

**AGENDA: 5**

# **BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

## **RISK ASSESSMENT**

**ADMINISTRATION COMMITTEE MEETING  
JUNE 15, 2022**

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# INTRODUCTION & BACKGROUND

# PROJECT OBJECTIVES

- The Bay Area Air Quality Management District (District) hired Sjoberg Evashenk Consulting, Inc., to perform independent management audit services.
- Task Order No. 1 required an independent District-wide Risk Assessment that considers:
  - Internal controls established to ensure compliance with applicable standards;
  - The accuracy of the District's cost recovery process and fee setting; and
  - Potential improvements to the effectiveness and efficiency of District operations, including staffing levels to address workload demands.
- Key Deliverables:
  - Phase 1 Report: A progress update, preliminary observations, and results of our analysis of the District's proposed staffing increases reflected in the Fiscal Year 2022 budget.
  - Phase 2 Report: A final Risk Assessment report that will rank District departments or programs for audit priority.

# PROJECT APPROACH

To meet the project objective for this Phase 2 Report, we performed the following procedures:

- Obtained and evaluated current and historical background information, including information available through the Air District’s website, program descriptions, budget documentation, strategic plans and annual reports, and other relevant documentation.
- Interviewed Division heads to gather information about District operations, programs, and functions; to identify potential and inherent risks to the achievement of the missions, objectives, and goals of each; and to discuss current initiatives and activities of the departments, systems of internal controls, workload trends, and the allocation of staffing resources.
- Based on information provided and auditor judgment, prepared “risk profiles” for each Division evaluating potential risks; assigned risk ratings for each based on inherent and control risks, vulnerability and auditability, and the potential likelihood and impact the risks pose to the Air District; and identified potential audit topics to address key risks.
- Based on the risk profiles and risk ratings, as well as additional information obtained through this risk assessment, identified the potential audit topics believed to present the greatest value to the Air District.

# PROGRAM RISK PROFILES

# DISTRICT COUNSEL

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$3.8 million

FTE: 16

**Core Responsibilities:** Provides legal advice and representation to Air District staff, the Board of Directors, Board Committees, the Executive Officer, and the Advisory Council. Represents the Air District in litigation, penalties enforcement, and settlements and in matters before the Hearing Board. In some cases, manages outside counsel representing the Air District. All air quality violations where an enforcement action may be taken and a penalty assessed are forwarded by the Compliance and Enforcement Division to the Legal Services Division.

**Inherent Risks:** Efficiency of professional services provided by the Division; use of resources.

**Risk Level:** As a whole, the Legal Services Division exhibits a **low- to moderate-**level of risk primarily due to its relatively lower level of funding/FTEs when compared to other divisions, it does not handle cash or other high-value assets, and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality. However, it has undergone recent changes in leadership, has experienced higher-than-usual vacancy rates in the recent past, and is responsible for administering a newly revamped and robust Hearing Board charged with adjudicating disputes in a rigorous and transparent manner.

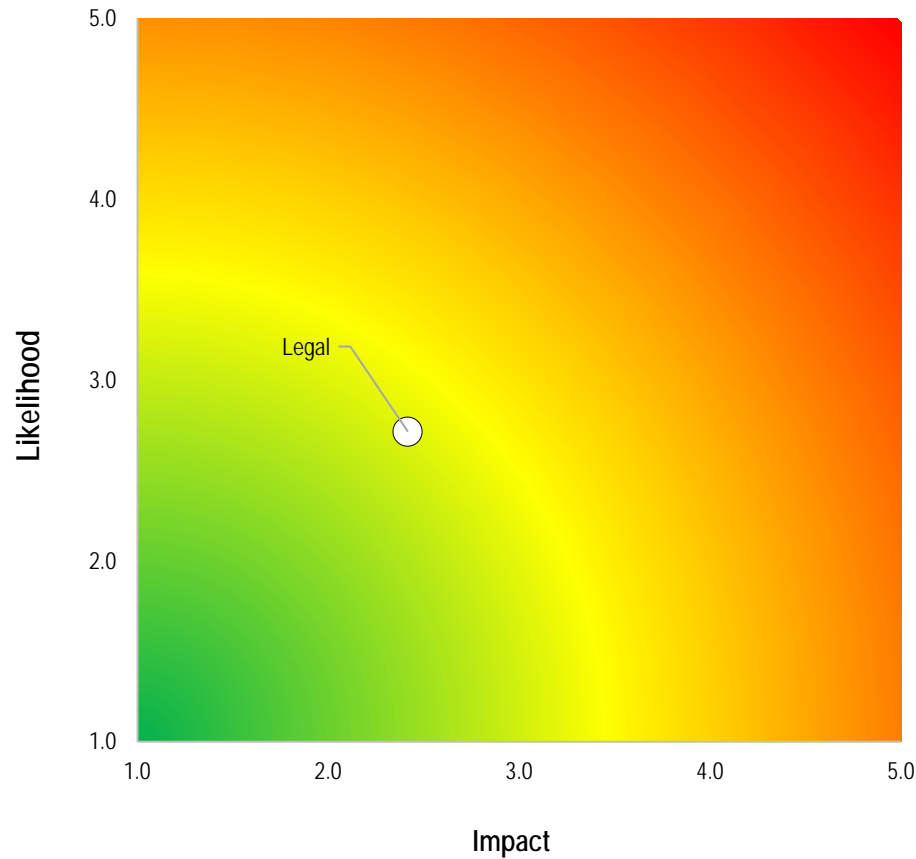
**General Concerns:** Resource and workload concerns noted, which have created backlogs in enforcement cases and limited the ability to litigate cases and result in fewer penalties assessed and collected. Also, too little coordination among divisions although coordination efforts with the Compliance and Enforcement Division recently improved.

## Factors Contributing to Section Risk Assessment:

No individual sections assessed.



## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Legal Services Division generally represent low- to moderate-risk; potential audit topics include an evaluation of:

- The implementation of the recently adopted changes to the Hearing Board process.
- Potential efficiencies of centralizing, in a more concerted manner, all contractual relationships with external counsel (including those involved in employment law) under the direct purview and responsibility of the District Counsel.

# **AIR POLLUTION CONTROL OFFICER**

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$8.7 million

FTE: 26

**Core Responsibilities:** Under the leadership and direction of the Executive Officer/APCO and the Board of Directors, the Executive Office guides the Air District in meeting its mission of protecting and improving public health, air quality, and the global climate. To do this, the Air District develops policies/plans/rules, evaluates and issues permits, enforces compliance with permitting rules and conditions, performs outreach, and administers grant programs.

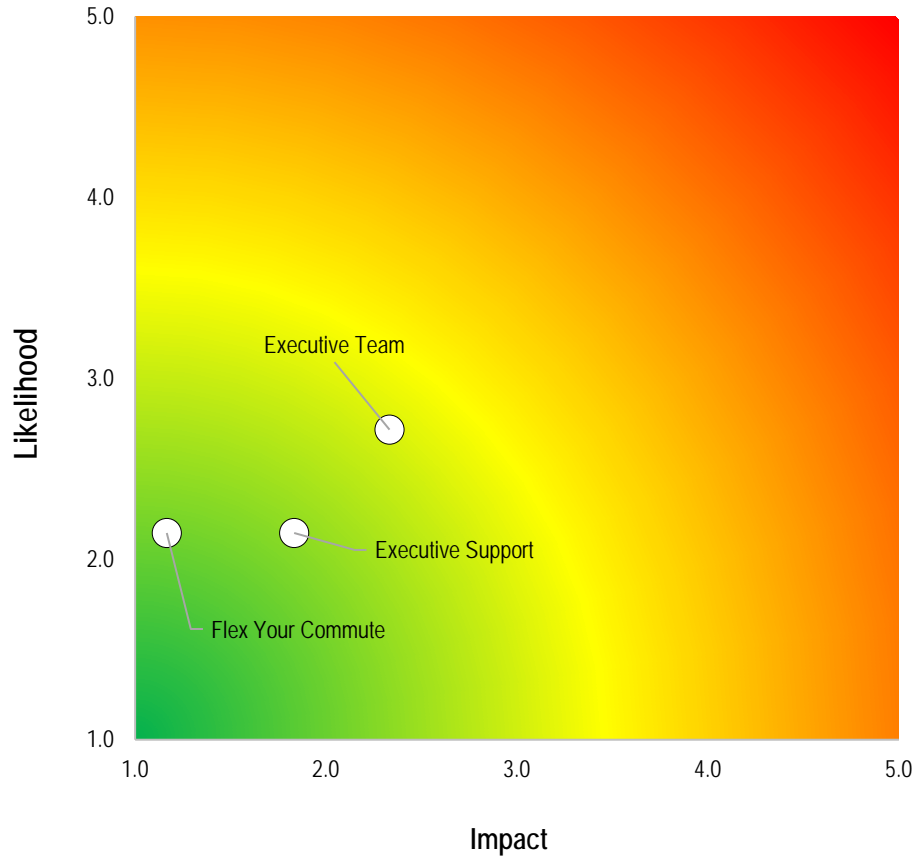
**Inherent Risks:** Ineffective governance that inhibits the effective use of resources for the achievement the Air District's mission and goals; high public interest and awareness. **Risk Level:** As a whole, the Executive Division generally exhibits a **low** level of risk, however, the division is approaching medium risk primarily based on budget/FTE factors.

**General Concerns:** Resource and workload concerns noted, particularly related to possible increases in future workload. Additional concerns noted below.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
Executive Office	Executive management team interprets and oversees implementation of Federal, State, and Board rules, regulations, and directives; develops and maintains strategic partnerships to achieve clean air; and administers the business of the Air District. This office includes 2 FTE- one for special projects and another TBD.	<b>Budget:</b> \$4 million-\$4.9 million <b>FTE:</b> 16-20 <b>Concerns:</b> Lack of succession planning, ineffective agency-wide organizational structure and span of control, and excessive amounts held in reserve. Also, Air District priorities do not always seem aligned and are developed in silos without full understanding of what it will take to implement. Need to better prioritize, everything is always the highest priority. Outsourcing excessively will result in the Air District being dependent on external resources. Ineffective communication between the executive team and the rest of the Air District regarding directives and expectations and lack of trust.
Executive Support	Provides support services to the executive management, Board of Directors (Board clerk), Advisory Council, and Hearing Board, including coordinating activities, schedules, and meetings. Also includes collecting fees from hearing Board applicants.	<b>Budget:</b> \$3 million-\$3.9 million <b>FTE:</b> 11-15 <b>Concerns:</b> Potential that increased Hearing Board activities and priorities will significantly increase workload without adequate staff support, and insufficient resources could limit the ability of this office to support a Board of 24 directors.
Flex Your Commute	Handles Air District event planning, Commuter Benefit program (regulatory program), Flex the Commute program, and attends Bay Area Transportation Authority meetings.	<b>Budget:</b> \$0-\$0.09 million <b>FTE:</b> 1-5 <b>Concerns:</b> Effective and efficient use of resources in event planning, and effective outreach and messaging regarding the Commuter Benefit and Flex the Commute programs.
Public Health Office	Tracks studies regarding the health effects of air pollution, develops comment letters for policy, works with Air District divisions on messaging, and county health departments tracking health data.	<b>Budget:</b> \$0-\$0.09 million <b>FTE:</b> 1-5 <b>Concerns:</b> None noted.  Note that this office reports to Policy & Equity but is budgeted as part of the Executive Office.

Risk Rating Heat Map



**Potential Audit Topic(s)**

The operations of the Executive Division generally represents low-medium risk. Based on this risk assessment, key audit topics could include evaluations of the Air District's:

- Organizational structure, lines of communication and responsibility, and span of control.
- Processes used to strategically align priorities and resources, establish a clear strategic direction, goals and objectives.
- Implementation of AB617.
- Succession planning.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning for the division and District-wide.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$0.6 million

FTE: 2

**Core Responsibilities:** Advocates for Air District policy and budget priorities at the state and federal levels and develops positions on state and federal legislation and budget proposals, meets with legislators and legislative staff about policy proposals and provides updates on Air District activities, represents the Air District at legislative hearings, and interacts with stakeholder groups, state and local agencies, and members of the public.

**Inherent Risks:** Significant part of the Air District's budget is dependent on the State budget process.

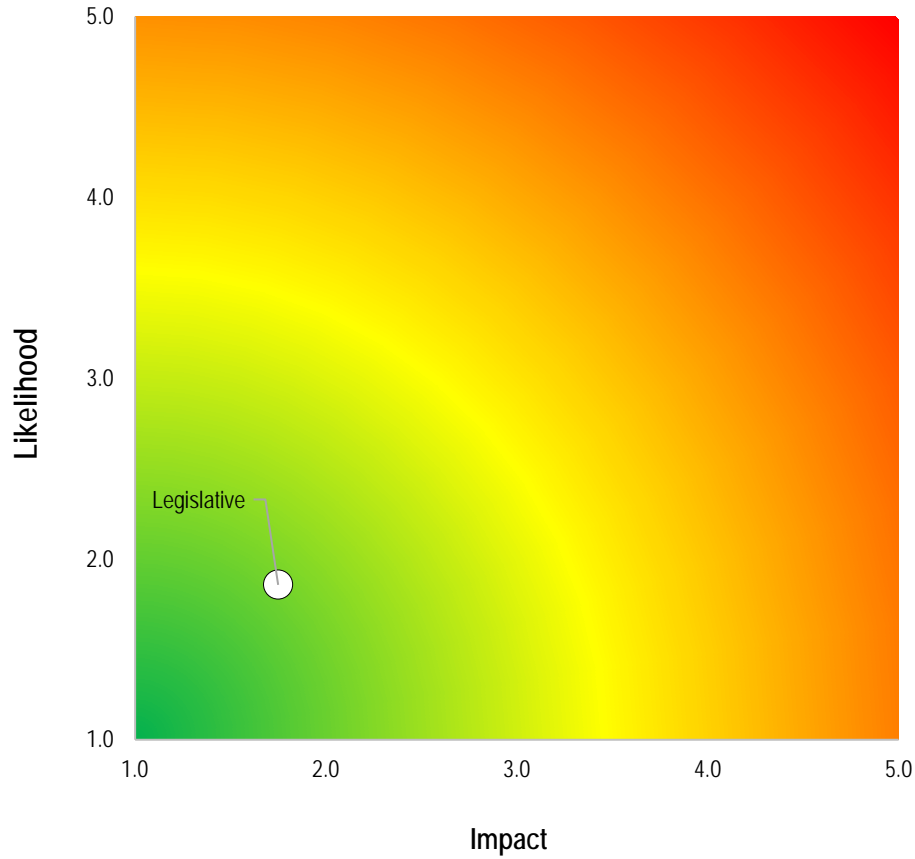
**Risk Level:** As a whole, the Legislative Division exhibits a **low** level of risk primarily due to its very low level of funding/FTEs, it does not handle cash or other high-value assets, and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality.

