A Tradition of Stewardship
A Commitment to Service

# Napa County
# Napa Communities Firewise Foundation

Contract Review

For the period of July 1, 2023
through May 1, 2026

## AUDITOR-CONTROLLER
### Internal Audit Section
**June 24, 2026**

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**Auditor-Controller**

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**Tracy A. Schulze**
Auditor-Controller

# EXECUTIVE SUMMARY

June 24, 2026

Honorable Board of Supervisors
County of Napa
Napa, CA

Napa County has made substantial investments in wildfire resilience, prevention, and mitigation efforts in recent years. As part of these initiatives, the County has entered into six contracts with the Napa Communities Firewise Foundation (NCFF) since July 2023, totaling more than $21.4 million.

At its May 5, 2026 meeting, the Napa County Board of Supervisors requested an examination of these investments. Accordingly, the Internal Audit Section of the Auditor-Controller's Office (Internal Audit) conducted a review of the County's contracts with NCFF.

## Scope

We reviewed the following agreements and performed detailed testing on a sample basis:

| Contract Number | Agreement Date | Maximum Dollar Amount | Amount Spent As of 5/1/26 | Contract Status As of 5/1/26 |
|---|---|---|---|---|
| 240256B | July 1, 2023 | $7,000,000 | $7,000,000 | Complete |
| 250180B | July 1, 2024 | $4,123,250 | $4,123,183 | Complete |
| 250339B | March 11, 2025 | $3,229,600 | $14,163 | Canceled |
| 250340B | March 11, 2025 | $1,605,000 | $201,610 | Ongoing |
| 250413B | May 20, 2025 | $1,961,300 | $175,350 | Ongoing |
| 260056B | July 22, 2025 | $3,500,000 | $1,751,726 | Ongoing |

## Objective

The objective of our review was to assess compliance with the scope, terms, and objectives of the agreements, including the allowability of selected costs and, where applicable, the treatment of indirect charges.

## Procedures

Our procedures included conducting an initial walkthrough with the Fire Administrator to gain an understanding of the contract procurement process, invoice review and payment procedures, and related monitoring activities. We reviewed contract terms, deliverables, milestones, and budgets to assess compliance with contractual requirements and funding limitations. We also tested selected payroll, non-payroll, and indirect costs to determine whether charges were properly allocated, adequately supported, reasonable, accurately calculated, and consistent with applicable contract provisions.

The results of our testing were discussed with the Fire Administrator and are summarized below. Detailed observations and recommendations, where applicable, are presented in **Appendix A**.

## Results

Based on the procedures performed, we noted the following:

- Selected contracts were generally administered in accordance with contractual requirements and funding limitations. However, opportunities exist to strengthen procurement procedures and documentation for certain contracts. See **Appendix A** for additional details and recommendations regarding contract procurement.
- Selected payroll costs were adequately supported, properly allocated, and charged in accordance with applicable contract requirements, with no material exceptions noted.
- Selected non-payroll expenditures were adequately supported, allowable under the applicable contracts, and charged in accordance with contract requirements, with no material exceptions noted.
- An exception related to the treatment of indirect costs was identified. See **Appendix A** for additional details and recommendations.
- Invoices were subject to an appropriate review and approval process prior to payment.

## Conclusion

This engagement was conducted in accordance with professional auditing standards applicable to the public sector, which require that engagements be performed with integrity, objectivity, competence, due professional care, and confidentiality.

Based on the procedures performed, no significant control deficiencies or irregularities were identified.

We were not engaged to conduct an audit and, accordingly, do not express an opinion on any specific elements, accounts, or items. Had additional procedures been performed, other matters may have come to our attention that would have been reported.

This report is intended solely for the information and use of the Napa County Board of Supervisors and the Napa County Executive Office and is not intended to be used by any other parties.

