



Transmitted via e-mail

August 5, 2016

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

Dear Mr. Branham:

**Final Report—Feather River Land Trust, Proposition 84 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its grant audit of the Feather River Land Trust's (Land Trust) grant agreements 169, 724, and 726 issued by the California Sierra Nevada Conservancy.

The enclosed report is for your information and use. Land Trust's response to the report findings and our evaluation of the response is incorporated into this final report. Land Trust generally agreed with our findings and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

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

Sincerely,

Original signed by:

Jennifer Whitaker, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Mr. Bob Kingman, Assistant Executive Officer, California Sierra Nevada Conservancy  
Ms. Amy Lussier, Chief, Administrative Services Division, California Sierra Nevada Conservancy  
Mr. Patrick Eidman, Senior Grants Analyst, California Sierra Nevada Conservancy  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Mr. Paul Hardy, Executive Director, Feather River Land Trust  
Ms. Susan Payne, Operations Director, Feather River Land Trust

Feather River Land Trust  
Proposition 84 Bond Program  
Grant Agreements 169, 724, and 726



Sierra Valley  
Source: Feather River Land Trust website

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Mary Camacho, CPA  
Supervisor

Staff  
Caleb Deng

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, 6<sup>th</sup> 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). The \$5.4 billion of bond proceeds provide for grants to finance a variety of resource programs. Proposition 84 added Division 43, Chapter 9, section 75050 (j) to the Public Resources Code, authorizing the Legislature to appropriate up to \$54 million to the California Sierra Nevada Conservancy (Conservancy) for the protection and restoration of rivers, lakes, and streams, their watersheds and associated land, water, and other natural resources.

Conservancy awarded Proposition 84 funds to the Feather River Land Trust (Land Trust) as follows:

- **Pearce Family Ranch Conservation Easement (Grant 169)** – \$300,000 to acquire a 318 acre easement in Plumas County. The purchase was to protect existing watershed features and working landscape by preventing development and requiring the land be managed for conservation goals.
- **Chadwick Ranch Conservation Easement (Grant 724)** – \$97,750 to acquire an easement over 142 acres in Sierra County. The purchase was to protect wildlife habitat, scenic open space, wetlands, and a cottonwood-willow riparian habitat.
- **Rogers Key Brand Ranch Conservation Easement (Grant 726)** – \$350,000 to acquire an easement for 262 acres in Plumas County. The purchase was to protect the habitat for a diverse assemblage of wildlife and plant species.

Residents of the Feather River region founded Land Trust in 2000 as a private, non-profit organization. Over the years, Land Trust has worked to conserve lands and waters of the Feather River region.

## SCOPE

In accordance with the Department of Finance’s bond oversight responsibilities, we audited the following grants:

<b><u>Grant Agreement</u></b>	<b><u>Audit Period</u></b>
169	June 16, 2010 through March 1, 2013
724	May 13, 2013 through June 30, 2014
726	May 13, 2013 through January 31, 2014

The audit objectives were to determine whether Land Trust's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations. Further, no assessment was performed on the reasonableness of the land acquisition costs or the conservation value of acquired land or projects completed.

Land Trust's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. Conservancy and California Natural Resources Agency are responsible for the state-level administration of the grant program.

## **METHODOLOGY**

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

- Examined the grant files, the grant agreements, and applicable laws, regulations, policies and procedures.
- Selected the largest expenditure from each grant, which was the conservation easement purchase, and a sample of claimed overhead expenditures to determine whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Reviewed Land Trust's accounting records, vendor invoices, and other relevant expenditure documentation.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Determined whether a sample of grant deliverables, such as land values and final reports, complied with the grant agreement guidelines by reviewing appraisal documents, conservation easement deeds, purchase and sale agreement, escrow statement, and other relevant documentation.

In conducting our audits, we obtained an understanding of Land Trust's internal 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 audits and determined to be significant within the context of our audit objectives are included in this report.

We conducted these performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Except as noted below, the grant expenditures claimed complied with the grant agreements' requirements. Additionally, the grant deliverables were completed as specified in the grant agreements. The Schedule of Claimed and Questioned Amounts are presented in Table 1 below.

