



Transmitted via e-mail

September 12, 2014

Mr. John Laird, Secretary  
California Natural Resources Agency  
1416 Ninth Street, Suite 1311  
Sacramento, CA 95814

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

Mr. Mark Stanley, Executive Officer  
San Gabriel and Lower Los Angeles Rivers and  
Mountains Conservancy  
100 N. Old San Gabriel Canyon Road  
Azusa, CA 91702

Mr. Thomas Howard, Executive Director  
State Water Resources Control Board  
P.O. Box 100  
Sacramento, CA 95812-0100

**Final Report—City of Long Beach, Propositions 40, 50, and 84 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the following City of Long Beach (City) grants awarded by the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (RMC), State Coastal Conservancy (SCC), State Water Resources Control Board (SWRCB), and California Natural Resources Agency (Resources):

<u>Grantor</u>	<u>Agreement Number</u>	<u>Award Amount</u>
RMC	3616	\$ 275,000
RMC	3263	\$ 327,000
RMC	10004	\$ 1,100,000
RMC	10016	\$ 500,000
SCC	10-067	\$ 990,997
SWRCB	06-266-550-0	\$ 3,823,868
Resources	R54108-0	\$ 2,500,000

The enclosed report is for your information and use. Because there were no audit observations requiring a response, we are issuing the report as final. 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 Diana Antony, Manager, or Jon Chapple, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: On following page

cc: 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  
Ms. Mary Small, Deputy Executive Officer, State Coastal Conservancy  
Ms. Nadine Peterson, Deputy Executive Officer, State Coastal Conservancy  
Ms. Regine Serrano, Chief of Administrative Services, State Coastal Conservancy  
Ms. Jennifer Taylor, Budget Officer, State Water Resources Control Board  
Ms. Leslie Laudon, Manager, Division of Financial Assistance, State Water Resources Control Board  
Ms. Kim Gossen, Fiscal Unit Manager, State Water Resources Control Board  
Ms. Wendy Westerman, Staff Services Manager I, State Water Resources Control Board  
Mr. Patrick H. West, City Manager, City of Long Beach  
Ms. Marcie Medina, Assistant City Controller, City of Long Beach  
Ms. Francine Wiegelman, Assistant City Controller, City of Long Beach

City of Long Beach  
Propositions 40, 50 and 84 Bond Programs  
Grant Agreements 3616, 3263, 10004, 10016,  
10-067, 06-266-550-0 and R54108-0



El Dorado Nature Center  
Source: City of Long Beach

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Jon G. Chapple, CPA  
Manager

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MaryAnn Reamer

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

You can contact our office at:

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(916) 322-2985

# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40); the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50); and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for \$2.6 billion, \$3.44 billion, and \$5.4 billion, respectively. The bond proceeds finance a variety of natural resource programs.

The City of Long Beach (City) received the following grant awards from the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (RMC), State Coastal Conservancy (SCC), State Water Resources Control Board (SWRCB), and California Natural Resources Agency (Resources):

- **Arroyo Restoration Project (RMC 3616)**—Proposition 50 grant totaling \$275,000 to expand the recreational use of Rancho Los Cerritos historical site, install native landscape and interpretive features, and resolve drainage problems at the site.
- **El Dorado Nature Center Renewal Project (RMC 3263)**—Proposition 40 grant totaling \$327,000 for the restoration of riparian woodlands located along the San Gabriel River, and restoration of riparian and upland habitats located west of the stream system.
- **Colorado Lagoon Dredging (RMC 10004)**—Proposition 84 grant totaling \$1,100,000 to remove contaminated sediment from the Colorado lagoon floor in the western arm, treat the dredged material, and transport the treated material to the Port of Long Beach for disposal.
- **El Dorado Nature Center Trail Improvements (RMC 10016)**—Proposition 84 grant totaling \$500,000 to complete improvements to the El Dorado Nature Center Trail, including trail improvements, design and construction of boardwalk trail protection, trail reinforcement at priority locations, removal and replacement of a pedestrian bridge, and removal of non-native vegetation. The grant will also fund native vegetation replant and installation of five new interpretive panels and two new trail map frames.
- **Colorado Lagoon Restoration Project (SCC 10-067)**—Proposition 50 grant totaling \$990,997 to restore the Colorado lagoon ecosystem, improve the estuarine habitat, provide enhanced recreation facilities, improve water and sediment quality, and manage storm water.

- **Colorado Lagoon Beaches (SWRCB 06-266-550-0)**—Proposition 40 grant totaling \$3,823,868 to design and construct bioswales, storm drain diversions, and improve hydrology that will reduce or eliminate unhealthy bacterial concentrations in the Colorado Lagoon.
- **DeForest Wetlands (Resources R54108-0)**—Proposition 84 grant totaling \$2,500,000 to restore 34 acres of interpreted historic wetlands and riparian and upland habitat, provide watershed water quality improvements and passive recreational amenities, and preserve existing flood control functions of the Los Angeles Flood Control Detention Basin. The project will create a one-mile long river parkway along the Los Angeles River.

## 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>
RMC 3616	September 24, 2007 through December 31, 2011
RMC 3263	May 1, 2005 through July 30, 2010
RMC 10004	July 26, 2010 through September 30, 2012
RMC 10016	March 28, 2011 through June 30, 2012
SCC 10-067	June 30, 2011 through December 10, 2012 <sup>1</sup>
SWRCB 06-266-550-0	April 21, 2005 through September 30, 2009
Resources R54108-0	April 1, 2012 through July 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.

The City’s management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. RMC, SCC, SWRCB and Resources are responsible for the state-level administration of the bond programs.

## 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, and payment requests.

<sup>1</sup> The grant agreement required project completion by March 25, 2015; however, the City completed the project on December 10, 2012.

<sup>2</sup> An interim audit was conducted as the grant term ends May 1, 2016.

- Selected a sample of claimed expenditures to determine if costs were allowable, grant-related, incurred within the grant periods, supported by accounting records, and properly recorded.
- For testing purposes, grants that funded various components of a large project were evaluated as a single unit.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted site visits to verify project existence.
- Evaluated whether a sample of grant deliverables required by the grant agreements were met.

We conducted these audits in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audits 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.

## RESULTS

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

Based on the procedures performed, the grant expenditures claimed were in compliance with the requirements of the grant agreements. Additionally, grant deliverables available for inspection at the time of our audits were completed as specified in the grant agreements. The Schedules of Claimed Amounts are presented below.

### Schedules of Claimed Amounts

<b>RMC Grant Agreement 3616</b>	
<b>Task Description</b>	<b>Claimed</b>
Construction	\$ 275,000
<b>Total Grant Funds</b>	<b>\$ 275,000</b>

<b>RMC Grant Agreement 3263</b>	
<b>Task Description</b>	<b>Claimed</b>
Construction	\$ 327,000
<b>Total Grant Funds</b>	<b>\$ 327,000</b>

<b>RMC Grant Agreement 10004</b>	
<b>Task Description</b>	<b>Claimed</b>
Sediment Drying & Treatment	\$ 515,367
Mechanical Dredge & Truck to Port of Long Beach	584,633
<b>Total Grant Funds</b>	<b>\$ 1,100,000</b>

<b>RMC Grant Agreement 10016</b>	
<b>Task Description</b>	<b>Claimed</b>
Trail	\$ 32,332
Bridge	371,764
Habitat	16,888
Unassigned <sup>3</sup>	79,016
<b>Total Grant Funds</b>	<b>\$ 500,000</b>

<b>SCC Grant Agreement 10-067</b>	
<b>Task Description</b>	<b>Claimed</b>
Slide Slope Grading/Excavation and Truck to Port of Long Beach	\$ 14,317
Sediment Drying & Treatment	285,683
Mechanical Dredge & Truck to Port of Long Beach	690,997
<b>Total Grant Funds</b>	<b>\$ 990,997</b>

<b>SWRCB Grant Agreement 06-266-550-0<sup>4</sup></b>	
<b>Task Description</b>	<b>Claimed</b>
Professional and Consultant Services	\$ 678,285
Operating Expenses	2,607
<b>Total Grant Funds</b>	<b>\$ 680,892</b>

<b>Resources Grant Agreement R54108-0<sup>5</sup></b>	
<b>Task Description</b>	<b>Claimed</b>
1. Professional and Consultant Services	\$ 0
2. Operating Expenses	0
<b>Total Grant Funds</b>	<b>\$ 0</b>

<sup>3</sup> The City claimed \$79,016 in project-related expenditures that were not allocated to specific budget tasks.

<sup>4</sup> SWRCB awarded \$3,823,868; however, the City only claimed \$680,892 due to the 2008 bond freeze. The City secured additional funding under the American Recovery and Reinvestment Act to complete the deliverables for this grant project.

<sup>5</sup> The City had not requested any reimbursement for project costs as of August 15, 2013. Only deliverables were reviewed for this grant project.