

# Bond Accountability and Audits

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# TABLE OF CONTENTS

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Introduction .....	2
Section I—Project Accountability .....	5
Project Life Cycle.....	5
Pre-award Stage .....	7
Award Stage .....	9
Interim Monitoring Stage.....	10
Close-Out Stage.....	13
Post-Close Stage .....	14
Bonds Record Retention.....	15
Section II—A Guide to Project Audits .....	16
Audit Process .....	17
Expenditure Categories .....	19
Salaries & Wages.....	19
Fringe Benefits .....	20
Indirect Costs .....	20
Travel.....	21
Contractors and Consultants.....	21
Equipment.....	22
Match.....	22
Final Deliverables .....	23
Audit Reports & Corrective Action Plans.....	23

# APPENDICES

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A—Executive Order S-02-07 .....	24
B—Laws, Rules, and Regulations .....	28
C—Project Scoring Criteria Template .....	29
D—Checklist for Land Acquisition Grants.....	32
E—Sample Memorandum of Unrecorded Grant Agreement.....	33
F—Project Permits and Approval Status Template .....	34
G—Property Data Sheet .....	35
H—Easement Elements Checklist.....	36
I—Environmental Compliance Summary.....	39
J—Land Acquisition Form for Applications .....	40
K—Documents Required for Review of Applicant .....	41
L—Financial Management Systems Questionnaire.....	42
M—Budget Detail Worksheet .....	44
N—Match Contribution Form.....	47
O—Payment Request Template .....	48
P—Reporting Requirements .....	50
Q—Final Report Template .....	51
R—State Treasurer’s Office Memorandum on Returned Grant Funds .....	52
S—Annual Monitoring Report Template .....	54
T—State Treasurer’s Office Memorandums on Records Retention .....	55
U—Records Retention for Bond Programs.....	59
V—List of Documents Requested for an Audit .....	60
W—Corrective Action Plan Template .....	62
Additional Resources .....	63
Glossary .....	64

## **OVERVIEW AND PURPOSE OF GUIDE**

In partnership with the California Natural Resources Agency, the Department of Finance, Office of State Audits and Evaluations, developed this bond accountability guide. This document provides guidance on bond accountability and the bond audit process. The first section is designed to assist departments administering bond funds by providing examples and resources of project management procedures developed and used by various state and federal agencies. The second section of the guide outlines the general bond audit process to help departments prepare for and undergo a bond audit.

The information and examples provided herein are not all inclusive and additional policies and procedures may be required for some programs. Additionally, the information and sample documents are intended as examples, which could be customized to meet individual program needs and may not be applicable to all. Furthermore, the audit process discussed is a general example and additional procedures may need to be developed and performed during each specific audit depending on the program, the scope of the audit, and information available.

Since 2000, bond measures totaling over \$19.6 billion have been passed to finance a variety of natural resources programs. Administered by a number of state departments, agencies, boards, and conservancies (collectively referred to as *departments*), bond proceeds are expended on various capital outlay projects, and are also disbursed to federal, state, local, and non-profit entities in the form of grants, contracts, and loans. Because such a large amount in bond grants is administered by departments, strong grant accountability is essential. Departments expending general obligation bond proceeds are accountable for ensuring funds are spent in compliance with provisions of the bond act(s), program regulations, and all other applicable state and federal laws. Following passage of five bond measures (1B, 1C, 1D, 1E, and 84) in November 2006, Executive Order S-02-07<sup>1</sup> further emphasized accountability and transparency expectations for bond proceeds.

## ROLES AND RESPONSIBILITIES

### Departments

There are several authoritative sources outlining state government official's roles and responsibilities over public resource accountability, including the Financial Integrity and State Manager's Accountability Act of 1983, Government Code, sections 13400 through 13407 (FISMA), and State Administrative Manual section 20000 (SAM). As with any public resource, departments are responsible for ensuring all funds received, including those passed through to sub-recipients, are used in accordance with laws, regulations, and in the best interest of the public. To do this, departments are required to develop and maintain strong internal controls.

*The ultimate responsibility for good internal control rests with management.*

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<sup>1</sup> See Appendix A for the text of Executive Order S-02-07.

## **Financial Integrity and State Manager's Accountability Act**

Because governments are susceptible to fraud, waste, and abuse, increased attention has been directed toward strengthening internal control to help restore confidence in government and improve its operations. In particular, the Financial Integrity and State Manager's Accountability Act was enacted to inhibit waste of resources and create savings. Government Code (GC) sections 13400 through 13407 describe the Legislative findings, entity responsibilities, and entity reports on the adequacy of internal control.

GC section 13403 defines internal accounting and administrative controls and sets forth the elements of a satisfactory system of internal control. As stated in GC section 13403, internal accounting and administrative controls are the methods through which state entity heads can give reasonable assurance that measures to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Internal accounting controls comprise the methods and procedures directly associated with safeguarding assets and assuring the reliability of accounting data. Internal administrative controls comprise the methods and procedures that address operational efficiency and adherence to management policies.

## **State Administrative Manual, Section 20000**

State entity heads are accountable for activities carried out in their agencies. This responsibility includes the establishment and maintenance of internal accounting and administrative controls. Each system an entity maintains to regulate and guide operations should be documented through flowcharts, narratives, desk procedures, and organizational charts. The ultimate responsibility for good internal control rests with management.

### **Auditors**

The state has a variety of audit resources to *assist* management in assuring that:

- State assets are protected
- Laws and regulations are followed
- Financial and management information is reliable
- Organizations and programs are operating effectively and efficiently

These audit resources include central audit organizations with statewide responsibilities, as well as internal auditors located within many departments. In conducting their reviews, auditors assess management policies and procedures established for executing program operations, conduct a risk assessment of the program operations, review evidence to verify compliance with requirements, and report the results of their work.

Generally Accepted Government Auditing Standards (often referred to as "Yellow Book") describes government auditing as essential in providing accountability to legislators,

oversight bodies, those charged with governance, and the public. Audits provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations, depending upon the type and scope of the audit.”

In addition, there are several audit requirements pursuant to various laws, rules, and regulations, at both the state and federal level. Each department is responsible for understanding and meeting these audit requirements. Further, Executive Order S-02-07 requires all bond proceeds to be subject to audit. This guide focuses on the bond audits performed by the Department of Finance (Finance).

**Executive Order S-02-07**

Bond proceeds shall be subject to audit to determine whether the expenditures made:

- ✓ Were made according to the established front-end criteria and processes
- ✓ Were consistent with all legal requirements
- ✓ Achieved the intended outcomes

# SECTION I: PROJECT ACCOUNTABILITY

*Departments shall be accountable for ensuring that bond proceeds are spent efficiently, effectively, and in the best interests of the people of the State of California.”*

*Executive Order S-02-07*

Effective project accountability includes establishing and communicating clear criteria and expectations and consistently monitoring projects to ensure recipients achieve the intended results. Although programs vary significantly, there are general controls and accountability measures that can be established for all programs.

## PROJECT LIFE CYCLE

There are typically five stages to a project: pre-award, award, interim monitoring, closeout, and post-close monitoring. Executive Order S-02-07 requires departments to develop strong oversight controls over each project stage when awarding and expending bond funds. For programs funded by Proposition 84 and Proposition 1E bond funds, these controls are required to be documented in a Three-Part Accountability Plan (accountability plan). The accountability plan must be approved by Finance prior to expending bond proceeds. See Figure 1, Project Life Cycle, which illustrates a general outline of a project's processes and stages as they relate to the accountability plan. The following sections outline tools and techniques available to departments when administering bond funded projects.

Prior to awarding funds, departments should develop detailed guidelines and procedures for each program addressing the sections discussed herein. Although not applicable to all state programs, departments should also review the various laws, rules, and regulations listed in Appendix B for information on various administrative and program policies and procedures that should be addressed. Additionally, as noted in federal grant monitoring guides, the mantra of grant management is *document, document, and document*. A department's documentation of its project and grantee monitoring efforts helps demonstrate program compliance and good grant stewardship. To assist departments with the documentation processes, this guide (at the end of each grant cycle sub-section) provides examples of documents departments should maintain.

### 3-Part Accountability Plan

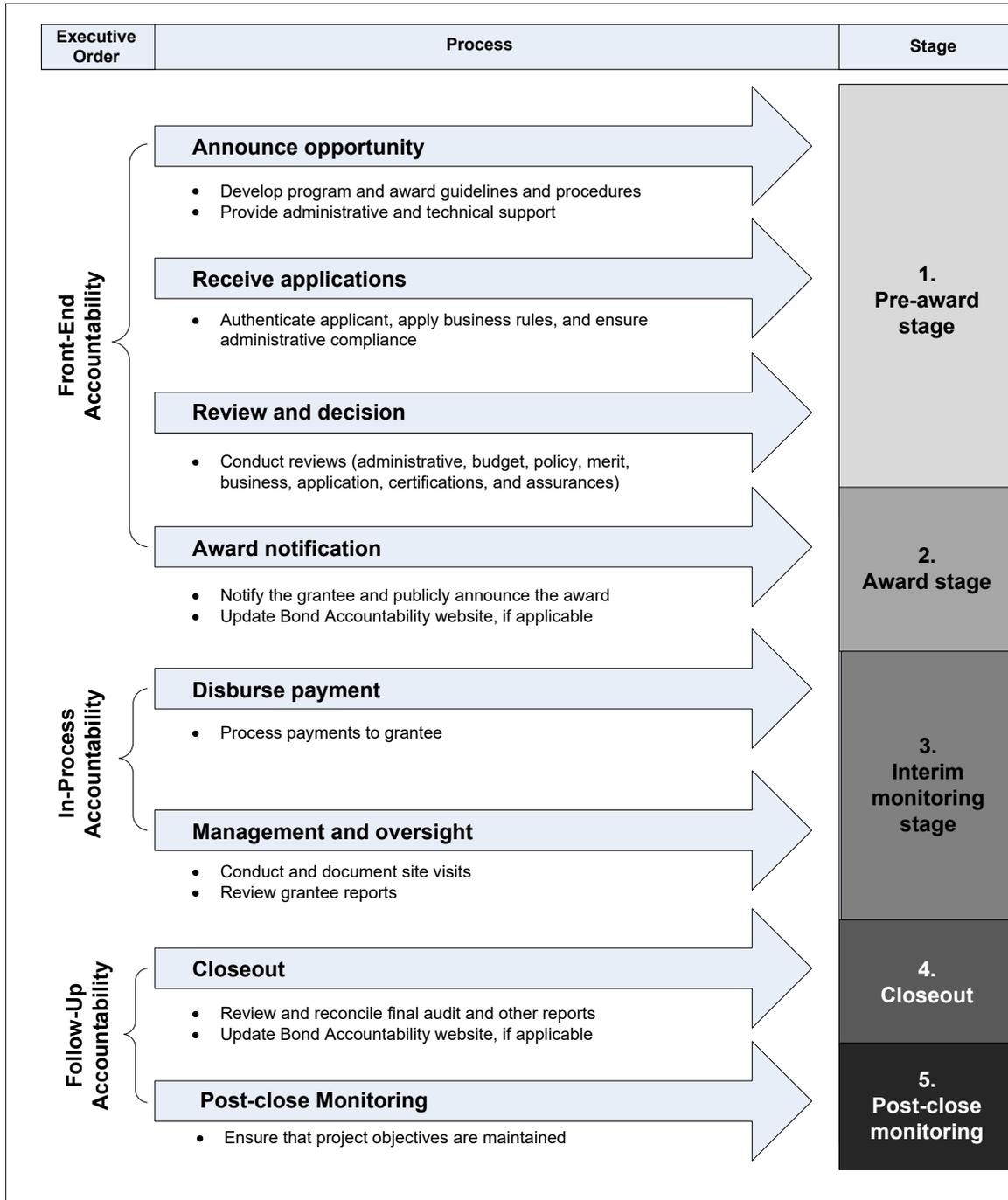
**Front-End** – Create a strategic plan with performance standards for projects prior to expenditure of funds.

**In-Progress** – Document what ongoing actions will be taken to ensure the infrastructure projects or other activities funded from bond proceeds are staying within scope and cost. Additionally, each department shall make semi-annual reports to the Department of Finance to ensure that the projects and activities funded from bond proceeds are being executed in a timely fashion and achieving their intended purposes.

**Follow-Up** – Audit projects to determine whether the expenditures were in line with the goals laid out in the strategic plan.

**Figure 1. Project Life Cycle**

The process is modeled after the U.S. Government Accountability Office’s grant management life cycle and is not an all-inclusive list. Further information can be found from the Domestic Working Group–Grant Accountability Project at: <http://www.ignet.gov/randp/grantguide.pdf>.



## Pre-Award Stage

Prior to awarding projects, policies and procedures should be in place to ensure the bond proceeds are awarded to eligible entities and the proposed projects will meet the program's goals and objectives. This includes developing and updating written guidelines, policies, and procedures to be used in reviewing, selecting, and approving projects. It also includes establishing roles and responsibilities for all staff and department officials involved in the awarding stages, including documenting the merit-review and scoring process. Common pre-award accountability measures include, but are not limited to:

- *Performance Measures* – Develop qualitative or quantitative performance measures that link project activities to program goals and objectives.
- *Types of Awards* – Identify the type(s) of awards available under a specific program and how the applications will be reviewed, including, but not limited to, minimum criteria, scoring process, and ranking procedures. See Appendix C for a Project Scoring Criteria template.
- *Types of Projects* – Identify the type(s) of projects allowable under a specific program and provide examples of allowable or unallowable projects for clarity.
- *Types of Applicants* – Identify the type(s) of organizations eligible to receive funding under a specific program.
- *Application Requirements* – Identify the required information and documents to be submitted. See textbox for examples of application information. Consider developing a checklist<sup>2</sup> of documents required with the application. Checklists can also be used to ensure all administrative and programmatic requirements are met. See Appendices D - K for template examples.
- *Application Review* – Identify criteria and review process to be used when reviewing the applications for completeness and merit. Application reviews should be documented and maintained in the project file.

### Examples of Information to be Gathered in Applications

- ✓ Project goals & objectives
- ✓ Project need
- ✓ Project readiness
- ✓ Proposed timeline, work plan, and budget
- ✓ Other project funding sources
- ✓ Applicant's fiscal resources and capability
- ✓ Funding sources for ongoing operation and maintenance after project close-out

<sup>2</sup> For examples of checklists, see the Natural Resources Agency's *Proposition 84 Grant Guidelines and Application* ([http://resources.ca.gov/grant\\_programs.html](http://resources.ca.gov/grant_programs.html)) or the Department of Conservation's *California Farmland Conservancy Program Application Checklist* ([http://www.conservation.ca.gov/dlrp/cfcp/funding/Pages/request\\_grant\\_app.aspx](http://www.conservation.ca.gov/dlrp/cfcp/funding/Pages/request_grant_app.aspx)).

- *Applicant Review*<sup>3</sup> - Identify the criteria and review process to be followed when assessing the applicant's background, organizational capacity, and financial management system, such as:
  - ✓ *Background* – Gain an understanding of the applicant's organizational structure and size to determine if the applicant will be able to provide adequate oversight and accountability of project expenditures or if additional monitoring of the applicant will need to be provided.
  - ✓ *Financial Management System* – Assess an applicant's capability to track and account for funds. See Appendix L for a Financial Management Systems Questionnaire and the textbox for minimum requirements. Applicants should be able to separately account for all project revenues and expenditures, including match.<sup>4</sup> Additionally, they should also show how actual indirect costs, if allowed, will be reasonably<sup>5</sup> allocated to the project.
- *Pre-award Site Visits* – If feasible, pre-award site visits can be used to get a better sense of a project's feasibility and readiness. Each program has various compliance requirements that may be easier to evaluate during a field visit.

**Minimum Requirements for  
Financial Management Systems**

At a minimum, applicants should be able to perform the following:

- Identify actual expenditures and matching funds by project and budget line item.
- Maintain adequate supporting documents (e.g., purchase orders, invoices, canceled checks, etc.) for expenditures and matching funds.
- If indirect costs are allowable, provide a copy of their cost allocation plan or indirect cost rate proposal.

