



To: Marcia Salter and Gina Will, County of Nevada
From: CLA
Date: February 8, 2023
Re: Consulting Services: Review of Specific Fire Safe Council Contracts and Whistleblower Claims

Dear Ms. Salter and Ms. Will:

The purpose of this letter is to summarize the results of the work performed by CliftonLarsonAllen, LLP (“CLA”) regarding our engagement with County of Nevada (the “County”) in the above referenced matter. We performed our engagement in accordance with the Statement on Standards for Consulting Services, *Consulting Services: Definitions and Standards* (codified as CS Section 100 in *AICPA Professional Standards*) of the American Institute of Certified Public Accountants (“AICPA”).

While our work may have involved the analysis of accounting records, our engagement did not include an audit in accordance with generally accepted auditing standards or any other attest function. It is our understanding that the primary intent of engaging our services is for the benefit of management of the County. Our services are not intended to benefit or influence any other person or entity.

Background

The County provides funding to a non-profit called the Fire Safe Council of Nevada County (“Fire Safe”). According to their website, Fire Safe’s mission is to “make Nevada County safer from destructive wildfire through fire safety projects and education.”¹ Based on interviews with the County, two former Fire Safe employees have come forward with various allegations related to the management of Fire Safe and the manner in which the Executive Director, Jamie Jones (“Ms. Jones”), executes Fire Safe’s business. Most of the whistleblower claims do not relate to funding provided by the County. However, two of the claims directly relate to the County grants reviewed by CLA. According to the claims by Whistleblower 1, Fire Safe over charged the County for the Storm Recovery project by reporting incorrect hours worked.² Further, the claim by Whistleblower 2 asserts that the \$200,000 monthly advances Fire Safe received during the Ponderosa West project exceeded the actual costs that Fire Safe kept track of in its invoices. CLA notes that both whistleblowers are no longer with Fire Safe.

Based on these claims and the clauses in both project contracts,³ the County requested that CLA assist with conducting a forensic accounting regarding operations at Fire Safe in an effort to obtain information about the processes, controls, and procedures in place to discharge the requirements of the contracts

¹ See <https://www.areyoufiresafe.com/>.

² The names of the whistleblowers are not used for purposes of confidentiality.

³ See section 19.3 of the Storm Recovery contract dated January 7, 2022, and section 21 of the Ponderosa West contract dated July 31, 2019.

held with the County and to determine whether the whistleblower claims appeared valid. Additionally, the County wanted to ensure that taxpayer funds were expended appropriately and that they can comply with all regulations concerning the use of public funds. CLA assisted the County with review of the following contracts:

- PESP4415 Winter Storm Support and Green Waste Mitigation (“Storm Recovery”)
- BMS19419 Fuels Reduction Services – Ponderosa West Grass Valley Defense Zone Project (“Ponderosa West”)

The County also requested CLA review two contracts that had been recently entered into with Fire Safe; however, upon inquiry with Fire Safe, CLA was informed that Fire Safe was yet to start work or incur expenses on those contracts. Therefore, CLA did not perform analysis related to the following two contracts:

- BM122124 Nevada County Abatement Program Phase One Services
- BM 122125 Access and Functional Needs Program Phase One Services

Summary of Work Performed

CLA performed an assessment of the books and records kept by Fire Safe in relation to the Storm Recovery and Ponderosa West contracts. The scope period for review was the date range of each contract.⁴ This work included the following steps for each contract:

1. Conduct information gathering interviews with Fire Safe regarding the processes and controls used in discharging County funded contracts.
2. Collect available documentation for analysis including executed contracts and amendments.
3. Analyze supporting documentation for all grant related expenses including subcontractor invoices, invoices sent to the County, and payroll records.
4. Review the QuickBooks audit logs for the Executive Director during the contract period of the grants.

⁴ The Ponderosa West contract ran from July 23, 2019, through March 31, 2022, and the Storm Recovery project ran from January 3, 2022, through March 31, 2022.

Work Performed and Results

1. Storm Recovery

According to the claim by Whistleblower 1, Fire Safe over charged the County for the Storm Recovery project. According to review of the invoices by Whistleblower 1, employees were billed for 12 hours of work but did not work for 12 hours. Additionally, Shannon Banks, administrative assistant, was billed as a program manager despite working in her regular role. CLA obtained the invoices and corresponding payroll records for all labor charged to the Storm Recovery contract and analyzed to determine whether the expenses paid for by the County are for legitimate project related purposes and whether the time charged appears legitimate.

