



Transmitted via e-mail

April 4, 2011

Mr. Joseph T. Edmiston, Executive Director
Santa Monica Mountains Conservancy
5750 Ramirez Canyon Road
Malibu, CA 90265

Dear Mr. Edmiston:

Final Report—TreePeople Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of TreePeople's grant agreement NP-03185 for the period October 27, 2003 through June 30, 2008.

The enclosed report is for your information and use. TreePeople's response to the report findings is incorporated into this final report. TreePeople agreed with our observations and we appreciate its willingness to implement corrective actions.

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 TreePeople. 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: Ms. Rorie Skei, Chief Deputy Director, Santa Monica Mountains Conservancy
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Tom Hansen, Executive Director, TreePeople

TreePeople
Environmental Learning Center, Nursery, and
Watershed Garden Construction Project
Grant Agreement NP-03185



Source: TreePeople

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Chikako Takagi-Galamba
Supervisor

Staff
Renato Lim

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
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Sacramento, CA 95814
(916) 322-2985

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BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

In November 2002, California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50), which authorized the State of California to sell \$3.44 billion in general obligation bonds. The bond proceeds provide funds for grants and loans to assist in meeting safe drinking water standards; acquisition, restoration, protection, and development of river parkways; and coastal watershed and wetland protection.

The Santa Monica Mountains Conservancy (Conservancy) received Proposition 50 funds for the preservation, protection, and restoration of urban, rural, and river parks, open space, trails, and wildlife habitats. The Conservancy pursues many of its acquisitions, projects, and programs through grants to local agencies, nonprofit organizations, and other eligible applicants to promote the Proposition's goals.

TreePeople, a nonprofit organization, was formed in 1973. TreePeople's mission is "to inspire, engage and support people to take personal responsibility for the urban environment, making it safe, healthy, fun and sustainable, and to share the process as a model for the world." TreePeople, located in Los Angeles' Coldwater Canyon Park, employs approximately 56 employees and 9,000 volunteers (source: TreePeople).

The Conservancy awarded TreePeople a \$1 million Proposition 50 grant for construction of an Environmental Learning Center/Nursery and Urban Watershed Garden. The total project budget was \$2.8 million. TreePeople received \$1.8 million from other funding sources, including the State Coastal Conservancy, City of Los Angeles, U.S. Department of Transportation, and other gifts and grants. Upon completion of construction, these facilities will teach visitors, students, and volunteers about the restoration of local forests and parks.

SCOPE

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted an audit of the following Proposition 50 grant:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
NP-03185	October 27, 2003 through June 30, 2008	\$1,000,000

The audit's objective was to determine whether TreePeople's grant expenditures were in compliance with applicable laws, regulations, and grant requirements. 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.

TreePeople'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 Santa Monica Mountains Conservancy and the California Natural Resources Agency are responsible for state-level administration of the bond program.

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, grant agreements, and applicable policies and procedures.
- Reviewed TreePeople's accounting records, vendor invoices, vendor contracts, and pay warrants.
- Selected a sample of expenditures to determine if costs were:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
 - Not double claimed to other funding sources
- Conducted a site visit to verify project existence.

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 bond funds. The audit was conducted from July 2010 through February 2011.

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.

The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1. Except as noted in the following observations, TreePeople’s expenditures were in compliance with applicable laws, regulations, and the grant requirements.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement NP-03185 For the Period October 27, 2003 through June 30, 2008			
Category	Claimed	Audited	Questioned
Construction Expenditures			
Urban Watershed Garden, Environmental Learning Center/Nursery	\$ 458,325	\$ 427,394	\$ 30,931
Parking Grove	91,440	91,440	0
Total Construction Expenditures	\$ 549,765	\$ 518,834	\$ 30,931
Planning and Design	258,074	258,074	0
Construction Manager’s Fee	105,600	105,600	0
General Conditions	86,561	86,561	0
Total Project Expenditures	\$ 1,000,000	\$ 969,069	\$ 30,931

Observation 1: TreePeople was Over-Reimbursed \$30,931

Payment Request Number 3 included the amount of \$30,931 twice. The amount represented an invoice paid by TreePeople for construction (Diamond Landscaping Invoice No. 36112). The Conservancy reimbursed TreePeople \$61,862 (a \$30,931 over-reimbursement).

Recommendation:

TreePeople should review its grant-related expenses to ensure only actual expenses are claimed for reimbursement. The Conservancy will make the final determination on the appropriate method to recover the questioned costs.

Observation 2: Fiscal Controls over Grant Management Need Improvement

TreePeople does not have written policies and procedures for preparing and reviewing payment requests, and/or receiving reimbursements. Further, TreePeople does not separately account for various funding sources and related expenditures. Specifically, the construction project was funded from multiple funding sources; however, all expenditures were recorded in one account. TreePeople does not use alternative procedures to separately track the actual expenditures for each funding source, such as a bridging worksheet that reconciles the expenditures for each funding source to the general ledger. Such a reconciling document could prevent duplicate funding and expenditure errors, as noted in Observation 1.

Recommendations:

TreePeople should improve its grant management controls to adequately account for grant funding and expenditures. These controls should include:

- Written policies and procedures describing management and employee responsibilities regarding grant accounting, invoice processing and approval, reimbursement receiving, and project monitoring.
- Separate accounts to track the project activities by funding source and related expenditure, or a bridging document that reconciles amounts to the general ledger.



March 23, 2011

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

Dear Ms. Antony:

TreePeople is in receipt of the draft audit report for grant agreement NP-03185 between TreePeople and the Santa Monica Mountains Conservancy. The text below serves as our response for inclusion in the final report.

Response to audit report – TreePeople/Santa Monica Mountains Conservancy Grant NP-03185

TreePeople appreciates the support of Santa Monica Mountains Conservancy through grant # NP-03185, which was instrumental in building the Center for Community Forestry. This Center inspires personal responsibility for the environment among people throughout the greater Los Angeles area, with a special focus on management of our precious watersheds.

TreePeople also acknowledges the supportive and professional work of the State Dept of Finance and the team assigned to this audit. We appreciate their assistance in validating and improving our performance in regards to effective use of public funds. Regarding the findings of this audit, TreePeople provides the following comments:

- 1) TreePeople acknowledges that a clerical error led to the over-reimbursement of \$30,931. The over-reimbursement amount has been returned in full to the Conservancy.
- 2) TreePeople has installed a new accounting software system as of January 1, 2011 which will address recommendations pertaining to tracking multiple funding sources and related expenditures.
- 3) Written policies and procedures as recommended in the audit have been drafted and will be reviewed by management.

(End of response)

Please contact me at 818-623-4850 with any questions and I will be happy to assist you further.

With best wishes,

Original signed by:

Tom Hansen
Executive Director

cc via email: Joseph Edmiston, Rorie Skei, Santa Monica Mountains Conservancy; Julie Alvis, Bryan Cash, California Natural Resources Agency; Chikako Takagi-Galamba, Renato Lim, State Dept of Finance