<sup>3</sup> For more information and examples, review the National Science Foundation's *Prospective New Awardee Guide* ([http://www.nsf.gov/pubs/2005/nsf0529/guide05\\_29.pdf](http://www.nsf.gov/pubs/2005/nsf0529/guide05_29.pdf)) or the U.S. Environmental Protection Agency's *Policy on Assessing Capabilities of Non-profit Applicants* ([http://www.epa.gov/ogd/grants/award/5700\\_8.pdf](http://www.epa.gov/ogd/grants/award/5700_8.pdf)).

<sup>4</sup> For detailed information, review the Tennessee Comptroller of the Treasury – Division of Municipal Audit's *Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee* available at: <http://www.comptroller1.state.tn.us/ma/finreptmanual.asp>.

<sup>5</sup> See the State Administrative Manual Chapter 9200 for additional information on cost allocation methodologies and documentation at: <http://sam.dgs.ca.gov>.

Pre-award documentation should include, but is not limited to:

- Checklist of documents submitted with application.
- Completed application package (should correspond with checklist).
- Results of application package review, including merit evaluation, scoring sheet, etc.
- Results of pre-award site visits.
- Photos of proposed project site.

## Award Stage

All agreements should include clear terms and conditions as well as detailed work plans and budgets. A well developed grant agreement provides the essential framework for project accountability. When agreements are not well written or budgets are not detailed enough, departments will encounter difficulties when trying to ensure projects are meeting goals and expending funds as intended. Departments should develop standard grant terms and conditions<sup>6</sup> and include specific program language as required. Common terms and requirements include, but are not limited to:

- *Types of Agreements* – Identify the type(s) of agreements (e.g., grant agreement, interagency agreement, contract, loan, etc.) that may be used to provide funding.
- *Scope of Work* – Work plans should include project milestones, tasks, and final deliverables with specific due dates.
- *Detailed Budget* – Budgets provide an itemized cost breakdown associated with each task or activity. Detailed project costs include staff salaries, fringe benefits, materials, supplies, travel, equipment, subcontracts, indirect costs, and match. These budget line items should tie to the grant agreement tasks and deliverables. See Appendix M for a

### Grant Agreement Requirements

- ✓ Scope of work
- ✓ Detailed budget
- ✓ Cost principles – allowable & unallowable costs
- ✓ Matching requirements
- ✓ Program income – including project revenue
- ✓ Project reporting – in-progress and final
- ✓ Subcontracts & consultants
- ✓ Continuing responsibilities after project close-out
- ✓ Audit Requirements
- ✓ Record retention
- ✓ Other statutory & bond act requirements

budget detail worksheet example. Proposed budgets should be reviewed to ensure all proposed costs are allowable, reasonable, and can be adequately supported. In addition, the agreement and budget should specifically detail the maximum amount allowed for indirect project costs, including the types of expenditures allowed and the type of supporting documentation required. Furthermore, the agreement terms should specify the percentage that may be shifted between budget line items and when prior written approval is needed prior to any shifts in budget line items being made.

- *Matching Requirement* – Specify match requirements – how much is required, what types of sources and expenditures are allowable, and any exceptions. Requiring match allows bond funds to be maximized and provides some assurance that the recipient and

<sup>6</sup> State Contracting Manual (SCM) Chapter 2, The Basic Contracting Process contains information related to elements of a valid contract and standard contract provisions required in interagency agreements and contracts. Although grants are not subject to SCM, it is a resource for best practices. SCM is available at: <http://www.dgs.ca.gov/ols/Resources/StateContractManual.aspx>.

community will have a vested interest in the project beyond the agreement term. Generally, other state funding sources should not be considered as an allowable source of matching funds. See Appendix N for a Match Contribution Form example.

- *Subcontracting* – Specify contracting laws and procurement methods to be followed (e.g., competitively bid, sole source, etc.).
- *Audit Provision* - Grant agreements should contain provisions requiring grantees to provide the administering department and auditors access to all project related documents, including fiscal and programmatic materials. The agreement should also outline any record retention requirements.
- *Other Statutory and Bond Act Requirements* – Specify all applicable statutory and bond act requirements.

Award documentation should include, but is not limited to:

- Copy of original signed agreement with all exhibits or attachments.
- Notice or letter to commence work.

### Interim Monitoring Stage

Bond funds should be expended only for intended purposes as stated in the agreement and in accordance with all applicable laws and regulations. When monitoring progress, departments are addressing whether 1) project expenditures, including match, are allowable and adequately supported, and 2) progress is in-line with established tasks and milestones.

Departments can use several tools during in-progress project monitoring including reviewing reimbursement requests and periodic progress reports, conducting site visits, reviewing external audits (e.g. single audits), and performing desk reviews or interim audits prior to project completion. These ongoing monitoring tools help identify potential problems early. Given the large number of projects managed by some departments, identifying and prioritizing at-risk projects and/or grant recipients should be considered by department management as part of its grant management process.

State Contracting Manual (SCM)<sup>7</sup> Chapter 9, Contract Management provides information on responsibilities of a contract manager, recordkeeping, and retention of contract records. Although grants are not subject to the SCM, it is a resource for best practices. Common interim monitoring procedures include, but are not limited to:

- *Project Tracking System* – Develop a project tracking system to adequately manage and track projects. If applicable, this information should be used to report bi-annual project status on the Bond Accountability Website. Reconciliations of expenditures between the project tracking system and accounting records should be regularly performed to ensure all financial information is accurate, complete, and up-to-date.

#### Information to Include in a Project Tracking System

- Identification number
- Recipient name
- Project name and description
- Grant agreement term
- Grant amount
- Total amount expended
- Other project funding sources
- Match amount
- Project status (e.g., open, closed)
- Funding source and program name
- Project location
- Department/program contact information

<sup>7</sup> SCM is available at: <http://www.dgs.ca.gov/ols/Resources/StateContractManual.aspx>.

- *Reimbursement Request* – Create a standard reimbursement request form, such as the one in Appendix O. In addition, provide instructions on completing and submitting forms and types of expenditures that are allowable or unallowable<sup>8</sup>. Specify the required source documents to be submitted in order to receive reimbursement. Develop a checklist for department staff to use when reviewing reimbursement requests for payment approval. See textbox for examples. Departments should spend additional time reviewing the first reimbursement request in detail to ensure recipient’s understanding of allowable and unallowable project costs. Waiting to identify unallowable costs at project close-out or during an audit usually requires the grantee to repay reimbursed amounts. Identifying unallowable project costs early provides timely notice to the grantee to discontinue incurring ineligible costs and minimizes the potential fiscal burdens for the grantee.
- *Progress Reports* – Recipients should submit periodic progress reports detailing project progress, including fiscal status, degree of completion, and challenges. See Figure 2 below for a Progress Report Template. If unable to perform site visits, progress reports are critical in determining whether a recipient is remaining within scope and budget, encountering difficulties, or is unable to complete agreed upon deliverables. In some cases, digital pictures of projects can be e-mailed by recipients to demonstrate project progress when site visits are not feasible.

<p style="text-align: center;"><b>Reimbursement Request Reviews</b></p> <p>Verify all expenditures are:</p> <ul style="list-style-type: none"><li>✓ Actual – not estimated</li><li>✓ Allowable</li><li>✓ Within Budget</li><li>✓ Adequately supported</li><li>✓ Mathematically accurate</li></ul>
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<sup>8</sup> Although not required for state programs, departments should review OMB Circulars A-21, A-87, and A-122 for guidance on eligible and ineligible expenditures. OMB Circulars can be found at: <http://www.whitehouse.gov/omb/circulars>.

## Figure 2. Progress Report Template

<b>Recipient Name:</b>	<b>Progress Report #:</b>
<b>Agreement Number:</b>	<b>Date Report Submitted:</b>
<b>Agreement Term:</b>	<b>Reporting Period:</b>

**Summary:** Briefly summarize work completed since last report.

**Deliverables or Outcomes:** Refer to workplan/budget and list deliverables or outcomes initiated or completed. Provide details of accomplishments during reporting period. Include specific information about the progress (i.e., degree of completion) of achieving each deliverable or outcome to be completed under the agreement.

**Task/Budget Details:** Compare actual costs to date with the budget.

PROJECT BUDGET CATEGORIES	Budgeted Amounts	Actual Amounts Expended
<b>GRAND TOTAL</b>		

**Schedule:** Is the project on schedule according to the workplan? If not, what is not on schedule and why?

**Challenges:** Did organizational, staffing, construction, or financial challenges or changes arise during this reporting period? If so, explain the effects they may have on the project.

**Future Plans:** What do you plan to accomplish in the next quarter? Are there any anticipated changes to the workplan? Will you be able to stay on schedule and within the approved budget?

**Other:** Describe any new or upcoming opportunities, significant events, and activities involving the organization. These may or may not be directly related to the project workplan.

**Administrative Updates:** Have there been any changes to the address, project staff, or agreement signatories this quarter?

**Attachments:** List any relevant attachments to this report, including construction photographs, news articles, fliers, etc. If there are any lengthy documents or workplan deliverables, copy them to a CD (send no hard copies) and list them below.

I certify that this Quarterly Progress Report is accurate and that this project is in compliance with the agreement. I further certify that any expenditure discussed in this report is allowed under the agreement and that all funds were expended for the purposes of the project.

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

*Note: This template was developed from the California Cultural and Historical Endowment's Round 4 Sample Grant Agreement (<http://www.library.ca.gov/grants/cche/letterandlinks.html>) and the Sierra Nevada Conservancy's Progress Report Template (<http://www.sierranevada.ca.gov/sncgrants/managing-your-grant>).*

- *Withholding Retention* – Withholding a retention helps ensure recipients will complete a project as intended. The final amount of the award is withheld until all agreement components have been fully and satisfactorily completed. Ten percent is the amount that is generally used for the retention.
- *Match Requirement* – The source(s) and type(s) of match should have been identified and verified during the pre-award process in the applicant’s proposed budget and finalized during the award process in the agreement. Match should be reviewed and approved in the same manner as reimbursements.
- *Site Visits* – If feasible, conduct site visits to ensure recipients are remaining within scope and cost. During site visits, departments can ask the same type of questions included in the Progress Report in Figure 2 above. Results of all site visits should be documented and filed.
- *Amendments and Modifications* – Develop standard request forms to extend the agreement term or modify budgeted amounts. Requiring recipients to complete a standard request form for extensions and modifications ensures all changes made are adequately documented, approved, and tracked.
- *Reporting Requirements* - Departments are also responsible for ensuring all in-progress bond reporting requirements are met. See Appendix P for a list of reporting requirements.

Interim-monitoring documentation should include, but is not limited to:

- Request for advances with written justification and approval.
- Completed, reviewed, and approved reimbursement requests.
- Supporting documents for expenditures, matching funds, and interest earned.
- Results of site visits performed, if applicable.
- In-progress project photos, if applicable.
- Signed and approved progress reports.
- All agreement amendments and modifications.
- Relevant communications with the recipient, including phone logs, emails, etc.

## Close-out Stage

Once a project has been completed, ensure all project deliverables have been met prior to closing out the project. In some cases, grants require continued responsibilities such as ongoing operation and maintenance. Developing a close-out checklist with all the documents a recipient needs to provide and all the steps the department’s staff needs to complete prior to closing a project will assist in the close-out process. Common close-out procedures include, but are not limited to:

- *Final Report* – Final reports are critical in determining whether a recipient remained within scope and budget and whether the deliverables were completed as intended. Recipients can also report their project achievements and challenges. Final reports serve as an essential tool to document the department’s final close-out results. In some cases, departments require certificates of completion from their recipients. See Appendix Q for a Final Report example.
- *Final Site Inspection* – If feasible, conduct a final site inspection prior to closing out a project to ensure all project deliverables have been met. The results of the inspection should be documented. When managing large numbers of projects, departments should focus their site visits to those projects identified and prioritized as high-risk.
- *Final Payment and Retention Release* – Recipients should request final payment and release of retention following the same process and form as a regular payment request.

Final payment and release of retention should be reviewed and approved after all items on the closeout checklist have been completed.

- *Returned Grant Funds* – If bond grant funds are returned by the grantee, departments are required to immediately report certain information to the State Treasurer’s Office. See Appendix R for specific requirements.
- *Memorandum or Notice of Unrecorded Grant Agreement* – If applicable, record a memorandum or notice of unrecorded grant agreement (MOUGA or NOUGA) for all land acquisitions to protect the state’s interests. See Appendix D for a MOUGA example.
- *Operation and Maintenance Agreement* – If applicable, the operation and maintenance agreement should be submitted for approval as the project nears completion and be approved prior to the project being closed out and retention being released.

Close-out documentation should include, but is not limited to:

- Documentation of result of final site inspection performed, if applicable.
- Photos of completed project, if applicable.
- Signed and approved final report submitted.
- Completed, reviewed, and approved final payment request and release of retention with supporting documentation.
- Recorded MOUGA , if applicable.
- Approved operation and maintenance agreement, if applicable.

### Post-Close Stage

Once a project has been completed and closed-out, departments and recipients need to ensure it continues to comply with the agreement’s intended purpose and when applicable, the operation and maintenance agreement. Post-close procedures and guidelines include, but are not limited to:

- *Annual Monitoring Report* – Recipients should report any changes to the project or challenges in meeting their continued responsibilities and in implementing any operation and maintenance agreements. See Appendix S for an Annual Monitoring Report example. If unable to perform site visits, an annual monitoring report becomes critical in determining whether the recipient is maintaining the project as stated in the agreement and continues to meet their continued responsibilities.
- *Annual Monitoring Visits* – If feasible, conduct periodic monitoring visits to ensure projects are properly maintained and continue to comply with the agreement’s intended purpose. Results of all site visits should be documented. In some cases departments administer a large number of project sites. As a result, departments may need to identify and prioritize at-risk projects and/or grant recipients to determine which site visits to perform. Departments have also incorporated the use of satellite imagery, such as Google Earth, to assist in its monitoring efforts.

Post-close monitoring documentation should include, but is not limited to:

- Results of annual monitoring visits performed.
- Annual project photos.
- Signed and approved annual monitoring reports.
- Updates on status of corrective actions planned or taken if project was not in compliance with the agreement purpose.

## **BONDS RECORD RETENTION**

For specific information on bonds record retention, review the State Treasurer's Office memos dated July 2, 2008 and February 9, 2009 included in Appendix T. Also, see Appendix U for a records retention checklist for all bond programs.

