



Transmitted via e-mail

August 20, 2014

Mr. Samuel P. Schuchat, Executive Officer  
State Coastal Conservancy  
1330 Broadway, 13th Floor  
Oakland, CA 94612

Mr. John Donnelly, Executive Director  
Wildlife Conservation Board  
1807 13th Street, Suite 103  
Sacramento, CA 95811

Dear Mr. Schuchat and Mr. Donnelly:

**Final Report—Land Trust of Napa County, Proposition 1E and 84 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Land Trust of Napa County's (NCLT) grants WC-1033TC and 10-020, issued by the Wildlife Conservation Board and the State Coastal Conservancy (SCC).

The enclosed report is for your information and use. NCLT's and SCC's responses to the report observation and our evaluation of the responses are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of NCLT. If you have any questions regarding this report, please contact Cheryl McCormick, Assistant Chief, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Mary Small, Deputy Executive Officer, State Coastal Conservancy  
Ms. Nadine Peterson, Deputy Executive Officer, State Coastal Conservancy  
Ms. Regine Serrano, Chief of Administrative Services, State Coastal Conservancy  
Mr. Peter Perrine, Assistant Executive Director, Wildlife Conservation Board  
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  
Mr. Doug Parker, Executive Director, Land Trust of Napa County  
Ms. Theresa Andrews, Administrative Director, Land Trust of Napa County  
Ms. Rebecca Salinas, Development Coordinator/Account Manager, Land Trust of Napa County

Land Trust of Napa County  
Proposition 1E and 84 Bond Programs  
Grant Agreements WC-1033TC and 10-020



Eiticuera Creek Project Sign  
Source: Land Trust of Napa County

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

## **MEMBERS OF THE TEAM**

Cheryl L. McCormick, CPA  
Manager

Alma Ramirez  
Supervisor

Staff  
Cristine Chan

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

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## BACKGROUND

California voters approved the Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E), and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coast Protection Bond Act of 2006 (Proposition 84) for \$4.09 billion and \$5.4 billion, respectively. The bond proceeds finance a variety of resource programs.

The Land Trust of Napa County (NCLT) received \$515,000 and \$118,200 in grant funding from the Wildlife Conservation Board (WCB) and the State Coastal Conservancy (SCC), respectively, to implement invasive plant control and riparian habitat restoration along Eticuera Creek in Napa County. The project is a watershed-level management effort to protect and restore riparian habitat in the 34,000-acre Eticuera Creek watershed. The project also received funding from Homestake Mining Company and various other partners totaling \$192,500.

NCLT is a community-based nonprofit organization dedicated to preserving the character of Napa by permanently protecting land. NCLT has 1,700 active members and supporters, and has completed over 150 projects, protecting more than 53,000 acres of land.<sup>1</sup>

## 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>
WC-1033TC	November 18, 2010 through June 30, 2013 <sup>2</sup>
10-020	August 23, 2010 through September 30, 2013

The audit objectives were to determine whether NCLT'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.

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

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<sup>1</sup> Background information obtained from the grant agreement and NCLT's website.

<sup>2</sup> An interim audit was conducted on grant WC-1033TC because the grant end date is December 31, 2015.

## **METHODOLOGY**

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

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreements, and applicable policies and procedures.
- Reviewed NCLT's accounting records, vendor invoices, bank statements, and timekeeping records.
- 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 agreements.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting a site visit to verify project existence.

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

The results of the audits are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering grant funds.

Except as noted below, the grant expenditures claimed complied with the grant agreement requirements. Because the WC-1033TC project was active at the time of our site visit, not all deliverables were completed; however, the Land Trust of Napa County (NCLT) has completed interim deliverables in accordance with the grant agreement. The deliverables for grant 10-020 were completed as specified in the grant agreement. The Schedules of Claimed and Questioned Amounts are presented below.

