



PUBLIC SECTOR

California Resources Agency

California Bay-Delta Authority
Current ('As is') Assessment

December 30, 2005

ADVISORY



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Mike Chrisman, Secretary for Resources
The Resources Agency
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Dear Secretary Chrisman:

KPMG is pleased to submit to the Resources Agency the California Bay Delta Authority (CBDA) the Current ('As Is') Assessment Report. This document presents KPMG's analysis of current key business processes and organization structure. The analysis is organized around specific business processes, including contracts, program planning, financial tracking (state budgeting and CALFED crosscut budgeting), PSP/grants, communications/annual reporting, project management and monitoring, and the Science Program. We include process descriptions, current process flow diagrams as well as current issues and future considerations.

We wish to extend our appreciation to the CBDA management and staff personnel that participated in this process. Thanks to their input, we believe that this analysis will provide a strong foundation for developing future recommendations for business processes and organization improvement. If you have any questions or require further information, please contact me at (916) 554-1158.

Sincerely,
KPMG LLP

Robert T. O'Neill

Principal

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1. Executive Summary

Background

The California Bay-Delta Authority Act of 2003 (Act) assigned the California Bay-Delta Authority (CBDA) the responsibility for overseeing the implementation of the CALFED Bay-Delta Program (CALFED) for the 25 state and federal agencies working cooperatively to improve the quality and reliability of California's water supplies while restoring the Bay-Delta ecosystem. The Act established the CBDA as the new governance structure and charged it with providing accountability, ensuring balanced implementation, tracking and assessing Program progress, using sound science, assuring public involvement and outreach, and coordinating and integrating related government programs.

The goal of the CBDA is to use leading business and government practices to coordinate and direct the implementation of the CALFED Program.

The Governor's May Budget Revision for the fiscal year 2005-2006 called for an independent program review of the CALFED Program and charged, the Secretary for Resources with the responsibility for leading the project. The independent program review would be a cooperative effort between the Little Hoover Commission (LHC), Department of Finance (DOF), and an independent third party.

In August of 2005, KPMG LLP was selected, via a competitive bid process, to conduct a portion of the independent program review requested by the Governor of California.

A key part of KPMG's independent program review was to assess the key business processes and organizational structure of the CALFED program and CBDA. The purpose of this

assessment was to understand and document the way in which work is accomplished within CBDA. Specifically, the analysis sought to understand the sequencing of process activities and the role and responsibilities of various internal and external participants, throughout a process flow. To this end, KPMG relied primarily on conducting structured interviews with both CBDA process owners as well as process ‘customers’ (e.g. program managers and implementing agencies that benefit or are impacted by a particular process).

The following key business processes were reviewed:

- **Contracts** – this business process includes contract pre-planning, funds reservation, development, and signature/distribution.
- **Program Planning** – this entails annual development of required detailed planning documentation, by program element. CBDA staff coordinates activities. Final program plans are submitted for Authority approval and ultimately posted to the CBDA web site.
- **Financial Tracking** – this includes the state budgeting and CALFED crosscut budgeting processes. The state budgeting process includes review of budget change proposals (BCPs), coordinated by CBDA staff, culminating in submittal of annual CBDA proposed budget allocations to the CA Department of Finance. The CALFED (i.e., crosscut) budget presents the prior-year, current-year and upcoming budget-year financial amounts from all implementing agencies, in conformance with Record of Decision (ROD) requirements. In addition, financial tracking keeps fiscal records from the time the ROD was signed, in early 2000.
- **Grants and Proposal Solicitation** – the review was centered on the development and issuance of Ecosystem Restoration Program (ERP) and Science Program grants.
- **Communications and Annual Reporting** – the Annual Report presents an overall statement of progress and accomplishments, and also highlights progress by program and region.

A high-level review of information technology (IT) was performed to gauge the proficiency of IT in serving the business needs of the CBDA and CALFED community. This review is documented within Section 2.6 – Comments on Technology.

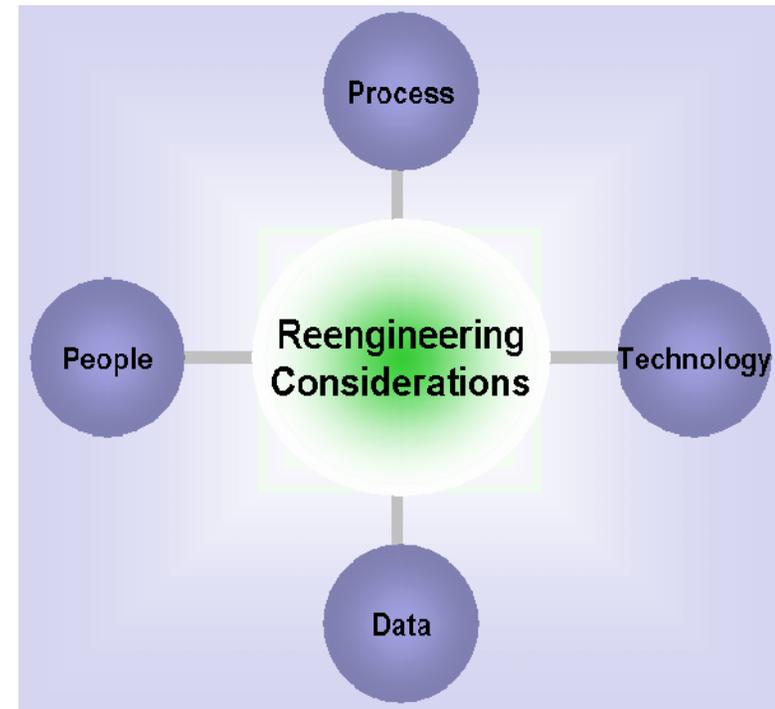
The intended audience for this document is CBDA executive management and Resources Secretary, Mike Chrisman. Once finalized, we anticipate that the report will be shared with participating stakeholders.

Summary Observations

The analysis identified issues and considerations that are specific to each key business process. They are documented in the body of this report by process. In addition, a broader set of themes and corresponding considerations were identified and are organized around the following groups – people, process, data, and technology:

- **People – Strengthen Performance-Based Program Management:** The current CBDA organization is in the

early stages of operation. Many staff are relatively new and in a learning curve. Operating policies, procedures, and performance metrics remain unclear. Under the guidance of a new policy group (the Executive Leadership Council),



CALFED implementing agencies, and the CBDA must coordinate and establish standard performance-based

business processes and program management methods. The implications are many, and include a revised focus in strategic planning, science, communication and reporting, data management, performance measurement and tracking. Initial and ongoing training of CBDA staff and implementing agency personnel will be critical to the success of a re-structured CBDA.

▪ ***Process – Streamline to focus on ‘Value-Add’:***

Consideration should be given to continuous improvement of CBDA business processes, data collection and management, and reporting of decision-useful information, especially performance and financial reporting. There appear to be opportunities to collaborate much of the data collection and reporting efforts, reducing administrative burdens while increasing the value of information reported.

▪ ***Data – Build CALFED Corporate Data Repository:***

CBDA should be viewed as a central clearinghouse of CALFED business and scientific information.

Consideration should be given to increasing CBDA’s value

through the use of computer technology including data warehousing of business and scientific data and sharing and reporting this information through a secure Internet. Central data management and reporting will fortify CBDA’s importance to implementing agencies, regional stakeholders, the legislature and congress, and the general public. It will also help improve process efficiency and effectiveness.

▪ ***Technology – Move Technology Use from Support to Strategic Role:***

In the current environment, computer technology supports basic tasks (word processing, spreadsheets, e-mail, distribution lists, etc.). There are a few business applications and databases in place, however they are administered by local program managers and are not utilized through out the CBDA and implementing agencies. Computer technology should be leveraged in support of strategic business functions including project management, science, centralized data and document

management, financial and performance tracking, and reporting.

It is worth noting that external stakeholders have corroborated areas for consideration as detailed in this report. These include the need for a CALFED communication plan, strengthening the approach to progress and performance measurement, and implementing a common program management framework (see Interview and Survey Findings Report, dated September 30, 2005).

2. Current Business Processes

2.1. Contracts

The purpose of the Contracts/Service Agreement (Contracts) process within CBDA is to oversee the creation of a contract package to support CBDA’s resource needs for the ERP, Water Management, Science and Oversight, and Coordination/Executive staff programs. The CBDA Contracts Unit, within the Administration Division, administers the process and provides quality review, across all functional aspects of the process. This includes reviews, approvals, and ultimately signature and distribution of the executed contract. The Administrative Officers (AO’s) within the CBDA programs, together with CBDA program managers, are primarily responsible for creating the contract package and addressing issues throughout the contract development process.

The goal is to administer the process to conform to applicable state guidelines and CBDA procedures. As indicated in the process profile figure shown here, the primary customers are

‘As Is’ Business Process Profile

Contracts

Responsibility: *Administration-Contracts Unit*

Customers: *CBDA Program Managers, CALFED Implementing Agencies, Contractors*

Types of Contracts: *10 categories, many varieties.*

Volume per year: *Approximately 300 contracts currently in place. 120 Non-competitive bid (NCB) contracts alone.*

Avg. Elapsed Time: *2 weeks to 12 or more weeks depending on type of contract, issues.*

Number of Handoffs: *Est. 20+ per contract*

Number of Review Points: *Est. 14 per contract*

Automation support: *Desktop tools, newly implemented database tracking system.*

the program managers, CALFED implementing agencies, and contractors. Generally, the process is characterized, as paper-intensive with some automation support (a database tracking system has recently been implemented and all contract documents are maintained on a server accessible to Program and Contract Unit staff). Currently, as is typical of most state agencies, there are many paper handoffs and review/approval points as well as revision cycles.

Process complexity is driven by the rules contained in the State Contracting Manual and in part by the wide variety of contract types. For example, contract types may include:

- **Request for Proposal:** Used to obtain consultants to support Programs.
- **Non-Competitive Bid (NCB):** Used for unique specialized consultants.
- **Special Category Request – Non-Competitive Bid:** Used with multi-year type bids to obtain several consultants for a specialized type of service.
- **Federal Contracts where Contracts are Initiated as a Federal Entity:** Managed by Bureau of Reclamation (BOR) for Science, ERP, and Water Management.
- **Payable Public Entities:** Other agencies of federal government, county or local governments, Joint Power Authorities or UC universities.
- **Payable Interagency Agreements:** State to state (includes California State University system).
- **Contracts with Universities:** Usually private universities and federal government (for studies, research, etc.)
- **Non-Profits:** CBDA has exemption for these services.
- **Grants:** Research grant supporting the Ecosystem Restoration and Science Program for example.

- **Federal Reimbursable Contracts:** Contract with a party using federal funds.
- **State Reimbursable Contracts:** Contract with a party using state funds.
- **Reimbursable Authority Issues:** CBDA is required to have sufficient fiscal authority to receive the funds for the service they will be providing – such as Proposition 13 reimbursable authority from DWR.
- **Inter Personnel Agreements:** Contract for Personnel (federal also), for agencies.
- **Inter-jurisdictional Employee Exchange Program:** These are similar to IPA, for public agencies.

The flow of process activities is presented in Figure 2.1.1 at the end of this section. The four major sub-processes within the contracts process are Pre-Planning, Funds Reservation, Contract Development, and the Contract Signature Process.

In the initial stages of Pre-Planning and Funds Reservation, the Program is largely responsible for initiating the process by developing a work plan, identifying projects, and conducting the contract planning with the Contracts Unit and CBDA legal unit. In cases of competitive bids, a separate sub-process is applied that includes assembling the bid package, legal reviews, and various bid management activities (as noted in the figure, the competitive bidding sub-process is not included within the KPMG current assessment). Upon completion of the pre-planning process, the program then submits the contract-funding request to CBDA Budgets for verification of available funding. If bidding is required, this step is completed prior to the bidding process. A budget analyst is assigned to perform the funding review and coordinate resolution of identified issues. Then the Contracts Unit issues a contract number and forwards the funding request for review by the Administration Deputy Director and Chief Deputy Director. Under the current process the scope of work and budget information are required

prior to contract routing, thus informational requirements occur very early in the process.

Contract Development begins when the Program assembles the contract package and the Contracts Unit assign a Contract Analyst. At this stage, the Contracts Unit and the Program begin to interface regularly, as there may be iterations of quality review by the Contracts Unit and contract revisions by the Program. Contract Unit coordination may also begin earlier in the process if Program needs assistance. Upon completion of this review and revision cycle, the package is forwarded to CBDA Legal for review.

The Contract Signature Sub-Processes may require a total of nine (9) major decision points, depending primarily on the total amount of funding request. As can be seen from the flow diagram, the STD-215 signatures include the Budget Officer for contracts up to \$500,000. For contracts exceeding \$500,000 (discretionary limit), an Authority resolution is also signed and

attached to the Std. 215. Final signatures involved in the STD 215 include signature by CBDA Legal, the Contractor as well as final review/signature by the CBDA Chief Deputy Director. If the contract exceeds \$50,000 the contract also requires Department of General Services (DGS) Office of Legal Services (OLS) review and approval. Executed contracts are then registered, by the Contracts Unit with DGS and, if necessary (greater than \$5,000), Department of Fair Housing. Final original and facsimile copies are distributed to multiple parties as shown.

Issues

Based on interviews and analysis, KPMG has identified the following process issues:

- ***New staff is in a learning curve and need training:***
Current staff within the Administration-Contracts Unit are relatively new and many of the Administrative Officers (AO) positions are temporary, including at least one staff member borrowed from another agency.

The contract process is very complicated and requires an understanding of state contracting procedure and a working knowledge of CALFED programs. In recent years, AO's were distributed to the program areas, within the CBDA. This was an attempt to strengthen an AO's program knowledge and better serve the administrative needs of the individual program areas. Based on discussions, this model has not been supported by formal procedures and training. Overall, the program areas have expressed frustration that the anticipated benefits of a distributed administrative team have not been fully realized.

- ***Inadequate communication and lack of 'team' spirit between administrative and program staff:*** Though the efforts to distribute administrative personnel to the program areas has improved, greater communication between program managers and administrative management and personnel must be achieved to realize a more efficient contracting system .
- ***Contract procedures are drafted, but more work needs to be done:*** The recent action to include DWR contract expertise in an operational as well as a review capacity is a strong step forward in identifying areas for improvement. This will take significant time to complete, but current CBDA staff should be able to complete the work begun and will need to refine the procedures to fit CBDA's specific contracting needs. The existing CBDA contract procedures document should undergo further refinements to more clearly define procedural steps by contract type and program. For example, the current document does not clearly demonstrate how to assemble the contract components into a complete contract. A standardized procedural checklist, by contract type or program, does not yet exist though is in the planning stages.
- ***The contracts process is perceived as slow and tracking inefficient:*** Management and program personnel have noted concerns regarding lost or

misplaced contract documents and frustration in managing basic tracking information. KPMG notes multiple review points and paper handoffs throughout the contracts lifecycle that may also be contributing to slower process cycle time and risk of misplaced documents. There is uncertainty regarding the number of contracts returned by DGS. This is problematic because DGS review occurs at the very end of the process, which can result in rework. The recent implementation of a computer database (MS Access) for tracking contracts throughout the process is a strong step forward. Future capabilities of this system have been informally discussed; however any future plans have not been put in place. It should be noted that the ERP program has also implemented a database for tracking contracts, PSP/grants, and projects. Although a comparative examination of these two systems was not performed, it does appear there may be duplicate functionality between these two systems. Future

technology enhancements should be evaluated against an overall CBDA information technology strategic plan to define a complete set of contract tracking requirements and identify opportunities to more closely align these two systems.

- ***Accountability and Quality Control steps are unclear:*** The delegation of responsibilities is not clear for contract initiation, tracking, workflow management, and contract completion. It is unclear who has full accountability for each specific contract throughout its lifecycle. The method for quality control is also not clear or documented.
- ***Process is currently paper driven via “golden rod” and other forms.*** The Contracts Unit is using multiple spreadsheets to manage the process. The Contract Signature Sub-Process is very cumbersome, with nine (9) major decision points. Overall, there are multiple review/approval points and therefore there may be opportunities to simplify review points.

- ***Pursuit of legislative efficiencies including Master Service Agreements:*** Nearly seventy-five percent of the CBDA contract needs are for professional services in the environmental or engineering fields. Currently these needs are satisfied through two contracts that serve as "master agreements" from which the CBDA acquires needed services. These agreements provide the flexibility and timeliness that are needed by the program managers and thus are relied upon heavily by the organization. However, the DGS' review of the California Bay-Delta Authority's (CBDA's) administration of these two large contracts has highlighted various issues and concerns that warrant immediate attention. In addition, the Science Program has recently begun work on a large number of grant and science expert contracts. The science expert contracts are executed in an expeditious manner as a result of a Special Category Non-competitive request and approval of AB 466, which exempts delta fisheries related

contracts. Additional legislative efficiencies are being discussed. In addition, templates are being utilized to contract with the science panel members.

Considerations

Based on the analyses as outlined above, KPMG has identified the following improvement opportunities that merit consideration. These will be further refined in subsequent analysis of future recommendations:

- ***Policies and Procedures:*** Finalizing policies and procedures will help in clarifying accountability, quality control, and compliance for each contracts process.
- ***Training:*** Contracts personnel and program administrative staff should be trained in (a) state contracts procedure, (b) CBDA specific contract processes, and (c) baseline training of each CALFED program.

- **Expand Tracking Database to Programs:** Further rollout of the existing tracking database to allow controlled access by program management personnel should help improve communication and ‘awareness’ of contract status. Program AO’s will also benefit from “seeing” the complete contract process. The tracking database should also allow contracts staff to better track the elapsed time in accordance with documented timelines and improving the process where needed.
- **Process Streamlining:** The current process includes a high number of paper handoffs and review points. Streamline efforts should be focused on simplifying the flow of information and reducing paper handoffs where possible. Consideration should be given to implementing electronic routing of contracts throughout CBDA and electronic approvals of these contracts.
- **Legislative Efficiency, including pursuit of Master Services Agreements:** CBDA should continue to pursue regulations that provide efficiencies. CALFED and

CBDA have sought legislative changes (e.g., AB466) and should continue to do so in the contracts area.

Some considerations include the following:

- ✓ Category exemption for contracts for highly trained specialist through the Science Program
 - ✓ Adoption of online issuance of contract vehicles (e.g., RFP’s) and online receipt of vendor responses
 - ✓ Use of electronic routing and electronic signatures
 - ✓ Exploration of master agreements
 - ✓ Explore exceptions for repeat or multiple contracts when contracting with same party.
- **Realignment of Resources:** There does not appear to be any standard structure for contract support offered by Program Control and Administrative Offices. It is recommended that the function of assisting with

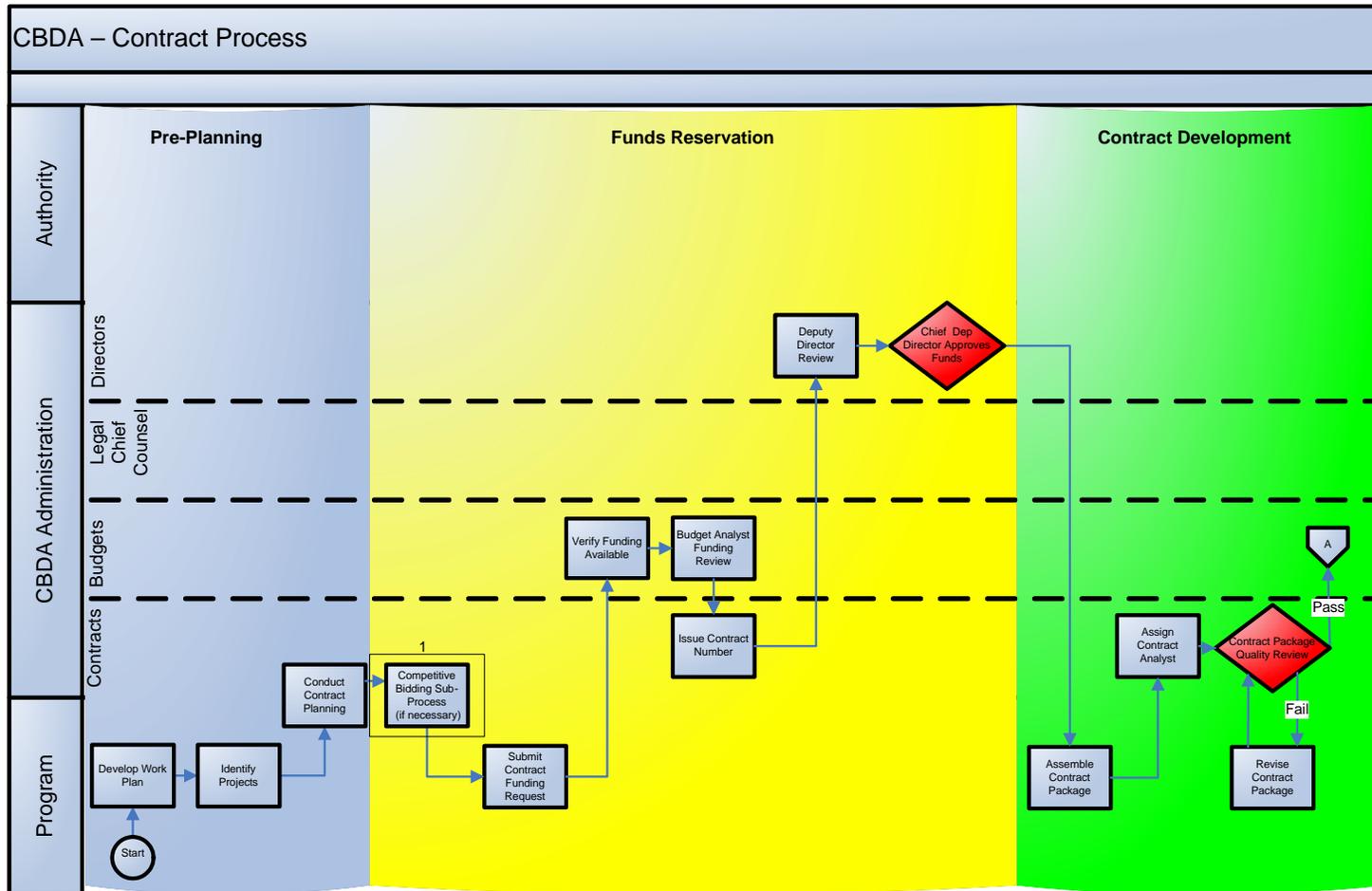
preparation of bid packages and finalizing contract documents be consolidated within Contract and Purchasing Office of the Administration Division. This would allow for more efficient use of limited resources. Those staff with a greater level of experience and training could assist less experienced staff with their reviews and help ensure a completed work product. Finally, consideration should be given to utilizing a common and consistent civil service classification for employees who perform contract analysts' duties within this office. In addition, these employees should pursue Contract Administration certification provided by DGS.