## SECTION II: A GUIDE TO PROJECT AUDITS

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### AUDIT PROCESS

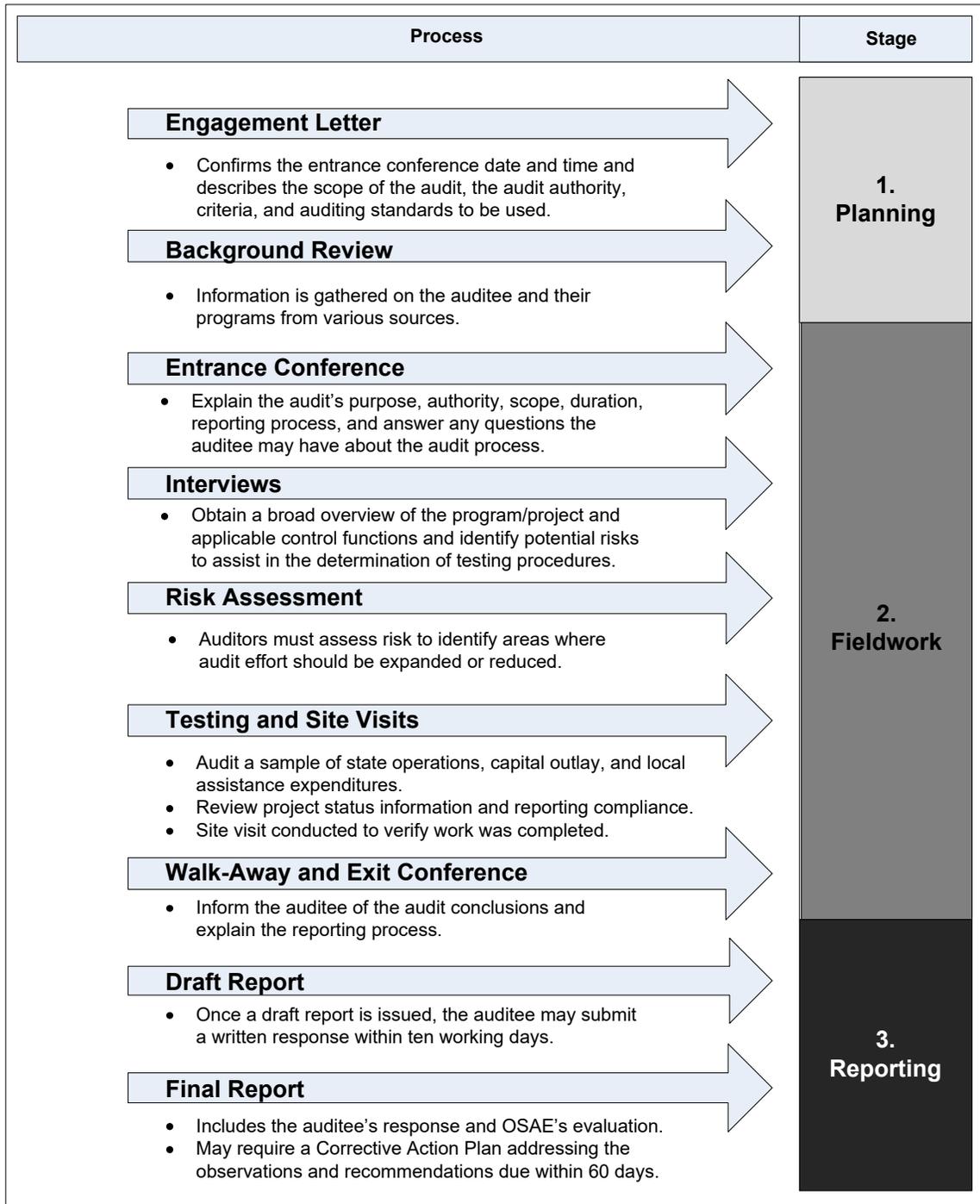
The Department of Finance, Office of Audits and Evaluations (Finance), performs audits pursuant to the Executive Order S-02-07. There are two primary types of audits performed: 1) department audits and 2) project/grant audits. The audits are conducted in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States. The audit objectives include determining whether:

- Awards and expenditures are in compliance with applicable laws, regulations, and established criteria.
- Bond-funded projects are adequately monitored to ensure they stay within scope and cost.
- Projects achieved the intended outcomes.

The general audit process consists of planning, fieldwork, and reporting as illustrated in Figure 3. During planning, auditors review and assess policies and procedures to determine if they are adequate to execute program operations and safeguard bond funds. In addition, auditors assess risk to identify areas where audit efforts should be expanded or reduced. Factors affecting risk depend on the objectives of the audit and include, but are not limited to: adequacy of the control environment, oversight by state departments, prior audits, materiality, program complexity, known errors, staff turnover, experience level, and organizational policies.

During fieldwork, interviews are conducted, records and documents are examined, and operations are observed at both the department and the recipient sites. Government auditing standards require auditors to plan the audit, evaluate internal controls, perform substantive tests, and gather and evaluate evidence. Lastly, audit results are reported and the auditee is allowed to respond to the audit observations and recommendations. The responses are incorporated into a final report which is subsequently posted to the Finance public website and bond accountability website.

**Figure 3. General Audit Process**



The following sections provide further details on interviews, internal controls, various testing procedures, and corrective action plans.

## **Interviews**

The objective of interviews is to obtain a broad overview of the program/project and applicable control functions. The interviews may also identify potential risks and will assist in the determination of testing methodologies. The following information may be obtained during interviews:

- History and purpose of the program, project, or organization.
- Mission critical objectives and operations.
- Other programs, projects, or organizations that interface.
- Program or organization budget and funding sources.
- Staffing levels.
- Program or organization operations.
- Records maintained, including location(s).
- Any major challenges encountered.
- Results of prior audits/reviews and corrective actions taken.

## **Internal Controls**

Various organizations, including the United States Congress, the Securities and Exchange Commission, the American Institute of Certified Public Accountants (AICPA), the American Accounting Association, the Institute of Internal Auditors, and others, have devoted considerable attention to the processes and activities that make up systems of internal control.

Outstanding among these organizations is the work of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The concepts presented in their landmark publication, *Internal Control – Integrated Framework*<sup>9</sup>, have been incorporated into standards promulgated by the AICPA and the Government Accountability Office (GAO).

An effective internal control system will provide reasonable assurance that the following objectives are being achieved:

- Goals align with and support the organization's mission.
- Operations are effective and efficient.
- Financial reporting is reliable.
- Organization complies with applicable laws and regulations.

Internal controls include policies and procedures for planning, organizing, controlling, and reporting on agency operations. Examples of internal controls are a process for the review and approval of accounting transactions and a process to periodically reconcile accounting records. Adequate controls should be in place for project administration, including the financial and program areas. Effective internal controls assure projects are

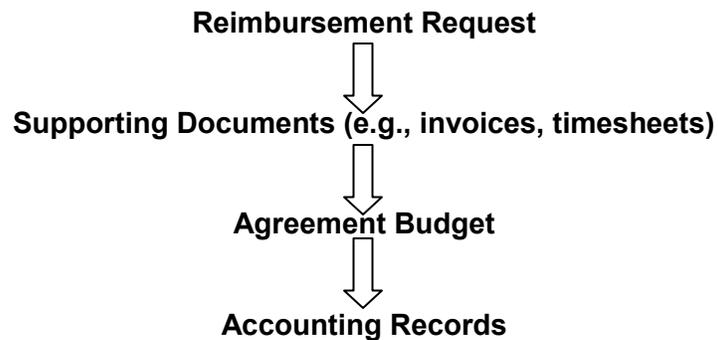
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<sup>9</sup> Available from the AICPA at <http://www.cpa2biz.com>. Also available, *Standards for Internal Controls in the Federal Government* at <http://www.gao.gov>, report number GAO/AIMD-00-21.3.1 which interprets the internal control guidance from COSO in a government environment.

awarded to eligible recipients, projects are properly monitored, and funds are used for intended purposes<sup>10</sup>.

## Testing

A sample of program and project expenditures/disbursements will be audited for accuracy and compliance with regulatory or agreement requirements. An adequate audit trail, as illustrated below, should be maintained by departments and recipients to support claimed bond expenditures (including match funds). See Appendix V for sample documents requested during testing.



Additionally, because several bond acts require specific project reporting, project status information and reporting compliance is verified. Specifically, management's policies and procedures regarding project status reporting will be reviewed including completeness, accuracy, and timeliness of the information provided on public websites, such as the Bond Accountability website, if applicable.

## Expenditure Categories

The objective of expenditure testing is to determine if claimed costs are eligible and adequately supported by documentation. Expenditure categories reviewed at the department and recipient levels include, but are not limited to, salaries and wages, fringe benefits, administrative, overhead, indirect, travel, contractors and consultants, equipment, and match.

## Salaries and Wages

Compensation for personal services (e.g., salaries, wages, and fringe benefits) includes all compensation paid by the organization for services of employees rendered during the agreement term. The expenditures are allowable to the extent that the total compensation for individual employees is reasonable for the services rendered and supported. The salaries and wages claimed should be based on actual costs incurred and if a labor burden is included, it should be the actual cost of labor and should not include any mark-up or profit. See *Fringe Benefits* and *Indirect Costs* for further

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<sup>10</sup> For detailed information on establishing internal controls, review the Tennessee Comptroller of the Treasury – Division of Municipal Audit's *Internal Control and Compliance Manual for Tennessee Municipalities* available at: <http://www.comptroller1.state.tn.us/ma/citymanual.asp>.

information. Also, see Office of Management and Budget Circulars A-87 and A-122<sup>11</sup> for guidance on adequate documentation of tracking and distributing salaries and wages to projects.

When testing salaries and wages, the following procedures may be performed:

- Obtain duty statements for staff charged to the project and verify they are authorized under the agreement.
- Verify all staff time charged to the project occurred within the agreement term.
- Verify amount and hours claimed in the reimbursement request agree with the project's general ledger and the employee's timesheet, respectively.
- Verify reimbursement claims by using the employee's timesheet, multiplying the total number of hours worked for the month by the hourly rate and verifying the total agrees with the payroll register.
- Verify the actual salary paid to employees is the amount claimed by tracing the disbursement to the general ledger, bank statement, and cancelled checks.

### **Fringe Benefits**

Fringe benefit costs are allowable, provided such costs are in proportion to the relative amount of time or effort actually devoted to the project. Costs include:

- Holidays, vacation, sick leave.
- Actual employer contributions or expenses for social security, employee insurance, workmen's compensation insurance, pension plan costs.

See Office of Management and Budget Circulars A-87 and A-122 for guidance on adequate documentation of tracking and distributing fringe benefits to projects.

When testing fringe benefits, the following procedures may be performed:

- Review documentation (e.g., audit reports, general ledgers, payroll distributions, etc.) and analyze the relationship of fringe benefits to salaries.
- Verify all fringe benefits charged to the project occurred within the agreement term and are related to staff working on the project.
- Verify the proportion of fringe benefits charged monthly is in compliance with the agreement percentage and that supporting documents exist if fringe benefits are based on an allocation percentage.
- Trace payment to vendor invoices (e.g., medical, dental, pension, worker's compensation, etc.) if fringe benefits claimed are comprised of direct payments.

### **Indirect Costs**

Indirect costs are costs that have been (1) incurred for common or joint objectives and (2) cannot be readily identified with a particular project or program. Indirect costs should have a maximum amount or percentage allowed stated in the agreement budget as a separate line item. These costs should not be included as direct costs. See Office of Management and Budget Circulars A-87 and A-122 and the State Administrative Manual sections 8752.1 and 9200 for further information.

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<sup>11</sup> Circulars are available at: [http://www.whitehouse.gov/omb/circulars\\_default](http://www.whitehouse.gov/omb/circulars_default).

When testing indirect costs, the following procedures may be performed:

- Review cost allocation plan or indirect cost rate proposal.
- Verify reimbursed amount does not exceed the budgeted amount or percentage.
- Verify amounts charged to the project are supported by actual expenditures incurred within the agreement term.
- Determine what cost pools are included in the allocation and whether the cost pools are allowable.
- Verify expenditures allocated to the project are reasonable compared to the recipient's overall administrative expenditures.
- Verify mathematical allocation of indirect costs to bond project (e.g. based on direct labor costs, etc.)

## **Travel**

Travel expenses directly related to the project include per diem, transportation, and related business expenses.

When testing travel expenditures, the following procedures may be performed:

- Verify all travel expenditures are for staff working on the project, allowable under the agreement, and occurred within the agreement term.
- Review supporting documents such as travel request and approval forms, expense claims, invoices, and receipts for lodging and transportation.
- If applicable, verify state per diem rates are followed when claiming expenditures and no unallowable expenditures were claimed (e.g., entertainment and alcoholic beverages).

## **Contractors and Consultants**

Contractor and consultant expenditures are allowable if work to be completed or services to be provided are specified in the grant agreement and are consistent with the agreement work plan and budget. Contracts should be in writing and follow all applicable contracting laws and allowable procurement methods.

When testing contractor and consultant expenditures, the following procedures may be performed:

- Determine how the contractor or consultant was selected for the project.
- Obtain and review the contract between the recipient and the contractor or consultant to verify services to be provided are consistent with the agreement.
- Verify all contractor or consultant expenditures were incurred within the agreement term and allowable under the agreement budget.
- Review supporting documents such as invoices, receipts, timesheets, and cancelled checks.
- Determine how the recipient verifies the contractor or consultant completed the work as stated and has not also claimed the expenditures under another award/grant.
- Verify costs (and profits, if applicable) are reasonable and billed in accordance with the agreement.

## **Equipment**

Equipment, as defined by OMB Circular A-21 and A-87, means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established for financial statement purposes or \$5,000. Equipment purchases or rentals are allowable if specified in the agreement as being required for the completion of the project or written approval is provided by the awarding department. Justification for either renting or purchasing equipment should be maintained and the disposition of purchased equipment after project completion should be stated in the agreement.

When testing equipment expenditures, the following procedures may be performed:

- Review program guidelines and agreement to determine if equipment should be rented or purchased for the project and what equipment is allowable.
- Review justifications for renting or purchasing equipment, if required.
- Verify all equipment was rented or purchased within the agreement term.
- Review supporting documents such as purchase orders, invoices, receipts, canceled checks, and receiving reports.
- Verify physical existence of purchased equipment and that all equipment is recorded as purchased for specific project use and used only for the project.
- Verify that equipment was not reimbursed by another funding source.

## **Match**

Some programs have a match requirement, which requires recipients to contribute resources to the project that equal or exceed a predetermined percentage of the award. Match may be in the form of cash or in-kind contributions. Matching funds means funds made available by non-state sources, which may include, but are not limited to, donated services from non-state sources. In-kind match is the value of non-cash contributions and may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.

When testing match, the following procedures may be performed:

- Review the program guidelines and agreement to determine how much match is required and the composition and classification of matching funds (e.g., cash and/or in-kind contributions).
- Determine what other funding sources were obtained to complete the project and verify funds or services were provided and tracked separately by the recipient.
- Verify match is made during the agreement term, if applicable.
- Verify match is at least equal to the agreement required amount or percentage of total eligible project expenditures.
- Review supporting documents such as other funding agreements, general ledgers, invoices, receipts, timesheets, and cancelled checks.

## **Final Deliverables**

Grant agreement deliverables will be verified during fieldwork. All progress reports and final reports will also be reviewed to verify they were completed in accordance with the agreement, if required, and work reported as completed corresponds with the expenditures claimed. Items such as various feasibility studies, engineering, architectural, or construction documents for planning projects or public notifications, handouts, and attendance sheets for education and outreach projects will be reviewed to verify services were provided and completed. Depending on the project type, a site visit may be conducted to verify:

- ✓ Project existence.
- ✓ Work was completed and all deliverables were met.
- ✓ Project requirements were met in accordance with the agreement.

## **Audit Reports and Corrective Action Plans**

For department audits, Finance requests a detailed Corrective Action Plan (CAP) addressing all observations and recommendations within 60 days from receipt of the final audit report. See Appendix W for a CAP format example. The CAP should include milestones and target completion dates and address the following:

- Audit observations and recommendations.
- Corrective action(s) taken or proposed corrective action(s) to be taken.
- Date(s) corrective action was taken or will be taken.

The CAP must be updated and submitted every six months until all corrective actions are completed. Finance will annually report each department's progress to the California Natural Resources Agency. Additionally, pursuant to Public Resources Code section 75079, the Citizen's Advisory Committee will review the annual audit report to identify and recommend necessary actions to ensure compliance by administering departments and agencies.