Tracy A. Schulze
Auditor-Controller

CC: Ryan Alsop, CEO

By: Christine Hernandez

Christine Hernandez
Deputy Auditor-Controller

# APPENDICES

**NAPA COUNTY**
**NAPA COMMUNITIES FIREWISE FOUNDATION**
**CONTRACT REVIEW**

## APPENDIX A
## PROCEDURES AND RESULTS

The table below shows the results of each testing procedure, by contract.

| Category | Procedure | Contract | | | | | |
|---|---|---|---|---|---|---|---|
| | | **240256B** | **250180B** | **250339B** | **250340B** | **250413B** | **260056B** |
| Department Meeting | Obtain an understanding of contract procurement, administration and payment processes. | **O-2** | **O-2** | ✓ | ✓ | ✓ | **O-2** |
| Scope Testing | Verify contractual deliverables were completed. | ✓ | ✓ | N/A Contract Cancelled | N/A Contract Ongoing | N/A Contract Ongoing | N/A Contract Ongoing |
| Budget Testing | Verify expenditures were within approved budget limits with any adjustments approved by the Fire Administrator. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Payroll Testing | Verify payroll costs were supported and accurately charged. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Direct Cost Testing | Verify non-payroll costs were supported and allowable. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Indirect Cost Testing | Verify methodology and calculation of indirect charges | **X-1/O-1** | **X-1/O-1** | **X-1/O-1** | **X-1/O-1** | **X-1/O-1** | **X-1/O-1** |
| Approval Testing | Verify invoices received appropriate review and approval. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

✓ Procedure complete, no exceptions noted
**X-1** Exception noted, see details below
**O-1/O-2** Observations and recommendations made, see details below

**Procedures and Results (continued)**

**Exception (X-1)**: Billing of Indirect Costs

Each contract included in the scope of this review authorizes NCFF to charge indirect costs, subject to the limitations established in the contract's Exhibit B, Compensation and Expense Reimbursement.

The contracts define indirect costs as costs that are not readily assignable to a specific project but are necessary to the operation of NCFF. Indirect costs may be billed at a rate of 10% of Modified Total Direct Costs (MTDC).

For purposes of calculating MTDC, direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and a portion of subcontract costs are included. Equipment, capital expenditures, rental costs, and subcontract costs in excess of the applicable contract threshold are excluded. The subcontract threshold varies by contract, as shown below.

| Contract | 240256B | 250180B | 250339B | 250340B | 250413B | 260056B |
|---|---|---|---|---|---|---|
| Max subcontract amount included in MTDC | $ 25,000 | $ 25,000 | $ 50,000 | $ 50,000 | $ 50,000 | $ 25,000 |

Our review identified that the $25,000 or $50,000 MTDC subcontract threshold (depending on the contract) was applied to individual subcontractor invoices rather than to the underlying subcontract agreements. As a result, indirect costs were overstated on certain active contracts for which the maximum allowable indirect cost budget had not yet been reached.

NCFF was notified of the issue during our review and agreed to adjust future reimbursement claims to offset the overbilled amounts. The calculated overstatements are summarized below.

| Contract | Indirect Costs Claimed to Date | Amount per Correct Methodology | Future Claim Reduction |
|---|---|---|---|
| 260056B | $118,330.61 | $72,986.14 | $ (45,344.47) |
| 250413B | $15,940.95 | $10,300.88 | $ (5,640.07) |
| 250340B | $18,328.19 | $7,628.66 | $ (10,699.53) |

For contracts that have been closed, indirect cost funds were drawn down more quickly than they would have been under the correct methodology. However, no repayment is required because total indirect costs billed did not exceed the maximum indirect cost budget authorized by the contracts. Accordingly, the issue affected the timing of indirect cost reimbursements, but not the total amount reimbursed under the contracts.

**Observation and Recommendation (O-1)**: Indirect Cost Recovery Methodology

We found that all contracts reviewed, except Contracts 250340B and 250413B, permit both a 10% subcontractor markup and a 10% indirect cost allowance applied to direct costs, including the first $25,000 or $50,000 of each subcontract, depending on the contract. Because both mechanisms are intended, at least in part, to recover administrative and overhead costs associated with subcontract management, the use of both approaches within the same contract may reduce transparency and create the appearance of overlapping cost recovery.

