



Transmitted via e-mail

June 7, 2012

Mr. Thomas Howard, Executive Director  
State Water Resources Control Board  
1001 I Street  
Sacramento, CA 95814

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

Dear Mr. Howard and Mr. Donnelly:

**Final Report—Community Alliance with Family Farmers Propositions 40, 50, and 84 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Community Alliance with Family Farmers (CAFF) grant 06-146-555-0 issued by the State Water Resources Control Board (SWRCB) and grant WC-7079CF issued by the Wildlife Conservation Board.

The enclosed report is for your information and use. CAFF's and SWRCB's responses to the report observations are incorporated into this final report. CAFF and SWRCB agreed with our observations and we appreciate their willingness to implement corrective actions. Regarding Observation 2, we provided CAFF with the specific reference for the 35-year maintenance requirement. The observations in our report are intended to assist management in improving its grant programs. This report will be placed on our website.

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

Sincerely,

Original signed by:

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

Enclosure

cc: On following page

cc: Ms. Leslie Laudon, Manager, Division of Finance and Local Assistance, State Water Resources Control Board  
Ms. Monica Torres, Fiscal Unit Manager, State Water Resources Control Board  
Mr. Peter Perrine, Acting Assistant Executive Director, Wildlife Conservation Board  
Ms. Cynthia Alameda, Budget Officer, Wildlife Conservation Board  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, Natural Resources Agency  
Ms. Carol Presley, Chair, Community Alliance with Family Farmers  
Ms. Diane Del Signore, Executive Director, Community Alliance with Family Farmers  
Ms. Jennifer Macias, Controller, Community Alliance with Family Farmers

# AUDIT REPORT

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## Community Alliance with Family Farmers Propositions 40, 50 and 84 Bond Programs Grant Agreements 06-146-555-0 and WC-7079CF



Colusa Almond Project

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Chikako Takagi-Galamba  
Supervisor

Staff  
Edwina Troupe, CPA

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

You can contact our office at:

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# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40), and the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) for \$2.6 billion and \$3.44 billion, respectively. California voters also approved the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for \$5.4 billion. The bond proceeds finance a variety of resource programs.

The Community Alliance with Family Farmers (CAFF) is a 30-year, non-profit organization that advocates for California's family farmers that care for the land, sustain local economies, and promote social justice. (Source: CAFF website)

CAFF received the following grant from the State Water Resources Control Board (SWRCB):

*BMP for Reducing Sediment and Pesticides in Runoff from Colusa County Almond Orchards Project (grant 06-146-555-0)*—Proposition 40 and 50 grant totaling \$1,000,000 for the purpose of demonstrating and researching the effectiveness of Best Management Practices (BMP) for reducing sediment and pesticide loading to streams in almond orchards.

CAFF also received the following grant from the Wildlife Conservation Board (WCB):

*Hedgerows for Habitat and Restoration, Fresno, Madera, Santa Cruz County Project (grant WC-7079CF)*—Proposition 84 grant totaling \$117,000 for the purpose of establishing two native plant hedgerows and one hedgerow planting to provide wildlife habitat while maintaining agricultural benefits. The grant assists growers and ranchers to plan and install regionally appropriate hedgerows, windbreaks, filter strips, and other conservation plantings designed to attract beneficial insects, reduce pesticides, increase biodiversity, prevent erosion, and educate students.

## 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>	<u>Award</u>
06-146-555-0	December 31, 2006 through December 17, 2008 <sup>1</sup>	\$1,000,000 <sup>2</sup>
WC-7079CF	May 22, 2008 through August 31, 2011 <sup>3</sup>	\$ 117,000

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<sup>1</sup> Grant 06-146-555-0 was terminated prior to project completion due to the 2008 bond freeze and re-awarded as a federal American Recovery and Reinvestment Act grant. Our audit covered up to the bond freeze date as noted above. Additionally, although grant award was \$1,000,000, we focused on Proposition 40 and 50 expenditures claimed of \$506,221.

<sup>2</sup> CAFF was awarded \$1 million; however, only \$506,221 was claimed for reimbursement during the audit period.

<sup>3</sup> An interim audit was conducted on grant WC-7079CF as the grant term ends December 31, 2011. The grant expenditures were reviewed up to the last reimbursed invoice date as noted above.

The audit objectives were to determine whether CAFF'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.

