



Transmitted via e-mail

June 7, 2011

Mr. John Laird, Secretary
California Natural Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, CA 95814

Dear Mr. Laird:

Final Report—River Partners Propositions 13 and 50 Grant Audits

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the following grants issued to River Partners.

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
WC-6008SC	August 17, 2006 through April 15, 2010	\$ 400,000
WC-4063SC	August 24, 2005 through December 31, 2008	\$ 648,000
WC-3003SC	August 13, 2003 through April 30, 2010	\$ 1,307,000
WC-5030SC	November 17, 2005 through April 30, 2010	\$ 511,000
WC-6051SC	February 15, 2007 through April 30, 2010	\$ 1,232,000
WC-7030SC	November 15, 2007 through April 30, 2010	\$ 781,460
4600003359	November 1, 2003 through November 1, 2008	\$ 1,220,000
4600003357	November 1, 2003 through November 1, 2010	\$ 1,787,542
EO720014	July 1, 2007 through April 30, 2010	\$ 683,698
R81717-0	December 1, 2006 through April 30, 2010	\$ 250,000
R81774-0	November 1, 2008 through December 30, 2009	\$ 2,650,000

The enclosed report is for your information and use. Because there were no audit findings or issues requiring a response, we are issuing the report as final. In accordance with Finance's policy of increased transparency, this report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov> within five working days of this transmittal.

We appreciate the assistance and cooperation of River Partners. If you have any questions, please contact Susan M. Botkin, Manager, or Robert Scott, 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: Mr. Todd Ferrara, Deputy Director for External Affairs, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Polly Escovedo, Program Manager, Bonds and Grants, California Natural Resources Agency
Ms. Penny Harding, Grants Administrator, Bonds and Grants, California Natural Resources Agency
Mr. Mark Cowin, Director, Department of Water Resources
Ms. Dale Hoffman-Floerke, Deputy Director, Department of Water Resources
Ms. Katherine S. Kishaba, Deputy Director, Business Operations, Department of Water Resources
Ms. Perla Netto-Brown, Controller, Department of Water Resources
Ms. Tracie Billington, Chief, Special Projects Sections, Department of Water Resources
Ms. Gail Chong, Chief, Bond Accountability Office, Department of Water Resources
Mr. Earl D. Nelson, Manager, Flood Protection Corridor Program, Department of Water Resources
Ms. Amy Young, Environmental Scientist, Flood Protection Corridor Program, Department of Water Resources
Mr. Jeffrey Ingles, Chief Auditor, Department of Water Resources
Mr. John P. Donnelly, Executive Director, Wildlife Conservation Board
Mr. Peter Perrine, Acting Assistant Executive Director, Wildlife Conservation Board
Ms. Roxanne Woodward, Budget Officer, Wildlife Conservation Board
Mr. Blane Nickens, Director, Department of Fish and Game
Mr. Dave Zezulak, Environmental Program Manager I, Department of Fish and Game
Ms. MaryLisa Lynch, Senior Environmental Scientist, Department of Fish and Game
Ms. Treva Porter, Environmental Scientist, Department of Fish and Game
Mr. John Carlon, President, River Partners
Ms. Jessica Bourne, Chief Financial Officer, River Partners
Mr. Tad Alexander, Chief Operations Officer, River Partners

AUDIT REPORT

River Partners Propositions 13 and 50 Bond Program Grant Agreements WC-6008SC, WC-4063SC, WC-3003SC, WC-5030SC, WC-6051SC, WC-7030SC, 4600003359, 4600003357, EO720014, R81717-0, and R81774-0



Source: River Partners

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

MEMBERS OF THE TEAM

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

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BACKGROUND, SCOPE, METHODOLOGY, AND RESULTS

BACKGROUND

In March 2000 and November of 2002, California voters passed two bond measures totaling \$5.41 billion: the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13); and the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50). Administered by a number of state departments, agencies, boards, and conservancies, the bond proceeds support a broad range of programs that protect, preserve, and improve California's water quality and resources. Bond proceeds are expended directly by the administering departments on various capital outlay projects, and are also disbursed to federal, state, local, and nonprofit entities in the form of grants, contracts, and loans.

The Wildlife Conservation Board (WCB) is one of many state departments administering the bond programs. WCB's Riparian Habitat Conservation Program provides funding to local public agencies and nonprofit organizations for riparian habitat and restoration projects. WCB awarded River Partners six grants totaling \$3.9 million of Proposition 50 funds and \$981,000 of state General Funds to restore 1,297 acres of riparian habitat for six projects on the San Joaquin and Sacramento River National Wildlife Refuges, Feather River and Sacramento River Wildlife Areas, and the Del Rio Wildland Preserve.

The Department of Water Resources (DWR) is another state department that administers bond programs via grants. DWR's Flood Protection Corridor Program provides funding to local public agencies and nonprofit organizations for flood management and riparian habitat and restoration projects. DWR awarded River Partners two grants totaling approximately \$3 million of Proposition 13 funds to complete two flood protection projects and restore 1,011 acres of riparian habitat on the San Joaquin and Sacramento River National Wildlife Refuges.

