



Transmitted via e-mail

January 29, 2015

Mr. John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Laird:

Final Report—Mandela MarketPlace, Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Mandela MarketPlace's (MMP) grant U59210-0, issued by the California Natural Resources Agency.

The enclosed report is for your information and use. MMP's response to the report observations are incorporated into this final report. MMP agreed with our observations and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

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

Sincerely,

Original signed by:

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

Enclosure

cc: 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
Ms. Dana Harvey, Executive Director, Mandela MarketPlace
Mr. Thomas Mills, Board President, Mandela MarketPlace :

Mandela MarketPlace
Proposition 84 Bond Program
Grant Agreement U59210-0



Urban Greening Plan
Source: Mandela MarketPlace website

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Mindy Patterson
Supervisor

Staff
Lorena Romero

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) for \$5.4 billion. The bond proceeds finance a variety of natural resource programs. Proposition 84 added Division 43, Chapter 9, section 75065 (a) to the Public Resources Code, authorizing the Legislature to appropriate up to \$17.5 million to create urban greening plans that will serve as the master document guiding and coordinating greening projects in the applicant's jurisdiction.

The Mandela MarketPlace (MMP) received a \$250,000 grant from the California Natural Resources Agency (Resources Agency) to create an urban greening plan. MMP's mission is to work in partnership with local residents, family farmers, and community-based businesses to improve health, create wealth, and build assets through cooperative food enterprises in low income communities.¹

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant U59210-0 for the period May 1, 2013 through January 31, 2014.²

The audit objectives were to determine whether MMP's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements and to determine whether the grant deliverables are being completed as required. We did not assess the efficiency or effectiveness of program operations.

MMP's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The Resources Agency is 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, we performed the following procedures:

- Examined the grant files, grant agreement, and applicable policies and procedures.
- Reviewed the grantee's accounting records, vendor invoices, and cancelled checks.

¹ Source: www.mandelamarketplace.org

² An interim audit was conducted because the grant term ends May 1, 2016.

- 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 agreement.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation.

In conducting our audit, we obtained an understanding of MMP's internal controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed, implemented, and effective. Any internal control deficiencies 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.

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. The Schedule of Claimed and Questioned Amounts is presented in Table 1. Additionally, several deliverables were completed through January 31, 2014, as specified in the grant agreement, while others are still ongoing. The Schedule of Completed Deliverables is presented in Table 2.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement U59210-0		
Benchmarks	Claimed ¹	Questioned
Initial Project Planning and Coordination	\$51,359	\$1,225
Existing Conditions/Plant Palette	10,000	0
Develop Draft Urban Greening Plan	2,414	0
Project Management	18,403	1,624
Total Grant Funds	\$82,176	\$2,849

Table 2: Schedule of Completed Deliverables

Grant Agreement U59210-0	
Deliverables	Date Completed
1.1 Identify scope of services for consultant and procure consultant services for project coordinator.	10/1/13
1.2 Directory of Stakeholders	10/30/13
1.4 Establish Advisory Board	9/17/13
1.5 Identify scope and services for local community planning/outreach consultant and procure consultant.	10/11/13
1.6 Develop Public Outreach Strategy	12/3/13
2.1 Identify scope of services for mapping consultant and procure consultant.	10/11/13

¹ Resources Agency awarded \$250,000 and the grantee claimed \$82,176 through January 31, 2014.

Observation 1: Fiscal Controls Need Improvement

We observed internal control deficiencies which impair Mandela MarketPlace's (MMP) grant fiscal oversight. As shown in the text box, MMP's executive director performs several conflicting duties that compromise effective internal controls.

Proper segregation of duties is a key element of an entity's internal control, and is essential to reducing the risk of errors and irregularities. Typically, no one person should initiate, approve, record, and reconcile a transaction, and have custody of funds. Small entities with limited staffing resources can implement mitigating controls which may include fiscal oversight activities by their board of directors.

Additionally, although MMP has established fiscal oversight policies and procedures, they were last updated in 2006 and are not consistently implemented. MMP's policies require monthly finance reports and quarterly budget reviews to be submitted to its board of directors. However, when we requested copies of these reports, MMP could not provide them. Further, based on our review of board of director's meeting minutes, there was no evidence that these fiscal reports had been submitted or reviewed.