CAFF management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SWRCB and WCB 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 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.
- Conducted a site visit to verify existence.
- Evaluated whether a sample of grant deliverables required by the grant agreements 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 October 2011 through April 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, the Community Alliance with Family Farmers (CAFF) was in compliance with the requirements of the grant agreements. Additionally, CAFF met the match requirements. The Schedules of Claimed and Questioned Amounts are presented in Table 1.

**Table 1: Schedules of Claimed and Questioned Amounts**

<b>Grant Agreement 06-146-555-0</b>		
<b>For the Period December 31, 2006 through December 17, 2008</b>		
<b>Category</b>	<b>Claimed</b>	<b>Questioned</b>
Personnel Services	\$133,791	\$ 0
Operating Expenses	97,630	0
Travel	4,024	0
Professional/Consultant Services	217,466	0
Construction	53,310	0
<b>Total Grant Expenditures</b>	<b>506,221</b>	<b>0</b>
<b>Match Funds</b>	<b>258,218</b>	<b>0</b>
<b>Total Project Expenditures</b>	<b>\$764,439</b>	<b>\$ 0</b>

<b>Grant Agreement WC-7079CF</b>		
<b>For the Period May 22, 2008 through August 31, 2011</b>		
<b>Category</b>	<b>Claimed</b>	<b>Questioned</b>
Project Management	\$ 30,990	\$ 0
Project Design	47,501	0
Administration (10% project cost)	9,245	9,245
Materials	2,708	0
Nursery	9,991	0
Vegetation Maintenance	3,300	0
Project Sign	246	0
Operation Costs	2,919	0
Contingency (5% project cost)	274	0
<b>Total Grant Expenditures</b>	<b>107,174</b>	<b>9,245</b>
<b>Match Funds</b>	<b>49,605</b>	<b>0</b>
<b>Total Project Expenditures</b>	<b>\$156,779</b>	<b>\$9,245</b>

### **Observation 1: Unsupported Administrative Expenditures**

For grant WC-7079CF, CAFF claimed \$9,245 in administrative expenses without providing supporting documentation or an allocation methodology to determine how costs were distributed to the grant project. Although the Wildlife Conservation Board (WCB) grant agreement allows for 10 percent administrative expenses, the costs claimed should be based on actual expenditures incurred and distributed to projects proportional to the relative benefits received. The grant agreement requires CAFF to maintain an accounting system and records which accurately reflect fiscal transactions.

#### **Recommendations:**

- A. Remit \$9,245 to WCB for the 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: Long Term Plans Not Maintained**

CAFF does not have plans or funding to monitor or maintain the grant projects. Specifically,

- Grant agreement WC-7079CF requires the three landowners who participated in the demonstration projects to manage and maintain the projects for 25 years. The grant also encourages the landowners and representatives from both WCB and CAFF to meet annually and reevaluate the management plan.
- Grant agreement 06-146-555-0 issued by the State Water Resources Control Board (SWRCB) requires CAFF to operate and maintain the eight demonstration projects for 35 years.

Consequently, grant projects may not be maintained or operated as intended by the grantors.

#### **Recommendation:**

Work with SWRCB and WCB to establish plans encompassing the duties and responsibilities for long-term operations, maintenance, and management.

### **Observation 3: Inadequate Timekeeping**

We noted the following condition requiring management's attention:

CAFF personnel costs charged to WCB and SWRCB grants were not adequately documented. The link between projects listed on the timesheets and the personnel costs allocated to grant projects were not readily identifiable. As a result, we performed alternative procedures, including:

- Interviewed the grantor's project management staff to assess that grant related activities were accomplished.
- Compared the number of hours charged to the grant to the work completed per project status reports for reasonableness.
- On a sample basis, reviewed payroll records to ensure costs were incurred.

Based on the alternative procedures performed, the personnel costs charged to WCB and SWRCB appeared reasonable and we did not question these costs. CAFF should ensure clear audit trails exist to support the basis for its labor allocations to grant projects. Both SWRCB and WCB grants require CAFF to maintain adequate and accurate accounting records that represent grant expenditures.

**Recommendation:**

Develop procedures to ensure staff costs charged to the grants are consistent with the time recorded on timesheets. Maintain an audit trail to support the labor allocations.





May 17, 2012

David Botelho, CPA  
Chief, Office of State Audits and Evaluations  
915 L Street  
Sacramento, CA 95814-3706

Dear Mr. Botelho,

I am writing in response to "Draft Report – Community Alliance with Family Farmers Propositions 40, 50, and 84 Grant Audits".