**General Concerns:** None.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

Risk Rating Heat Map



**Potential Audit Topic(s)**

The operations of the Legal Services Division generally represent low risk; thus, potential audit topics were not considered.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$6.3 million

FTE: 10

**Core Responsibilities:** Handles media relations by providing media outreach about air quality issues and District programs through printed materials, media events, promotional materials, website, press releases, publications, videos, podcasts, social media, and community events. Also handles crisis communications and emergency response for air quality incidents and manages programs such as Spare the Air and 1-800-EXHAUST.

**Inherent Risks:** Negative public perception and lack of timely and accurate information communicated. Accurately communicating both the usefulness but also limitations of "citizen science".

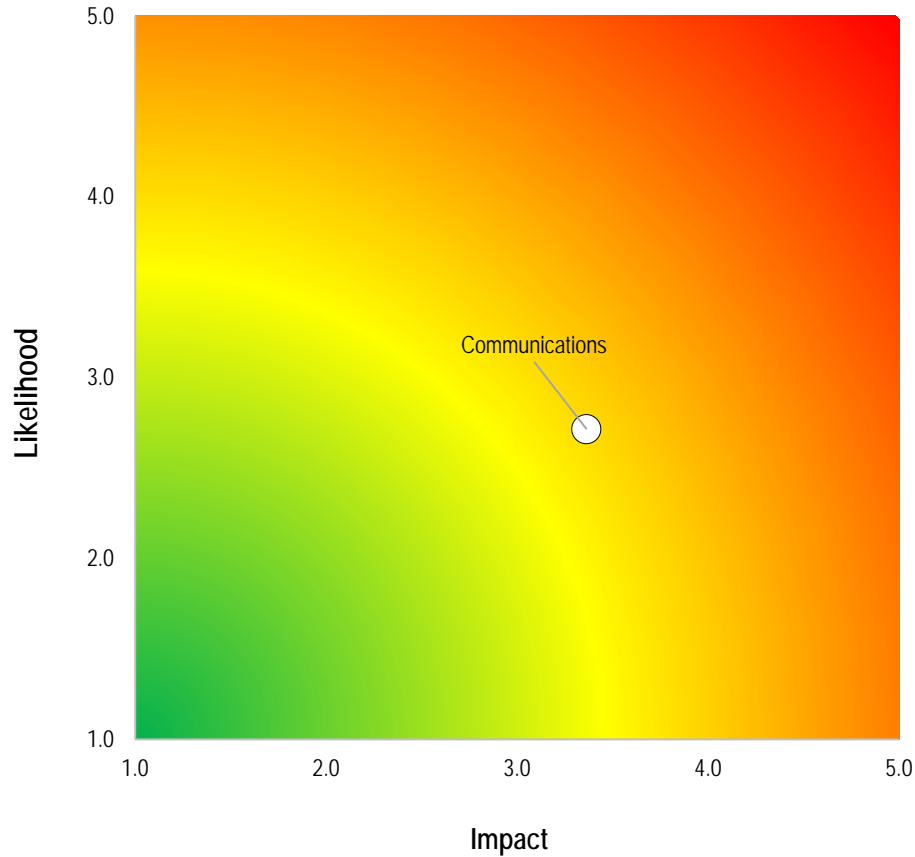
**Risk Level:** As a whole, the Communications Division exhibits a **medium** level of risk, with the following contributing factors: relatively average level of funding/FTEs when compared to other divisions, it does not handle cash or other high-value assets, and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality. However, the risk is increased because this division is very visible to the community and spends large portions of its budget on contracts/outsourcing.

**General Concerns:** Resource and workload concerns noted, including lack of bandwidth as a result of insufficient resources impacts staff ability to be "fresh" when handling the Air District's communications activities.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

Risk Rating Heat Map



Potential Audit Topic(s)

The operations of the Communications Division generally represent medium risk. Based on this risk assessment, key audit topics could include evaluations of :

- Workload and resource availability to ensure effective communications strategies.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.



# ADMINISTRATION

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$9.7 million

FTE: 11

**Core Functions:** Provides administrative and operational support functions for the Air District, including facilities maintenance, fleet services, contracting management and procurement and oversees large capital projects.

**Inherent Risks:** See Table Below

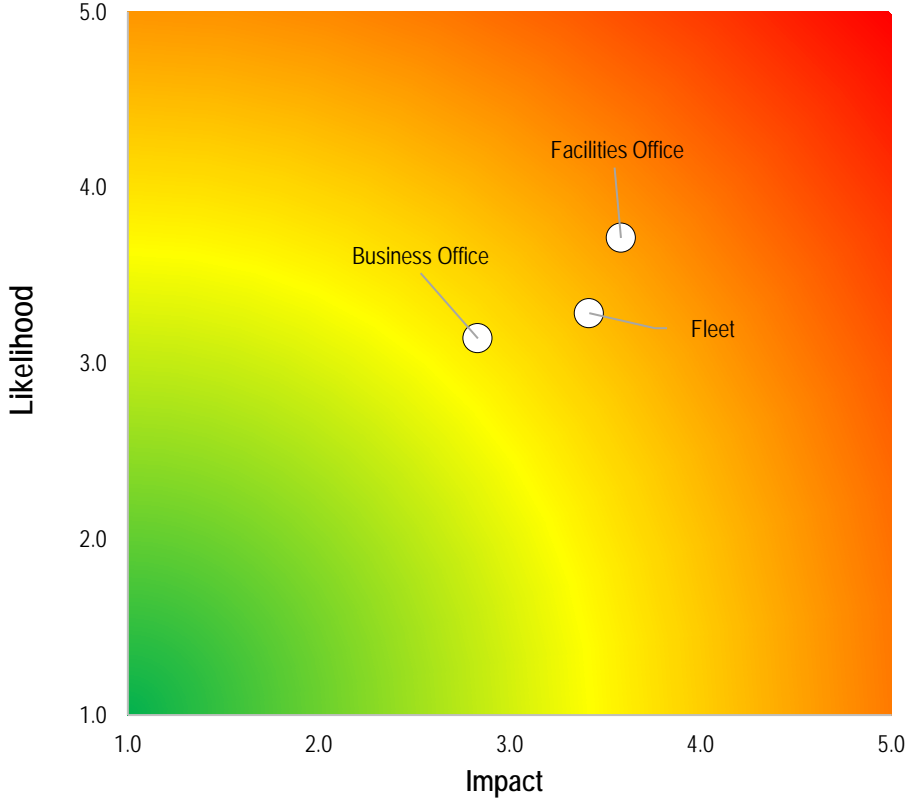
**General Concerns:** Resource and workload concerns noted.

**Risk Level:** As a whole, the Administrative Resources Division exhibits a **high** level of risk with the following contributing factors: relatively average level of funding, but low level of FTEs when compared to other divisions and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality. However, the risk is increased because this division handles high-value assets, performs activities that affect the health and safety of employees, spends large portions of its budget on contracts/outsourcing, and has several control activities that are not being performed – see concerns noted below.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
<b>Facility Maintenance</b>	Maintains the Air District's leased and owned facilities, including offices at 375 Beale Street and 4114 Lakeside Drive and all (80+) leased satellite offices. Oversees contractors for construction of offices and cubicles. Ensures general security/safety.	<p><b>Budget:</b> \$5 million-\$10 million      <b>FTE:</b> 1-5</p> <p><b>Inherent Risks:</b> Risk of loss/injury/lawsuits due to workforce safety, Air District equipment/assets going out the door unchecked; maintaining facilities in a less than cost-effective manner; not controlling high-risk assets (tools, equipment, etc.); avoidable cost increases stemming from emergency repairs.</p> <p><b>Concerns:</b> Poor condition of some of the sites, repair needs are not always communicated, lack of adequate preventive maintenance, and site visits/audits of facilities are not conducted.</p>
<b>Fleet Management</b>	Procures, maintains, and manages a fleet of 135 passenger vehicles for use by Air District personnel, including the management of insurance policies and processing damage claims.	<p><b>Budget:</b> \$1 million to \$2.9 million      <b>FTE:</b> 1-5</p> <p><b>Inherent Risks:</b> Risk of loss/injury/lawsuits; unauthorized used of Air District vehicles; not maintaining adequate internal controls over vehicle and maintenance assets; ensuring competitive procurement for all assets.</p> <p><b>Concerns:</b> Not being notified when accidents occur and processes are not in place to monitor employee use of District vehicles/gas cards or to track accident claims.</p>
<b>Business Office</b>	Procures services, equipment and supplies; administers limited access license agreements, lease agreements, professional service contracts, and request for proposals/qualifications; administers insurance policies; and coordinates the disposal of surplus equipment. Handles non-workers' compensation risk management.	<p><b>Budget:</b> \$2 million-\$2.9 million      <b>FTE:</b> 1-5</p> <p><b>Inherent Risks:</b> Not optimizing the value of surplus property; not routinely evaluating insurance markets to ensure cost-effective risk transfer; and not ensuring effective risk mitigation efforts. Not ensuring the most competitive price for high-quality goods or services; avoiding potential conflicts of interest and other forms of fraud, waste, or abuse.</p> <p><b>Concerns:</b> Lack of a comprehensive risk management function, lack of an inventory asset tracking/valuation/disposal system, lack of prevailing wage reporting on construction projects. Lack of interoperability between JDE and other procurement platforms.</p>

### Risk Rating Heat Map



#### Potential Audit Topic(s)

The operations of the Administrative Resources Division generally represent high risk. Based on this risk assessment, key audit topics could include evaluations of:

- The Facilities Maintenance Program, including evaluating the ongoing control, monitoring, assessment, and maintenance of facilities and properties to identify opportunities to enhance efficiencies and protect District assets.
- The Fleet Management Program, including determining the extent to which Fleet Management is performed in a manner consistent with best practices, controls over sensitive assets are effective to prevent misuse, routine and preventive maintenance is performed in accordance to acceptable guidelines, the potential for abuse of District vehicles/fuel/equipment is appropriately mitigated, and practices are both efficient and effective.
- Procurement and contracting practices with a focus on:
  - Ensuring compliance with federal and state requirements, Air District policies, and best practices.
  - Efficient delivery of services to other Air District divisions.
- Risk management practices, including risk retention and transfer evaluations, claims processing, and other risk management practices.
- Asset tracking/valuation/disposal processes and their effectiveness to secure sensitive assets.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$6.3 million

FTE: 10

**Core Responsibilities:** Administers payroll and benefits, labor and employee relations, recruitment and testing, processing personnel actions, employee performance appraisal and recognition programs, organizational development and mandatory training, skills enhancement training, health and safety compliance, workers' compensation and special events coordination.

**Inherent Risks:** Noncompliance with federal and state laws; civil claims. Inefficient and difficult enrollment of employees into Air District benefit plans, and the potential that barriers to enrollment will reflect poorly on benefit offerings. Unsuccessful talent management and workforce development resulting in a workforce that does not meet the needs of the Air District or its community; unfair hiring practices or favoritism; compensation levels that are excessive or that are insufficient to attract, retain, and motivate a talented and qualified workforce; a classification system that is both inefficient to administer and results in inconsistent treatment of employees; erroneous human resources and payroll records that result in unauthorized or inappropriate employee compensation; the potential that ineligible employees or dependents receive benefits; and that benefit plans are administered in a manner that is both cost effective.

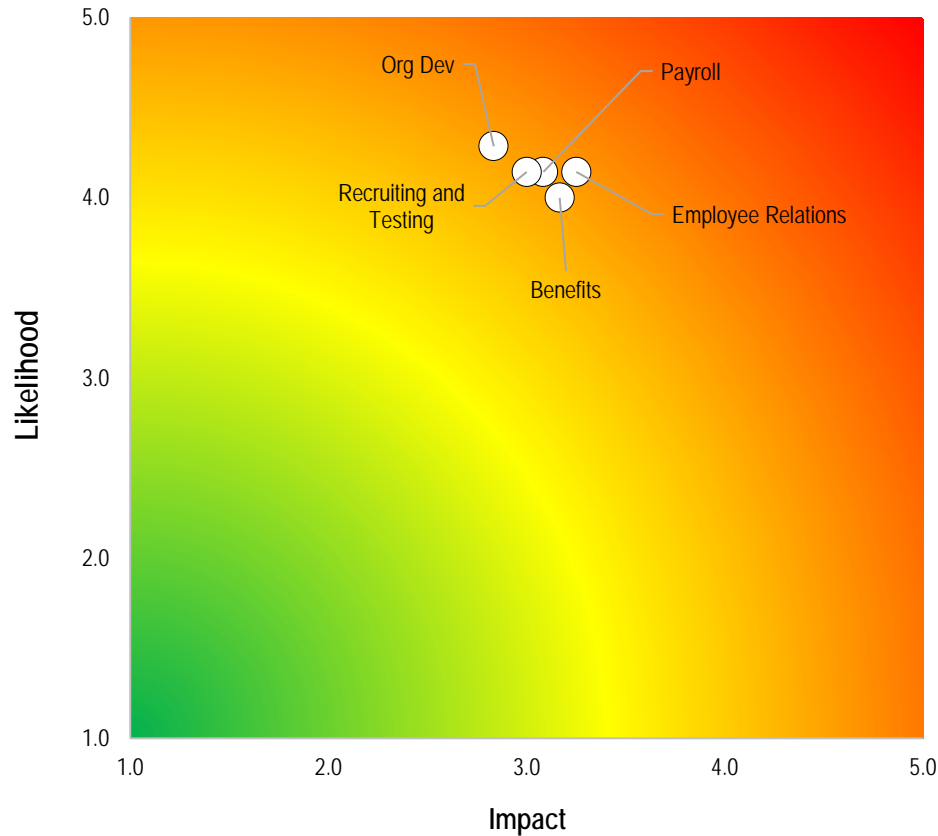
**Risk Level:** As a whole, the Human Resources Division exhibits a **high** level of risk, with the following contributing factors: relatively average level of funding/FTEs when compared to other divisions and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality. However, the risk is increased because this division spends large portions of its budget on contracts/outourcing and has several control activities that are not being performed – see concerns noted below.

