

December 24, 2025

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

Dear Secretary Wade Crowfoot,

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

Should you have any questions please contact Jennifer Martin-Gallardo, Deputy Executive Director, at (800) 555-7794, Jennifer.Martin-Gallardo@energy.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Energy Resources Conservation and Development Commission (CEC) is the state's primary energy policy and planning agency. Located within the California Natural Resources Agency (CNRA), the Energy Commission is led by five commissioners appointed by the Governor and confirmed by the Senate. The executive director, who reports to the Chair of the Commission, oversees the budget and staff of the agency. The CEC currently has 798 authorized positions.

Seven core responsibilities guide the CEC as it sets California energy policy:

- Forecasting future energy needs;
 - Promoting energy efficiency and conservation by setting the state's appliance and building energy efficiency standards;
 - Supporting energy research that advances energy science and technology through research, development, and demonstration projects;
 - Developing renewable energy resources;
 - Advancing alternative and renewable transportation fuels and technologies;
 - Certifying thermal power plants 50 megawatts and larger, as well as clean and renewable energy facilities through the Opt-In Certification Program, and overseeing their construction, operation, and closure; and
 - Planning for and directing state response to energy emergencies.
-

Control Environment

The CEC has established an organizational structure and procedures to monitor agency activities, address vulnerabilities, and ensure regular and transparent communication. These internal controls provide reasonable assurance the CEC will achieve its objectives and mission.

The Commission is comprised of five commissioners appointed by the Governor and confirmed by the Legislature and provides oversight of the agency. The organization is led by the Executive Director, who is positioned at the top of an organizational structure that is generally hierarchical and helps establish appropriate levels of responsibility and authority. Program Director positions are assigned as program division leaders and they have responsibility for fulfilling the division's duties. Those program directors further delegate duties to subordinates and evaluate the effectiveness of delegated authority.

The Executive Director and his management team monitor agency activities through a variety of mechanisms, including one-on-one meetings; a chain-of-command formal review process for work products, grant/contract agreements, programmatic decisions, and internal and external communications; and a robust annual work plan development and approval process. The agency's internal control system and processes are developed and maintained at both the organization-wide and division level depending on the need. CEC-wide internal control documentation is communicated to employees via several channels such as the Commission's "Communications Hub" on the CEC's intranet page, and unit-specific policy and procedure manuals may also be available on the intranet available to specific divisions and/or units. In addition, the agency has documented, and the Commission has approved, grant management decision-making authority levels. Internal review and approval forms assist in documenting critical control systems and ensuring compliance. The agency routinely assesses the need to update documentation as changing conditions and business needs evolve.

The Executive Director has established the core values of service, excellence, and accountability for all employees, including management; these values are incorporated into the agency's employee expectations and employee recognition programs. The agency strives to recruit and maintain a competent workforce through consistent and appropriate hiring practices and through workforce management strategies that include annual performance evaluations. To facilitate this, a weekly meeting of executive leadership is held to develop and implement appropriate and consistent workforce management practices.

Annually, the agency conducts an employee performance evaluation process; compliance with this process is tracked by the personnel office and the executive office to ensure evaluations are completed for all employees. In addition, CEC management establishes competency expectations for employees through Duty Statements and Expectation Memos. Duty Statements include the employee's role in maintaining the department's systems of

internal control. CEC provides routine training for all critical operations to develop the necessary competence level, knowledge, skills, and abilities. The goal of this training is to assist in the smooth transition to key positions as employees advance through the organization.

Management understands the importance and impact of employee recognition and uses several methods to recognize and celebrate employee successes including an annual department-wide Service, Excellence, and Accountability award ceremony to recognize superior service.

Information and Communication

The CEC's process for ensuring information needed for operational, programmatic, and financial decision-making is relevant relies on information being reviewed and approved through an established and documented review process. Meetings and other communications conducted to ensure policies, procedures, and program activities are communicated throughout the agency include:

