



Transmitted via e-mail

August 15, 2011

Mr. Jim Branham, Executive Officer  
Sierra Nevada Conservancy  
11521 Blocker Drive, Suite 205  
Auburn, CA 95603

Dear Mr. Branham:

**Final Report—High Sierra Resource Conservation and Development Council  
Proposition 84 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the High Sierra Resource Conservation and Development Council's (Council) grant agreement G0734002 (SNC070072) for the period June 10, 2008 through January 5, 2010.

The enclosed final report is for your information and use. The Council's response to the report observations and our evaluation of the response are incorporated into this final report. The observations in our report are intended to assist management in improving the effectiveness and efficiency of its operations.

This report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov> within five working days of this transmittal.

We appreciate the assistance and cooperation of Council staff. If you have any questions regarding this report, please contact Diana Antony, Manager, or Chikako Takagi-Galamba, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, Natural Resources Agency  
Mr. Bill Bennett, President, High Sierra Resource Conservation and Development Council

# AUDIT REPORT

---

## High Sierra Resource Conservation and Development Council Grant Agreement G0734002



Source: Smartsville Fire Protection District

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Chikako Takagi-Galamba  
Supervisor

Staff  
Edwina Troupe, CPA

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  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814  
(916) 322-2985

# TABLE OF CONTENTS

---

Background, Scope, and Methodology.....	1
Results.....	3
Response.....	5
Evaluation of Response.....	8

# BACKGROUND, SCOPE, AND METHODOLOGY

---

## BACKGROUND

In November 2006, 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 provide for grants to finance a variety of resource programs.

The Sierra Nevada Conservancy (Conservancy) is one of many state departments that administer Proposition 84 programs and award these funds in the form of grants. The Conservancy was created in 2004 to improve the environmental, economic, and social well-being of the Sierra Nevada. The Conservancy's region is made up of all or part of 22 counties and over 25 million acres. (Source: *Sierra Nevada Conservancy*)

The High Sierra Resource Conservation and Development Council, Inc. (Council) was formed in 1975. Its mission is to provide leadership and assistance to communities to strengthen the local economies, natural heritage, and the conservation and management of our natural resources. Its acreage is made up of over 3.5 million acres along the Central Sierra Nevada Mountains. The Council serves the area's five county governments: El Dorado, Placer, Nevada, Sierra, and Yuba Counties. (Source: *High Sierra Resource Conservation and Development Council, Inc.*)

The Conservancy awarded the Council a \$64,900 Proposition 84 grant to inventory and create a centrally coordinated database of water resources available in Yuba County for use in firefighting. The Council contracted with the five fire districts in Yuba County to inventory firefighting water resources in their districts. Additionally, the Council contracted with the Yuba County Information Technology Department to collect the inventory data, create a database of water sources, create maps for the five fire districts, and transfer the database information to a Global Positioning System (GPS) data layer to be provided to CALFIRE, the United States Forest Service, and the Yuba County Office of Emergency Services.

<u>Grant Agreement</u>	<u>Grant Period</u>	<u>Awarded</u>
G0734002	June 10, 2008 through January 5, 2010	\$64,900

## SCOPE

In accordance with the Department of Finance, Office of State Audits and Evaluations' (Finance) bond oversight responsibilities, Finance conducted a performance audit of the grant.

The audit objectives were to determine whether the Council's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements and to determine if the grant deliverables were completed as required. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

The Council's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the efficiency and effectiveness of the program. The Conservancy is responsible for state-level administration of the bond programs.

## **METHODOLOGY**

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

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files maintained by the Conservancy, the grant agreements, and applicable policies and procedures.
- Reviewed the Council's accounting records, vendor invoices, pay warrants, and bank statements.
- 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 site visits of two selected fire districts and the Yuba County Information Technology Department to verify contract compliance.
- Evaluated whether grant deliverables were completed as required by the grant agreement.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with the staff directly responsible for administering bond funds. The audit was conducted from January 2011 through July 2011.

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.

Except as noted below, the High Sierra Resource Conservation and Development Council (Council) met the fiscal requirements of the grant agreement. The Schedule of Claimed and Questioned Amounts is presented in Table 1.

