



May 7, 2010

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

Dear Mr. Schuchat:

**Final Report—Sonoma Land Trust Grant Audits**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audits of the following Sonoma Land Trust (SLT) Proposition 12 and 40 grants:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
07-067	November 30, 2007 to December 21, 2007	\$ 3,000,000
06-097	April 18, 2007 to October 31, 2008	\$ 1,000,000
06-116	May 4, 2007 to December 31, 2008	\$ 23,000
03-172	May 25, 2004 to September 30, 2008	\$ 567,138

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

In accordance with Finance's policy of increased transparency, 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 the Sonoma Land Trust. If you have any questions, please contact Diana Antony, Manager, or Evelyn Suess, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Richard R. Sierra for:

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

Enclosure

cc: On following page

cc: Mr. Ralph Benson, Executive Director, Sonoma Land Trust  
Mr. Neal Fishman, Deputy Executive Officer, California State Coastal Conservancy  
Ms. Nadine Hitchcock, Deputy Executive Officer, California State Coastal Conservancy  
Ms. Regine Serrano, Chief of Administrative Services, California State Coastal  
Conservancy  
Mr. Patrick Kemp, Assistant Secretary, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency

# Grant Audits

---

## Sonoma Land Trust Proposition 12 and 40 Bond Programs

### Grant Agreements 07-067, 06-097, 06-116 and 03-172



*Sonoma Baylands*  
Source: Sonoma Land Trust

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

**MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Evelyn Suess  
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.....	4
Response.....	6
Evaluation of Response .....	8

# BACKGROUND, SCOPE, AND METHODOLOGY

---

## BACKGROUND

On the March 2000 and March 2002 ballots, the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (Proposition 12) and the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) were passed for \$2.1 billion and \$2.6 billion, respectively. These bond proceeds provide funding for a broad range of programs that protect, preserve, and improve California's water and air quality, beaches, scenic and open space, public parks, wildlife habitats, and historical and cultural resources.

The California State Coastal Conservancy (Conservancy) is one of many state departments that administers Proposition 12 and 40 programs and awards these funds in the form of grants. The Conservancy, established in 1976, acts with other agencies to preserve, protect, and restore the resources of the California coast, ocean, and the San Francisco Bay Area. To carry out this mission, the Conservancy joins in partnership endeavors with more than 100 local land trusts and other nonprofit groups, making local community involvement an integral part of the Conservancy's work.

Sonoma Land Trust (SLT) was established to conserve scenic, natural, agricultural, and open space land for Sonoma County. Since 1976 SLT has protected more than 19,000 acres of environmentally significant land including old growth redwoods, working farms, varied plant communities, and oak woodlands.

The Conservancy awarded Proposition 12 and 40 funds to SLT to acquire land, develop restoration and conservation plans, and fund construction of a portion of the San Francisco Bay Trail. Specifically, the grants funded the following SLT projects:

### *Roche Ranch Acquisition*

Acquisition of the Roche Ranch links 40,000 acres along the Sonoma, Napa, and Marin bay lands for habitat preservation, open space protection, and public access. The acquisition creates the only protected land in the North Bay where a riparian corridor connects tidal lowlands of the San Francisco Bay with upland seasonal and freshwater wetlands.

### *Sears Point Plans*

The Sears Point Restoration Project Enhancement and Restoration Plans project funds feasibility studies, preliminary and final plans and designs, and permit applications for the restoration of wetlands and coastal grasslands. This project represents the area's only opportunity to reconnect the historic gradient from tidal marsh and seasonal wetlands, alluvial fans, and upland hill slopes.

### *Cedars Plan*

The Cedars area is a rare place where mantle rock is exposed to the earth's surface and the area is home to diverse microbiological and plant communities that exist along with headwaters in three major watersheds. The grant funds part of the Conservation Plan and negotiations for property acquisition.