## Office of the Governor

ARNOLD SCHWARZENEGGER  
THE PEOPLE'S GOVERNOR

### **EXECUTIVE ORDER S-02-07**

**1/24/2007**

WHEREAS in the 1950s and 1960s, Californians made a phenomenal investment in the State's highways, water supply systems, schools and universities providing the infrastructure that is now the foundation of the eighth largest economy in the world; and

WHEREAS in the 1950s the State's population was about 13 million, but is now approaching 38 million, and over the next two decades it will increase by another 23 percent; and

WHEREAS the infrastructure investments of a half century ago are showing their age and straining to support a vibrant economy and population much larger than they were designed to accommodate; and

WHEREAS a massive infusion of new infrastructure investment is necessary to ensure the State's high quality of life and California's position as a global economic powerhouse; and

WHEREAS on November 7, 2006 the people of California approved a \$42.7 billion Bond package to partially fund the first phase of an historic twenty-year California Strategic Growth Plan that is intended to build a prosperous future for our children and grandchildren; and

WHEREAS I am proposing an additional \$43.3 billion of Bond funding to complete the first phase of the Strategic Growth Plan; and

WHEREAS it is the obligation of State government to ensure that the foresight and commitment shown by the voters results in the high quality infrastructure future which they support; and

WHEREAS the essence of that obligation is for State government to be accountable to the people for how Strategic Growth Plan Bond proceeds are spent; and

WHEREAS that accountability consists both of ensuring that Bond expenditures contribute to long-lasting, meaningful improvements to critical infrastructure, and providing the public with readily accessible information about how the Bonds they approved and are paying for are being spent.

NOW, THEREFORE, I ARNOLD SCHWARZENEGGER, Governor of the State of California, by the virtue of the power and authority vested in me by the Constitution and laws of the State of California, do hereby issue this Executive Order to become effective immediately:

1. All agencies, departments, boards, offices, commissions and other entities of State government (hereinafter referred to "departments") that are responsible for expending the proceeds of already authorized and future State general obligation Bonds and lease revenue Bonds shall be accountable for ensuring that those Bond proceeds are expended in a manner consistent with the provisions of either the applicable Bond Act and the State General Obligation Bond Law or laws pertaining to State lease revenue Bonds and all other applicable State and federal laws. In addition, departments shall be accountable for ensuring that Bond proceeds are spent efficiently, effectively and in the best interests of the people of the State of California.
2. Each department shall establish and document a three part accountability structure for the Strategic Growth Plan Bond proceeds.

#### Front-End Accountability

Each department shall follow criteria or processes that will govern the expenditure of Bond Funds, and the outcomes that such expenditures are intended to achieve. Such criteria and outcomes must be defined in, or derived from, one or more of the following:

- \* Requirements of State or federal law.
- \* Regulations defining the basis upon which Bond proceeds are to be allocated for a program administered by the department.
- \* A strategic plan for implementing the mission of the department or the pertinent program funded by Bond proceeds. Such a strategic plan shall have been duly adopted by the executive officer or governing body of the department and be available to the public.
- \* A capital outlay program that identifies departmental infrastructure needs and delineates Projects or strategies for addressing those needs. Such a program shall have been duly adopted by the executive officer or governing body of the department and be available to the public.
- \* Performance standards or outcome measures duly adopted by the executive officer or governing body of the department and available to the public. All Projects, grants, loans or other expenditures of Bond proceeds must be made consistent with these criteria and processes. In addition, each department shall prepare a list of all Projects, grants, loans or other Activities funded from Bond proceeds that will be made available to the public.

#### In-Progress Accountability

Each department shall document what ongoing Actions it will take to ensure that the infrastructure Projects or other permissible Activities funded from Bond proceeds are staying within the scope and cost that were identified when the decision was made to fund the project or Activity. Each department shall make semi-annual reports to the Department of Finance (Finance) of these Actions to ensure that the Projects and Activities funded from Bond proceeds are being executed in a timely fashion and achieving their intended purposes.

#### Follow-Up Accountability

Department expenditures of Bond proceeds shall be subject to audit to determine whether the expenditures made from Bond proceeds:

- \* Were made according to the established front-end criteria and processes.
- \* Were consistent with all legal requirements.
- \* Achieved the intended outcomes.

Departments shall Contract with Finance for the performance of these audits unless alternative audit arrangements are made with the concurrence of Finance.

3. By March 1, 2007, each department shall submit its three part accountability structure as delineated in paragraph 2 above to Finance for review. Finance shall determine the reasonableness of the structure and ensure its consistency with this Executive Order. No department shall expend Bond proceeds until Finance has determined that the department's plan is adequate. However, Finance may authorize a department to expend Funds for up to four months prior to approval of its accountability structure in extraordinary cases for an established program for which Bond proceeds are continuously appropriated by the terms of a Bond measure, or when the necessity of a department's governing board meeting schedule will make the March 1 date an unattainable deadline.

4. Finance shall establish a web site to provide the public with readily accessible information on how proceeds of State general obligation Bonds and lease revenue Bonds are being utilized. The web site shall include:

- \* The three part accountability structure for each department.
- \* A listing of the Projects, programs or other authorized Activities being funded under the provisions of each general obligation Bond Act and a description of each project funded through State lease revenue Bonds, and the amounts expended for each.
- \* The ongoing in-progress Actions being taken to ensure that Bond-funded Projects and Activities are remaining within scope and cost.
- \* The results of the completed Projects, programs or other authorized Activities funded from State general obligation and lease revenue Bond proceeds.

Each department shall provide Finance the information necessary to support this web site in the form and time frame determined by Finance.

IT IS FURTHER ORDERED that State agencies and departments shall cooperate in the implementation of this Order. Other entities of State government not under my direct executive authority, including the California Public Utilities Commission, the University of California, the California State University, California Community Colleges, constitutional officers, and legislative and judicial branches are requested to assist in its implementation.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its departments, agencies, or other entities, its officers or employees, or any other person.

I FURTHER DIRECT that as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 24th day of January 2007.



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## Laws, Rules, and Regulations

- General Obligation Bond Law – Government Code section 16720 et. seq.
- Executive Order S-02-07<sup>12</sup> (see Appendix A)
- Specific Bond Act (<http://www.leginfo.ca.gov>)
- Specific Department and Program Enabling Statutes (<http://www.leginfo.ca.gov>)
- State Administrative Manual (<http://sam.dgs.ca.gov>)
- Financial Integrity and State Manager's Accountability Act (FISMA) (<http://www.dof.ca.gov/osae/fisma/>)
- State Contracting Manual (<http://www.dgs.ca.gov/ols/Resources/StateContractManual.aspx>)
- CALSTARS Procedures Manual Volume 1, Chapter 19, Internal Controls (<http://www.dof.ca.gov/html/calstars/cpm.htm>)
- State Treasurer's Office records retention requirements (see Appendix T)
- U.S. Office of Management and Budget (OMB) Circulars ([http://www.whitehouse.gov/omb/circulars\\_default](http://www.whitehouse.gov/omb/circulars_default))
  - A-21 – Cost Principles for Educational Institutions
  - A-87 – Cost Principles for State, Local, and Indian Tribal Governments
  - A-102 – Grants and Cooperative Agreements With State and Local Governments
  - A-110 – Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
  - A-122 – Cost Principles for Non-Profit Organizations
  - A-133 – Audits of States, Local Governments, and Non-Profit Organizations

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<sup>12</sup> Directed the Department of Finance to create a website for the public to readily access information on how bond proceeds are being utilized. The Bond Accountability website can be accessed at: <http://www.bondaccountability.ca.gov/>.

## Project Scoring Criteria Template

Applicant Name:		Reviewer Name:
Project Name:		Date Reviewed:
Applicants must score __% (__ points) of __ points to be considered for funding.		
Points		Description
Possible	Assigned	
General Criteria		
		<p><b>NEED</b> = Project proposal clearly and convincingly describes and demonstrates why it should be funded.</p> <ul style="list-style-type: none"> <li>• Describe and document need. Support existence of need with data from surveys, maintenance reports, studies, etc.</li> <li>• Why does the organization need this project? If the project is approved, how would it benefit the organization?</li> <li>• What is the overall need locally or regionally? How would California or your community benefit from the funding? (e.g., clean-up of environmental hazards, decrease risk to public health and safety, increase efficiency, conservation of natural resources, usage by the public, etc.)</li> <li>• What will happen if the project does not receive funding?</li> <li>• List past funding received from this department and any relationship to this proposal.</li> <li>• Any additional -Need” requirements identified in the application.</li> </ul>

		<p><b>GOALS AND OBJECTIVES</b> = Describe what you wish to accomplish by completing this project. Measurable target(s) that must be met on the way to attaining your goal.</p> <ul style="list-style-type: none"> <li>• What are the goal(s) and objective(s) of the project? Tie to program's goal(s) and objective(s).</li> <li>• What is the ultimate desired outcome of this project? How does it fit within the state, county, city, district, etc.?</li> <li>• Describe the environmental soundness and practicality of the proposal.</li> </ul>
<b>Points</b>		
<b>Possible</b>	<b>Assigned</b>	<b>Description</b>
		<p><b>WORK PLAN</b> = Specific list of all project eligible procedures or tasks required to complete the project.</p> <ul style="list-style-type: none"> <li>• What is the Work Plan?</li> <li>• What activities, steps, or tasks will be taken to implement the Work Plan?</li> <li>• How will the project be completed within the specified term?</li> </ul>
		<p><b>EVALUATION</b> = Measures the output/outcome of the project.</p> <ul style="list-style-type: none"> <li>• How will the project meet your goal(s) or objective(s) and what is the intended output?</li> <li>• How will you evaluate and measure the interim progress and final outcome of your project?</li> <li>• How will you confront any challenges encountered? Describe how you will overcome challenges step-by-step.</li> <li>• If you experience difficulty conducting an activity of the project, how will you re-evaluate or adjust the activities?</li> <li>• Who will be responsible for measuring and reporting interim progress and final project evaluation?</li> <li>• What is the estimated cost of the evaluation component?</li> </ul>
		<p><b>BUDGET</b> = Cost (dollar figure) associated with activities necessary to complete the project.</p> <ul style="list-style-type: none"> <li>• Provide an itemized cost breakdown associated with each activity, task, or subtask.</li> <li>• Are all costs associated with tasks outlined in the Work Plan?</li> <li>• Is the proposal cost effective? Provide any quotes, estimates, or other documents to support budgeted costs.</li> <li>• List any matching sources derived from grants, cash, volunteers, in-kind services, use of existing materials, etc.</li> </ul>

		<p><b>COMPLETENESS, LETTERS OF SUPPORT, EXPERIENCE</b></p> <ul style="list-style-type: none"> <li>• Is the proposal clearly presented and complete?</li> <li>• Provide evidence that the applicant or his/her contractor(s) have sufficient staff resources, technical expertise, and experience to successfully manage the project.</li> <li>• Provide letters of support and/or commitment for the project from local governments or entities other than your own.</li> <li>• Within the last three years have you received any grant from this department? If yes, please briefly describe the outcome of the prior grant funded project. If applicable, briefly describe the current state of the funded grant project.</li> </ul>
		<b>TOTAL GENERAL CRITERIA POINTS</b>
<b>Points</b>		
<b>Possible</b>	<b>Assigned</b>	<b>Description</b>
<b>Program Criteria</b>		
		<p><b>BOND ACT REQUIREMENTS</b>  <i>(If the bond act has specific statutory requirements, cite them in this section.)</i></p> <p>Some bond acts may have statutory requirements regarding what shall be considered in prioritizing the use of bond funds. Some bond acts specify requirements, but also give the department discretion, in the form of policy or regulation, to consider other relevant factors. These should be indicated in this section of the Program Criteria and clearly identified as statutory or discretionary.</p>
		<p><b>STATUTORY REQUIREMENTS</b>  <i>(If the program has specific statutory requirements, cite them in this section.)</i></p> <p>Certain programs have statutory requirements regarding what shall be considered in prioritizing the use of bond funds. Some programs specify requirements, but also give the department discretion, in the form of policy or regulation, to consider other relevant factors. These should be indicated in this section of the Program Criteria and clearly identified as statutory or discretionary.</p>
		<i>(The department may require applicants to address additional Program Criteria to receive all possible points available in this Program Criteria section.)</i>
		<b>TOTAL PROGRAM CRITERIA POINTS</b>
		<b>TOTAL GENERAL AND PROGRAM CRITERIA POINTS</b>

Note: Scoring template obtained from the Department of Resources Recycling and Recovery (CalRecycle) grants program available at: <http://www.calrecycle.ca.gov/Grants/Scoring/>.

**Checklist for Land Acquisition Grants**

<b>Recipient Name:</b>
<b>Project Name:</b>
<b>Agreement Number:</b>
<b>Agreement Term:</b>

**Due within 30 Days of Agreement Signature** **Date of completion**

<input type="checkbox"/>	Insurance Certification	
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**Due Prior to Disbursement of Funds** **Date of completion**

<input type="checkbox"/>	Easement language approved by the state entity (not required for fee title).	
<input type="checkbox"/>	Appraisal approved by the state entity.	
<input type="checkbox"/>	Provide the state entity with preliminary title report and underlying title documents.	
<input type="checkbox"/>	Proforma approved by state entity, with state entity named as an additional insured.	
<input type="checkbox"/>	Obtain subordination agreements and provide copies to the state entity.	
<input type="checkbox"/>	Escrow instructions approved by the state entity.	
<input type="checkbox"/>	Submit Payee Data Record (Escrow Company) to the state entity.	
<input type="checkbox"/>	Progress Report	
<input type="checkbox"/>	Acquisition Invoice	

**Due Upon Close of Escrow/Transfer of Title** **Date of completion**

<input type="checkbox"/>	Obtain title insurance.	
<input type="checkbox"/>	Record easement or fee title.	

**Due to the State Entity within 30 Days of Recordation** **Date of completion**

<input type="checkbox"/>	Title Insurance Policy	
<input type="checkbox"/>	Recorded Easement or Fee Title	
<input type="checkbox"/>	Subordination Agreements	
<input type="checkbox"/>	Baseline Documentation Report	
<input type="checkbox"/>	Escrow Closing Statement	
<input type="checkbox"/>	Final Report	
<input type="checkbox"/>	Final Invoice	

*Note: Form obtained from the California Department of Conservation's California Farmland Conservancy Program; instructions can be found under the Easement Acquisition Checklists: Standard Checklist link at: <http://www.conservation.ca.gov/dlrp/cfcp/grant/Pages/index.aspx>. This checklist is for informal tracking and informational purposes only and in no way supersedes the requirements and conditions of the agreement, which may contain requirements not shown in the checklist.*

**Sample Memorandum of Unrecorded Grant Agreement**

**Recording requested by, and when recorded, return to:**  
 State of California  
 (Department Name)  
 (Address)  
 (City, CA Zip Code)

Space above for Recorder's use

**MEMORANDUM OF UNRECORDED GRANT AGREEMENT**

This Memorandum of Unrecorded Grant Agreement (Memorandum), dated as of \_\_\_\_\_, 20\_\_\_\_, is recorded to provide notice of an agreement between the State of California, by and through the (*state department name*) (~~Department~~) and (*recipient name*) (~~Recipient~~).

RECITALS

- On or about \_\_\_\_\_, \_\_\_\_\_, Department and Recipient entered into a certain Agreement, Agreement No. \_\_\_\_\_ ( Agreement”), pursuant to which Department granted to Recipient certain funds for the acquisition of certain real property, more particularly described in attached Exhibit A and incorporated by reference (the ~~Real Property~~”).
- Under the terms of the Agreement, Department reserved certain rights with respect to the Real Property.
- Recipient desires to execute this Memorandum to provide constructive notice to all third parties of certain Department reserved rights under the Agreement.

NOTICE

- The Real Property (including any portion of it or any interest in it) may not be sold or transferred without the written approval of the State of California, acting through the (*state department name*), or its successor, provided that such approval shall not be unreasonably withheld as long as the purposes for which the Agreement was awarded are maintained.
- The Recipient shall not use or allow the use of any portion of the real property for mitigation without the written permission of the State.
- The Recipient shall not use or allow the use of any portion of the real property as security for any debt.
- For additional terms and conditions of the Agreement, reference should be made to the Agreement, which is on file with the (*state department name*), (*address*).

Grantee: \_\_\_\_\_

Date: \_\_\_\_\_

Note: Sample MOUGA obtained from the Natural Resources Agency's Proposition 84 Grant Guidelines and Application available at: [http://resources.ca.gov/grant\\_programs.html](http://resources.ca.gov/grant_programs.html).