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

<b>Grant Agreement Number 169</b>		
<b>Task Description</b>	<b>Claimed</b>	<b>Questioned</b>
Conservation Easement Purchase	\$ 300,000	-
<b>Total Expenditures</b>	<b>\$ 300,000</b>	<b>-</b>

<b>Grant Agreement Number 724</b>		
<b>Task Description</b>	<b>Claimed</b>	<b>Questioned</b>
Conservation Easement Purchase	\$ 85,000	-
Organization/Operating Overhead	12,750	\$ 8,993
<b>Total Grant Funds</b>	<b>\$ 97,750</b>	<b>\$ 8,993</b>
Match Funds	65,000	-
<b>Total Expenditures</b>	<b>\$ 162,750</b>	<b>\$ 8,993</b>

<b>Grant Agreement Number 726</b>		
<b>Task Description</b>	<b>Claimed<sup>1</sup></b>	<b>Questioned</b>
Conservation Easement Purchase	\$ 325,000	-
Overhead/Administrative	23,575	\$ 11,012
<b>Total Expenditures</b>	<b>\$ 348,575</b>	<b>\$ 11,012</b>

**Finding 1: Unsupported Personnel and Subcontractor Costs Claimed**

Feather River Land Trust (Land Trust) claimed various administrative and operating costs as direct project costs; however, Land Trust could not provide documentation to show the costs were project related. As a result, claimed costs totaling \$20,005 were questioned as unsupported.

<sup>1</sup> The California Sierra Nevada Conservancy (Conservancy) awarded \$350,000 and Land Trust claimed \$348,575.

**Table 2: Summary of Questioned Costs**

<b>Overhead/Administrative Costs</b>	<b>Grant 724</b>	<b>Grant 726</b>	<b>Total</b>
Personnel Costs	\$3,449	\$ 6,678	\$10,127
Subcontractor Costs			
Legal Services	2,667	4,334	7,001
Environmental Education Services	<u>2,877</u>	<u>-</u>	<u>2,877</u>
<b>Total</b>	<b>\$8,993</b>	<b>\$11,012</b>	<b>\$20,005</b>

*Personnel Costs*

Land Trust claimed unsupported personnel costs totaling \$10,127 (\$3,449 + \$6,678). Specifically, Land Trust could not provide time and attendance reports (timesheets) to support the personnel hours claimed. Land Trust stated it has no formal timekeeping policies and procedures that require its employees to prepare time and attendance reports. In addition, it documents staff hours when it creates the grant invoice. Without time and attendance reports, Land Trust cannot ensure claimed costs are allowable, grant-related, and supported by accounting records

*Subcontractor Costs – Legal and Environmental Services*

Land Trust also claimed unsupported subcontractor costs totaling \$9,878 (\$7,001 + \$2,877). For example, Land Trust pays a monthly legal retainer to a local law firm to perform various legal services, including conservation easement negotiations and drafting of easement documents. From July 2013 to November 2013, Land Trust claimed between 60 to 100 percent of the total monthly legal retainer fees to both projects. Land Trust stated legal costs were allocated to both grants based solely on verbal communication between Land Trust and the legal firm. Land Trust administers several projects during the year that require legal and environmental services. Without detailed invoices or other documentation to support the cost allocation, Land Trust cannot ensure claimed costs are project related or equitably allocated. Similar to the legal services issue, the environmental education services' invoices did not clearly indicate the costs claimed were grant related.

Grant Agreement section J requires the grantee to maintain adequate supporting documentation to provide an audit trail that permits tracing transactions from support documentation to the accounting records to the financial reports and billings. The grant agreement also requires personnel and payroll records to include time and attendance reports for all individuals who are compensated or reimbursed under the grant. In addition, Conservancy's *2012 Managing Your Grant Handbook* requires personnel costs to be based on actual time worked and documented, approved, and signed by an official of the agency.