### *Sonoma Baylands Trails*

The Sonoma Baylands are reclaimed oat-hay farms. SLT along with the Army Corps of Engineers, the Conservancy, United States Fish and Wildlife Service, and the San Francisco Bay Conservation and Development Commission (BCDC) worked to restore lands to marsh and tidal lands. Efforts to allow public access were delayed due to concerns about endangered species and concerns from the Public Utilities Commission regarding railroad crossings. Those concerns are now adequately resolved and the Conservancy is seeking to fund the construction of a public access trail and associated site management through SLT. The Conservancy received permitting by BCDC but the permit was conditioned on public access. Therefore, the Conservancy is seeking conformance with permitting requirements via this SLT grant.

## **SCOPE**

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, we conducted the following grant audits:

<u>Grant Agreement</u>	<u>Audit Period</u> <sup>1</sup>	<u>Awarded</u>
07-067	November 30, 2007 to December 21, 2007	\$ 3,000,000
06-097	April 18, 2007 to October 31, 2008	\$ 1,000,000
06-116	May 4, 2007 to December 31, 2008	\$ 23,000
03-172	May 25, 2004 to September 30, 2008	\$ 567,138

The audit objective was to determine whether SLT's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements. We did not assess the efficiency or effectiveness of program operations.

SLT 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. SLT and the Conservancy are responsible for state-level administration of the bond programs.

## **METHODOLOGY**

To determine whether grant revenues and 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 grant files maintained by the Conservancy, grant agreements, and applicable policies and procedures.
- Reviewed SLT's accounting records, vendor invoices, payroll documents, pay warrants, and bank statements.
- Selected a sample of expenditures, including labor costs, to determine if costs were allowable, grant related, incurred within the grant period, supported by accounting records, and properly recorded.

---

<sup>1</sup> For grant agreements 06-097, 06-116, and 03-172, interim grant audits were performed. Therefore, the audit period end date reflects the last reimbursed claim submitted.

- 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.

The audit results are based on our review of documentation and other information made available to us and interviews with staff directly responsible for administering bond funds. The audit was conducted from February 2009 through March 2009.

This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

Except as noted below, Sonoma Land Trust's (SLT) expenditures were in compliance with applicable laws, regulations, and the grant requirements. We questioned amounts for grant agreement 06-097 as noted in the Observation below. The Schedules of Claimed, Audited, and Questioned Amounts are presented in Table 1.

**Table 1: Schedules of Claimed, Audited, and Questioned Amounts**

<b>Grant Agreement 07-067</b>			
<b>For the Period November 30, 2007 to December 21, 2007</b>			
<b>Category</b>	<b>Claimed</b>	<b>Audited</b>	<b>Questioned</b>
Land Acquisition	\$3,000,000	\$3,000,000	\$ 0
<b>Total Expenditures</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$ 0</b>

<b>Grant Agreement 06-097</b>			
<b>For the Period April 18, 2007 to October 31, 2008</b>			
<b>Category</b>	<b>Claimed</b>	<b>Audited</b>	<b>Questioned</b>
Complete Corrective Action Plan	\$ 8,442	\$ 7,341	\$ 1,101
Implement Vegetation & Grazing Management Plan	28,884	25,117	3,767
Planning, Design, Permitting, Compliance	224,931	195,638	29,293
SLT Project Management	166,015	121,531	44,484
<b>Total Expenditures</b>	<b>\$428,272</b>	<b>\$349,627</b>	<b>\$78,645</b>

<b>Grant Agreement 06-116</b>			
<b>For the Period May 4, 2007 to December 31, 2008</b>			
<b>Category</b>	<b>Claimed</b>	<b>Audited</b>	<b>Questioned</b>
Conservation Plan	\$ 6,600	\$ 6,600	\$ 0
Implementation of Conservation Plan	7,700	7,700	0
Acquisition of Core Parcel	8,700	8,700	0
<b>Total Expenditures</b>	<b>\$23,000</b>	<b>\$23,000</b>	<b>\$ 0</b>