# APPENDIX F

## Project Permits and Approval Status Template

Permitting Agency	Type of Requirement	Required	Applied	Acquired	Date Anticipated
<b>State</b>					
California Department of Fish and Game (DFG)	Streambed Alteration Agreement Permit (Section 1600)				
DFG	Incidental Take Permit				
CalTrans	Encroachment Permit				
Coastal Commission	Coastal Development Permit				
Coastal Commission	Letter of Consistency				
Regional Water Quality Control Board	401 Water Quality Certification or Waste Discharge Requirement				
State Water Resources Control Board (SWRCB)	Water Rights Permit				
SWRCB	General Industrial Storm Water Permit				
Central Valley Flood Protection Board	Permission to Encroach on Waterways within Designated Floodways				
State Lands Commission	Permit required if using state-owned property				
State Office of Historic Preservation	Cultural Resources-Submission of findings to State Historic Preservation Officer (National Historic Preservation Act Section 106)				
<b>Federal</b>					
U.S. Fish and Wildlife Service (USFWS)	Section 7 consultation if federal nexus (see ACOE), or Section 10 Permit				
U.S. Army Corps of Engineers (ACOE)	Clean Water Act, Section 404 Permit, will consult with USFWS & NMFS Section 7				
U.S. ACOE	Rivers and Harbors Act, Section 10 Permit				
U.S. Coast Guard / U.S. ACOE	Rivers and Harbors Act, Section 9 Permit				
U.S. National Resources Conservation Service	Consultation				
National Marine Fisheries Service (NMFS)	Section 7 consultation if federal nexus (see ACOE), or Section 10 Permit				
<b>Local and Regional</b>					
City/County	Grading Permit				
City/County	Environmental Health Department				
San Francisco Bay Conservation and Development Commission	Any relevant permit				
Tahoe Regional Planning Agency	Any relevant permit				
Local Resource Conservation District	Consultation				
Flood Control Districts	Floodway & Hydrological Analysis				

*Note: List is not all inclusive; departments and recipients need to ensure all applicable permits are obtained. List obtained from the Natural Resources Agency's Proposition 84 Grant Guidelines and Application available at: [http://resources.ca.gov/grant\\_programs.html](http://resources.ca.gov/grant_programs.html).*

## Property Data Sheet

Use the Property Data Sheet to list the owner(s) of all parcels included in the proposed project. Indicate and attach all required documents including any clarifying comments below. Attach additional sheets if necessary.

#	Owner Name	Assessor Parcel Number(s) (APN)	Acreage	If parcel(s) owned by applicant(s), indicate type of ownership.			For all parcels, indicate document used to demonstrate ownership and attach a copy of each document, clearly labeled with the APN, to this document.	If parcel(s) not owned by applicant(s) indicate document verifying Permission to Develop and attach.					Entity to perform operation and maintenance (O&M).	# of years O&M to be performed.
				Fee Simple	Easement	Other (describe)		Proof of Ownership (tax bill, grant deed, etc.)	O&M Agreement	Lease	JPA	Letter from Owner		
1														
2														
3														
4														
5														
6														
7														
8														

Comments:

Total Number of Parcels: \_\_\_\_\_ Total Number of Acres: \_\_\_\_\_

*Note: Use landscape in page setup when completing for additional column space. Form obtained from the Natural Resources Agency's Proposition 84 Grant Guidelines and Application available at: [http://resources.ca.gov/grant\\_programs.html](http://resources.ca.gov/grant_programs.html).*

## Easement Elements Checklist

<b>Recitals</b>	
	Property Description.
	Baseline Report prepared.
	Public investment statement.
	Recognizing conservation purposes statement.
	Governmental Conservation Policies (federal, state, local county/city resolution of support).
	If Steward is a nonprofit organization, include “qualified conservation organization” statement.
<b>Grant of Conservation Easement</b>	
	Granting of easement statement.
	Conservation Purposes statement.
	Right to use property for specific conservation purposes.
	Prohibited uses.
	Permission of the Steward in writing in advance of action, where required, with copies to the state.
	New structures and improvements prohibited, unless specifically allowed.
	Construction or placement of housing prohibited unless specifically.
<b>Subdivision</b>	
	Future division, subdivision, defacto subdivision, or partitioning prohibited.
	No recognition of additional, separate legal parcels by a certificate of compliance pursuant to California Government Code section 66499.35 based on previous patent or deed conveyances, subdivisions, or surveys.
	Landowner shall continue to maintain the parcels comprising the property, and all interests therein, under common ownership, as though a single legal parcel.
<b>Additional Rights and Restrictions</b>	
	Development rights clause.
	Mining: Disturbing the surface of the land for mining is prohibited.
	Paving and Road Construction: Advance permission to pave surfaces and construct certain roads.
	Commercial signs (including billboards) unrelated to permitted activities are prohibited.
	Trash: No dumping or accumulation of trash.
<b>Recreational Use</b>	
	No commercial recreational structures or facilities.
	Limitations on motorized vehicle use off roadways.
<b>Water Rights</b>	
	Landowner shall retain and reserve all appurtenant water rights.
	Landowner shall not permanently separate water or water rights.
	Landowner reserves all interests not conveyed by easement.
<b>Responsibilities of the Landowner and Steward</b>	
	Landowner solely responsible for payment of all taxes and assessments.
	Landowner solely responsible for property upkeep and maintenance.
	Indemnification and liability limitations for Steward and state entity statement
<b>Monitoring</b>	
	Steward’s monitoring, record keeping, and enforcement responsibilities.
	Steward’s failure to carry out responsibilities will not impair Easement validity or limit enforceability.
	Steward’s right of access.

	Steward will report to the state by June 30 of each year after the monitoring visit. Describe method of monitoring, condition of property, whether any violations were found during the period, any corrective actions taken, resolution of any violation, and any transfer of interest in the property.
<b>Enforcement</b>	
	Steward shall have the right to prevent and correct violations or threatened violations of the terms, conditions, covenants, and purposes of this Easement.
	The Steward's remedies shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity.
	Steward will apply damages recovered to cost of undertaking any corrective action on the property.
	If Steward fails to enforce any term, condition, covenant or purpose of this Easement, as determined by the state entity, the state entity shall have the right to enforce the Easement and right of access granted to Steward.
	Failure or refusal to exercise any rights under the terms of this Easement by the Steward in the event of a breach by the Landowner of any term herein shall not constitute a waiver or forfeiture of the Steward's right to enforce any term, condition, covenant, or purpose of this Easement.
<b>Transfer of Easement</b>	
	Assignee or transferee must have appropriate qualifications.
	Written permission from the state entity.
	Transfer by the state entity, in consultation with Landowner, if the Steward or its successors ever ceases to exist or no longer qualifies
<b>Transfer of Property Interest</b>	
	Landowner shall provide prior written notification to Steward.
	Documents of conveyance shall expressly reference the easement.
<b>Amendment of Easement</b>	
	Written consent of all parties.
	Amendment consistent with purpose of easement, Steward's policies, and applicable laws.
	No diminishment or affect on: The perpetual duration or the purpose of the easement.
	No diminishment or affect on: The status or rights of the Steward.
	Any amendments to be recorded, with copies to the state entity.
<b>Termination</b>	
	Administrative termination statement, unless waived.
	Other than pursuant to eminent domain or purchase in lieu of eminent domain, no voluntary or involuntary sale, exchange, conversion or conveyance shall limit or terminate the easement.
	Termination of the Easement through condemnation is subject to the requirements of Section 10261 of the Public Resources Code, the eminent domain laws of the State of California, federal law, and this Easement.
	The Easement and the Steward's property right therein shall have a value equal to the difference between the current fair market value of the property as if unencumbered by this Easement and the current fair market value of the property encumbered by this Easement, each as determined on or about the date of termination by an appraiser.
	Appraisal subject to the state's approval, who may have its own appraisal prepared at its expense.
	If easement terminated on a portion, balance of property remains subject to easement.
	If credit taken for charitable donation, IRS ratio for disbursement of funds.
	Distribution percentages for termination proceeds or for a claim under title insurance policy.
<b>Interpretation</b>	
	Interpretation under laws of California, resolving ambiguities in favor of conservation purposes.
	References to legal provisions shall be to those in effect when the easement is executed.
	Easement does not constitute government approval of any activities permitted under the easement.
<b>Other provisions</b>	
	Perpetual duration clause.
	No merger clause.
	Notices section, including addresses.

	Landowner's environmental warranty statement.
<b>Landowner's Title Warranty</b>	
	Landowner warrants it is fee simple owner.
	Existing financial liens/encumbrances subordinated. List other encumbrances of record in Exhibit.
	Property not subject to other conservation easements.
<b>Subsequent Easements</b>	
	No diminishment or impairment of productive capacity or open space character.
	Steward's written approval shall be obtained in advance of the Landowner's execution of any proposed subsequent easement, interests in land, or use restriction on the property.
	Subsequent easements, interests in land, and use restrictions shall make reference to and be subordinate to the easement.
	Steward shall notify state entity if it approves a subsequent easement or use restriction.
<b>Legal Clauses</b>	
	Severability clause
	Entire agreement clause
	Acceptance clause
	Habendum clause
<b>Exhibits</b>	
	Legal Description
	Building Envelopes and Existing Improvements (include linear dimensions of envelope).
	Prior Encumbrances

*Note: Form obtained from the California Department of Conservation's California Farmland Conservancy Program; sample language for agricultural easements can be found under the CFCP Model Easement link at: <http://www.conservation.ca.gov/dlrp/cfcp/grant/Pages/index.aspx>. Most, if not all, of the elements in the checklist should typically be addressed in any conservation easement.*

**Environmental Compliance Summary**

**Lead Agency:** \_\_\_\_\_

**All counties included in the project:** \_\_\_\_\_

*The Notice of Exemption or Notice of Determination must be filed and stamped by the County Clerk in each of the counties in which the project is located*

**INDICATE BELOW THE DOCUMENTATION SUBMITTED WITH APPLICATION, INCLUDING SUPPLEMENTAL MATERIAL LISTED (DRAFTS ACCEPTABLE FOR APPLICATION PURPOSES):**

**Initial Study (IS) or Checklist:**

Anticipated completion date: \_\_\_\_\_

Expected final CEQA document: \_\_\_\_\_

**Notice of Exemption (NOE):**

List the statutory or categorical exemption applicable to the project: \_\_\_\_\_

NOE filed and stamped by the County Clerk(s): Date(s) filed: \_\_\_\_\_

**Negative/Mitigated Negative Declaration (Neg Dec):**

Does the Negative Declaration include Mitigation measures?                      Yes                      No

**Environmental Impact Report (EIR):**

**Submit all documents listed below:**

- IS with checklist
- State Clearinghouse Response, as applicable
- Evidence Fish & Game fee paid or the project is exempt from fee
- Notice of Determination filed and stamped by the County Clerk(s). Date(s) filed: \_\_\_\_\_

*Additional Information/Resources for CEQA:*

CEQA guidelines: [http://www.ceres.ca.gov/topic/env\\_law/ceqa/guidelines/](http://www.ceres.ca.gov/topic/env_law/ceqa/guidelines/)

State Clearinghouse and Planning Unit: <http://www.opr.ca.gov/>

*Note: Form obtained from the Natural Resources Agency's Proposition 84 Grant Guidelines and Application available at: [http://resources.ca.gov/grant\\_programs.html](http://resources.ca.gov/grant_programs.html).*

## Land Acquisition Form for Applications

<b>Project Title:</b>				
<b>Assessor's Parcel Number(s):</b>	<b>Acreage</b>	<b>Fee Title or Easement</b>	<b>Willing Seller Name and Address</b>	
<b>Acquisition Cost Estimate</b>				
<b>Cost Categories</b>	<b>Total Costs</b>	<b>Other Sources of Funds (specify by name)</b>		
Estimated Fair Market Value of property				
Relocation Costs				
Preliminary Title Reports, Appraisal				
Escrow Fees, Title Insurance, Closing Costs				
Surveying (limited to boundary line adjustment)				
Direct costs (staff and consultants)				
State approval costs of appraisal, transaction review etc.				
Contingency (Not to exceed 10% of total grant)				
Required signage				
Other (Specify)				
<b>Grand Total</b>				

Acquisition Schedule	Timeframe	Comments
Complete Appraisal		
Submit appraisal and title report for state review		
Submit instruments of conveyance, etc.		
Close of escrow (submit all final closing documents specified in the agreement)		
Install Bond Acknowledgement Sign, if applicable		
Close-out		

*Note: Complete one form for each escrow; obtained from the Natural Resources Agency's Proposition 84 Grant Guidelines and Application available at: [http://resources.ca.gov/grant\\_programs.html](http://resources.ca.gov/grant_programs.html).*

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### Documents Required for Review of Applicant

- \_\_\_ Organizational establishment:
  - Mission, vision, purpose, and objectives of organization
  - Articles of incorporation, by-laws, etc.
  - Conflict of interest policies
  - Current IRS tax-exemption letter (for non-profits only)
  - Annual Registration Renewal Fee Report<sup>13</sup> submitted to the Attorney General's Office (for non-profits only)
  
- \_\_\_ Applicant organization and management summary:
  - Organization charts
  - Size of organization (number of full-time, part-time, and volunteer staff)
  - Identify all staff expected to work on the project and summarize their duties
  
- \_\_\_ Financial statements for the last two fiscal years
  
- \_\_\_ Listing of current (active or ongoing) and recent awards in the last two years:
  - Name of awarding entity
  - Title of project
  - Award number
  - Award Amount
  - Term of award
  
- \_\_\_ Financial management systems questionnaire (See Appendix K)
  
- \_\_\_ Cost allocation plan and/or indirect cost rate proposal

*Note: Checklist obtained from the National Science Foundation's Prospective New Awardee Guide available at : [http://www.nsf.gov/pubs/2005/nsf0529/guide05\\_29.pdf](http://www.nsf.gov/pubs/2005/nsf0529/guide05_29.pdf).*

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<sup>13</sup> Reports for non-profits can be found, along with their IRS Form 990, on the Attorney General's website at: <http://rct.doj.ca.gov/MyLicenseVerification/Search.aspx?facility=Y>.

**FINANCIAL MANAGEMENT SYSTEMS QUESTIONNAIRE**

===== **Organizational Data** =====

Name of Organization: \_\_\_\_\_

Address: \_\_\_\_\_

Representative Name and Title: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Email: \_\_\_\_\_

Year Established : \_\_\_\_\_ Employer Identification Number (EIN): \_\_\_\_\_

DUNS Number: \_\_\_\_\_

Organization Type:    Non-Profit        For Profit        Educational        State/Local Govt.

Description of Service/Product: \_\_\_\_\_

Approx. Number of Employees: Full Time \_\_\_\_\_ Part Time \_\_\_\_\_

===== **Federal Audit Data** =====

Prior Audits/Reviews:

OMB A-133        Incurred Cost        Accounting System        Timekeeping

Date of Last Federal Audit/Review: \_\_\_\_\_ Audit Agency/Firm: \_\_\_\_\_

If Findings Reported, Explain: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

===== **Financial Statement Audit Data** =====

Date of Last Financial Statement Audit: \_\_\_\_\_ Fiscal Period Audited: \_\_\_\_\_

Audit Firm: \_\_\_\_\_

Auditor's Opinion on Financial Statements Qualified:        Yes        No

If Qualified Opinion, State Reason: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

=====Accounting System Data=====

What books of account are maintained?