To assess the overall impact, we analyzed overhead-related costs recovered under the six contracts reviewed, including both subcontractor markup and indirect cost allowances. Based on our analysis, the combined overhead recovery rate was approximately 12% and does not appear unreasonable in the aggregate. However, the use of two separate mechanisms to recover similar categories of costs may create confusion and make it more difficult to evaluate the reasonableness of overhead charges.

Accordingly, we recommend that future contracts utilize a single, clearly defined method for recovering subcontract-related overhead costs, either a subcontractor markup or an indirect cost allowance, but not both.

The Fire Administrator discussed this recommendation with NCFF, which agreed to utilize only the 10% subcontractor markup in future contracts.

**Observation and Recommendation (O-2)**: Procurement Process

Of the six contracts reviewed, all were approved by the Board of Supervisors; however, only three were awarded through a competitive procurement process. The remaining three contracts were neither competitively procured nor supported by a documented and approved Sole Source Justification.

Section 2-2(c) of the County's Purchasing Policy allows the Board of Supervisors to adopt procurement procedures that differ from those otherwise required by the Policy when determined to be in the County's best interest. However, the Policy does not clearly specify whether such exceptions must be formally documented or expressly approved under this provision.

To promote transparency, consistency, and compliance with County procurement requirements, we recommend that future service contracts either:

- Be awarded through a competitive procurement process; or
- Be supported by a properly completed, documented, and approved Sole Source Justification (or other documented procurement exception, where applicable) in accordance with the County's Purchasing Policy.

If the Board intends to rely on the authority provided in Section 2-2(c), the basis for the exception and the alternative procurement method should be explicitly documented in the contract approval record.

**NAPA COUNTY**
**NAPA COMMUNITIES FIREWISE FOUNDATION**
**CONTRACT REVIEW**

**APPENDIX B**
**COMPLETED PROJECTS BY CONTRACT**

| CT240256B Vegetation Management Projects | Completion Date |
|---|---|
| Glass Mt Rd (Cal VTP Permitted) | 4/18/2024 |
| Stagecoach Canyon Road Expanded | 10/25/2024 |
| Petrified Forest Roadside Expanded (Calistoga Napa County Lands Fuel Reduction) | 1/10/2025 |
| Steele Canyon Roadside Expanded (Permitted) | 1/23/2025 |
| White Cottage Roadside Expanded (Permitted) | 6/28/2024 |
| Friesen Drive to Lookout Point Roadside (Cal VTP Permitted) | 10/11/2024 |
| Sanitarium Roadside Expanded | 8/9/2024 |
| HWY 121 Monticello Roadside (Vichy to Circle Oaks) Expanded (Permitted) | 5/23/2025 |
| Soda Canyon Roadside Expanded (Permitted) | 7/26/2024 |
| HWY 128 (Silverado Trail Lake Hennessey to Conn Dam Causeway) | 2/28/2025 |
| Atlas Peak Expanded - Upper | 5/10/2024 |
| American Canyon | Annual grazing project. 106 acres this grant |
| North Fork Crystal Springs | 2/7/2025 |

| CT240256B CEQA Projects | Completion Date |
|---|---|
| PERMIT: HWY 128 Silverado Trail to Berryessa Knoxville Road | NOE 10/2024 |
| PERMIT: Berryessa Pines Subdivision FUB Maintenance | NOE 3/13/2025 |
| PERMIT: Continuum to Oakville Ranch Dozer | NOE 3/13/2025 |
| PERMIT: Continuum to Land Trust to Atlas Peak Dozer | NOE 3/13/2025 |
| PERMIT: HWY 128 Moscowite Corner to the Berryessa Dam | NOE 10/9/2024 |
| PERMIT: HWY 128 Tubbs Lane to Sonoma County | NOE 10/9/2024 |