**Recommendations:**

- A. Remit \$8,993 and \$11,012 to Conservancy for grants 724 and 726 respectively.
- B. Maintain timesheets that account for 100 percent of an employee's time and separately identifies hours charged to individual projects. In addition, ensure timesheets are approved and signed by a supervisor.
- C. Ensure all claimed costs are adequately supported with invoices or documented subcontractor communication to support claimed costs are project related.



# FEATHER RIVER



# LAND TRUST

## *Protecting the Places that Make the Feather River Country Special*

June 3, 2016

### Mission Statement

To conserve the lands and waters of the Feather River region and steward their ecological, cultural and educational values for current and future generations.

### Board of Directors

**Carl Chavez**  
*President*

**Ken Roby**  
*Vice President*

**Clare Churchill**  
*Secretary*

**Adrienne Stenson**  
*Treasurer*

**JP Harrison**

**William Keese**

**Tom Tisch**

### Staff

**Paul Hardy**  
*Executive Director*

**Linda Blum**  
*Program Specialist*

**Karen Kleven**  
*Development Director*

**Gabe Miller**  
*Stewardship Director*

**Susan Payne**  
*Operations Director*

**Vanessa Vasquez**  
*Membership & Outreach  
Coordinator*

Ms. Cheryl L. McCormick, CPA  
Assistant Chief, Office of State Audits and Evaluations  
Department of Finance  
Sacramento, CA 95814

Dear Ms. McCormick,

Since its formation in 2000, the Feather River Land Trust (FRLT) has been working with local communities, landowners, and agency partners, such as the California Wildlife Conservation Board, the California Department of Water Resources, and the California Sierra Nevada Conservancy, to conserve the lands and waters of the Feather River region and steward their ecological, cultural and educational values for current and future generations. To date, FRLT has permanently conserved more than 40,000 acres of publicly-important land within the region.

FRLT is grateful to have an opportunity to respond to the Department of Finance's (Department's) audits of three Prop 84 grants awarded to FRLT by the California Sierra Nevada Conservancy (SNC) between 2010 and 2013. We appreciate the time and effort the Audit Team put into the audit process and value the opportunity to work closely with the Department during the process, as it helps FRLT learn and improve our reporting and financial practices as a nonprofit organization. We respond to the draft audit report below.

### **Audited Grants and Associated Projects**

The SNC awarded Prop 84 grants to FRLT in support of the Pearce Family Ranch Conservation Easement Project (Grant 169), the Chadwick Ranch Conservation Easement Project (Grant 724), and the Rogers Key Brand Ranch Conservation Easement Project (Grant 726). All three of these projects involved the purchase of conservation easements over working family ranches within the Feather River Watershed. We are delighted that all three easement acquisitions, as well as other grant deliverables, were successfully completed within the project timelines. These easements not only conserved 722 acres of multi-generational working ranches, but also conserved important wildlife habitat, scenic vistas, and educational access for local schools and the people of California. We could not have completed any of these projects without the Prop 84 funding provided by the SNC and we are very grateful for the support.

### **Response to Findings**

On pages 3 and 4, the draft audit report questions \$20,005 in personnel and subcontractor costs that were claimed by FRLT, which we respond to respectively, below.

#### *Personnel Costs—Project Staff*

Paragraph 1, page 4 of the draft audit report indicates that FRLT claimed unsupported personnel costs totaling \$10,127 (\$3,449 associated with Grant 724 and \$6,678 associated with Grant 726). The draft audit states that "Land Trust could not provide time and

attendance reports (timesheets) to support the personnel hours claimed.” The report further states that, “Land Trust stated it has no formal timekeeping policies and procedures that require its employees to prepare time and attendance reports. Without time and attendance reports, Land Trust cannot ensure claimed costs are allowable, grant-related, and supported by accounting records.”

FRLT has recently implemented a uniform timesheet system for all employees; however, at the time of the audited SNC grants, FRLT’s only timekeeping expectation was that all employees track their hours, and all involved employees did so during the grant period via written time logs, notebooks, and/or calendars.

Even though FRLT had the ability to pull together project-specific timesheets for the subject grants using our written time records, we chose to report and invoice for staff time on a percentage basis throughout the term of the grants. We did so for the following reasons: 1) we had not fully implemented our timesheet-based time-tracking system at the time of these projects (which we now have); 2) we had a very good idea of what percentage of their time each staff person was spending on the projects; and 3) the SNC staff with whom we were working indicated that the method of time reporting we used would suffice for grant invoicing purposes.

