



Transmitted via e-mail

April 4, 2016

Mr. Ken Pimlott, Director
California Department of Forestry and Fire Protection
P.O. Box 944246
Sacramento, CA 94244-2460

Dear Mr. Pimlott:

Final Report—California Department of Forestry and Fire Protection, Proposition 84 Bond Fund Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the California Department of Forestry and Fire Protection's (CAL FIRE) Proposition 84 bond funds.

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

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

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA
Assistant Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Janet Barentson, Chief Deputy Director, California Department of Forestry and Fire Protection
Mr. Helge Eng, Deputy Director, Resource Management, California Department of Forestry and Fire Protection
Mr. Tony Favro, Deputy Director, Management Services, California Department of Forestry and Fire Protection
Ms. Windy Bouldin, Chief, Office of Program Accountability, Information Security Officer and Privacy Program Coordinator, California Department of Forestry and Fire Protection
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency

Audit Report

California Department of Forestry and Fire Protection Urban and Community Forestry Program Proposition 84



Source: Sacramento Tree Foundation www.sactree.com

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

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

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TABLE OF CONTENTS

Executive Summary	iv
Background, Scope and Methodology.....	1
Results.....	6
Appendix A—Criteria for Evaluating Urban & Community Forestry Program Grant Projects ...	11
Appendix B—Summary of Grants Reviewed and Questioned Costs	13
Appendix C—Grantee Review Results.....	14

EXECUTIVE SUMMARY

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, the Office of State Audits and Evaluations audited the California Department of Forestry and Fire Protection's (CAL FIRE) Proposition 84 funding. The audit objectives were to determine whether bond funds were awarded and expended in compliance with applicable legal requirements and established criteria, and whether CAL FIRE has adequate project monitoring processes in place to ensure the projects met the established scope and cost, and achieved the intended outcomes. Our audit focused on the Urban & Community Forestry Program.

In general, CAL FIRE awarded funds in compliance with applicable legal requirements and established criteria. CAL FIRE has established several key accountability processes, including comprehensive grant guidelines, competitive awarding processes, and established reporting requirements. However, we identified areas where CAL FIRE could improve its monitoring processes, based on 15 projects sampled. Specifically,

- Match reporting requirements are inconsistently enforced and match expenditures are not always supported. We identified \$1,740,003 in questioned and/or unmet match. By not enforcing the match funding requirements, CAL FIRE may not be maximizing the funding available for the Urban & Community Forestry Program.
- Final inspections verifying the completion of project deliverables were inconsistently performed and documented. For 12 closed projects reviewed, CAL FIRE could not provide evidence of final inspections for 6 projects and, in one instance, the final inspection report was inaccurate. By not conducting and documenting final project inspections, CAL FIRE cannot be certain grant deliverables were completed as required and if the intended outcomes were achieved.
- Unsupported and ineligible costs totaling \$338,500 were identified based on our testing of \$3,229,043 in claimed expenditures. Effective expenditure review procedures and processes will strengthen CAL FIRE's project monitoring practices and provide greater assurance that bond funds are appropriately expended.

Our observations and recommendations are designed to further improve accountability over the Urban & Community Forestry Program. To strengthen its fiscal and administrative controls over bond funds, CAL FIRE must develop a corrective action plan to address the observations and recommendations included in this report.

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

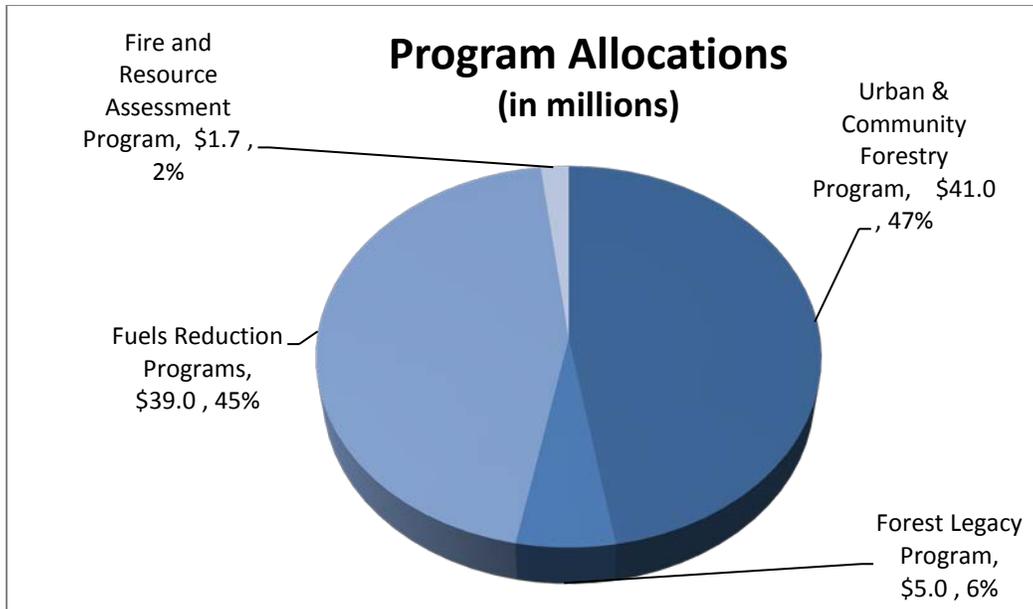
Between March 2000 and November 2006, California voters passed the following bond measures totaling \$13.5 billion:

Proposition	Title	Amount Authorized
12	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000	\$2.1 billion
40	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002	\$2.6 billion
50	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	\$3.4 billion
84	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	\$5.4 billion

These propositions authorized the sale of bonds to finance a variety of natural resource programs. Bond proceeds are expended directly by the administering departments on various capital outlay projects, and are also disbursed to federal, state, local, and nonprofit entities in the form of grants, contracts, and loans.

California Department of Forestry and Fire Protection

The California Department of Forestry and Fire Protection (CAL FIRE) serves, safeguards, and protects the people, property, and resources of California. In addition to responding to wildfires and providing emergency services throughout California, CAL FIRE is also responsible for the management and protection of California's diverse natural resources. CAL FIRE was allocated over \$86 million from various propositions, including Propositions 12, 40, 50, and 84. This audit focused on the Urban & Community Forestry Program because it accounted for 47 percent of CAL FIRE's total bond allocations as noted in following chart.