| CT250180B Vegetation Management Projects | Completion Date |
|---|---|
| Angwin PUC WUI | 2/10/2026 |
| Butts Canyon Roadside Expanded | 6/24/2025 |
| Chiles Pope Valley Roadside Expanded | 11/16/2024 |
| Circle Oaks Perimeter Fuel Break | 8/2025 |
| Crystal Springs Roadside Expanded | 6/30/2025 |
| Diamond Mt Roadside Expanded | 6/12/2025 |
| HWY 128 Roadside Expanded (Tubbs Lane to Sonoma County) | 7/10/2025 |
| Napa Open Space Berryessa Estates Maintenance | 10/3/2025 |
| Old Lawley Toll Road Expanded | 5/30/2025 |
| Old Howell Mtn Roadside Expanded | 5/23/2025 |
| Spring St Roadside Expanded | Omitted* |
| American Canyon City Grazing | 9/2025 |
| Wildhorse Valley Road Side Expanded | 5/9/2025 |
| Summit Lake Drive Roadside | 5/29/2025 |
| Wooden Valley Roadside Expanded | 6/25/2025 |

*Project omitted/funds reallocated to Crystal Springs with permission from the Fire Administrator.

| CT250180B 2025 Spring Maintenance Projects | Completion Date |
|---|---|
| Circle Oaks Perimeter Fuel Break | 6/2025 |
| Silverado Country Club Perimeter | 9/2025 |
| Silverado Eucalyptus Removal | 2025 |
| Pacific Union College Pile Burning | Late 2025 |
| Berryessa Estates Pile Burning | 3/2026 |
| Berryessa Highlands | 5/2025 |
| Linda Falls Terrace Pile Burning | 5/2/2025 |
| St. Helena Hospital Pile Burning | Late 2025 |
| Wall Road Roadside Fuels | 7/25/2025 |
| White Sulfur Springs Roadside | Omitted* |
| Gordon Valley Fuel Break | 7/2025 |
| Lokoya Road Roadside Fuels | 8/15/2025 |
| Langtry Road Roadside Fuels | Omitted* |
| Redwood - Partrick Road - Tree Removal | 11/7/2025 |

*Project omitted/funds reallocated with permission from the Fire Administrator.

| CT250180B CEQA Operational Delineation (Dozer Line/Fuel Breaks) Maintenance | Completion Date |
|---|---|
| Berryessa Estates | 3/2026 |
| Berryessa Highlands | 5/2025 |
| Circle Oaks | 8/2025 |
| Timberhill | 6/18/2025 |
| Lemon Hill (Gordon Valley) | 7/2025 |

**CT250339B** – N/A, grant funded contract cancelled

| CT260056B Vegetation Management Projects | Completion Date |
|---|---|
| Atlas Peak Upper (Road) – Maintenance | 1/2/2026 |
| Atlas Peak Lower (Road) – Maintenance | 1/2/2026 |
| Conn Valley (Road) - Maintenance | N/A Ongoing |
| Lower Dry Creek (Road) – Maintenance | 3/18/2026 |
| Mt. Veeder (Road) - Maintenance | N/A Ongoing |
| Oakville Grade (Road) - Maintenance | N/A Ongoing |
| Redwood (Road) – Maintenance | N/A Ongoing |
| Soda Canyon (Road) – Maintenance | 12/6/2025 |
| Upper Dry Creek (Road) – Maintenance | N/A Ongoing |
| Deer Park Rd (Road) – Maintenance | 3/6/2026 |
| Howell Mtn (50' Road) - Maintenance | 1/28/2026 |
| Rancho LaJota and Linda Falls (Fuel Break) – Maintenance | N/A Ongoing |
| Falls Rd/Linda Falls (Fuel Break) - Maintenance | N/A Ongoing |
| Tucker Acres (Fuel Break) - Maintenance | N/A Ongoing |
| Operational Lines of Delineation – Maintenance (Fire Roads and Ridgetop) | N/A Ongoing |
| American Canyon (Grazing) | N/A Ongoing |
| Angwin PUC Brook Abatement (Maintenance) | N/A Ongoing |

**CT250340B** – N/A, Local Pre-Disaster Mitigation Program (LPDM) grant management contract

**CT250413B** – N/A, Hazard Mitigation Grant Program (HMGP) grant management contract