



Transmitted via e-mail

August 15, 2014

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

Dear Mr. Branham:

Final Report—Fall River Resource Conservation District, Proposition 84 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Fall River Resource Conservation District's (District) grants G0810001 and 553, issued by the Sierra Nevada Conservancy under Proposition 84.

In response to the draft report issued July 26, 2014, the District provided an Indirect Cost Negotiation Agreement recently approved by the U.S. Department of Agriculture. This indirect cost allocation methodology was sufficient to support the administrative costs and overhead claimed in both grants. Therefore, the observation regarding lack of a cost allocation methodology was removed. This report will be placed on our website.

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

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Joan Keegan, Assistant Executive Officer, Sierra Nevada Conservancy
Ms. Amy Lussier, Chief, Administrative Services, Sierra Nevada Conservancy
Mr. Matthew Daley, Grant Administrator, Sierra Nevada Conservancy
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. Mike Millington, Director, Fall River Resource Conservation District
Ms. Patty Betz, Administrative Assistant, Fall River Resource Conservation District

Fall River Resource Conservation District
Proposition 84 Bond Program
Grant Agreements G0810001 and 553



Burney/Hat Creek
Source: Fall River Resource Conservation District

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

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

You can contact our office at:

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Office of State Audits and Evaluations
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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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 finance a variety of natural resource programs.

The Fall River Resource Conservation District (District) consists of approximately 1.2 million acres in northeastern California, including parts of Shasta, Siskiyou, Lassen and Modoc Counties. The District's mission is to support private and public landowners in the use and management of natural resources that will ensure the sustained highest economic, social and environmental benefits of these resources. This support is performed through the coordination of public agency referrals and information, implementation of natural resource programs, education, and organization of land management services¹.

The Sierra Nevada Conservancy (Conservancy) awarded the following two grants:

- **Grant G0810001**—\$82,700 for a planning project to address restoration and enhancement needs along the Lower Beaver Creek. Restoration efforts would improve overall water quality and stream function. The project would complete all necessary design steps to make the project ready for implementation including environmental assessment, stakeholder coordination, design details, monitoring methods, CEQA compliance, and permitting.
- **Grant 553**—\$75,000 for a planning project to assess, design, and prepare permits and compliance information to restore 2,000 acres of encroached meadows, and thin 1,000 acres of dense forest adjacent to the meadows. Future thinning and burning will be used to maintain the restoration.

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>
G0810001	May 12, 2009 through August 1, 2013
553	October 25, 2012 through September 30, 2013 ²

The audit objectives were to determine whether the District'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.

¹ Source: www.fallriverrcd.org.

² An interim audit was conducted as the grant period ends June 30, 2015.

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

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:

- 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 the District’s accounting records, vendor invoices, 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 agreements.
- Reviewed required reports submitted to the Conservancy to determine if grant deliverables were met.

We conducted these audits in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audits 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.

RESULTS

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.

Based on the procedures performed, the grant expenditures claimed were in compliance with the requirements of the grant agreements. The grant deliverables were completed as required for grant G0810001. For grant 553, the project remains active and not all deliverables have been completed. The Schedules of Claimed Amounts are presented below.

Schedules of Claimed Amounts

Grant Agreement G0810001	
Task	Claimed³
Coordination and Oversight	\$ 24,006
Resource Assessments, Design	37,383
CEQA Review and Permitting	5,612
Administrative Costs	3,600
Total Grant Funds	\$ 70,601

³ The Conservancy awarded \$82,700 and the grantee claimed \$70,601.

Grant Agreement 553	
Task	Claimed⁴
Project Management/Coordination	\$ 11,374
Restoration Assessment/Design	700
Travel	534
Personnel Support	5,612
Project Materials and Supplies	48
Workers Compensation Insurance	205
Administrative Overhead	2,775
Total Grant Funds	\$ 21,248

⁴ The Conservancy awarded \$75,000 and as of September 30, 2013 the grantee had claimed \$21,248. The grant term ends June 30, 2015.