Source: CAL FIRE Grant Management Unit

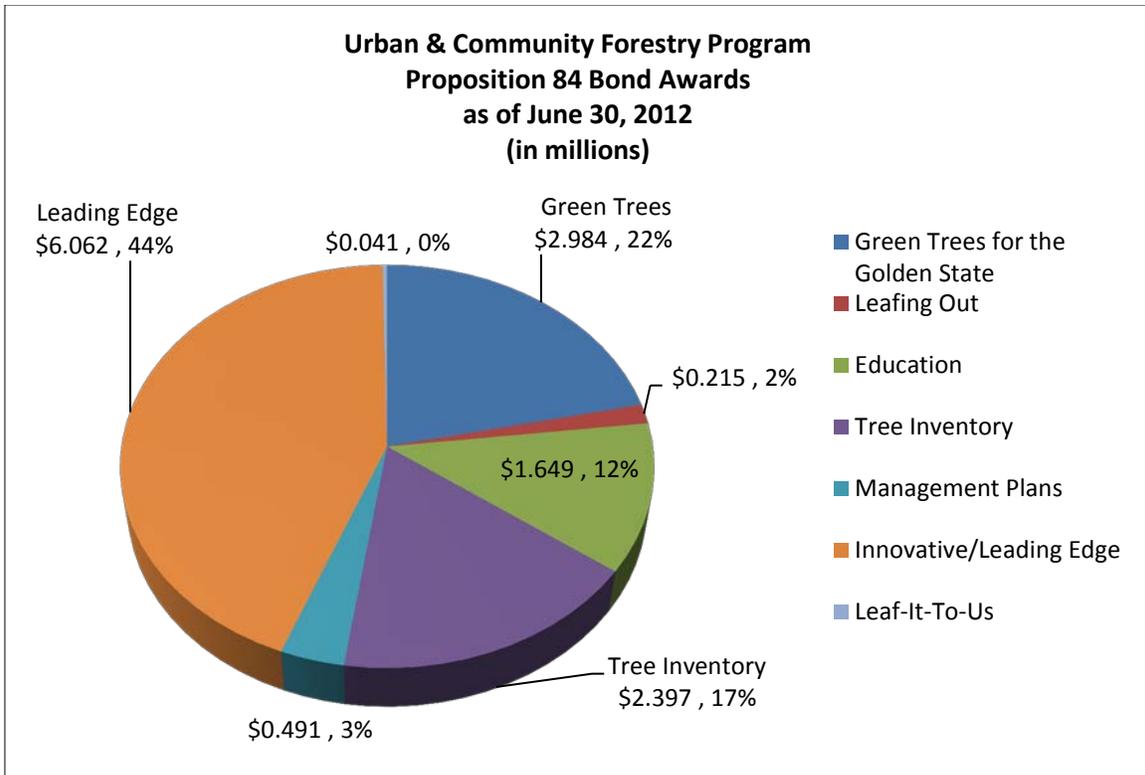
Urban & Community Forestry Program¹

The Urban & Community Forestry Program works to optimize the benefits of trees and related vegetation through multiple-objective projects that provide environmental services and cost-effective solutions to the needs of urban communities and local agencies, including, but not limited to, increased water supply, clean air and water, reduced energy use, flood and storm water management, recreation, urban revitalization, improved public health, and producing useful products such as bio-fuel, clean energy, and high quality wood. Such efforts play a role in meeting the state's greenhouse gas emission reduction targets. CAL FIRE encourages citizen participation in the development and implementation of state, local, and non-profit organization urban forestry programs and projects.

Eligible applicants include cities, counties, nonprofit organizations and qualifying school, park, recreation, water, and local taxing districts.

Since 2000, the Urban & Community Forestry Program has been allocated \$41.0 million in bond funds. Proposition 84 provided \$21.0 million in funding (51 percent), while Propositions 12 and 40 each provided \$10.0 million. Seven grant programs are administered under the Urban & Community Forestry Program, as noted in the following chart. The three largest programs are: Leading Edge, Green Trees for the Golden State, and Tree Inventory. Our audit focused on the bond funds awarded and expended by these three programs.

¹ www.calfire.ca.gov.



Source: CAL FIRE Grant Awards Database

Leading Edge Grant Program

The Leading Edge Grant Program funds the development and implementation of a program or project that will help improve greening in urban areas or help prevent the decline of urban forest resources. These programs address climate change mitigation or adaptation, facilitate the planting of trees in cities, improve the quality of the environment in urban areas through establishment of, and/or improved management of urban vegetation.

Green Trees for the Golden State Grant Program

The Green Trees for the Golden State Grant Program provides funding for tree planting projects in urban areas and up to two years of initial maintenance. Preference is given to tree planting projects that provide multiple benefits, with an emphasis on greater air quality and energy conservation. Additional benefits taken into consideration may include: storm water runoff reduction, storm water quality improvement, public health improvement, and creation of “green jobs”.

Tree Inventory Grant Program

The Tree Inventory Grant Program funds the acquisition and/or implementation of an inventory system as a basis for managing a jurisdiction’s urban forest. Projects may integrate new or existing software into current inventories. Inventories must be user friendly, contain a certain level of minimum data fields, and may include a training or educational component.

SCOPE

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, the Office of State Audits and Evaluations conducted this audit to determine whether bond funds were awarded and expended in compliance with applicable legal requirements and established criteria, and whether CAL FIRE has adequate project monitoring processes in place to ensure the projects met the established scope and cost, and achieved the intended outcomes.

As noted in the Background section of this report, the audit focused on the Urban & Community Forestry Program because it accounted for 47 percent of CAL FIRE's total bond allocations. Further, within this program we focused on Proposition 84 funding because it represented over 51 percent of the bond funding allocation. The audit period included transactions and controls from July 1, 2007 through June 30, 2012.

CAL FIRE management is responsible for establishing appropriate grant practices and procedures and ensuring compliance with applicable laws, regulations and administrative requirements.