- ***Establish Performance Measures for the Contract***

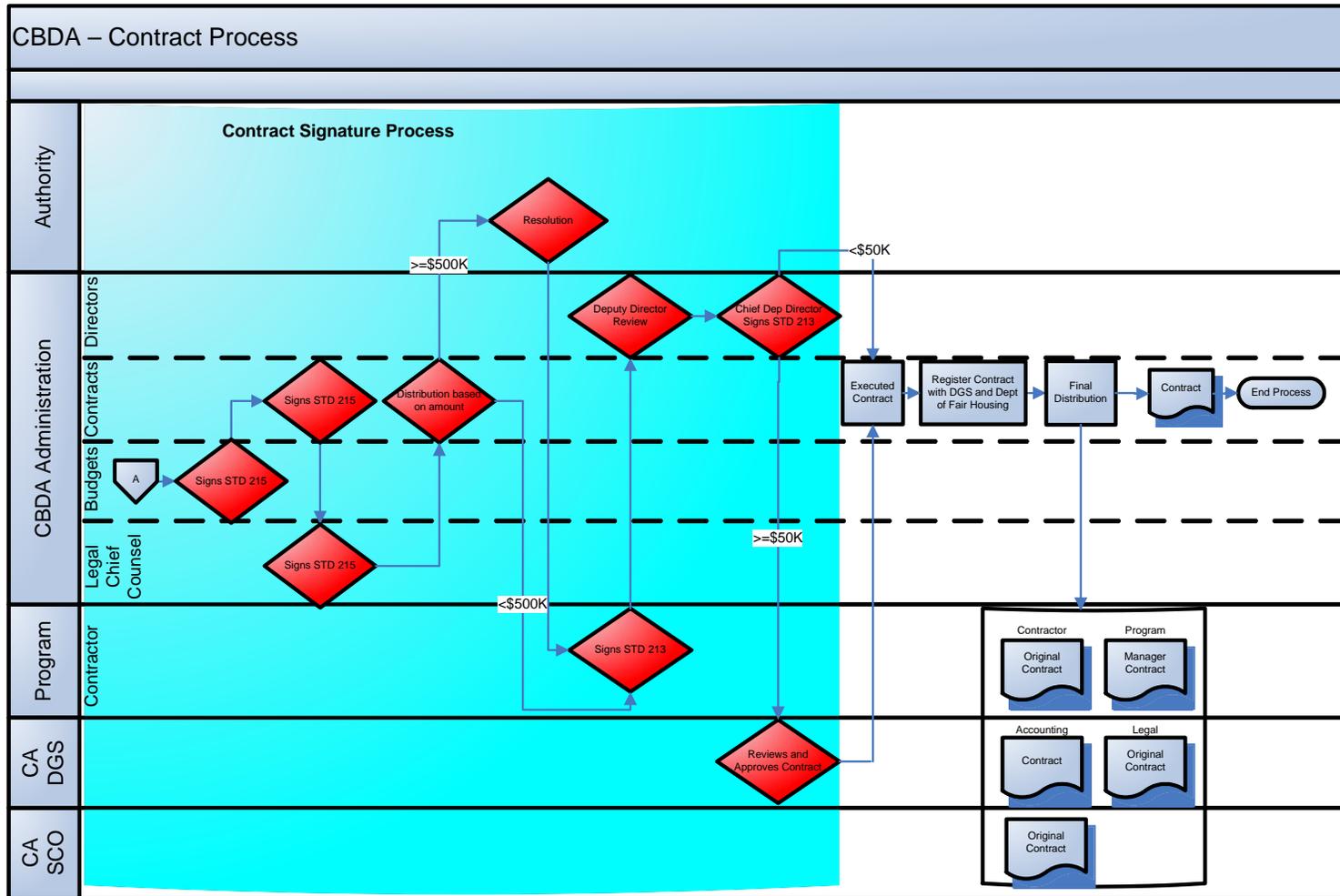
Process: It is recommended that the Administration Division establish a program where line divisions enter contract-processing time for each of their contracts. This would allow an accurate measure of the total time for processing a contract to be captured in a centralized system and data later evaluated. In addition, periodic

customer service surveys should be conducted to provide necessary data to measure user satisfaction and highlight areas that warrant corrective action.

Figure 2.1.1 – Contract Process



Notes:
1 – Competitive Bidding Sub-process includes (A) assembling the bid package, (B) legal review, and (C) bid management activities.



2.2. Program Planning

The purpose of the program planning process is to develop and publish the annual Multi-Year Program Plan document for each of the eleven (11) program elements, as defined in the CALFED Record of Decision (ROD). This is an annual process, the bulk of which spans 6 months (January through June). The intent of the Program Plan document is to describe accomplishments to date, present actions planned for the current year and next three years, identify anticipated problems and mitigating actions, and describe cross-program integration and balance. Accordingly, these documents contain a significant quantity of detailed information, presented in a variety of formats (narrative, tabular, and graphic form).

As outlined in the accompanying process profile figure, individual Program Plan documents are the primary responsibility of the implementing agencies. Specifically, agency program managers are responsible for developing document versions and addressing issues as they arise during

the review process. CBDA staff currently serves a coordination role.

'As Is' Business Process Profile

Program Planning

Responsibility: *Implementing Agencies author plan, CBDA coordinates and provides quality review.*

Customers: *Plan reports are formally delivered to Authority for review/approval. Other informal customers include Public, stakeholders, Public Advisory Committee, and Legislature.*

Types of Program Plans: *1 for each of 11 program elements, per ROD.*

Volume per year: *11 plans X 4 formal submittals X 2-10 interim versions = 88+ document versions.*

Avg. Elapsed Time: *Jan – June, annually.*

Number of Handoffs: *est. 25 minimum, per document.*

Number of Reviews: *est. 14 minimum, per document.*

The flow of the Program Planning process activities is presented in Figure 2.2.1 at the end of this section. The diagram outlines the general sequence of activities for an individual Program Plan (each of 11 formal Program Plans would undergo this sequence of activities, however at different rates of progress depending on myriad factors). The diagram also highlights process participants ('who' perform the activity as denoted by the horizontal 'swim' lanes). KPMG has identified the following general process observations and strengths:

- **Coordination/Collaboration Efforts:** Implementing agencies 'own' the planning document and accordingly are responsible for developing document versions throughout the process. As depicted in the diagram, this very much relies on the coordination and quality review of CBDA staff (policy/finance and program management personnel). CBDA coordination includes:
 - ✓ Setting the schedule of activities and expectations;

- ✓ Follow-up to ensure that activities progress according to schedule;
 - ✓ Technical review of Program Plans and assistance in identifying and mitigating issues;
 - ✓ General content 'red flag' review to help improve document quality;
 - ✓ Development of the formal staff report that accompanies the Program Plans during Authority review/approval; and
 - ✓ In cases of conflict (e.g., differing views in presenting progress, accomplishments, etc.) CBDA staff assists in identifying alternative approaches and suggested areas of compromise.
- **Standardization Efforts:** The Authority has approved a general set of Program Plan approval criteria (last revised August 13, 2004). These criteria serve as a useful guidepost to agencies in understanding content expectations. Building from this, CBDA staff has taken additional steps to

standardize and streamline the process for developing the plans, to help ensure compliance with Authority criteria. This has included development and implementation of the following guiding documents:

- ✓ Program Plan Template, updated annually, defining content expected by section and to help improve consistency of plan content across all program elements;
- ✓ Program Planning Schedule, updated annually, outlining required submittal/review milestones; and
- ✓ Detailed Review Criteria Checklist which is completed and signed by program managers, as a quality control method, during final submission.

Issues

Based on interviews and analysis of this process, KPMG has identified the following process issues:

- ***Agencies Question the Value of the Plan and Can Resist the Process:*** Many agency representatives have expressed frustration with the process and question the value of the end product. Although a few agencies yield some benefit from utilizing the document to help guide program activities, the wider view appears to be that the document contains too much detail, the process is excessively long and intensive (more burden than benefit), and is not adequately integrated with the agencies internal planning processes.
- ***Authority Approval or Denial Has Limited Impact:*** To date, the Authority has disapproved four Program Plans. Once a plan is disapproved, it is not clear what consequence that will have in bringing about agency corrective action. This stems from the fact that

implementing agencies are viewed as largely autonomous entities with respect to planning and implementing the program plan. CBDA staff holds the belief that Authority disapproval ‘should’ trigger public and legislative scrutiny thus pressuring the implementing agency(ies) to apply corrective action. However, the Authority’s past practice – one of widespread approval of Program Plans– has somewhat diminished the perceived value of Authority approval and the planning process overall.

- ***The ‘Customer’ and Their Needs Are Unclear:***
Program Plans are submitted for Authority review and approval. The implicit customer of the Program Plan – those most directly impacted – is the public and the program stakeholders (agricultural and urban water agencies, environmental and other interest groups). The informational needs of these customers regarding the program status and direction should be unambiguous and clearly served by the planning document and

process. Further, the informational needs of other customers are likewise not clear. Once Program Plans are approved and finalized, the plans are posted to the CBDA website for public review. Although the ERP Program Plan is formally delivered to the US Department of the Interior, a formal customer has not been identified for the other plans.

- ***Plan Information Remains Difficult to Understand:***
As described in ‘strengths’ above, CBDA staff have made much progress in simplifying and standardizing the Program Plan document, across all programs. However, the information content is inherently detailed, and often specialized and scientific, and this poses a challenge in devising the best method to present this information in a report. This is especially apparent in the presentation of overall program accomplishments and targets – it is often difficult to determine the overall program performance based on the information provided. This issue is further complicated by the lack

of clear understanding as to 'whom' the customers are, what are their informational needs, and how the Program Plans are to be utilized.

- ***CBDA Staff Perceive Having Little or No Leverage In a Dispute.*** As presented in the process flow diagram and discussed above, CBDA staff contribute significantly in a coordination role throughout the plan development process. This includes technical and qualitative ('red flag') reviews of document versions. These reviews help to identify possible discrepancies, errors, or omissions. In coordinating necessary edits, however, the view is that CBDA input is perceived as a suggestion only. The agencies own the plan and ultimately decide on what changes, if any, they will apply.

Considerations

Based on the analyses as outlined above, KPMG has identified the following improvement opportunities that merit consideration. These will be further refined in subsequent analysis of future recommendations:

- ***Clearly Define the Customer and Their Needs:*** A formal communication plan should be developed that identifies and associates customers with CALFED programs and CBDA business processes. For each identified customer, an analysis should be performed to clearly define what information is needed, why, when, and in what form. Customers are those parties that are impacted by the programs (CALFED current or future projects) and business processes. Customers may include entities such as regional stakeholders (agricultural and urban water agencies and interest groups), the public, media, state and federal control agencies, state legislature, and the congress. The target customer(s) should also be identified for the Program

Planning business process. The informational needs of the target customer(s) impacted by the Program Planning process and planning documents should be clearly understood and documented. The communication plan should be a ‘living’ document; continually reviewed and revised.

■ ***Streamlining Planning around Regional Views:***

Consideration should be given to organizing and streamlining the planning process around a regional view. Working teams could be formed for individual initiatives within a region (organized around individual projects or groups of projects). These teams will comprise various state and federal agency representatives, with one implementing agency identified as the lead. These teams will be governed by an agreement that identifies the team charter, performance objectives, and management plan. The team will then work with the CBDA in updating the regional plan on an annual or other reporting cycle. The

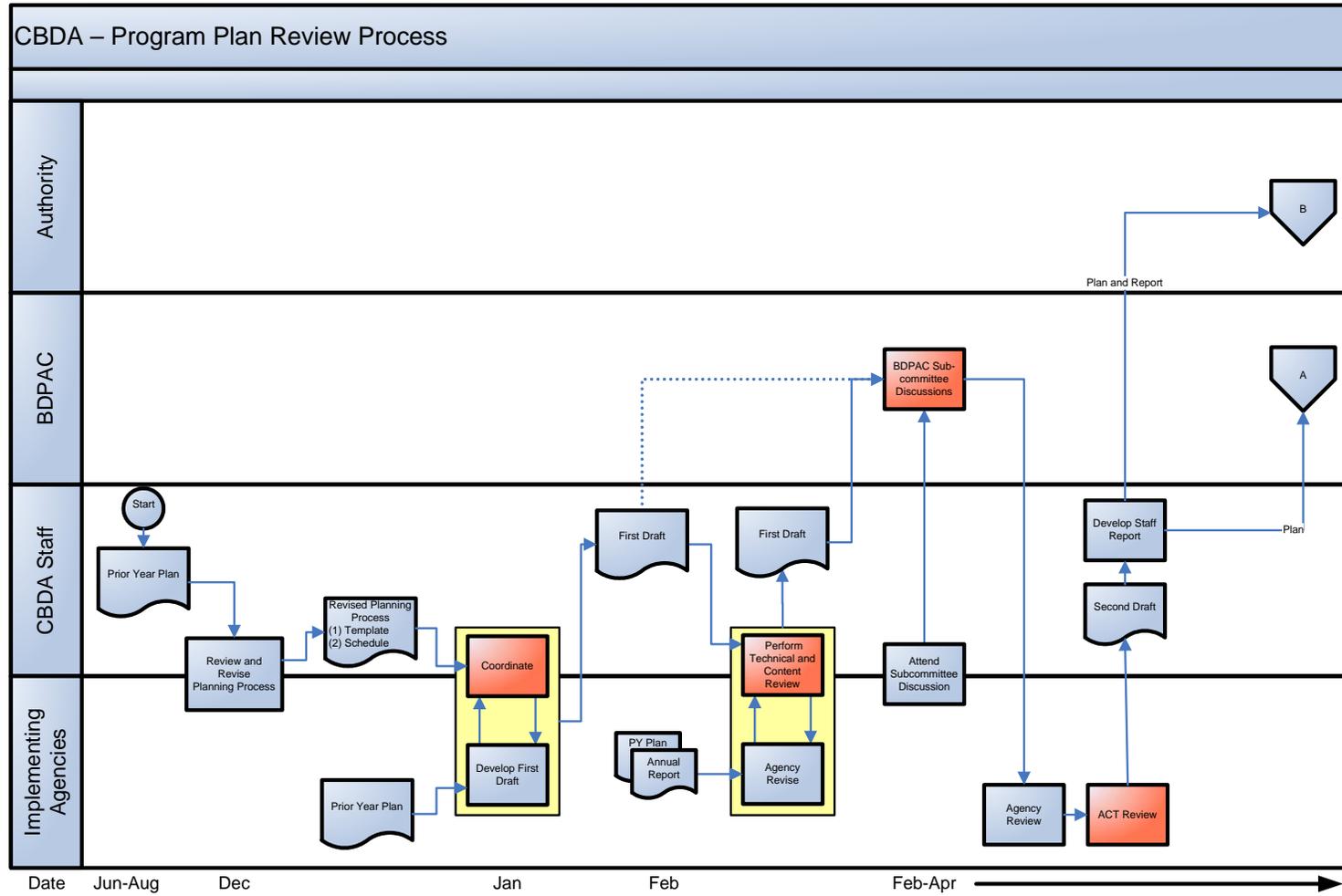
process to define working teams should be conducted in parallel with a collaborative process to prioritize CALFED projects. The CBDA will identify opportunities to better integrate the workgroup plans into a regional focus, associated with appropriate performance outcomes, and including a revamped financial planning component. The integrated regional planning process, reliant on performance targets set by science, will support a streamlined decision-making process. Finally, the CBDA will identify a planning process that ensures an appropriate level of public involvement, and ties the regional plans to the California State Water Plan (DWR Bulletin 160).

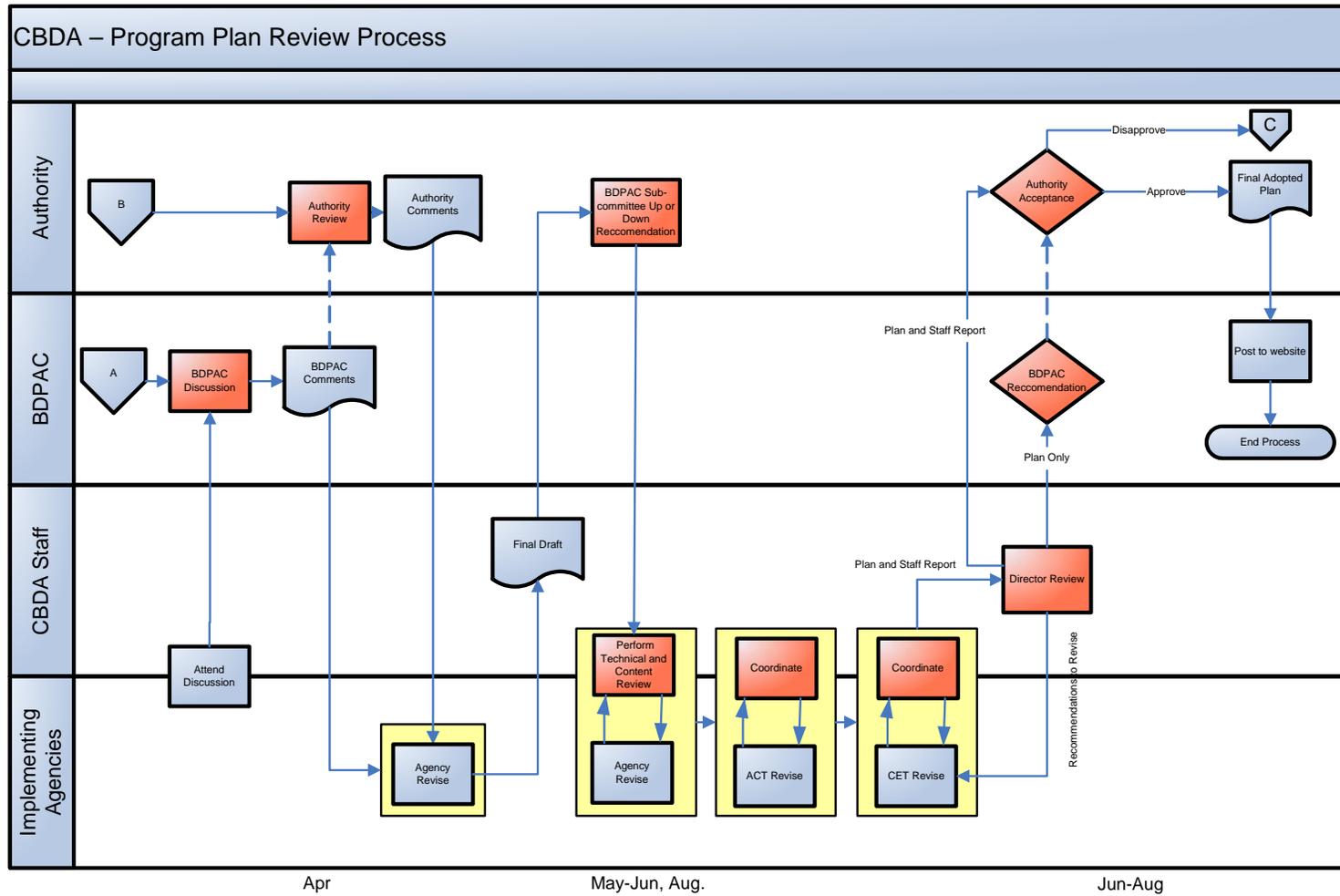
- ***Link to Communication Plan:*** The regional plans will be explicitly linked to the overall communication plan. This is to ensure that required information is distributed, in the appropriate form, to specific customers during planning and implementation processes.

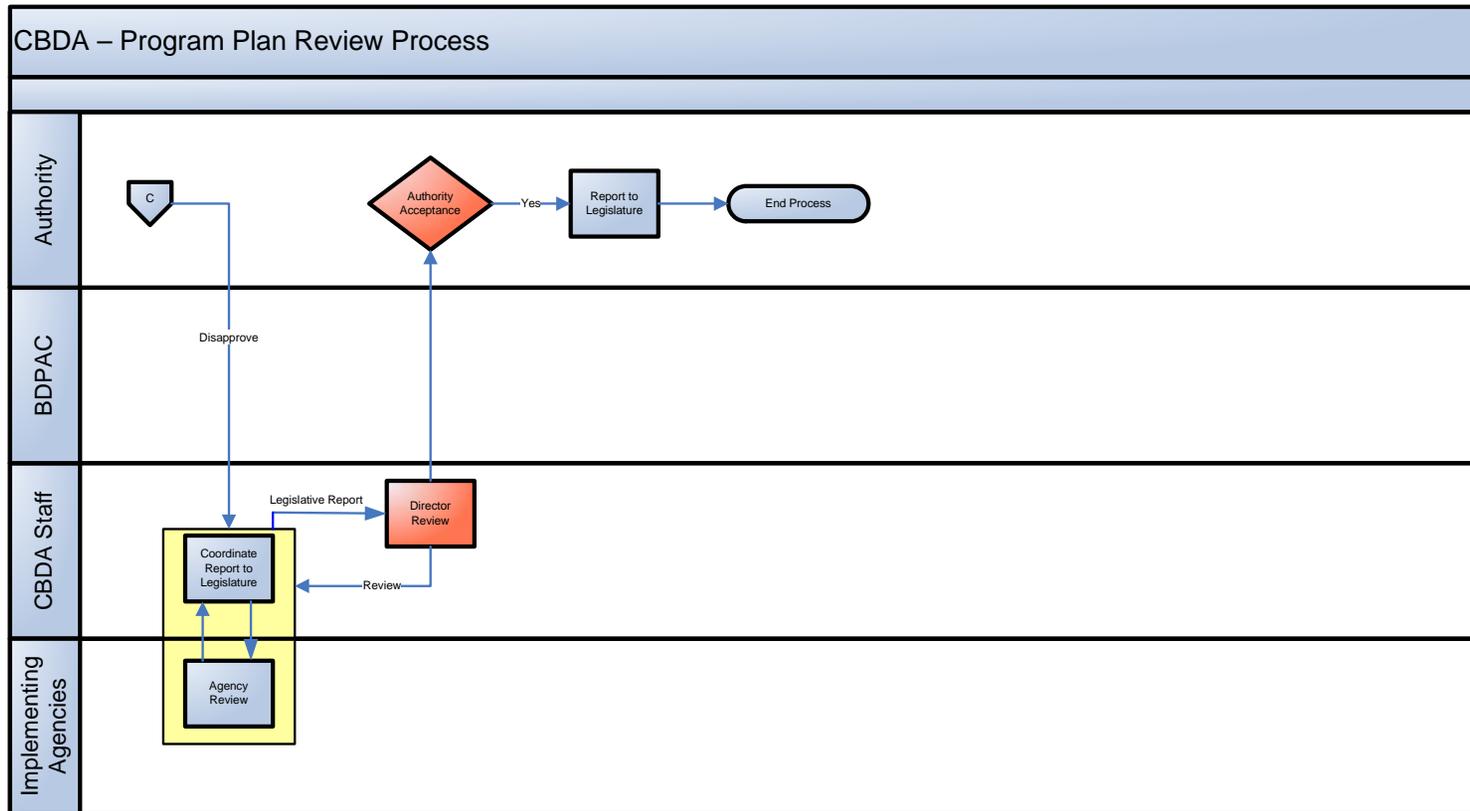
- **Leverage Data Sharing Technologies:** The current planning effort is hampered by manual effort. The ‘value’ brought to the process can be obscured by the sheer workload in collecting, consolidating and understanding the data inputs that are used in the planning process. Consideration should be given to implementing a central database to support efficient information gathering, sharing, analysis and reporting. (See Section 2.6 – Comments on Technology for further discussion). With proper use of data management tools, the planning process can be streamlined to enable the CBDA to better focus on performance measures and results by region and program, and help to mitigate issues and risks. The required annual reporting of status to federal and state bodies could be delivered through an electronic extract of this information via the web. Additional staff effort to extract this information, then build and print a

separate document could be eliminated, allowing time to focus on key business activities.

Figure 2.2.1 – Program Plan Review Process







2.3. Financial Tracking

CBDA performs several functions related to planning and tracking CALFED financial resources. For the purposes of this analysis, KPMG documented the current process flow related to the state budgeting and CALFED crosscut budgeting activities. These processes are described below.

It is important to note that the recent CALFED Bay-Delta Program Finance Plan document (dated January, 2005), was developed to establish an initial framework for guiding financing over the next 10 years; updating this plan has not, to date, been established as a formal recurring function and therefore is not included in this ‘as is’ assessment. Maintaining this plan is considered a future opportunity, as described in the ‘considerations’ discussion below.

State Budgeting Process

CBDA is responsible for preparing and submitting to the Department of Finance an annual CALFED state proposed budget in accordance with state budgeting requirements. The current business process for consolidating the annual CALFED state budget amounts is portrayed in Figure 2.3.1. Overall, this process reflects the state’s incremental budgeting approach, wherein current departmental level funding is used as a base amount and is adjusted through a formal budget change proposal (BCP) process. As shown, the process involves the following stages:

- ✓ Document the Funding Need: The need is identified by the program manager and is documented, by program, in the Budget Change Concept paper. As shown, this document undergoes CBDA budget staff reviews and is revised as needed. The completed budget concept paper is ultimately reviewed and accepted or rejected by the CBDA

Director, before submission to the Resources Agency, by mid June, each year.

- ✓ Prepare and Submit the BCP Package: The Resources Agency returns concept documents in July with review comments/revision and BCP direction. CBDA BCP's are then prepared and submitted to the Resources Agency by mid August for review. Any necessary revisions are applied before final submission to the Department of Finance in September. Policy issues, if any, are elevated to the Governor's office for resolution.
- ✓ Develop Consolidated CBDA Budget: Accepted BCP's are applied to the current year budget to develop the proposed new CBDA budget for the upcoming year.
- ✓ Report Final Budget to Department of Finance: The proposed CBDA budget is reported to the Department of Finance for inclusion in the

Governor's budget submission to the Legislature by January 10, of each year.

Based on KPMG discussions and review, CBDA's business processes for administering BCP's and developing the annual state budget appears to comport with standard state procedures. Based on our high-level review, no material issues or considerations were identified.

CALFED Crosscut Budgeting Process

CBDA, in coordination with the CALFED implementing agencies, is responsible for carrying out the financial tracking obligations as defined in the California Water Code sections 79400, et seq., and further prescribed in the August 2000 CALFED Record of Decision (ROD) and Implementation Memorandum of Understanding (amended and restated, September 2003). These directives include general procedures for reporting the annual CALFED crosscut budget. CALFED

agencies are required to provide funding information, in a timely fashion, for all programs and activities related to the CALFED program. The annual crosscut budget includes all programs and funding. The current business process is presented as Figure 2.3.2. As depicted, the process generally includes the following:

'As Is' Business Process Profile

Crosscut Budget

Responsibility: *Coordinated by Policy/Finance Unit*

Customers: *Public, Legislature*

Avg. Elapsed Time: *3 Months*

Number of Handoffs: *est. 18 per Agency*

Number of Decision Points: *3 reviews, 1 formal
DOF acceptance.*

Automation support: *Desktop tools, Microsoft
worksheet for tracking and data management*

- ✓ **Plan and Initiate Budget Activities:** CBDA Policy/Finance staff work with Department of Finance (DOF) in crosscut planning activities. A schedule of activities is agreed upon and issues identified and discussed. DOF distributes an e-mail to the implementing agencies, containing instructions and schedule.
- ✓ **Distribute Fiscal Tracking Extract:** CBDA Policy/Finance staff develop and distribute file extracts of the current fiscal information maintained in CBDA's Fiscal Tracking database (MS Excel worksheet), including Category A funding by fiscal year and task-level detail, going back to the ROD.
- ✓ **Coordinate Crosscut Development:** As can be seen in the figure, two tracks are applied. First, during the months spanning October through December 1st, CBDA staff operate in a coordination role with implementing agencies to develop and refine the

current-year (CY) and prior-year (PY) funding amounts going back to the ROD. CBDA staff performs multiple iterative reviews of this information of project-level funding details by agency. This will include comparing budget amounts against agency budget and CALFED program plans, to help identify any possible anomalies. Following these reviews, the final CY and PY fiscal tracking submittals are due to CBDA on December 1st. On this date, the first draft budget-year (BY) submittal is also due to CBDA. A similar review cycle is conducted for BY amounts during the first few weeks of December.

- ✓ Distribute to Department of Finance for Review: By mid-December, the fiscal tracking submissions for all implementing agencies are refined and consolidated. The crosscut budget tables (containing three of the fiscal years that were updated through the fiscal tracking process) are extracted from the

updated fiscal tracking database, and are submitted to DOF for review and approval. DOF may identify issues or need for clarification, in which case CBDA staff coordinate, with the implementing agency(s) as needed, the necessary response or revision.

- ✓ Post Final Crosscut Budget to Website: The final approved crosscut budget is then posted to the CALFED website by January 10 for public use and to supplement the Governor's Budget. This website posting is a recent accommodation by DOF as a practical convenience owing to timeline constraints.

One of the end products of this process – the published CALFED crosscut budget – is a broad summary of budget amounts by program and agency. It is a *budgetary*, not an accounting report and therefore represents the financial resources at a point in time (prior year, current year and budget year).

Based on discussions and document reviews, KPMG has identified the following general process observations and strengths related to the crosscut budget process and financial tracking overall:

- ***CBDA Coordination and Quality Review:*** As noted, the crosscut budget report is to comply with necessary requirements (per the ROD, MOU, and CBDA Act). In addressing these requirements, the CBDA Policy/Finance unit provides a valuable service. Based on KPMG’s review, the CBDA staff review by program line item for each agency crosscut submission does help to identify detailed issues, possible anomalies, and areas needing revision. The specific CBDA personnel involved in this analysis are seasoned in the program area and as a result have gained knowledge and perspective of individual programs and collectively, across programs. This experience is the basis from which issues and possible budgeting anomalies are identified and resolved. Therefore, the coordination and

quality-review role of the CBDA staff does appear to add value to the information that results and is reported. It should be noted, however, that the implementing agencies ultimately hold responsibility for the quality and completeness of the information reported in the crosscut report. The CBDA staff review is not an audit of the information reported by the implementing agencies.

- ***Finance Plan – Determining Funding Need:*** The recent 10-year CALFED Bay-Delta Program Finance Plan (January 2005) was developed to document a financing framework through the year 2014. Specifically, the plan documented a revenue sources strategy that reduced dependency on the State’s general fund. This effort was responsive to the ‘beneficiary pays’ principal identified in the ROD. KPMG does not comment on the conclusions of the Finance Plan. However, from a business process perspective, it is KPMG’s view that this form of planning effort serves a

valuable purpose in delivering management information – specifically, the analyses of projected funding need and sources to serve that need – that appears poorly served by other processes, including program planning and crosscut budgeting. Finally, it is noted that this form of finance planning would appear to provide benefit to the implementing agencies. Formal planning of funding need/sources assists the agencies in anticipating future funding issues and discussing/identifying mitigation strategies before the issue becomes publicly visible. In this way, the CBDA provides valuable early analysis and also serves as a facilitator (a ‘voice’) in addressing any downstream discussions with the legislature, stakeholders or public.

- ***Crosscut Task-Level Information:*** As already noted the published crosscut end product presents a broad summary of budget amounts at the program and agency level of detail. This information is used in answering similarly broad program-level funding questions. Other

questions regarding the project (or ‘task’) level would require more detailed data. KPMG observes that the CBDA quality reviews are applied, where possible, at this task level and it is at this more detailed level that the crosscut information is managed at CBDA.

Although there remain opportunities for improvement in this area, (noted below) the current quality reviews of task-level information appear key in answering external questions (public, legislature) at this level and therefore this is noted as a strength of the current process.

- ***Responding to External Requests for Information:*** The CALFED program represents an unprecedented effort to coordinate among many state and federal entities and ultimately hundreds of individual projects. As a central coordinator of financial information, CBDA has the benefit of a broader perspective of programs and funding issues that span agencies. This knowledge is leveraged in reviews of agency budget concept papers and budget change proposals as well as

other analyses that may be requested (e.g., coordinating general fund cuts). This central vantage point also provides a benefit in responding to the various inquiries from external entities including the public and legislature.

Issues

Based on interviews and analysis of this process, KPMG has identified the following process issues:

- **Manual-Intensive Work Flow:** The process is supported by basic desktop automation tools (MS Excel, Word, e-mail, etc.). Tracking of activities, budget amounts, and issues is addressed using primarily desktop MS-Excel worksheets and personal staff notations. Overall, the process relies not as much on automation as on human initiative in tracking activities, issues, and information.
- **Crosscut Reporting Schedule is ‘Too Tight’:** As shown in the process flow figure, a few weeks is allotted in December for finalizing the budget-year (BY) crosscut information before publishing to the Governor’s Budget. In recognition of this time crunch, the Department of Finance has recently relieved CBDA of the requirement to submit, in December, the crosscut budget for inclusion in the formal Governor’s Budget and instead allowed for publishing (including on the CALFED website), in early January.
- **Implementing Agency Reporting:** Financial tracking activities, including the crosscut report and Finance Plan, are intended to help document and confirm that funds are distributed consistent with current priorities and in an equitable, ‘balanced’, fashion across programs. Based on discussions, CBDA staff expressed the concern that some implementing agencies do not place much value in the crosscut process and resist the

process primarily because it adds another reporting requirement to program and budget staff.

- ***Lack of Formal Procedure:*** CBDA staff annually prepares an email to the implementing agencies, describing DOF timeline, reporting procedures for fiscal tracking, and the development of the crosscut budget. However, a documented procedure for the development of the crosscut budget and Finance Plan, including defining specific CBDA and agency roles/responsibilities, has not been formalized.
- ***Need to Clarify Reporting of Multi-year Appropriations and Re-appropriations:*** There appears to be some internal confusion regarding the requirements for presenting multi-year and re-appropriated amounts within the Governor’s Budget. Formal clarification from DOF should help to address this issue.
- ***‘True’ Funding Status is Unclear:*** The crosscut information is published as supplemental information to the Governor’s Budget. This reporting, therefore, is intended to serve the informational needs of the public and legislature. However, in representing only the funds that remain available – not in comparison to future funding need – the crosscut information does not appear to provide the legislature and public a clear view of funding status. What appears to be needed is to formalize a financial planning process – including regular updates to the Finance Plan document – more tightly integrating all program and fiscal planning processes. .
- ***Different Systems/Methods of Tracking Funding Information:*** In its coordination role, CBDA is organized to capture and manage funding information at the project element/task level of detail. This detailed information by task level is important in identifying funding expenditures, funding issues, substantiating

funding need and answering various external inquiries. Currently, there are several constraints which prohibit CBDA from capturing information at the project element/task level. Each of the implementing agencies manage and report on projects differently; the implementing agencies have differing accounting systems and methods; and there is a lack of understanding the value of reporting funding information at the task level.

- ***Discretion in Project Categorization ('A', 'B')***: The current crosscut report represents Category 'A' projects only (the Federal crosscut includes Categories 'A' and 'B'). Based on discussions, the implementing agencies may operate with a fair degree of discretion in determining which projects they chose to report to CBDA as Category 'A' and therefore to be included in the crosscut budget report. In their review process, CBDA staff identifies any possible errors in this project categorization. Addressing these observations can be

problematic and cause tension. The implementing agency ultimately decides on the project categorization. CBDA's analysis is regarded not as a directive but as input to this process. It should also be noted that the intention, per the ROD and MOU, is to regularly update the list of Category A and B projects (see MOU Attachment A, Table 1). However, a formal procedure has not been implemented, primarily due to time constraints and staff priorities.

- ***Challenge in Integrating with Federal Crosscut***: The federal government publishes the crosscut of CALFED budget amounts across federal agencies. Once CBDA receives this information it posts this data into the state crosscut report. Two issues were identified. First, CBDA does not receive the federal crosscut amounts until after the federal budget is published. As a result, CBDA and the State agencies do not have an opportunity to review and provide input. Second, the federal and state crosscut reports do not correlate

because the federal crosscut includes both Category ‘A’ and ‘B’ projects and also may represent a different interpretation of project categories. CBDA, on the other hand, reports only on category ‘A’ projects. The end result is two differing public presentations of CALFED crosscut budget amounts. This makes it difficult to decipher the ‘true’ funding status of CALFED program elements.

- **Local Funding Match is Unreliable:** As identified in the program review by the Department of Finance, and validated in our interviews, the process for managing and reporting local funding crosscut information is inadequate. The dollar amounts are significant (totaling nearly \$450 million in year 5). However, the accountability for managing and reporting this information is not clear. CBDA is a receiver of local funding information and is able only to perform a high-level review based on staff program knowledge.

Staffing and procedures are not in place to allow for a robust quality review of this important data.

Considerations

Based on the analyses as outlined above, KPMG has identified the following improvement opportunities that merit consideration. In most cases these improvements will require additional resources to implement. These will be further refined in subsequent analysis:

- **Improve the Management and Documentation of Funding ‘Status’ Information:** As discussed above, funding information is currently reported in various methods (state crosscut, federal crosscut, program plan document, annual report). Altogether, a definitive picture of overall funding status – including analysis of available funding versus funding need by program – is not clear. Based on the communication plan (as noted above), a clear definition of the customer and the customer’s need for information should drive the

determination of what funding information should be managed and how to collect, validate, and communicate this information. Based on KPMG’s high-level review, it appears that the recent 10 year financial planning activity was a good step forward in this area. The 10 Year Finance Plan should undergo annual updates. It should be closely aligned with annual project level planning within each program element, and the annual reporting of overall progress of each program element at the specific project level. To be successful, the financial planning activity should receive strong support from control agencies and the state administration.

- ***Update Project Categorization (‘A’ and ‘B’):*** As required by the ROD and MOU, regular updating of the list of projects by category will help to reduce ambiguity when consolidating financial amounts. The update process – working collaboratively with agencies – should be supported by clear procedural

documentation including definitions, roles, and responsibilities. Integration of these results with improved program management processes (including developing program plans, crosscut budgeting, and financial plans to the project level) should also be clearly documented and understood.

- ***Clarify and Document Rules for Crosscut Reporting:*** The Department of Finance should strengthen the partnership with the CBDA throughout financial tracking activities. This includes new DOF led workshops to clarify and document the rules for crosscut reporting as well as to share practices for tracking and reporting program funding status information.
- ***Need to Improve Reliability of Grant/Local Match Data:*** CBDA should work closely with implementing agencies and local stakeholders in identifying procedures to improve the collection and reporting of

local match information. This should include a clear definition of the local match information needed by the CBDA, who is responsible and accountable for providing this information, as well as agreed-upon methods, where practicable, to validate and track the information.

- ***More Tightly Integrate Financial Tracking with other Planning Processes:*** Current planning processes appear focused on the end products, including the Program Plans, Annual Report and crosscut budget reports. Based on KPMG’s review, there appears to be an opportunity to closely integrate these processes to better focus on the management information that is ultimately needed and reported. This should include refining CBDA’s role as a program management function. Financial information, at the project level, should be better integrated across program planning, financial planning, and budget activities. Management information includes project performance measures,

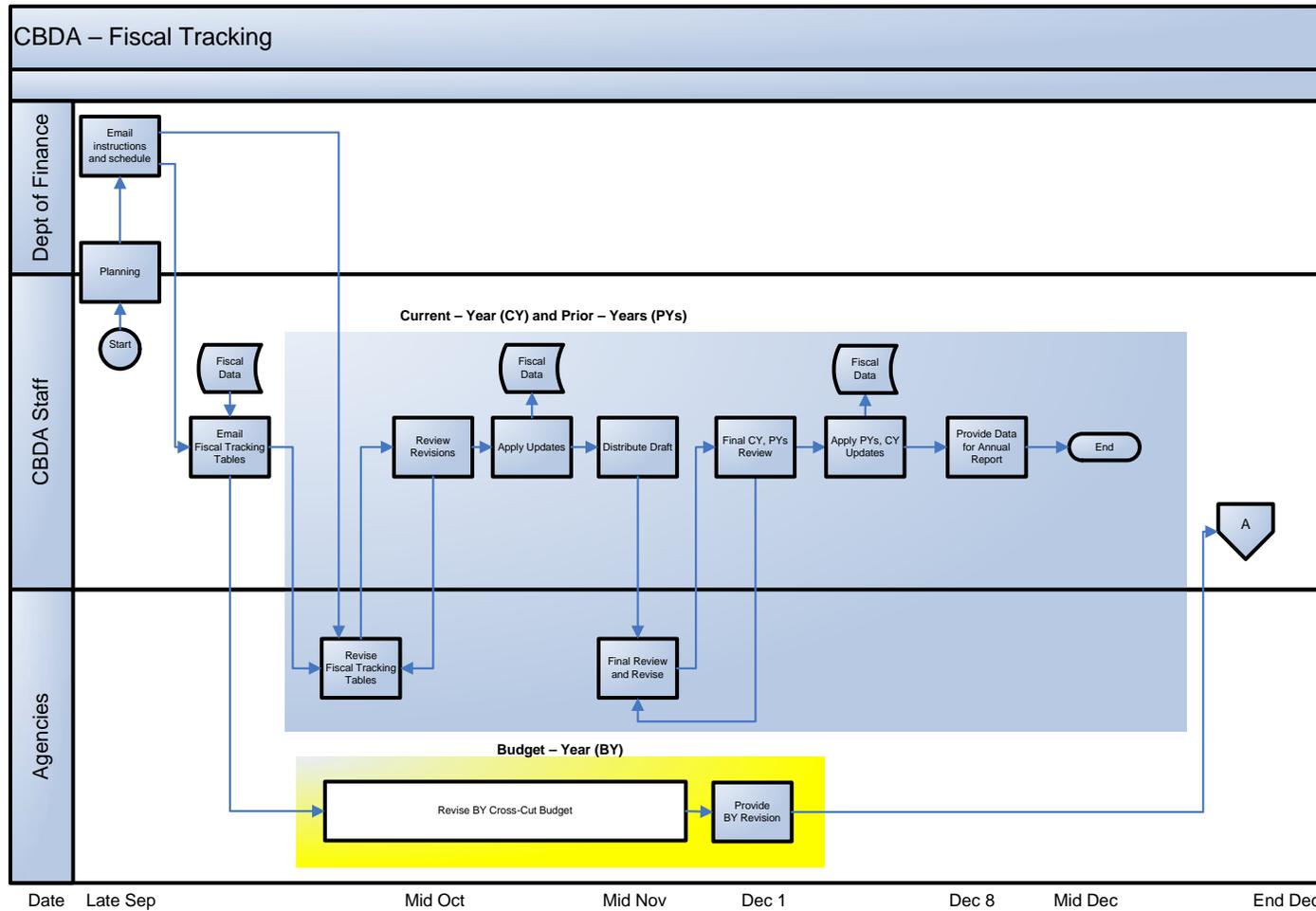
crosscut budgets, as well as value-added analysis, and reporting of overall funding status by project and program.

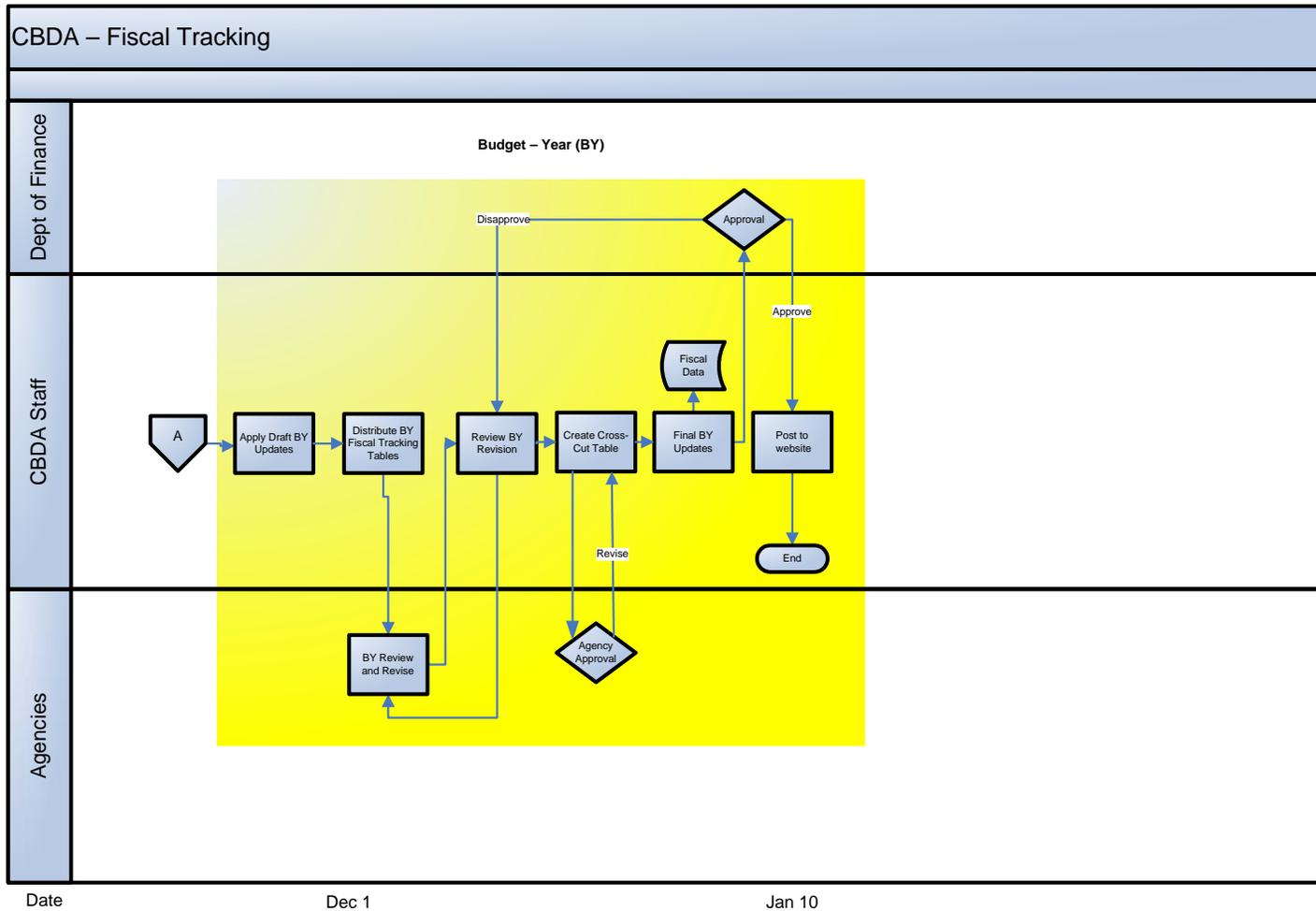
- ***Clearly Define the Customer and Their Needs:*** Before revising fiscal tracking and reporting, a formal communication plan should be developed that identifies and associates customers with CALFED programs and CBDA business processes. The users of financial information should be formally identified in this process, including documenting their need for information and the best method for communicating that information. The crosscut obligation – per the ROD and MOU – in its current form may or may not serve these constituents. As already noted, the management and reporting of funding status by program should be strengthened. This should include a clear, unambiguous reporting of funds that remain available compared to the anticipated funding needs of the program. As noted,

this should also include annual updates to the Finance Plan.

- ***Strengthen the Collaboration with DOF***: It was noted during discussions that efforts to better integrate with DOF during financial tracking activities is beneficial. This includes DOF's direct involvement in scheduling crosscut budgeting activities and also communicating expectations to agencies. Further collaborating with DOF throughout financial tracking should provide additional guidance in managing issues and minimizing areas of confusion.

Figure 2.3.2 – Fiscal Tracking Process, including Crosscut Budget





2.4. Grants and Proposal Solicitation Package (PSP)

The CALFED Agencies fund projects that are identified as supporting CALFED objectives. Collectively these agencies have allocated to date nearly \$2 billion in grant funds for projects to expand groundwater storage, ensure efficient water use, increase water recycling, and restore ecosystems. These grants are funded through bond funds approved by California taxpayers – Propositions 204, 13, and 50.

The Proposal Solicitation Package (PSP) is a process used by programs to plan, develop, and issue a series of grants for a specific plan year and provides notice to potential grantees of potential CBDA grants. The grant solicitation process that is used in accordance with the PSP, funds projects supporting CALFED objectives. In the current business environment, grant solicitations are leveraged to support the activities of the ERP, Water Management, and Science programs. The

discussion below is based on a detailed examination by KPMG of the ERP grants process. However, the issues and considerations that were identified are applicable throughout all CALFED program elements. It is important to note that the Department of Water Resources will be managing the next round of grants offered by the CALFED Watershed Program

'As Is' Business Process Profile

Grants and PSP

Responsibility: Program Manager, Program Coordinator

Customers: Grantees and Potential Grantees

Volume per year: Multiple, depending on Program

Avg. Elapsed Time: PSP=1 year, Grants=1+years

Number of Handoffs: Est. 33+

Number of Review Points: At least five, several iteration review/revise loops.

Automation support: Desktop tools

with funds available from Proposition 50.

Figure 2.4.1 presents the flow of activities supporting the PSP and Grants process within the ERP Division. As can be seen, the ERP Program Manager controls the process. The PSP coordinator and Program Administrative Staff provide day-to-day management and support. Several panels also provide oversight, during PSP development and later with grant administration.

Once the decision is made to develop a PSP, a coordinator within the program is assigned. The PSP process is considered a hybrid model, incorporating aspects of a Request for Information, Request for Proposal, and Request for Qualifications. The coordinator develops a draft based on previous year PSPs (the current 2005 PSP was released on October 11, 2005), which is then submitted for review and revision involving the input of a technical panel and the program administrative staff. There is a minimum of two

review cycles before consolidation review comments in a second draft. The second draft is reviewed by the Contracts Unit and by CBDA legal staff. The approved draft is sent to DGS to be logged into the contract registry and to the CBDA website for public notice. This process begins the public PSP review cycle.

Once the public PSP comment and questioning is completed, the grant funding process begins. Initially, the Program Coordinator will select several review panels, including a technical review panel, an initial selection panel, and a final selection panel. The public or other entities and individuals seeking grant funding submit proposals to the manager, who conducts a pre-qualification review.

Once the pre-qualification review is completed, program administrative staff, a regional panel, and a scientific panel conduct reviews. Comments are then submitted to a technical review panel which then consolidates comments and forwards

them to a Selection Panel who makes selection recommendations. A public meeting is then held to provide public input and discussion. Comments are consolidated and forwarded to the selection panel for the final grant determination.

If a grant award is from an Implementing Agency, then the CBDA Authority and Implementing Agency together review, determine, and distribute the grant award. If the grant award is solely a CBDA grant, then the CBDA authority reviews and approves. As shown, the process culminates in notification to the grantee and distribution of funds.

Issues

Based on interviews and analysis of this process, KPMG has identified the following process issues:

- ***Insufficient collaboration of PSP or Grants processes among programs or central Contracts unit:*** There appears to be little collaboration with or amongst

CBDA programs for PSP or grant development and distribution. While the Contracts unit exists to provide some level of review for contracts from all programs, individual programs conduct each PSP and Grant distribution process internally.

- ***Grants are not “true grants”:*** Traditional grants require no performance data from a grantee once the grant is disbursed. Whereas, the grants issued by CBDA for CALFED include various performance requirements in accordance with propositions 204, 13, and 50. Additional grant monitoring compliance is required, but does not seem to occur.
- ***Accountability and Quality Control steps are unclear:*** Performance measures appear lacking for monitoring the grant cycle and identifying areas needing improvement. Performance measures need to be developed and implemented in three areas: (1) processing time, (2) cost, and (3) user satisfaction.

The use of an outside contractor to administer grants has provided some marked efficiency, however the authorization to extend these administrative consultant services appears unlikely.

- ***Cycle time for grant approval may be long:*** There are several review and recommendation cycles required once a proposal is submitted. Although many of the services to be fulfilled by the grantees are similar, the process for approval is long and cumbersome.
- ***Lack of standards increase complexity and delays:*** The traditional process for developing the PSP is time consuming. Proposals varied markedly in format and scope across different CALFED Program boundaries. The program lacks consistent use of standardized forms, standardized contract language, and electronic sharing of documents to expedite the review, award, and disbursement of grant funds.
- ***No internal policies or procedures exist for PSP development or grant distribution:*** While the program

coordinators rely on previous PSP documents in development of current PSPs, there are no specific guidance documents on how to develop PSPs or conduct grant distribution. Many involved in the process do not appear to adequately understand the requirements of grants, language, or grant process management. Similarly, this has produced problems in how to monitor grantee adherence.

- ***Not all CBDA staff understand the grant solicitation, evaluation and award process or are trained and experienced in the administration of grant activities:*** Preparing and obtaining approval of a grant solicitation package requires both technical and administrative expertise. The processing time for grants through the Administration Division, the Chief Counsel, and the CBDA board has varied over the years. A grant that is unique in nature or requires a lot of interaction between the implementing agencies, the grantee, and the administrative units within CBDA experienced lengthy

delays in processing and receiving final approval. The level of understanding and training that the grant administrator possesses has a direct impact on the length of time a contract takes for review and approval.

Considerations

Based on the discussions and review, KPMG has identified the following improvement opportunities that merit consideration. These will be further refined in subsequent analysis of future recommendations.

- ***The grant process can be improved by streamlining specific processes and resources:*** As part of its refocusing efforts, the CBDA should consider the transfer of selected grant programs to the lead CALFED implementing agencies. The lead implementing agencies would be responsible for ensuring that grant activities become an element of the program objective to integrate regional watershed planning activities.
- ***Process Performance measures are needed:*** The total time to process a grant from its initiation to completion is not formally tracked and recorded. Also absent is a procedure for tracking customer satisfaction. Consideration should be given to implementing performance-tracking procedures. This includes accurately measuring processing elapsed time, customer satisfaction, and quality issues for each PSP and grant processed, and formally evaluating these metrics to determine areas needing improvement.
- ***Need to finalize policies and procedures documentation.*** Line staff complained of inconsistent, erroneous, and inaccurate responses to questions from staff involved in PSP or grants processes. This appears to be a consequence of poor communication and inadequate understanding of procedures. Correcting these deficiencies should include formalizing and communicating procedures. A ‘Grants Administrative Resource Guide’ should be developed. The guide

should explain internal grant solicitation policies and procedures and include links to all relevant grant information. The procedures should be reviewed in an open discussion with internal CBDA administrative and program staff. Overall, this will help to build a common understanding of the process, roles, and areas of responsibility. Emphasis on improving communication and collaboration between process owners is needed. In addition, capabilities are needed for tracking the status of grants throughout the workflow including grant status, issues needing resolution and responsible staff/agency, causes of delay if any, action needed, missing information, etc.

- **Training:** Grants administration is a specialty field that requires well-trained staff. Any effort to improve performance in this area must focus on training staff involved in the coordination, administration, development, and review of grants. The training program should be designed around three distinct,

specialized professional groups involved in the grants process:

- ✓ *Grant managers* in the line divisions or implementing agencies that prepare grant solicitation documents.
- ✓ *Administrative staff or grant coordinators* and analysts in the CBDA and program implementing agencies.
- ✓ *Attorneys* who review grant solicitation documents for legal sufficiency and adherence to standard terms and conditions.

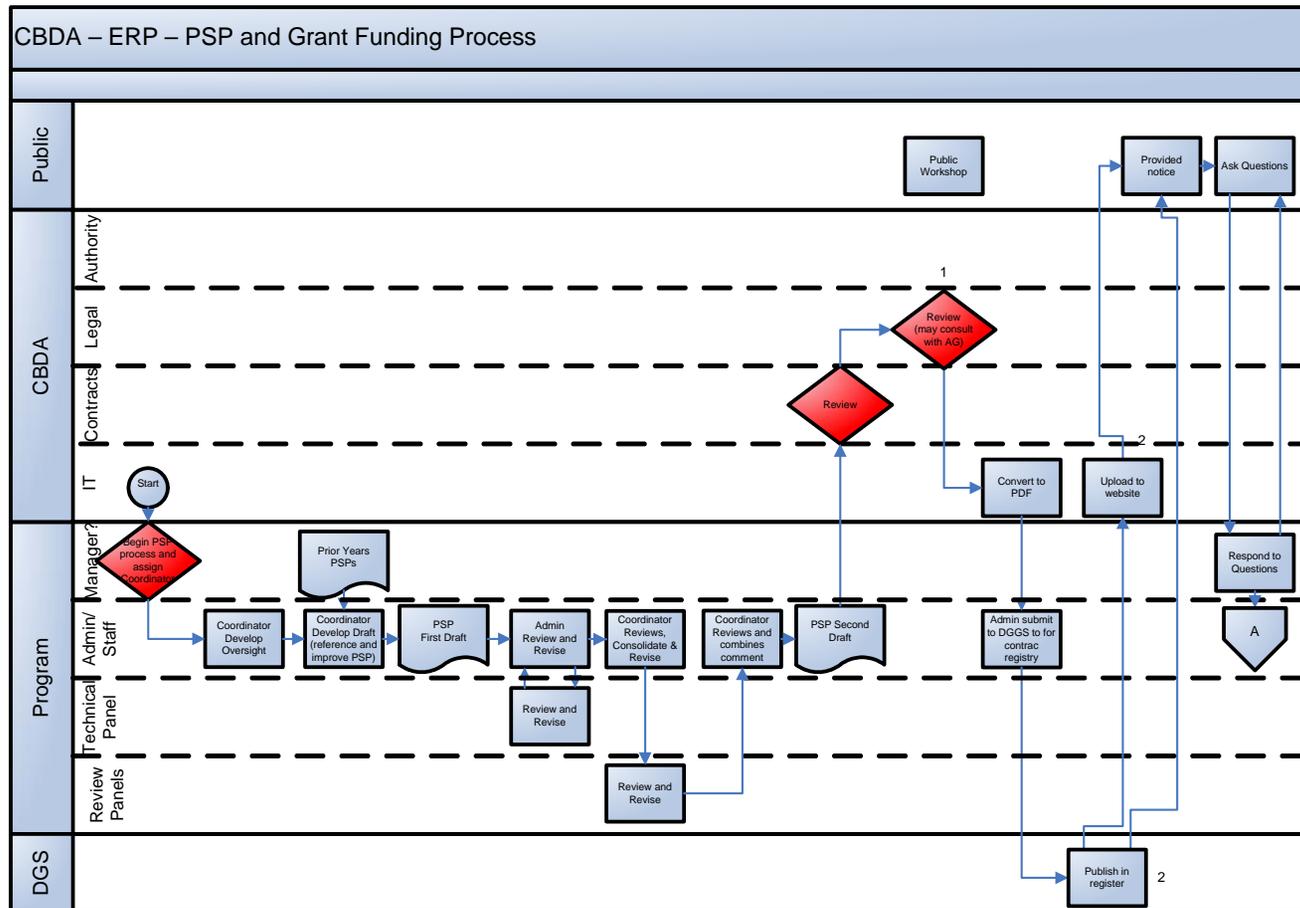
Managers charged with grant administration need to understand the grants process and be able to write a clear set of objectives for each grant solicitation cycle. Preparation of scope information, matching funding requirements and task approval, takes a specialized skill that requires training. Training should be provided to current and prospective grant administrators, including

specialized training in the preparation of solicitation documents.

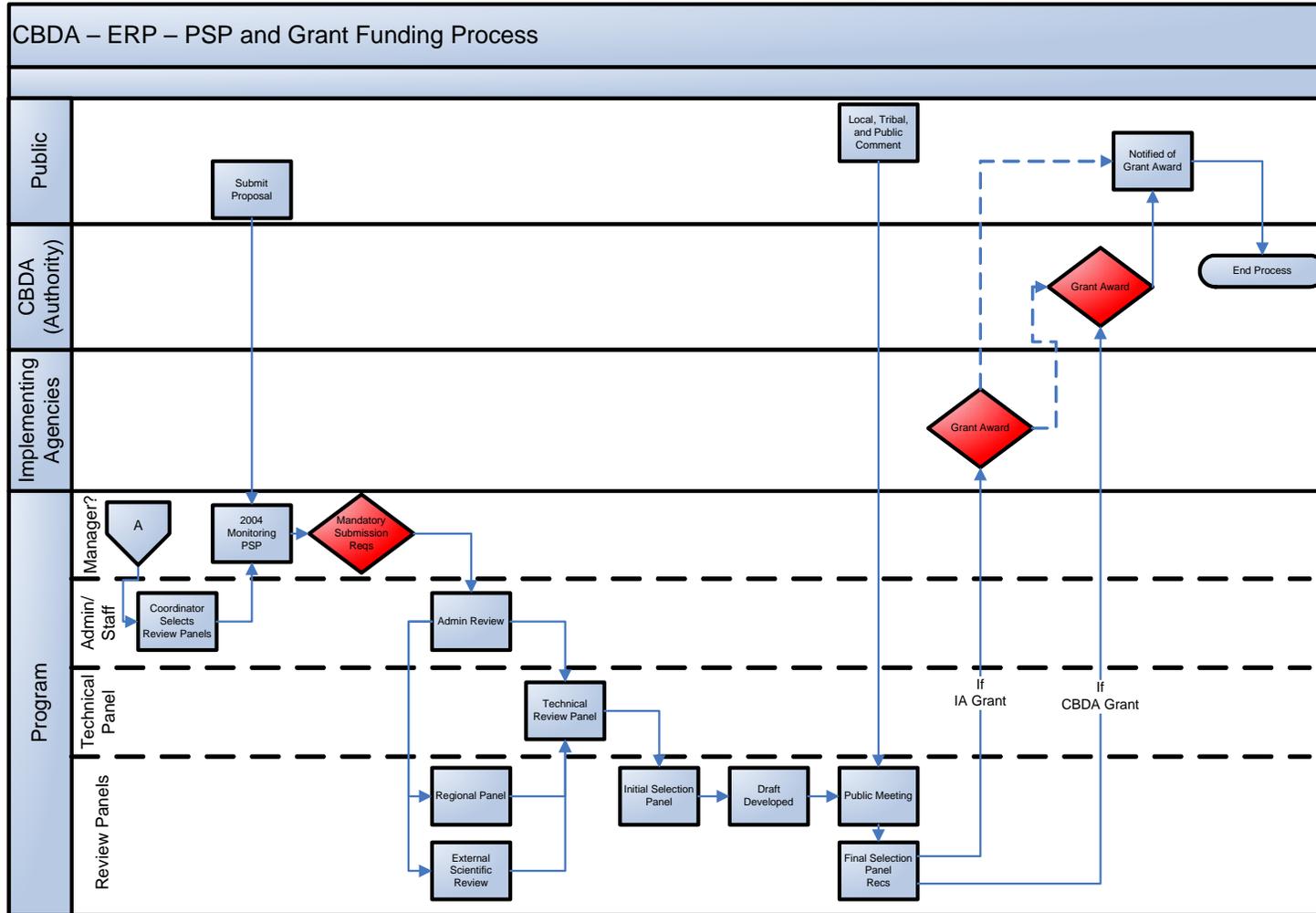
Grant administrators and analysts should receive regular updates on procedural changes and new administrative requirements. If possible this should be delivered via electronic updates and be accompanied by formal addendum to desk manuals (electronic, if possible) that serve to document internal standard requirements and process.

Training in grants administration should also be developed specifically for senior management who perform high-level reviews prior to grants being considered for final approval. The training should cover current changes in administrative law; the importance of a well developed PSP, and also provide a checklist of items to review.

Figure 2.4.1 – PSP and Grant Process



Notes:
 1 – Consultation with State of California Attorney General is discretionary. AG may be consulted for advisement or historical background.
 2 – Upload to the website can not happen until the PSP appears in contracts register through DGS, although they may occur simultaneously.



2.5. **Communications and Annual Reporting**

The CALFED program is founded on the principal of bringing greater transparency, public involvement, and accountability to implementation decisions and activities. CBDA applies this principal through the coordinating activities of the Communications Division.

The purpose of this section of the report is to highlight current communications activities of CBDA while also documenting the ‘as is’ process flow pertaining to development of the Annual Report. Current issues and considerations are also documented.

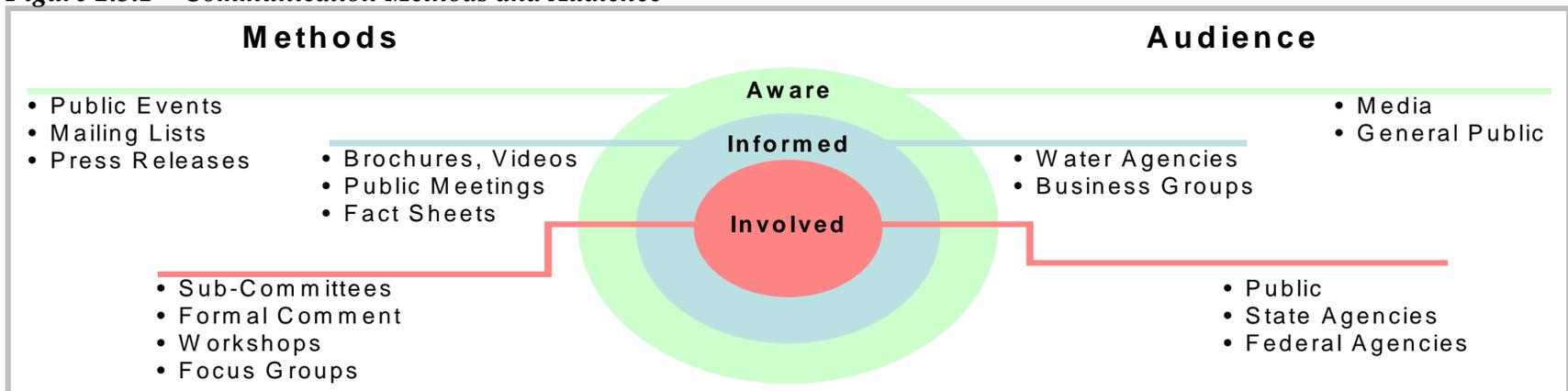
Communications activities generally include the following:

- **Coordinate Environmental Justice Program:** The ROD and CBDA Act (Act) includes the commitment to integrate Environmental Justice (EJ) across all CALFED program elements. The overriding objective is to address the concerns of minority and low-income communities. To do this, the Communications Division staff collaborates with program managers in a joint effort to help ensure that EJ concerns are raised where needed and EJ concepts and principles are applied to specific program activities.
- **Coordinate Tribal Program:** The ROD and Act also include a commitment to coordinate program activities with tribal governments. The Tribal coordinator, within the Communication Division, operates as the coordinating point between the program (via program managers) and tribal representatives. The goal is to ensure that program plans and implementing actions comply with the Bureau of Reclamation’s Indian Policy.