CLA reviewed the invoices sent to the County and noted that Jones and Chris Wackerly⁵ (“Wackerly”) both had days with 24 hours charged to the contract. Jones and Wackerly both charged 12 hours on 1/7/22 to invoices 1221 and 1222. Two grounds crew staff members, Sauder and Alesbai, each had 20 hours charged to the contract in one day. Sauder charged 10 hours on invoices 1225 and 1226 for the date 1/19/22. Alesbai charged 10 hours on invoices 1225 and 1226 for the date 1/20/22. Upon inquiry with Fire Safe, it was determined that these double charges were clerical errors. CLA confirmed using payroll records provided by Fire Safe that the charges for Sauder and Alesbai were clerical errors based on incorrect dates and were not double charged to the grant. Sauder worked on both 1/19/22 and 1/20/22 and was instead billed for 1/19/22 twice. Alesbai worked on both 1/19/22 and 1/20/22 and was instead billed for 1/20/22 twice. CLA also confirmed using payroll records provided by Fire Safe that the charges for Wackerly and Jones were clerical errors based on incorrect names and not double charged to the grant. One of the invoices should have been billed for Shannon Banks (“Banks”) and Billy Spearing (“Spearing”), instead of Jones and Wackerly.⁶

According to the invoices, there were days where multiple individuals were all working as program manager on the Storm Recovery contract. On 1/5/22, 1/6/22, and 1/11/22, Jones, Spearing, Banks, and Wackerly were all charged for 12 hours a day as program manager. CLA noted there were also dates on weekends where program managers were billed. Upon inquiry with Fire Safe, it was explained that many staff had to work weekends while this project was active because it was an emergency situation. Additionally, 12 hours per day is accurate for how much the staff was working. According to Jones, the Storm Recovery grant took a lot of coordination and was time consuming for everyone. Jones described the Storm Recovery project as “all hands on deck.” Jones, Wackerly, Spearing, and Banks were all doing the same duties and filling in where needed as program manager. Therefore, all four of them were billed at the program manager rate.

In order to gain an understanding on the field staff hours billed, CLA inquired with Fire Safe about the process used to record and bill their hours. For the Storm Recovery project, the field supervisor provided a daily roster of the staff and machinery used on-site. Timecards were not completed by individual staff with their clock in and clock out time. The roster that was approved by the field supervisor each day was input

⁵ Chris Wackerly is Jamie Jones’s husband. He is employed by Fire Safe as the Field Operations Manager.

⁶ Both Spearing and Banks were working as project managers for the duration of the Storm Recovery contract.

into the system by administrative staff, and then an invoice was generated based on the rates provided in the contract. The billing for labor and machinery on this grant was based on actual time/resources used on the project. Administrative staff also do not fill out a daily timecard with beginning and end times.

To ensure the County was being charged for labor at the wage rates agreed to in the contract with Fire Safe, CLA tied all labor charged on the invoices for Storm Recovery to the wage rates in the contract. CLA noted five line items not included in the original contract. Specifically, "data collection," "traffic control," "water and snacks," "toilet, hand washing station," and "PPE gloves and safety vests" were line items that were not included in the original contract. Fire Safe provided CLA with contract amendment 2, which included these positions. The Excel schedule they provided with the contract amendment was not included with the signed PDF provided by the County. Although the rates are not specifically mentioned in the PDF amendment, they appear reasonable based on the other rates agreed to and the nature of the project. CLA inquired of the County, and they did not disagree that the Excel file was a valid attachment to the amendment.

Based on the available information, CLA did not note an instance of Fire Safe overbilling the County for hours worked on this grant project.

2. **Ponderosa West**

According to the claim by Whistleblower 2, the \$200,000 monthly advances Fire Safe received during the Ponderosa West Project exceeded the actual costs that Fire Safe kept track of in its invoices. Fire Safe sent a monthly invoice to the County for their actual costs for work completed, less the \$200,000 monthly advance. The claim stated the project was completed in November 2020 and that Fire Safe had a liability owed to the County. However, the grant contract period extended through March 31, 2022, and Fire Safe expended the entire amount of the grant, which totaled \$3,343,553. CLA tied expenses recorded by Fire Safe to the Ponderosa West project to supporting documentation such as subcontractor invoices and payroll records to determine whether the expenses paid for by the County were for legitimate project purposes.

CLA received the "Ponderosa West Detail Tracking" spreadsheet from Fire Safe. This document lists the line items charged to the Ponderosa West grant in their accounting software that were then billed to the County. Table 1 below summarizes each category of expenses and the total charged to the County. The total in each category matches the amount in the contract.

