



Transmitted via e-mail

September 26, 2016

Mr. David Bunn, Director  
California Department of Conservation  
801 K Street, MS24-01  
Sacramento, CA 95814

Dear Mr. Bunn:

**Final Report—Sacramento Area Council of Governments, Proposition 84 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Sacramento Area Council of Governments (SACOG) grants 3010-526, 3012-575, and 3014-622 issued by the California Department of Conservation.

The enclosed report is for your information and use. Because there were no audit findings requiring a response, we are issuing the report as final. This report will be placed on our website.

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

Sincerely,

Original signed by:

Jennifer Whitaker, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Mr. David Thesell, Deputy Chief, California Department of Conservation  
Mr. John Lowrie, Assistant Director, Division of Land Resource Protection, California Department of Conservation  
Mr. Mike McKeever, Chief Executive Officer, Sacramento Area Council of Governments  
Mr. Greg Chew, Senior Planner, Sacramento Area Council of Governments  
Ms. Stacy Niccum, Finance Manager, Sacramento Area Council of Governments  
Ms. Jeri Krajewski, Accountant, Sacramento Area Council of Governments  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency

Sacramento Area Council of Governments  
Proposition 84 Sustainable Communities Planning Grant  
and Incentive Program  
Grant Agreements 3010-526, 3012-575, and 3014-622

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Mindy Patterson, MBA  
Supervisor

Staff  
Amy Dieng

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

You can contact our office at:

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# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## 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 natural resource programs. Proposition 84 added Division 43 to the Public Resources Code, Chapter 9, Sustainable Communities and Climate Change Reduction section 75065(a), authorizing the Legislature to appropriate \$90 million for planning grants and planning incentives that achieve sustainability objectives.

The California Department of Conservation (DOC) is responsible for administering a portion of these funds allocated by Public Resource Code section 75065, for the purpose of improving the sustainability and livability of California's communities through investment in natural resources.

The Sacramento Area Council of Governments (SACOG) is an association of local governments in the six-county Sacramento Region that provides transportation planning and funding for the region, and serves as a forum for the study and resolution of regional issues.<sup>1</sup> DOC awarded SACOG the following grants:

- **Integrating and Implementing the Sustainable Communities Strategy (SCS) and Rural Urban Connections Strategy (3010-526)**—\$750,000 awarded to prepare a sustainable community plan to address severe challenges in economy, protect the environment, and promote safety and health through its regional blueprint for rural sustainability.
- **Implementing the Metropolitan Transportation Plan (MTP)/SCS (3012-575)**—\$897,821 awarded to help implement the MTP/SCS and provide tools for other regions through new work.
- **Accelerating Local Implementation of Sacramento Region MTP/SCS (3014-622)**—\$885,186 awarded to provide a three-year assistance program to help jurisdictions overcome barriers and accelerate implementation of local infill/revitalization plans to help realize regional greenhouse gas reduction targets.

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<sup>1</sup> Source: <http://sacog.org/about/>

## SCOPE

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

<u>Grant Agreement</u>	<u>Audit Period</u>
3010-526	September 6, 2011 thru September 6, 2014
3012-575	November 26, 2012 thru May 31, 2015 <sup>2</sup>
3014-622	December 6, 2013 thru March 31, 2015 <sup>2</sup>

The audit objectives were to determine whether SACOG'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.

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

## METHODOLOGY

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

- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed the grantee's accounting records, vendor invoices, cancelled checks, and bank statements.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant deliverables were met by reviewing progress reports, sustainability plans, and the final environmental impact report.

In conducting our audit, we obtained an understanding of SACOG'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 the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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.

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<sup>2</sup> Interim audits were conducted on grants 3012-575 and 3014-622 because audit fieldwork was conducted prior to the grant term end dates of November 25, 2015 and December 1, 2016, respectively.

## RESULTS

Based on the procedures performed, the grant expenditures claimed complied with the grant agreements' requirements. Additionally, the grant deliverables were completed as specified in grant agreement 3010-526. Grants 3012-575 and 3014-622 were still active at the time of audit fieldwork in October 2015; therefore, a determination of whether the deliverables were completed could not be made. The Schedules of Claimed Amounts are presented below.

### Schedules of Claimed Amounts

<b>Grant Agreement 3010-526</b>	
<b>Task</b>	<b>Claimed</b>
Personnel Services	\$599,027
Consultant Services	150,966
Direct Costs	6
<b>Total Project Expenditures</b>	<b>\$749,999</b>

<b>Grant Agreement 3012-575</b>	
<b>Task</b>	<b>Claimed<sup>3</sup></b>
Personnel Services	\$479,348
Operating Expenses	260
Consultant Services	245,782
<b>Total Project Expenditures</b>	<b>\$725,390</b>

<b>Grant Agreement 3014-622</b>	
<b>Task</b>	<b>Claimed<sup>4</sup></b>
Personnel Services	\$10,779
Consultant Services	0
<b>Total Grant Funds</b>	<b>\$10,779</b>
Match Funds <sup>5</sup>	\$ 0
<b>Total Project Expenditures</b>	<b>\$10,779</b>

<sup>3</sup> DOC awarded \$897,821 and SACOG claimed \$725,390 as of May 31, 2015.

<sup>4</sup> DOC awarded \$885,186 and SACOG claimed \$10,779 as of March 31, 2015.

<sup>5</sup> Grant 3014-622 has a \$32,500 match requirement that has not yet been reported by SACOG. The grant term end date is December 1, 2016.