**General Concerns:** Resource and workload concerns noted. Other areas of concerns noted related to lack of HR policies and procedures, lack of sufficient segregation of duties, and many inefficient and manual processes.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
Payroll	Administers all aspects of the Air District's payroll, leave accruals, disability payments, and other related areas dealing with payroll.	<b>Budget:</b> \$0-\$0.9 million <b>FTE:</b> 1-5 <b>Concerns:</b> Segregation of duties between payroll and other human resources functions; payroll system does not interface with the financial system.
Benefit Administration	Administers all aspect of employee and retiree benefits, workers' compensation, safety, ergonomics and special events.	<b>Budget:</b> \$1 million-\$2.9 million <b>FTE:</b> 1-5 <b>Concerns:</b> Segregation of duties.
Employee Relations	Handles employee relations, labor relations, classification and compensation, EEO programs, personnel regulatory compliance, research and recordkeeping.	<b>Budget:</b> \$1 million-\$2.9 million <b>FTE:</b> 1-5 <b>Concerns:</b> Performance evaluations routinely not performed; employee performance management may not be sufficiently robust to ensure personnel meet performance expectations and protect the interests of the District.
Recruiting and Testing	Manages the District's recruitment and selection processes, including testing internal and external candidates, performing outreach, advertising available positions, maintaining equal employment policy, and ensuring compliance with all laws, policies, and requirements.	<b>Budget:</b> \$0-\$0.9 million <b>FTE:</b> 1-5 <b>Concerns:</b> Inadequate internal controls over administering authorized positions and filling vacancies. A limited and manual position control system. New position requests are not always tied to a funding source or clear purpose and allocation of resources appears opaque.
Organizational Development	Administers workforce and succession development training; performs needs assessments; implements workforce development activities; and administers wellness activities and events.	<b>Budget:</b> \$0-\$0.9 million <b>FTE:</b> 1-5 <b>Concerns:</b> Consistency in training among divisions; coordination of work-specific or technical training provided by divisions and general workplace training (e.g., supervision, leadership development, skills enhancement, and mandatory training programs) provided by Human Resources to ensure an effective holistic workforce development program.

Risk Rating Heat Map



**Potential Audit Topic(s)**

The operations of the Human Resources Division generally represents high risk. Each function is generally designed to achieve a singular goal: to attract, retain, and motivate a highly talented, qualified, and effective workforce. Therefore, we recommend that a performance audit of human resources management within the Agency to address the following objective:

- Determine whether the District's human resources management activities are consistent with industry standards; sufficient to ensure compliance with federal, state, and local laws and regulations; and effective in attracting, retaining, and motivating a highly talented, qualified, and effective workforce.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Risk management practices, including the Air District's workers' compensation program and workplace health and safety programs.
- Workload and resource availability planning.
- Interoperability between payroll system, benefits platforms and JDE.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$5.5 million

FTE: 12

**Core Responsibilities:** Manages and supports the Air District's information technology needs, including all technology operations, infrastructure, and data systems.

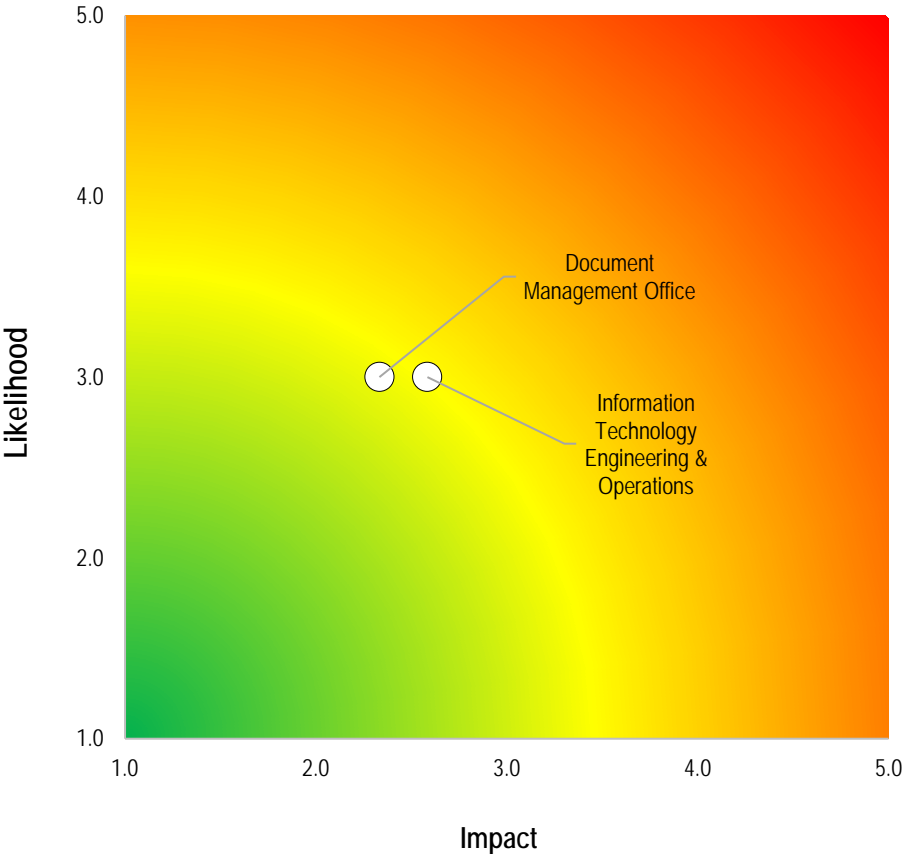
**Inherent Risks:** See Table Below.

**Risk Level:** As a whole, the Information Services Division exhibits a **medium** level of risk, with the following contributing factors: relatively average level of funding/FTEs when compared to other divisions and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality. However, the risk is increased because this division spends large portions of its budget on contracts/outourcing.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
Information Technology Engineering & Operations	Provides computer, networking and telecommunications infrastructure. Provides end user support.	<b>Budget:</b> \$4 million-4.9 million <b>FTE:</b> 6-10 <b>Inherent Risks:</b> The applications and solutions administered and supported by this division serve a central role in how Agency personnel and departments serve the public, and are critical to the effective and efficient operation of the Agency. Also, cybersecurity involving internal and external threats presents one of the most significant risks faced by public sector agencies today. <b>Concerns:</b> Cybersecurity, network hygiene, promoting organizational awareness of information security risks, and data management are common concerns of information technology agencies in state and local government, including the Air District.
Document Management Office	Maintains the District's official records, physical and electronic.	<b>Budget:</b> \$0-0.9 million <b>FTE:</b> 1-5 <b>Inherent Risks:</b> Inconsistent and delayed transparency.

### Risk Rating Heat Map



#### Potential Audit Topic(s)

The operations of the Information Services Division generally represents medium risk. Based on this risk assessment, key audit topics could include evaluations of:

- Cybersecurity and network hygiene;
- Customer service;
- Cost-effectiveness of operations, including contracting and purchasing; and
- Information technology project management policies, processes, and practices, and the consistency of Department's efforts with best practices.
- Data management.
- Document Management Record Retention policies and the application Districtwide, and determine the extent to which the policies are cost-effective and consistent with the Risk Management best practices.
- Public Records Request policies and protocols, and determine the extent to which practices comply with laws and regulations and are cost-effective.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.

# POLICY & EQUITY



## Factors Contributing to Division Risk Assessment:

2022 Budget: \$4.8 million

FTE: 16

**Core Responsibilities:** Develops relationships with diverse communities to increase participation in District decisions that improve public health and air quality. Implements the Air District's Public Participation Plan. Facilitates community meetings, and coordinates local air improvement Spare the Air Resource Teams and youth outreach activities. Administers a Community Grant Program.

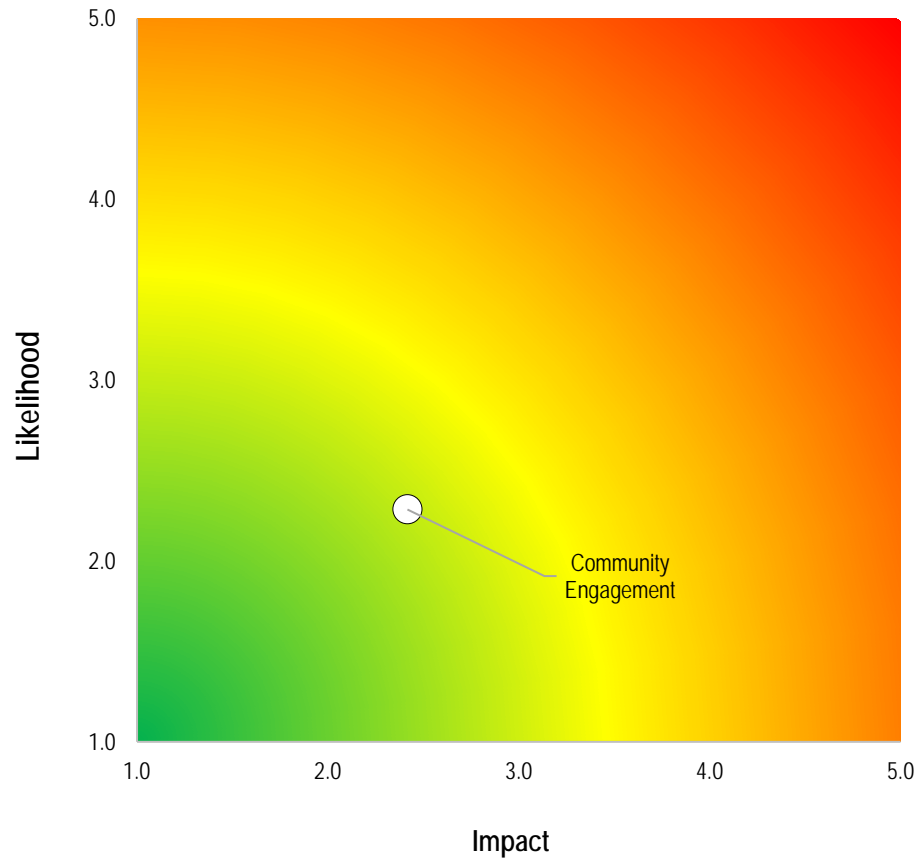
**Inherent Risks:** High public interest and awareness. Sensitivity to region-specific air quality issues. Ensuring AB 617 compliance efforts are sufficient.

**Risk Level:** As a whole, the Community Engagement Division exhibits a **low-medium** level of risk, with the following contributing factors: relatively average level of funding/FTEs when compared to other divisions. However, the risk is increased because this division is very visible to the community and spends large portions of its budget on contracts/outourcing.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Community Engagement Division generally represent low-medium risk. Based on this risk assessment, key audit topics could include evaluations of:

- Community engagement programs, activities and strategies to ensure they meet the established priorities of the Board of Directors and to meet District-wide program goals.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$5.3 million

FTE: 20

**Core Functions:** Analyzes sources of air pollution and greenhouse gases, prepares plans to meet air quality standards, identifies and mitigates localized air pollution impacts through the Community Health Protection Program (AB617), assists cities and counties with local air quality planning, climate protection programs, land use and transportation planning, and the California Environmental Quality Act (CEQA). Coordinates the integration of climate protection into Air District air quality and health plans and programs. Coordinates with Public Health Office.

**Inherent Risks:** This division involves work that is highly complex that requires technical expertise; high public interest and awareness. Other risks include not meeting air quality requirements and climate commitments. High magnitude of exposure to the Air District given the degree of regulatory oversight and/or the volume of regulation with substantial fines, penalties, or other sanctions for noncompliance.

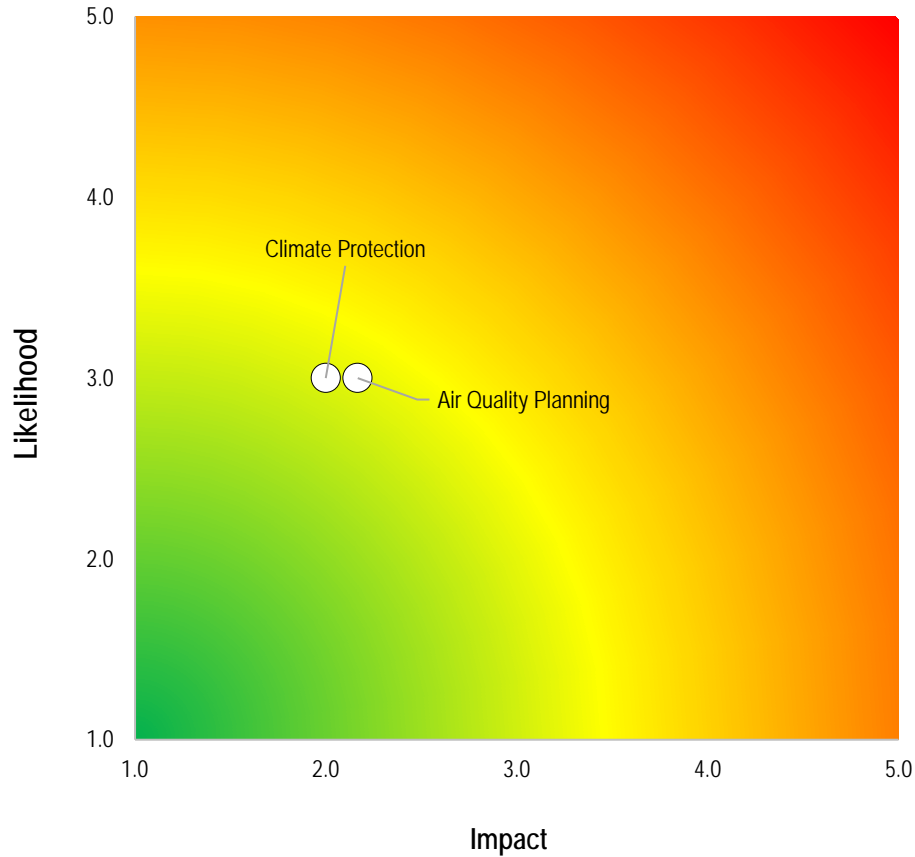
**Risk Level:** As a whole, the Planning & Climate Protection Division exhibits a **medium** level of risk, with the following contributing factors: relatively average level of funding/FTEs when compared to other divisions, it does not handle cash or other high-value assets, and does not spend large portions of its division budget on contracts/outsourcing; however, the risk is increased because this division performs mission critical, complex functions of key concern to the community, such as activities that directly improve air quality. This Division is subject to audits by regulatory and oversight agencies.

**General Divisional Concerns:** Vulnerabilities related to CEQA.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
Air Quality Planning	Sets the strategic direction for and coordinate agency-wide efforts to accelerate the reduction of climate pollutants and integrate climate protection into Air District programs to reduce criteria and toxic air pollutants. Prepares and tracks regional plans to reduce climate pollutants. Works with state, regional and local agencies and community organizations to implement climate action, land use, mobile source and transportation plans, policies and measures to achieve statewide greenhouse gas (GHG) reduction targets.	<b>Budget:</b> \$3 million-\$3.9 million <b>FTE:</b> 11-15 <b>Concerns:</b> The agency coordinates with and monitors activities of local jurisdictions in furtherance of the Air District's policy directives; yet, there is far more activity occurring at the local level than can be handled by the staff of this unit alone. Work required to prepare and implement regional plans and support local, regional and statewide climate planning exceeds existing staffing resources.
Climate Protection	Sets the strategic direction for and coordinate agency-wide efforts to accelerate the reduction of climate pollutants and integrate climate protection into Air District programs to reduce criteria and toxic air pollutants.	<b>Budget:</b> \$1 million-\$2.9 million <b>FTE:</b> 6-10 <b>Concerns:</b> None Noted.

## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Planning & Climate Protection Division generally represent medium risk. Based on this risk assessment, key audit topics could include evaluations of:

- The effectiveness and efficiency of existing planning processes, including the participation of stakeholders and other Air District divisions and the methods employed to ensure the Division's prioritization system syncs with the development of Board priorities.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$4.9 million

FTE: 18

**Core Responsibilities:** Prepares comprehensive source emission inventories for the Bay Area and conducts air quality modeling at both regional and community scales. Coordinates with Public Health Office.

**Inherent Risks:** This division involves work that is highly complex that requires technical expertise; high public interest and awareness.

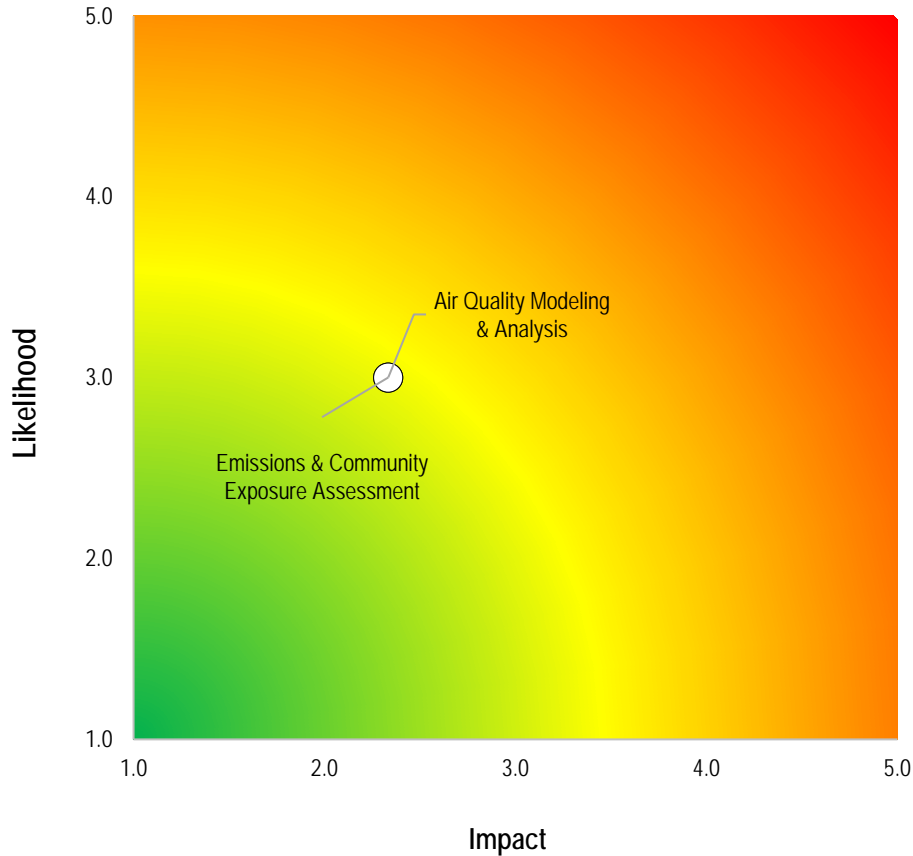
**Risk Level:** As a whole, the Assessment, Inventory & Modeling Division exhibits a **medium** level of risk, with the following contributing factors: relatively high-average level of funding/FTEs when compared to other divisions, it does not handle cash or other high-value assets, and does not spend large portions of its division budget on contracts/outourcing; however, the risk is increased because this division performs mission critical, complex functions of key concern to the community, such as activities that directly improve air quality. This Division is subject to audits by regulatory and oversight agencies.

**General Concerns:** Data management and centralization of relevant data to improve availability; inter-divisional coordination of priorities and data management.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
<b>Emissions &amp; Community Exposure Assessment</b>	Compiles, reports, and estimates emissions inventories for the Bay Area from industrial sources, motor vehicles, commercial and agricultural activities, consumer products, and natural sources, which are used for air quality planning, rules development, air quality progress tracking, and public information. Evaluates community health risks from ambient toxic air contaminants and develops mitigation strategies and measures for local sources and locations with higher exposures and risk levels and vulnerable populations. Administers the CARE program.	<b>Budget:</b> \$1 million-\$2.9 million <b>FTE:</b> 6-10 <b>Concerns:</b> Ensuring the sufficiency and availability of reliable data to support Air Quality Modeling & Analysis.
<b>Air Quality Modeling &amp; Analysis</b>	Maintains and applies meteorological, emissions inventory and air quality models to investigate the formation of ozone, fine and ultrafine particulate matter and toxic air contaminants. Provides technical support to various Air District activities.	<b>Budget:</b> \$1 million-\$2.9 million <b>FTE:</b> 6-10 <b>Concerns:</b> Ensuring complete data sets, compiling data from Engineering, Meteorology and Measurement, and other divisions.

## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Assessment, Inventory & Modeling Division generally represent medium risk. Based on this risk assessment, key audit topics could include evaluations of:

- The systems in place to ensure the Division has the data necessary to perform its work in an efficient and effective manner, including inter-departmental communication and collaboration between Engineering, M&M, AIM, and other divisions.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$2.4 million

FTE: 11

**Core Responsibilities:** Develops regulations to implement District plans to attain Federal and State air quality standards, and to protect public health. Reviews existing regulations and develops revisions to improve clarity, efficiency and effectiveness. Works with other divisions, such as Planning, Compliance & Enforcement, Engineering, and Climate Protection to ensure the rules can be implemented. Coordinates with Public Health Office.

**Inherent Risks:** This division involves work that is highly complex that requires technical expertise, but is also heavily reliant on the expertise and priorities of other divisions; high public interest and awareness. High magnitude of exposure to the Air District given the degree of regulatory oversight and/or the volume of regulation with substantial fines, penalties, or other sanctions for noncompliance.

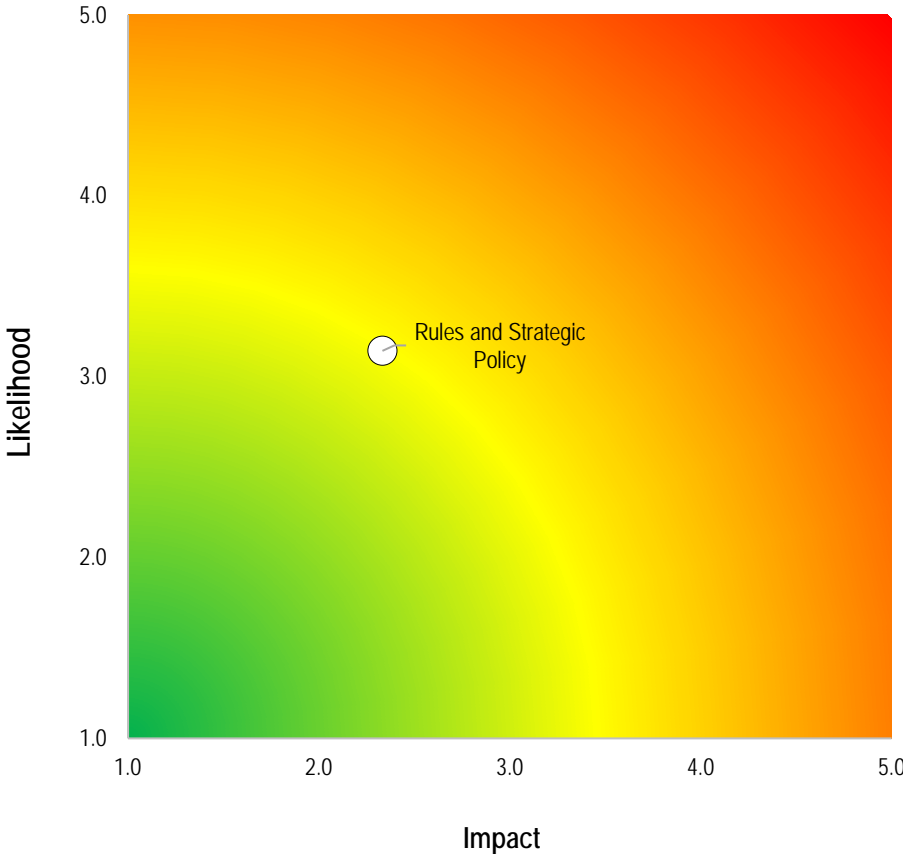
**Risk Level:** As a whole, the Rules and Strategic Policy Division exhibits a **medium** level of risk, with the following contributing factors: relatively average level of funding/FTEs when compared to other divisions, it does not handle cash or other high-value assets, and does not spend large portions of its division budget on contracts/outourcing; however, the risk is increased because this division performs mission critical, complex functions of key concern to the community, such as activities that directly improve air quality.

**General Concerns:** Resource and workload concerns noted, and the ability to effectively coordinate between the Division and other Air District offices and programs to ensure rules developed can be efficiently administered and enforced.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

### Risk Rating Heat Map



#### Potential Audit Topic(s)

The operations of the Rules and Strategic Policy Division generally represent medium risk. Based on this risk assessment, key audit topics could include evaluations of:

- The effectiveness and efficiency of existing rulemaking processes, including the participation of stakeholders and other Air District divisions and the methods employed to ensure the Division's prioritization system syncs with the development of Board priorities.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.



## Factors Contributing to Division Risk Assessment:

2022 Budget: \$20.1 million

FTE: 67

**Core Responsibilities:** Provides emissions, air quality, and meteorological data; chemical analysis; forecasting; and data analysis to support the activities of the Compliance & Enforcement, Engineering, Planning, Legal, Rules, Assessment, Inventory & Modeling, Communications, and Community Engagement Divisions. Specifically, Air Monitoring Projects and Technology provides mobile, portable, and short-term air monitoring; develops tools, protocols, and procedures for testing and implementing air monitoring approaches; and develops and maintains regulatory and other data quality and data management systems. Air Monitoring Operations operates and maintains a network of air quality and meteorological measurement sites (33 monitoring stations) that provide data required to determine attainment status of both National and State ambient air quality standards, regulations, and sampling strategies. Meteorology & Quality Assurance provides air quality forecasts and data analysis of meteorological and air quality data. Ambient Air Quality Analysis prepares air quality summaries, determines compliance with National or State standards, and analyzes long-term trends to assess progress. Laboratory Services provides laboratory, analytical, and technical services and support to other District divisions and sections, including for enforcement action, permit evaluation, and regulatory standard development. Source Test conducts and reviews analytical source tests and develops new analytical source test procedures. Provides technical expertise and advice to other Divisions, such as determining compliance status for specific source categories, determining whether to issue permits, updating emissions inventory, etc. Coordinates with Public Health Office.

**Inherent Risks:** This division involves work that is highly complex and requires technical expertise; high public interest and awareness. Data collection – as well as data accuracy and validity – rely on sufficiency of monitoring technology, equipment, and staff to set up, maintain, operate, improve systems, and review and analyze data. Other inherent risks involve EPA and CARB audits that could invalidate data impacting the Air District's standing and funding. The most recent EPA audit found several significant findings, including insufficient programmatic staffing resources, some quality management tasks were not performed, and some standard operating procedures required critical updates and formal approvals.

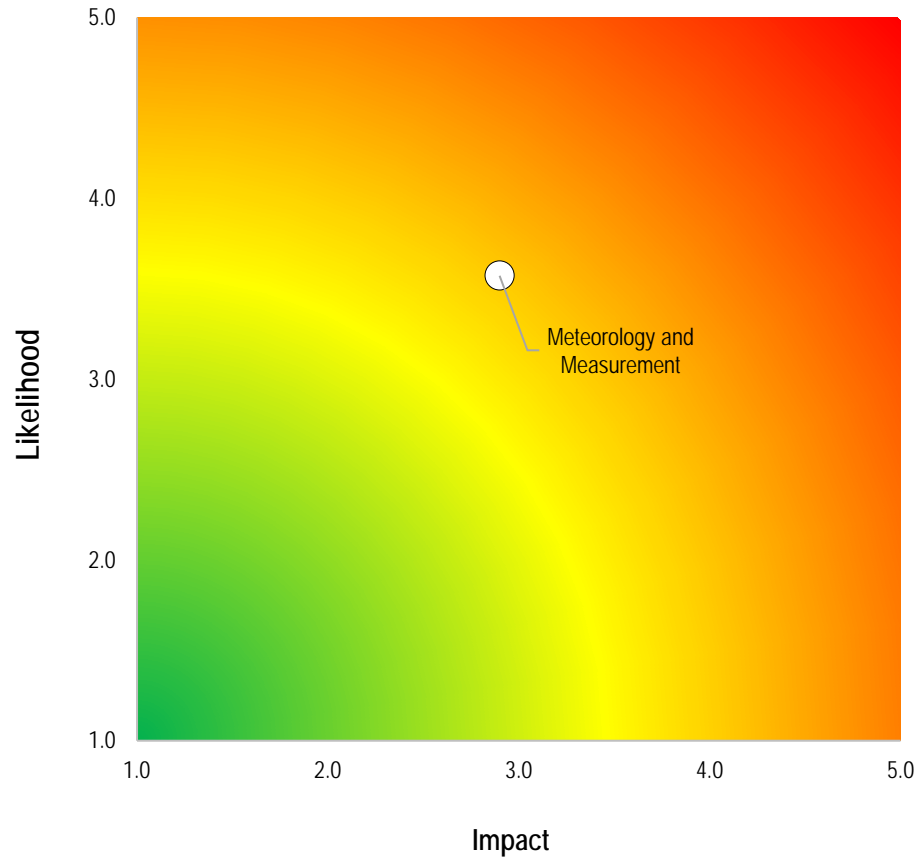
**Risk Level:** As a whole, the Meteorology and Measurement Division exhibits a **high** level of risk, with the following contributing factors: it has a relatively high level of funding/FTEs when compared to other divisions, spends large portions of its division budget on contracts/outsourcing, handles high-value assets, and performs activities that affect the health and safety of employees. Importantly, the risk is increased because this division performs mandated, mission critical, complex functions of key concern to the community, such as activities that are needed by other Divisions to directly improve air quality, but some activities are not being performed, as noted below and in the Division's prioritization documents. This Division is subject to regular audits by regulatory and oversight agencies and has work planning and prioritization processes in place, as well as specific efficiency improvements planned to be implemented over time.