The Draft Report results include three observations which we would like to address:

**Observation 1: Unsupported Administrative Expenditures**

*A. Remit \$9,245 to WCB for the unsupported administrative expenditures. WCB will determine the final disposition of the questioned costs.*

**Resolution:**

We believe that we can show a total of \$9,425 in supported administrative costs for the grant period.

CAFF has taken the needed steps to put reports in place that document administrative costs for staff related to all grants under CAFF's management. We have attached a sample of our current "Payroll Time Report" document, used to report staff program time and pro-rated time for administrative staff related to each program.

We are currently working on documentation of administrative costs for our annual review. We believe, upon completion of the review, that we will be able to document all of the administrative costs related to this grant. It is our intent to provide information, to document administrative costs, no later than June 30, 2012.

*B. For current and future projects ensure administrative expenditures are adequately supported and appropriate documentation is maintained.*

**Resolution:**

We believe the "Payroll Time Report" document noted above will provide proper documentation of all administrative expenses related to current and future projects.

**Observation 2: Long Term Plans Not Maintained**

*CAFF does not have plans or funding to monitor or maintain the grant projects. Specifically,*

*Grant agreement WC-7079CF requires the three landowners who participated in the demonstration projects to manage and maintain the projects for 25 years. The grant also encourages the landowners and representatives from both WCB and CAFF to meet annually and reevaluate the management plan.*

**Resolution:**

Grant Agreement WC-7079CF, per section 6.2 states "The landowners shall perform all management activities, as specified in the Management Plan, each year until May 21, 2033." Per section 6.2.3, "Once a year, the project review team, consisting of representatives of the Landowner, the Grantor and the Grantee are encouraged to meet and discuss any modifications and/or changes to the management practices identified in the Management Plan," to ensure compliance with the management plan.

CAFF, per the agreement, will work with WCB to inspect the property annually to ensure that all practices outlined in the "Management Plan" have been followed and make recommendations for any changes or modifications. CAFF will provide a letter annually, upon completion of the inspection, to verify compliance with the Management Plan. CAFF is not aware of any additional obligations for operations, maintenance, or management of the project.

*Grant agreement 06-146-555-0 issued by the State Water Resources Control Board (SWRCB) requires CAFF to operate and maintain the eight demonstration projects for 35 years.*

**Resolution:**

Grant Agreement 06-146-555-0, per section 25 states that "The grantee shall maintain and operate the facility and structures constructed or improved as part of the Project throughout the life of the Project, consistent with the purpose for which this Grant was made." Per section 40, "For the purpose of this Agreement, the useful life of any constructed portions of this Project begins upon completion of construction and continues until fifty (50) years thereafter for pipelines and structures and twenty (20) years for all else." Our understanding is that the useful life is twenty (20) years. We were unable to locate any reference to a thirty-five (35) year maintenance period in the contract.

were unable to locate any reference to a thirty-five (35) year maintenance period in the contract.

Attached are the "Project Maintenance Guidelines" prepared for the maintenance of each site, by season. It is our understanding that these maintenance plans will be performed by each of the landowners participating in the project. We are working with each of the landowners to provide confirmation of this. CAFF will work with landowners and the SWRCB to ensure the long-term operations, maintenance and management of the sites through annual visits, and make recommendations for any changes or modifications. CAFF will provide a letter annually, upon completion of the inspection, to verify the completion of inspection and property maintenance.

### **Observation 3: Inadequate Timekeeping**

In January, 2012, CAFF implemented electronic time reporting for staff. Following the close of each pay period, time input into the "Payroll Time Report," and administrative staff time is allocated based on the total program staff time dedicated to each project. The allocation for each staff is then recorded into our accounting system, by project. We believe this method of recording ensures proper reporting of time for each staff member and project.

It is our hope that we have addressed each observation adequately. CAFF has taken many steps to update accounting policies and procedures that ensure a clear audit trail for all projects.

If you have any questions regarding our response, please contact Jennifer Macias, CAFF Controller, at 530-756-8518 x 33, or [Jennifer@caff.org](mailto:Jennifer@caff.org).