In response to this draft audit report’s recommendations, we had Gabe Miller, FRLT Stewardship Director, and Paul Hardy, FRLT Executive Director, compile their hours on the Chadwick and Rogers projects based upon their written time logs and notebooks.

For the Chadwick (Grant 724) Project, Mr. Miller’s actual time totaled 36.0 hours (X \$23.07/hr = \$830.52), exceeding the amount billed by FRLT (21.5 hrs for \$496.64). For the Chadwick Project, Mr. Hardy’s actual time totaled 58.5 hours (X \$37.63/hr = \$2,201.36), exceeding the amount billed by FRLT (53.0 hrs for \$1,994.39).

For the Rogers (Grant 726) Project, Mr. Miller’s actual time totaled 39.5 hours (X \$23.07/hr = \$911.27), exceeding the amount billed by FRLT (26.0 hrs for \$595.99). For the Rogers Project, Mr. Hardy’s actual time totaled 142.5 hours (X \$37.63/hr = \$5,362.28), exceeding the amount billed by FRLT (132.0 hrs for \$4,967.16).

Please see the attached project-specific timesheets for Gabe Miller and Paul Hardy. We can understand why the percentage-based time reporting we submitted proved problematic.

#### *Personnel Costs—Administrative Staff*

Susan Payne completed the majority of the administrative duties for both the Chadwick (#724) and the Rogers (#726) projects. She is FRLT’s primary administrative employee. Like Miller and Hardy, Ms. Payne did not track her hours via a recorded timesheet during the Chadwick and Rogers projects. She did keep a journal of her hours, but that journal was discarded earlier this year. Her duties for these two projects included:

- Tracking all projects expenses including posting and paying invoices, staff and contractors
- Work with staff and contractors to assure that required tasks are completed (eg: baselines)
- Assembling invoices and payments for the SNC reimbursement process
- Complete SNC’s request for payment for Prop 84 grant programs and attaching above
- Gathering requested information for the SNC staff re: project, project billing etc.
- Reconciling accounts paid and in process through end of grant period
- Requesting final hold back for each project upon completion
- She also provides payroll for FRLT, accounts payable, accounts receivable, record-keeping, and a wide variety of other general administrative support.

Susan’s time billed averaged 6 hours per month for each project (approximately 3.75% of her total time). This seems reasonable considering the amount of responsibility she was given. Also, given that Susan’s position entails general administrative support, and that FRLT could bill the SNC up to 15% of total project cost for admin for both grants, it seems reasonable to claim a percentage of her time as long as the total of all administrative costs did not exceed 15%.

### *Subcontractor Costs – Legal and Environmental Services*

*Legal Services*—The draft audit report indicates that because FRLT had a monthly legal retainer agreement with its legal counsel, and that because the legal counsel did not provide a breakdown of his hours on the Chadwick and Rogers projects...the “Land Trust cannot ensure claimed costs are project related or equitably allocated.”

We agree with the Department that the legal retainer agreement with Jim Olmsted confused time tracking to the projects. However, we can assure the Department that the time spent by Mr. Olmsted far exceeded the \$7,001 in legal services claimed by FRLT. FRLT has been using other legal counsel since 2013 and has obtained good “actuals” financial data on the legal costs of completing conservation easements. Such legal work includes drafting option agreements and conservation easements, landowner meetings, and interaction with FRLT staff. For its past 4 easement projects (2014-2016), FRLT is averaging approximately \$10,500 in legal costs per conservation easement transaction. So if he had been charging \$250/hour, (the going rate for land trust legal services) Mr. Olmsted’s costs would have been totaled approximately \$20,000 for the Chadwick and Rogers easements. FRLT can provide the transaction actuals data for our recent easement projects if you would like.

We can also document approximately 30-50% of Jim Olmsted’s time via email and phone records (note that we have not included copies of these records herein, but can do so if you would like).

