DEPARTMENT OF FINANCE

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Transmitted via e-mail

March 7, 2017

Mr. Charles H. Bonham, Director
California Department of Fish and Wildlife
1416 Ninth Street, 12th Floor
Sacramento, CA 95814

Dear Mr. Bonham:

Final Report—California State University Sacramento Center for Collaborative Policy, Propositions 50 and 84 Interagency Agreement Audit

The California Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California State University Sacramento Center for Collaborative Policy (CSUS CCP) Interagency Agreements P0685511 and E0783012, issued by the California Department of Fish and Wildlife.

The enclosed report is for your information and use. CSUS CCP's response to the report finding and our evaluation of the response is incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of CSUS CCP. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Gabe Tiffany, Deputy Director, California Department of Fish and Wildlife
Ms. Lisa Gallegos, Assistant Deputy Director for Administration, California Department of Fish and Wildlife
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Adam Sutkus, Executive Director, Center for Collaborative Policy, California State University Sacramento
Mr. David Earwicker, Associate Vice President, Research Affairs, Division of Academic Affairs, California State University Sacramento
Ms. Kaye Milburn, Director of Auditing Services, California State University Sacramento

Audit Report

California State University Sacramento
Center for Collaborative Policy
Propositions 50 and 84 Bond Programs
Interagency Agreements P0685511 and E0783012

Prepared By:
Office of State Audits and Evaluations
California Department of Finance

153600042

December 2016

MEMBERS OF THE TEAM

Susan Botkin, CGFM
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Managers

Robert Scott, MSA, CPA, CGMA
Supervisor

Staff
Alice Yip

Final reports are available on our website at http://www.dof.ca.gov

You can contact our office at:

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Office of State Audits and Evaluations
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BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50), and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for $3.44 billion and $5.4 billion, respectively. The bond proceeds finance a variety of natural resource programs.

The California Department of Fish and Wildlife (CDFW) entered into interagency agreements with the California State University Sacramento Center for Collaborative Policy (CSUS CCP) for the following:

- **Suisun Marsh Interagency Agreement P0685511** - $200,000 of Proposition 50 funding is for organizational planning, facilitation, and mediation support for the Suisun Marsh Charter Group development of the Suisun Marsh Habitat Management, Preservation, and Restoration Plan.

- **Lower Yolo Bypass (LYB) Interagency Agreement E0783012** - $300,000 of Proposition 84 funding is for work on the LYB Collaborative Process Project. Tasks include project management and administration, implementation of the management plan, and preparation of the LYB final report.

SCOPE

In accordance with the California Department of Finance's bond oversight responsibilities, we audited the following agreements:

Agreement	Audit Period
P0685511	July 20, 2006 through October 31, 2008
E0783012	June 1, 2008 through June 30, 2013

The audit objectives were to determine whether the CSUS CCP expenditures claimed were in compliance with applicable laws, regulations, and interagency agreement requirements; and to determine whether the deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations.

CSUS CCP management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and interagency agreement requirements. CDFW and the California Natural Resources Agency are responsible for the state-level administration of the bond programs.

METHODOLOGY

To determine whether expenditures were in compliance with applicable laws, regulations, and interagency agreement requirements; and if the deliverables were completed, we performed the following procedures:

- Examined agreement files, interagency agreements, and applicable policies and procedures.
- Reviewed CSUS CCP accounting reports, invoices, timesheets, and payroll records.
- Selected a sample of claimed expenditures to determine whether they were allowable, agreement-related, incurred within the agreement period, and supported by documentation.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the interagency agreement.
- Evaluated whether final project deliverables were met by reviewing the Final Progress Report, Project Close-Out Report, and by verifying the submission of the final Document Preparation and Compliance Report for the Suisun Marsh Plan and the Final Project Report for the LYB Management Strategy Plan.

In conducting our audit, we obtained an understanding of the CSUS CCP's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Except as noted below, the expenditures claimed complied with the agreements' requirements. Additionally, the deliverables were completed as specified in the agreements. The Schedule of Claimed and Questioned Amounts is presented below.

