



Transmitted via e-mail

January 9, 2013

Mr. John Donnelly, Executive Director
Wildlife Conservation Board
1807 13th Street, Suite 103
Sacramento, CA 95811

Dear Mr. Donnelly:

Final Report—Gold Ridge Resource Conservation District, Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Gold Ridge Resource Conservation District's (District) grants WC-8009CF and WC-1035CF.

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

We appreciate the assistance and cooperation of the District. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Jon Chapple, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Peter Perrine, Assistant Executive Director, Wildlife Conservation Board
Ms. Cynthia Alameda, Budget Officer, Wildlife Conservation Board
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Don Petersen, Board President, Gold Ridge Resource Conservation District
Ms. Brittany Heck, Executive Director, Gold Ridge Resource Conservation District
Ms. Pam Schrock, Financial Manager, Gold Ridge Resource Conservation District

Gold Ridge Resource Conservation District
Proposition 84 Bond Program
Grant Agreements WC-8009CF and WC-1035CF



Pollinator plants installed on an agricultural farm in Sonoma County
Source: Gold Ridge Resource Conservation District

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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

Jon Chapple, CPA
Supervisor

Staff
Terrance McDowell, Jr.

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

You can contact our office at:

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

The Wildlife Conservation Board (WCB) awarded the Gold Ridge Resource Conservation District (District) the following two Proposition 84 grants:

- **Grant WC-8009CF**—Ebabias Creek Habitat Restoration Grant. The purpose of this \$288,000 grant was to restore 1,300 linear feet of stream bank along the Ebabias Creek and Estero Americano Estuary in Sonoma and Marin Counties. Specific activities included stabilizing soils, reducing sediment loads, improving water quality, and providing wildlife habitat to riparian species.
- **Grant WC-1035CF**—Insectaries for Pollinators and Farm Biodiversity Grant. The purpose of this \$73,000 grant was to restore and enhance wildlife and pollinator habitat on eight agricultural farms in Sonoma County to increase the population of bees. Specific activities included developing and implementing pollinator farm plans to maximize nesting and food sources for a variety of native bees, while providing secondary benefits such as pest management and improved water and soil quality.

SCOPE

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

<u>Grant</u>	<u>Audit Period</u>	<u>Award</u>
WC-8009CF	August 28, 2008 through December 31, 2011	\$ 288,000
WC-1035CF	November 18, 2010 through January 31, 2012 ¹	\$ 73,000

The audit objectives were to determine whether the District’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.

The District’s management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. WCB is responsible for the state-level administration of the bond program.

¹ An interim audit was performed because the grant period ends December 31, 2012.

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:

- 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 District's accounting records, contracts, vendor invoices, and payment requests.
- Selected a sample of expenditures to determine if costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit to verify project existence.
- Evaluated whether a sample of grant deliverables required by the grant agreement were met.

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.

The results of the audits 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 were in compliance with the requirements of the grant agreements and grant deliverables were completed as required. The Schedules of Claimed and Questioned amounts are presented in Table 1.

Table 1: Schedules of Claimed and Questioned Amounts

Grant Agreement WC-8009CF		
Category	Claimed²	Questioned
Construction/Earthwork	\$ 42,800	0
Rip Rap	23,249	0
Vegetation Installation	10,847	0
Mulch, Seed & Erosion Control	4,200	0
Fencing	12,931	0
Labor	99,771	\$32,272
Maintenance and Monitoring	21,566	5,140
Administrative Expenditures	23,695	0
Total Expenditures	\$ 239,059	\$37,412

Grant Agreement WC-1035CF		
Category	Claimed	Questioned
Project Management	\$ 7,708	\$ 295
Project Design	5,843	0
Materials	1,806	0
Nursery Plants	2,793	0
Planting/Irrigation Installation	12,437	308
Maintenance & Monitoring	16,149	3,190
Project Signs	585	0
Mileage	368	0
Administrative Expenditures	4,759	0
Total Expenditures	\$52,448	\$3,793

² WCB awarded \$288,000; however, the District only claimed \$239,059.

Observation 1: Ineligible Expenditures Claimed for Reimbursement

The District claimed ineligible expenditures of \$41,205. Specifically, we determined the following:

- The composition of the District's labor billing rate includes administrative expenditures. However, the District already claimed the maximum allowable amount of administrative expenditures. Exhibit B of the grant agreements provides separate budget line items for administrative expenditures.
- The District claimed labor billing rates in excess of actual rates, and was unable to provide documentation supporting some of the labor hours claimed for reimbursement. Section 3.2 of the grant agreements requires that each invoice contain supporting or back-up documentation for all charges on the invoice, including all grantee staff time shown by number of hours worked and hourly rate.