The audit did not include an assessment of the bond authorization, issuance, and sale processes, or an examination of the efficiency or effectiveness of program operations.

METHODOLOGY

To meet the audit objectives described above, we performed the following procedures:

- Reviewed applicable bond acts, legal provisions, regulations and CAL FIRE's grant management policies, procedures, and program guidelines.
- Interviewed key personnel responsible for administering bond funds to obtain an understanding of how CAL FIRE oversees various project stages: pre-award, award, interim monitoring, close-out, and post-close monitoring.
- Reviewed 15 projects totaling \$3.2 million in grant awards to determine if projects were within scope and cost, and grant expenditures were allowable and supported. See Appendix B for summary of projects reviewed.
- Identified and assessed CAL FIRE's project tracking and monitoring methods.
- Reviewed a sample of expenditures and encumbrances to verify accuracy of recorded and reported financial information.
- Reviewed administrative expenditures charged to bond funds for reasonableness.

In conducting our audit, we obtained an understanding of CAL FIRE's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

Except as discussed in the following paragraph, 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.

Finance and CAL FIRE are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under generally accepted government auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented sufficient safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

In general, the California Department of Forestry and Fire Protection (CAL FIRE) awarded bond funds in compliance with applicable legal requirements and established criteria. CAL FIRE established several key bond accountability processes, such as comprehensive grant guidelines, competitive awarding processes, and established project monitoring and reporting requirements.

However, we identified areas where CAL FIRE could improve its project monitoring practices based on our review of 15 Urban & Community Forestry Program grants and using CAL FIRE's established criteria (see summary in Appendix A). See Appendix B for a summary of projects reviewed and Appendix C for detailed review results. Our findings and recommendations are designed to further improve accountability over the Urban & Community Forestry Program bond funds.

Finding 1: Match Funding Requirements are Not Consistently Enforced

Match reporting requirements are inconsistently enforced and match expenditures are not always supported. We identified 7 projects (47 percent) either did not report any match funding or did not have support for the claimed match expenditures. As shown in Table 1, the questioned or unmet match totaled over \$1.7million. See Appendices B and C for details.

Table 1: Summary of Match Funding

Project	Questioned / Unmet Match	Appendix C Reference
Friends of the Urban Forest	\$ 235,698	C-1
Urban Corps of San Diego	15,093	C-4
Urban Corps of San Diego	63,160	C-6
California Center for Sustainable Energy	363,294	C-13
Los Angeles Neighborhood Land Trust	1,020,000	C-14
TreePeople, Inc.	42,758	C-15
TOTAL	\$1,740,003	

For example, the Los Angeles Neighborhood Land Trust (LANLT) did not report any match funding during the grant term even though the grant budget required \$1,020,000. Additionally, LANLT was unable to provide accounting records to support the required match during our site visit.¹ In another example, the Friends of the Urban Forest did not track staff time by project, resulting in unsupported match expenses of \$235,698.

We also identified instances where the grantee was unaware of the match requirement and in one case there was a conflict between the grant application and the grant agreement.

¹ LANLT subsequently provided information related to a \$3 million match project; however, match expenditures were not claimed or reported to CAL FIRE during the grant agreement term. As a result, the information was not audited.

Specifically, the grant application for a USFS² project indicated a match requirement of \$185,112; however, there was no mention of matching funds in the grant agreement or final grant budget. USFS staff informed us they were unaware of program matching requirements, and thus did not track or report match funding to CAL FIRE.

CAL FIRE's Urban & Community Forestry Grant Program Procedural Guide includes a 25 percent match component and requires the grantee to maintain an accounting system that accurately reflects fiscal transactions, including match funds. Additionally, state bond programs include a match or a cost share component to share program costs across several jurisdictions and to promote project sustainability beyond the life of the grant term.

By not enforcing the match funding requirements, CAL FIRE is not fully complying with established program guidelines and may not be maximizing the cost-share funding available for the Urban & Community Forestry Program.

Recommendations:

- A. Document the program match requirement policies and clearly communicate the policies to all grantees and CAL FIRE staff. Match funding policies should clearly identify if priority will be given to those applicants that commit a match contribution and should specify match amounts or percentages required.
- B. Modify the grant agreement language to include the required match funding percentage and/or the specific dollar amount of match funding required for each project. Additionally, update grant agreement language requiring grantees to maintain supporting documentation for all match funds claimed.
- C. Enforce match fund reporting requirements on reimbursement claims and on the grantees' progress reports submitted to CAL FIRE. Develop processes for CAL FIRE staff to follow when grantees do not report match expenditures or express uncertainty/concerns with meeting the match requirements. These processes should include notification of CAL FIRE management, development of corrective action plans, and conditions for suspension of grant funding where appropriate.
- D. Consider adding a component to the final inspection report requiring the grantee to provide a cumulative summary of all project match funds.
- E. Consider implementing a financial incentive requirement in grant agreements, specifying recovery actions that may be taken for grantees that do not provide the required match.

² United States Forest Service

Observation 2: Lack of Final Inspections Limits Ability to Determine if Project Deliverables and Outcomes Were Achieved

Final inspections verifying the completion of grant deliverables and project outcomes were inconsistently performed and documented. For 12 closed projects reviewed, CAL FIRE could not provide evidence of final inspections for 6 projects (50 percent) and in one instance the final inspection report was inaccurate.

For example, the final inspection report for LANLT indicated all tasks and deliverables were met. However, based on our review of supporting documentation and a site visit, certain deliverables were not completed. Specifically, the project scope included the construction of a teaching garden, greenhouse and farm stand. These project tasks had not been completed at the time of our site visit. When asked about the status of the deliverables, the grantee stated they were working with the Los Angeles Unified School District to finalize the tasks. However, LANLT claimed and was reimbursed \$340,000, the full grant amount. According to LANLT, \$29,000 in grant funds budgeted for the “uncompleted tasks” remained in a separate account. The final inspection report did not disclose the above items.

CAL FIRE relies on final inspections to document several key close-out components as noted in the text box. Without conducting and documenting final inspections, CAL FIRE cannot be certain grant deliverables were completed as required or if the project achieved the intended outcomes.