Schedule of Claimed and Questioned Amounts

Interagency Agreement P0685511		
Cost Category	**Claimed[1]**	**Questioned**
Personnel Costs	$ 194,947	$ 124,847
Operating Expenses	2,732	0
Overhead 7.5% Operating Expenses	205	0
Total Expenditures Claimed	**$ 197,884**	**$ 124,847**

Interagency Agreement E0783012		
Cost Category	**Claimed[2]**	**Questioned**
Personnel Costs	$ 235,412	$ 141,799
Subcontracted Services	18,708	0
Operating Expenses	3,321	0
Overhead 15% Operating Expenses	498	0
Total Expenditures Claimed	**$ 257,939**	**$ 141,799**

Finding 1: Unsupported Personnel Costs

CSUS CCP claimed personnel costs that were unsupported in the amount of $124,847 for Interagency Agreement (IA) P0685511, and $141,799 for IA E0783012, resulting in total questioned costs of $266,646. The unsupported costs stemmed from CSUS CCP using a market-based hourly billing rate to recover personnel costs. The market-based rates are not eligible rates because they do not reflect actual costs incurred as required by the IAs. The difference between the CSUS CCP market-based rate and actual costs represent amounts unsupported and not eligible for reimbursement.

IA P0685511 and IA E0783012, Exhibit B, sections 1B and 1A, respectively, state "the contractor will be compensated for actual expenditures incurred..."

Recommendations:

A. Remit $266,646 to CDFW.

B. Implement procedures to ensure claimed personnel costs reflect actual costs incurred are supported, and conform to the requirements of the respective IA.

[1] CDFW awarded $200,000 and CSUS CCP claimed $197,884.
[2] CDFW awarded $300,000 and CSUS CCP claimed $257,939.

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January 30, 2017

Jennifer Whitaker, Chief
Department of Finance
Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814-3706

SUBJECT: Draft Report – California State University, Sacramento - Center for Collaborative Policy, Propositions 50 and 84 Interagency Agreement Audit

Dear Ms. Whitaker:

We have reviewed and provided edits to the draft audit report prepared by the Department of Finance, Office of State Audits and Evaluations. Thank you for allowing the campus to provide a response to the finding and recommendations contained in the draft report regarding the Interagency Agreements P0685511 and E0783012, issued by the Department of Fish and Wildlife (CDFW). The University has had productive dialogue with your staff while working on this project and we are pleased to bring this effort to closure.

Regarding Recommendation A, *Remit $266,646 to CDFW*; we respectfully disagree with this conclusion based on several factors. The Center for Collaborative Policy (CCP) and the CDFW negotiated, contracted, and implemented these two interagency agreements. Both parties designed, addressed and accepted the personnel rates for all work performed and documented it accordingly in scopes of work, budgets and terms/conditions. CDFW reviewed and accepted these rates, and approved the Interagency Agreements. The Assistant Deputy Director of Administration and Deputy Director of Administration of CDFW agreed and accepted the rates within these agreements in 2006 and 2008. CDFW paid all invoices throughout the period of the projects reflecting ongoing acceptance of the agreement as well as satisfaction of work accomplished.

Nonetheless, CCP fully endorses the need to adopt specific rate structures that adhere to all regulations and requirements. CCP has been revamping its contracting systems to put in place a contract review process that more fully integrates the University's Office of Research Affairs.

Recommendation B states: *Implement procedures to ensure claimed personnel costs reflect actual costs incurred are supported, and conform to the requirements of the respective IA.* The University and CCP fully endorse this recommendation. In 2014, CCP retained an accounting firm experienced in advising state agency and university entities to design a new framework for transparent cost recovery. CCP designed new rates after extensive analysis and using them over the last two fiscal years. We expect to create a new rate structure utilizing CSU-wide principles for the 2017/2018 fiscal year.

Thank you once again for your time and effort on this project. The engagement with your staff helped to further emphasize and add constructive guidance to CCP's need for modernizing its cost recovery systems, which have been underway through the process of this audit and will continue. The University is confident that the systems put in place will ensure full compliance on all applicable laws, regulations and Interagency Agreement requirements going forward.

If you have any questions or require additional information, please contact Kaye Milburn, Director of Auditing and Consulting Services, at (916) 278-7439.

Sincerely,

Original Signed by:
Stacy Hayano
Vice President for Administration/Chief Financial Officer (Interim)

EVALUATION OF RESPONSE

CSUS CCP's response to the draft report has been reviewed and incorporated into the final report. In evaluating CSUS CCP's response, we provide the following comments:

Finding 1: Unsupported Personnel Costs

CSUS CCP disagrees using a market based rate to recover personnel costs incurred for grant related activity is unsupported and not eligible for reimbursement. Also, CSUS CCP recognizes the "need to adopt specific rate structures that adhere to all regulations and requirements" in future state sponsored grant projects. Finance commends CSUS CCP for taking corrective action. The interagency agreements state "the contractor will be compensated for actual expenditures incurred…." The market based rate used is not the actual rate paid; therefore, the report finding and recommendation will remain unchanged.