

December 31, 2025

Joe Stephenshaw, Director  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Governor's Office of Land Use and Climate Innovation 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 Gabriela Gabourel, Deputy Director of Administration, at (916) 882-2989, Gabriela.Gabourel@lci.ca.gov.

## **GOVERNANCE**

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### **Mission and Strategic Plan**

The mission of the Governor's Office of Land Use and Climate Innovation (LCI) is to co-create the best possible future for all Californians through ecological and social regeneration. LCI advances this mission by integrating climate, land use, housing, infrastructure, and equity priorities through policy development, strategic planning, program administration, and cross-sector collaboration.

LCI's strategic goals are documented in its internally approved 2024–2027 Strategic Plan, which is currently undergoing external review and approval prior to public release. The Strategic Plan focuses on achieving organizational excellence, operationalizing equity, strengthening resilient people and communities, advancing next-generation development projects, and co-creating California's long-term future strategy.

These strategic goals guide LCI's programmatic priorities, partnerships, and internal operations, including how the organization allocates resources, supports its workforce, manages risk, and maintains accountability and transparency in the stewardship of public funds.

### **Control Environment**

LCI maintains a control environment that emphasizes integrity, accountability, and effective workforce management. Management establishes expectations through executive oversight, documented organizational structures, and clearly defined roles and responsibilities. The department has undergone significant structural changes, including its transition to a

traditional civil service model, which strengthened standardized hiring, classification, training, and performance management practices. Workforce planning, recruitment, and performance oversight are supported through position control, civil service compliance, and ongoing leadership review to ensure staff capacity aligns with operational and statutory requirements.

## **Information and Communication**

1. LCI collects and communicates relevant and reliable information through a combination of programmatic, operational, administrative, and financial processes. Information sources include program data, grant agreements and reports, financial and budget data, state and federal guidance, research and policy analysis, stakeholder engagement, and interagency coordination. Program areas rely on applicable federal and state requirements (e.g., federal grant rules, GGRF guidance), best available science, and public planning and reporting tools to inform decision-making.

Administrative and operational information is collected through standardized systems and processes, including position control, budget tracking, procurement and contracting records, IT intake and ticketing systems, and compliance documentation. LCI coordinates regularly with statewide control and oversight agencies such as the Department of Finance, State Controller's Office, Fi\$Cal, Department of General Services, CalHR, and the California Department of Technology to ensure financial integrity, system security, compliance, and alignment with statewide requirements.

Information is validated through management review, cross-functional coordination, and subject matter expertise. Key information is communicated through leadership briefings, written materials, dashboards, reports, and regular meetings to support timely, accurate, and informed operational, programmatic, and financial decisions.

2. LCI uses multiple communication channels to ensure timely and effective information sharing internally, across organizational lines, and with external stakeholders.

**Internally**, communication occurs through regular staff meetings, leadership briefings, program check-ins, one-on-one supervisory meetings, written guidance, email, and collaboration tools such as Microsoft Teams. These channels support communication up, down, and across the organization, enabling coordination, decision-making, and escalation of issues as needed.

**Across organizational lines**, LCI coordinates through interagency meetings, working groups, task forces, and scheduled calls with partner departments, councils, and commissions. Written

materials such as memos, briefing documents, reports, and shared guidance are used to ensure consistency and alignment across programs, administrative units, and partner entities.

**With external stakeholders**, LCI communicates through public meetings, workshops, listening sessions, webinars, newsletters, websites, guidance documents, reports, and direct outreach. This includes engagement with Tribes, local governments, community-based organizations, nonprofit partners, academic institutions, and the public, as well as coordination with federal, state, and regional partners.

3. LCI maintains multiple, clearly established reporting channels to allow employees to report inefficiencies, risks, or inappropriate actions in a timely and appropriate manner. Employees are encouraged to raise concerns directly with their immediate supervisor or manager as a first step. Supervisors are responsible for elevating issues as needed based on scope, risk, or impact.

Issues that span programs, involve compliance or financial risk, or require broader coordination may be escalated to division leadership, executive management, or cross-functional leadership forums. Employees may also report concerns through formal mechanisms, including Human Resources, Equal Employment Opportunity channels, Employee Assistance Program consultation, IT security or ticketing systems (where applicable), or established state reporting and whistleblower processes.

Reported issues are documented, reviewed by management, and addressed through appropriate corrective actions. Leadership communicates outcomes and next steps as appropriate, reinforcing a culture of accountability, transparency, and continuous improvement.

## **MONITORING**

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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 Governor's Office of Land Use and Climate Innovation monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: LCI Executive Team: 1. Chief Deputy Director 2. Deputy Director of Administration 3. Chief Information Officer 4. Legislative Director 5. Chief Counsel 6. Deputy Director of Communications 7. Racial Equity Commission Executive Director 8. Strategic Growth Council Executive Director 9. State Planning and Policy Development Senior Deputy Director. These roles collectively serve as executive monitoring sponsors within their respective functional areas..

LCI conducts entity-wide monitoring activities to assess the effectiveness of internal control and risk management practices and to identify and respond to vulnerabilities as they arise. Monitoring occurs through a combination of executive oversight, management review, and operational reporting processes.

Key monitoring activities include regular leadership and management meetings, budget, expenditure, and position monitoring, program and grant oversight, audit coordination and follow-up, compliance reviews, and tracking of issues identified through operational reviews, staff feedback, or external oversight entities. When control deficiencies or risks are identified, management evaluates the issue, determines appropriate corrective actions, and monitors implementation to resolution.

While LCI performs ongoing monitoring activities across administrative, programmatic, and technical functions, these practices are continuing to be refined and formalized following the organization's recent transition to a standalone civil service entity. Management is actively working to strengthen documentation, consistency, and enterprise-wide visibility of monitoring activities to support continuous improvement and effective risk management.

## **RISK ASSESSMENT PROCESS**

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The following personnel were involved in the Governor's Office of Land Use and Climate Innovation risk assessment process: executive management, and middle management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, and consideration of potential fraud.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, and timing of potential event.

LCI identifies and assesses risks through an ongoing, management-led process that incorporates leadership discussions, operational monitoring, and review of audit and compliance activities. Risks are identified through executive and management meetings, program and budget oversight, and consideration of internal and external changes affecting the organization, including the recent transition to a standalone civil service entity.

Identified risks are evaluated based on their likelihood, potential impact to LCI's mission and strategic objectives, and timing. Management considers the potential for fraud and compliance risks as part of this process. When risks are identified, leadership discusses mitigation strategies and monitors progress through existing governance, reporting, and oversight structures.

## RISKS AND CONTROLS

### Risk: Financial Stewardship, Compliance, and Reporting Capacity

LCI faces financial stewardship, compliance, and reporting risks due to limited baseline resources supporting core administrative, legislative, and information technology functions and reliance on programmatic funding structures to perform enterprise oversight activities. These conditions limit the department's capacity to consistently conduct independent monitoring, compliance review, and specialized oversight functions, such as internal audit and information security governance. If not effectively managed, these limitations may reduce LCI's ability to timely identify control gaps, ensure consistent compliance with statewide requirements, and maintain reliable enterprise reporting.

#### Control: Executive Oversight of Enterprise Administrative, Legislative, and IT Functions

**Objective:** To mitigate financial stewardship, compliance, and reporting risks arising from limited baseline administrative, legislative, and information technology resources by providing executive-level oversight and pursuing sustainable funding solutions for enterprise functions.

**Mitigation:** LCI leadership conducts centralized oversight of budget execution, financial reporting, compliance activities, and resource alignment to identify control gaps and capacity constraints across the organization. Through this process, management has identified baseline operational needs and has pursued funding requests through the established state budget process to strengthen oversight and internal control capacity. While these actions are intended to establish foundational support, management recognizes that certain specialized functions may require future right-sizing as organizational responsibilities evolve. Leadership coordinates across administrative, legislative,

program, and IT functions to monitor risks, prioritize corrective actions, and escalate issues as needed.

**Frequency:** Oversight and monitoring activities occur on an ongoing basis, with structured monthly and quarterly reviews, and additional review triggered by significant changes, emerging risks, or resource constraints.

**Responsible Roles:** Executive Director, Chief Deputy Director, Deputy Director of Administration, and executive leadership team.

**Key Dependencies / Systems:** Statewide financial and reporting systems (FI\$Cal), internal budget and expenditure tracking tools, management reports, and guidance from statewide control agencies.

### Risk: Workforce Capacity and Continuity Risk

LCI faces operational risk due to limited permanent staffing capacity across administrative and programmatic functions. A significant portion of the workforce is supported by limited-term or program-restricted funding, which constrains long-term workforce planning, succession planning, and institutional knowledge retention. These limitations increase the risk of staff turnover, workload concentration, and reduced continuity in critical operational and program delivery functions. As program responsibilities expand and statutory expectations continue, insufficient permanent staffing capacity may impact the department's ability to consistently deliver services, maintain internal controls, and respond to emerging priorities.

#### Control: Workforce Planning and Resource Stabilization

**Objective:**

To stabilize and strengthen LCI's workforce capacity by addressing structural funding limitations that constrain the department's ability to recruit, retain, and

sustain permanent positions necessary to meet statutory, operational, and oversight responsibilities.

**How the Control Mitigates the Risk:**

Management has initiated workforce planning and funding strategies to reduce reliance on limited-term positions and mitigate risks associated with turnover, institutional knowledge loss, and capacity gaps. These actions include identifying baseline staffing needs across administrative, legislative, information technology, and programmatic functions and pursuing funding solutions to support long-term workforce stability. While these actions are intended to establish a more sustainable staffing foundation, management recognizes that full right-sizing of the workforce remains dependent on future funding decisions and evolving program demands.

**Frequency / Timing:**

Workforce planning and funding assessments occur on an ongoing basis, with structured reviews conducted annually as part of the budget development process and reassessed as program responsibilities, funding availability, or organizational priorities change.

**Responsible Roles:**

Executive Director, Chief Deputy Director, Deputy Director of Administration, program leadership, and executive management team.

**Key Dependencies / Systems:**

State budget process, Budget Change Proposal (BCP) development and approval processes, departmental position control systems, and coordination with statewide control agencies.

## CONCLUSION

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The Governor's Office of Land Use and Climate Innovation 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.

**Samuel Assefa, 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