



ILF Program Audit Methodology

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Background

- This presentation is based on an ongoing program audit of the Virginia Aquatic Resources Trust Fund (VARTF), operated by The Nature Conservancy. Because the audit is ongoing I will be discussing only criteria and methodology used, and not any preliminary results.
- Interagency Review Team approved a split audit – a financial audit and a program audit. ELI is conducting the program audit.
 - An independent financial auditor is auditing the financial record keeping, bank accounts, and reporting and reconciliation of receipts and disbursements for the audit period.
 - ELI has reviewed all other aspects of the program, including the mitigation credit ledger and program transactions associated with tracking and accounting for performance of mitigation obligations.

Authority for Audit

- The rule authorizes the district engineer for the U.S. Army Corps of Engineers (Corps) to audit the records of each ILF. 33 CFR 332.8(i)(4), 40 CFR 230.98(i)(4).
- The Program Instrument provides that the program “shall be audited once each five years by an independent auditor.”

Purpose of Audit and Time Period

- Auditor must assess substantial compliance with the program criteria established by
 - the Compensatory Mitigation Rule
 - the Program Instrument
- This audit covers the program activities of the ILF 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, and specifically includes
 - identifying the existence of systems of records,
 - the 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, standard operating procedures
- Establish basis for access to records needed
- Reach common understanding of points of contact, key personnel
- Identify any areas of particular complexity or concern

Documents Reviewed

- For example, in the case of VARTF -
 - ELI examined records provided by The Nature Conservancy and VARTF records maintained by the Corps in its Regulatory In-lieu Fee and Bank Information Tracking System (RIBITS).
 - In addition to documents pertaining directly to the specific mitigation projects commenced by VARTF after July 9, 2011, we examined the VARTF credit ledger spreadsheet; the VARTF budget spreadsheet; the agreed standard operating procedures (SOP) for VARTF projects; standard letters used in implementing the program; internal databases used by the Conservancy to manage and track the status of projects; and the VARTF annual reports 2010-2015.
 - We 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 the 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

- 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 third full growing season after first advance credit in service area is sold or debited;

Material Audit Elements

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

Objectives of Audit Procedures

- Determine whether the ILF can document its 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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