprehensive Grant Tracking System

CGS has successfully developed and implemented a centralized grant tracking system. This completed control enhances oversight, transparency, and alignment of externally funded programs. With the system in place, CGS can now:

- Monitor grant applications and awarded funds in a streamlined, centralized manner.
- Evaluate performance outcomes to measure the impact of grant-funded projects.

- Identify trends in successful funding strategies, enabling more competitive grant pursuits.
- Ensure compliance with federal and State requirements through improved tracking and documentation.
- Demonstrate the value and impact of externally funded work to stakeholders.

By completing this control, CGS has strengthened its ability to manage grants effectively, optimize funding opportunities, and showcase the tangible benefits of its programs.

CONCLUSION

The Department of Conservation 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.

Jennifer Lucchesi, Director

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency