



Transmitted via e-mail

October 1, 2014

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

Dear Mr. Branham:

Final Report—Sierra Nevada Alliance, Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Sierra Nevada Alliance's (SNA) grant G0770008, issued by the Sierra Nevada Conservancy.

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

We appreciate the assistance and cooperation of SNA. 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. Joan Keegan, Assistant Executive Officer, Sierra Nevada Conservancy
Ms. Amy Lussier, Chief, Administrative Services, 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. Jim Ross, Executive Director, Sierra Nevada Alliance
Ms. Carissa Govpodinoff, Administration Manager, Sierra Nevada Alliance

Sierra Nevada Alliance
Proposition 84 Bond Program
Grant Agreement G0770008



Devil's Lake, Amador County
Source: Sierra Nevada Alliance

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

MEMBERS OF THE TEAM

Cheryl L. McCormick, 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:

Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th 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 Coast Protection Bond Act of 2006 (Proposition 84). The \$5.4 billion in bond proceeds finance a variety of resource programs.

The Sierra Nevada Alliance (SNA) received a \$150,000 grant from the Sierra Nevada Conservancy (SNC) to conduct a series of trainings for watershed programs, including community resource management programs in eight communities. SNA's mission is to protect and restore the natural environment of the Sierra Nevada for future generations while ensuring healthy and sustainable communities.¹

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement G0770008 for the period January 25, 2008 through March 1, 2012.

The audit objectives were to determine whether SNA'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.

SNA's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SNC 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, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed SNA's accounting records, vendor invoices, payroll 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.

¹ Excerpts from www.sierranevadaalliance.org and grant agreement G0770008.

- 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 the grant agreement and supporting documentation.

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 audit 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. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed and Questioned Amounts is presented below.

Schedule of Claimed and Questioned Amounts

Grant Agreement G0770008		
Task	Claimed¹	Questioned
Personnel Costs	\$ 31,000	\$ 5,224
Operating Expenses	16,000	16,000
Professional and Consultant Services	102,000	0
Total Expenditures	\$ 149,000	\$ 21,224

Observation 1: Unsupported Personnel Costs

The Sierra Nevada Alliance (SNA) was unable to support \$5,224 in claimed Personnel Costs. SNA was unable to provide adequate supporting documentation to demonstrate the costs represented actual efforts spent on grant-related activities and compensation paid to employees. Specifically, timesheets supporting AmeriCorps member stipends totaling \$3,000 were not prepared or maintained. Additionally, costs totaling \$2,224 for two employees were not supported by the corresponding timesheets and/or payroll registers.

Grant agreement, section J. Financial Records, states that adequate supporting documentation shall be maintained in sufficient detail to provide an audit trail which will permit tracing transactions from support documentation to the accounting records to the financial reports and billings. Personnel and payroll records shall include the time and attendance reports for all individuals who are compensated or reimbursed under the grant, whether they are employed full-time or part-time.

Recommendations:

- A. Remit \$5,224 to the Sierra Nevada Conservancy (SNC) for the unsupported personnel costs. SNC will make the final determination regarding the disposition of the questioned costs.
- B. Institute timekeeping procedures to track actual time worked on grant activities for all employees.
- C. Ensure amounts claimed are supported and reconciled with relevant documentation.

¹ SNC awarded \$150,000 and the grantee claimed \$149,000.

Observation 2: Unsupported Operating Expenses

SNA was unable to support \$16,000 in claimed Operating Expenses. SNA was unable to provide a clear audit trail demonstrating operating expenditures claimed were directly related to the grant project. Although SNA has a documented cost allocation plan supporting the allocation of indirect expenditures to each of its programs, the methodology does not detail how those costs are distributed to the projects within each program. SNA's watershed program has multiple projects with multiple funding sources, including other grants. As a result, SNA could not demonstrate how operating expenditures were reasonably and equitably distributed to the grant.

SNC's Proposition 84 Grant Guidelines state that eligible administrative costs must be directly related to the project and may not exceed 15 percent of the project implementation costs. Indirect expenditures billed as a percentage of implementation costs are not eligible for reimbursement. Further, the grant agreement, section J. Financial Records, states that adequate supporting documentation shall be maintained in sufficient detail to provide an audit trail which will permit tracing transactions from support documentation to the accounting records to the financial reports and billings.

Recommendations:

- A. Remit \$16,000 to SNC for the unsupported operating expenses. SNC will determine the final disposition of the questioned costs.
- B. Develop and implement a documented cost allocation plan to equitably distribute indirect costs to specific bond projects.
- C. Retain documentation of the plan and periodically adjust the plan and accounting records as necessary.