- The Executive Office conducts a weekly meeting with Division Directors to communicate programmatic updates across the divisions, address and coordinate administrative activities, and identify the need for and implement new internal control systems.
- The Human Resources leadership holds a monthly meeting of all supervisors and managers to discuss emerging workforce management issues. These discussions focus on developing and improving policies and procedures associated with hiring, recruitment, retention, and staffing.
- Communication to staff of agency policies, procedures, and events is accomplished through a variety of mechanisms, including using management communication down the organizational structure, "all-hands" correspondence, divisional brown bag meetings, and frequent updates to the Commission's online "Comms Hub."
- Communication with Commissioners to provide program updates and to receive policy direction includes monthly Lead Commissioner meetings as well as briefings on Business Meeting items and on critical issues as they arise.
- Communication with the California Natural Resources Agency (CNRA) regarding emerging critical issues and ongoing programmatic activities is conducted through the submission of a weekly report; a monthly Chief Deputy Director meeting; regular meetings with the CNRA Secretary and Chair and Executive Director of the CEC; and communications and briefings on critical issues as they arise.
- Communication with the Governor's Office includes regular weekly meetings with the Executive Director and the Chair, email and telephone correspondence as appropriate, and the preparation and submittal of Governor's Office action requests. All agencies

under the CNRA provide a calendar of significant events of interest to the Governor's Office on a quarterly basis.

These communication protocols are documented on the Commission's "Communications Hub" on the CEC's intranet page.

Written communication with external stakeholders is accomplished through stakeholder listserv email notifications and updates to our websites, which are generated by program staff and go through a consistent and documented internal review process. The CEC also communicates with the public using public workshops and meetings, which are formally noticed and adhere to all requirements of the Bagley-Keene Open Meeting Act. In addition, all documents associated with formal proceedings that result in policy or programmatic development and modifications are required to be posted into a publicly accessible docket.

Employees can report risks, inefficiencies, and inappropriate actions to management and other decision makers by raising it to their direct supervisor for consideration and possible elevation through the chain of command. If the direct supervisor is involved, the employee may go up the chain one level to report the action. Depending on the nature of the inappropriate actions, the employee may also report issues to the agency's Equal Employment Opportunity Officer. In addition, the agency has displayed the Whistleblower Program Hotline posters in meeting areas, which is managed by the California State Auditor. Lastly, the agency has an anonymous, electronic suggestion box read only by the Executive Director and Deputy Executive Director that can also be used to report inefficiencies and inappropriate actions.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Energy Resources Conservation and Development Commission monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Drew Bohan, Executive Director.

An important part of the CEC's monitoring activities is the auditing activities performed by the agency's Audits, Investigations, and Program Review (AIPR) unit, headed by the Director of AIPR unit. The AIPR team provides independent and objective assurance and consulting services designed to contribute to the effectiveness and efficiency of the CEC's governance, risk management, and control processes.

Each year, AIPR staff along with the Director of the AIPR unit perform a risk assessment of the activities and business processes of the CEC. Based on the results of the risk assessment, the

Director of the AIPR unit prepares an annual audit plan identifying the audit assignments for the upcoming fiscal year. Two commissioners serve as the agency's Audit Committee that reviews and approves the audit plan. Once an audit is complete, a documented audit resolution process is carried out to ensure appropriate actions are identified and implemented by program management to address audit findings. If AIPR determines the actions proposed by program management represent a significant risk to the CEC, the Director of the AIPR unit will communicate the risk to the Executive Office and the Audit Committee.

In addition, the Executive Office monitors agency activities through a variety of mechanisms. Each Division Director, the Public Advisor, and the Chief Counsel has routine one-on-one meetings with the Executive Office to discuss critical items, program updates, and personnel issues.

Agency-wide monitoring and review of work products, out-of-state travel and conference requests, grant/contract agreements and amendments, and external and public communications are conducted through a standardized, routed review. This approval process includes, as appropriate, our Contracts, Grants, and Loans Office; Chief Counsel's Office; Media and Public Communications Office; Office of Governmental and International Affairs; Executive Office; and Commissioners' Offices. Standardized routing forms are available on the Commission's "Communications Hub" on the CEC's intranet site. These approval processes identify and address vulnerabilities and risks associated with agency action.

The main processes directed at addressing vulnerabilities identified through monitoring are documented on the Commission's "Communications Hub" on the CEC's intranet page. Before the beginning of each fiscal year, a robust work plan process is prepared by all divisions and several small offices to identify next year's programmatic priorities, analyze anticipated resource needs, identify strategies to address imbalances between resource availability and needs, and receive approval from Executive Office and Commissioners on workload priorities and resource requests. This work plan directs the next fiscal year's contract funds requests and student and retired annuitant requests and informs ongoing staff resource allocations.

CEC's controls are also monitored by outside audits or reviews. More specifically, the State Personnel Board conducts a triennial audit of the Human Resources practices and the Department of Military reviews the Information Technology controls. Further, CEC is audited by the California State Auditor for any identified high risk areas. Any deficiencies in controls found during these audits or reviews are monitored by the Executive Director and its delegates until the corrective action plans are fully implemented.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Energy Resources Conservation and Development Commission risk assessment process: executive management, and middle management.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, and other/prior risk assessments.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, potential impact of remediation efforts, and tolerance level for the type of risk.