*Environmental Services*—\$2,877 in questioned subcontractor costs are listed as “Environmental Education Services” (Table 2, page 3). This amount is for Rob Wade’s time specific to working on the Chadwick Conservation Easement (Grant 724). Mr. Wade serves as FRLT Learning Landscapes Coordinator (Learning Landscapes is FRLT’s Environmental Education program) and was working on the Chadwick easement because the Chadwick Ranch serves as an outdoor classroom for Loyalton schools. Specifically, Rob played a major role in negotiating and drafting the conservation easement. His time on the project is recorded within the four attached invoices (search for “Chadwick” as keyword; invoice dates are 6/12/13, 9/4/13, 11/6/13, and 12/9/13). If one totals up all of Mr. Wade’s time from these invoices spent working on the Chadwick Ranch, it adds up to the claimed amount of \$2,877. However, much of Mr. Wade’s time on the property was spent on environmental education programming (with Loyalton schools, teachers, etc.). The only hours worked by Mr. Wade that would be billable to the SNC grant were those he spent on the actual land transaction (indicated in the “Land Transactions” section of his time invoices). Because Mr. Wade did not break his Land Transaction time down in detail within invoices, we had Mr. Wade refer to his written time journal, which indicated that he spent 23.0 hours of direct time on the easement transaction (23.0 X \$40/hr = \$920 worth of time). We can provide additional documentation of Mr. Wade’s time on the Chadwick project if the Department so requires. So in effect, even though all of Mr. Wade’s time on the Chadwick Project is included in his invoices, we overbilled the SNC by approximately \$1,957 by inadvertently blending in the environmental education programming with his transaction work.

### **Response to Recommendations**

- A. Remit \$8,993 and \$11,012 to the Conservancy (SNC) for grants 724 and 726. *While FRLT acknowledges that we inadvertently over-billed for a portion of Rob Wade’s services on the Chadwick Project, we have made a case above, hopefully with sufficient documentation, and are completely confident that our actual project costs were higher than billed to the SNC for Gabe Miller’s, Paul Hardy’s, and Susan’s Payne’s time, and for Jim Olmsted’s legal services, on both the Chadwick and Rogers Projects.*
- B. Maintain timesheets that account for 100 percent of an employee’s time and separately identifies hours charged to individual projects. In addition, ensure timesheets are approved and signed by a supervisor. *Two months ago, FRLT began systematic use of timesheets for all staff, in a manner consistent with this recommendation.*
- C. Ensure all claimed costs are adequately supported with invoices or documented subcontractor communication to support claimed costs. *Our current team of attorneys invoices by project, as do all other contractors. We have requested that Rob Wade provide more detail in his invoices in the future, so as to track his hours to the project level in all cases.*

### **Other Comments**

We note one potential error within Table 1 of page 3: the Claimed “Total Expenditures” amount within the Grant Agreement 724 sub-table should read \$162,750 instead of \$122,750.

Thank you for considering our response. Please don't hesitate to contact me or Susan Payne if you have any questions or require additional information or materials. Thank you again for your time, efforts, and professionalism throughout this process to date.

Original Signed By: Paul Hardy, FRLT Executive Director

## EVALUATION OF RESPONSE

---

The Feather River Land Trust's (Land Trust) response to the draft report has been reviewed and incorporated into the final report. We acknowledge Land Trust's efforts to improve its grant fiscal management policies. In the interest of brevity, the additional documentation referenced in Land Trust's response was omitted. In evaluating Land Trust's response, we provide the following comments:

***Finding 1: Unsupported Personnel and Subcontractor Costs Claimed***

Land Trust generally agreed with our finding and states that it has since implemented a uniform timesheet system and has asked their contractors to provide more detailed invoices. Although Land Trust provided additional documentation in response to the questioned costs, the majority of the information was previously provided during the audit. In addition, Land Trust's personnel cost analysis was compiled subsequent to the audit. Further, Land Trust acknowledges some of the documentation used in the analysis was discarded and unavailable for review. As a result, our finding and recommendations remain unchanged.

The claimed amount reported for Grant Agreement Number 724 in the Results section has been revised to reflect \$162,750.