### Schedules of Claimed and Questioned Amounts

Grant Agreement WC-1033TC		
Task	Claimed <sup>1</sup>	Questioned
Project Planning/Site Preparation	\$ 81,751	\$ 0
Planting and Implementation	58,366	0
Site Management/Projection Evaluation	0	0
Project Administration	15,001	11,851
Contingencies	0	0
<b>Total Project Expenditures</b>	<b>\$ 155,118</b>	<b>\$ 11,851</b>

Grant Agreement 10-020		
Task	Claimed <sup>2</sup>	Questioned
Project Planning/Site Preparation	\$ 51,125	\$ 0
Planting and Implementation	31,456	0
Site Management/Projection Evaluation	22,889	0
Project Administration	12,624	8,599
Contingencies	0	0
<b>Total Project Expenditures</b>	<b>\$ 118,094</b>	<b>\$ 8,599</b>

### Observation 1: Unsupported Project Administration Costs

NCLT was unable to support \$20,450 (\$11,851 + \$8,599) in claimed Project Administration costs. NCLT was unable to provide adequate documentation to support whether personnel costs claimed represented actual efforts spent on grant related activities. Specifically, costs claimed were not supported by a detailed itemized list showing the name of the employee claimed, period claimed, and hours and rates billed. Further, timesheets did not include activity codes segregating grant-related activities. Due to the inadequate audit trail, NCLT could not substantiate whether the amounts claimed were valid.

<sup>1</sup> NCLT has claimed \$155,118 of \$515,000 awarded as of June 30, 2013. The grant period ends December 31, 2015.

<sup>2</sup> NCLT claimed \$118,094 of \$118,200 awarded.

Grant Agreement WC-1033TC, section 3.2, states each invoice shall contain supporting or back-up documentation for all charges on the invoice, including receipts for all materials and supplies, all grantee staff time shown by number of hours worked and hourly rate, and all sub-contractor services.

Grant Agreement 10-020, section Audits/Accounting/Records, states the grantee shall maintain financial accounts, documents, and records including “evidence sufficient to reflect properly the amount, receipt, deposit, and disbursement of all funds related to the implementation of the project, and the use, management, operation and maintenance of the real property. Time and effort reports are also required. The grantee shall maintain adequate supporting records in a manner that permits tracing from the request for disbursement forms to the accounting records and to the supporting documentation.”

**Recommendations:**

- A. Remit \$11,851 to the Wildlife Conservation Board (WCB) and \$8,599 to the State Coastal Conservancy (SCC) for the unsupported personnel costs. WCB and SCC will determine the final disposition of the questioned costs.
- B. Implement timekeeping procedures that track actual time worked on grant activities to support amounts claimed.





July 8, 2014

Mr. Richard Sierra, CPA  
Chief, Office of State Audits and Evaluations  
915 L Street  
Sacramento, CA 95814-3706

RE: Draft Report – Land Trust of Napa County, Proposition 1E and 84 Grant Audits

Dear Mr. Sierra,

Thank you for your draft report dated June 24, 2014 and for your staff's time spent with us reviewing this project.

First, we are pleased to see in the report that your staff found no issues with the management of the vast majority of the grant funds for the Eticuera Project - 93% of the funding claimed, which included all of the direct project costs. This is a large and complicated project with multiple partners and contractors, and we are pleased your auditors found no issues with the management of the project funds.

Regarding the remaining 7% of grant funds that were questioned, these are claims to cover the costs of administering the grants, relating to the time it takes to do such tasks as invoicing, paying bills, and developing contracts with vendors and contractors. Since the project began in 2010, contracts have been developed, bills have been paid, and the project has been meeting its goals through multiple partners and contractors. It is clear that the administrative work related to the grant has been significant and has been getting accomplished. Everyone involved, from the funders, to the partners, to the contractors, to the entire BRBNA partnership (the grant is to a partnership for which we serve as fiscal agent), even to your auditors, I believe, recognizes that a significant amount of administrative work was completed.

The one item in question relates to the backup materials your department was expecting to review in order to document the staff time related to grant administration. Specifically, the auditors were looking for individual time sheets for the staff involved in these administrative tasks. In our invoices to the funders, WCB and SCC, we did itemize the time each individual staff member spent on different administrative tasks and based the charges on the approved rates for each of those staff members (the only exception to this were two invoices sent to WCB, totaling \$3881 of the \$20,450 questioned). However, as we explained to your staff, during the 2010-2013 time period that was audited, our staff did not have a time sheet system in place. We believe there was a misunderstanding, going back to 2008 when this project was first developed, about what kind of backup documentation was required. But no matter the initial source of this



confusion, we accept your auditor's recommendation and have now adopted a time sheet system. We will be basing future invoices on regularly submitted time sheets. We are confident that this problem will not arise going forward.