**Table 1: Schedule of Claimed and Questioned Amounts**

Grant Agreement G0734002 For the Period June 10, 2008 through January 5, 2010		
Task	Claimed	Questioned
A. Locate and Sign Water Sources	\$ 50,000	\$ 11,100
B. Transfer Source Information to GIS	9,000	0
C. Project Management	5,900	0
<b>Total Project Expenditures</b>	<b>\$ 64,900</b>	<b>\$ 11,100</b>

GIS: Geographical Information System

**Observation 1: Subcontractor Expenditures of \$11,100 Were Not Supported**

The Council subcontracted Grant Task A to five separate fire districts; however, the Council did not require subcontractors to submit supporting documentation with payment requests. Based on our review and site visits of two selected fire districts, the two fire districts could not provide invoices/payroll records to support \$11,100 in personnel, equipment, and supplies costs.

The grant agreement required the grantee and all subcontractors to: (1) maintain books, records, and other documents relative to project expenditures; (2) submit payment requests for actual costs not estimates; and (3) submit payment requests with an itemized list of all expenditures and sufficient supporting documentation.

**Recommendations:**

- A. The Council should require adequate supporting documentation from subcontractors prior to payment.
- B. The Conservancy will make final determination on the appropriate method to recover the questioned costs of \$11,100. The Conservancy should also work with the Council to verify project expenditures are supported for each of the five participating fire districts.

**Observation 2: Certain Grant Tasks Were Not Fully Completed**

As presented in Table 2, some grant tasks were not fully completed. Specifically, fire districts did not receive printed maps or updated water source data, and the water source inventory (inventory) did not include information about access or endangered species pertinent to each water source.

Consequently, firefighters may have difficulties in immediately locating an adequate water source in the event of a fire.

During our site visits of two selected fire districts, the districts indicated they were unaware of the requirement to receive vehicle maps or include information about access or endangered species in the inventory. The subcontract did not include these requirements.

The Council relied on an outside consultant to coordinate the project, provide progress reports, and verify grant tasks were met. Because the Council has ultimate responsibility for completing the grant requirements, it is essential for the Council to clearly communicate these requirements to its subcontractors. Failure to meet the grant requirements may result in disallowance of grant reimbursements or denial of future grant funding.

**Table 2: Schedule of Expected Results vs. Audit Results**

<b>Task</b>	<b>Expected Results</b>	<b>Audit Results</b>
A. Locate and sign water sources	a. Locate, inventory, and sign water resources in five fire districts in Yuba County.	<b>Completed</b>
	b. The inventory should include potential limitations (e.g. access, gallons available, endangered species, etc.) pertinent to each water source.	<b>Partially Completed</b> The inventory did not include information regarding access or endangered species.
B. Transfer water source information to GIS management system	a. Update the existing data layer by placing water source information provided by five fire districts.	<b>Completed</b>
	b. Disseminate updated data layer to CALFIRE, US Forest Service, and Yuba County Office of Emergency Services, and others as appropriate. Printed maps should be provided for each fire district that can be placed in each firefighting vehicle.	<b>Partially Completed</b> Fire districts did not receive printed maps or updated water source data, although the final progress report stated that maps were provided to five fire districts.

**Recommendations:**

- A. The Council should clearly communicate grant requirements to its subcontractors. The subcontract agreement should include a detailed scope of the work.
- B. The Council should implement procedures to effectively monitor project tasks to ensure grant requirements are met.
- C. The Conservancy should work with the Council to complete the remaining tasks.





## HIGH SIERRA RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL

July 26, 2011

Department of Finance  
Office of State Audits and Evaluations  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814

**Re: Draft Report - High Sierra Resource Conservation and Development Council Proposition 84 Grant Audit; Project G0734002 (SNC070072)**

Greetings:

Thank you for the opportunity to respond to the observations presented in your July 19, 2011 Draft Report. We have the following comments:

Observation 1: Subcontractor Expenditures of \$11,100 were not supported.

