



Transmitted via e-mail

August 6, 2014

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

Mr. Mark Nechodom, Director  
California Department of Conservation  
801 K Street, MS 24-01  
Sacramento, CA 95814

Dear Mr. Branham and Mr. Nechodom:

**Final Report—Alpine Watershed Group, Propositions 50 and 84 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Alpine Watershed Group's (AWG) grants 365, G0751001, 3007-200, and 3010-200. These grants were awarded by the Sierra Nevada Conservancy and the California Department of Conservation.

The enclosed report is for your information and use. AWG's response to the report observation is incorporated into this final report. AWG agreed with our observation and we appreciate its willingness to implement corrective actions. The observation in our report is intended to assist management in improving its program. This report will be placed on our website.

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

Sincerely,

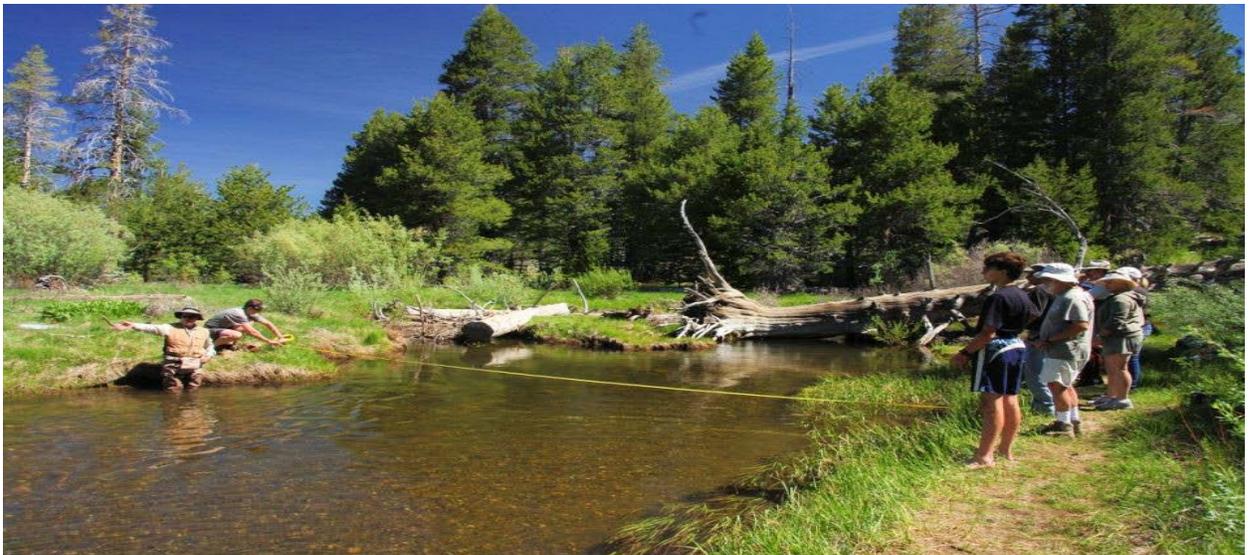
Original signed by:

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

Enclosure

cc: Mr. David Thesell, Deputy Chief, Division of Land Resource Protection, California  
Department of Conservation  
Mr. John Lowrie, Acting Assistant Director, Division of Land Resource Protection, California  
Department of Conservation  
Ms. Joan Keegan, Assistant Executive Officer, Sierra Nevada Conservancy  
Ms. Amy Lussier, Chief, Administrative Services Division, 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. John Barr, Chairman, Alpine Watershed Group  
Ms. Sarah Green, Alpine Watershed Coordinator, Alpine Watershed Group

Alpine Watershed Group  
Propositions 50 and 84 Bond Programs  
Grant Agreements 365, G0751001,  
3007-200, and 3010-200



Watershed Quality Monitoring Program  
Source: Alpine Watershed Group

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

**MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Lisa Negri  
Supervisor

Staff  
Michael Bratman

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 Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50), and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coast Protection Bond Act of 2006 (Proposition 84) for \$3.44 billion and \$5.4 billion, respectively. The bond proceeds finance a variety of natural resource programs.

The Alpine Watershed Group's (AWG) mission is to preserve and enhance the natural system functions of Alpine County's watershed for future generations. AWG works by engaging partners and community members in collaborating and proactively implementing projects that benefit and steward the County's watershed.<sup>1</sup>

The AWG received four grant awards from the Sierra Nevada Conservancy (SNC) and California Department of Conservation (DOC):

- **Markleeville Creek Restoration Project (Grant 365)**—\$220,700 awarded by SNC for the final planning and design stages of site restoration, environmental documents, permitting, and appraisals.
- **Alpine Watershed Group Water Quality Monitoring Program (G0751001)**—\$60,901 awarded by SNC to monitor water quality and discharge in an area that encompasses the headwaters of five watersheds including the American, Carson, Mokelumne, Stanislaus, and Truckee.
- **Watershed Coordinator Grant Program (3007-200 and 3010-200)**—\$108,475 and \$188,378, respectively, awarded by DOC to fund a watershed coordinator position.