Sincerely,

*ORIGINAL SIGNED BY*

Carol Presley, Chair  
Community Alliance with Family Farmers

Enclosures

cc: Diane Del Signore, Executive Director, Community Alliance with Family Farmers  
Jennifer Macias, Controller, Community Alliance with Family Farmers

**Employee "X"**

Hourly Rate	25.00								
Period Hours	80.00	15.56	3.33	35.56	2.22	2.22	21.11	80.00	
Period Salary	2,000.00	388.89	83.33	888.89	55.56	55.56	527.78	2,000.00	
Deductions	90.61								
Net Pay	1,909.39								
		19.44%	4.17%	44.44%	2.78%	2.78%	26.39%	100.00%	
Hours		15.56	3.33	35.56	2.22	2.22	21.11	80.00	Hours
Salary	1,909.39	388.89	83.33	888.89	55.56	55.56	527.78	2,000.00	Salary
FICA	146.07	28.40	6.09	64.92	4.06	4.06	38.55	146.07	FICA
SUI	118.38	23.02	4.93	52.61	3.29	3.29	31.24	118.38	SUI
Workers Comp	13.40	2.61	0.56	5.96	0.37	0.37	3.54	13.40	Workers Comp
Health	75.75	14.73	3.16	33.67	2.10	2.10	19.99	75.75	Health
Dental / Vision	14.86	2.89	0.62	6.60	0.41	0.41	3.92	14.86	Dental / Vision
Vac / Sick / Hol	-	-	-	-	-	-	-	-	Vac / Sick / Hol
Total	2,368.46	460.53	98.69	1,052.65	65.79	65.79	625.01	2,368.46	Total
Benefits %	19.38%							15.56%	

**Operations**

		19.44%	4.17%	44.44%	2.78%	2.78%	26.39%	100.00%	
Rent	86.57	16.83	3.61	38.47	2.40	2.40	22.84	86.57	Rent
Utilities	-	-	-	-	-	-	-	-	Utilities
Telephone	11.93	2.32	0.50	5.30	0.33	0.33	3.15	11.93	Telephone
Janitor	-	-	-	-	-	-	-	-	Janitor
Payroll Service	26.09	5.07	1.09	11.60	0.72	0.72	6.89	26.09	Payroll
Cell	15.00	2.92	0.63	6.67	0.42	0.42	3.96	15.00	Cell
Total	98.49	19.15	4.10	43.77	2.74	2.74	25.99	98.49	

## **Project Maintenance Guidelines for Vegetation Establishment Colusa Almond Project**

The implementation phase is completed for your Best Management Practices Project. While much of the work is done, performing timely maintenance tasks on your project for the next couple years can greatly increase the success of the practices installed. The following is a list of tasks that can be performed by season on your site.

Questions about any of this information can be directed to Mary Fahey at the Colusa RCD (530) 458.2921 or Miles DaPrato at Audubon California (530) 795.0660.

### **Fall**

- Performing quality control on the plantings. After the first rain it is a good time to take advantage of soil moisture and re-set or sink loose tubes back into the soil. You can also replace broken stakes and think about flagging the planting locations for re-plants where plants have died over the summer.
- Collect acorns as early as October (or when they begin to drop) if you wish to replant any oaks from seed. Make sure the collected acorns are viable by float testing in water. If they float, discard them. The viable acorns (sinkers) can then be stored in the fridge until ready to plant after the first substantial cold weather days and good soil moisture (typically December and early January). The best way to store the acorns is in 1 gallon Ziploc bags with moist vermiculite (nursery purchase).
- If the previous summer's weeds got out of hand, fall is a good time to mow or brush cut them down around the trees and shrubs.

- Nest boxes need to be cleaned periodically to remove accumulated nesting materials and waste. The best time to do this is in the fall (October, November) after the breeding season.
- If any drip line crosses the creek channel, remove this section and set along the top of the bank so it doesn't get damaged during high winter stream flows.

## **Winter**

- Remove the competing annual vegetation from around your native plants using herbicide, mechanical, or manual methods. After the first "green-up" of grass and broadleaf weeds in December, spray Round-Up around the native plants and along the drip irrigation system to reduce competition by weeds and to make it easier to access your plants. Be careful of herbicide drift; **herbicides will kill native trees, shrubs and forbs if enough of the herbicide contacts them.** If weeds are allowed to get taller than the tubed plant, removing them prior to spraying might be necessary.
- Acorn seeds and Mulefat (*Baccharis salicifolia*) cuttings are a cheap way to replant in areas where plants have died. Acorns should be planted under a half inch of soil, on their sides. Mulefat can be planted from a "cutting" or pruned branch; sink the cutting 1-3 feet under the ground, leaving 6 inches above ground.
- Many of the potted native plants were purchased from Floral Natives in Chico, CA should you choose to install containers. Should you
- Keep an eye on grasses and broadleaf weeds and think about mowing as early as late winter should seed heads start to form on the weedy vegetation.