High Sierra Resource Conservation and Development Council (HSRC&D) contracted with the 5 fire districts to produce a product for a specified amount of money. The fire districts billed HSRC&D for the completed deliverable as per contract, certified as being completed by the program coordinator. HSRC&D and the Conservancy approved payment as it met the terms of the contract. This is a very common type of contract. Item I, number 4 referring to time and effort reports would not fit in this case as they would not fit in the case of purchasing equipment. A copy of contract is attached.

Observation 2:

Fire Districts did not receive printed maps: Due to a glitch in Yuba County's computer system there was a delay in delivery of these maps. This was corrected and the maps have been delivered.

Information on access: Each water source was located by GPS. That data (longitude and latitude) was loaded into the GIS software (ARCVIEW) and the nearest road feature was used to locate the water access. Most water sources had the road digital address also recorded. If access was blocked by a locked gate, it was noted.

Endangered Species Information: We are currently working with the conservancy on this item.

If you need any further information please contact our office at (530) 823-4703, extension 18.

Sincerely,

Original signed by:

William J. Bennett, President

Enclosure

**HIGH SIERRA RESOURCE CONSERVATION & DEVELOPMENT COUNCIL  
COOPERATIVE AGREEMENT**

**June 20, 2008**

**SCHEDULE A**

CCSD will provide Inventory and Geographic Reference of firefighting water resources within their District.

1. The CCSD will coordinate all work on the project with the Project Coordinator, including training, data collection protocol, supplying information for grant reports, and data collected.
2. All data will be collected as per set protocols established by the Yuba Watershed Protection and Fire Safe Council's GIS Committee using Global Position Systems (GPS) equipment loaned from Yuba County OES.
3. The data to be collected at each water site will be provided to the CCSD.
4. At least one representative from the CCSD will attend the Train-The-Trainer session coordinated by Yuba County on proper data collection techniques and GPS equipment operations.
5. All data collected will be entered into the electronic excel spreadsheet developed by Yuba County.
6. Review the available existing water sources identified in the DMA 2000 (existing GIS layer) and review water developments required in past building permits.
7. If signs are not provided, the CCSD will be responsible for purchasing the County Uniform Water Sign.
8. All water sites will be marked with standardized signs if authorized by the landowner.
9. Will maintain a log of in-kind donations (time, money, equipment).
10. Will provide the number of residents that their District provides services to.
11. Will provide a minimum of five (5) Photographs in digital format, at least one will show the CCSD's name.
12. Any news articles, brochures, seminars or other promotional materials or media will include the following, "Funding for this project has been provided by the Sierra Nevada Conservancy, an agency of the State of California"
13. If project is not completed by December 31, 2008, a status report will be given to High Sierra RC&D.
14. All data collected will be turned over to Yuba County by June 20, 2009
15. At the completion of the project, compile a list of lessons learned while doing the project and the number of people that were involved in completing the project.
16. All information collected will be used to the intended use of this project only.
17. The CCSD will receive \$10,000 for performing all the activities listed.
18. Payment to the CCSD will be made as follows:
  - 50% (\$5,000) will be provided at the start of the agreement as soon as the funds are received from Sierra Nevada Conservancy.
  - The remaining 50% (\$5,000) will be provided to the CCSD when the project is completed and the Project Coordinator certifies that all data has been received.

## EVALUATION OF RESPONSE

---

The Department of Finance, Office of State Audits and Evaluations, reviewed the High Sierra Resource Conservation and Development Council's (Council) response to the draft report. We provide the following comments:

### **Observation 1: Subcontractor Expenditures of \$11,100 Were Not Supported**

The questioned costs of \$11,100 included expenditures related to personnel, equipment, and supplies. Item I.4 of the grant agreement states that adequate supporting documentation shall be maintained by consultants and contractors in sufficient detail to provide an audit trail which will permit tracing transactions from the invoices to the financial statement, accounting records, and supporting documentation. However, the fire districts did not maintain adequate documentation to support their expenditures.

### **Observation 2: Certain Grant Tasks Were Not Fully Completed**

As noted in our report, although the inventory identified the location of the water sources, access and endangered species were not noted. During our site visits, district officials noted some of the mapped water sources were accessible via helicopter only; however, this access limitation was not noted on the map. The grant agreement required identification of "potential limitations" including access, available gallons, and endangered species for each water source.