General Ledger	YES	NO	Cash Receipts Journal	YES	NO
Project Cost Ledger	YES	NO	Payroll Journal	YES	NO
Cash Disbursements Journal	YES	NO			

Does the accounting system provide for the recording of grant/contract costs according to categories of the approved budget? YES NO

Does the system identify the receipt and expenditure of funds separately for each grant or contract? YES NO

Does the system provide for the recording of cost sharing/matching for each project, and ensure that documentation is available to support recorded cost sharing/matching? YES NO

Does the system provide for the recording of participant support costs as a separate cost category? YES NO

=====Timekeeping System Data=====

Are time distribution records maintained for each employee to account for his/her TOTAL effort (100%)? YES NO

*(Attach a sample timesheet and procedures for completing timesheets and for allocating salary and wage charges to Federal awards.)*

Is your organization familiar with the time and effort reporting requirements related to Federal awards made to your type organization? YES NO

=====Purchasing System=====

Are asset inventory records maintained? YES NO

Does your organization have policies relating to buy/lease analysis and competitive purchases over \$25,000? YES NO

What is the dollar threshold for capitalization of equipment? \$\_\_\_\_\_

=====Funds Management=====

Is a separate bank account maintained for Federal grant/contract funds? YES NO

If a separate bank account is not maintained, can the Federal grant/contract funds and related expenses be readily identified? YES NO

Does your organization have procedures in place to minimize the time elapsing between the transfer of funds to your organization by a Federal agency and your organization's expenditure of such funds? YES NO

Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_  
Name & Signature

Note: Departments will need to modify questions to say "state" rather than "federal." Questionnaire obtained from the National Science Foundation's Prospective New Awardee Guide available at: [http://www.nsf.gov/pubs/2005/nsf0529/guide05\\_29.pdf](http://www.nsf.gov/pubs/2005/nsf0529/guide05_29.pdf).

## Budget Detail Worksheet

### Personnel

List each position by title and name of employee, if available. Show the annual salary rate and the percentage of time to be devoted to the project. Compensation paid for employees engaged in project activities must be consistent with that paid for similar work within the applicant organization.

Name/Position	Computation	Cost
Position 1		\$
	<b>Total</b>	<b>\$</b>

### Fringe Benefits

Fringe benefits should be based on actual known costs or an established formula. Fringe benefits are for the personnel listed in the Personnel budget category and only for the percentage of time devoted to the project.

Name/Position	Computation	Cost
Position 1		\$
	<b>Total</b>	<b>\$</b>

### Travel

Itemize travel expenses by purpose (e.g., training, site visits, meetings, etc.). Show basis of computation (e.g., six staff to 3-day training at \$X airfare, \$X lodging, \$X subsistence). Travel, lodging, and meals should be listed separately, showing number of travelers and unit costs. Identify location of travel, if known. Use Department of Personnel Administration rates found at: <http://www.dpa.ca.gov/personnel-policies/travel/main.htm>.

Purpose of Travel	Location	Item	Computation	Cost
Travel entry 1				\$
			<b>Total</b>	<b>\$</b>

### Supplies

List items by type (office supplies, postage, training materials, copying paper, and expendable equipment items costing less than \$5,000, such as books, hand held tape recorders) and show the basis for computation. Generally, supplies include any materials that are expendable or consumed during the course of the project.

Supply Items	Computation	Cost
Supply item 1		\$
	<b>Total</b>	<b>\$</b>

**Equipment**

List non-expendable items to be purchased. Non-expendable equipment is tangible property having a useful life of more than two years and an acquisition cost of \$5,000 or more per unit. Expendable items should be included either in the –supplies” category or in the –Other” category. Applicants should analyze the cost benefits of purchasing versus leasing equipment, especially high cost items and those subject to rapid technical advances. Rented or leased equipment costs should be listed in the –Contractual” category. Explain how the equipment is necessary for the success of the project. Attach a narrative describing the procurement method to be used.

<b>Equipment</b>	<b>Computation</b>	<b>Cost</b>
Equipment 1		\$
	<b>Total</b>	<b>\$</b>



**Consultants and Contractors**

Indicate procurement method to be followed (e.g., competitively bid, sole source, etc.).

*Consultant Fees:* For each consultant enter the name, if known, service to be provided, hourly or daily fee (8-hour day), and estimated time on the project.

<b>Consultant Name</b>	<b>Procurement Method</b>	<b>Service Provided</b>	<b>Computation</b>	<b>Cost</b>
Consultant Fee 1				\$
			<b>Subtotal</b>	<b>\$</b>

*Consultant Expenses:* List all expenses to be paid from the grant to the individual consultants in addition to their fees (i.e., travel, meals, lodging, etc.).

<b>Consultant Name</b>	<b>Service Provided</b>	<b>Computation</b>	<b>Cost</b>
Consultant Expense 1			\$
		<b>Subtotal</b>	<b>\$</b>

*Contracts:* Provide a description of the product or service to be procured by contract and an estimate of the cost. A separate justification must be provided for sole source contracts.

<b>Contractor Name</b>	<b>Procurement Method</b>	<b>Product or Service Provided</b>	<b>Computation</b>	<b>Cost</b>
Contractor 1				\$
			<b>Subtotal</b>	<b>\$</b>
			<b>Total Consultants and Contractors</b>	<b>\$</b>



**Other Costs**

List items (e.g., rent, reproduction, telephone, janitorial services, etc.) by major type and the basis of the computation. For example, provide the square footage and the cost per square foot for rent, or provide a monthly rental cost and how many months to rent.

<b>Other Costs</b>	<b>Computation</b>	<b>Cost</b>
Other Cost 1		\$
	<b>Total</b>	<b>\$</b>

**Indirect Costs**

Indirect costs are allowed only if the applicant has provided a cost allocation plan or indirect cost rate proposal. If the applicant does not provide a plan, indirect costs may not be permitted.

<b>Indirect Costs</b>	<b>Computation</b>	<b>Cost</b>
Indirect Cost 1		\$
	<b>Total</b>	<b>\$</b>



**Budget Summary**

Once the budget worksheet is completed, transfer the totals for each category to the spaces below. Compute the total direct costs and the total project costs. Indicate the amount of state funds requested and the amount of matching funds that will support the project (complete the Match Contribution Form for the match to be provided).

<b>Budget Category</b>	<b>Amount</b>
Personnel	\$
Fringe Benefits	\$
Travel	\$
Supplies	\$
Equipment	\$
Consultants and Contractors	\$
Other Costs	\$
<b>Total Direct Costs</b>	<b>\$</b>
Indirect Costs	\$
<b>Total Project Costs</b>	<b>\$</b>
<i>Funds Requested</i>	\$
<i>Match Amount to be Provided</i>	\$

Note: This worksheet was obtained from the U.S. Department of Justice – Office of Justice Programs available at: <http://www.ojp.gov/grants101/developbudget.htm>.

## Match Contribution Form

Name of contributing organization	Date of contribution	Describe contributed item(s) or service(s)	Purpose for which contribution was made	Real or approximate value of contribution	How was value determined? (e.g., actual, appraisal, fair market value, etc.)	Who determined the value?	Was contribution provided by, obtained with, or supported by government funds? (If so, indicate source)

*Note: This template was obtained from the California Cultural and Historical Endowment's Round 4 Request for Applications available at: <http://www.library.ca.gov/grants/cche/letterandlinks.html>.*

## Payment Request Template

### SIERRA NEVADA CONSERVANCY REQUEST FOR PAYMENT – PROPOSITION 84 GRANT PROGRAMS

<b>MAIL PAYMENT REQUESTS TO:</b>					
SIERRA NEVADA CONSERVANCY					
11521 BLOCKER DRIVE, SUITE 205					
AUBURN, CA 95603					
<b>ATTENTION: GRANT ADMINISTRATION</b>		(530) 823-4670	Fax: (530) 823-4665		
<b>DATE:</b>		<b>REPORT PERIOD:</b>			
<b>AGREEMENT NUMBER:</b>		<b>SNC REFERENCE #:</b>		<b>INVOICE #:</b>	
<b>AGREEMENT TERM:</b>					
<b>REMIT TO:</b>					
<b>GRANTEE NAME:</b>					
<b>ADDRESS:</b>					
<b>CITY/STATE/ZIP:</b>					
<b>CONTACT PERSON:</b>		<b>PHONE/FAX:</b>			
1) PROJECT BUDGET CATEGORIES PER EXHIBIT A	2) BUDGETED EXPENSES	3) EXPENSES THIS REPORTING PERIOD	4) YEAR TO DATE (YTD) EXPENSES	5) BALANCE (BUDGETED EXPENSES LESS YTD EXPENSES)	6) PERCENT OF ACTUAL YTD EXPENSES TO BUDGETED EXPENSES
A				0.00	
B				0.00	
C				0.00	
D				0.00	
E				0.00	
F				0.00	
G				0.00	
H				0.00	
I				0.00	
J				0.00	
K				0.00	
L				0.00	
<b>TOTAL PROJECT COSTS</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	
<b>7) TOTAL OF EXPENSES THIS REPORTING PERIOD:</b>	<b>\$0.00</b>	<b>CERTIFICATION:</b> By my signature below, I certify that I have full authority to execute this payment request on behalf of the Grantee. I declare under penalty of perjury, under the laws of the State of California, that this report, and any accompanying documents, for the above-mentioned Grant are true and correct to the best of my knowledge, and all disbursements have been made for the purposes and conditions as outlined in the Grant Agreement.			
<b>8) 10% WITHHOLDING/OTHER ADJUSTMENTS (IF ANY)</b>	<b>\$0.00</b>				
<b>9) ENTER AUTHORIZED ADVANCE BALANCE (IF ANY):</b>					
<b>10) ENTER ADVANCE INTEREST EARNED</b>					
<b>11) TOTAL ADVANCE BALANCE (SUM OF ADVANCE AND INTEREST)</b>	<b>\$0.00</b>	<b>Print Name:</b>			
<b>12) AMOUNT APPLIED TO ADVANCE REPAYMENT:</b>	<b>\$0.00</b>	<b>Print Title:</b>			
<b>13) REMAINING ADVANCE BALANCE:</b>	<b>\$0.00</b>	<b>Signature:</b>			
<b>14) REQUESTED REIMBURSEMENT:</b>	<b>\$0.00</b>	<b>Date:</b>			

**Payment Request Template (cont'd)**

**Bridging Document**

<b>Budget Category</b>	<b>Cross Reference Number (1,2,3...) to Attached Support</b>	<b>Payee Name</b>	<b>Total Receipt Paid</b>	<b>Reimbursement</b>	<b>Cash Match</b>	<b>In-kind Match</b>
A	1					
	2					
	3					
			Subtotal Budget Category A	\$0.00	\$0.00	\$0.00
B	4					
	5					
	6					
			Subtotal Budget Category B	\$0.00	\$0.00	\$0.00
C	7					
	8					
	9					
			Subtotal Budget Category C	\$0.00	\$0.00	\$0.00
D	10					
	11					
	12					
			Subtotal Budget Category D	\$0.00	\$0.00	\$0.00
			<b>Total</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

The subtotals for each budget category in the bridging document should match each of the “total expenses this period” amounts on the Payment Request Template.

Note: Payment request template obtained from the Sierra Nevada Conservancy’s Request for Payment Form (<http://www.sierranevada.ca.gov/other-assistance/managing-your-grant>) and the bridging document obtained from the Department of Conservation’s Watershed Coordinator Grant Program’s Grant Administration Forms ([http://www.conservation.ca.gov/dlrp/wp/grants/Pages/wcgp\\_forms.aspx](http://www.conservation.ca.gov/dlrp/wp/grants/Pages/wcgp_forms.aspx)).

Reporting Requirements

Authority	Requirement	Proposition					
		12	13	40	50	84	1E
<b>Governor's Directive</b> (11/9/99)	Annually report to the Department of Finance (Finance) a list of projects approved, progress of the project or actual expenditures made, and amount of funds remaining in each account.	X	X				
<b>Proposition 40</b> (Public Resources Code section 5096.686)	The Natural Resources Agency (Resources) shall prepare an annual summary report of expenditures and shall make that information available to the public through the internet and any other means Resources determines is cost-effective. This section shall remain in effect until January 1, 2010.			X			
<b>Proposition 50</b> (Water Code section 79575)	Annually report to the Legislature on the recipient and amount of each project, grant, or loan awarded during the previous fiscal year. Information shall include the total amount awarded, geographic distribution, intended public and environmental benefit that the awards provide, and data on the balances of funds available.				X		
<b>State General Obligation Bond Law</b> (Government Code section 16724.4)	Any state bond measure approved on or after January 1, 2004, will annually report to the Legislature and Finance a list of all projects and the geographic location that have been funded or are required or authorized to receive funds, funds allocated to each project, and the status of any project required or authorized to be funded.					X	X
<b>Executive Order S-02-07</b> (1/24/07)	Departments shall provide Finance information necessary to support the Bond Accountability website in the form and time frame determined by Finance. Provide a list of projects, programs, or other authorized activities being funded under each general obligation bond act and amounts expended for each. Ongoing in-progress actions being taken to ensure bond-funded projects and activities are remaining within scope and cost. Results of completed projects, programs, or other authorized activities funded from each bond act.					X	X
<b>Conservation Easement Registry</b> (Public Resources Code section 5096.520)	Report conservation easements acquired to Resources. Include the following information: assessor's parcel numbers, purpose, location, easement holder, acres, date recorded, and amount provided.	X	X	X	X	X	X

Note: List is not all inclusive; departments and recipients need to ensure all program-specific or other reporting requirements are identified and met

**Final Report Template**

<b>Recipient Name:</b>	<b>Date Report Submitted:</b>
<b>Agreement Number:</b>	<b>Closing Date of Project:</b>
<b>Project Name:</b>	<b>Agreement Term:</b>

1. Give a brief summary the organization, the objectives of the project, and how these objectives were accomplished.
2. State the amount awarded and how the funds were used.
3. Describe any problems and/or concerns that may have arisen during the course of this project and the corrective actions that were taken.
4. List any findings, conclusions, or recommendations for follow-up or ongoing activities that might result from the successful completion of the project.
5. If applicable, explain the future intent of public and/or private support to maintain or further develop the project.
6. Present a summary of project successes.
7. List any relevant attachments to this report, including photographs, news articles, fliers, etc. Also, provide any additional comments:

I certify that this Final Report is accurate and that this project is in compliance with the agreement. I further certify that any expenditure discussed in this report is allowed under the agreement and that all funds were expended for the purposes of the project.

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

*Note: This template was obtained from the California Department of Conservation's California Farmland Conservancy Program available at: <http://www.conservation.ca.gov/dlrp/cfcp/grant/Pages/index.aspx>.*

State of California

State Treasurer's Office

## MEMORANDUM

**Date:** September 11, 2008  
**To:** General Obligation Bond Program Administrators  
**From:** Geoff Palmertree, Manager  
Interim Finance Section  
Public Finance Division  
State Treasurer's Office  
**Subject:** Returned Grant Funds

Departments that administer grant<sup>1</sup> programs funded by general obligation bonds occasionally have grant funds returned by the grantee. This memo is intended to answer frequently asked questions concerning departments' obligations in such situations.

**Should the department notify the State Treasurer's Office (STO)?** Yes. The Tax Compliance Certificate executed by each department requires the department to immediately notify the STO when grant funds are returned to the department. Returned grant funds are considered unspent bond proceeds, which must be tracked in order for the State to comply with federal tax law requirements.

**What information should the department provide to the STO?** The following information should be provided to the STO:

- Date the original grant was made
- Amount of the original grant
- The name of the bond act and the number of the bond fund from which the grant was made
- Date and amount of grant funds returned
- Plan for re-granting the funds

**What should the department do with the returned grant funds?** The returned grant funds should be placed in the bond fund from which the original grant was made and re-granted as soon as possible. If the returned funds can be re-granted and disbursed within 60 days, the STO will not need to track interest earnings on the funds. If the returned funds are not re-granted and disbursed within 60 days, the STO will engage the State's arbitrage rebate consultant to perform the necessary calculations until the funds are re-granted and disbursed. Please notify the STO of the date on which the funds are re-granted and disbursed.

<sup>1</sup> A grant is a transfer of money for a specific purpose, without any obligation or condition to directly or indirectly repay any amount. However, a condition requiring a grant to be returned if the grantee does not meet the requirement of the grant (e.g., a change in use of the project, or if the project is completed under budget) does not prevent the transfer from being a grant.

Immediately notify the STO if for any reason the department will be unable to re-grant the returned funds.