- **Public Outreach:** Various methods are used to engage public discussion and respond to requests for information. Target audiences include the general public and various regional stakeholders (water and environmental groups) as well as the media, legislature, Governor’s office, congress, implementing agencies and other state/federal agencies. As outlined in Figure 2.5.1, CBDA classifies target audiences in generally three tiers based on ‘level of involvement’. The method of communication may vary depending on the involvement level:

- ✓ ‘*Involvement*’ audiences typically include impacted stakeholders/member of the public in the region, as well as state/federal agencies impacted by a particular program or project. .
- ✓ ‘*Informed*’ audiences are less impacted by the program or indirectly impacted. These include water agencies and business groups.
- ✓ ‘*Aware*’ audiences may not be directly impacted by the program; however have an interest in program progress and outcome. These include the media and

Figure 2.5.1 – Communication Methods and Audience



the general public.

As shown, the communication methods may vary depending on the involvement level. Communication is coordinated with the Departments of Fish and Game and Water Resources. Tailored/individual communication methods (e.g., meetings, workshops) are typically leveraged in addressing the informational needs of ‘highly involved’ audiences. More generalized methods (e.g., public meetings, fact sheets, press releases, internet content) are geared to addressing the informational needs of ‘informed’ and ‘aware’ target audiences.

- ***Support for Authority and Bay-Delta Public Advisory Committee (BDPAC)***: The Communications Division also supports the informational needs of BDPAC, its members and its various subcommittees.
- ***Publish Annual Report of Progress and Balance***: The Communications Division is responsible for

development of the Annual Report. This document serves as the Director/BDPAC’s official reporting of progress to the Governor, Interior Secretary, Congress, and Legislature. The Director’s formal ‘Statement of Progress and Accomplishments’ is presented in the introductory section of the report. In 2005 the annual report will also include a statement of ‘balance’ in accordance with federal authorization. Sections outlining objectives and accomplishments by program follow the introductory section.

Generally, the Annual Report is intended to provide a ‘look back’ at the accomplishments during the reporting year, while also detailing overall implementation status/shortcomings for all program elements. (A more detailed – and ‘forward looking’ – assessment of program status is provided in the annual update of the multi-year program plan documents.) The business processes involved in developing the Annual Report are discussed below and presented in Figure 2.5.2.

As shown, the Annual Reporting process spans an annual timeline from August through January 31. Whereas the annual Program Plans are developed and ‘owned’ by the implementing agencies with CBDA providing coordination assistance (see Program Planning 2.2), the Annual Report document is primarily developed by CBDA. The Department of Water Resources (DWR) provides document production and graphics support.

The California Bay-Delta Authority Act requires that the Authority “on or before December 15 of each year, submit a report to the Governor, the Secretary of the Interior, the Legislature, and the Congress of the United States that describes the status of implementation of all program elements for the prior fiscal year.” The Federal CALFED Bay-Delta Authorization Act also requires the Secretary of the Interior, in cooperation with the Governor, to review progress no later than November 15th of each year and to submit a report no later

than February 15th of each year to the appropriate authorizing and appropriating committees of the Senate and the House of Representatives.

‘As Is’ Business Process Profile

Annual Reporting

Responsibility: *Coordinated Communications
Deputy Director*

Customers: *Governor, Interior Secretary,
Congress, Legislature, as well as Public, Agencies
and any interested party on request.*

Avg. Elapsed Time: *2-5 Months*

Number of Handoffs: *est. 17*

Number of Decision Points: *5 review.*

Automation support: *Desktop tools for drafting,
DWR contract for production and distribution.*

As presented in Figure 2.5.2, the Annual Reporting process is initiated (in August) by first extracting specific information from the Program Plan documents finalized previously (July).

This information includes program overviews, accomplishment details, implementation schedule, and funding status.

Accomplishments are summarized for each program and a ‘first draft’ is developed, of the important introductory section, including the ‘Statement of Progress and Accomplishments’. Initial text and tables are provided to DWR for document graphic/production support.

As can be seen in Figure 2.5.2, the first draft undergoes several stages of review and refinement. The focus of the initial reviews is the Statement of Progress and Accomplishments. Reviews include CBDA management, program managers, and the Agency Coordination Team (ACT). Comments are consolidated and applied where needed, and the revised Statement of Progress is then returned to the ACT for additional review/approval. A final revised draft is provided to the Director for review/approval or refinement as needed. The final Statement of Progress is delivered to the Authority in mid-December for review and comment. These comments are

incorporated resulting in the complete second draft document that undergoes CBDA management final review. Final comments are incorporated and the document is delivered to DWR for final graphics/production. The final report is formally delivered to the Governor and Interior Secretary in early January. Following bulk production, the report is also distributed, by end of January, to members of Congress and the state legislature, as well as CBDA staff, implementing agencies, program stakeholders and the public as may be requested.

Issues

- ***The Annual Report is a useful marketing overview, but does not present a complete picture of CALFED status:*** The purpose of the Annual Report document is to formally report CALFED’s overall progress to the Governor and the Interior Secretary as well as the state legislature and congress. It is the single, official reporting of status each year. However, based on

KPMG interviews, the following issues and areas for improvement were identified. Based on interviews, the widely held view is that the report has historically emphasized the ‘positive’ aspects of accomplishments over the ‘less positive’ aspects (i.e. lack of progress, issues, risks, etc.).

- ***Agency source data is not reliable:*** The fact is the reporting of progress is only as correct as the source data provided to CBDA. Based on KPMG interviews, the widely held view is that the information provided by the implementing agencies cannot reasonably be validated and may not reflect a true picture of program performance. This is complicated by the lack of understanding with respect to reporting performance measures (noted below). Consequently, the data that is reported by the implementing agencies is viewed as somewhat subjective and impacted by individual interpretation.
- ***Lack of understanding in performance measurement:*** As presented in other areas of this report, the CALFED program has struggled in finalizing its approach to performance measures. Very good thinking has been applied with exciting results – however, these results remain preliminary. Until a finalized set of performance measures are defined for each program and agreed to by the lead implementing agencies, there will remain confusion and frustration with respect to the expectations for reporting progress – either by project, by program, by region or by CALFED goal. With respect to annual reporting, there does appear to be consensus that aggregating performance measures around individual program elements and summarizing them within the four broad ROD goals would be beneficial in communicating overall CALFED status. However, efforts to aggregate these measures prove challenging.

- ***The process in developing the Annual Report is slow, cumbersome, and staff-intensive:*** As shown in Figure 2.5.2, the process can take several months. It is a paper intensive process involving multiple handoffs and reviews. While the process is coordinated by the Deputy Director of Communications, the reviews engage many other individuals, including the Director, CBDA management, program managers, ACT and the Authority. As discussed, much of the content is extracted from the Program Planning documents that are finalized in July each year. The major focus of the review is in finalizing the overall Statement of Progress and Accomplishment. In 2005, this will include the statement of program ‘balance’.
- ***CBDA’s ‘image’ among agencies is foundering:*** The communication function within CBDA is intended to collaborate with a wide variety of target audiences. Key to this is ongoing communication – as a shared partner – with the implementing agencies. However, there are barriers to this collaboration. Based on KPMG discussions, CBDA is too often viewed as an obstacle or competitor, not as partner. This is complicated by the lack of clarity with respect to governance and the specific role of CBDA as either an ‘oversight’ or a ‘coordination’ entity. It was expressed to KPMG that CBDA’s image and role is also diffused by the lack of a shared vision for ‘water’ in the state, and specifically the lack of a single ‘voice’ for water. Clarifying these elements within the context of the future governance model will accordingly help CBDA strengthen its image and communicate its message.
- ***A formal Communication Plan has not been adopted:*** Based on KPMG interviews, there does appear to be an appreciation of the value in formally documenting an enterprise-wide communication plan and obtaining executive/Authority approval and ‘buy in’. The analysis was performed and an initial document drafted. However, to date the plan has not been finalized.

- ***Very few staff devoted to the communication function:***

It is widely understood that CALFED is an unprecedented program in the nation, involving a vast array of projects, agencies, and stakeholders and consequently involving a complicated and varied set of interdependent issues. By design and law, this complex endeavor also involves a significant quotient of scientific input and public forums. Within this complex framework, the communication function attempts to manage the informational needs of the varied entities having a stake in the outcome. The inherent complexity, however, poses a significant challenge to succeeding in the communication function, and this is further complicated by a lack of personnel resources. The Deputy Director of the Communication division coordinates most of the communication activities. Two staff are devoted to EJ and Tribal relations, leaving two staff to public affairs and BDPAC/Authority support. The communication activities have operated in a

coordination function, engaging the staff in the programs and agencies to support targeted communications activities (regional forums, focus groups, for example). Also, the Communications division has benefited from teaming with DWR and Department of Fish and Game in coordinating messaging and implementing specific communication campaigns.

Considerations

- ***Process streamlining, focusing on the value-add:*** CBDA is thinly staffed and is very much weighted towards management ranks (including multiple program managers, regional coordinators, science, policy, etc.). Owing to limited personnel availability, it is imperative, that staff efforts are efficient (doing the right things) as well as effective (doing them well). Within the Annual Reporting function there does

appear to be opportunities for improvement. CBDA should consider the following:

- ✓ *Don't just integrate, but merge Program Planning and Annual Reporting.* The primary focus of annual reporting is presenting the required Statement of Progress and Accomplishments, and 'Balance'. The current staff effort, however, goes beyond this and includes documenting program information that is already presented within the Program Plans and producing a 'fancy' document. Consideration should be given to managing 'progress and performance' information, on an ongoing basis, within a revised program planning function, geared to a regional view (see Program Planning 2.2). This information could be housed in a centralized database of Project Management information (see below) for easy, electronic access and continuous management and reporting. The required annual reporting of progress may then involve an extract

and roll up of project level performance and related data (issues, risks, etc) for use in a targeted Director and Authority review. This review will focus on progress information by project, by program, and by region, specifically to confirm outcomes, shortcomings, issues/risks, and recommended courses of action. The required annual reporting of status to federal and state bodies can be provided through extract and electronic formatting/publishing of this information via the web. Additional staff effort to extract this information, build, and print a separate document could be eliminated, allowing time to focus on key business activities. This will have the downside of eliminating any marketing or 'public relations' value in the Annual Report in its current iteration. This need can be addressed through other marketing materials, however.

- ✓ *Build web-enabled CALFED database.* CBDA could strengthen its value to the implementing

agencies by operating as the central clearinghouse of program and project level information. A central database could be housed at CBDA and contain project and program information at a reasonable level of detail. The database would allow for aggregating and reporting performance information at either the project or the program level.

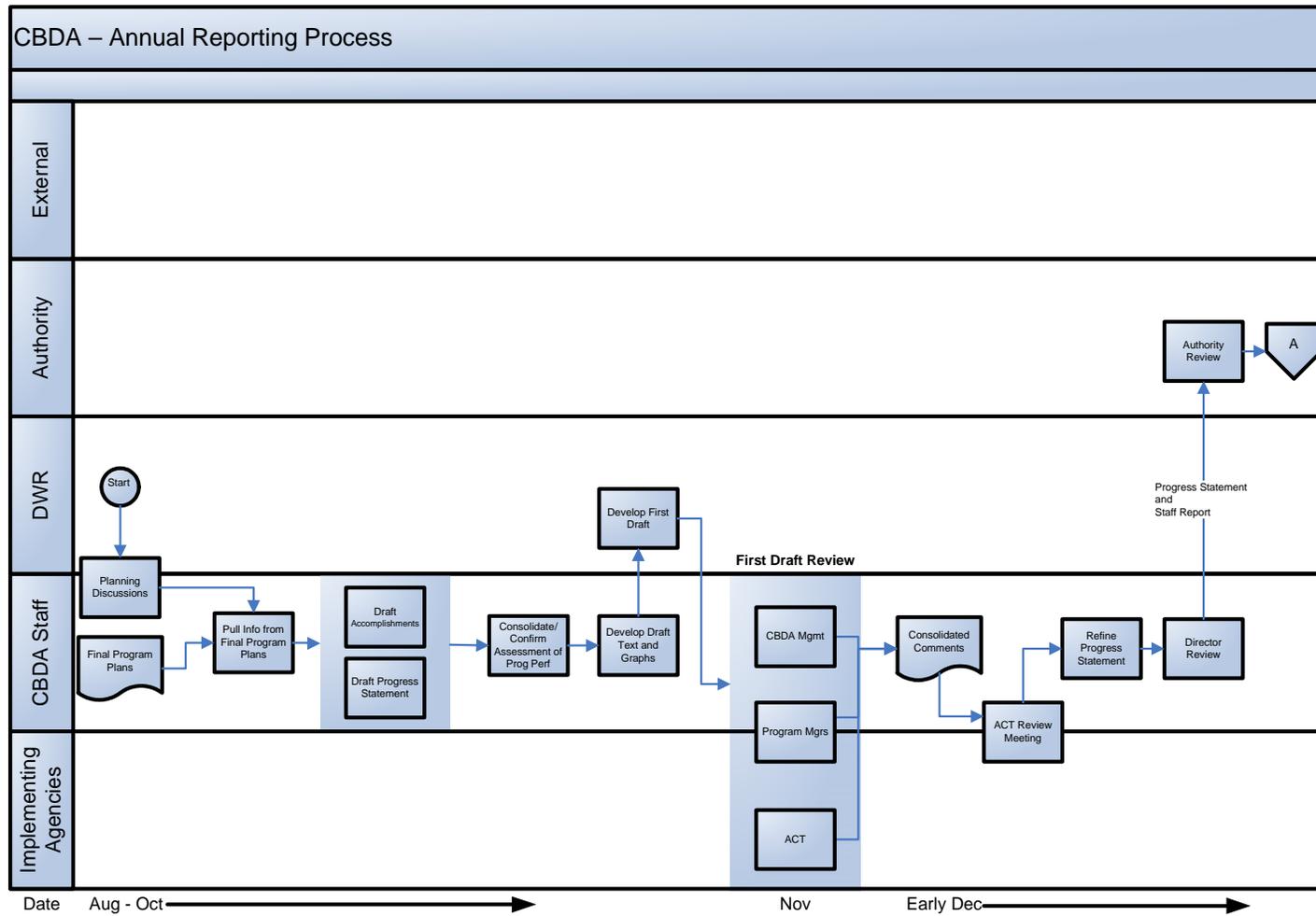
Implementing agencies would report status through a secure web based computer application in such a way, that is *less* burdensome than current reporting methods (agency acceptance and ‘buy in’ would be critical to success). The information would be analyzed by CBDA regional and program managers to identify progress, opportunities, and resolve issues throughout the year. Mitigating any issues *before* the annual reporting ‘cutoff’ would be a valuable CBDA service, strengthening the spirit of partnership and provided a corroborated annual report to state and federal agencies.

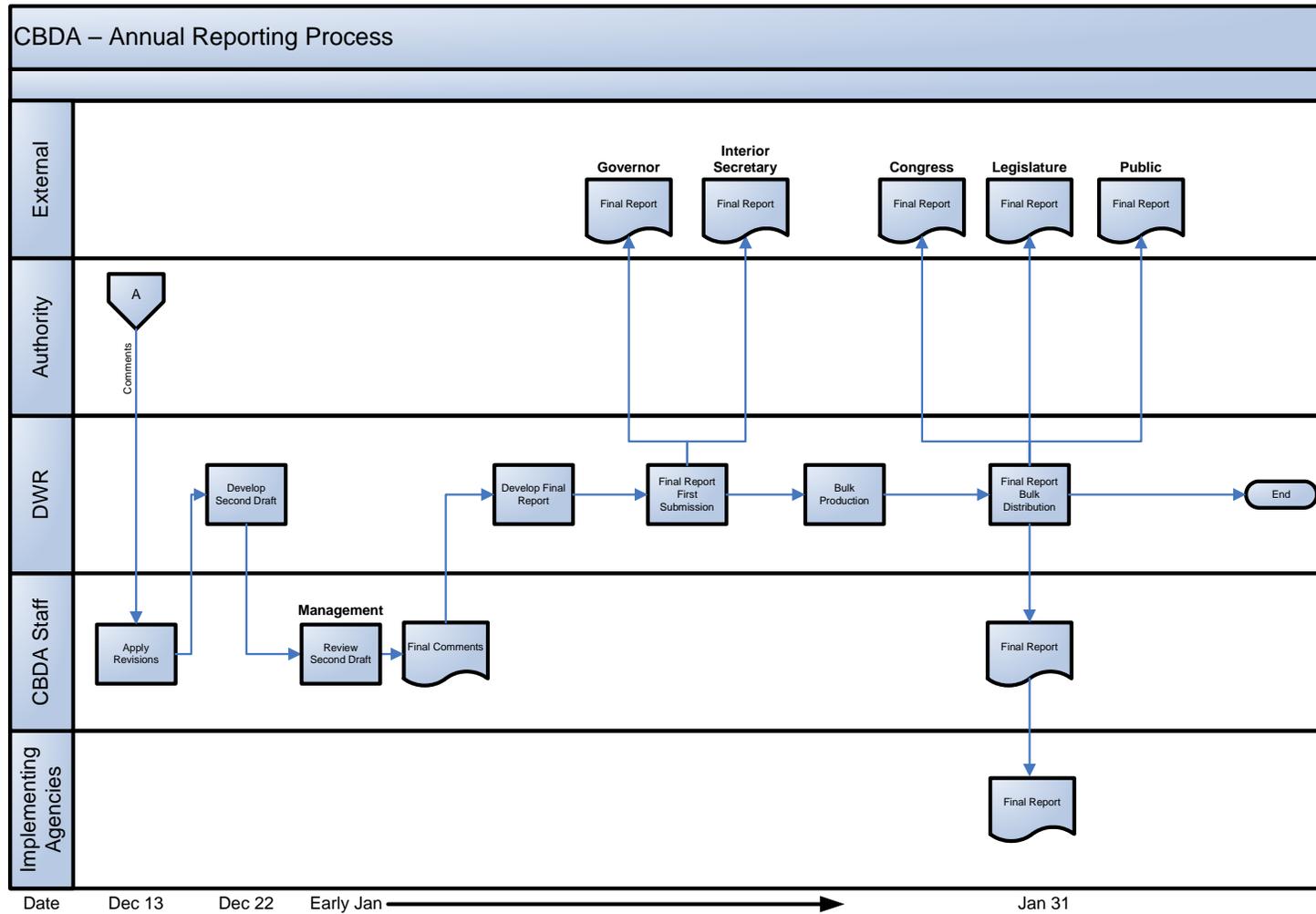
- ***Presenting a Realistic View of Progress:*** The revised annual reporting approach suggested above, would be focused in presenting a ‘true’ picture of status. A focus on realistic reporting from the project level up can engender a view of CBDA as ‘overseer’ and thus trigger implementing agency resistance. There needs to be an agreement, that a ‘true’ picture of performance measures benefits everyone, including the implementing agencies. Identifying the issues that underlay performance shortcomings early, can benefit the agencies in bringing about the corrective action and resources (including funding), that are needed. This very much depends on finalizing performance measures and the data necessary to calculate them. The impressive effort to date should be finalized to include a simplified linkage of performance at multiple levels – project, program, region, and to the ROD goals.
- ***Finalize Communication Plan:*** A communication-planning framework has been drafted. This should be

further refined and finalized, including Director and Authority approval. The plan should address the following:

- ✓ The communication plan should identify customers of CALFED programs and regions. An analysis should be performed to clearly define each customer's informational needs and 'how' that need should be fulfilled.
 - ✓ The communication plan should be a 'living' document; continually reviewed and revised.
 - ✓ The plan should also identify resources needed for implementing the plan; this should leverage the personnel resources of each core business partnership, including DWR, DFG, implementing agencies, etc. Success very much depends on delivering a message that is considered a shared message by these collaborative partnerships.
- ✓ Finally, the communication plan should have a feedback loop. Examples include broad customer surveys, feedback from workshop or regional meeting participants, capturing statistics of web use, etc.

Figure 2.5.2 – Annual Reporting Process





2.6. Comments on Technology

The purpose of this section is to provide a high-level executive review of information technology (IT) capabilities within CBDA. KPMG's summary analysis involved review of IT capabilities along six broad areas:

- ✓ *Functionality*—Does IT meet the needs of those who depend on it?
- ✓ *Scalability*— Are IT resources available when and where needed?
- ✓ *Availability*— Are IT capabilities flexible to meet new business requirements?
- ✓ *Recoverability*— Can business capabilities (data and processes) be recovered when IT elements breaks?
- ✓ *Security*— Does IT protect business assets from internal and external threat?

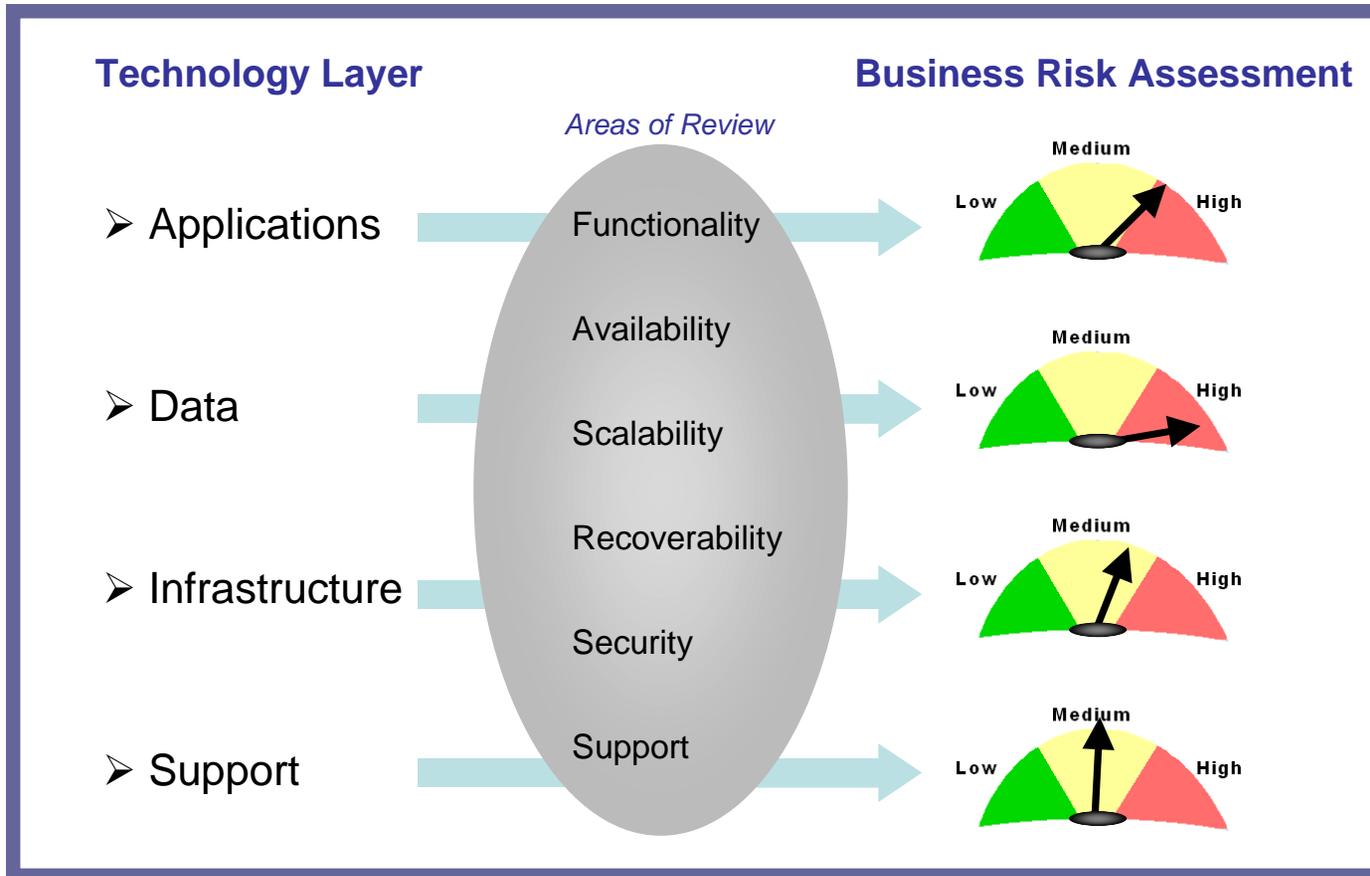
- ✓ *Support*— Does IT support meet user business needs and expectations?