Table 1: Ponderosa West Contract Summary

Category	Total Charged
Subcontractors	\$ 2,899,440.00
Grant Admin	\$ 358,237.80
Wages	\$ 59,375.00
Benefits	\$ 26,500.00
	<u>\$ 3,343,552.80</u>

Based on the available documents, CLA determined that the descriptions on all subcontractor invoices provided appear to be for legitimate grant expenses. CLA was provided with 11 subcontractor invoices totaling \$70,942.83 that do not appear on the "Ponderosa West Detail Tracking" spreadsheet. According to Fire Safe, these invoices were never charged to the grant despite being grant related. This is due to mis-categorization by the former controller; therefore, some expenses incurred in the course of administering the grant were never invoiced to the County. Finally, sixteen of the invoices totaling \$450,360.48 have no signature by Fire Safe to indicate approval and account coding. The subcontractors on the unsigned invoices are Department of Forestry and Fire Protection, Jose Gutierrez Contracting, and Sierra Land Improvement. CLA notes the invoices have the Fire Safe stamp but lack an approval signature either due to a lack of signature or the signature did not scan properly. All of the descriptions on the invoices appear to be for legitimate grant related purposes and are similar to other subcontractor invoices. Additionally, all of the subcontractors have other, signed, invoices related to this grant. CLA did not identify anything unusual about the unsigned invoices.

There are 43 subcontractor invoices written for Fire Safe employee labor. Jones and Spearing are included on 4 of these invoices. Jones and Spearing are also billed in the "admin fees," "wages," and "benefits" categories. CLA noted that the "admin fees" and "subcontractor" labor dates for Jones and Billy did not overlap. All of the "admin fees" dates are in 2019 and 2020, and the "subcontractor" dates are in 2021 and 2022. CLA determined that the "wages" and "subcontractors" categories both include time billed in February 2021. Because the "wages" category does not specify the exact date, CLA cannot determine whether there is overlap between those two categories. Similarly, the "wages" and "admin fees" categories include time billed in December 2019 and June 2020. Because neither category specifies exact dates, CLA cannot determine whether there is overlap between those two categories. The total amount charged to each of these categories agrees exactly to what was agreed upon in the contract and appears reasonable based on the budget.

CLA inquired with Fire Safe for more detail on the payroll portion of this grant. The indirect cost rate, used for "admin fees," was determined by CalFire at 12%.⁷ A portion of Jones and Spearing payroll was portioned to this category. For the "wages" category, according to Jones, the former controller was using a percentage of time to bill to this category. They did not retain this support. Jones explained to CLA that Fire Safe never double book dates or duplicate hours between categories. The billing for labor on this grant is based on actual time/resources used on the project, and the total amount charged to each of these categories agrees exactly to what was agreed upon in the contract.

Finally, there are 15 dates where both Jones and Spearing were paid as project manager on the subcontractor invoices. According to Fire Safe, it was normal for both Spearing and Jones to be working as project managers, as this project took up a majority of their time.

⁷ According to the Ponderosa West Contract, "CalFire Community Wildfire Prevention & Mitigation Report, published on March 22, 2019, included 35 priority projects across the state which would immediately help reduce public safety risk in over 200 communities of which included County of Nevada's Project "Ponderosa West Grass Valley Defense Zone"."

Based on CLA's review of the supporting documentation for this contract, CLA did not find evidence to support the claim that the advances were in excess of the expenditures incurred by Fire Safe.

3. **Audit Log**

CLA received the QuickBooks audit log for Jones in order to analyze and identify activity of concern. The audit log consists of mainly payroll activity, including entering payroll checks. CLA noted there are edits to multiple employees' payroll checks, including her own, Wackerly's, and Spearing's. CLA requested Fire Safe provide documentation for the payroll edits for a selection of dates during the Storm Recovery project. Fire Safe responded that the dates of these payroll checks were not directly billed to the grant under review and, therefore, were outside of our scope. CLA inquired about the typical reason for payroll edits, and Jones explained that although rare, occasionally an employee would miss entering hours. Once the payroll is approved and reconciled by the Board Treasurer, no edits can be made. Therefore, any edits made by Jones to anyone's payroll would have been approved by the Board Treasurer.

CLA inquired further about the general payroll process. Hourly employees enter their timecards, which are then verified by their supervisor. Administrative Staff timecards are verified by Jones. The Board Chair reviews Jones's and Wackerly's payroll. Changes to the payroll register from the prior period, including addition of new employees, deletion of employees, or changes in pay rate, must be accompanied by an Employment Information Form and signed by the Executive Director. Previously, Jones was processing payroll, and the Board Treasurer was reconciling the payroll journals. Currently, there is an accounting technician that processes payroll, and the Controller reviews the payroll expenditures and allocations monthly. Jones is no longer performing any payroll duties. Fire Safe has hired additional staff, including a controller and accounting technician, in order to remove Jones from the day-to-day accounting. Additionally, CLA inquired about the capability of their timekeeping system to use GPS tracking for their field employees to clock in. Jones explained that this system is unreliable because they rarely have cellular service out in the field. Because of this, the field supervisor verifies employee attendance.

