



Transmitted via e-mail

January 14, 2015

Mr. Mark Nechodom, Director
California Department of Conservation
801 K Street, MS 24-01
Sacramento, CA 95814

Dear Mr. Nechodom:

Final Report—American Farmland Trust, Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the American Farmland Trust's grant 3010-411, issued by the California Department of Conservation.

The enclosed report is for your information and use. Because there were no audit observations requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of the American Farmland Trust. If you have any questions regarding this report, please contact Diana Antony, Manager, or Mary Camacho, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. David Thesell, Deputy Chief, Division of Land Resource Protection, California Department of Conservation
Mr. John Lowrie, Acting Assistant Director, Division of Land Resource Protection, California Department of Conservation
Ms. Molly Penberth, Program Manager, California Farmland Conservancy Program, California Department of Conservation
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. Andrew McElwaine, President and Chief Executive Officer, American Farmland Trust
Mr. Robert Wagner, Senior Policy and Program Advisor, American Farmland Trust
Mr. Tom Scharffenberger, President, Scharffenberger Land Planning and Design

AUDIT REPORT

American Farmland Trust
Proposition 84 Bond Program
Grant Agreement 3010-411

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

MEMBERS OF THE TEAM

Diana Antony, CPA
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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

¹BACKGROUND

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

The American Farmland Trust (Farmland Trust) is a private, non-profit corporation, which is a national conservation organization that protects farmland, promotes sound farming practices, and keeps farmers on the land.¹ Farmland Trust received a \$278,045 grant from the California Department of Conservation (Conservation) for the purchase of an agricultural conservation easement. This easement was for 88.7 acres in Fresno and Tulare Counties, known as the Schnitzler Farm, to conserve prime farmland, agricultural productive capacity, and open space in perpetuity.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 3010-411 for the period December 2, 2010 through October 11, 2012.

The audit objectives were to determine whether the Farmland Trust's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations. Further, no assessment was performed on the reasonableness of the land acquisition costs or the conservation value of acquired land or projects completed.

The Farmland Trust's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. Conservation and the California Natural Resources Agency are responsible for the state-level administration of the bond program.

METHODOLOGY

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

- Examined the grant files, the grant agreement, and applicable laws, regulations, policies, and procedures.

¹ Source: American Farmland Trust

- Selected the largest expenditure, which was the agriculture easement purchase, and determined whether it was grant-related, incurred within the grant period, adequately supported, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Determined whether a sample of grant deliverables, such as the appraisal, final report, and annual monitoring letter complied with the grant agreement guidelines by reviewing appraisal documents, easement deeds, purchase and sale agreement, escrow statement, and other relevant documentation.

In conducting our audit, we obtained an understanding of Farmland Trust’s internal 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 audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

RESULTS

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering grant funds.

Based on the procedures performed, the grant expenditures claimed complied with the grant agreement requirements. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented below.

Schedule of Claimed Amounts

Grant Agreement 3010-411	
Project Task	Claimed
Agricultural Easement Purchase	\$ 268,545
Title, Escrow, and Closing Costs	858
Legal, Staff, and Consultants	8,642
Total Grant Funds	278,045
Match Funds	360,141
Total Project Expenditures	\$ 638,186