Recommendations:

- A. Conduct and document final inspections to ensure grant deliverables and the project’s intended outcomes are achieved.
- B. Follow-up with LANLT to ensure the \$29,000 in bond funds were expended on eligible project costs and project deliverables were completed in accordance with the grant agreement.

Observation 3: Unsupported and Ineligible Costs Claimed and Reimbursed

In general, CAL FIRE adequately reviewed and approved grant expenditures. We reviewed over \$3.2 million in expenditures for 15 projects and found \$338,500, or 11 percent, in ineligible or unsupported costs. The questioned costs are summarized in Table 2. Appendices B and C provide additional detail regarding the questioned costs. However, we note that the majority of the questioned costs, \$295,476, were related to one project, the LANLT grant.

CAL FIRE Final Inspection Report

- ✓ *Briefly describe the project that was to be carried out with this grant. Was the project completed?*
- ✓ *Did the project adequately showcase the benefits of urban forestry/urban growth?*
- ✓ *What supporting materials, publications, digital media, specifications, designs, etc. were developed for this project and how many people did they reach?*
- ✓ *Were copies of all supporting materials provided to CAL FIRE?*
- ✓ *Does the finished project meet all guidelines agreed to in the original grant agreement and project narrative?*
- ✓ *Is the project that was undertaken easily replicable elsewhere?*
- ✓ *Additional Comments or Findings, Suggestions, Required Actions.*

Table 2: Questioned Costs

Entity	Questioned	Comment	Reference
Friends of the Urban Forest	\$ 5,150	Unsupported/Ineligible Costs	C-1
Oakland Unified School District	12,380	Ineligible Costs	C-3
Urban Corps of San Diego	5,455	Unsupported Costs	C-5
Urban Corps of San Diego	6,039	Unsupported Costs	C-6
LANLT	295,476	Unsupported/Ineligible Costs	C-14
TreePeople, Inc.	<u>14,000</u>	Unsupported Costs	C-15
TOTAL:	\$338,500		

Specifically, LANLT claimed \$239,000 in costs incurred after the grant period ended and \$56,476 in salary costs not supported by timesheets or accounting records. Specifically, the \$239,000 represented a lump sum payment (advance) from LANLT to the Los Angeles School District for work *to be performed after the grant term*. The advance was over 70 percent of the total grant award. Two additional grants, Friends of the Urban Forest and Oakland Unified School District, also claimed costs outside the grant term. CAL FIRE’s monitoring and expenditure review process should have identified these discrepancies. For example, the documentation provided by LANLT for the \$239,000 clearly indicated the amount had not been incurred and therefore should not have been reimbursed by CAL FIRE.

The other unsupported costs were due to the grantee not maintaining adequate records such as timesheets and/or an indirect cost allocation plan. For example, Urban Corps of San Diego did not maintain timesheets to support claimed personnel costs. In another example, TreePeople, Inc. claimed \$14,000 in indirect costs not supported with documentation or an allocation methodology showing how the costs were allocated to the bond funded project. Although CAL FIRE’s claims review processes do not include the review of detailed labor or cost allocation documents, it is the grantee’s responsibility to maintain and make available the appropriate documentation upon request.

CAL FIRE’s grant program guidelines and agreements specifically require grantees to maintain an accounting system that accurately reflects fiscal information, with the necessary controls and safeguards. CAL FIRE requires the grantee’s accounting system to provide a good audit trail, including original source documents such as receipts, progress payments, invoices, and time cards. More specifically, CAL FIRE requires salaries and fringe benefit costs to be computed on actual time spent on a project and supported by time and attendance records (timesheets) describing the work performed on the project. See Appendix A. Identifying unsupported or unallowable project costs early in the grant process allows grantees to correct any discrepancies and/or discontinue claiming ineligible costs.

Recommendations:

- A. Prior to payment approval, ensure submitted reimbursement claims are supported and eligible. Consider performing a more in-depth expenditure review of the first reimbursement claim received from the grantee, including requesting timesheets that support claimed labor costs. Additionally, update grant agreement language and grant program guidelines to require grantees to maintain supporting documentation for all claimed costs.
- B. Follow-up with LANLT to ensure the grant funds claimed were expended on eligible project costs and project deliverables were completed in accordance with the grant agreement.

Criteria for Evaluating Urban & Community Forestry Program Grant Projects¹

Category	Grant Requirements
Salaries and Benefits (Personnel Services)	<ul style="list-style-type: none"> • Only services of grantee employees directly engaged in project execution are eligible costs. • Salaries and fringe benefits charged to the project must be computed on actual time spent on a project and shall be supported by time and attendance records describing the work performed on the project.
Operating Costs	<ul style="list-style-type: none"> • Only project-related costs associated with an eligible project activity incurred during the project performance period specified in the grant agreement may be funded. • Operating costs eligible for reimbursement include Personnel Services, Consultant Services, Equipment, Supplies and Materials, Miscellaneous Expenses, and Overhead and Administrative Costs. • All such costs must be supported by appropriate invoices, purchase orders, canceled warrants, and other records. • Equipment is generally defined as all moveable articles of nonexpendable property that have a value of \$500 or more and a useful life of four years or more. • Equipment rental rates published by the State Department of Transportation may be used as a guide, which can be found at: http://www.dot.ca.gov/hq/construc/equipmnt.html. • Any equipment and any nonexpendable materials, supplies, or property of any kind purchased from state funds under the terms of the grant agreement, and not fully consumed in the performance of the agreement, may become the property of the state or disposed of pursuant to instruction from the state at the termination of the agreement.
Administrative and Overhead Costs	<ul style="list-style-type: none"> • Only non-profit organizations may claim direct administrative costs that can be tied to the specific grant project. • Only non-profit organizations may claim overhead costs such as salaries and fringe benefits of employees <u>not directly assigned to the project</u>. Other examples of overhead costs include functions such as personnel, business services, information technology, janitorial, and salaries of supervisors and managers; rent, utilities, supplies, etc. No more than five percent of the grant total may be claimed as overhead costs.

¹ As noted in CAL FIRE's Urban Forestry and Urban Greening Grant Programs Procedural Guide (2012-13 version), standard grant agreement language, the Urban and Community Forestry Requests for Proposals, and the CAL FIRE Urban Forestry Program 3-Part Accountability Plan.

Category	Grant Requirements
Matching Funds	<ul style="list-style-type: none"> The grantee must report to the state all sources of other funds for the project. Volunteer rates for match fund purposes can be found at: http://www.independentsector.org/programs/research/volunteer_time.html.
Reporting Requirements	<ul style="list-style-type: none"> At a minimum, grantees shall submit quarterly reports to CAL FIRE by July 15, October 15, January 15, and April 15 during the grant period. Quarterly reports shall include a description of work performed, any challenges faced, any assistance required, any photographs of the project, and any deliverables developed, if applicable.
Project Payments	<ul style="list-style-type: none"> Any work started prior to the execution of the grant agreement will not be eligible for funding under the terms of the grant agreement. No single advance payment shall exceed 25 percent of the total grant amount. Advance payments must be deposited into an interest-bearing account. Any interest earned on advance payment funds must be accounted for and must be used toward the project or returned to CAL FIRE.
Project Inspections (Deliverables)	<ul style="list-style-type: none"> CAL FIRE's Regional Urban Forester will determine when inspections are necessary for the project. At a minimum, inspections will occur once per fiscal year of the project. All projects funded via the grant programs receive a close-out visit at the time the project is complete and prior to releasing final grant funds.
Accounting Requirements	<ul style="list-style-type: none"> Grantee shall maintain an accounting system that accurately reflects fiscal information including matching funds, with the necessary controls and safeguards. The accounting system shall provide a good audit trail, including original source documents such as receipts, progress payments, invoices, time cards, etc. The system shall also provide accounting data so the total cost of each individual project can be readily determined. Accounting records shall be retained for the period of three years after final payment is made by the state.

APPENDIX B

Summary of Grants Reviewed and Questioned Costs

Grantee Name	Grant Amount	Claimed Amount	Questioned Grant Amount	Final Inspection Report	Questioned or Unmet Match	Appendix C Page
Friends of the Urban Forest	\$ 100,000	\$ 99,996	\$ 5,150	Y	\$ 235,698	C-1
City and County of San Francisco Parks & Recreation	100,000	100,000	-	N	-	C-2
Oakland Unified School District	1,000,000	1,000,000	12,380	Y	-	C-3
Urban Corps of San Diego	102,815	75,575	-	Y	15,093	C-4
Urban Corps of San Diego	135,000	109,661	5,455	NA	-	C-5
Urban Corps of San Diego	106,425	69,018	6,039	Y	63,160	C-6
Sacramento Tree Foundation	500,000	500,000	-	N	-	C-7
California ReLeaf	133,000	5,586	-	NA	-	C-8
California ReLeaf	100,000	100,000	-	N	-	C-9
California ReLeaf	100,000	17,865	-	NA	-	C-10
California ReLeaf	37,500	11,342	-	N	-	C-11
United States Forest Service (USFS): Center for Urban Forestry	300,000	300,000	-	N	-	C-12
California Center for Sustainable Energy	400,000	400,000	-	Y	363,294	C-13
Los Angeles Neighborhood Land Trust	340,000	340,000	295,476	*	1,020,000	C-14
TreePeople, Inc.	100,000	100,000	14,000	Y	42,758	C-15
Total	\$ 3,554,740	\$ 3,229,043	\$ 338,500		\$ 1,740,003	

Y = Yes, N = No, NA = not applicable because project is still active.

* Inspection Report on file; however, status was incorrect. See comments at C-14.

Grantee Review Results

Grant Number: 8CA10905

Grantee Name: Friends of the Urban Forest

Project Description: To plant 1,000 trees in San Francisco and surrounding areas, including several low-income communities and San Francisco Unified School District. All trees planted will benefit from tree care visits, where pruning, stake adjustment, and disease and pest inspection services will be performed. Homeowners will receive educational postcards on spot weeding, mulching and the use of organic fertilizers. Other educational efforts include free pruning workshops, tree tours, and an online and published newsletter. Additionally, all trees planted during the grant period will feature signage displaying the CAL FIRE logo.

Grant Amount: \$100,000

Grant Term: April 21, 2011 through March 30, 2013

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$100,000	\$99,996	\$ 5,150
Match Funds	235,698	0	235,698*
Total:	\$335,698	\$99,996	\$240,848

* Amount represents unmet match.

Audit Results:

Compliance

Claimed grant expenditures and match funds totaling \$240,848 were not in compliance with the grant agreement and were not supported. Specifically, the grantee claimed reimbursement for \$3,480 in project costs that were incurred prior to the start of the grant period. The grantee was also unable to provide proof of payment for \$1,670 in claimed expenditures.

Additionally, the grantee was unable to provide supporting documents for the contracted match funds. The project budget required \$235,698 in match expenditures; however, the grantee did not report any match for the project and was unable to provide accounting records to support the match.

Deliverables

CAL FIRE completed a final inspection report dated March 12, 2012 certifying project deliverables were completed in accordance with the grant agreement. Additionally, we selected a sample of project deliverables to verify existence.

Grantee Response

The grantee agreed and acknowledged \$3,480 in project costs were incurred prior to the grant period, and determined the vendor was not paid \$1,670. The grantee also noted they have developed a new system for tracking project match expenditures.

Grant Number: 8CA09917

Grantee Name: City and County of San Francisco Parks & Recreation

Project Description: To assist with a complete inventory and assessment of trees in the San Francisco Recreation and Parks Department (Department) system. The Department will hire a consultant to assist in providing historical information and feedback for the Department's database. The consultant will also provide the prioritization and forestry assessments, which will include assessing the risk of trees which pose a hazard to public safety in Golden Gate, Glen Canyon, and John McLaren Parks. The project is also accompanied by a public awareness campaign.

Grant Amount: \$100,000

Grant Term: June 15, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$100,000	\$100,000	\$0
Match Funds	80,795	65,919*	0
Total:	\$180,795	\$165,919	\$0

* Grant program only requires 25 percent match.

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and supported. Additionally, the 25 percent match requirement was met.

Deliverables

The project was completed in April 2012; however, the grantee and CAL FIRE were unable to provide a final inspection report. Therefore, we are unable to conclude whether all final deliverables were completed in accordance with the grant agreement.

Grant Number: 8CA09900

Grantee Name: Oakland Unified School District

Project Description: Urban Greening and Urban Forestry projects on two campuses (Chabot Elementary School and Claremont Middle School) within the Oakland Unified School District. The projects emphasized multiple benefits including the mitigation of negative air quality effects of increased traffic due to the 4th Bore Project for the Caldecott Tunnel.

Grant Amount: \$1,000,000

Grant Term: June 16, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$1,000,000	\$1,000,000	\$12,380
Match Funds	100,000	165,672	0
Total:	\$1,100,000	\$1,165,672	\$12,380

Audit Results:

Compliance

Claimed grant expenditures of \$12,380 were not in compliance with the grant agreement. Specifically, the grantee claimed reimbursement for expenditures incurred prior to the beginning of the grant period.

The grantee met the 25 percent match requirement.

Deliverables

CAL FIRE completed a final inspection report dated March 12, 2012 certifying project deliverables were completed in accordance with the grant agreement. In addition, we selected a sample of project deliverables to verify existence.

Grantee Response

The grantee agreed; however, it noted the expenditures incurred prior to the grant period could be used as project match.

Evaluation of Response

Since the \$12,380 was actually reimbursed from state funds, our observation of the questioned costs remains unchanged.

Grant Number: 8CA09924

Grantee Name: Urban Corps of San Diego

Project Description: To create a functional rooftop resource garden atop the Urban Corps Recycling center to educate, train and demonstrate the value of urban forestry and gardening.

Grant Amount: \$102,815

Grant Term: June 10, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$102,815	\$ 75,575	\$ 0
Match Funds	58,976	49,751	24,318*
Total:	\$161,791	\$125,326	\$15,947

* Grant program only requires 25 percent match.

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and supported.

The grantee was unable to provide supporting documents for \$15,093 in reported match expenditures. The grantee did not separately track personnel time and was unable to provide the specific hours and project tasks performed. However, despite the questioned amount, the grantee met the 25 percent match requirement.

Deliverables

CAL FIRE completed a final inspection report certifying project deliverables were completed in accordance with the grant agreement. In addition, we selected a sample of project deliverables to verify existence.

Grantee Response

The grantee agreed with the observations noted above.

Grant Number: 8CA10937

Grantee Name: Urban Corps of San Diego

Project Description: To plan, design, prepare, and plant edible landscape at Morse High School. Students and Urban Corps members will engage in an educational process to teach work and tool use safety, water conservation, types of plants, and the physical value of working outdoors.

Grant Amount: \$135,000

Grant Term: April 21, 2011 through March 30, 2013

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$135,000	\$109,661	\$5,455
Match Funds	45,060	33,820	0
Total:	\$180,060	\$143,481	\$5,455

Audit Results:

Compliance

Claimed grant expenditures were not in compliance with the grant agreement. Specifically, the grantee used hourly rates greater than the actual rates paid to an employee, resulting in \$1,262 in over-claimed salaries. Additionally, the grantee did not separately track personnel time and could not support the specific hours and project tasks performed relating to \$4,193 in claimed expenditures.

The grantee met the 25 percent match requirement.

Deliverables

The final report and reimbursement claim had not been submitted at the time of the site visit in April 2013 and we are unable to conclude whether all final deliverables were completed in accordance with the grant agreement.

Grantee Response

The grantee agreed with the observations noted above.

Grant Number: 8CA07902

Grantee Name: Urban Corps of San Diego

Project Description: To replenish the University of California, San Diego, urban forest canopy with shade and street trees. Grant funds will also be used to prune the trees to encourage growth of several permanent scaffold branches that form the structure of mature trees. The grantee will also organize and advertise community tree planting days on campus with the assistance of community volunteers.

Grant Amount: \$106,425

Grant Term: April 1, 2008 through June 30, 2010

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$106,425	\$ 69,018	\$ 6,039
Match Funds	63,160	63,160	63,160
Total:	\$169,585	\$132,178	\$69,199

Audit Results:

Compliance

Claimed grant expenditures and match funds totaling \$69,199 were not in compliance with the grant agreement and were not properly supported. Specifically, the grantee claimed reimbursement for \$6,039 in maintenance costs and was unable to provide supporting documents or proof of payment for the costs.

Additionally, the grantee was unable to provide adequate supporting documents for \$63,160 in reported match expenditures. The grantee provided a letter from a third party stating the match services were provided; however, the grantee was unable to provide accounting records or documentation to support the costs.

Deliverables

CAL FIRE completed a final inspection report dated June 2, 2011 certifying project deliverables were completed in accordance with the grant agreement. In addition, we selected a sample of project deliverables to verify existence.

Grantee Response

The grantee agreed with the observations noted above.

Grant Number: 8CA09922

Grantee Name: Sacramento Tree Foundation

Project Description: To increase urban forest awareness and action within the greater Sacramento area by helping establish local tree advocacy groups known as Citizen Advisory Tree Committees (CATCs), and by providing necessary tools to track the growth of the urban forest. The CATCs work with elected officials, municipality staff, and the community to build the urban forest and double the canopy with the planting of five million trees by 2025.

Grant Amount: \$500,000

Grant Term: June 15, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$500,000	\$500,000	\$0
Match Funds	270,545	393,834	0
Total:	\$770,545	\$893,834	\$0

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and properly supported. Additionally, the 25 percent match requirement was met.

Deliverables

The grantee and CAL FIRE were unable to provide a final inspection report. Therefore, we are unable to conclude whether all final deliverables were completed in accordance with the grant agreement.

Grantee Response

The grantee agreed that the on-site inspection report could not be located.

Grant Number: 8CA11919

Grantee Name: California ReLeaf

Project Description: This project outlines actions to provide long-term urban forestry funding strategies and a statewide tree planting program. The project will include analysis of urban forestry's financial needs and will develop a campaign to plant trees in areas of California with the greatest need.

Grant Amount: \$133,000

Grant Term: May 21, 2012 through March 30, 2014

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$133,000	\$5,586	\$0
Match Funds	45,200	0	0
Total:	\$178,200	\$5,586	\$0

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and were properly supported.

Deliverables

The project was still active at the time of our site visit in May 2013. Since the project was active, project deliverables were not reviewed.

Grant Number: 8CA09931

Grantee Name: California ReLeaf

Project Description: To assist nonprofit and unincorporated community-based organizations with grant funding for tree planting projects and empower grassroots efforts by building strategic partnerships that preserve, protect, and enhance California's urban forests.

Grant Amount: \$100,000

Grant Term: June 10, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$100,000	\$100,000	\$0
Match Funds	100,000	224,927	0
Total:	\$200,000	\$324,927	\$0

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and properly supported. Additionally, the 25 percent match requirement was met.

Deliverables

The grantee and CAL FIRE were unable to provide a final inspection report. Therefore, we are unable to conclude whether all final deliverables were completed in accordance with the grant agreement.

Grantee Response

The grantee agreed that the on-site inspection report could not be located.

Grant Number: 8CA10901

Grantee Name: California ReLeaf

Project Description: This program is designed to allow sub-grantees to select and plant large-crowning, environmentally tolerant, high quality trees on public land. Expected results include the increase of canopy cover in the selected communities, air quality and energy conservation benefits, and an increase in public knowledge and participation in urban forestry activities.

Grant Amount: \$100,000

Grant Term: April 21, 2011 through March 30, 2013

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$100,000	\$17,865	\$0
Match Funds	100,000	0	0
Total:	\$200,000	\$17,865	\$0

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and were properly supported.

Deliverables

The project was still active at the time of our site visit in May 2013. Since the project was active, project deliverables were not reviewed.

Grant Number: 8CA07912

Grantee Name: California ReLeaf

Project Description: To perform a comprehensive scan of the opportunities and challenges within California's urban forest community by conducting a series of stakeholder discussions across the state. The discussions will bring a variety of leaders and interests together in small, informal settings to initiate dialogue about strengthening urban forestry in California.

Grant Amount: \$37,500

Grant Term: April 1, 2008 through March 31, 2010

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$37,500	\$11,342	\$0
Match Funds	41,262	10,616	0
Total:	\$78,762	\$21,958	\$0

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and properly supported. Additionally, the 25 percent match requirement was met.

Deliverables

The grantee and CAL FIRE were unable to provide a final inspection report. Therefore, we are unable to conclude whether all final deliverables were completed in accordance with the grant agreement.

Grantee Response

The grantee agreed that the on-site inspection report could not be located.

Grant Number: 8CA09930

Grantee Name: United States Forest Service (USFS): Center for Urban Forestry

Project Description: Develop and test a computer software tool that can be easily used to forecast future carbon reductions and emissions, as well as calculate current effects for annual reporting or certification. This effort extends previous research to develop Urban Forest Protocols for the California Climate Action Registry.

Grant Amount: \$300,000

Grant Term: June 23, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$300,000	\$300,000	\$0
Match Funds	0 ⁵	0	0
Total:	\$300,000	\$300,000	\$0

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and properly supported. Although the project proposal included \$185,112 in match funding; the grant agreement did not include a match requirement. As a result, the grantee did not claim any project match.

Deliverables

The grantee and CAL FIRE were unable to provide a final inspection report. Therefore, we are unable to conclude whether all final deliverables were completed in accordance with the grant agreement.

Grantee Response

The grantee noted match expenditures were included in the project proposal but were not required per the grant agreement. Also, the grantee agreed that the on-site inspection report could not be located.

⁵ The project proposal submitted by the grantee included \$185,112 match funding; however, the grant agreement budget did not identify a project match amount.

Grant Number: 8CA09929

Grantee Name: California Center for Sustainable Energy

Project Description: To create an Advice and Technical Assistance Center (ATAC) for Urban Forestry within San Diego County where all in the region can receive assistance with their urban forestry needs. The project will also include the development of an urban forestry website, interactive displays, and high quality print material. Grant funds will also be used to quantify the environmental benefits of ATAC projects, and provide education, outreach, and demonstration projects to disadvantaged communities.

Grant Amount: \$400,000

Grant Term: June 16, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$400,000	\$400,000	\$ 0
Match Funds	363,294	0	363,294*
Total:	\$763,294	\$400,000	\$363,294

* Amount represents unmet match.

Audit Results:

Compliance

Claimed grant expenditures were in compliance with the grant agreement and properly supported. However, the grantee was unable to provide supporting documents for match expenditures. The project budget required \$363,294 in match expenditures; however, the grantee did not report any match for the project.

Deliverables

Grantee submitted a Final Project Report in June 2012. Based on our selected sample of project deliverables and inquiries with the CAL FIRE project manager, the project scope was completed. However, the grantee was in possession of project equipment which was in storage at the time of our site visit in April 2013. Project guidelines require equipment not fully consumed in the performance of the project may become the property of the state or disposed of pursuant to instruction from the state.

Grantee Response

The grantee is working with CAL FIRE for the ultimate disposition of the grant-funded equipment. Also, regarding match expenditures, the grantee separately tracked match and did not report it on reimbursement claims to the state.

Evaluation of Response

The documents and information provided did not modify our analysis and our observations remain as stated.

Grant Number: 8CA09927

Grantee Name: Los Angeles Neighborhood Land Trust

Project Description: The one-acre site at the Fremont School Garden will be restored to an educational garden area and a community resource. Teaching gardens and greenhouses located within the garden will provide users with the chance to grow organic fruits and vegetables, sell fruits and vegetables at a farm stand on-site, learn about plants/fruits and vegetables that are native to Southern California, observe a storm water improvement project, and enjoy green space. The project is a multi-benefit project that will be open to the students during school hours and the community after school hours and on weekends.

Grant Amount: \$340,000

Grant Term: June 29, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$ 340,000	\$340,000	\$ 295,476
Match Funds	1,020,000	0	1,020,000*
Total:	\$1,360,000	\$340,000	\$1,315,476

* Amount represents unmet match.

