



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

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Transmitted via e-mail

April 4, 2011

Ms. Susan Sims, Chief Deputy Director
Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Mr. Tom Howard, Executive Director
State Water Resources Control Board
P.O. Box 944212
Sacramento, CA 95814

Dear Ms. Sims and Mr. Howard:

Final Report—Tuolumne River Preservation Trust, Proposition 13 and 50 Grant Audits

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audits of the Tuolumne River Preservation Trust's (Trust) Proposition 13 and 50 grants.

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.

The final 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 the Trust. If you have any questions regarding this report, please contact Jennifer Whitaker, Manager, or Rich Hebert, 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. Dale Hoffman-Floerke, Deputy Director, Department of Water Resources
Mr. Jim Libonati, Deputy Director, Department of Water Resources
Ms. Perla Netto-Brown, Controller, Department of Water Resources
Ms. Tracie Billington, Chief, Special Projects Section, Department of Water Resources
Ms. Gail Chong, Chief, Bond Accountability Office, Department of Water Resources
Mr. Jeffrey Ingles, Chief Auditor, Department of Water Resources
Mr. Doug Wilson, Manager, State Water Resources Control Board
Mr. Patrick Kemp, Assistant Secretary, 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. Eric Wesselman, Executive Director, Tuolumne River Preservation Trust

Tuolumne River Preservation Trust Proposition 13 and 50 Bond Programs



Tuolumne River – Section of Big Bend Floodplain Protection and Restoration Project

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

MEMBERS OF THE TEAM

Jennifer Whitaker
Manager

Rich Hebert
Supervisor

Staff
Dennis Solheim, CPA

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

You can contact our office at:

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Office of State Audits and Evaluations
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(916) 322-2985

BACKGROUND

In March 2000 and November 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) of 2000, and the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) authorized the sale of bonds to finance a variety of water quality programs.

Administered by a number of state departments, agencies, boards, and conservancies, the bond proceeds support a broad range of programs designed to protect, preserve, and improve California's water quality and resources. Bond proceeds are expended by the administering departments on capital outlay projects, and are also disbursed to federal, state, local, and nonprofit entities in the form of grants, contracts, and loans.

Department of Water Resources

The Department of Water Resources (DWR) is part of the California Natural Resources Agency. DWR protects, conserves, develops, and manages California's water. DWR evaluates existing water resources and explores future potential solutions to meet ever-growing needs. DWR also works to prevent and minimize flood damage and educate the public about the importance of water and its efficient use.

State Water Resources Control Board

The State Water Resources Control Board (SWRCB) is part of the California Environmental Protection Agency. SWRCB works to preserve, enhance, and restore the quality of California's water resources, and ensure their proper allocation and efficient use. SWRCB administers bond programs and awards grant funds for water quality programs.

Tuolumne River Preservation Trust

Founded in 1981, the Tuolumne River Preservation Trust (Trust) is a California non-profit public benefit corporation that promotes stewardship of the Tuolumne River and its tributaries to ensure a healthy watershed. The Trust received the following grants:

Tuolumne River Integrated Plan—Proposition 50 grant totaling \$250,000 from DWR to develop an Integrated Plan for flood control over a portion of the Tuolumne River.

Big Bend Floodplain Protection and Restoration Project—Proposition 13 grant totaling \$1,906,919 from DWR to acquire and restore land along the Tuolumne River in north-central Stanislaus County.

Tuolumne River Outdoor Classroom—Proposition 50 grant totaling \$201,378 from DWR to implement the Tuolumne River Outdoor Classroom project. The project was initiated to increase awareness and engage the community to improve the ecological condition of the river's riparian habitat and water quality.

Clavey River Watershed Assessment—Proposition 50 grant totaling \$774,927 from SWRCB to develop a watershed assessment and recommend actions for the Clavey River Watershed.

Clavey River Ecosystem Project—Proposition 50 grant totaling \$186,254 from DWR to implement the Clavey River Ecosystem Project based on recommendations from the Clavey River Watershed Assessment.¹

SCOPE

In accordance with the Department of Finance’s bond oversight responsibilities, we conducted audits of the following grants:

Grant Agreements	Project Names	Awarded
4600001723	Tuolumne River Integrated Plan	\$ 250,000
4600002457	Big Bend Floodplain Protection and Restoration Project	1,906,919
4600004700	Tuolumne River Outdoor Classroom	201,378
04-158-555	Clavey River Watershed Assessment	774,927
4600007919	Clavey River Ecosystem Project	186,254
Total		\$3,319,478

The audit objective was to determine whether the Trust complied with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the Trust’s relevant internal controls. We did not assess the efficiency or effectiveness of the Trust’s operations.

The Trust’s management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating operating effectiveness. DWR, SWRCB, and the California Natural Resources Agency are responsible for state-level administration of the bond programs.

METHODOLOGY

To determine whether grant expenditures were 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 DWR, SWRCB, and the Trust, including grant agreements, and applicable policies and procedures.
- Reviewed the Trust’s accounting records, vendor invoices, payment documents, payroll information, 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 site visits to verify completion of work.

¹ Background information was obtained from the grantor and grantee websites, grant agreements, California State Budget, and from the grantee’s 2009 financial statements.

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 bond funds. The audit was conducted from November 2010 through March 2011.

The audits were 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 audits 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 procedures performed, the Trust met the fiscal requirements for the grant agreements. No observations or questioned costs were identified. The Schedule of Claimed, Audited, and Questioned Amounts for each grant is presented below.

Department of Water Resources Grant Agreement 4600001723 For the Period June 15, 2001 through June 30, 2005			
Category	Claimed	Audited	Questioned
Administration	\$ 37,500	\$ 37,500	\$ 0
Develop Integrated Plan	138,140	138,140	0
Public Outreach	47,560	47,560	0
Reporting and Presentations	26,800	26,800	0
Total Expenditures	\$ 250,000	\$ 250,000	\$ 0

Department of Water Resources Grant Agreement 4600002457 For the Period May 22, 2002 through June 30, 2009			
Category	Claimed	Audited	Questioned
Project Management	\$ 122,598	\$ 122,598	\$ 0
Property Acquisitions	502,132	502,132	0
Planning	122,313	122,313	0
Implement Earthwork	80,650	80,650	0
Planting	537,819	537,819	0
Vegetation	235,813	235,813	0
Overhead	203,612	203,612	0
Other and Contingency	32,497	32,497	0
Total Expenditures	\$ 1,837,434	\$ 1,837,434	\$ 0

Department of Water Resources Grant Agreement 460004700 For the Period June 1, 2006 through June 30, 2010			
Category	Claimed	Audited	Questioned
Administration	\$ 49,242	\$ 49,242	\$ 0
Project Monitoring and Evaluation	11,041	11,041	0
Teacher Training	19,965	19,965	0
Field Trips and Lessons	100,426	100,426	0
Exhibit Development	5,070	5,070	0
Reporting	10,066	10,066	0
Total Expenditures	\$ 195,810	\$ 195,810	\$ 0

State Water Resources Control Board Grant Agreement 04-158-555 For the Period January 1, 2005 through March 31, 2008			
Category	Claimed	Audited	Questioned
Personnel Services	\$ 108,711	\$ 108,711	\$ 0
Operating Expenses	40,768	40,768	0
Professional and Consultant Services	565,759	565,759	0
Total Expenditures	\$ 715,238	\$ 715,238	\$ 0

Department of Water Resources Grant Agreement 4600007919 For the Period December 1, 2007 through June 30, 2010			
Category	Claimed	Audited	Questioned
Community Outreach and Education	\$ 85,491	\$ 85,491	\$ 0
Develop Watershed Plan	56,008	56,008	0
Facilitation	29,233	29,233	0
Administration	15,144	15,144	0
Total Expenditures	\$ 185,876	\$ 185,876	\$ 0