RISKS AND CONTROLS

Risk: Key Person Dependencies

The CEC performs highly technical work that often requires specialized skill sets. In several key programmatic areas, there are key staff dependencies where only one or a couple individuals have the historic or technical knowledge needed to perform a critical function. In addition, many supervisors and managers are also key person dependencies—ones that can be difficult to fill with a qualified candidate. Exacerbating this risk is that significant staff retirements are expected in the next five years, as a significant number of CEC staff is of retirement age (55 or older).

Control: Workforce Development

Workforce development, including mentorship and strategic workload assignments, can help mitigate this risk by creating opportunities to expand historic and technical knowledge associated with performing a critical function beyond one staff person.

The CEC Mentorship Program originated as a recommendation from CEC's Justice, Access, Equity, Diversity, and Inclusion (JAEDI) initiative to improve the agency's efforts to advance and develop staff in their careers, improve the diversity of the CEC's workforce, and provide greater access to information and institutional knowledge.

The CEC's Mentorship Program creates opportunities for knowledge sharing and professional development through guidance, support, and feedback. All staff, at all levels, can engage with mentors with more experience, greater technical expertise, and more diverse backgrounds in various areas that mentees seek to strengthen. Through confidential one-on-one meetings with mentors, mentees can accelerate their learning and professional development.

The CEC's mentorship program is a six-month engagement, requiring participants to engage one hour every two weeks. Leaders that are required to meet 20 hours of leadership training and development every two years can receive credit for participating in the program as a mentor.

Enrollment in the first cohort began in 2023, and feedback has been very positive. The demand for professional development coupled with the program's success continues to push the department to develop unique approaches to mentor enrollment and better execution of the program's structure. For instance, the program is now five months instead of six months to allow for a smoother transition between cohorts and give returning mentors breathing room before beginning the next cohort.

Two additional tracks of the mentorship program are in development and have a January 2026 launch date. One track, Excel, will provide group mentoring sessions to CEC students and interns. The other track, Coaching and Mentoring Program (C.A.M.P.), will provide sessions exclusively for supervisors and managers and provide CEC leaders guidance on how to coach, mentor, and supervise their staff to success.

Risk: Recruitment and Retention

A variety of factors contribute to the difficulties the CEC has recruiting and retaining quality staff. Recruiting a robust, diverse, and competent applicant pool has been highly challenging, resulting in drawing out or repeating hiring processes; leaving key positions vacant in the absence of a qualifying candidate; and not completing work within deadline/timeframe due to a lack of sufficient resources.

Control: Recruitment Activities

In 2023, the CEC added a third analyst to the recruitment and outreach team. The team regularly attends in-person career fairs and offers Career Counseling appointments to help candidates navigate the state hiring process by providing guidance and support for career exploration and development. Further, the CEC employs student assistants throughout the agency to help provide career experience. In third quarter of 2025, the CEC had approximately 80 student assistants.

Control: Retention Activities

In 2019, the CEC hired a Recruitment and Outreach Coordinator whose duties include providing oversight over recruitment, retention, workforce planning, and succession planning. Among other roles, this coordinator conducts engagement surveys, providing employees quick, confidential opportunities to provide anonymous feedback to help CEC management understand what policies are working and where there are opportunities for improvement.

Risk: Managing One-Time Funds

In recent state budgets, the CEC received a significant influx of both state and federal funding for existing and new programs. These new funds will enable the CEC to implement aggressive climate change policies. At the same time, this large influx of funds comes with pressure to invest funds in a timely manner and to ensure funds are well spent. The success of these programs is, in part, dependent upon the sufficiency of funds for program administration.

Control: Mature Grant Management Process

The CEC has expertise in grant program design, mature grant management processes, and an internal audit unit. Together, these three elements have allowed the CEC to effectively manage additional funding, ensure timely fund distribution, and maintain program integrity.

Control: Manage Use of Funds for Program Administration

The CEC has developed tracking tools and processes to monitor support budgets for one-time funded programs. These tools ensure CEC's programs remain within their allotted support funding for the program's life cycle. These tools also guide hiring decisions and alert leadership when staffing levels should begin to decline as one-time programs wind down.

CONCLUSION

The Energy Resources Conservation and Development Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Drew Bohan, Executive Director

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