Audit Results:

Compliance

Claimed grant expenditures and match funds totaling \$1,315,476 were not in compliance with the grant agreement and were not supported. Specifically, the grantee claimed reimbursement for \$56,476 in salaries and benefits that were not supported by timesheets or accounting records. The grantee also claimed \$239,000 in costs that were incurred after the grant period ended.

Additionally, the grantee was unable to provide supporting documents for match expenditures. The project budget required \$1,020,000 in match expenditures; however, the grantee did not report any match for the project and was unable to provide accounting records to support the match. The grantee provided a listing of match expenditures incurred by the Los Angeles Unified School District (LAUSD); however, the grantee was unable to provide accounting records to support those expenditures.

Deliverables

Deliverables were not completed in accordance with grant agreement requirements. The scope of the project included construction of a teaching garden, greenhouse and an on-site farm stand. During our site visit in May 2013, we observed that these project tasks were not completed.

Grantee Response

The grantee acknowledged timesheets did not accurately depict staff time worked on the state-funded project, and they are implementing stronger internal controls to ensure hours worked on projects are accurately tracked. Regarding the \$239,000 costs incurred after the grant period, the grantee provided an invoice from LAUSD dated March 13, 2012 with a letter acknowledging the funds were being advanced “to expedite and simplify the process.” The letter further guarantees the funds will be used for capital improvements. The grantee also provided an invoice for work performed during the period March 5, 2012 through March 31, 2013, with no indication of the portion of work performed prior to the grant end date of March 31, 2012.

Additionally, the grantee states the grant did not require matching funds to flow through the grantee records as the matching funds were provided by LAUSD, and that the auditors’ site visit should have demonstrated how the matching funds were used for the project. Subsequent to our site visit, LANLT provided information related to a \$3 million match project; however, match expenditures were not claimed or reported to CAL FIRE during the grant agreement term. As a result, the information was not audited.

Evaluation of Response

The documents and information provided did not modify our analysis and our observations remain as stated. The grantee acknowledged timesheets did not accurately depict staff time on the state-funded project at the time of our site visit. The grantee was also unable to demonstrate the eligibility of the \$239,000 in claimed costs, since no substantiation of actual work performed through the grant end date of March 31, 2012 was provided. Further, the grantee did not provide supporting documents relating to the match expenditures.

Grant Number: 8CA09918

Grantee Name: TreePeople, Inc.

Project Description: To plant 511 shade-giving trees on 13 campuses in the Los Angeles Unified School District (LAUSD), train 39 teachers to incorporate an environmental service-learning curriculum into their classroom activities, and train 26 members of the Campus Green Trees Team to be Campus Foresters, Planting Supervisors, Tree Care Supervisors and Tree Care Coordinators.

Grant Amount: \$100,000

Grant Term: June 15, 2010 through March 30, 2012

Schedule of Budgeted, Claimed, and Questioned Amounts

	Budgeted	Claimed	Questioned
Grant Funds	\$100,000	\$100,000	\$14,000
Match Funds	46,660	42,758	42,758
Total:	\$146,660	\$142,758	\$56,758

Audit Results:

Compliance

Claimed grant expenditures and match funds totaling \$56,758 were not in compliance with the grant agreement and were not supported. The grantee did not provide an allocation methodology and supporting documentation relating to \$14,000 in claimed indirect costs. This prevented the grantee from demonstrating a reasonable and equitable distribution of indirect costs to the bond-funded project.

Additionally the grantee was unable to provide supporting documents relating to \$42,758 in match expenditures. The grantee could not reconcile claimed amounts to accounting records, such as receipts, payroll records, and vendor invoices.

Deliverables

The project was completed on June 26, 2012. During our review, we noted that the project scope required the installation of trees and tree wells at 13 *specific* school sites; however, the grantee completed installations on only two of the specified school sites, while the remaining bond funds were used to plant trees and tree wells on other sites within LAUSD. The grantee was unable to provide written evidence from CAL FIRE approving the scope change.

Grantee Response

Regarding the questioned costs, the match funds were claimed for personnel hours, and the grantee has implemented a detailed system for tracking hours related to grant programs. The grantee is also using the new system to track personnel hours relating to indirect costs. Further, the grantee is engaging outside professional expertise to help revise its indirect cost policies and procedures. Additionally, the grantee is updating its policies and procedures to strengthen compliance with the project scope and contract changes, to include a review of all current open grants with the State of California.

Evaluation of Response

The documents and information provided did not modify our analysis and our observations remain as stated.

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

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March 28, 2016

Cherly L. McCormick
California Department of Finance,
Office of State Audits & Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814

Re: CAL FIRE Response to the draft report from the California Department of Finance,
Office of State Audits and Evaluations, Proposition 84 Bond Fund Audit

Dear Ms. McCormick

The Office of State Audits and Evaluations audited the California Department of Forestry and Fire Protection's (CAL FIRE) Proposition 84 funding. The audit objectives were to determine whether bond funds were awarded and expended in compliance with applicable legal requirements and established criteria, and whether CAL FIRE has adequate project monitoring processes in place to ensure the projects met the established scope and cost, and achieved the intended outcomes. The audit focused on the Urban & Community Forestry Program. In general, the audit determined:

- CAL FIRE awarded funds in compliance with applicable legal requirements and established criteria.
- CAL FIRE has established several key accountability processes, including comprehensive grant guidelines, competitive awarding processes, and established reporting requirements.

The audit also identified minor areas where CAL FIRE could improve its monitoring processes including the enforcement of match reporting requirements, completion of final grant project inspections and the evaluation of unsupported and ineligible costs.

CAL FIRE appreciates the time and effort the Office of State Audits and Evaluations provided to conduct Proposition 84 Bond Fund Audit. The observations and recommendations provided are designed to further improve accountability over the Urban & Community Forestry Program. CAL FIRE will work to further strengthen its fiscal and administrative controls over bond funds through cooperation with the Office of State Audits and Evaluations and development of an action plan to address the

observations and recommendations included in the audit report. We look forward to discussing the draft report from the California Department of Finance, Office of State Audits and Evaluations, Proposition 84 Bond Fund Audit further.

Sincerely,

Original Signed By

MATTHEW S. REISCHMAN
Assistant Deputy Director
Resource Protection and Improvement