



Transmitted via e-mail

May 5, 2014

Mr. Samuel P. Schuchat, Executive Officer  
State Coastal Conservancy  
1330 Broadway, 13<sup>th</sup> Floor  
Oakland, CA 94612-2530

Dear Mr. Schuchat:

**Final Report—City of Benicia, Proposition 84 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Benicia's (City) grants 09-009 and 11-056.

The enclosed report is for your information and use. The City's response to the report observation is incorporated into this final report. The City agreed with our observation and we appreciate its willingness to implement corrective actions. The observation in our report is intended to assist management in improving its bond oversight. This report will be placed on our website.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Nadine Peterson, Deputy Executive Officer, State Coastal Conservancy  
Ms. Mary Small, Deputy Executive Officer, State Coastal Conservancy  
Ms. Regine Serrano, Chief of Administrative Services, State Coastal Conservancy  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Brad Kilger, City Manager, City of Benicia  
Mr. Mike Dotson, Parks and Community Services Director, City of Benicia  
Ms. Anne Cardwell, Assistant City Manager, City of Benicia  
Ms. Brenda Olwin, Acting Finance Director, City of Benicia

# AUDIT REPORT

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## City of Benicia Proposition 84 Bond Program Grant Agreements 09-009 and 11-056



Rose Drive Overcrossing

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Kimberly Tarvin, CPA  
Manager

Rebecca McAllister, CPA  
Supervisor

Staff  
Jedediah Thompson

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND

California voters approved the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The \$5.4 billion in bond proceeds finance a variety of resource programs.

The City of Benicia (City) received two Proposition 84 grants from the State Coastal Conservancy (SCC) as follows:

- Grant 09-009 provided \$241,500 for the Rose Drive Overcrossing project. The project includes the construction of a bridge and trail for pedestrian, bicycle, wheelchair and equestrian use.
- Grant 11-056 provided \$140,000 for the Benicia Urban Waterfront Restoration Plan development. The plan includes restoration of 15 acres of waterfront and completion of an environmental review.

## SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited the following grants:

<u>Grant Agreement</u>	<u>Audit Period</u>
09-009	October 1, 2008 through November 30, 2010 <sup>1</sup>
11-056	January 18, 2012 through March 31, 2013 <sup>2</sup>

The audit objectives were to determine whether the City's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations.

City management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SCC and the California Natural Resources Agency are responsible for the state-level administration of the bond programs.

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<sup>1</sup> Grant 09-009 includes an operation and maintenance requirement through November 30, 2030.

<sup>2</sup> An interim audit was conducted on grant 11-056 as the grant period is January 18, 2012 through February 28, 2014.

## **METHODOLOGY**

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant deliverables were completed as required, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreements, and applicable policies and procedures.
- Reviewed the City's accounting records, vendor invoices, subcontractor agreements, and city council meeting minutes.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreements.
- Evaluated whether grant deliverables were met for grant 09-009 by conducting a site visit to verify existence of the bridge and trail.
- Assessed the progression of grant deliverables for grant 11-056 by reviewing Community Advisory Committee minutes and other documents available on the City's website.

We conducted this audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering grant funds.

Except as noted below, the grant expenditures claimed complied with the requirements of the grant agreements. For grant 09-009, the City completed the deliverables. Because the project remains active for grant 11-056, some of the deliverables are still in progress, including the final project reports. The Schedules of Claimed Amounts are presented in Table 1 below.

**Table 1: Schedules of Claimed Amounts**

<b>Grant Agreement 09-009</b>	
<b>Task Description</b>	<b>Claimed<sup>1</sup></b>
Construction Engineering during Construction	\$ 100,862
Project Construction	113,916
<b>Total Expenditures</b>	<b>\$ 214,778</b>

<b>Grant Agreement 11-056</b>	
<b>Task Description</b>	<b>Claimed<sup>2</sup></b>
Baseline Reconnaissance	\$ 16,089
<b>Total Expenditures</b>	<b>\$ 16,089</b>

**Observation 1: Inadequate Grant Claim Preparation**

The City did not ensure the costs claimed were authorized in the approved work plan or that services were performed during the grant period. Specifically, the City only considered the invoice receipt date when preparing the grant claim. As a result, the City was reimbursed for unauthorized environmental work performed in September 2007, one year prior to the start date of grant 09-009. While the ineligible costs identified were not material to the grant, a risk exists that future claims could include material ineligible costs.

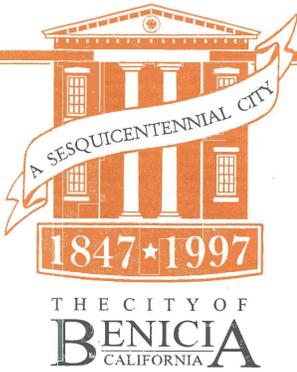
**Recommendation:**

For future grant claims, ensure only costs for work authorized in the approved work plan and performed during the grant period are included in the claim.

<sup>1</sup> SCC awarded \$241,500 and the grantee claimed \$214,778.

<sup>2</sup> SCC awarded \$140,000 and the grantee claimed \$16,089 during the interim audit period.





BRAD KILGER  
*City Manager*

April 10, 2014

Mr. Richard R. Sierra, Chief  
Office of State Audits & Evaluations  
California Department of Finance  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814

Subject: City of Benicia Proposition 84 Grant Audits

Dear Mr. Sierra:

We have reviewed the draft audits for Agreements 09-009 “Rose Drive Overcrossing Project” & 11-056 “Benicia Urban Waterfront Restoration Plan” included in your letter of April 4, 2014. While in general the grant expenditures the City claimed complied with the requirements of the grant agreements, we concur with the immaterial audit findings for 09-009 and will be reviewing our grant administration procedures and taking steps to increase oversight in the future. Please be advised that this project has been completed and there will be no future claims submitted for this grant.

Sincerely,

Original signed by:

Brad Kilger  
City Manager

cc: Contract Public Works Director

Attachment