The team examined these characteristics in each of the following technology layers:

- ✓ *Application Layer*—including the functional support of computer application systems and office automation tools;
- ✓ *Data Layer*—focusing on the management of data as a business (strategic) resource;
- ✓ *Infrastructure Layer*—including network, hardware, software, internet and support environments;
- ✓ *Technology Support*—including the internal and contracted technology services provided to support the business.

The analysis allowed the team to subjectively score the adequacy of IT in serving the needs of the business (business risk exposure). The results are summarized in figure 2.6.1 below.

Figure 2.6.1 – Information Technology Risk Assessment



Issues

Technology support in the current business environment can be generally described as rudimentary. KPMG’s high-level review of technology identified the following broad issues. These are intended as broad management topics, and are not to be construed as an exhaustive technical review:

- **Applications:** Figure 2.6.2 below outlines the computer automation supporting key business processes. Business processes are supported primarily by basic office automation toolsets – Microsoft Office applications including Word, Excel, PowerPoint, etc. The following observations are noted about the current application

Figure 2.6.2 – Application/Tool Support of Business Processes

| Business Process | Application | Primary Tool |
|----------------------|--|---|
| ➤ Contracts | MS Access - Tracking | MS Office Tools |
| ➤ Program Planning | ✓ None | Word Processing |
| ➤ Financial Tracking | ✓ None | Spreadsheet |
| ➤ Grants Development | ✓ None | MS Office Tools |
| ➤ Communications | ✓ None | Web tools, graphics, (DWR contract for production) |
| ➤ Program Mgmt. | ✓ High number of distributed Access databases | MS Office Tools |
| ➤ Acctg, HR, Payroll | ✓ None (No direct CALSTARS/Personnel access) | MS Office Tools, (DGS/SCO contract) |

layer:

- ✓ ***Application support limited to basic end-user tasks (desktop tools):*** Current business operations are supported primarily by basic office automation toolsets, with few application systems supporting core business functions.
- ✓ ***Few enterprise business applications:*** Only two core business applications are implemented. A custom MS-Access application, developed by in-house staff, to support tracking of contracts throughout the contracting process. In addition, a few CALFED program elements are supported by a MS-Access custom-developed grant-performance tracking application.
- ✓ ***Lack of direct access to CALSTARS or HR/Payroll:*** In the current environment, CBDA is not permitted direct access to these

statewide financial and personnel systems.

Instead, DGS and other control agencies provide hardcopy reports on a regular interval.

- ✓ ***Central control of IT assets is complicated by distributed 'homegrown' applications:*** A large volume of distributed MS-Access applications/tools reside within the CBDA program areas. Generally, these are desktop database tools developed by in-house program element staff and are not centrally managed or supported by CBDA's IT unit. KPMG did not perform an inventory or assessment of these applications.

CBDA business processes are **not** supported by integrated technologies such as document management, automated workflow applications, and enterprise wide shared databases. CBDA has a fairly inefficient business environment which is reliant on paper based workflow, individual prioritization, and manual

processing. In turn, this can increase the chance of errors, misplaced documents, and duplication of effort. Owing to these factors, KPMG regards the business risk as ‘high’ with respect to the adequacy of the IT application layer in supporting the business.

- **Data:** CBDA is a data intensive business program. Vast amounts of information ultimately tie to CALFED programs and individual projects. CBDA is seen as a central clearinghouse for much of this information, and has an obligation, in accordance with the ROD, to manage this information and generate or coordinate decision-useful reports. KPMG’s review has noted the following:

- ✓ ***Lack of a central management strategy/database for core business data:*** It appears that much of the core business data is managed by virtue of the required ‘reporting’ processes, such as Program Planning and Annual Reporting. In other words, the reports

themselves – and supporting electronic word files and spreadsheets – operate as the core repository of corporate data. The information is not managed as “data” nor is it stored using data management technologies such as enterprise document management repositories, automated workflow processing, or secured electronic corporate databases.

- ✓ ***Core data housed in network user files:*** This data (comprising a variety of reporting files, spreadsheets, emails, etc.) is housed on the CBDA network, within the defined folder structure, and secured by user access protocols, etc. It is estimated that as much as 170 thousand files are stored on the internal network. Overall, this file set can be viewed as the primary database of CBDA’s key business data (e.g., progress, milestones, project details, etc.).

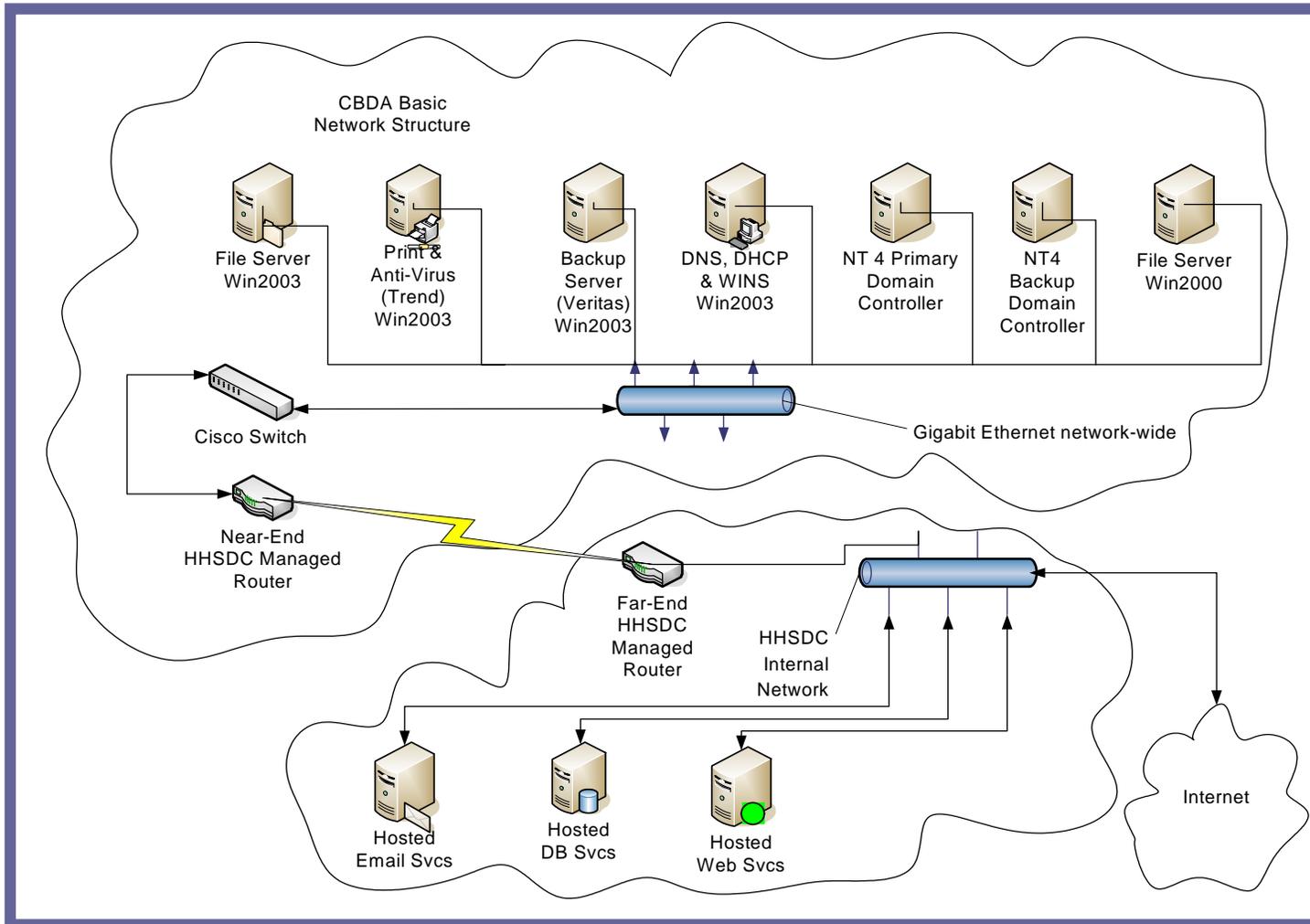
Although managing the corporate data asset in the current file-based method appears to support CBDA's current report centric business operations, it will not facilitate the future governance and business needs of a revised CBDA. KPMG views the current file based environment as a major limitation to future process integration, business efficiency, and program management.

- **Infrastructure:** Figure 2.6.3, on the following page, provides a summary overview of the technology infrastructure. CBDA is supported by server hardware housed at CBDA and the Health and Human Services Data Center (HHSDC, now part of the Department of Technology Services). The infrastructure layer comprises the following:
 - ✓ Servers operating at CBDA support an NT 4.0 local-area-network (LAN), providing a variety of services including domain controllers, file servers, backup, print, archive, and

DNS/DHCP support. Microsoft no longer supports this network platform, and therefore this is an area of immense risk.

- ✓ There are about 80 concurrent on-site users on this network. Except for limited off-site e-mail access, there is no remote access to network resources per current policy.
- ✓ Servers housed at HHSDC include two owned by CBDA, providing web and web-content support, as well as the HHSDC state mail server shared by several agencies. The e-mail support agreement with HHSDC includes 108 e-mail boxes as well as mailing list support services ('list serve').

Figure 2.6.3 – Current Technology Infrastructure



Based on discussions, it appears CBDA's underlying technology infrastructure has not advanced substantially since the agency was created. The infrastructure appears to be stable and the network reliable; however there are important areas of weakness. These include the following:

- ✓ **Lack of a formal IT Strategic Plan:** although a plan has been drafted and initially approved by the chief deputy director, funding, staffing, and other factors have curtailed implementation.
- ✓ **Poor integration:** CBDA is at an early stage of adopting IT to support the business. This is evident by the fact that automation supports primarily basic work tasks, not core business functions. The IT systems currently in use are not integrated and do not share data. As a result, data is entered more than once often using a wide variety of spreadsheets and

'homegrown' MS-Access databases. Results are often extracted and e-mailed. This mode of data sharing is prone to security violations, transcription error and imposes additional workload, resulting in users not having access to complete, accurate and up to date data.

Maturing in IT use will involve acquiring and implementing IT applications and resources that will integrate functions and data within the CBDA enterprise as well as integrating and sharing of data with outside partners and stakeholders.

- ✓ **Outdated network platform:** The Windows NT network platform is no longer supported and is an area of immediate risk.
- ✓ **Unclear data management and retention approach (SAM compliance in question):** State Administrative Manual (SAM) prescribes certain data identification,

responsibility and management requirements. There is concern that CBDA may not be in compliance with these rules. Some discussion has taken place with HHSDC regarding e-mail retention; however the issue/need does not appear resolved.

- ✓ **Lack of network management tools:** Based on discussions and reviews, KPMG notes that network management tools do not appear to be in place for adequately controlling/tuning network resources.

Overall, based on the high-level review performed, KPMG has subjectively gauged the business risk related to technology infrastructure as ‘medium high’ to ‘high’ requiring immediate attention in the key areas noted.

- **Support:** KPMG’s review of IT support arrangements is limited to internal interviews. Although support

agreements were not evaluated in detail, KPMG notes that IT support is provided by internal CBDA Information Technology staff (for basic network and office automation support), as well as e-mail and web server support provided by the Health and Human Services Data Center (HHSDC). Based on discussions, KPMG notes a few general observations with respect to the scope of services received the quality of those services/service levels, and costs. These include the following:

- ✓ **Internal IT control is limited and control efforts hampered:** The internal IT unit is comprised of one chief and five support staff. Support services provided by this unit are primarily focused on network technical support/troubleshooting, Windows/desktop support, graphics, telecommunications and web support. The recently implemented central contracts tracking application system

(MS Access) is also supported by this central IT unit. Many other applications, however, were developed over time by program personnel and are not controlled or supported by the central IT unit. This evolution of ‘home grown’ technology in business units is a common dilemma in government and private enterprise and has the downside of undermining the efforts to manage and control IT applications, networks, and core data as an ‘enterprise-wide’ asset. At CBDA, this challenge appears to be complicated by an expectation that program units operate with a fair degree of autonomy. There can be benefits in providing some autonomy to business units. However, when this autonomy includes technology decisions (planning, procurement, and implementation) a consequence can be a mismatch of technology and data within the

business unit as compared to what is best for the enterprise. This situation also strains the capability of central IT personnel to support these distributed systems. Based on KPMG’s high-level review, the lack of centralized management and control of IT resources and data is currently evaluated as a ‘medium’ to ‘medium-high’ risk.

- ✓ ***Concern regarding HHSDC support including costs and availability:*** Based on discussions, KPMG notes that the support agreement with HHSDC spans primarily e-mail, ‘list serve’ (distribution lists) and web support. The servers residing at HHSDC are shown in figure 2.6.3 above. An important aspect of this service is ‘availability’. Loss of data or interruption of IT service can severely hamper business operations. Based on discussions, KPMG is informed that

HHSDC's support agreement for availability is 99.5% ('two-nines' availability). This means that the IT resources managed by HHSDC are guaranteed to be available 99.5% of the time. KPMG notes that this agreement is below the common industry standard of 99.99% ('four nines') target or 99.999% ('five nines') optimal. A comprehensive review of services, risks, and costs should be performed through facilitated dialogue with HHSDC management.

- ✓ ***Weak or unclear HHSDC operational recovery/failover support:*** Based on discussions, operational recovery procedures appear to be untested and the status of an overall operational recovery plan is unclear. Further, KPMG notes that failover techniques are not in place for hardware, each operating system instance (partition), nor databases. In

addition, recovery is limited to hardware only, not data, with recovery time at 12 hours.

These support arrangements appear inadequate in supporting CBDA's current IT assets.

- ✓ ***Unclear data retention policy:*** Based on discussions, KPMG notes that an overall CBDA data management strategy is not in place including data retention policy for data residing at CBDA or HHSDC. There has been discussion with HHDC regarding e-mail data retention in the event of a lawsuit scenario. The Department of Justice has authored an initial e-mail retention policy. However, there appears to be a concern as to whether this policy supports or conflicts with business needs. The policy should be reviewed and revised as needed.

- ✓ **Concern regarding HHSDC policy constraints for web functionality/statistics:**
Based on discussions, HHSDC’s web policies are viewed, by CBDA, as a limitation to expanding CBDA’s future web capability. Policy ‘roadblocks’ were identified regarding additional web functionality as well as support in tracking web usage/statistics.
- ✓ **Limited remote access:** Based on discussions, KPMG notes that remote access is limited to e-mail through Outlook Web Access (OWA) supported by HHSDC. This does not include remote access to personal e-mail folders (.pst files), or remote access to corporate data residing on the internal network (per policy). KPMG recommends that a more thorough business requirements assessment be developed to better understand whether or not

expanded remote access will support future business needs.

Considerations

Based on a high-level review, KPMG has identified the following management considerations related to technology:

- **Finalize IT Strategy:** As noted above, the Chief of Information Technology has drafted a preliminary strategy for technology. Funding constraints and other issues have curtailed implementation. This planning effort should be formalized and refined in a structured process. It should include identifying technology vision, goals, issues/constraints, and time-based strategic initiatives (projects) that align and support the business needs of CALFED, while also conforming to state technology standards. This planning effort should include broad participation from executive management, program management, as well as key business partners (implementing agencies and control

agencies). This will help to ensure a technology vision that embraces integration of data and processes throughout CALFED.

- **Develop Integrated Data Management Strategy, including data retention:** Data should be viewed as a strategic business asset and controlled centrally through a data management procedure. The governance of data should include document management, data definition and organization, access, and retention. A comprehensive data management strategy should be developed that supports the overall business needs of the CALFED and is defined in the IT Strategy for Technology. This IT strategy should address near-term weaknesses and areas of risk (including, security, data retention; data archive; disparate data systems; weak data identification, management, and responsibilities) and importantly sets the foundation for implementing a centralized CALFED data repository (as defined below). The strategy must also address state

technology and data-management standards (per State Administrative Manual).

- **Build web-enabled CALFED data repositories.** CBDA could add value by operating as the central clearinghouse of Bay/Delta information. This should include science-based modeling data (including predictive tools where appropriate) as well as project and program performance data. Science staff, at CBDA, and the implementing agencies would access scientific and modeling data to evaluate impacts of future projects and changes to current projects (adaptive management) to the Bay/Delta. The project level information would be analyzed by CBDA regional and program managers to document progress, update performance metrics, identify issues and opportunities to incorporate adaptive management throughout the year. Implementing agencies would also access these databases and report project status through a web-reporting tool. At year-end, aggregated project data would be accumulated and

reported to state and federal control agencies. This ongoing monitoring and understanding of project performances, mitigation of risks and issues, development of performance metrics, and annual reports would demonstrate the value to CBDA's services and strengthen its partnerships.

- ***Develop Integrated Applications Strategy (including CALSTARS, HR/Payroll):*** These core statewide business application systems are not directly accessible by CBDA personnel. Instead, CBDA is provided hardcopies of financial and other reports by state control agencies (primarily DGS). Although CBDA has functioned under this method, this will conflict with any future opportunity for efficient, electronic exchange of accounting/budgeting information among program management staff. More broadly, an integrated applications strategy, in conformance with state technology standards, should specify the functional applications that are needed to support the overall

business strategy. Consideration should be given to enterprise applications such as Fiscal Reporting System, Document Management, Automated Workflow, Geographic Information Systems, and web-enabled project management tools, to name a few. The goal would be to integrate, manage, and share core business functions and data, efficiently and effectively with all implementing agencies.

- ***Upgrade Network Tools and Security:*** As noted, the current Windows NT 4.0 local area network needs to be upgraded immediately, to a supportable platform. Also, standards should be defined and tools implemented to strengthen network security and management capabilities. These include providing security to the data level, tuning, utilization, backup/archive, and end-user administration. Adequate funding and training is required for success.

- ***Finalize IT Policies and Procedures:*** An overarching IT Strategic Plan should trigger development of official IT policies and procedures. This should clarify steps, roles, responsibilities, and standards throughout the technology lifecycle – from defining need to procurement through implementation, support, and replacement. This should also clarify the responsibility of centralized CBDA IT staff, decentralized (i.e., program staff), data center support, and implementing agencies.
- ***Finalize and Test Operational Recovery Plan (ORP):*** CBDA should develop a formal ORP that includes hardware, software, and data residing both at CBDA as well as at HHSDC. The plan should focus on compliance with SAM requirements while also addressing CBDA/CALFED’s business needs for recovering operations after a failure. As noted above, there is some confusion as to the status of the ORP residing at HHSDC. This should be examined in open, facilitated discussion with HHSDC and CBDA IT and program personnel.
- ***Assess and Refine Support Arrangements:*** KPMG notes that the support agreement with HHSDC has prompted some concern with respect to the scope of services received, the quality of those services/service levels and also costs. This should be addressed through dialogue with CBDA and HHSDC to help confirm and refine where needed. In a future environment that entails integrated enterprise level applications and data, consideration must also be given to formalizing support ‘agreements’ between CBDA’s central IT unit and end-users.
- ***Develop Remote Access Business Case:*** As noted, very limited remote access is currently provided under current executive policy. This is to help control unauthorized access to critical data. Consideration should be given to re-examining the business case for

remote access, including the business need, alternatives, technologies, strengths, weaknesses, and costs. The business case may be compelling under a possible future environment that leverages electronic integration of business processes, applications, and data among CBDA staff and CALFED implementing agencies.

3. Current Organizational Structure

3.1. Overview

This section describes the current organizational structure of the CBDA agency, and includes an overview of science, program management and monitoring as well as issues and future considerations. This discussion is intended only as a current ('as is') assessment of the agency structure. It is not intended to address or elaborate upon the broader topic of 'governance', as this important topic addressed fully within the review of the Little Hoover Commission.

The California Bay-Delta Authority Act of 2003 established the Authority as the governing Board and charged it with providing accountability, ensuring balanced implementation, tracking and assessing program progress, using sound science, assuring public involvement and outreach, and coordinating

and integrating related programs. Board membership comprises various state and federal agency representatives as well as public members and the chair of the Bay-Delta Public Advisory Committee. The Act also created a new agency to oversee implementation, reporting to the governing Board. The impetus for creating the Board and agency was to address governance shortcomings identified in the ROD, specifically including diffused authority and lack of accountability. In supporting the Board, the new agency was expected to strengthen coordination and communication among competing interests while also serving as an independent voice for CALFED. Reaching this ideal, however, has proven challenging.

