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ILF Program Audit Methodology

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July 14, 2016

Background

- This presentation is based on a program audit of the Virginia Aquatic Resources Trust Fund (VARTF), operated by the Nature Conservancy. The presentation will discuss criteria and methodology, and not the results.
- Interagency Review Team approved a split audit – a financial audit and a program audit. ELI conducted the program audit. An independent financial auditor conducted the financial audit.

Authority for Audit

- The 2008 Rule authorizes the District Engineer for the Corps to audit the records of each ILF program. 33 CFR 332.8(i)(4), 40 CFR 230.98(i)(4).
- In the case of VARTF, the Program Instrument provides that the program “shall be audited once each five years by an independent auditor.”

Purpose and Scope of Audit

- Auditor must assess substantial compliance with the program criteria established by:
 - Compensatory Mitigation Rule
 - Program Instrument
- **Time Period:** Audit covers the program activities of the ILF program from the date of the instrument through the end of the audit period
 - That are subject to these criteria, and
 - Are not grandfathered in by the terms of the Program Instrument

Evidence Based

- A program audit involves performing procedures to obtain audit evidence to document the satisfaction of the program criteria. This specifically includes:
 - Identifying the existence of systems of records;
 - Identifying existence of standard operating procedures;
 - Implementation of these systems and procedures; and
 - Inspection of relevant records to document compliance with requirements.

Audit Meeting

- Identify all necessary records, systems of records, and standard operating procedures
- Establish basis for access to records needed
- Reach common understanding of points of contact and key personnel
- Identify any areas of particular complexity or concern

Documents Reviewed

For example, in the case of VARTF, ELI reviewed records provided by the Nature Conservancy and VARTF records maintained by the Corps in the Regulatory In-Lieu Fee and Bank Information Tracking System (RIBITS).

- Documents examined included
 - Documents pertaining to specific mitigation projects commenced since date of Program Instrument
 - Credit ledger spreadsheet
 - Budget spreadsheet
 - Standard letters used in implementing the program
 - Internal databases used by the Sponsor to track status or projects
 - Annual Reports
- Considered internal controls related to the performance and documentation of required elements, and performed tests of the operation of these controls by matching documentation to the stated activities subject to audit.

Material Audit Elements

- Maintenance of credit tracking system, and accurate tracking of credits using the system;
- Conformation of Mitigation Project service areas to applicable regulations and standards;
- Compliance with the approved Compensation Planning Framework;
- Documented approval of Mitigation Project Sites;
- Site Development Plans (Mitigation Plans) including all required elements;

Material Audit Elements, *cont'd*

- Monitoring Plan;
- Long Term Management and Maintenance Plan;
- Adaptive Management Plan;
- Financial Assurance;
- Recorded land protection documents;
- Advance credits with documented completion of land acquisition and initial physical and biological improvements by the third full growing season after first advance credit in service area is sold or debited;

Material Audit Elements, *cont'd*

- Documentation of credit costs;
- Satisfaction of required reporting protocols; and
- Additional elements as agreed

Objectives of Audit Procedures

- Determine whether the ILF can document substantial compliance with all required program elements,
- Whether material representations made in its reports for the activities subject to the audit are supported by documentation, and
- Whether any procedures or practices warrant additional attention, given that this is the first program audit under the Program Instrument.

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