



Transmitted via e-mail

September 16, 2014

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

Mr. Samuel P. Schuchat, Executive Officer
California State Coastal Conservancy
1330 Broadway, 13th Floor
Oakland, CA 94612-2530

Dear Mr. Bonham and Mr. Schuchat:

Final Report—Delta Protection Commission, Proposition 50 and 84 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Delta Protection Commission's (Commission) grants E0883001 and 08-058, issued by the California Department of Fish and Wildlife and the California State Coastal Conservancy.

The Commission's response to the report observation is incorporated into this final report. The Commission agreed with the observation and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

We appreciate the assistance and cooperation of the Commission. If you have any questions regarding this report, please contact Diana Antony, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Gabe Tiffany, Acting Deputy Director, Administration, California Department of Fish and Wildlife
Ms. Mary Small, Deputy Executive Officer, California State Coastal Conservancy
Ms. Nadine Peterson, Deputy Executive Officer, California State Coastal Conservancy
Ms. Regine Serrano, Chief of Administrative Services, California State Coastal Conservancy
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. Erik Vink, Executive Director, Delta Protection Commission
Ms. Catherine Caldwell, Assistant Executive Director, Delta Protection Commission

Delta Protection Commission
Propositions 50 and 84 Bond Programs
Grant Agreements E0883001 and 08-058



Erosion Control Project at Vino Farms

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Lisa Negri
Supervisor

Staff
Michael Bratman

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
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985

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 Coast 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 Delta Protection Commission (Commission) provides stakeholder representation in the areas of agriculture, habitat, and recreation. The collaborative efforts initiated and administered by the Commission include a broad array of perspectives by participants that brings expertise and knowledge to the table of discussion as a voice for the Delta.¹

The Commission received the following grants:

- **Delta Working Landscapes (Grant E0883001)**—\$800,000 awarded by the California Department of Fish and Wildlife (DFW) to offer an innovative program of farm habitat improvement and environmentally friendly agriculture practices that will benefit fish and wildlife, reduce erosion and sediment runoff, and improve water quality. These pilot programs are intended to serve as a catalyst for adoption by other farmers on a larger scale throughout the Delta.
- **Phase 1 Great Delta Trail (Grant 08-058)**—\$100,000 awarded by the California State Coastal Conservancy (SCC) to prepare a plan for the development of the Great Delta Trail in Solano and Contra Costa Counties.

SCOPE

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

<u>Grant Agreement</u>	<u>Audit Period</u>
E0883001	August 27, 2009 through September 30, 2013 ²
08-058	September 25, 2008 through December 1, 2010

The audit objectives were to determine whether the Commission'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.

¹ Source: <http://www.delta.ca.gov>.

² An interim audit was conducted because the Commission had not submitted its final reimbursement request.

Commission management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DFW, SCC, and the California Natural Resources Agency are responsible for the state-level administration of the bond programs.

METHODOLOGY

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

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreements, and applicable policies and procedures.
- Reviewed the grantee's accounting records, vendor invoices, and checks.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreements.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting a site visit to verify existence of the projects.

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.

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.

Except as noted below, the grant expenditures claimed complied with the grant agreement requirements. Additionally, the grant deliverables were completed as specified in the grant agreements. The Schedules of Budgeted, Claimed, and Questioned Amounts are presented below.

Schedules of Budgeted, Claimed, and Questioned Amounts

Grant Agreement E0883001			
Category	Budgeted	Claimed³	Questioned
Supervising Environmental Planner	\$ 19,941	\$ 13,600	\$ 0
Benefits	6,461	4,406	
Training	250		
Facility Rental/Public Participation	1,110		
Printing/Miscellaneous	3,000		
Workshop Supplies	1,750	1,986	
Delta EcoFarms	399,000	358,000	
Ducks Unlimited	356,000	303,038	
Overhead Costs	12,488	8,517	
Total Project Expenditures	\$ 800,000	\$ 689,547	\$ 0

Grant Agreement 08-058			
Category	Budgeted	Claimed	Questioned
Baseline Condition	\$ 30,000	\$ 27,697	
Outreach	40,000	40,018	
Develop Report	30,000	30,001	
Total Grant Expenditures	\$ 100,000	\$ 97,716	
Cash Match	40,000	40,000	
In-Kind Match	60,200	10,485	\$ 10,485
Total Match Funds	\$ 100,200	\$ 50,485	
Total Project Expenditures	\$ 200,200	\$ 148,201	\$ 10,485

³ Reflects amounts claimed as of September 30, 2013.

Observation 1: Unsupported In-Kind Match

The Delta Protection Commission (Commission) was unable to meet the required in-kind match for grant 08-058. Specifically, the Commission claimed \$10,485 in labor expenditures; however, the Commission could not provide timesheets to support the hours charged to this project. In addition, the Commission did not meet the remaining in-kind match requirement of \$49,715 (\$60,200 budgeted - \$10,485 claimed).

Grant Agreement, Audit/Accounting Records section, requires the grantee to maintain financial accounts, documents, and records relating to the agreement. The records shall include, without limitation, evidence sufficient to properly reflect the amount, receipt, deposit, and disbursement of all funds related to work under the agreement. Time and effort reports (timesheets) are also required.

Recommendations:

- A. Maintain timesheets that account for 100 percent of an employee's time and separately account for hours charged to bond projects.
- B. Ensure match expenditures are adequately supported and appropriate documentation is maintained as required by the grant agreement. The California State Coastal Conservancy will determine the effect, if any, of the unsupported match.

DELTA PROTECTION COMMISSION

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August 27, 2014

Contra Costa County Board of Supervisors

Sacramento County Board of Supervisors

San Joaquin County Board of Supervisors

Solano County Board of Supervisors

Yolo County Board of Supervisors

Cities of Contra Costa and Solano Counties

Cities of Sacramento and Yolo Counties

Cities of San Joaquin County

Central Delta Reclamation Districts

North Delta Reclamation Districts

South Delta Reclamation Districts

CA State Transportation Agency

CA Department of Food and Agriculture

CA Natural Resources Agency

CA State Lands Commission

Mr. Richard R. Sierra, CPA
 Chief, Office of State Audits and Evaluations
 California Department of Finance
 915 L Street, 6th Floor
 Sacramento, CA 95814-3706

Re: Draft Report – Delta Protection Commission Propositions 50 and 84
 Bond Programs, Grant Agreements E0883001 and 08-058

Dear Mr. Sierra:

Thank you for your August 18, 2014 letter regarding the above. The Delta Protection Commission (Commission) appreciates the thoroughness of the audit and the professionalism of the audit staff.

The Commission understands and accepts both recommendations related to the State Coastal Conservancy grant administered between 2008 and 2010. The recommendations are consistent with current Commission grant and contract management procedures, which ensure necessary accountability and transparency.

If you have any questions or need additional information, please contact me at (916) 376-8941 or via email at erik.vink@delta.ca.gov.

Sincerely,

ORIGINAL SIGNED BY

Erik Vink
 Executive Director

Cc: Ms. Helen Carriker, Deputy Director, California Department of Fish and Wildlife
 Mr. James Croft, Grant Coordinator, California Department of Fish and Wildlife
 Ms. Mary Small, Deputy Executive Officer, California State Coastal Conservancy
 Ms. Nadine Peterson, Deputy Executive Officer, California State Coastal Conservancy
 Ms. Regine Serrano, Chief of Administrative Services, California State Coastal Conservancy
 Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
 Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency