



Transmitted via e-mail

February 28, 2012

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

Dear Mr. Donnelly:

Final Report—Trout Unlimited South Coast, Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of Trout Unlimited South Coast's (TUSC) grant WC-7028SC.

TUSC's response to the report observations are incorporated into this final report. TUSC agreed with our observations and we appreciate its willingness to implement corrective actions. This report will be placed on our website.

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

Sincerely,

Original signed by:

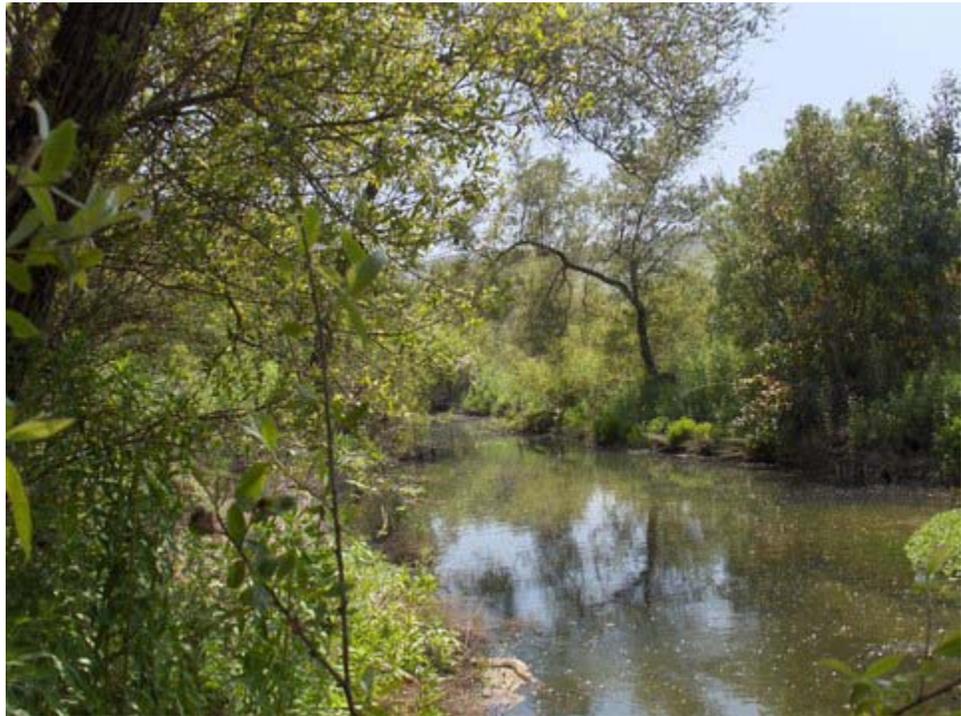
David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Peter Perrine, Acting Assistant Executive Director, Wildlife Conservation Board
Ms. Roxanne Woodward, Budget Officer, Wildlife Conservation Board
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Dan Young, President, Trout Unlimited South Coast
Mr. Drew Irby, California Council Chairman, Trout Unlimited South Coast
Mr. George Sutherland, Project Coordinator, Trout Unlimited South Coast
Mr. Brian Johnson, Acting California Director, Trout Unlimited California
Ms. Mary Ann King, Stewardship Coordinator, Trout Unlimited California

AUDIT REPORT

Trout Unlimited South Coast Proposition 50 Bond Program Grant Agreement WC-7028SC



Title: Lower Trabuco Creek
Source: South Coast Chapter Trout Unlimited Website

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

MEMBERS OF THE TEAM

Diana Antony
Manager

Lisa Negri
Supervisor

Staff
Mary Halterman

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
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

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BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

In November 2002, California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Bond Act of 2002 (Proposition 50). The \$3.44 billion in bond proceeds provide for grants to finance a variety of resource programs.

The Wildlife Conservation Board (WCB) is one of many state departments administering the bond programs. WCB awarded Trout Unlimited South Coast, Chapter No. 923 (TUSC), a Proposition 50 grant to prepare the final design for a fish passage device (fish ladder) and associated stream channel improvements on Trabuco Creek in Orange County. TUSC, founded in 1989, is a non-profit organization whose mission is “to conserve, protect, and restore trout and salmon fisheries and their watersheds.”¹

SCOPE

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

<u>Grant Agreement</u>	<u>Grant Period</u>	<u>Award</u>
WC-7028SC	May 22, 2008 through May 31, 2010	\$771,194

The audit objectives were to determine whether TUSC’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. In order to design adequate procedures to conduct our audit, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

TUSC management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. WCB and the 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 agreement, and applicable policies and procedures.

¹ Information from www.southcoasttu.org.

- Reviewed the grantee's accounting records, vendor invoices, and bank statements.
- Selected a sample of expenditures to determine if costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Evaluated whether a sample of grant deliverables required by the grant agreement were met.

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. The audit was conducted from September 2011 through January 2012.

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.

Except as noted below, Trout Unlimited South Coast’s (TUSC) expenditures were in compliance with applicable laws, regulations and the grant requirements. The Schedule of Claimed and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement WC-7028SC For the Period May 22, 2008 through May 31, 2010		
Category	Claimed	Questioned
Site Reconnaissance, Data Collection, and Assessment	\$ 203,600	\$ 0
Design Alternatives Analysis	99,790	0
Stakeholder Outreach & Agency Meetings	23,440	0
Design Package	95,240	0
Project Management	35,050	0
Operations Expenses	213,484	0
Administrative Overhead	67,060	67,060
Contingency	33,530	0
Total Expenditures	\$ 771,194	\$ 67,060

Observation 1: Unsupported Administrative Expenditures

TUSC claimed \$67,060 in administrative expenditures without supporting documentation or an allocation methodology to determine how costs were distributed to the bond project.

Grant Agreement section 7.4, *Accounting/Records/Audits*, requires the grantee to maintain financial accounts, documents, and records relating to the grant. The accounting information must accurately reflect fiscal transactions so that the total cost of the project can be readily determined.

Recommendations

- A. Remit \$67,060 to the Wildlife Conservation Board (WCB) for unsupported administrative expenditures. WCB will determine the final disposition of the questioned costs.
- B. For current and future projects, ensure administrative expenditures are adequately supported and appropriate documentation is maintained.

Observation 2: Noncompliance with Grant Requirements

TUSC did not submit the geotechnical engineering report required under Task 1.2 of the grant agreement. According to TUSC, WCB authorized the change and allowed it to use the funds for this task to complete other tasks. However, there is no evidence of a scope or budget modification.

Grant Agreement section 7.3, *Amendments*, states the grant agreement may be modified only upon written approval of the Executive Director of WCB and the Grantee. No oral understanding or agreement not incorporated in this document shall be binding on any of the parties.

Recommendations

Ensure all grant requirements are met and any changes to the scope of work or the budget are documented in a written amendment or modification.



Drew Irby
Finance Chair, Board Member, South Coast Chapter

Feb.16, 2012

Department of Finance, State of California
Office of State Audits and Evaluations
915 L St.
Sacramento, CA 95814-3706

Re: Grant Agreement WC-7028SC Audit Report Response
Sent Electronically via Email: OSAEReports@dof.ca.gov

To OSAE:

The South Coast Chapter of Trout Unlimited has received your report. The principals of the this grant, George Sutherland, project manager and Drew Irby, project administrative manager, have read and reviewed your audit results as contained in the report.

We have discussed this report with our board & officers and have recommended measures to insure that current and future grant records concerning administrative expenditures will be fully supported and documented.

We also have contacted the Wildlife Conservation Board and will be working with them in the very near future to resolve any matters pertaining to this report.

Sincerely,

Original signed by:

Drew Irby
Finance Chairman, Board Member--South Coast Chapter of Trout Unlimited

South Coast Chapter#923
29262 Kensington Dr. Laguna Niguel, CA 92677 (chapter mailing address)
Direct: (949) 588-5458 • Cell: (949) 292-8538 • Email: irbysan@hotmail.com