**General Divisional Concerns:** Resource and workload concerns noted. Other areas of concerns noted related to source testing backlogs with compliance actions and permitting. Data analysis/reviews are not conducted thoroughly related to quality assurance—collecting a lot of data, but not doing anything with it. Not providing timely information to the public and not keeping up with peer agencies.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Meteorology and Measurement Division generally represent high risk. Based on this risk assessment, key audit topics could include evaluations of:

- The effectiveness and efficiency of the Division's acquisition, maintenance, and operation of its monitoring infrastructure.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$0.9 million

FTE: 2

**Core Functions:** Supports the District's efforts to foster workplace values and guiding principals related to diversity, equity, and inclusion at the agency and throughout the Bay Area. Ensuring diversity, equity, and inclusion is part of decision-making strategies, policies, procedures, regulations, funding initiatives, public outreach, planning, and hiring.

**Inherent Risks:** High public interest and awareness. Adequately identifying and addressing air quality disparities in vulnerable communities and populations. Ensuring AB 617 compliance efforts are sufficient.

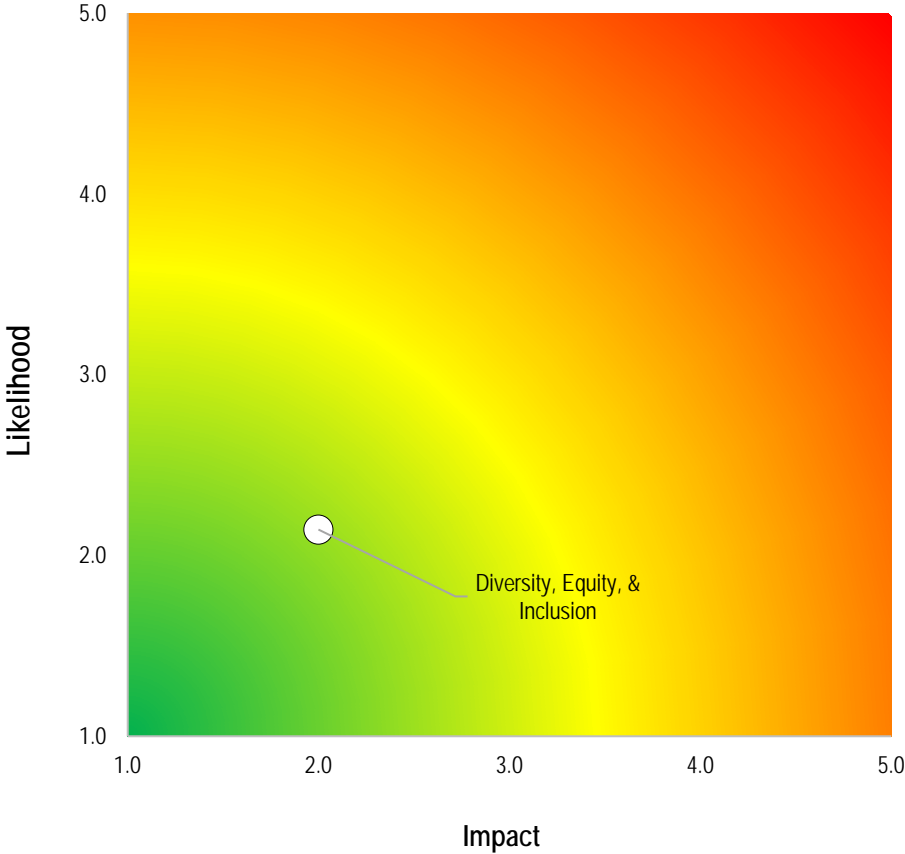
**Risk Level:** As a whole, the Diversity, Equity & Inclusion Division exhibits a **low** level of risk, with the following contributing factors: level of risk primarily due to its very low level of funding/FTEs, it does not handle cash or other high-value assets, and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality.

**General Concerns:** None.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

### Risk Rating Heat Map



**Potential Audit Topic(s)**

The operations of the Diversity, Equity & Inclusion Division generally represent low risk; thus, potential audit topics were not considered.

# OPERATIONS

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$3.7 million

FTE: 17

**Core Responsibilities:** Maintains the fiscal stewardship and financial accountability of the Air District. Responsible for receipt and disbursement of District funds and associated accounting activities. Manages financial reporting, accounts payable, revenue posting, cost recovery analysis, budget development, budgetary reporting, and fiscal management of grant funding.

**Inherent Risks:** This division involves a high magnitude of financial exposure to the Air District, including compliance with financial reporting requirements, as well as transparent and effective budgeting processes. Other inherent risks involve the ability to provide efficient or effective support of financial support functions, reliability of financial models and forecasts; ensuring rate-setting practices fully fund the cost of operations, planned capital costs, and reasonable reserves; compliance with grants and increasing grant footprint. Integrity and effectiveness of internal controls related to fiscal transactions of all types. Increased workload related to implementation of GASB 87, which is required to be implemented in Fiscal Year 2022; this standard requires on-going monitoring, tracking and reporting of all Air District leased assets on the annual Air District's financial statement report. Refund backlog/open invoices that must be addressed with the Engineering Division to resolve.

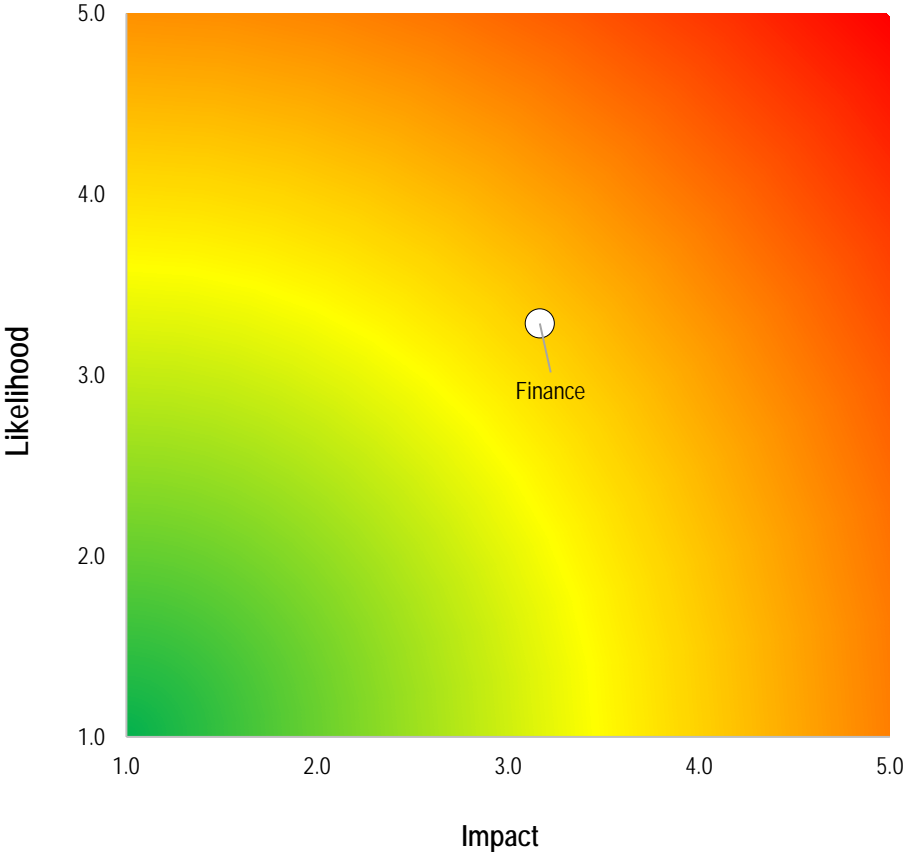
**Risk Level:** As a whole, the Finance Division exhibits a **high** level of risk, with the following contributing factors: relatively average level of funding/FTEs when compared to other divisions, does not spend large portions of its budget on contracts/outsourcing, and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality. The risk is increased because this division handles cash and high-value assets and has several control activities that are not being performed – see concerns noted below. However, most of the functions of the Finance Division are common subjects of internal and external audit activities. Generally, each employs systems of internal controls to ensure compliance, fiscal integrity, and the prevention of fraud, waste, and abuse. Through annual external audit functions, these internal controls should be routinely tested and evaluated.

**General Concerns:** Resource and workload concerns noted. Other areas of concerns noted related to significant inefficiencies, such as the payroll system does not interface with the financial system and requires manual journal entries; excessive time to close the books and requiring extensions; JDE financial system does not fit needs of a government agency and creates many inefficiencies and manual processes; lack of coordination with human resources in position control and the allocation of staff resources; and the only person that understands the cost recovery process is close to retirement. Additionally, some concerns exist to a lesser extent regarding the retirement of other senior staff without adequate time for transfer or institutional knowledge. Also, large number of refunds (600) and open invoices (3000) that are backlogged, some dating back 10 years. Lack of attention to receivables could result in a material adjustment. GASB 87 has not been implemented, monthly grant / bank reconciliations are delayed by months, and phone bills are not being reconciled—paying for lines the Air District does not need.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

Risk Rating Heat Map



Potential Audit Topic(s)

The operations of the Finance Division generally represent high risk. Based on this risk assessment, key audit topics could include evaluations of:

- Budgeting processes, including controls to ensure budgets presented to the Board include sufficient transparency into the allocation of staffing resources.
- Controls on items with financial impacts presented to the Board during regular course of business.
- Processes for recording, tracking, and monitoring grant funds and reporting to ensure full compliance and recovery.
- Cost recovery processes and nexus between fees collected and cost of District services and activities.
- Efficiency and effectiveness of system integration between the Finance enterprise system, payroll system, and other information systems utilized to manage Air District fiscal activity.
- Reserve and investment policies and practices.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.
- Training and procedures provided to divisions executing programs with financial repercussions such as grants and contracting.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$16.2 million

FTE: 85

**Core Responsibilities:** Ensures the Air District will realize the emission reductions required by the air quality regulations adopted by the Board of Directors, and permit conditions issued by the Executive Officer/APCO in order to attain Federal and State ambient Air Standards and reduce local health exposures. Enforces compliance with Air District, state, and federal regulations through comprehensive inspections and investigations and a complementary Compliance Assistance Program that supports compliance objectives by maintaining operations and assisting industry with air quality regulations and requirements.

**Inherent Risks:** The primary inherent risk is not controlling air pollution, particularly in at-risk communities. Also, this division involves work that is highly complex that requires technical expertise; there is a high-level of public interest for health and safety; challenges meeting the changing environmental regulations and other unfunded mandates. High impact severity if there is a disruption in activities. High magnitude of exposure to the Air District given the degree of regulatory oversight and/or the volume of regulation with substantial fines, penalties, or other sanctions for noncompliance. Potential conflict of interest between inspectors and regulated entities. Unique challenges associated with identifying and encouraging compliance for unpermitted, “off-the-radar” equipment.

**Risk Level:** As a whole, the Compliance and Enforcement Division exhibits a **high** level of risk, with the following contributing factors: while it does not handle cash or other high-value assets and does not spend large portions of its division budget on contracts/outsourcing, it has relatively high level of funding/FTEs when compared to other divisions, handles high-value assets, and performs activities that affect the health and safety of employees. Importantly, the risk is increased because this division performs mission critical, complex functions of key concern to the community, such as activities that directly improve air quality, but some activities are not being performed, such as noted below. This Division is subject to audits by regulatory and oversight agencies.

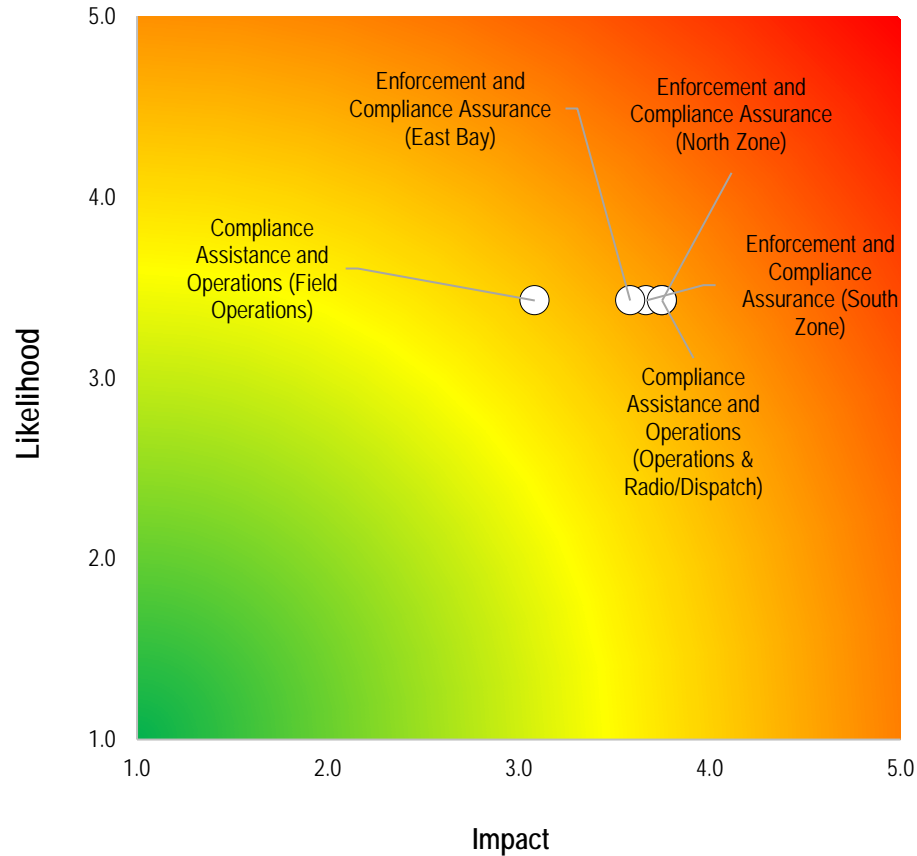
**General Concerns:** Resource and workload concerns noted. Other areas of concerns noted related to some inspection activity not being conducted--priorities include on-going violations, responding to complaints, routine inspections work performing for other entities, such as CARB, but without funding.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
<p><b>Enforcement &amp; Compliance Assurance</b></p>	<p>Conducts compliance inspections and investigations of stationary sources ranging from large industrial facilities such as refineries, chemical plants, wastewater treatment, landfills, power plants and metal facilities to smaller businesses such as gas stations, auto body shops, and dry cleaners. Enforces State Airborne Toxic Control Measures for sources that generate asbestos and diesel particulate. Responds to major incidents and potential air emission releases of hazardous chemicals and pollutants. Issues Notices of Violation (NOV) and Notices to Comply (NTC), identifies causes and solutions for non-compliance, develops enforcement cases for legal action, and provides testimony during hearings and court cases. Responds to the public’s air pollution complaints, returns sources to compliance, and supports enforcement of the variance and abatement order process. Also has MOUs to carry out inspections on behalf of other jurisdictions.</p>	<p><b>Budget:</b> \$5 million-10 million      <b>FTE:</b> 20+  <b>Concerns:</b> Persistent backlogs and the inability of the division to inspect all sources within required timeframes; challenged to enforce rules as developed.</p>
<p><b>Compliance Assistance &amp; Operations</b></p>	<p>Develops outreach materials, advisories, policies and procedures and guidance information and the implementation of compliance strategies that complement a wide range of enforcement efforts. Conducts comprehensive program reviews, analyze and process petitions, plans, reportable compliance activities and other notifications received, maintain compliance and enforcement data tracking systems, and coordinate within the division and across other Air District teams to develop program strategies that address compliance concerns. Maintains online web information, the dispatch operating system and compliance assistance and complaint phone lines.</p>	<p><b>Budget:</b> \$5 million-10 million      <b>FTE:</b> 20+  <b>Concerns:</b> Sufficiency of outreach efforts to effectively, and in a cost-efficient manner, elicits and encourages voluntary compliance.</p>



## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Compliance and Enforcement Division generally represent high risk. Based on this risk assessment, key audit topics could include evaluations of:

- The efficiency and effectiveness of the Division to enforce, both proactively and reactively, the divisions rules and regulations.
- The efficiency and effectiveness of the complaint intake and reporting system to ensure complaints are handled appropriately and in a timely manner.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.
- Frequency of inspection at Title V facilities.
- Criteria set for inspection cycles, conduct benchmarking and evaluate resources to determine optimum resource allocation for compliance and enforcement tasks and, more specifically, inspections. Benchmarking efforts may include average compliance rates by industry segment vs. mean time between inspections.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$14.0 million

FTE: 73

**Core Functions:** Evaluates permit applications/renewals for sources of air pollutants in the Air District's jurisdiction. Responsible for emissions inventory and air toxics programs. Provides technical expertise to agency programs, businesses, trade associations, agencies, environmental groups, and community members with issues related to permitting and compliance.

**Inherent Risks:** The primary inherent risk is not controlling air pollution, particularly in at-risk communities and there is a high-level of public interest in health and safety. This Division involves work that is highly complex that requires technical expertise and its permitting activities account for 50 percent of the Air District's revenue. Challenging to implement new regulations, new state reporting requirements, new analytical testing methods required for reporting and hundreds of additional toxic compounds, and meeting the changing environmental regulations; not informing communities of health hazards due to not performing health risk assessments; construction projects being delayed. This Division is subject to audits by EPA for Title V. High impact severity if there is a disruption in activities. High magnitude of exposure to the Air District given the degree of regulatory oversight and/or the volume of regulation with substantial fines, penalties, or other sanctions for noncompliance.

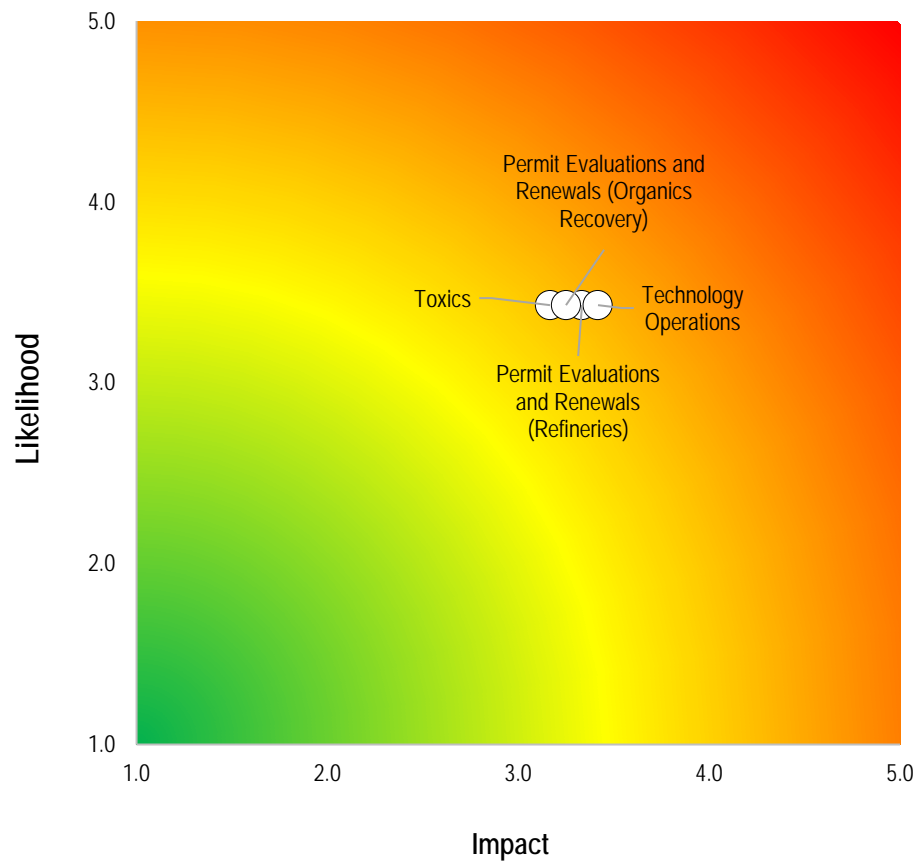
**Risk Level:** As a whole, the Engineering Division exhibits a **high** level of risk, with the following contributing factors: while it does not handle cash or other high-value assets and does not spend large portions of its division budget on contracts/outourcing, it has relatively high level of funding/FTEs when compared to other divisions. Importantly, the risk is increased because this division performs mission critical, complex functions of key concern to the community, such as activities that directly improve air quality, but some activities are not being performed, such as noted below. This Division is subject to audits by regulatory and oversight agencies.

**General Concerns:** Resource and workload concerns noted, which may lead to loss of revenue due to fewer permits/invoices being issued and late payments not being followed up on. Also, not being able to fully assist other divisions, such as being unable to provide sufficient assistance to development of new production system or assisting Rules Division where insufficient analysis could impact understanding what it will take to implement a new rules. Staff development in this division takes multiple years and requires intensive training. More experience staff have begun to retire and this is creating a technical debt that cannot be closed by additional FTE alone.

## Factors Contributing to Section/Program Risk Assessment:

SECTION/PROGRAM	RESPONSIBILITIES	RISK FACTORS
Permit Evaluation & Renewals (Organics & Refineries)	Handles permitting stationary sources for the 9 counties, which has 82 major sources, a total of 11,200 permitted facilities and 27,599 sources. Evaluates permit applications and permit renewals for equipment and operations that emit air pollutants in the District's jurisdiction. Conducts major facility review permits (Title V). Responsible for other programs related to facilities with air quality permits, including - but not limited to - the emissions inventory (intake emitting source information for all permitting processes - this info is used by compliance, planning, rules, and air toxics programs. Provides technical support to other agency programs, including cost recovery analysis.	<b>Budget:</b> \$5-10 million <b>FTE:</b> 20+ <b>Concerns:</b> Inefficient and manual processes, including related to application submittals and tracking, payment review and reminder notices. Permitting activities takes more time and are more labor intensive, particularly a result of new regs, such as requiring emission inventories and health risk assessments and translation and public meeting requirements. As a result, there are permit backlogs and Rule 11-18 is not fully implemented, including not performing health risk assessment. Also, not following up on late payments and expired authority to construct permits.
Toxics	Develops and implements an effective air toxics control strategy that integrates Federal, State, and local requirements.	<b>Budget:</b> \$1 million-2.9 million <b>FTE:</b> 6-10 <b>Concerns:</b> High public visibility and scrutiny.
Technology Operations	Develops and maintains permit systems & provide administrative services, including collecting, updating and maintaining data from permitted sources of air pollution. Also, develops the infrastructure for consistent and efficient permit evaluation and processing, and completes projects intended to develop and improve programs within the Engineering Division, includes deployment of the Production System and other tools including an online portal for customer to submit information electronically.	<b>Budget:</b> \$1 million-2,9 million <b>FTE:</b> 6-10 <b>Concerns:</b> Information systems do not fully meet Division's needs and prolonged implementation of My Air Online consumes Engineering resources, contributing to backlogs.

## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Engineering Division generally represent high risk. Based on this risk assessment, key audit topics could include evaluations of:

- The Division's business operations, permitting activities, and efficiency of operations.
- Key performance metrics, including mandated requirements, timeliness of permit processing, workload indicators, and other measures.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.
- Evaluating efforts of this division related to non-core functions – accounts receivable, PRA requests, rule support, response to Board inquiries, etc. – and whether non-core functions can be reassigned (i.e. outsourced, assigned to a different division, assigned to a newly created division).

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$15.6 million

FTE: 31

**Core Responsibilities:** Administers grants for projects and programs focused on the reduction of emissions from mobile sources in the Bay Area. The primary grants include the Transportation Fund for Clean Air (TFCA), the Carl Moyer Program (CMP), the Mobile Source Incentive Fund (MSIF), and the Community Air Protection (CAP) Incentive Program. Oversees approximately 1,000 projects that have deadlines where all money has to be expended and after liquidation, have to monitor the project for another 5-7 years. In FYE 2022, will administer more than \$100 million in grant funds. Employees review grant applications, manage grant contracts, perform inspections of projects, administers grant payments, and monitors projects as well as identifies new sources of grant funding.

**Inherent Risks:** Project not meeting expectations. Air District not meeting regulatory requirements and regulatory agencies invalidating grants, which would impact the District's standing and funding. A recent CARB audit found some grants issued by SID went to ineligible projects, money was spent too slowly, some grant recipients were not required to put up their own money as intended, and grant records had errors and gaps in information. Concerns that the next CARB audit of the Carl Moyer program will be problematic. Failure to perform or significant audit findings may impact the dollar amounts available to the Air District from State and Federal sources; this would severely impact the Agency's ability to effect GHG and criteria emissions reductions in impacted communities and across the Bay Area. High impact severity if there is a disruption in activities.

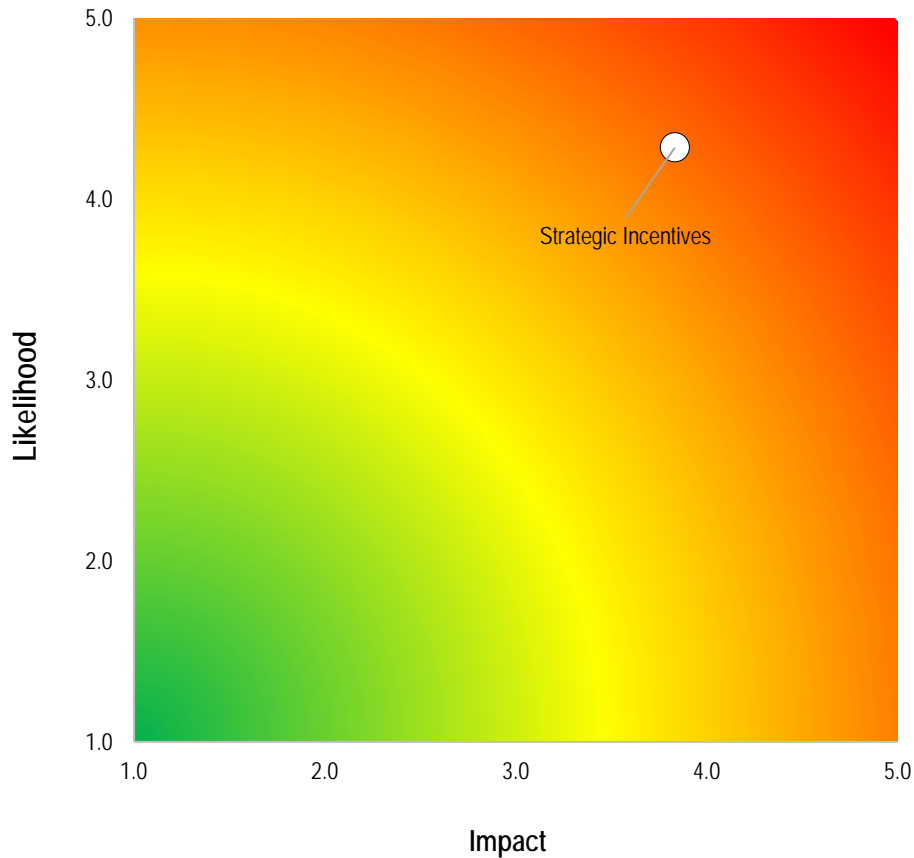
**Risk Level:** As a whole, the Strategic Incentives Division exhibits a **high** level of risk, with the following contributing factors: while it does not handle cash or other high-value assets, it has relatively high level of funding/FTEs when compared to other divisions and spends large portions of its division budget on contracts/outourcing. Importantly, the risk is increased because this division provides grants to fund mission critical, complex functions of key concern to the community, such as activities that directly improve air quality. Additionally, some activities are not being performed, such as noted below. This Division is subject to audits by regulatory and oversight agencies.

**General Concerns:** Resource and workload concerns noted. Other areas of concerns noted related to having vacant positions but unable to find candidates to fill the positions. Duties are not adequately segregated and there are many manual processes, including tracking grant activities. Rushing to get grant money "out the door" before timelines expire and grant money has to be returned--working too fast increases risk that mistakes are made. Not ensuring all grantees are in compliance with agreements, not able to get all required inspections complete before grantees are paid, not regularly reviewing reports or closed projects. Staff development in this division take multiple years and intensive training. This creates a technical debt gap that cannot be closed by additional FTE alone. Manual and segmented databases are inefficient and reduce productivity.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

## Risk Rating Heat Map



### Potential Audit Topic(s)

The operations of the Strategic Incentives Division generally represent high risk. Based on this risk assessment, key audit topics could include evaluations of:

- Grant management and administration activities; existing grants management systems and their ability to interface with the financial ledger (JDE).
- Effectiveness in grant projects in meeting the goals of the Air District and grant programs
- Projects finance with grant funding meeting program and contract requirements and consider the amount of funding spent on administrative functions versus programmatic activities.
- Adequacy of controls associated with grant payments.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.
- Adequacy of current data management systems both within this division and agency-wide.
- Reconciliation processes and procedures with the Finance Office.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$2.8 million

FTE: 11

**Core Responsibilities:** Evaluates climate technologies and connects businesses with climate technology. Assists with financing by offering grants to businesses with pass through funds from state/local gov and loans to businesses with funds from the District.