**Should the department establish a written policy regarding re-granting of returned grants?** Yes. The STO recommends that the department establish a formal written policy providing that all returned grants will be the first dollars disbursed for other eligible grants so long as the necessary appropriation is in place.

**What if the returned grant includes some sort of penalty or is otherwise in excess of the original grant amount?** Any returned amount in excess of the original grant is not considered bond proceeds and does not need to be tracked for federal tax law purposes. However, a variety of State laws could apply and govern the use of moneys derived from or associated with bond proceeds. These laws could include the bond act itself, laws applicable to a particular program or recipient, and other laws and regulations. The STO recommends that the department consult their legal counsel or the Attorney General's Office in such situations.

**What are the record retention requirements for the returned grants?** Records relating to a general obligation bond funded grant program, including those related to a returned grant and the subsequent re-granting of the funds, must be retained for 35 years from the date of the original grant. See the July 2, 2008 memo from the STO regarding records retention for additional information.

We hope the above information is helpful. If you have any questions that are not addressed by this memo, please contact Melinda Chan at [mchan@treasurer.ca.gov](mailto:mchan@treasurer.ca.gov) or (916) 653-3445.

## Annual Monitoring Report Template

<b>Recipient Name:</b>	<b>Report #:</b>
<b>Agreement Number:</b>	<b>Date Report Submitted:</b>
<b>Project Name:</b>	<b>Reporting Period:</b>
<b>Monitoring Performed By:</b> (Name and Title)	<b>Date Monitoring Performed:</b>

1. Describe the method of monitoring:
  
2. What is the current condition of the project? For acquisitions, what is the current land use and condition of the property?
  
3. Were any questionable uses or potential violations of the project or property identified? If yes, what corrective actions are being taken?
  
4. Has there been a transfer of interest in the property during the past year? (circle one):  

Yes                      No

  
 If yes, please identify the type of transfer and name/address of new interest holder:
  
5. List any relevant attachments to this report, including photographs, news articles, fliers, etc. Also, provide any additional comments:

I certify that this Annual Monitoring Report is accurate and that this project is in compliance with the agreement.

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

*Note: This template was obtained from the California Department of Conservation's California Farmland Conservancy Program available at: <http://www.conservation.ca.gov/dlrp/cfcp/grant/Pages/index.aspx>*

State of California

State Treasurer's Office

## MEMORANDUM

**Date:** July 2, 2008  
**To:** General Obligation Bond Program Administrators  
**From:** Geoff Palmertree  
Public Finance Division  
State Treasurer's Office  
**Subject:** Records Retention

As discussed most recently in our tax compliance workshops presented in January 2008, records retention is an important and necessary aspect of administering programs funded by General Obligation (GO) bond funds. The following information is intended to answer frequently asked questions concerning the records your department is required to maintain. The State Treasurer's Office (STO) requests that you to forward this memo to the appropriate persons in your department involved with records retention, and to ensure that your Records Retention Schedule (STD. 73) properly reflects these requirements.

**Why retain records?** First and foremost, it is required by law. The Internal Revenue Service (IRS) requires the State to retain certain records as a condition to maintaining the tax exemption of the State's bonds. If the IRS audits the State's bond issues, it will demand documentation that shows the tax requirements have been met. Second, if the bonds originally issued to finance the projects are ever refunded or refinanced (which is likely to occur), your department will be asked to re-certify to the STO as to the satisfaction of the tax requirements. You will need to refer to the original records in order to make these new certifications. For these reasons, your department has certified in its Tax Compliance Certificate for the GO Commercial Paper Program that it will maintain the necessary records.

**How long must records be retained?** For IRS audit purposes, records must be retained until at least three years after the bonds issued to finance the projects are paid off. Since most GO bonds are issued with a 30-year final maturity and since there can be a period of time between when a department disburses funds from its PMIA loan account and when that expenditure is included in a bond sale, *the STO requests that departments retain records for 35 years after the date of expenditure.*

**What records must be retained?** Records that should be retained include the following:

1. Documentation evidencing the expenditure of all GO bond funds, including the following: (a) the timing and amount of the expenditures on the projects; (b) the person to whom the payment was made; (c) whether the transfer of funds was a grant, loan or direct expenditure; (d) the asset financed by the transfer of funds and its expected useful life; and (e) the amount and timing of any grant repaid to the department.

2. Documentation evidencing private activity use of bond-financed assets, including the following:  
(a) any private ownership, leasing, or other private use contracts relating to the financed assets;  
(b) any private payments received with respect to the assets; and (c) the amount loaned to a non-governmental entity. *Note: private activity use documentation does not need to be maintained for grants.*

**In what format must the records be kept?** Records may be maintained in a hard copy format or an electronic format (if certain requirements are satisfied). The IRS' general requirements for an electronic storage system are as follows:

1. The system must ensure an accurate and complete transfer of the hardcopy books and records to the electronic storage system and contain a retrieval system that indexes, stores, preserves, retrieves, and reproduces all transferred information.
2. The system must include reasonable controls and quality assurance programs that: (a) ensure the integrity, accuracy, and reliability of the system; (b) prevent and detect the unauthorized creation of, addition to, alteration of, deletion of, or deterioration of electronically stored books and records; (c) institute regular inspections and evaluations; and (d) reproduce hardcopies of electronically stored books and records that exhibit a high degree of legibility and readability.
3. The information maintained in the system must be cross-referenced with the department's books and records in a manner that provides an audit trail to the source document(s).

**What happens if records are not maintained?** If the proper records have not been maintained, the State may have difficulty demonstrating compliance with all federal tax law requirements if it is audited by the IRS. A determination of noncompliance by the IRS with respect to a bond issue can have various outcomes, including a determination that interest paid on the bond issue should be treated as taxable or that additional arbitrage rebate may be owed. Either one of these outcomes could be very costly to the State's General Fund and also detrimental to the State's reputation in the capital markets.

We hope the above information is helpful. If you have any questions that are not addressed by this memo, please contact Melinda Chan at [mchan@treasurer.ca.gov](mailto:mchan@treasurer.ca.gov) or (916) 653-3445.

State of California

State Treasurer's Office

MEMORANDUM

**Date:** February 9, 2009  
**To:** Bryan Cash  
Deputy Assistant Secretary – Bonds and Grants  
Resources Agency  
**From:** Blake Fowler  
Assistant Director, Public Finance Division  
State Treasurer's Office  
**Subject:** Records Retention for Propositions 12, 204, 13, 40, 50, and 84

Last July, the State Treasurer's Office (STO) sent a memo regarding records retention requirements to all departments and agencies that administer programs funded by General Obligation (GO) bonds. The memo described why records need to be retained, what records must be retained, the format for retaining records, and the implications for failing to maintain proper records. The memo also requested departments and agencies to ensure that their official Records Retention Schedule (STD 73) properly reflects the requirements described in the memo.

To address questions that have been submitted to the STO by various departments and agencies, the attached document contains additional detail beyond that provided in last July's memo and separately describes the requirements for grant programs, State-owned facilities and equipment, and loan programs.

Within a week, the State Treasurer's Office (STO) expects to receive a questionnaire from the Internal Revenue Service regarding the State's post-issuance bond compliance and record retention practices. In order to ensure that all departments have adopted appropriate records retention policies and to enable the STO to appropriately respond to the questionnaire, you are requested to provide a copy of your STD 73 reflecting the records retention requirements described in the attached document. If your STD 73 does not reflect the records retention requirements described in the attached document, please make the necessary changes to your STD 73 and submit it to the Department of General Services with a copy to the STO no later than March 16, 2009.

Please e-mail, mail or fax your STD 73 to:  
Melinda Chan  
State Treasurer's Office  
915 Capitol Mall, Room 261  
Sacramento, CA 95814  
[mchan@treasurer.ca.gov](mailto:mchan@treasurer.ca.gov)  
(916) 653-3445 Phone (916) 653-4042 FAX

For departments that have State-owned, GO bond financed facilities, we will be contacting you in the near future to obtain a list of such facilities and equipment.

Thank you for your cooperation on this important matter.

**State of California  
General Obligation (GO) Bond Program  
Records Retention Requirements  
for Program Administrators**

**Grants to Non-State Entities<sup>1</sup>**

1. Documentation evidencing the granting of all GO bond funds, including copies of invoices, bills, draw/disbursement requests and claim schedules.
2. Accounting records and reports for the GO bond fund accounts from which the funds were disbursed.
3. Grant agreements.
4. List or schedule of the facilities and equipment being financed by the disbursement of GO bond funds and the expected useful life of such facilities and equipment.
5. Records evidencing the amount and timing of any GO bond-funded grants repaid to the department, and any subsequent disbursement of such funds.

**State-Owned Capital Projects**

1. Documentation evidencing the expenditure of all GO bond funds, including copies of invoices, bills, draw/disbursement requests and claim schedules.
2. Accounting records and reports for the GO bond fund accounts from which the funds were disbursed.
3. Contracts entered into for the construction, renovation or purchase of State-owned, GO bond financed facilities and equipment.<sup>2</sup>
4. List or schedule of all State-owned, GO bond financed facilities and equipment and the expected useful life of such facilities and equipment.
5. Documentation that tracks the purchase and sale of State-owned, GO bond-financed assets and any related appraisals, demand surveys, or feasibility studies.
6. Documentation evidencing private business use of State-owned, GO bond-financed assets, including the following: (a) any private ownership, leasing, or other private business use contracts relating to the financed facilities or equipment; and (b) any revenues received with respect to the facilities or equipment.. Documentation should include any management or other service agreements, research contracts, naming rights contracts, leases, subleases, ownership documentation, joint venture arrangements, partnership arrangements, etc.

**Loans to Local Governmental Entities**

1. Documentation evidencing the borrower's expenditure of all GO bond funds, including copies of invoices, bills, draw/disbursement requests and claim schedules.
2. Accounting records and reports for the GO bond fund accounts from which the funds were disbursed.
3. Loan agreements and records of borrower loan repayments for loans funded by GO bonds.
4. List or schedule of the facilities and equipment being financed by the disbursement of GO bond funds and the expected useful life of such facilities and equipment.

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<sup>1</sup> State Entities means any entity that may be considered as related to the State. This includes state agencies/departments, the University of California, California State University, and joint powers agencies with state agency members.

<sup>2</sup> For the purposes of State-owned equipment, equipment means equipment having a normal useful life of at least one year and having a unit acquisition cost of at least \$5,000.

# APPENDIX U

## RECORD RETENTION FOR BONDS

Type	Program-related							Payment Document-related			Accounting-related	
	Project list	Project file	List of annual expenditures by bond sale	Repayment obligations	Associated PPUs, annual follow up (and related documentation)	Documentation of asset purchase, sale, appraisal, etc.	Contracts/Agreements	Draws/disbursement requests	Invoices	Bills	Claim schedules	Year-End Statements (accounting records and reports)
Grants to non-State-related Agencies (Tax Types 3)	✓	✓	See below	✓			✓ Grant agreements	See below	See below	See below	See below	See below
Grants to State-related Agencies (Tax Types 1 and 2)	✓	✓	See below		✓	✓	✓ Contracts for construction, renovation or purchase over \$5K	See below	See below	See below	See below	See below
State Projects	✓	✓	See below		✓	✓	✓ Contracts for construction, renovation or purchase over \$5K	See below	See below	See below	See below	See below
Loans to Local Govs	✓	✓	See below				✓ Loan agreements and records of repayments	See below	See below	See below	See below	See below
Loans to 501©(3)s	✓	✓	See below				✓ Loan agreements and records of repayments	See below	See below	See below	See below	See below
Loans to Other Entities	✓	✓	See below				✓ Loan agreements and records of repayments	See below	See below	See below	See below	See below
Program Delivery			See below					See below	See below	See below	See below	See below
Statewide Bond Costs			See below					See below	See below	See below	See below	See below
General (one set per bond per department)			✓					✓	✓	✓	✓	✓

## List of Documents Requested for an Audit

*Note: This is not an all inclusive list and additional documents may be requested.*

### General Information

- \_\_\_ Current organizational charts of:
  - Entity
  - Partners (including JPAs)
- \_\_\_ Agreements with partners.
- \_\_\_ Contact list of staff on bond projects.
- \_\_\_ Strategic Plan or other applicable plans.
- \_\_\_ List and description of bond programs.
- \_\_\_ List and description of project types (i.e., acquisition, restoration, planning, etc.).
- \_\_\_ The entity's enabling legislation.
- \_\_\_ Laws and regulations for bond programs.

### Procedures

- \_\_\_ Flowcharts, guidelines, and/or procedures for program and fiscal management including, but not limited to:
  - Pre-award process
  - Award process
  - Interim-monitoring process
  - Closeout process
  - Post-close process
  - Cash disbursements (advances, reimbursements, expenditures)
  - Cash receipts (revenues, loans)
  - Payroll cycle
  - Fixed assets recording and tracking
- \_\_\_ Information system control procedures to:
  - Track projects (e.g., database).
  - Process accounting transactions.

### Project Status Information

- \_\_\_ Project status for **ALL** bond projects (awarded, ongoing, and completed) by program as of fiscal year end.
- \_\_\_ All reports provided to the Legislature related to bond projects, if applicable.
- \_\_\_ Project files including, but not limited to:
  - Completed application.
  - Review and selection process (e.g. scoring sheet/criteria).
  - Signed agreement, amendments, and modifications.
  - Reimbursement claims with supporting documents.
  - Advances with justification.
  - Progress reports and site visits.
  - Correspondence, notes, pictures.
  - Project close-out documents.
  - Post-closure follow-up reports.
- \_\_\_ Additional documents for acquisitions:
  - Letter from willing seller
  - Independent appraisal report
  - Cancelled checks/warrants
  - Final escrow closing statement
  - Recorded deed
  - Memorandum/Notice of Unrecorded Grant Agreement
  - Title insurance policy
  - Income (rental, grazing, timber harvesting, carbon credits, etc.)

**Accounting Information**

- \_\_\_ Budget Change Proposals (BCPs) and Executive Orders for bond programs.
- \_\_\_ Cost Allocation Plan & Methodology for support costs with supporting documents.
- \_\_\_ Reconciliation of fiscal and project records (encumbrances and expenditures).
- \_\_\_ Documentation and/or flowchart(s) for each program by bond act section as of fiscal year end showing:
  - Total allocation
  - Total appropriation
  - Cumulative expenditures
- \_\_\_ Chart of accounts
- \_\_\_ Accounting records documenting transactions related to bond programs including, but not limited to:
  - General and subsidiary ledgers
  - Claim schedules
  - Invoices
  - Notices of claims paid
  - Cash receipt documents
  - Bank statements
  - Payroll records
  - Other bridging documentation
- \_\_\_ List of employees authorized to approve and sign documentation.

**Expenditures and Reimbursements**

- \_\_\_ Payment request
- \_\_\_ Supporting documents including, but not limited to:
  - Invoices/receipts
  - Subcontractor agreements
  - Timesheets/payroll ledgers
  - Indirect cost allocation methodology with support for actual costs
- \_\_\_ Bridging document(s) linking supporting documents, payment request, and budget.
- \_\_\_ Review and approval (e.g., signatures, checklist for review)
- \_\_\_ Cancelled check/warrant showing payment.
- \_\_\_ Entry in accounting system.

**Payroll Records**

- \_\_\_ List of employees working on bond programs and duty statements.
- \_\_\_ Signed and approved timesheets showing time spent on bond programs.
- \_\_\_ Payroll ledgers showing total paid.
- \_\_\_ Allocation methodology and bridging documents showing paid amounts distributed to programs.