Figure 3.1 presents the current organization structure of the agency and reporting relationship to the Board. Features of the current organization structure are listed below. Current issues and considerations are presented at the end of this section:

- ***Lines of communication to Board and Committees*** – As shown, the entities that report to the governing Board include the CBDA agency as well as the Science program (and Independent Science Board), and the Bay-Delta Public Advisory Committee (BDPAC). The Agency Coordination Team (ACT), comprising directors of implementing agencies, also has a communication channel to the Board.
- ***Distribution of administrative functions*** – The organization has grappled with ways to improve the services delivered by administrative functions. As documented in Section 2.1, the Contracts business process in particular has undergone changes in recent years to improve the speed and quality of work tasks. Improvement attempts have included distribution of administration personnel to specific program areas with the aim that these staff will strengthen their knowledge of the program goals, issues, and needs and therefore better understand and anticipate contractual issues and

ideas that will benefit the program. As already noted, the benefits of this transition were not realized.

- ***Program management consolidated around three Divisions*** – The ROD identifies eleven program elements and specifies the required coordination responsibilities. Section 3.3 below describes the current scope of responsibilities in program management and monitoring. Staffing to support this business function is generally organized around three Divisions, as shown in Figure 3.1:
 - ✓ The Science program consists of environmental scientists, engineers, program coordinators, and business staff that are responsible for implementing the science program, in accordance with the ROD. This Division has dual reporting lines – first to the Lead Scientist and then administratively reporting to the CBDA Chief Deputy Director.

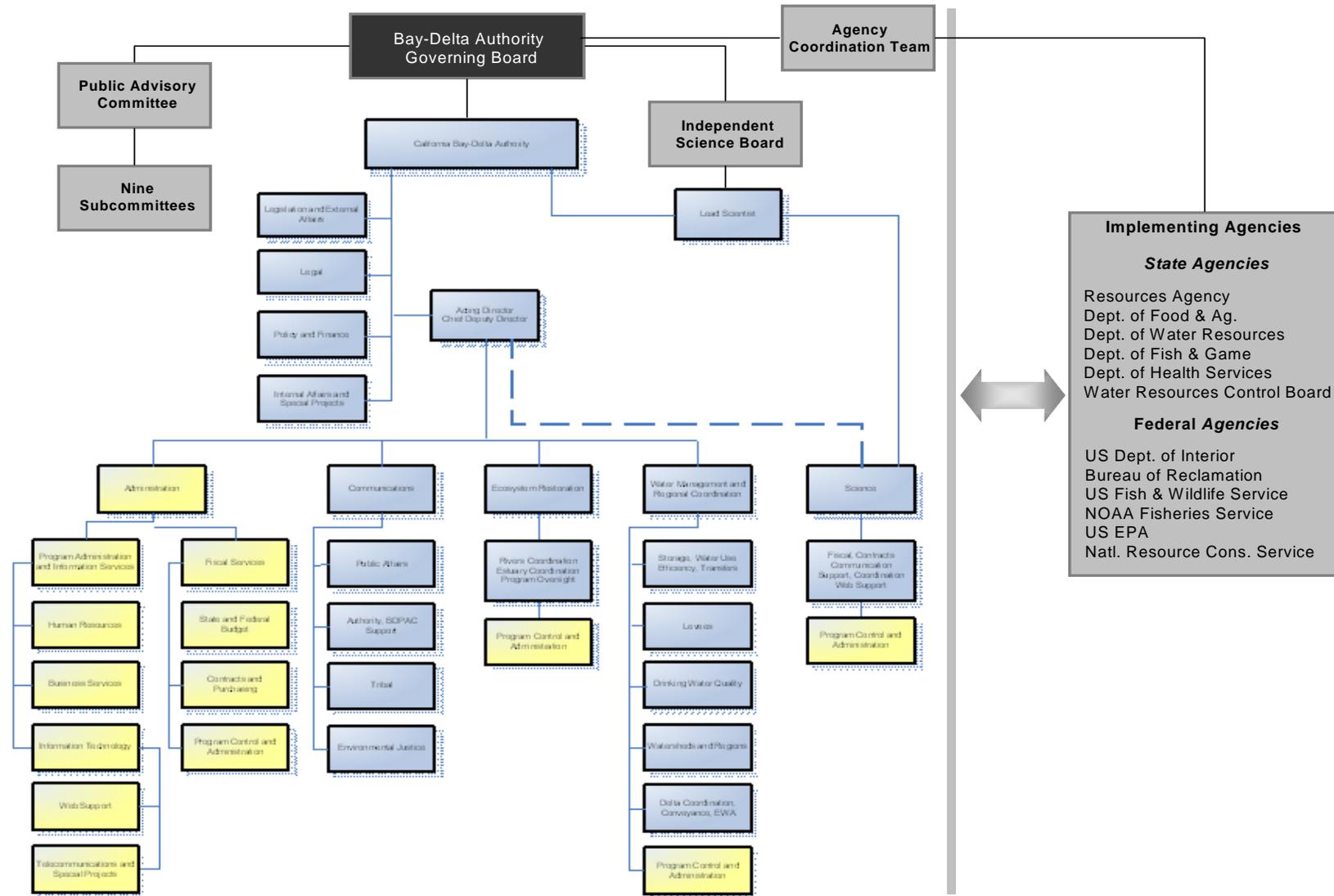
The science program is discussed more fully in Section 3.2 below.

- ✓ The Ecosystem Restoration Program (ERP) is also supported by a Division with direct reporting to the agency Chief Deputy Director. This Division is comprised of environmental scientists that work with ERP implementing agencies in coordinating a broad range of projects focused on restoring and protecting habitats, ecosystem function, and native species.
- ✓ The staff within the Water Management and Regional Coordination Division is responsible for coordinating all other ROD program elements, including Conveyance, Drinking Water Quality, Environmental Water Account, Levees, Storage, Water Transfers, Water Use Efficiency, and Watershed. Staffing consists of environmental scientists, engineers,

regional coordinators, and water resources economists.

- **Two units involved in financial processes** – as discussed in Section 2.3 of this report, two business units support financial tracking. The administrative staff (primarily the Administration Chief and Fiscal Services manager) administers and tracks the annual CBDA budget. In addition, they prepare budget-change proposals to support the annual state budget cycle. The policy and finance unit is responsible for the financial tracking of individual program elements, and includes assessing the funding need, developing and updating the Finance Plan, and tracking and reporting interagency ‘crosscut’ budgets.

Figure 3.1 – Current Organization Structure



- ***Information Technology Reports to Administration*** – The Chief Information Officer and Information Technology (IT) support staff are organized within the administration division and report to the program administration and information services manager.
- ***Core communications function served by Communications Chief*** – The ROD and Bay-Delta Act identify certain communication responsibilities of the Board and Agency. As shown in Figure 3.1, this is addressed by a dedicated Communications Division consisting of program coordinators (for tribal and environmental justice programs), as well as a public affairs specialist and an analyst providing Board and BDPAC support. As discussed in Section 2.5—Communications and Annual Reporting, the Communications activities dealing with the wide variety of external entities (agencies, stakeholders, interest groups, etc.) are addressed primarily by the Chief of the Communications Division in collaboration

with program managers and staff housed at other agencies.

- ***Use of Contract Staff*** – Although the staff count and mix do vary, KPMG notes that contract or staff from other government agencies, fills a significant percentage of positions. For example, of 78 filled positions as of September 2005, 19 (24%) were filled by other government staff or contractors.

3.2. Science Program

The goal of the Science Program is to incorporate the best-available scientific knowledge into all CALFED activities and decisions. This involves exploring the key issues – specific and broad – that impact or potentially impact the CALFED program success. Overall, the Science Program is intended to independently support each of the CALFED primary objectives, including water quality, ecosystem restoration, water supply reliability, and levee system integrity. The CBDA is the implementing agency for the Science Program.

Specifically, as defined in the ROD, the Science Program is to provide a comprehensive framework and develop new information and scientific interpretations necessary to implement, monitor, and evaluate the success of the CALFED program and its major objectives. This program is then responsible for communicating to CALFED managers as well as the public the state of knowledge related to the issues that

were explored. This scientific body of knowledge must be unbiased, relevant, authoritative, integrated across all program elements, and communicated. Responsibilities as identified in the ROD comprise the following:

- **Coordinated Science:** The program is responsible for coordinating existing Bay-Delta performance monitoring and scientific research programs.
- **Scientific Modeling and Performance Measures:** The program is chartered with developing ecological operational scientific (e.g. predictive) models and associated measures that will be used to evaluate progress in the Bay-Delta estuary and developing a strategy for their use by each program element.
- **Adaptive Management and CMARP:** Continuous monitoring of project level performance measures and outcomes is an important element within an ‘Adaptive Management’ feedback cycle. Comparing project level

results with those produced by scientific models, of the Bay-Delta estuary, will enable mid-course adjustments to programs and projects or refinement of the models themselves.

- **Reporting:** The program is charged with producing an Annual Science Report that communicates the status of program goals and key issues impacting CALFED.

Figure 3.2.1 below presents the current relationships among the various elements of the science program. Key elements of this organization structure are summarized below. Current issues and considerations are documented within Section 3.4—Issues and Considerations:

- **Science Program Reporting Relationships** – The program staff is comprised of environmental scientists, engineers, program coordinators, and business staff. This program has dual reporting lines – first to the Lead

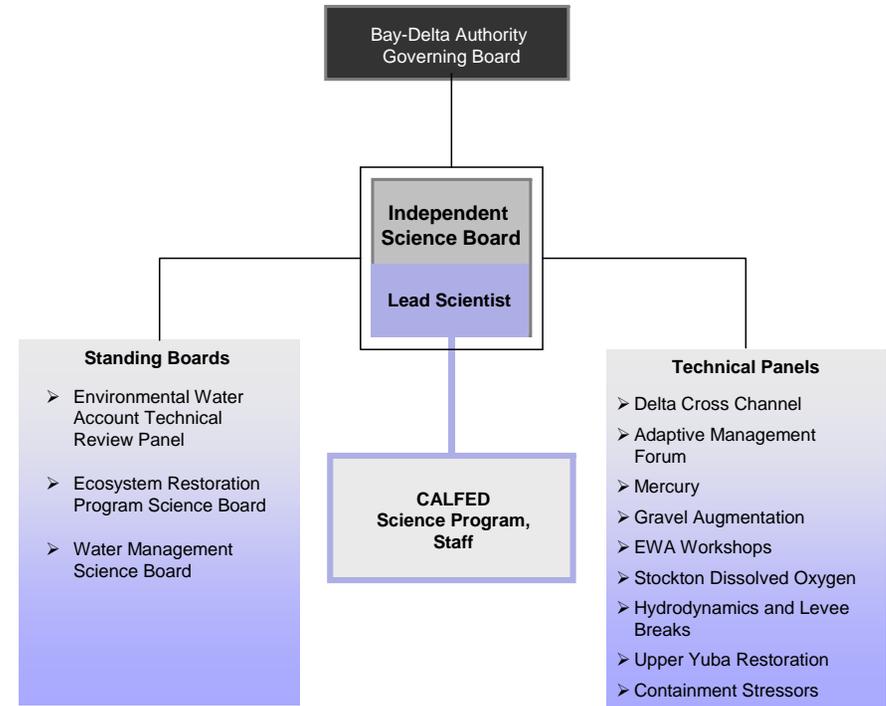
Scientist, then also administrative reporting to the CBDA Chief Deputy Director.

- **Lead Scientist** –The Lead Scientist reports to the CBDA Board.
- **Independent Science Board and Interagency Ecological Program (IEP)** – The program also supports the Independent Science Board (ISB) as chartered by ROD stage 1 commitment. The ISB is one part of the independent review system used by CALFED to integrate, review, and advise across program elements. It is a standing board of experts that is chartered to advise and formalize recommendations to the CBDA governing Board on the scientific aspects of key issues. The Science Program also works in partnership with the Interagency Ecological Program (IEP), which provides much of the baseline water quality and ecological monitoring and research on the Sacramento and San Joaquin Estuary.

- **Other standing boards and technical panels** – As shown, various other boards and panels were formed to provide independent review around specific initiatives or issues.

Current issues and future considerations pertaining to the Science Program are included within Section 3.4 below.

Figure 3.2.1 – Science Program



3.3. Program Management and Monitoring

The Authority is charged with providing accountability, ensuring balanced implementation, tracking and assessing Program element progress, using sound science, assuring public involvement and outreach, and coordinating and integrating related government programs. Guided by the Authority, the CBDA staff is charged with providing a program management and monitoring capability to help facilitate coordination amongst the implementing agencies. The purpose of this section of the report is to outline the program management and monitoring function within the current organization structure.

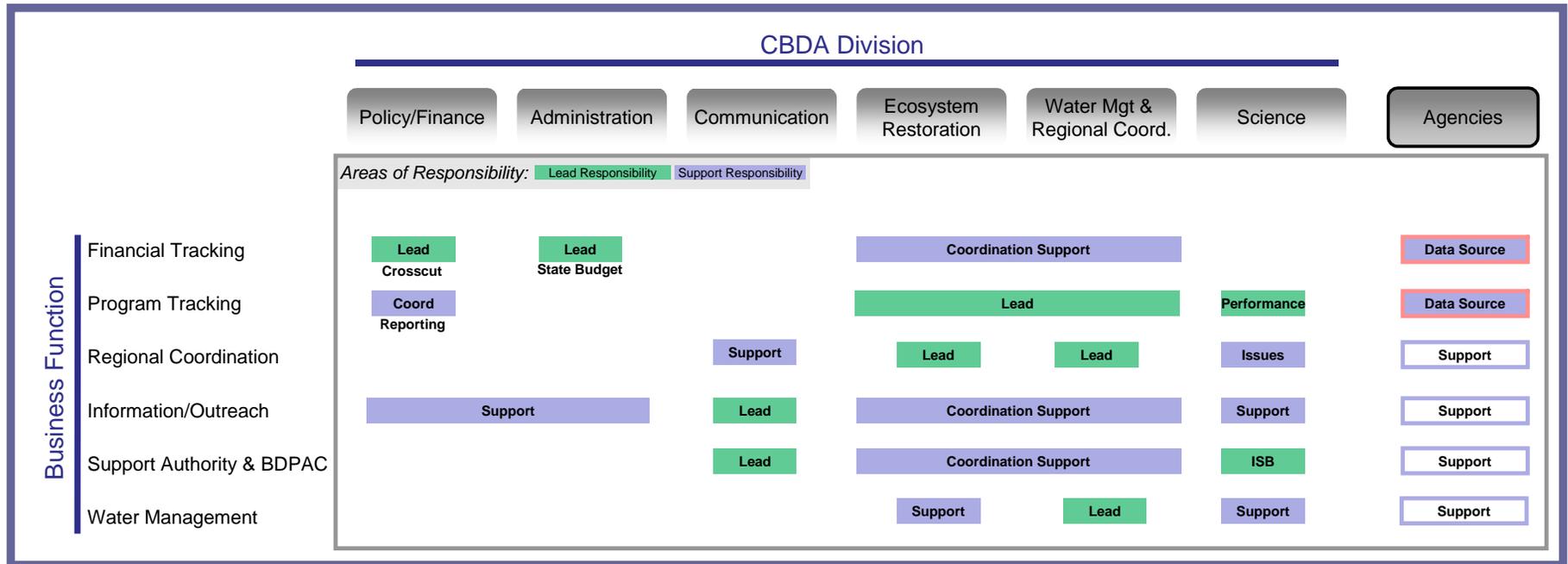
The CBDA organization structure includes staff personnel resources that support various program management and

monitoring duties. As shown in figure 3.3.1, program management and monitoring duties are organized around the following four CBDA divisions:

- **Communications Division** – these staff provide public information and outreach, annual reporting, Authority/BDPAC support as needed to address questions/issues and facilitate discussion, and coordinating the environmental justice and tribal programs.
- **Ecosystem Restoration Division** – these staff support the Ecosystem Restoration Program per the ROD. Program management and monitoring duties include regional monitoring, program oversight (spanning regions) as well as grant administration and tracking.
- **Water Management and Regional Coordination** – This division supports many CALFED program elements.

Staffing includes program managers as well as regional coordinators.

Figure 3.3.1 – Distribution of Program Management and Monitoring Activities



- **Science** – CBDA is the implementing agency for the science program. The CBDA Science program is tasked with the development of scientific models and performance measures for each program element and the subsequent monitoring of these models and measures, qualifying the results and recommending adjustments in order to preserve/enhance the Bay/Delta ecosystems. The current organization structure is described in Section 3.1 of this report.

The staff within these divisions is expected to support the overarching ‘Oversight and Coordination’ activities as defined in the respective multi-year program-planning document. These activities are listed below and include a broad description of the processes and personnel (Organizational unit) that currently support each activity. A separate assessment of CALFED accomplishments, by activity, was

performed by the California Department of Finance (DOF) and is documented by DOF under separate cover:

- **Financial Tracking** – The financial tracking activities are documented in Section 2.3 of this report. The primary responsibilities in the current environment are outlined as follows:
 - ✓ **Financial Tracking and Crosscut (Policy/Finance Unit):** CBDA’s Policy/Finance unit has the primary responsibility for managing CALFED-wide financial elements. These include maintaining a financial tracking database/spreadsheet, assisting agencies in addressing issues that may arise related to funding and reporting, helping to answer financial-related questions from a wide variety of external parties, coordinating and tracking the CALFED budget through the Legislative Process, and consolidating and reporting the consolidated

‘crosscut’ budget. The program managers also play an important, supporting role in serving as a communication conduit to the implementing agencies during development of budget documents (e.g., BCP’s, 3-year crosscut tables). The crosscut budget process is diagramed in Section 2.3. In December 2004, the Policy/Finance unit led the development of a 10-year CALFED Finance Plan that was focused on identifying alternative revenue streams in conformance with the ‘beneficiary pays’ principal. The Authority Board committed Authority staff to continue to work with other agencies, stakeholders, and the Legislature and Congress on refining the details of the Plan and return to the Authority and BDPAC for further consideration.

- ✓ *State Budget (Administration-Fiscal Services):* The Fiscal Services Manager and Assistant Director of Administration are responsible for coordinating development of the annual CBDA state budget. This involves direct input from CBDA division and program managers. A process flow diagram is included in Section 2.3 of this report.
- **Program Tracking** – The primary responsibility for tracking program progress lies with the CBDA program managers in collaboration with the respective implementing agency(s). As discussed in Section 3.4, the approach to tracking program progress varies depending on program and program manager. The overall goal is manage progress to assist in better understanding program-wide balance and integration. However, owing to various factors, that goal remains elusive. In the current environment, the information that is collected is compiled and reported in both the multi-

year program plans (for each program element) and in the annual report.

- ✓ The program plans are intended to describe what has been accomplished; identify ongoing and planned activities and schedules; identify available funding and additional funding needs; and also document the efforts to integrate programs and achieve balance. Due to the increasing demands on the programs and the decreasing availability of funds, it is vital for the programs to identify program priorities and gaps. As documented in Section 2.2, however, the ‘true’ status of the program progress or funding is often not clear. Additional work is needed to finalize and simplify the methods to track and report program performance. The program plans are the responsibility of the implementing agency in collaboration with CBDA program

managers. However, CBDA’s Policy/Finance unit plays a key role in coordinating, and sometimes drafting, these plans (see Section 2.2).

- ✓ The Annual Report is developed by the Communications division (see Section 2.5). The Annual Report is intended to provide a “look back” at the accomplishments of the Program and help to identify gaps where the Program may need to focus and overall ‘balance’. To do this, the Annual Report is expected to detail the status of implementation for all elements of the CALFED Program and sets the stage for projects in the coming year. The most important component of this report is the ‘Annual Statement of Progress’, which is intended to present a realistic summary of accomplishments during the past fiscal year and the anticipated activities for the coming

year. This Statement of Progress is folded into the planning for the program plans. As documented in Section 2.5, the widespread view is that the Annual Report provides a useful marketing overview, but does not present a complete picture of CALFED status.

- **Regional Coordination** – In addition to the coordination focus around programs, CBDA also allocates staff devoted to understanding the needs and issues that pertains to geographic ‘regional’ areas. CBDA includes regional coordinators in both the Water Management and ERP divisions. The responsibilities primarily entail a communication function, involving outreach as needed to regional stakeholders and interests to anticipate and address regional issues and understand their needs, while then serving to facilitate resolution of those needs with program managers and implementing agencies.
- **Public Information and Outreach** – The Communications Division holds the primary responsibility for understanding and addressing the informational needs of various external constituents. The objective is to support the principals of transparency, public involvement, and accountability within the CALFED initiative. CALFED is inherently complex and interrelated with an enormously wide variety of statewide and regional issues and constituency. Accordingly, CALFED is intensely dependent on information and the mechanisms and methods to manage and report on this information. The CBDA Communications Division cannot fulfill this mission without leveraging the personnel resources and capabilities of program and agency personnel. Indeed, the CBDA regional coordinators and program managers play an important role in supporting the communication needs of the program. The Communications Division also works closely with The Resources Agency and

Department of Water Resources as well as other state and federal implementing agencies where needed. Communication activities and specifically development of the Annual Report is documented in Section 2.5 of this report. Coordinated communication activities include the following:

- ✓ Conducting various media events and news releases to highlight Program activities, accomplishments, and foster support.
- ✓ Developing and distributing Program materials to interested parties and the public at various venues. Material may include fact sheets, presentations, annual report, etc.
- ✓ Provide electronic, monthly newsletters and mailing lists to interested parties and the public. Often these messages are tailored to the recipient.

- ***Support for the Bay-Delta Authority and California Bay-Delta Public Advisory Committee*** – The Communications Division also supports the informational needs of BDPAC, its members and its various subcommittees. In fulfilling this responsibility, the Communication Division will coordinate and draw upon the input from CBDA program managers and regional coordinators, as well as Policy/Finance staff. Responsibilities include the following:
 - ✓ Support and assist the Authority so that it can carry out its statutorily required mission to advise and make recommendations on issues related to the Program and any of its processes, projects, or programs.
 - ✓ Support and assist the BDPAC so that it can carry out its Federally-chartered mission in providing recommendations to the Secretary of the Interior, other participating Federal agencies, the Governor of California, and the

Authority Board on Program implementation, including priorities, integration, and balance.

- ***System-wide Water Management*** – As can be seen from Figure 3.3.1, the CBDA has organized many of its program management and regional coordination efforts around a single ‘Water Management and Regional Coordination’ Division. This organization is intended to provide focus on assessing the system as a whole, to help bring consistency in evaluating water supply projects and optimizing the operation of the system to achieve maximum balanced benefits. It is felt that organizing in this way will help to integrate the water ‘demand’ information used in storage modeling with the ‘supply’ information including water conservation projections. The aim is to also improve the communication and collaboration among the various agencies that manage and are the source of this data.