<b>Grant Agreement 03-172</b>			
<b>For the Period May 25, 2004 to September 30, 2008</b>			
<b>Category</b>	<b>Claimed</b>	<b>Audited</b>	<b>Questioned</b>
Project Design & Engineering	\$ 61,933	\$ 61,933	\$ 0
Construction	462,976	462,976	0
Site Management	21,743	21,743	0
<b>Total Expenditures</b>	<b>\$546,652</b>	<b>\$546,652</b>	<b>\$ 0</b>

**OBSERVATION: Ineligible Costs Claimed**

For grant agreement 06-097, SLT improperly billed the Conservancy for estimated instead of actual personnel costs. Specifically, when preparing its invoices, SLT claimed standard hourly rates for project managers and other project staff and not actual personnel costs incurred. As a result, SLT was over-reimbursed \$22,783.

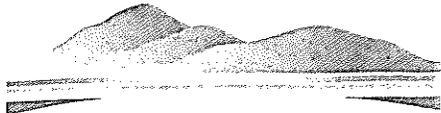
In addition, SLT also claimed \$55,862 of ineligible overhead expenses on grant 06-097. SLT generally applies a 15 percent overhead rate to most of its grants as allowed by the grant agreements. However, grant agreement 06-097 does not include overhead as an allowable budgeted expenditure. Therefore, we questioned \$55,862 in claimed overhead charges.

Grant agreement 06-097 states the Conservancy shall disburse funds based on costs incurred and consistent with the approved project budget.

**Recommendations:**

- SLT should review its grant-related expenses to ensure only actual and eligible expenses are claimed.
- The Conservancy will make the final determination on whether to recover the questioned costs or to offset the amount against a future claim for reimbursement.





## SONOMA LAND TRUST

March 22, 2010

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

966 Sonoma Avenue  
Santa Rosa, CA 95404  
Tel: 707-526-6930  
Fax: 707-526-3001  
[www.sonomalandtrust.org](http://www.sonomalandtrust.org)

Re: Draft Report – Sonoma Land Trust Grant Audits

Dear Mr. Botelho:

Thank you for the opportunity to review the Draft Audit Report, dated February 23, 2010. The Report includes 2 observations regarding “Ineligible Costs Claimed” under grant #06-097, our response to each observation is below.

### Improper billing of personnel cost

Sonoma Land Trust’s personnel billing rates for grant #06-097 were based on the rate schedule established by the Conservancy and Sonoma Land Trust in 2001 which has been applied to and approved for all subsequent Conservancy grants. This schedule is as follows:

\$60/hour: Project Manager

\$60/hour: Executive Director

\$40/hour: All other SLT staff

15% markup on all SLT labor costs for indirect costs/overhead

### Ineligible billing of overhead expenses

Per the same 2001 agreement between Conservancy and SLT staff noted above, a 15% overhead markup to all contract items, including subcontractors, SLT labor costs, and expenses (e.g., postage, parking fees, etc.) was allowable under this grant.

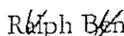
### Report Recommendations

The Audit Report recommends that SLT review its grant related expenses to ensure only actual and eligible expenses are claimed. SLT staff have reviewed the Conservancy 2007 Budget Guidelines and amended the work plan and budget for grant #06-097 to conform to the Guidelines.

Please contact Wendy Eliot at (707) 526-6939 extension 103 if you have any questions.

Sincerely,

Original signed by:

  
Ralph Benson  
Executive Director

Cc: Sam Schuchat, California State Coastal Conservancy

## EVALUATION OF RESPONSE

---

The Department of Finance (Finance) reviewed the Sonoma Land Trust's (SLT) response, dated March 22, 2010, to our draft audit report. We provide the following comments:

SLT refers to a "2001 Agreement" in its response; however, grant agreement 06-097 did not reference or incorporate a "2001 Agreement". According to SLT, the agreement was an informal understanding between SLT and the Conservancy. As such, our observation remains unchanged. The Conservancy will determine the appropriate actions to take regarding this observation. We acknowledge SLT's efforts to work with the Conservancy to ensure grant 06-097 is amended to conform to the budget guidelines.