Scope Limitations

CLA requested an audit log from QuickBooks to analyze edits made to payroll. CLA specifically wanted to review changes made to payroll during the contract periods and review the underlying support to determine whether any changes made were to the loss of the County. CLA did review the audit log as described in section 3 above and attempted to obtain further support from Fire Safe, but it was not available.

Conclusion

Based on the results of the analysis performed on the available information, CLA found no evidence of misappropriation of funds by Fire Safe related to the two County contracts reviewed. However, CLA relied on a limited production of information provided by Fire Safe.

During our interviews of the Fire Safe staff, including Jones, CLA noted a lack of adequate segregation of duties at Fire Safe due to the limited office staff. However, Jones stated that the Board Treasurer would review the

payroll transactions that she performed related to her and her spouse, Wackerly, as a compensating control. While this does not replace adequate controls, it increased the likelihood of fraud or errors being identified within Fire Safe. Since the completion of these contracts, Fire Safe notes they have hired additional staff and made changes to their processes to prevent Jones from performing day to day bookkeeping.

It is also important that the County have adequate oversight and monitoring of the grants administered by grantees such as Fire Safe. An inadequate control environment coupled with a lack of monitoring can create an opportunity for fraud or errors in the administration of the grant funds and lower the chance that they will be identified by the County.

The following section includes recommendations for improving processes both at the County and at Fire Safe to limit the risk of misappropriation of funds and improve detection.

Recommendations

The following recommendations are based solely on the procedures performed above. CLA did not perform an internal control review or internal audit, and this engagement was not intended to identify all internal control weaknesses. However, for those areas where a control weakness was identified, we have included a recommendation.

A. Recommendations for County of Nevada

1. Expanded Contract Language

CLA recommends the County consider expanded contract language in all grant-related contracts going forward, including the following:

- Books of Record and Audit Provision – Specifics should be included where applicable to indicate what exactly constitutes the books and records that are allowed to be audited.
- Dual Control employed by the contractor – Consider specifying that a single person cannot operate under more than one role per day as defined in the contract (e.g., a person performing one duty cannot also be approving that duty for inclusion in billing to the County).
- Guardrails and specificity in what the contractor can submit as documentation – Consider specifying what types of documents are considered supporting documentation for a transaction (e.g., invoice, contractor statement, receipt, employee’s approved timecard, etc.). For employee timecards, consider requiring that the timecard must include project information for all hours worked.

CLA was informed that since the onset of this investigation, the County has implemented stronger language in all contracts, which includes some of the recommendations made here by CLA.

2. Labor Rates

When a contract includes labor rates, CLA recommends the County gain comfort on the rates by ensuring sure they are in line with industry standards.

B. Recommendations for Fire Safe Council

1. Dual Control in the Accounting Department

For internal control purposes, there should be dual control over all areas of the accounting department. For example, the same person should not be involved in the discharge of grant administration and payroll. Lack of segregation of duties allows opportunity for error and potential misappropriation of funds. Due to the size of the Fire Safe Council, it may not be possible to employ dual controls on all transactions. However, the following procedures are examples of how Fire Safe can implement better segregation of duties:

- For expenditures, the Controller should review all requests for payment and approve the payment according to the budget. The Accounting Technician should then process the payment in QuickBooks.
- For payroll, the Accounting Technician should prepare the payroll file and submit to the Controller for review and approval before processing.

It is our understanding through conversations with Fire Safe that with the recent hiring of the Controller, additional procedures such as those suggested above have now been implemented.

2. Board Training

Fire Safe Management is responsible for ensuring appropriate internal controls are in place to safeguard the assets and resources utilized to discharge State and Federal grants and for ensuring legal and ethical standards are followed. The Board, as the governing body over Fire Safe, should be informed of the requirements of management and any policies, laws, or ethical standards that may be applicable to them. In order to ensure the Board understands the ordinances and rules pertaining to the management of State and Federal grants, CLA recommends annual board training, including review of Fire Safe policies and procedures, specifically those pertaining to contracts, budgets, expenditures, and grant management.

3. Document Retention

Documentation for some of the indirect costs related to the grants CLA reviewed was not retained or could not be located by Fire Safe. The documentation for all grant related transactions should be maintained for easy access by Fire Safe staff, including the audit logs located in the accounting software. This documentation needs to be available while the grant is

active and retained for as long as the grant may be audited by an examiner or external auditor.
This is especially important when Federal funds are being expended.

It was a pleasure working with the County regarding this matter. Please contact me directly if you have any questions regarding the procedures performed or results.

Respectfully,

A handwritten signature in black ink, appearing to be 'Folashade Abiola-Banjac', written in a cursive style.

Folashade Abiola-Banjac, Esq
Principal