



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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May 26, 2009

Mr. Sam Schuchat, Executive Director
California State Coastal Conservancy
1330 Broadway, 13th Floor
Oakland, CA 94612-2530

Dear Mr. Schuchat:

Final Report—City of San Clemente, Rail Corridor Pedestrian Beach Trail Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of San Clemente's (City) Proposition 40 Grant Agreement 04-115 for the period March 22, 2005 through April 30, 2008.

The enclosed report is for your information and use. Because there were no audit findings or issues requiring a response, we are issuing the report as final. In accordance with Finance's policy of increased transparency, this report will also be placed on our website.

We appreciate the assistance and cooperation of City staff during our audit. If you have any questions, please contact Frances Parmelee, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. George Scarborough, City Manager, City of San Clemente
Mr. James E. Pechous, Senior Planner, City of San Clemente
Ms. Handan Cirit, Principal Civil Engineer, City of San Clemente
Ms. Prentiss F. Williams, Project Manager, California State Coastal Conservancy
Mr. Patrick Kemp, Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency

A GRANT AUDIT

City of San Clemente Proposition 40 Bond Program

Grant Agreement
04-115



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>

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BACKGROUND

In March 2002, California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40), which authorized the State of California to sell \$2.6 billion in general obligation bonds. These bond proceeds provide funding for clean air, clean water, clean beaches, and healthy natural ecosystems that can support both human communities and the state's native fish and wildlife. Proposition 40 also provides funding for the protection, restoration, and interpretation of the diverse cultural influences and extraordinary human achievements that have contributed to the unique development of California.

The California State Coastal Conservancy (SCC) is one of many state departments that administer Proposition 40 programs and award these funds in the form of grants. The SCC works with other public agencies, local governments, nonprofit organizations, and private landowners to acquire and manage coastline for the benefit and use by the public. The SCC has undertaken more than 1,800 projects along the 1,100-mile California coastline and around the San Francisco Bay.

The SCC awarded the City of San Clemente (City) a \$500,000 Proposition 40 grant for the construction of an approximately three-mile long segment of the California coastal trail. This segment runs along the San Clemente shoreline from North Beach to Calafia State Beach, and is located within the railroad right-of-way owned by the Orange County Transit Authority. The trail is approximately five feet wide, and consists of a natural surface, compacted earth, and decomposed granite.

The City's Planning Division is responsible for formulating and implementing the community's vision of the City's natural and developed environment, as outlined in its General Plan. The City planned the beach trail in 2000 for pedestrians to safely cross the railroad tracks to access the beach. The City had multiple donors and other grants to help pay for the costs of the project.

The project includes installation of fencing and landscaping using native vegetation. The trail provides a clear visual and physical separation from the railroad tracks along its entire length. The City also installed two signalized track crossings to allow the public to safely enter the trail and access the beach from nearby neighborhoods and public parking lots.

SCOPE

In response to the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted a grant audit of the City's Proposition 40 Grant Agreement 04-115 for the period March 22, 2005 through April 30, 2008.

The audit objective was to determine whether the City's grant revenue and expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the

relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

The City's management is responsible for ensuring accurate financial reporting and compliance as well as evaluating the efficiency and effectiveness of the grant program. The SCC along with the California Natural Resources Agency is responsible for state-level administration of the bond programs.

METHODOLOGY

To determine whether grant revenue and expenditures were in compliance with applicable laws, regulations, and grant requirements, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant agreement, applicable policies and procedures, and the grant files maintained by SCC.
- Reviewed the City's accounting records, vendor invoices, pay warrants, and bank statements.
- Selected a sample of expenditures to determine if costs were allowable, grant-related, incurred within the grant period, 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 project existence.

The results of the audit are based on our review of documentation and other information provided to us, and through interviews with staff responsible for administering the grant funds. The audit was conducted from January 2009 through April 2009.

This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit, to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

RESULTS

Based on the audit procedures performed, the City was in compliance with applicable laws, regulations, and the grant requirements. The claimed, audited, and questioned amounts are presented in Table 1.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement 04-115			
For the Period March 22, 2005 through April 30, 2008			
Categories	Claimed	Audited	Questioned
Trail Expenses	\$ 500,000	\$ 500,000	\$ 0
Total	\$ 500,000	\$ 500,000	\$ 0