**Corrective Action Plan Template**

<b>Name of Department:</b>			<b>Date of Report:</b>	
<b>Corrective Action Plan</b>				
<b>Control Weaknesses Identified</b>	<b>Corrective Actions Taken</b>	<b>Corrective Actions to be Taken</b>	<b>Person Responsible for Action (Position Title)</b>	<b>Date of Action/Planned Action</b>

*Note: Use landscape in page setup when completing for additional column space. Template is available at: <http://www.dof.ca.gov/osae/fisma/>.*

## **Project Management Resources**

<http://www.epa.gov/oig/dwg/>

Domestic Working Group – Grant Accountability Project  
Guide to Opportunities for Improving Grant Accountability

<http://www.ojp.gov/grants101/>

U.S. Department of Justice – Office of Justice Programs  
Grants 101 Website  
2009 Financial Guide  
Procurement Procedures for Recipients of DOJ Grants and Cooperative Agreements

[http://management.energy.gov/policy\\_guidance/financial\\_assistance.htm](http://management.energy.gov/policy_guidance/financial_assistance.htm)

Balanced Scorecard – Performance Measurement and Performance Management  
Program  
Guide to Financial Assistance – A Guide to the Award and Administration of Financial  
Assistance  
Merit Review Guide for Financial Assistance and Unsolicited Proposals  
Guide to the Submission of Unsolicited Proposals

[http://www.calema.ca.gov/PublicSafetyandVictimServices/Pages/Forms,-Handbooks,-  
Reports.aspx](http://www.calema.ca.gov/PublicSafetyandVictimServices/Pages/Forms,-Handbooks,-Reports.aspx)

California Emergency Management Agency  
2011 Recipient Handbook

[http://www.ots.ca.gov/Grants/Grant\\_Administration/default.asp](http://www.ots.ca.gov/Grants/Grant_Administration/default.asp)

California Office of Traffic Safety  
Grant Administration Website includes grant program manual, grant agreement forms,  
fiscal forms, and program forms

## **Accountability and Audit Resources**

[www.epa.gov/oig/dwg/reports/dwg-grants.pdf](http://www.epa.gov/oig/dwg/reports/dwg-grants.pdf)

Guide to Opportunities for Improving Grant Accountability  
Information on grant management

[www.governing.com/manage/pm/perf1007.htm](http://www.governing.com/manage/pm/perf1007.htm)

Information on performance measurements

# Glossary

Term	Definition
<b>Advance</b>	Any payment made before work has been performed or goods have been delivered. <i>(Source: State Contracting Manual)</i>
<b>Allowable cost</b>	<p>A cost is allowable if it is:</p> <ul style="list-style-type: none"> <li>• Necessary and reasonable for the proper and efficient performance and administration of the project award.</li> <li>• Agrees with any limitations or exclusions set forth in the terms and conditions of the project award as to types or amount of cost items.</li> <li>• Authorized and not prohibited under applicable laws and regulations, policies and procedures.</li> <li>• Determined in accordance with generally accepted accounting principles.</li> <li>• Not included as a cost or used to meet cost sharing or cost matching requirements of any other project award, unless authorized.</li> <li>• Adequately supported with documentation.</li> </ul> <p><i>(Source: Office of Management and Budget Circular A-87)</i></p>
<b>Audit trail</b>	An adequate document trail that facilitates the ability to trace an expenditure claimed on a payment request to the accounting record(s) and source document(s). Also see <i>bridging document</i> .
<b>Award amount</b>	The total amount that has been committed to the recipient and encumbered by the agency for all budget periods. This may include funding for a current budget period plus funding for future periods.
<b>Billing and payment terms</b>	Specifies how funds will be distributed, either on a reimbursement or advance basis. Includes specifics about the payment terms and instructions, frequency of payment, and the payment method. A template of the form that should be used by recipients to report costs incurred and requested for payment should be provided. Specifies the supporting documents or reports required to be submitted.
<b>Bond</b>	A state general obligation bond issued pursuant to an act adopting the provisions of the State General Obligation Bond Law. <i>(Source: Government Code section 16722)</i>

<b>Bond act</b>	The act authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference. (Source: <i>Government Code section 16722</i> )
<b>Bridging document</b>	A spreadsheet or report prepared by department/recipient staff to support expenditures claimed for reimbursement. This document is usually prepared to determine the total expenditures for a budget category or line item on a payment request, and is prepared using accounting records or other supporting documents.
<b>Budget changes</b>	Changing the budget if expenses exceed the budget for a particular category or if the recipient wants to transfer amounts between two categories. Some agencies allow a deviation within approved categories and some require approval for any change.
<b>Budget cost category amount</b>	The amount awarded for each budget cost category (e.g., salaries and wages, fringe benefits, travel, equipment, and indirect costs).
<b>Budget period</b>	The period(s) of project performance, and the budgeted amount for the project. If project period is more than one year, include the start and end dates of each period, and applicable terms for each.
<b>California Environmental Quality Act (CEQA)</b>	Requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible. Codified in Public Resources Code section 21000 et seq.; also see <a href="http://ceres.ca.gov/ceqa/">http://ceres.ca.gov/ceqa/</a> for additional information.

<b>Capital Asset</b>	<p>Government Code section 16727, subdivision (a), defines <del>capital assets</del> "capital assets" as follows:</p> <ul style="list-style-type: none"> <li>• Tangible physical property with an expected useful life of 10 to 15 years, but these costs may not exceed 10 percent of the bond proceeds net of all issuance costs.</li> <li>• Major maintenance, reconstruction, demolition for purposes of reconstruction of facilities, and retrofitting work that is ordinarily done no more often than once every 5 to 15 years or expenditures that continue or enhance the useful life of the capital asset.</li> <li>• Equipment with an expected useful life of two years or more.</li> </ul> <p>Costs allowable under this section include costs incidentally but directly related to construction or acquisition, including, but not limited to, planning, engineering, construction management, architectural, and other design work, environmental impact reports and assessments, required mitigation expenses, appraisals, legal expenses, site acquisitions, and necessary easements.</p>
<b>Capital outlay</b>	<p>Acquisition of land or other real property, major construction, improvements, equipment, designs, working plans, specifications, repairs, and equipment necessary in connection with a construction or improvement project. This does not include repairs and maintenance, which are intended to keep a facility functional at its designed level of services and life expectancy. (Source: <i>State Administrative Manual section 6806</i>)</p>
<b>Contract</b>	<p>A contract is an agreement to do or not to do a certain thing. It sets forth terms, conditions, and the statement of all work to be performed. (Source: <i>State Contracting Manual Chapter 2.02</i>)</p>
<b>Control activities</b>	<p>One of the five standards for internal control, in addition to control environment, risk assessment, information and communications, and monitoring. Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities, whether automated or manual, have various objectives and are applied at various organizational and functional levels.</p>

<b>Control Environment</b>	One of the five standards for internal control, in addition to risk assessment, control activities, information and communications, and monitoring. The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. The control environment represents the collective effect of various factors on establishing, enhancing, or mitigating the effectiveness of specific control activities. Such factors include: (1) integrity and ethical values, (2) commitment to competence, (3) management’s philosophy and operating style, (4) organizational structure, (5) assignment of authority and responsibility, (6) human resource policies and practices, (7) control methods over budget formulation and execution, (8) control methods over compliance with laws and regulations, and (9) oversight groups.
<b>Cost matching</b> (also see <i>Matching funds</i> )	A requirement that recipients contribute resources to the program that equal or exceed a predetermined percentage of amounts provided by the grantor. The cost matching may be in the form of cash contributions, personnel services, or third-party contributions. <i>(Source: California Office of State Controllers, State of California, Accounting Standards and Procedures for Counties)</i>
<b>Direct cost</b>	Any cost that can be specifically identified as generated by and in accordance with the provisions or activity requirements of the project. <i>(Source: State Contracting Manual)</i>  Common direct cost categories include, but are not limited to, salaries and wages, fringe benefits, contractual services, travel, and equipment.
<b>Environmental impact report (EIR)</b>	The purpose of an EIR is to provide public agencies and the public in general with detailed information about the effect which a proposed project is likely to have on the environment; to list ways in which the significant effects of such a project might be minimized; and to indicate alternatives to such a project. <i>(Source: Public Resources Code section 21061)</i>
<b>Expense limitations</b>	Indicates whether any cost categories are limited to a specific amount within a budget or project period. For example, many agencies limit the amount that can be spent on travel for each budget year.
<b>Feasible</b>	Capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors. <i>(Source: Public Resources Code section 21061.1)</i>
<b>Fund</b>	The fund created by a bond act, and into which the proceeds from the sale of the bonds are paid. <i>(Source: Government Code section 16722)</i>

<b>Grant</b>	To bestow or confer a benefit on another, with or without consideration. In contrast, a contract requires an exchange of consideration. <i>(Source: State Contracting Manual)</i>
<b>Indirect cost</b>	A cost that cannot be readily assigned to a specific activity or program and should be distributed between programs and activities which benefit from its incurrence. <i>(Source: California Department of Finance, Finance Glossary of Accounting and Budgeting Terms)</i>
<b>Information and communication</b>	One of the five standards for internal control, in addition to control environment, risk assessment, control activities, and monitoring. The information and communication systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their internal control and other responsibilities.
<b>In-kind match</b>	The value of non-cash contributions and may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefiting and specifically identifiable to the project or program.
<b>Interagency agreement</b>	An agreement between two or more state agencies. <i>(Source: State Contracting Manual)</i>
<b>Internal control</b>	A process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: <ul style="list-style-type: none"> <li>• Effectiveness and efficiency of operations.</li> <li>• Reliability of financial reporting.</li> <li>• Compliance with applicable laws and regulations.</li> </ul> <i>(Source: Office of Management and Budget Circular A-133)</i>
<b>Internal Control, Five Components of COSO</b>	The Committee of Sponsoring Organizations of the Treadway Commission (COSO) outlines internal control in their <i>Internal Control-Integrated Framework</i> , as consisting of five related components that must be present for an entity to achieve effective internal controls. The five components are: <ul style="list-style-type: none"> <li>• Control environment</li> <li>• Risk assessment</li> <li>• Control activities</li> <li>• Information and communication</li> <li>• Monitoring</li> </ul>

<b>Local assistance</b>	Grants to local agencies for the operation, maintenance, and acquisition or development of facilities or land, provided the local entity retains ownership after project completion. <i>(Source: State Administrative Manual section 6806)</i>
<b>Maintenance</b>	<p>The act of keeping fixed assets in useable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended. <i>(Source: Generally Accepted Accounting Principles)</i></p> <p><i>Note: Maintenance is generally disallowed under the Bond Acts.</i></p>
<b>Matching funds</b> (also see <i>Cost matching</i> )	Funds made available by non-state sources, which may include, but are not limited to, donated services from non-state sources. <i>(Source: Water Code section 79505.5)</i>
<b>Monitoring</b>	One of the five standards for internal control, in addition to control environment, risk assessment, control activities, and information and communications. Monitoring is a process that assesses the quality of internal control performance over time. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

<b>Outcome</b>	<p>The result, effect, or consequence that will occur from carrying out a program or activity that is related to a departmental or programmatic goal or objective. Outcomes may be environmental, behavioral, health-related, or programmatic in nature, must be quantitative, and may not necessarily be achievable within a project’s funding period. Departments should identify outcomes wherever possible because they lead to environmental and/or public health improvement more clearly than outputs. Also see <i>Output</i> and <i>Performance measure</i>.</p> <p><i>Example:</i> Reduction in tons of emissions from school buses from all the projects.</p> <p><i>Example:</i> The percentage of population served by compliant community water systems and the percentage of compliant water systems.</p>
<b>Output</b>	<p>An activity or effort, and/or associated work products that are produced or provided over a specific period of time. Outputs may be quantitative or qualitative, but must be measurable during the project funding period. Also see <i>Outcome</i> and <i>Performance measure</i>.</p> <p><i>Example:</i> Number of diesel school buses replaced or retrofitted with new emission control technology under the project.</p> <p><i>Example:</i> Frequency money is loaned out or awarded and the average loan or award amount per project.</p>
<b>Periodic payments</b>	<p>Payments made at specified intervals during the term of a project. (Source: <i>State Contracting Manual</i>)</p>
<b>Performance measure</b>	<p>A metric used to gauge department, program, or project performance. Also see <i>Outcome</i> and <i>Output</i>.</p>
<b>Progress payments</b>	<p>Partial payments related to steps or phases toward the completion of the required services under a project. (Source: <i>State Contracting Manual</i>)</p>
<b>Project</b>	<p>An activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, and which is any of the following: (a) an activity directly undertaken by any public agency, (b) an activity undertaken by a person which is supported, in whole or in part, through contracts, grants, subsidies, loans, or other forms of assistance from one or more public agencies, or (c) an activity that involves the issuance to a person of a lease, permit, license, certificate, or other entitlement for use by one or more public agencies. (Source: <i>Public Resources Code section 21065</i>)</p>
<b>Project period</b>	<p>The start and end date for a project.</p>

<b>Proposition 12</b>	Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (the Villaraigosa-Keeley Act) created pursuant to Public Resources Code section 5096.300 et seq.
<b>Proposition 13</b>	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act of 2000 (the Costa-Machado Water Act) created pursuant to Water Code section 79000 et seq.
<b>Proposition 40</b>	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 created pursuant to Public Resources Code section 5096.600 et seq.
<b>Proposition 50</b>	Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 created pursuant to Water Code section 79500 et seq.
<b>Proposition 84</b>	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 created pursuant to Water Code section 75001 et seq.
<b>Questioned cost</b>	<p>A cost that may be subject to disallowance because of:</p> <ul style="list-style-type: none"> <li>• A noncompliance with a provision of a regulation, statute, agreement, or other document governing the expenditure of funds.</li> <li>• A finding that, at the time of the audit, the cost was not supported by adequate documentation.</li> <li>• A finding that the expenditure of funds was not for the intended purpose as specified in the agreement.</li> </ul> <p><i>(Source: Office of Management and Budget Circular A-133)</i></p>
<b>Risk assessment</b>	One of the five standards for internal control, in addition to control environment, control activities, information and communications, and monitoring. Risk assessment is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
<b>Risk assessment procedures</b>	<p>Audit procedures performed to obtain an understanding of the entity and its environment, including its internal control, to assess the risk of material misstatement at the financial statement and relevant assertion levels. Risk assessment procedures include:</p> <ul style="list-style-type: none"> <li>• Inquiries of management and others within the entity.</li> <li>• Analytical procedures.</li> <li>• Observation and inspection.</li> </ul>

<b>State General Obligation Bond Law</b>	The purpose of this law is to provide a procedure which may be adopted by other acts for use with whatever modifications are necessary in authorizing the issuance and sale of state general obligation bonds and providing for the repayment of such bonds. Codified in Government Code sections 16720 et seq.
<b>State operations</b>	Includes repair projects, such as special repairs, not connected with a construction or improvement project. Examples of special repair projects include repainting, re-roofing, electrical rewiring, plumbing repairs, dredging of river or stream beds to restore original flow capacity, replacing old equipment items, and road repairs. (Source: <i>State Administrative Manual section 6806</i> )
<b>Supporting document</b>	Document(s) that support(s) the amount reported in the accounting system records and the reimbursement request. Examples of supporting documents are: <ul style="list-style-type: none"> <li>• Timesheets</li> <li>• Cost Allocation Plan</li> <li>• Vendor Invoices</li> <li>• Cancelled checks or warrants</li> <li>• Check Register</li> <li>• Travel Logs</li> </ul>
<b>Unallowed cost</b>	The cost activities and services that are not allowed as an eligible cost for reimbursement. A cost determined to not be eligible for reimbursement because the cost was: <ul style="list-style-type: none"> <li>• Identified as not allowed under applicable regulations, statute, or the agreement.</li> <li>• Incurred outside the project performance period.</li> <li>• Claimed for reimbursement before actual payment was made, if payments are made on a reimbursement basis only.</li> </ul>
<b>Walk-throughs</b>	Audit procedures to help the auditor understand the actual operation of significant aspects of accounting system processing and control activities. Walkthroughs of financial reporting controls consist of tracing one or more transactions from initiation, through all processing, to inclusion in the general ledger; observing the processing and applicable controls in operation; making inquiries of personnel applying the controls; and examining related documents.