3.4. **Issues and Considerations**

The organization structure of the CBDA agency is intended to support the Authority, and coordinate actions and communicate information as defined in the ROD, MOU and Act legacy documents. Fulfilling that function has proven challenging. In the view of implementing agencies and others, the CBDA has not succeeded in this regard. This discussion outlines current issues and future considerations.

Issues

A key issue identified in interviews with CBDA stakeholders is the need to clarify the role of the Authority and the CBDA Agency within a revised ‘governance’ structure that is being crafted in parallel with the publication of this report. The key organizational issues identified by KPMG, that is input to the current governance review are as follows:

- ***Distribution of administrative staff does not appear to have achieved desired benefits*** – Based on interviews, KPMG notes that the distribution of administrative staff through out the CBDA organization was well intended, however has not materially improved the efficiency or quality of contracting or other administrative functions. Staff has commented that part of the challenge appears to be that distributing staff within the program areas has the unintended consequence of availing those staff to serving other program needs. Success appeared to also be constrained by limited staff training (in both contract procedure and program needs) and high turnover within the administrative ranks.
- ***Unclear decision-making procedure*** – Key decisions are processed through a formal paper based workflow, including many review cycles, and ultimately Authority approval. Examples are decisions culminating in the program plans and the annual report. Procedures for other decisions and coordination actions, however, are

less clear. The flow of information and decisions appears to vary and driven principally by the individual style and preferences of program managers and staff. This flexibility can help the organization stay nimble. However, this flow of information and decisions should be governed by an underlying procedure, supported by clearly defined roles and responsibilities and enabled automated management tools. This will enable the sharing of key decisions, issues, and program milestones, internally and externally.

- ***Divisions and units appear to operate within ‘Silos’*** – This issue ties to governance generally, and specifically to the lack of clear roles/responsibilities, common performance measures, and a formal communication plan, identifying both internal and external customers. From an organization structure standpoint, KPMG notes that communications and internal decision making processes appear to be centered on individual project or program needs. Little effort is allotted to

communicating issues or share strategies across CBDA divisions, programs, or regions. Generally, the units or Divisions tend to operate within their own ‘silo’ and do not often regard other programs or staff as their customer or partner. There appears to be a lack of a clear understanding or appreciating how processes or programs may link together.

- ***Challenge in prioritizing work and efficiently directing limited staff resources*** – The CBDA organization is staffed, prudently. A lot can be accomplished in a lean organization; however success requires an understanding of individual roles and responsibilities, supporting management processes, decision-making procedures, and decision-support tools. Absent effective processes, procedures and tools, the CBDA has struggled to effectively align its limited resources to business priorities.

- ***Struggle to identify and communicate the ‘value-add’***
– Tied to the important issue of ‘governance’, the Authority and CBDA agency have not clearly defined their role as either ‘oversight’ or ‘coordination’ entity. Consequently, the agency continues to struggle to identify the ‘value’ that they deliver to implementing agencies, stakeholders and the legislature.
- ***Agency resistance: the Authority and the agency are not viewed as a place where issues/disputes can be quickly resolved*** – The CBDA agency is suffering a mediocre image. Owing to the factors listed above, the implementing agencies do question the value that the CBDA agency brings to the CALFED program and have noted that generally the agency is not viewed as an efficient, effective coordinator of programs issues.
- ***Lack of strategic management tools*** – Based on KPMG’s review, the current organization of personnel resources and business processes is not adequately

supported by modern application software and data management tool sets that can automate workflow, provide information, and enable effective decision-making. Current processes are supported by a basic set of desktop automation tools, including e-mail, word-processing, spreadsheet, etc. As discussed fully in this report, these tools support individual tasks but are not adequate in supporting core business processes. The ability to develop, capture, and share program and project level information is needed. Automated application software including document management, automated workflow processing, central databases, decision support tools, web communication tools, and project management capabilities, are needed.

- ***Lack of open communication and ‘team spirit’*** – This is also indicative of the ‘silo’ environment. Based on KPMG discussions, it was noted by staff that the high degree of ‘intellectual’ capital of program management and staff could contribute to a healthy sense of

individual ownership in various programs or initiatives. However this individualism can intensify divisions or units ‘going it alone’ approach and not seeking the input or advice of their peers in other divisions. CBDA leadership must implement cross-functional performance measures that support a collaborative decision-making protocol and embrace and reward collaboration, open communication, information sharing, and teamwork.

- ***High turnover and low morale*** – Several interviewees noted personal pride in working with such a wide array of talented and highly educated staff. They conversely noted remorse at what they felt to be a weakened staff morale and concern of continued turnover. This concern is brought to focus when viewed in context with the challenges noted in this report and the issues in the areas of governance and program performance documented by the Little Hoover Commission and Department of Finance, respectively. The

considerations for moving forward should lay a strong foundation for addressing current issues, clarifying the agencies future role and building a new environment that is fulfilling to current staff and attractive to new talent.

- ***Science: unclear goals, lack of authority*** – The role of the Science Program appears well intended in the ROD; science can provide substantial value in providing an independent, scientific basis in planning, implementing, and assessing CALFED actions and progress. KPMG notes the following current issues based on discussions:
 - ✓ ***Unclear responsibilities – goals, objectives and products:*** The challenges of the Science Program appear to stem from a lack of a clear understanding as to the scope of responsibilities for each of the various entities involved in implementing science, including the Science Program, the Lead Scientist, the Independent Science Board (ISB), and the

Interagency Ecological Program (IEP). Goals, objectives, and outputs (products) are not clearly defined or understood. The guiding documents present a set of broad goals and commitments, the implementation of which appears to vary depending on the vision and interpretation of the Lead Scientist.

- ✓ *Lack of Authority:* According to the findings of the recent DOF program review, the Science Program has not made sufficient progress in key areas including the Comprehensive Monitoring, Assessment and Research Program (CMARP), performance measures (as noted below), predictive modeling, and reporting/communication. Based on KPMG’s review, this lack of progress appear to stem from an unclear ground rules or guidelines within the ROD and other foundational documents, and a lack

of clear authority to execute. Without mandated authority, the task of setting or reviewing performance with implementing agencies can become diluted to one of “negotiated reviews” with agencies that are unwilling or unable to provide reliable performance data. Also, inadequate communication by leadership has also appeared to further a misconception among agencies that the Science Program has a level of authority that in fact it does not have.

- ✓ *Wavering leadership and priorities:* As the Lead Scientist changes, so does the vision and the focus of the science program. Initially, the vision was to provide oversight, coordination, and communication to various program elements. When Science leadership changed the Science Program priority focus changed to one of conducting scientific research, to the

detriment of initial organizations focus.

Currently the Lead Scientist position is vacant and staff is unsure of the current programs direction. A ‘moving’ vision also tends to impact staff priorities and unduly stresses the already limited personnel resources in efforts to add value and inform key issues. This is complicated by a lack of formal CBDA priority setting process to determine the issues or programs that warrant a scientific review.

- ✓ *Sub-optimal Reporting relationships:* As noted in Section 3.2 above, the Science Program currently holds a dual reporting relationship – reporting to the Lead Scientist, and also to the CBDA agency. Concern was identified during interviews that this dual reporting relationship tends to confuse staff, agencies, and stakeholders with respect to the mission of the Science Program and its

perceived level of independence. It was also noted during KPMG discussions, that historically the Lead Scientist would coordinate activities with implementing agencies, not at the director level, but at deputy or lower level within the agency.

Considering the significant potential impact that issues of science may have on program success, a direct communication channel to the agency director is required.

- ✓ *Need to support program responsibilities with adequate resources and authority:* If the Science Program is to ‘do’ science, implement, and review performance measures for each program, staffing and funding must be suitable to support these objectives and authority established. If the Science Program is to ‘facilitate’ science, then clearly this has different implications for authority and

resources. During KPMG interviews, staff noted a key factor in the lack of progress associated with the development of scientific models, CMARP, and performance measures was insufficient personnel resources, the appropriate technology, funding and technical expertise in this area. KPMG notes further that performance measures for the Science program are also undeveloped.

- ✓ *Lack of Creditable information:* Staff has indicated a ‘void’ of credible data and information from which to base scientific research and to identify areas needing scientific modeling and review.
- ✓ *Inadequate Technology:* KPMG noted that the current Science Program does not have the appropriate technology to develop and evaluate scientific models of the Bay/Delta. The lack of scientific and predictive modeling

capabilities and experienced staff inhibit the implementation of Adaptive Management.

Considerations

KPMG has evaluated the issues, and presents below a list of future considerations. Based on review and comment, this list will be refined and finalized in a subsequent project deliverable.

Generally, KPMG suggests that consideration be given to strengthening performance-based program management. Under the guidance of a new policy group, implementing agencies and CBDA should establish standard performance-based program and project management methods including communication, planning, performance measurement and tracking, central data management, and continuous business process review. Responsibility for project management should primarily lie with the implementing agencies, whereas the reconstituted CBDA staff would serve the program

management role, coordinating across all projects. The distinction is clarified as follows:

- **Strategic direction** will be the responsibility of state leadership. A comprehensive, statewide water strategy is an essential prerequisite to restoring the Bay-Delta and guiding CALFED. This strategic direction will then guide the tactical and operational implementation activities of the CBDA and implementing agencies.
- **Tactical implementation** would be the responsibility of the CBDA. The CBDA would be responsible for managing at the program level, all CALFED related activities. It is a level above project management. The focus is tactical, and is concerned with integrating the elements and output of individual projects in order to achieve predefined strategic CALFED goals and objectives. In addition, the CBDA, in collaboration with the science program and each implementing agency would be responsible for developing overarching

Bay/Delta scientific and predicative models and associated performance targets, monitoring of individual program level performance measures, and the tracking of project level input against these measures.

- **Operational implementation** would be the responsibility of implementing agencies. This involves managing individual projects within a program. The focus is operational, and is concerned with ensuring that the output of the individual project is delivered on time, on budget, and in compliance with contract delivery, quality standards, and performance measures.

In accordance with management standards established by the Project Management Institute (PMI) or other industry standard, the reconstituted CBDA would be organized around a standard set of core program management processes. Key to success is CBDA's ability to establish program level goals and priorities;

project level objectives necessary to achieve the desired Bay/Delta program level outcomes; and providing the processes, methods, and resources needed to accomplish those objectives. The CBDA would also implement procedures to monitor and measure progress to ascertain whether or not the program (or project) is on track to accomplishing established performance targets and if not, taking corrective action (applying Adaptive Management) where necessary. Specifically, the CBDA areas of responsibility may involve the following:

- ***Planning Program Goals and Objectives:*** The CBDA, in conjunction with the Science Program and the implementing agencies, will develop the scientific models and performance objectives necessary to resolve conflicts and achieve “balance” in the Bay/Delta. In addition the CBDA will establish priorities, within available resources, and assign project level tasks to the lead implementing agencies.
- ***Tracking Scope and Risk:*** The CBDA would establish procedures for identifying project-level scope, assessing project risk, and reporting on project progress. Project risks and issues would also be reviewed by the Science Program and mitigation strategies would be proposed to the implementing agency or policy group, as necessary. A clear scope statement and control procedures would help keep programs and individual projects focused on the vision for the Bay/Delta and the goals of the CBDA Strategic Plan.
- ***Tracking Schedule:*** The CBDA would establish project-level control processes and reporting standards for use by agencies in managing individual projects against contractual schedule deadlines. Consideration should be given to applying industry program management techniques including; methods to calculate and track schedule variance (in dollar and percentage terms); estimated time to completion; and resource expenditures. A focus on project and program ‘critical

path' milestones would be useful in keeping from getting lost in the details.

- **Tracking Costs:** The CBDA would put processes in place to ensure that programs and projects are completed within the approved funding budget. Industry program management techniques should be applied to synthesize the current 'cost status' of the project utilizing a simple, quantifiable metric. The CBDA would then aggregate these tracking measures to gauge the status of the program overall. Additional considerations include the following:

- ✓ *Improve the Management and Documentation of Funding 'Status' Information.*
- ✓ *Regularly Update Project Categorization per ROD.*
- ✓ *Clarify and Document Rules for Crosscut Reporting:* The CBDA should strengthen the

partnership with the Department of Finance throughout financial tracking activities.

- ✓ *Improve Reliability of Grant/Local Match Data:* The CBDA should work closely with implementing agencies and local stakeholders in identifying procedures to improve the collection and reporting of local match information.
- **Tracking Quality (Performance):** Performance must drive CALFED implementation and decision-making. This shall comprise the following:
 - ✓ *Employ accepted management practices:* The CBDA would apply industry procedures in Quality Management to help ensure that the program satisfies the needs for which it was undertaken.
 - ✓ *Collaborate with program workgroups and lead agencies:* The Little Hoover

Commission has recommended that inter-agency workgroups be formed to focus on specific projects. They would have a single designated leader, clear mission and would be held accountable for progress. The CBDA would establish the procedures for applying and tracking performance measures, established by science, to workgroup projects.

- ✓ *Performance management led by science:* Performance (quality) measures would be applied consistently across all programs and projects, and then monitored on an ongoing basis. The independent science program would have lead responsibility for quality and performance measurement and management practices.
- ✓ *Keep it simple:* Performance measures should be ‘SMART’ – simple, measurable, achievable, realistic, and time-based.

In support of this CBDA program-management framework, the following planning elements should also be considered:

- ***Develop regional plans:*** The current priority setting initiative, once finalized, would provide input into a revised regional planning process lead by the CBDA Strategic planning Group. Based on the Little Hoover Commission recommendation, State-federal workgroups would be chartered by the Secretary of Resources to implement the CALFED Strategic plan. The CBDA would identify opportunities to integrate individual projects into workgroup plans with a regional focus and, coordinating with Science, define appropriate performance outcomes and measures. The integrated regional planning process, reliant on performance targets set by Science, would support a collaborative approach to accomplish program level outcomes and “balance” in the Bay/Delta.

- ***Tie Regional Plans to State Water Strategy:*** Regional plans would represent the integration of the current program plans (by element), agreed upon project priorities, and ongoing monitoring and reporting processes, and would explicitly tie to a comprehensive state water strategy. The regional plans would link revised performance measures at the project, program, and regional levels.
- ***Ensure Public Involvement:*** The CBDA would work to ensure adequate level of public involvement in the planning process. This includes Strategic and (Regional) Tactical plan reviews and discussion by the state advisory committee, as well as regional meetings and other forums as needed.
- ***Leverage Regional Subcommittees:*** Based on the Little Hoover Commission recommendation, the current nine BDPAC subcommittees would be reconstituted into regional subcommittees, and would participate and provide important input into the CBDA Strategic and Regional planning efforts.
- ***Implement Risk and Conflict Management:*** The CBDA would play an important role in identifying any variance within regional plans and supporting scientific models. Issues and risks would be identified, classified, and elevated to the Lead Scientist and Independent Oversight (policy) Group, as necessary. Initial planning activities should include development of a formal Risk Management Plan that identifies areas of risks and conflict, strategies to mitigating those risks and roles/responsibilities.
- ***Tie to Communication Plan:*** The regional plans should explicitly tie to the overall communication plan. This is to ensure that required information is distributed, in the appropriate form, to specific customers during planning and implementation processes.

The Science Program plays a vital role in the future CALFED governance and operating model. The CBDA Science Program should be responsible for incorporating credible science necessary to achieve the goals of the Bay-Delta restoration program. Key to this objective is coordinating and integrating the activities of the implementing agency science teams. Consideration should be given to the following:

- ***Set clear goals, objectives and products:*** The ROD should be reassessed and revised to clearly identify the goals, objectives and outputs (products) of all entities involved in science, including the Science Program, IEP, ISB and sub-committees, the Lead Scientist and implementing agencies. An overall vision should be set and continually refined through the CDBA Strategic Planning process, based on scientific review and adaptive management principles. The vision should be informed by a specialized science panel convened to review, summarize, and synthesize scientific

information pertaining to the Bay/Delta. There must also be strong, lasting partnership between the Lead Scientist and the CBDA Science Program. This partnership and resulting vision for the Bay/Delta, must be clearly communicated to internal and external parties. As described during KPMG interviews, it is important to ‘daylight’ the value of the Science Program. Once vision is set, clear goals, objectives, and products must be set for the Science Program, together with a realistic commitment of resources, technology, and defined authority. The resources and authority must align with the decisions of the Science Program scope of responsibility as either ‘facilitating’ or ‘doing’ science. In a facilitation role, sample products may include program progress or product reviews, synthesizing and reporting scientific data to the Executive Leadership Council, communicating ongoing scientific issues and scenarios to various internal and external entities.

- ***Grant authority and commit resources to align with the responsibilities of the Science Program:*** The goals, objectives, and products of the Science Program should be set as either ‘doing’ science or ‘facilitating’ science. Depending on this decision, the appropriate level of authority and resources (staffing and funding) must be committed to ensure success. Setting expectations without the necessary supporting authority or resources will only further current misconceptions. The options for strengthening authority are many and include (a) the Lead Scientist reporting as advisor to the reconstituted ‘Executive Leadership Council’ (formerly called the Policy Group) from which policy direction will be set based informed scientific input; (b) the Lead Scientist reporting as advisor to the new independent oversight organization (indications are the oversight body will be provided in statute to a reconstituted California Water Commission) (c) tying agency funding to milestones in developing performance measures and later to performance results.
- ***Formalize science-based decision-making processes:*** Consideration should be given to chartering a revamped ISB to formally document the ‘Science Agenda’, identifying areas of priority, adaptively managing the health of the Bay/Delta (Science Agenda), and reporting on its progress. Criteria should be formalized to clearly identify the program or project level events (Risks, Issues, Results) that would trigger the need for additional scientific review and modeling, precursors to implementing “adaptive management” procedures. The Annual Report of Science will be an important tool to communicating the scientific review of key issues impacting program progress (e.g., Pelagic Organism Decline). The approach, content, and timing of this report should be reviewed and tied to topics set within the Science Agenda. Quarterly or bi-annual reports may be preferred based on the scope and approach decided

upon. Adaptive management should be strengthened and embedded within all CALFED decisions.

Responsibilities should include the following:

- ✓ Coordinate the application of available scientific data, resources, and personnel among the teams to best focus on supporting the priorities as set by the Independent Science Board (ISB).
 - ✓ Coordinate and document all scientific peer reviews of ISB.
 - ✓ Establish critical paths for important program decisions and gear program performance measures at that level.
 - ✓ Design, manage, update all Bay/Delta scientific models, and coordinate specific scientific panels to inform policy decisions.
 - ✓ Position the Lead Scientist to report to the Executive Leadership Council as an advisor.
- ***Manage performance and scientific modeling databases:*** The Science Program should consider developing and administering the proposed CBDA central databases, including program performance data and CALFED scientific and where practical, predictive modeling data. A common data model is needed to allow each implementing agency to provide this data using user-friendly web data collection tool. Modern reporting tools can be used to allow CBDA and Science Program to interrogate project and performance information and predict outcomes for each program element. It is important to note that this role could potentially provide significant value to CBDA's capabilities in administering CALFED-wide management information; however success will require that the necessary technology, authority, and resources be allocated in order to plan and execute this database.
 - ***Identify contracts/grants and financial tracking improvements that can benefit Science:*** Scientific

issues are hard to project, owing to the reality of changes over time in the ecological factors. However, to the extent possible it is beneficial to anticipate potential scientific issues and fund specific scientific projects that will develop the appropriate models (e.g. predictive models), test theories, and help inform those issues. Improvements to the contracts/grants process should also consider refinements, where practical to support the Science Program. Currently, the Science Program does not have direct access to contract scientific and performance information that is maintained, through contract, with other state agencies. Improving direct, electronic access of this scientific and management information will benefit the programs ability to track contracts performance.

- ***Manage scientific models and performance measures:*** Setting, refining and tracking performance measures as well as scientific models is a vital role of the Science Program. However, the scope of responsibility in this

area (whether ‘doing’ or ‘facilitating’) must be supported by adequate resources and the authority to execute Considerations include:

- ✓ In conjunction with the implementing agency science programs, create, refine, and track a set of attribute-based performance measures for each CBDA project.
- ✓ Design and maintain the system-wide scientific models and a performance monitoring and data management program to support the CBDA.
- ✓ Analyze the information coming from the system-wide performance-monitoring program against the scientific models to assess actual project and system responses as components of the overall CBDA strategic plan.
- ✓ Support the ISB in the development of the CBDA Annual Performance Assessment

Report describing and interpreting the accumulated project based performance metrics and the results of any of the ISB peer reviews.

- ***Strengthen Adaptive Management:*** The CALFED should strengthen its commitment to adaptive management practices. Adaptive management requires program and project managers to use performance data and assessments via scientific modeling to determine what program and project level changes are necessary to resolve conflicts and achieve ‘balance’ within the Bay/Delta. This performance data can be used to help diagnose problems and mitigate risk as researchers provide scientific input to the decision-making process. This data will also be beneficial in addressing policy, budget, or other issues that need to be resolved by the CALFED Executive Leadership Council, the Secretary, Governor’s office, and the Legislature.
- ***Role of the ISB:*** The ISB should advise and make recommendations on the use of science in all CALFED program elements and provide scientific advice and guidance to the CBDA management team. Consideration should be given to reducing the size of ISB membership, pulling members from other science advisory boards and panels that may be disbanded, and charter the ISB to focus specifically on the ROD and the new 10 Year Bay/Delta vision commitments. Consideration should also be made to possibly exclude implementing agencies from ISB membership; instead confining members to experts that are wholly independent of CALFED initiatives. This permanent review board will advise the CALFED Executive Leadership Council and implementing agencies on emerging issues; review research and scientific models of the Bay/Delta; monitor CALFED regional plans and associated performance measures; perform oversight and provide peer reviews to meet specific CALFED

program needs. Fortifying the management of CALFED creates a new opportunity to embed adaptive management into decision-making and to bolster the capacity of science to inform those decisions.

- ***Role of the Lead Scientist:*** As a member of the Executive Leadership Council, the Lead Scientist should help lead implementing agency manager's in their use of science to develop and modify management strategies. Reporting to the Executive Leadership Council will help strengthen the authority of science in informing executive direction of CALFED. The Lead Scientist will continually examine CALFED's procedures and policies and recommend ways to use science to improve performance. The Lead Scientist should not dictate management practices, but should translate scientific knowledge into practical management strategies.