DEPARTMENT OF FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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March 12, 2009

Mr. Russell K. Henly, Assistant Deputy Director
California Department of Forestry and Fire Protection
P.O. Box 944246
Sacramento, CA 94244-2460

Dear Mr. Henly:

Final Audit Report—Mosquito Volunteer Fire Department Proposition 40 Grant Agreements

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its grant audit of the Mosquito Volunteer Fire Department (MVFD) for the following grant agreements:

Grant Agreement	Audit Period
8CA04597	June 1, 2005 to December 31, 2006
8CA05679	May 15, 2006 to December 31, 2007

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.

We appreciate the assistance and cooperation of the MVFD. If you have any questions, please contact Frances Parmelee, Manager, or Jennifer Whitaker, Supervisor, at (916) 322-2985.

Sincerely,

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

Enclosure

cc: Mr. Robb Forsberg, Manager, Fiscal Administration and Coordination Section, California Department of Forestry and Fire Protection
Mr. Patrick Kemp, Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bob Davis, Chief, Mosquito Volunteer Fire Department
Mr. Leo Chaloux, Retired Chief, Mosquito Volunteer Fire Department
Ms. Sharon Hern, Accountant, Mosquito Volunteer Fire Department

A Grant Audit

Mosquito Volunteer Fire Department

Proposition 40 Grant Agreements 8CA04597 and 8CA05679

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

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March 2009

MEMBERS OF THE AUDIT TEAM

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

You can contact our office at:

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BACKGROUND

On the March 2002 ballot, the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) was passed for $2.6 billion. These bond proceeds provide funding for clean air, clean water, clean beaches, and healthy natural ecosystems that can support both human communities and the state's native fish and wildlife. Proposition 40 also provides funding for the protection, restoration, and interpretation of the diverse cultural influences and extraordinary human achievements that have contributed to the unique development of California.

The California Department of Forestry and Fire Protection (CAL FIRE) received Proposition 40 funds for watershed protection through the community assistance fuel reduction grant program (program). The goal of the program is to reduce catastrophic wildfire risk thereby improving water quality and protecting wildlife habitat. Grant funds were available to nonprofit and government entities located in 15 central Sierra counties (Plumas, Butte, Nevada, Yuba, Placer, Amador, El Dorado, Tuolumne, Calaveras, Madera, Mariposa, Alpine, Fresno, Kings, and Tulare).

The Mosquito Volunteer Fire Department (MVFD) is a nonprofit organization funded primarily by donations and fundraisers. The MVFD protects an area of approximately 13 square miles, situated north and east of Placerville within El Dorado County. The MVFD is governed by an elected board of directors and operates with two employees and various community volunteers.

The MVFD received grants from CAL FIRE to treat approximately 85 acres of vegetation over 16 miles of roadsides. The project included the removal of roadside brush, dead trees, and seedlings to provide a horizontal separation of a minimum 20 feet between trees.

SCOPE

In response to the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted a grant audit of the following Proposition 40 grants:

Grant Agreement	Audit Period	Awarded
8CA04597	June 1, 2005 to December 31, 2006	$141,865
8CA05679	May 15, 2006 to December 31, 2007	$ 53,975

The audit's objective was to determine whether the MVFD's grant revenue and expenditures were in compliance with applicable laws, regulations, and grant requirements.

The MVFD 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 CAL FIRE along with the California Natural Resources Agency is responsible for evaluating any future sale of bond funded assets. We did not assess the efficiency or effectiveness of program operations.

This report is intended for the information and use of the CAL FIRE, the MVFD, and the California Natural Resources Agency management and is not intended to be and should not be used by anyone other than the specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

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 agreements, applicable policies and procedures, and the grant files maintained by CAL FIRE.
- Reviewed the MVFD's accounting records, vendor invoices, pay warrants, 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.

The results of the audit are based upon our review of documentation and other information made available to us and interviews with the staff directly responsible for administering bond funds. The audit was conducted October 2008 through March 2009.

This 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 based on our audit objectives.

RESULTS

Based on the audit procedures performed, the MVFD's grant revenue and expenditures were in compliance with applicable laws, regulations, and the grant requirements. The claimed, audited, and questioned amounts are presented in Table 1.

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

Grant Agreement 8CA04597 For the Period June 1, 2005 to December 31, 2006			
Category	**Claimed**	**Audited**	**Questioned**
General Administration	$ 3,819	$ 3,819	$ 0
Contractual Services	137,800	137,800	0
Total Expenditures	$ 141,619	$ 141,619	$ 0

Grant Agreement 8CA05679 For the Period May 15, 2006 to December 31, 2007			
Category	**Claimed**	**Audited**	**Questioned**
General Administration	$ 780	$ 780	$ 0
Contractual Services	53,000	53,000	0
Total Expenditures	$ 53,780	$ 53,780	$ 0