



Transmitted via e-mail

May 2, 2014

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

Dear Mr. Laird:

Final Report—Crystal Cove Alliance, Proposition 40 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Crystal Cove Alliance's (CCA) grants 08-C2-18 and CCHER432 issued by the California Cultural and Historical Endowment.

The enclosed report is for your information and use. Because there were no audit observations or issues 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 CCA. If you have any questions regarding this report, please contact Diana Antony, Manager, or Jon Chapple, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

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. Mimi Morris, Executive Officer, California Cultural and Historical Endowment
Mr. Daniel Gee, President, Crystal Cove Alliance
Ms. Kris Clark, Controller, Crystal Cove Alliance
Mr. William Baker, Chairman, Board of Directors, Crystal Cove Alliance

AUDIT REPORT

Crystal Cove Alliance Proposition 40 Bond Program Grant Agreements 08-C2-18 and CCHER432



Crystal Cove Beach Cottage

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

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

You can contact our office at:

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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) for \$2.6 billion. The bond proceeds finance a variety of natural resource programs.

Founded in 2003, the Crystal Cove Alliance's (CCA) mission is to preserve the community of Crystal Cove Beach Cottages, a community located halfway between Newport Beach and Laguna Beach and listed in the National Register of Historic places. The land and cottages were acquired by the State of California in 1979 as part of the Crystal Cove State Park. Today, 29 restored cottages are available for public use with 17 more cottages scheduled for restoration. The revenues generated from these cottages help maintain ongoing restoration and preservation efforts within the park. The California Cultural and Historical Endowment (CCHE) awarded CCA the following Proposition 40 grants:

- **Grant 08-C2-18**—\$1.45 million to assist with the restoration of beach cottages and 23 bays of garages, all of which are historic structures located in the registered Historic District of Crystal Cove State Park, located in Orange County. Three restored beach cottages will become a central Education Commons where Crystal Cove can offer environmental, cultural, and scientific programs. There will also be conversion of several garages to park operations support facilities, conversion of historic structures to public restrooms, and site and utility infrastructure improvements.
- **Grant CCHER432**—\$500,000 to assist with the restoration of historic Cottage No.13, the 'Beaches' Cottage, and its conversion to a free public museum providing a historically relevant interpretive experience of a beach residence and of the numerous films produced at Crystal Cove. The project also includes the construction of a debris retaining wall, a soil stabilization retaining wall, and a small public restroom.

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>
08-C2-18	July 14, 2009 through September 30, 2011
CCHER432	September 1, 2010 through June 30, 2012

The audit objectives were to determine whether the CCA'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.

CCA's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. CCHE and the California Natural Resources Agency are responsible for the state-level administration of the bond program.

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 CCA's accounting records, vendor invoices, and bank statements.
- Reviewed subcontractor accounting records, vendor invoices, and time sheets.
- Selected a sample of expenditures to determine if costs were allowable, grant-related, incurred within the grant periods, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit to verify existence of the project area.
- Evaluated whether a sample of grant deliverables required by the grant agreements were met.

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 the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

RESULTS

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.

Based on the procedures performed, the grant expenditures claimed were in compliance with the requirements of the grant agreements, and grant deliverables were completed as required. The Schedules of Claimed Amounts are presented in Table 1.

Table 1: Schedules of Claimed Amounts

Grant Agreement 08-C2-18	
Task	Claimed
Common Site Development	\$ 159,500
New Public Restrooms at Ed. Commons	46,000
New Public Restrooms at Cottage No.5	59,000
Garages - Upper and Lower	343,500
Garage Retaining Wall	44,500
Site Underground Utilities	149,000
Cottage No.5	156,000
Cottage No.40	61,500
Cottage No.42	103,500
Cottage No.43	90,500
Cottage No.44	125,500
Architect & Engineer Construction Services	50,000
State Parks Construction Management Services	62,750
Total Grant Funds	1,451,250
Match Funds	1,451,250
Total Project Expenditures	\$ 2,902,500

Grant Agreement CCHER432¹	
Task	Claimed
Restore Cottage No.13 and Convert to Park Museum	\$ 294,020
Timber Debris Wall	37,944
Soil Stabilization Wall	42,610
Public Restroom	50,467
Total Grant Funds	425,041
Match Funds	226,381
Total Project Expenditures	\$ 651,422

¹ CCHE awarded \$500,000 and the grantee claimed \$425,041.