Executive Director Conflicting Fiscal Duties

- Reviews & approves expenses
- Prepares grant reimbursement claims
- Receives grant reimbursement checks
- Records expenses in accounting system
- Makes deposits to the MMP bank account
- Has signature authority over MMP's bank account

Recommendations:

- A. Ensure key fiscal duties are adequately segregated. Assign additional oversight activities to board members as needed. Update policies and procedures to document the approved duties.
- B. Adhere to the established financial reporting requirements and maintain copies of approved monthly finance reports and quarterly budget reviews.

Observation 2: Unsupported Expenditures Claimed

MMP claimed and was reimbursed for the following unsupported expenditures:

- Personnel costs—MMP claimed \$1,225 in unsupported personnel costs for October and November 2013. The claimed hourly rates were not supported by actual rates reported on the employees' earnings report.
- Consultant Fees—MMP claimed \$1,624 in unsupported accounting and payroll services provided by a consultant. Specifically, MMP inequitably allocated a larger share of accounting/payroll consulting fees to the grant.

In addition, staff do not maintain timesheets to account for 100 percent of their time. Because timesheets serve as the basis for labor and indirect cost allocations charged to the grant, MMP employees should account for all hours worked during each payroll period on one single timesheet.

Grant Agreement, section G1, requires the grantee to maintain satisfactory financial accounts, documents, and records for the project.

Recommendations:

- A. Remit \$2,849 for the unsupported costs claimed. Resources Agency will make the final determination regarding collection of the questioned costs.
- B. Ensure consulting charges that benefit multiple programs are charged equitably to the grant.
- C. Maintain timesheets that account for 100 percent of an employees' time during each payroll period and separately account for hours charged to bond projects.



M A N D E L A M A R K E T P L A C E

January 12, 2015

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

Dear Mr. Sierra,

Re: Draft Report—Mandela MarketPlace, Proposition 84 Grant Audit

We have reviewed the findings and recommendations of the Mandela MarketPlace, Proposition 84 Grant Audit. We understand the findings and are submitting the enclosed responses to the recommendations of each finding.

Response to Observation 1: Fiscal Controls Need Improvement

Recommendation A:

Ensure key fiscal duties are adequately segregated. Assign additional oversight activities to board members as needed. Update policies and procedures to document the approved duties.

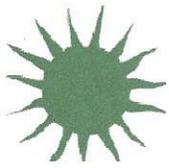
MMP currently works with Mark Halpert, CPA + Associates, an independent CPA firm to execute finance oversight, compliance with GAAP and implementation of policies and procedures to ensure oversight of finance, and segregation of fiscal duties. Furthermore, a Finance Administrator was hired full-time to further the distribution of duties.

The Board of Directors meets quarterly, and receives a financial report packet at each board meeting. The Board adopts the annual budget at the first Board Meeting of the year. Financial review is available at all times, upon request of any Board member. Additional oversight activities will be assigned to board members as needed.

Recommendation B:

Adhere to the established financial reporting requirements and maintain copies of approved monthly finance reports and quarterly budget reviews.

We agree with the auditor's recommendation and have an improved system in place to ensure the financial reporting requirements are met. A full-time Finance Administrator, and an independent CPA firm assure that duties are segregated, and that there are 3 levels



of oversight on financial transactions – one level being an independent CPA firm. Copies of monthly finance reports, reviewed and approved by the Executive Director, and quarterly budget reports reviewed and approved by the Board of Directors are maintained.

Response to Observation 2: Unsupported Expenditures Claimed

Recommendation A:

Remit \$2,849 for the unsupported costs claimed. Resources Agency will make the final determination regarding collection of the questioned costs.

We will make an adjustment on our next invoice for the \$2,849 for the unsupported costs claimed.

Recommendation B:

Ensure consulting charges that benefit multiple programs are charged equitably to the grant.

The Finance Administrator maintains an improved tracking system for consulting charges that benefit multiple programs to ensure charges are equitably allocated, with oversight by the CPA firm.

Recommendation C:

Maintain timesheets that account for 100 percent of an employee's time during each payroll period and separately account for hours charged to bond projects.

We agree with the auditor's recommendation and timesheets are now maintained for 100 percent of every employee's time during each payroll period and separately accounts for hours charged to bond projects.

We hope the above responses meet the Department's approval. If there are any questions please contact Dana Harvey at (510)433-0993 extension 1, or dana@mandelamarketplace.org.

Sincerely,

Original Signed By

Dana Harvey
Executive Director