Without proper monitoring and review of expenditures, the risk of grant funds being disallowed increases.

Recommendations:

- Remit \$41,205 to WCB. WCB will make the final determination on the appropriate method to recover the questioned costs.
- In the event the District is awarded future grant funds, implement procedures to ensure expenditures are properly claimed, actual labor rates are used, and supporting documentation exists for all claimed expenditures.



Gold Ridge Resource Conservation District

2776 Sullivan Road – Sebastopol, CA 95472 – Phone (707) 823-5244 – Fax (707) 823-5243

October 29, 2012

David Botelho, CPA
Chief, Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814-3706

Dear Mr. Botelho,

Re: Draft Report-Gold Ridge Resource Conservation District, Proposition 84 Grant Audit

Thank you for the opportunity to respond to the above mentioned report. We appreciate the diligent work done by your team of auditors in connection with this report and welcome the advice given throughout the process. This audit procedure was a valuable learning experience. However, we respectfully disagree with and object to the Observations and Recommendations spelled out in the audit. The Gold Ridge Resource Conservation District (RCD) feels that the first part of the draft report's Observation 1: "Composition of the District's labor billing rate includes administrative expenditures" and its associated recommendations are incorrect. We believe further discussion and review of the accounting documentation can resolve any concerns giving rise to this Observation.

During the audit Gold Ridge RCD was asked to provide the labor billing rate formulas. The RCD provided the audit staff with the billing rate calculations prepared by the recently departed former Executive Director. Thereafter the Interim Executive director reviewed these calculations and determined that certain items were incorrectly included and/or omitted and submitted a revised labor billing rate detail (available upon request) to the audit staff. Unfortunately, the audit staff informed the RCD that they would only consider the first version of the billing rate calculations. The WCB's grant agreement did not include any billing rate pricing guidelines or formulas. The billing rates associated with this grant were approved by the WCB from the proposal phase of these grants to every single invoice we submitted. Gold Ridge RCD used its best judgment to establish its hourly rates based on our experience with other grants and that were below or in line with similar organizations. These were never questioned and all the requested payments were



approved. Had there been an error or guidelines related to this funding, it should have been clearly spelled out from the beginning of the grant timeline.

The Gold Ridge RCD also feels that the second part of the draft report's Observation 1: that the Gold Ridge RCD was "unable to provide documentation supporting some of the labor hours claimed for reimbursement" and its associated recommendations are incorrect. The Gold Ridge RCD uses its timesheets to compile labor hours and includes that number in invoices. As the invoices that were submitted were created by the past Executive Director, Gold Ridge RCD cannot currently account for any discrepancies. It is our belief that the errors were in part caused by the "stop work order" that was enforced during the bond freeze for grant WC-8009CF, which caused confusion in the way that workers classified time in their time sheets.

We would like to take this opportunity to recommend that any future grants with the WCB or any of the Natural Resource Agencies include guidelines and review for budget preparation, including desired methodologies for establishing proposed labor rates.

With many thanks for your review and consideration,

Original signed by:

Brittany B. Heck -Executive Director
Gold Ridge Resource Conservation District

Original signed by:

Donald E. Petersen -Board President
Gold Ridge Resource Conservation District

Cc: Peter Perrine

EVALUATION OF RESPONSE

We reviewed the Gold Ridge Resource Conservation District's (District) response to our draft audit report and provide the following comments:

Observation 1: Ineligible Expenditures Claimed for Reimbursement

The District disagreed with our observation that ineligible expenditures of \$41,205 were claimed for reimbursement. The District's response is comprised of a two-part analysis, as follows:

- The District acknowledges in its response that labor billing rates included certain items that were incorrectly included and/or omitted. Our review of the District's accounting records revealed that labor billing rates included administrative expenditures. Specifically, the District claimed the maximum allowable amount of administrative expenditures and included additional administrative expenditures in its labor billing rates. The District indicated revised labor billing rates have been determined; however, it is unclear how the District will apply these rates to the bond-funded projects.
- We also determined the District claimed labor billing rates in excess of actual rates, and was unable to provide documentation supporting some of the labor hours claimed for reimbursement. In its response, the District stated it cannot account for these discrepancies because the invoices were submitted by its previous Executive Director, and the errors were caused in part by the bond freeze. However, as our audit observation notes, section 3.2 of the grant agreements require supporting or back-up documentation for all invoice charges.

Because the District provided no additional information in its response to support the questioned costs, our observation and recommendation remain unchanged. However, the Wildlife Conservation Board will make the final determination regarding the disposition of these costs.