**Inherent Risks:** Heavily reliant on grant funding from State, Federal and Local sources.

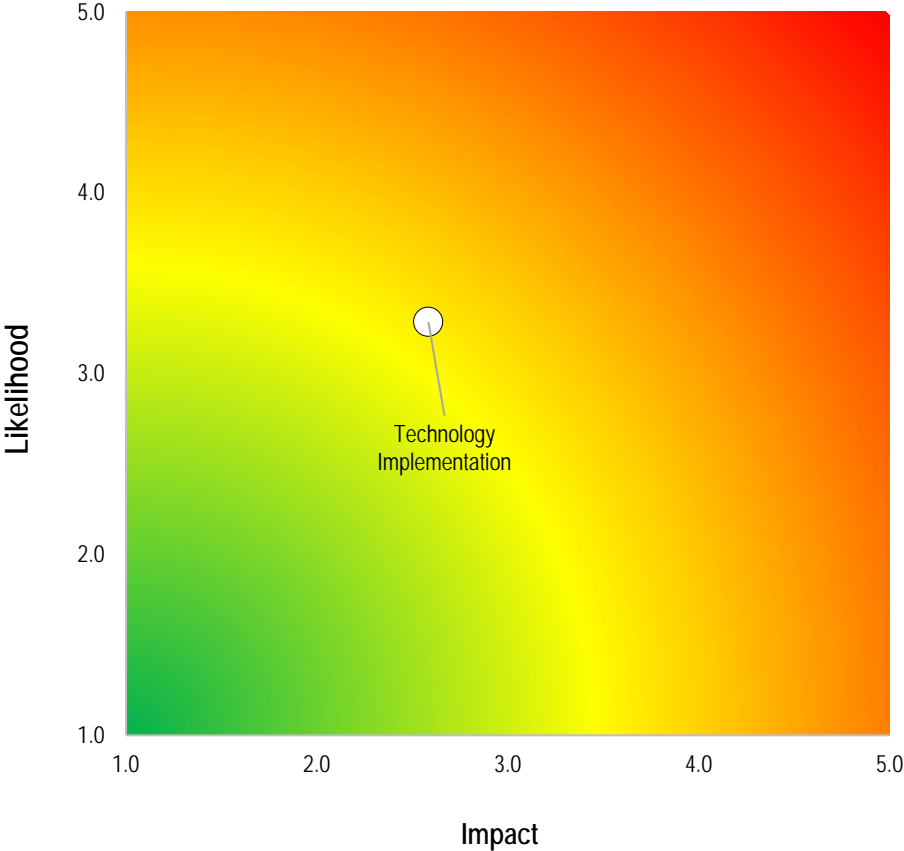
**Risk Level:** As a whole, the Technology Implementation Division exhibits a **medium** level of risk, with the following contributing factors: while it does not handle cash or other high-value assets, it has relatively average level of funding/FTEs when compared to other divisions. Importantly, the risk is increased because this division provides grants to fund mission critical, complex functions of key concern to the community, such as activities that directly improve air quality. Additionally, this division spends some of its division budget on contracts/outourcing. This Division is subject to audits by regulatory and oversight agencies.

**General Concerns:** Demand for loans is low because the program is entirely voluntary – only 25% of initial allocation for loans has been awarded. Also, this is a new division with inexperienced staff.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.

### Risk Rating Heat Map



#### Potential Audit Topic(s)

The operations of Technology Implementation Division generally represent medium risk. Based on this risk assessment, key audit topics could include evaluations of:

- Grant and loan management and administration activities.
- Effectiveness in grant/loan projects in meeting the goals of the Air District and grant/loan programs
- Finance projections with grant/loan funding meeting program and contract requirements and consider the amount of funding spent on administrative functions versus programmatic activities.
- Adequacy of controls associated with grant/loan payments.
- Completeness of policies and procedures, including how they are maintained, updated, made available and communicated to all relevant parties.
- Workload and resource availability planning.

## Factors Contributing to Division Risk Assessment:

2022 Budget: \$7.1 million

FTE: 8

**Core Responsibilities:** Provides design, development, quality assurance and implementation support for the District's new permitting and compliance system. Provides legacy system data maintenance. Develops, supports, and maintains the District's web content management system and websites.

**Inherent Risks:** High impact severity if there is a disruption in existing services or delay in development of new technology/production system. Potential for loss of critical permitting, invoice and compliance data. My Air Online is closely linked and heavily reliant on the Engineering Department; reduction in experienced engineering staff impacts available technical/subject matter expertise, required to design new software. Web content management represents an area of high public visibility.

**Risk Level:** As a whole, My Air Online exhibits a **high** level of risk, with the following contributing factors: while it has a relatively average level of funding/FTEs when compared to other divisions and does not perform mission critical functions of key concern to the community, such as activities that directly improve air quality, the division spends large portions of its budget on contracts/outsourcing and the failure to implement the new technology/production system would have significant negative impacts to the District and its ability to effectively and efficiently fulfil its responsibilities.

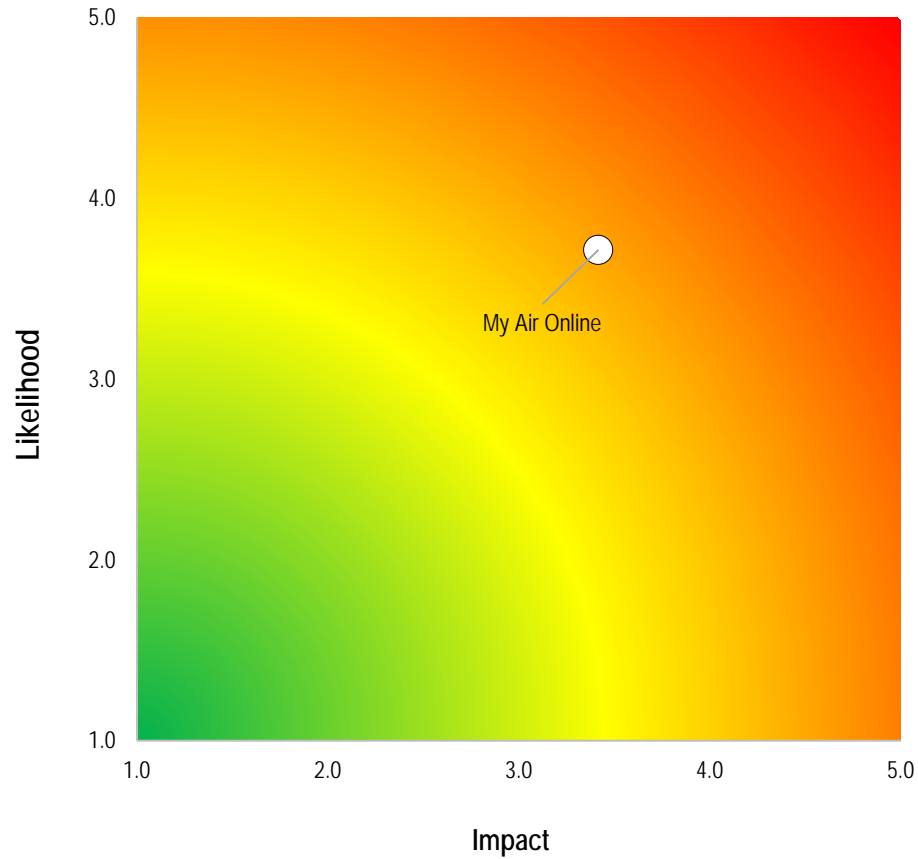
**General Concerns:** Resource and workload concerns noted that have impacted the timeline to complete the new production system and the legacy system is failing- risk that the legacy system fails before the new system is implemented. The system is currently reliant on contractors for the majority of its development, operation, maintenance and upgrade needs – a model for resource allocations for future system development, operation, security and maintenance/upgrades needs to be formalized.

## Factors Contributing to Section/Program Risk Assessment:

No individual sections assessed.



## Risk Rating Heat Map



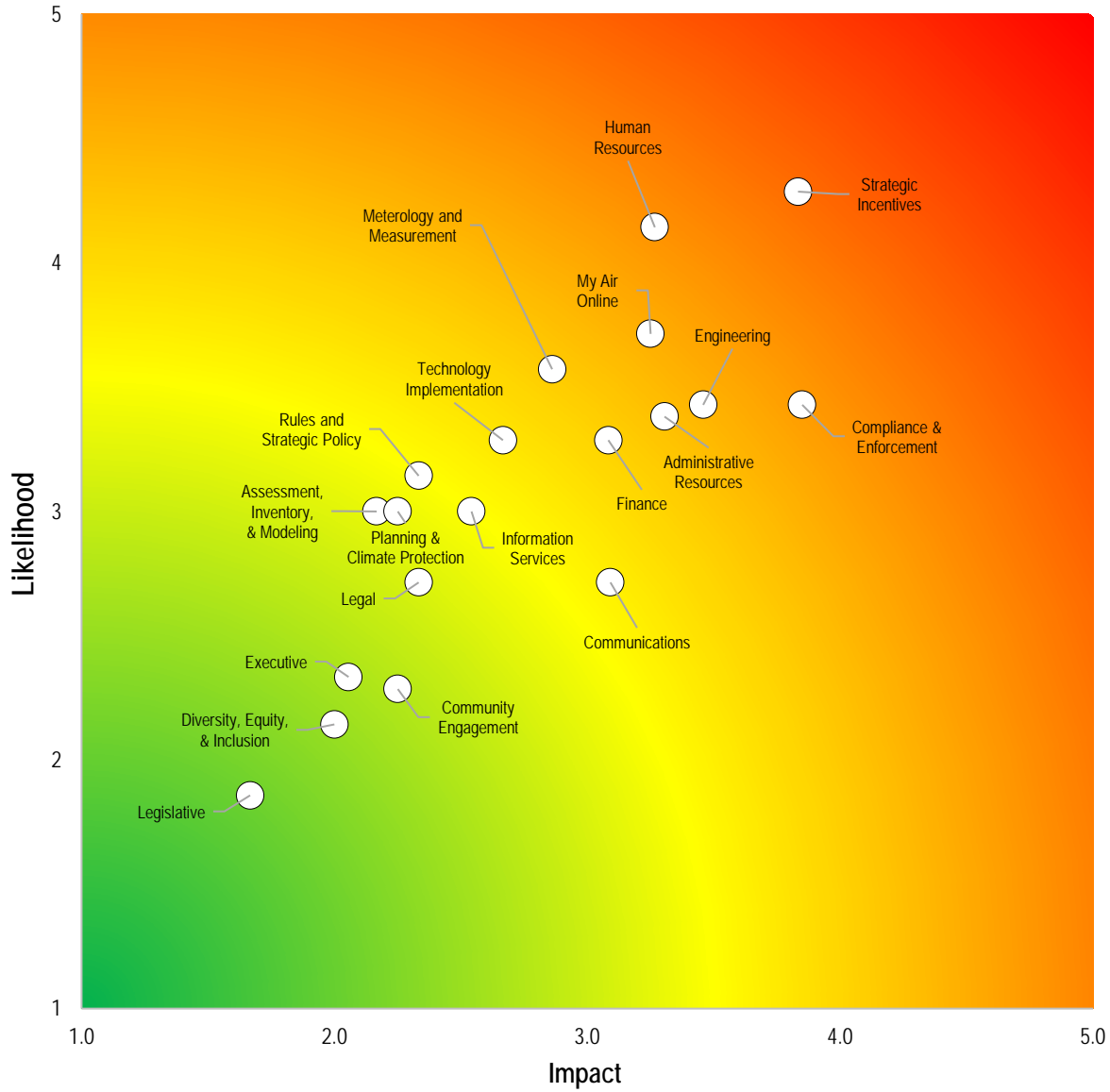
### Potential Audit Topic(s)

The operations of My Air Online generally represent high risk. Based on this risk assessment, key audit topics could include evaluations of:

- Information technology project management and implementation of the new production system, including the Division's delivery of the project on-time and on-budget, the functionality of the system to meet program needs, and system controls to ensure data integrity.
- Analysis of the balance between onBoard versus contracted resources.

# ORGANIZATIONAL RISK RATINGS

# District-wide Risk Ratings



**PROPOSED AUDIT TOPIC:  
ORGANIZATIONAL ASSESSMENT  
& STAFFING RECOMMENDATION**

# PROPOSED TASK ORDER 3 APPROACH

- **Proposed Task Order No. 3**
  - Assess potential staffing allocations for an estimated 65 authorized but unfilled positions, or roughly 15% of the District's allocated Full-Time Equivalent positions
  - This includes 29 vacant positions funded prior to the FYE 22 Budget, the 16 remaining FYE 22 positions that have not yet been filled, and the 20 FTE positions expected to be authorized in the FYE 23 budget
- **Proposed Task Order No. 3 Approach**
  - Confirm Board priorities for District operations and programs
  - Evaluate the District's organizational structure, including organizational placement, lines of communication and responsibility, span of control, and barriers to achieving Board priorities
  - Assess funding and budgeting protocols for staffing resources
  - Inform organizational and staffing decisions based on Board priorities, structural changes, and risk

# STEP 1 : CONFIRM BOARD PRIORITIES

- Community Engagement and programmatic support for impacted communities
- Develop regulations that support impacted communities
- Increase transparency by additional use of the District's Hearing Board
- Increase inspection/enforcement activity especially for facilities in impacted communities

# STEP 2: EVALUATE ORGANIZATIONAL STRUCTURE

- Executive Office & Support Functions
- Board Support Functions
  - Hearing Board
- Fiscal & Administrative Functions
- Operations
- Policy & Equity

# STEP 3: ASSESS FUNDING AND BUDGETING FOR STAFFING RESOURCES

- Evaluate District budget and methods employed to allocate staff resources
- Identify fund balances and trends
- Identify funding sources, and budgetary controls surrounding the use of restricted revenues to fund staff resources
- Evaluate budgetary controls designed to ensure the allocation of resources, as approved by the Board, is reflected in the allocation of staffing resources
- Determine whether prior Board allocations of additional staffing resources resulted in increased staffing for priority programs, as identified by the Board
- Determine whether sufficient controls are in place to provide the Board assurances that the allocation of staffing resources will remain consistent with Board directives and allocations.



# STEP 4: INFORM ORGANIZATIONAL AND STAFFING DECISIONS BASED ON BOARD PRIORITIES, STRUCTURAL CHANGES, AND RISK

- Review management's requests and rationale for additional staffing
- Identify existing vacancies, length of vacancy, and known impacts of vacancy
- Consider staffing needs and allocation options that will best position the District to achieve Board priorities, including pros and cons of each option.
- This will include consideration of the following factors:
  - Known Risks, Control Weaknesses, Workload Demands, and Audit Priorities
  - Board Priorities
  - Lines of Communication and Responsibility
  - Span of control
  - Organizational Placement / Organizational Chart

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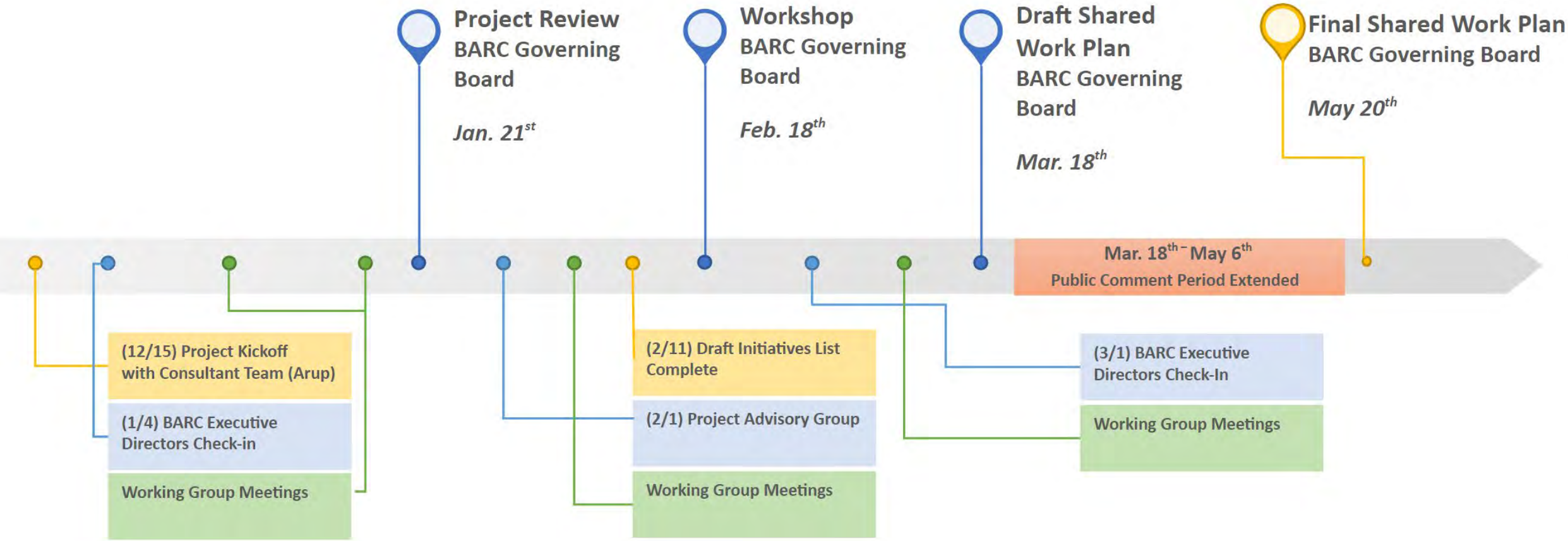
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# Bay Area Regional Collaborative

## Shared Work Plan

Allison Brooks  
BARC Executive Director

# Timeline for Development of Draft Shared Work Plan



# Public Comment Period

- Helpful input and feedback from stakeholders
- Identification of potential partners and opportunities for coordinated action
- Further refinement of Initiatives with agency staff, alignment with existing efforts, value-add created by working together

# Shared Work Plan Goals

## Identify

Identify actions that advance high priority shared climate goals in 1-5 years and accelerate cross-agency alignment

## Commit

Commit to devoting appropriate staff time and resources in Fiscal Year 22-23

## Prioritize

Prioritize social equity, justice, and inclusion across projects

## Develop

Develop a coordinated technical assistance program to support local action and innovation

## Evaluate

Evaluate and monitor Initiative progress through appropriate metrics



### Joint Resolution to Address Climate Change September 17, 2021

**WHEREAS**, according to the recent United Nations Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), catastrophic climate change impacts, including extreme droughts, severe heat waves and flooding, will continue to worsen for at least the next 30 years across the globe, while global sea levels will continue to rise at least for centuries<sup>1</sup>; and

**WHEREAS**, the increasingly frequent and severe impacts of climate change in the Bay Area do not conform to jurisdictional boundaries or the planning and regulatory authorities of any one agency or organization, and are creating overlapping risks to public health and safety that necessitate an integrated approach to air pollution mitigation and climate resilience; and

**WHEREAS**, scientific estimates project that California could experience as much as seven feet of sea level rise by the end of the century<sup>2</sup>, with the San Francisco Bay estimated to experience two-thirds of the flood impacts projected for the state<sup>3</sup>; and

**WHEREAS**, increasingly frequent and severe wildfires are creating air quality impacts that represent a public health crisis for Bay Area residents, while undermining progress on reducing greenhouse gas emissions. In 2020, wildfires released an estimated 112 million metric tons of CO<sub>2</sub> into the atmosphere<sup>4</sup>; and

**WHEREAS**, warming temperatures and prolonged drought increasingly stress the Bay's estuarine ecosystem and the ecological processes that it supports, while threatening the water supplies of communities around the region and throughout the state; and

**WHEREAS**, the Bay Area region's most socioeconomically vulnerable frontline communities are at great risk of exposure to climate threats and have limited access to the resources needed to reduce risks and increase the resilience necessary to recover from disasters; and

**WHEREAS**, by practicing an advanced form of coordination and strategic integration across the planning, investments, and regulatory activities of its member agencies, BARC aims to measurably and equitably improve the resilience, adaptive capacity,

<sup>1</sup> Intergovernmental Panel on Climate Change. (2021, August). *Climate Change 2021: Summary for Policymakers*. [https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_SPM.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM.pdf)

<sup>2</sup> California Legislative Analyst's office. (2020, August). *What Threat Does Sea-Level Rise Pose to California?*

[https://lao.ca.gov/Publications/Report/4261#California\\_Will\\_Experience\\_Rising\\_Seas\\_and\\_Tides](https://lao.ca.gov/Publications/Report/4261#California_Will_Experience_Rising_Seas_and_Tides)  
<sup>3</sup> Barnard, P.L., Erikson, L.H., Foxgrover, A.C. *et al.* Dynamic flood modeling essential to assess the coastal impacts of climate change. *Sci Rep* 9, 4309 (2019). <https://doi.org/10.1038/s41598-019-40742-z>

<sup>4</sup> California Air Resources Board. (2021). *Frequently Asked Questions: Wildfire Emissions*. <https://ww2.arb.ca.gov/resources/documents/frequently-asked-questions-wildfire-emission>

# Initiatives Evaluation Criteria

## Effectiveness & Impact



- Is it ambitious enough to meet regional goals and the climate emergency?
- Does the initiative support alignment of related activities across multiple agencies to deliver a stronger outcome?
- Is there value-add in this being tackled at the regional level?

## Enthusiasm & Consensus



- How much interest do BARC member agencies demonstrate for this initiative?

## Feasibility & Capacity



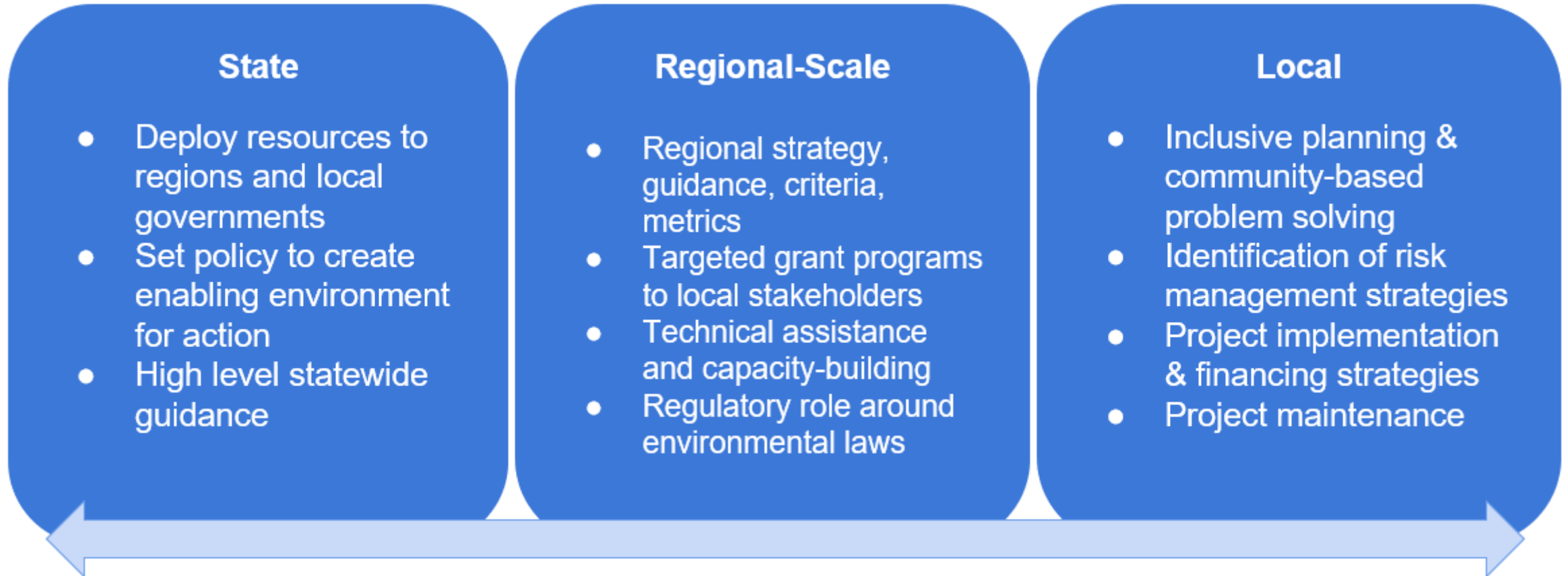
- How realistic is it to implement in the next 1-5 years?
- Do the lead and partner agencies have the resources to deliver?  
If not, can BARC help identify and secure needed resources?

## Positive Equity Outcome



- How does the initiative measurably improve quality of life outcomes for black, indigenous, people of color (BIPOC) and frontline communities, and advance fair and inclusive processes?

# Key Question: *What is the optimal role regional agencies can play?*





# Shared Work Plan Initiatives




## Climate Adaption

1. **Regional Adaptation Plan**
2. **Regional Technical Assistance**



## GHG Reduction

3. **Zero Emission Transit Bus Infrastructure**
-  **Low-Carbon, High-Equity Neighborhoods**

# Climate Adaptation Initiatives

**1** **Regional  
Adaptation  
Plan**

**Develop a Regional Multi-Hazard  
Adaptation Plan**

**2** **Regional  
Technical  
Assistance**

**Establish a regional technical assistance  
program to support local governments in  
advancing shared approach to adaptation  
planning and project implementation**

# Initiative 1: Regional Multi-Hazard Adaptation Plan

**Challenge Statement:** The Bay Area faces increasing risks from climate hazards including sea-level rise, coastal and inland flooding, extreme heat, drought, and wildfires. The current lack of standardized and coordinated adaptation approaches across the region creates individualized local actions and disjointed approaches to managing risk. This environment also creates competition for funding and disparate resilience preparedness throughout the Bay, often leaving those most at risk at a further disadvantage.

# Initiative 1: Regional Multi-Hazard Adaptation Plan

**Description:** *Work with partners and stakeholders to develop a Regional Multi-Hazard Adaptation Plan that supports the deployment of effective risk management strategies and equitable, multi-benefit climate adaptation projects at the appropriate geographic scale across the San Francisco Bay Area.*

## Goals:

- Establish an engagement process by which stakeholders will work together to develop a Regional Multi-Hazard Adaptation Plan that supports strong coordination among regional agencies, counties, cities, special districts and community leaders
- Outline and understand the distinct role(s) of regional agencies and those of other levels of government in managing different climate hazards such as drought, heat, wildfire, sea level rise and flooding, as well as any potential interaction with seismic vulnerability.

## Initiative 2: Regional Technical Assistance

**Challenge Statement:** Local governments have different levels of capacity and resources available to conduct adaptation planning and develop risk management strategies — especially those at the frontlines of risk and most in need of early interventions.

## Initiative 2: Regional Climate Adaptation Technical Assistance

**Description:** *Work with partners and stakeholders to develop a regional climate adaptation technical assistance program to support local adaptation planning and project implementation.*

### Goals:

- Clarify who is in charge of different aspects of climate adaptation at different scales.
- Develop a clearinghouse or “storefront” of adaptation data, standards, and guidance
- Develop easy-to-access technical assistance for local governments and community-based organizations.

## GHG Reduction: Potential Initiatives

### 3 Zero Emission Transit Bus Infrastructure

**Accelerate Zero-Emission Transit Bus (ZEB) deployment by supporting coordinated expansion of infrastructure and modernized facilities across the region. Position the region to capture significant federal and state funds to do so.**



### Low-Carbon, High-Equity Neighborhoods

**Align different but interrelated agency programs to develop a more holistic approach to fostering affordable, healthy, zero-emission neighborhoods.**

## Initiative 3: Zero Emission Transit Bus Infrastructure

**Challenge Statement:** The California Air Resources Board's Innovative Clean Transit Rule requires 25% of large operators' bus purchases be zero-emission by 2023, and 100% by 2029.

Coordination among stakeholders (including equipment manufacturers and utilities) is essential to creating a robust charging infrastructure to support the expansion of electric bus fleets and potentially other municipal vehicles.



## Initiative 3: Zero Emission Transit Bus Infrastructure

**Description:** *Accelerate Zero-Emission Transit Bus (ZEB) deployment by supporting coordinated expansion of reliable charging infrastructure across the Bay Area region.*

### Goals:

- Enhance MTC-led Bay Area Transit Zero-Emission Transition Strategy
- ZEB charging infrastructure capacity increased to support new power demands
- Simplified grantmaking across agencies to support shared outcomes
- Help align city and transit operators' efforts to scale up ZEB
- Establish relationships between regional agencies, operators, manufacturers, and energy utilities to meet the new power demand.

 **Exploratory Area:**  
**Low-Carbon, High-Equity Neighborhoods**

Align different but interrelated agency programs to develop a more holistic approach to fostering affordable, healthy, zero-emission neighborhoods. These programs include those supporting affordable housing development, building decarbonization, electric vehicle charging, active transportation, single occupancy vehicle trip reduction, commuter benefits and climate resilience.

# Next Steps

To bring forward to the BARC Governing Board at the September 16, 2022 meeting:

- Identification of work groups for each Initiative (year one)
- Detailed scope of work for each Initiative
- Outline of engagement strategy for each Initiative, developed in partnership with stakeholders

[barc.ca.gov](http://barc.ca.gov)