- After each storm event, tubes can get blown over and stakes can become dislodged. Regular quality control can be done post storm events to seat tubes and straighten stakes, ideally while the ground is still moist.
- Broadleaf weed control can happen as early as late February depending on the rain season. It is ideal to control broadleaf weeds before they bolt and while they are still in the rosette stage. A selective broadleaf herbicide can be used to kill thistles, mustards and other broadleaf weeds. The herbicides that are commonly used are Milestone VM+, Transline, and Garlon 4. These are all "Caution" chemicals and should be used in accordance with all label guidelines and instructions. Be careful of herbicide drift; **broadleaf herbicides will kill native trees, shrubs and forbs if the herbicide contacts them.**

### **Spring**

- Grass and Broadleaf weeds will bolt throughout the spring months (March through May) and may require multiple mow events. This can be done in combination with spot brush cutting where mowing isn't possible. Mowing reduces competition from weeds and allows easier access to the site to check irrigation and general plant health. As the broadleaf weeds get large, it becomes increasingly difficult to spray without damaging surrounding desirable vegetation due to drift. Mechanical control becomes a safer approach in these months.
- Check the drip irrigation system installed prior to the heat of summer to ensure it is connected to the main system and functioning properly. Flushing the system to remove any debris or sediment accumulation within the lines reduced clogging of emitters and should be done prior to running.

## **Summer**

- Irrigation is the primary summer activity for plant establishment. In general 5-10 gallons per plant is desirable per irrigation event every 10-14 days. There are numerous variables that determine optimal irrigation amounts and schedules that are dependent on soil type, slope, temperatures and how the project is connected to the main irrigation system onsite (i.e. orchard system schedule). The main consideration is that deeper infrequent irrigation schedules allow for deeper root development versus shallow infrequent irrigations. Each site will have slightly different irrigation schedules for these reasons.
- Periodically check irrigation lines; lines can shift with heating and cooling between day and night time temperatures resulting in plants not getting water. Drip lines can also be accidentally cut and dug by vehicles or tractor traffic.
- With the warm weather and adequate water, both the desirable native plants will grow quickly as well as weeds in the summer months. Walking the drip lines periodically to check the irrigation also provides the opportunity to pull large weeds growing out of the tubes.
- A summer mow and spot brush-cutting might be necessary to clear summer weeds out from the planting area and allow easy monitoring access.

## State Water Resources Control Board

**MAY 29 2012**

Mr. David Botelho, Chief  
Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814-3706

Dear Mr. Botelho:

**RESPONSE TO DRAFT AUDIT REPORT (DRAFT REPORT); COMMUNITY ALLIANCE WITH FAMILY FARMERS (CAFF); PROPOSITIONS 40, 50, AND 84 GRANT AUDITS**

This is in response to your Draft Report – CAFF Propositions 40, 50 and 84 Grant Audits dated May 11, 2012. State Water Resources Control Board staff has reviewed the Draft Report and agrees with the recommendations regarding grant 06-146-555-0 issued by the State Water Resources Control Board.

We appreciate the opportunity to comment on the Draft Report. If you have any questions regarding our response, please contact Ms. Leslie Laudon at (916) 341-5499, or [llaundon@waterboards.ca.gov](mailto:llaundon@waterboards.ca.gov).

Sincerely,

**ORIGINAL SIGNED BY**

Thomas Howard  
Executive Director

Cc: Ms. Carol Presely, Chair  
Community Alliance with Family Farmers  
36355 Russell Blvd.  
Davis, CA 95616

Mr. John Donnelly, Executive Director (via email)  
Wildlife Conservation Board

Mr. Peter Perrine, Acting Assistant Executive Director (via email)  
Wildlife Conservation Board

Ms. Cynthia Alameda, Budget Officer (via email)  
Wildlife Conservation Board

Mr. Bryan Cash, Deputy Assistant Secretary (via email)  
Natural Resources Agency

Ms. Julie Alvis, Deputy Assistant Secretary (via email)  
Natural Resources Agency

Ms. Diane Del Signore, Executive Director (via email)  
Community Alliance with Family Farmers

Ms. Jennifer Macias, Controller (via email)  
Community Alliance with Family Farmers

ORIGINAL SIGNED BY