That still leaves unresolved the issue of the amounts questioned on the past invoices. In making decisions about how much funding we should return, we will work with the funders and hope that all parties will consider the following:

1. Clearly a great deal of administrative work was undertaken in carrying out the work on this complicated project. This is a multi-year project undertaken by a partnership of eight public, for-profit and non-profit organizations, with multiple funders, and a range of vendors and contractors. Because it is clear that the substantial amount of administrative work required for this project has been accomplished, it seems excessive to us that the recommendation was that 100% of the administrative costs be refunded.
2. We offered to provide alternative documentation of these costs and although the auditors did not take us up on that, the offer still stands. During the review, the auditors saw bills, invoices, contracts, checks, all of which are clear demonstrations of administrative activities. A review of emails and correspondence could provide additional documentation.
3. The size of the administrative costs was reasonable. Over the course of the audit period, the total amount of \$20,450 charged for administrative tasks was 7.5% of total project costs. This includes only the staff time to administer the grant and included no extra charges for rent, utilities or other overhead items. As I'm sure you know, grant management costs can often be 2-3 times that amount. If the objective of fiscal oversight and audit is to ensure good value for taxpayer dollars, we submit that our rates were on the low end of what is customarily charged.

We would appreciate the opportunity to discuss this further with you. Please contact me directly at (707) 252-0435 to schedule a time.

In the meantime, thank you again for your time.

Best,

**Original Signed by:**

Doug Parker, Executive Director  
Land Trust of Napa County

cc: Peter Perrine, Assistant Executive Director, Wildlife Conservation Board  
Mary Small, Deputy Executive Officer, State Coastal Conservancy



July 2, 2014

Mr. Richard Sierra, CPA  
Chief, Office of State Audits and Evaluations  
915 L Street  
Sacramento, CA 95814-3706

RE: Draft Audit Report – Land Trust of Napa County

Dear Mr. Sierra,

The Coastal Conservancy (Conservancy) received the draft audit report for the Napa County Land Trust (NCLT), dated June 24, 2014. In response to the draft findings in the report, the Conservancy reviewed its project files related to our Grant Agreement 10-020 and discussed the draft audit with NCLT staff.

The invoices submitted to the Conservancy for NCLT project administration costs did include an itemization of specific hours worked by specific employees during the invoice period and accompanying documentation summarizing the work that was completed. The amounts invoiced for NCLT staff were consistent with the billing rates in the approved work program for the project. The documentation of work completed was consistent with the grant agreement requirement to provide time and effort reports with invoices. The grant agreement also requires NCLT to maintain adequate records to back-up these reports, but NCLT is not required to submit the records to our agency.

The tasks in the work program and described in the invoices were completed satisfactorily and the amount billed by NCLT for project administration is reasonable for the work that was completed. With respect to the recommendation that NCLT remit \$8,599 to the Conservancy for the unsupported personnel costs, we believe that the itemized hours and work which was completed satisfactorily supports the dollar amounts invoiced.

Based on the findings of this draft audit and subsequent discussion with NCLT, we understand that NCLT did not maintain adequate timesheet records. The Conservancy supports the second recommendation of the draft finding, that NCLT immediately implement timekeeping procedures to adequately track time billed to grants.

If you have any questions or would like to discuss this matter further, please feel free to contact me at (510) 286-4181.

Sincerely,

Original signed by:

Mary Small  
Deputy Executive Officer

1330 Broadway, 13th Floor  
Oakland, California 94612-2512  
510-286-1015 Fax: 510-286-0470



## EVALUATION OF RESPONSE

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The Land Trust of Napa County's (NCLT) and the State Coastal Conservancy's (SCC) responses to the draft report have been reviewed and incorporated into the final report. We acknowledge the NCLT's willingness to implement the audit recommendation to develop timekeeping procedures for grant activities. Although NCLT disagrees with the amount of the questioned project administration costs, it remains unable to validate the costs claimed represent actual efforts expended on grant related activities.

SCC acknowledges NCLT did not maintain adequate timekeeping records to substantiate the costs claimed; however, SCC stated the \$8,599 invoiced by NCLT is reasonable and the documentation of work completed is consistent with the grant agreement requirements. As noted in our report recommendation, disposition of the questioned costs is subject to the determination of SCC and the Wildlife Conservation Board. Therefore, the observation and recommendations will remain unchanged.