## 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>
365	July 8, 2011 through June 30, 2013 <sup>2</sup>
G0751001	June 2, 2008 through March 1, 2012
3007-200	June 9, 2008 through January 31, 2012
3010-200	June 28, 2011 through June 30, 2013 <sup>3</sup>

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<sup>1</sup> <http://www.alpinecountyca.gov/index.aspx?NID=140>

<sup>2</sup> An interim audit was conducted because audit fieldwork was completed prior to the grant end date of March 1, 2014.

<sup>3</sup> An interim audit was conducted because the grant term ends July 31, 2014.

The audit objectives were to determine whether AWG'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.

AWG's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DOC, SNC, 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 AWG'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.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation.

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.

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 agreements. For grants G0751001 and 3007-200, the grant deliverables were completed as specified in the grant agreements. For grants 365 and 3010-200, the projects remain active and not all deliverables have been completed. However, the Alpine Watershed Group (AWG) has completed interim grant deliverables in accordance with the grant agreements. The Schedules of Claimed and Questioned Amounts are presented below.

### Schedules of Claimed and Questioned Amounts

Grant Agreement 365		
Task	Claimed	Questioned
Project Management	\$ 26,601	
Project Consultants	79,189	
Printed Material-Project Related	507	
Administration	10,375	
<b>Total Project Expenditures</b>	<b>\$ 116,672</b>	<b>\$ 0</b>

Grant Agreement G0751001		
Task	Claimed	Questioned
Coordinator-Project Management Salary	\$ 46,571	
Equipment and Supplies	2,310	
Lab Fees	10,582	
Washoe Tribe Education and Training	200	
Mileage	984	
<b>Total Project Expenditures</b>	<b>\$ 60,647</b>	<b>\$ 0</b>

Grant Agreement 3007-200		
Task	Claimed	Questioned
Watershed Coordinator I	\$ 79,301	
Watershed Coordinator II	5,999	
Benefits for Invoices 1 & 2	3,260	
Mileage	2,828	
Postage	443	
Office Supplies	1,687	
Workshop Attendance	677	
Administration	14,129	
<b>Total Grant Funds</b>	<b>108,324</b>	
Match Funds	45,819	
<b>Total Project Expenditures</b>	<b>\$ 154,143</b>	<b>\$ 0</b>

<b>Grant Agreement 3010-200</b>		
<b>Task</b>	<b>Claimed</b>	<b>Questioned</b>
Watershed Coordinator I	\$ 30,817	
Watershed Coordinator II	45,201	
Travel and Conference	1,585	
Printing/Copying	635	
Office Supplies	232	
Administration	11,770	\$ 5,980
<b>Total Grant Funds</b>	<b>90,240</b>	<b>5,980</b>
Match Funds	35,720	
<b>Total Project Expenditures</b>	<b>\$ 125,960</b>	<b>\$ 5,980</b>

**Observation 1: Unsupported Administration Expenditures**

AWG was unable to support \$5,980 in claimed administration expenditures for grant 3010-200. Although the grant allows for 15 percent administrative expenses, the costs claimed should be based on actual expenditures incurred and distributed to projects proportional to the relative benefits received. AWG did not have a cost allocation plan or methodology demonstrating how administration overhead costs were reasonably and equitably distributed to bond projects. Administration expenditures for grants 365 and 3007-200 were not questioned because AWG was able to provide supporting documentation.

Grant Agreement, section 26, requires the grantee to maintain supporting documentation to provide an audit trail of receipts, expenditures, and disbursements.

**Recommendations:**

- A. Remit \$5,980 to the California Department of Conservation (DOC) for unsupported expenditures. DOC will determine the final disposition of the questioned costs.
- B. Ensure accounting records support all claimed expenditures and provide a clear audit trail.
- C. Develop and implement a documented cost allocation plan to equitably distribute indirect costs to bond programs and projects.
- D. Retain documentation of the plan and periodically adjust the plan and accounting records as necessary.





# Alpine Watershed Group

*Protecting the Headwaters of the California Alps*

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Tuesday, July 8, 2014

California Department of Finance  
915 L Street  
Sacramento, CA 95814

To Whom It May Concern:

This letter is in response to the Draft Audit Report dated July 2. We would like to respond to the funds questioned from Grant Agreement #3010-200.

The Draft Report identifies \$5,980 of the \$11,770 Administration line item as questionable. The reason for this is that the Alpine Watershed Group (AWG) was under the impression that Administration fees could be billed at a flat rate for total expenses over the duration of the grant.

To cover AWG Administration costs, the organization billed a consistent 15% fee with each quarterly invoice. However, a portion of that funding was intended for future Admin expenses. As of June 30, 2013, AWG had billed \$11,770 which represents the flat 15% of total program expenses billed to date. Of that amount, only \$5,789 had been spent. The remaining amount, \$5,981, was reserved in the AWG's bank account for future expenses.

During the audit, it became clear that we should only bill for actual expenses incurred each quarter. With this new information, AWG has adjusted the admin % that has been billed with each quarterly invoice. For two quarters from July 1 through December 31, 2013, we did not bill for any Admin fees in order to use previously received Admin fees.

We have justification for all admin fees billed to date. We have modified our billing procedures so that Admin fees reflect only actual expenses incurred. In addition, AWG is in the process of developing a cost allocation plan that is equitable across all funding sources.

Sincerely,

**Original Signed By**

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John Barr  
Chairman

*P.O. Box 296 Markleeville, CA 96120  
(530) 694-2327*