The Department of Fish and Game (DFG) is another state department that administers bond programs via grants. DFG's Ecosystem Restoration Program provides funding to local public agencies and nonprofit organizations for projects that protect and restore ecological processes, including habitat restoration and fish screens. DFG awarded River Partners a \$683,698 Proposition 50 grant to develop the second phase of a multi-phase project to protect an irrigation district's pumping plant and fish screen, and restore 950 acres of the Riparian Sanctuary in the Sacramento River National Wildlife Refuge.

The California Natural Resources Agency (Resources) also administers bond programs and awards grants. Resources River Parkways Grant Program provides funding to local public agencies and nonprofit organization for the acquisition and restoration of riparian habitat and for river trail projects. Resources awarded River Partners a \$250,000

Proposition 50 grant to restore 50 acres of flood-prone farmland to riparian habitat, and to construct a walking trail and interpretive kiosk on the San Joaquin River National Wildlife Refuge. In addition, Resources awarded River Partners a \$2,650,000 Proposition 50 grant to acquire the 1,603 acre Dos Rios Ranch, and to improve public access and restore habitat at the confluence of the San Joaquin and Tuolumne Rivers.

River Partners, founded in 1998, is a 501(c)3 nonprofit corporation with a ten member Board of Directors. River Partners' mission is to create wildlife habitat for the benefit of people and the environment by completing large scale restoration projects along streams and rivers. Project sites span California's Central Valley, including the Sacramento, San Joaquin, Merced, Tuolumne, Feather, and Stanislaus rivers. River Partners' primary funding is from federal and state grants. In total, River Partners has been awarded approximately \$11.5 million of Proposition 50 and Proposition 13 funds from August 2003 through March 2010.

SCOPE

In response to the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted a grant audit of the following grants:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
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The audit's objective was to determine whether River Partners was in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations. Further, no assessment was performed on the reasonableness of land acquisition costs or the conservation value of acquired land or projects completed.

River Partners' management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the efficiency and effectiveness of the program. The Wildlife Conservation Board, Department of Water Resources, Department of Fish and Game, and California Natural Resources Agency are responsible for state-level administration of the bond programs.

METHODOLOGY

To determine whether River Partners was in compliance with applicable laws, regulations, and the grant requirements, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files maintained by WCB, DWR, DFG, and Resources, the grant agreements, and applicable policies and procedures.
- Reviewed River Partners' accounting records, vendor invoices, and bank statements.
- Reviewed payroll documentation.
- 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.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with the staff directly responsible for administering bond funds. The audit was conducted from June 2010 through May 2011.

This performance audit was conducted in accordance with government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

RESULTS

Based on the audit procedure performed, River partners Complied with applicable laws, regulations, and grant requirements, and no findings or questioned costs are reported. The Schedules of Claimed and Questioned amounts are presented in Table 1.

Table 1: Schedules of Claimed, Audited, and Questioned Amounts

WCB Grant Agreement WC-6008SC For the Period August 17, 2006 through April 15, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration	\$ 389,169	\$ 0
Total Expenditures	\$ 389,169	\$ 0

WCB Grant Agreement WC-4063SC		
For the Period August 24, 2005 through December 31, 2008		
Category	Claimed	Questioned
Riparian Habitat Restoration	\$ 640,138	\$ 0
Total Expenditures	\$ 640,138	\$ 0

WCB Grant Agreement WC-3003SC		
For the Period August 13, 2003 through April 30, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration	\$ 1,151,151	\$ 0
Total Expenditures	\$ 1,151,151	\$ 0

WCB Grant Agreement WC-5030SC		
For the Period November 17, 2005 through April 30, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration	\$ 425,146	\$ 0
Total Expenditures	\$ 425,146	\$ 0

WCB Grant Agreement WC-6051SC		
For the Period February 15, 2007 through April 30, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration	\$ 752,108	\$ 0
Total Expenditures	\$ 752,108	\$ 0

WCB Grant Agreement WC-7030SC		
For the Period November 15, 2007 through April 30, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration	\$ 296,234	\$ 0
Total Expenditures	\$ 296,234	\$ 0

DWR Grant Agreement 4600003359		
For the Period November 1, 2003 through November 1, 2008		
Category	Claimed	Questioned
Riparian Habitat Restoration and Flood Protection	\$ 1,220,000	\$ 0
Total Expenditures	\$ 1,220,000	\$ 0

DWR Grant Agreement 4600003357		
For the Period November 1, 2003 through November 1, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration and Flood Protection	\$ 1,787,542	\$ 0
Total Expenditures	\$ 1,787,542	\$ 0

DFG Grant Agreement EO720014		
For the Period July 1, 2007 through April 30, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration and Protect Pumping Plant	\$ 139,414	\$ 0
Total Expenditures	\$ 139,414	\$ 0

Resources Grant Agreement R81717-0		
For the Period December 1, 2006 through April 30, 2010		
Category	Claimed	Questioned
Riparian Habitat Restoration	\$ 233,617	\$ 0
Total Expenditures	\$ 233,617	\$ 0

Resources Grant Agreement R81774-0		
For the Period November 1, 2008 through December 30, 2009		
Category	Claimed¹	Questioned
Land Acquisition	\$ 0	\$ 0
Total Expenditures	\$ 0	\$ 0

¹ The land acquisition is in progress. River Partners and the California Natural Resources Agency are negotiating a grant amendment to extend the project performance period.