July 28, 2014

California Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor Sacramento, CA 95814

Appeal Letter

Below please find a number appeals and re-assertions related to the validity of claimed expenses included in the Sierra Nevada Alliances's Sierra Nevada Conservancy Proposition 84 Grants Program. Funded By Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.

Observation 1: Unsupported Personnel Costs The Sierra Nevada Alliance (SNA) was unable to support \$5,224 in claimed Personnel Costs. SNA was unable to provide adequate supporting documentation to demonstrate the costs represented actual efforts spent on grant-related activities and compensation paid to employees. Specifically, timesheets supporting AmeriCorps member stipends totaling \$3,000 were not prepared or maintained.

-----The Americorps program is a unique federal program that compensates participants for a "designated service period" with a living stipend.

The stipend the Alliance pays is not an hourly project related payment. Instead it allowed the Alliance to support the participating member while that member worked specifically on grant deliverables. This work was supervised and approved and represents \$3000 worth of the Alliance's organizational contribution to this grant's work. The Alliance paid \$3000 towards Dan Keenan who was the snap member assigned to work on the SNC Grant. However, the unique operational structure of Americorps does indeed limit the Alliance because members do not produce hourly time sheets as a standard employee would. However, we maintain that this is still a significant cash and time expenditure and should indeed be considered a legitimate expense since the work was paid for and completed.

We stand by our assertion that our AmeriCorps members provided \$3000 worth of service over the life of the grant, once the grant was re-established after the freeze. We contributed the living stipend match in good faith before the bond freeze. We provided the deliverables and work with the 'bargain' assistance of AmeriCorps members. I think the \$3000 living stipend contribution is a fair contribution that the tax payers would be happy with.

Additionally, costs totaling \$2,224 for two employees were not supported by the corresponding timesheets and/or payroll registers.

-----We acquiesce to this point, it's clear the staff at the time couldn't support these costs. We do not contest this finding.

SNA was unable to support \$16,000 in claimed Operating Expenses. SNA was unable to provide a clear audit trail demonstrating operating expenditures claimed were directly related to the grant project. Although SNA has a documented cost allocation plan supporting the allocation of indirect expenditures to each of its programs, the methodology does not detail how those costs are distributed to the projects within each program. SNA's watershed program has multiple projects with multiple funding sources, including other grants. As a result, SNA could not demonstrate how operating expenditures were reasonably and equitably distributed to the grant.

-----As stated in our original appeal, the operating costs we charged against the grant were operating costs needed to provide an office, bookkeeping, lights, and other costs for a functioning environment for our staff to be able to work on this grant. Without these expenses our staff would simply not have been able to provide the grant deliverables. These costs were related to the project. These operating and administrative costs were under 15%. Administrative costs, as defined in the Sample Grants Contracts, shall not exceed 15 percent for all types of projects.

In addition, we submitted these costs directly to SNC with details explaining each expense with each invoice submission and these expenses were never noted in SNC's review as unacceptable costs. SNC approved these invoices for payment.

Finally, we evaluated these administrative and operating costs related directly to the grant over the life of the grant period and \$16,000 is only 12% for direct administrative costs over the life of the grant. This is under 15% and we believe this is very fair amount and that taxpayers would find this completely reasonable.

Thank you

Please don't hesitate to contact me directly with any questions related this appeal

James Ross
Executive Director
Sierra Nevada Alliance
PO Box 7989
South Lake Tahoe, CA 96158

(530) 542-4546 x704

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EVALUATION OF RESPONSE

The Sierra Nevada Alliance's (SNA) response to the draft audit report has been reviewed and incorporated into the final report. In evaluating SNA's response, we provide the following comments:

Observation 1: Unsupported Personnel Costs

SNA partially agrees with the observation. SNA agrees \$2,224 of personnel costs claimed were not supported with adequate documentation. SNA disagrees with questioning the \$3,000 AmeriCorps stipend, stating the amount paid represents a significant cash and time expenditure for work completed. However, SNA did not provide evidence supporting the \$3,000 was expended on grant-related activities. Therefore, our observation and recommendation remain unchanged.

Observation 2: Unsupported Operating Expenses

SNA disagrees with the observation stating the \$16,000 of Operating Expenses claimed represented 12 percent of grant costs, which SNA believes is fair and reasonable. However, because SNA did not provide adequate supporting documentation, the observation and recommendation will remain unchanged.