



Transmitted via e-mail

March 14, 2014

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

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

Dear Mr. Laird and Mr. Stanley:

Final Report—City of Anaheim, Proposition 50 Bond Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the City of Anaheim's (City) grants RMC3576 and R81764-0. These grants were issued by the California Natural Resources Agency and San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy.

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 the City. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Jennifer Arbis, 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. Polly Escovedo, Bonds and Grants Manager, California Natural Resources Agency
Ms. Linda Smith, Grant Administrator, California Natural Resources Agency
Ms. Marcie Edwards, City Manager, City of Anaheim
Ms. Debbie Moreno, Finance Director, City of Anaheim
Ms. Pamela Galera, Principal Project Planner, Community Services Department, City of Anaheim

AUDIT REPORT

City of Anaheim Proposition 50 Bond Program Grant Agreements RMC3576 and R81764-0



Anaheim Cove Trail
Source: City of Anaheim

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

MEMBERS OF THE TEAM

Kimberly Tarvin
Manager

Jennifer Arbis
Supervisor

Staff
Jason Craft

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

You can contact our office at:

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Office of State Audits and Evaluations
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(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Bond Act of 2002 (Proposition 50). The \$3.44 billion in bond proceeds finance a variety of resource programs.

The City of Anaheim (City) received a \$3.4 million grant from the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (RMC), and \$2.5 million grant from the California Natural Resources Agency (Resources) to create a mixed use trail along the Santa Ana River, restrooms, and parking.

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>
RMC3576	September 19, 2005 through March 31, 2013
R81764-0	October 1, 2008 through October 10, 2013 ¹

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. RMC and Resources are responsible for the state-level administration of the bond programs.

¹ An interim audit was conducted on grant R81764-0 as the grant period ends December 1, 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, 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 canceled checks.
- 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 a sample of grant deliverables were met by reviewing documentation and conducting a site visit to verify completion of the paving, parking lot, restrooms, and solar powered lights.

We conducted this performance audit in accordance with generally accepted government 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.

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 complied with the grant agreement requirements. Additionally, the grant deliverables were completed as specified in grant RMC3576. For grant R81764-0, the City has completed interim deliverables. Because the project remains active, not all deliverables have been completed, including the final project report. The Schedules of Claimed Amounts are presented in Table 1 below.

Table 1: Schedules of Claimed Amounts

Grant Agreement RMC3576	
Task	Claimed²
Project Management	\$ 560,744
Orange County Conservation Corps	17,860
Mobilization	155,854
Demolition	37,675
Clearing and Grubbing	58,208
Earth Work/Grading	156,091
Drainage	40,132
Paving	126,383
Restroom Installation 1	154,720
Restroom Installation 2	131,210
Fencing	985,693
Site Amenities	306,064
Landscape and Irrigation	218,945
Establishment Period	17,400
Other	453,631
Total Grant Expenditures	\$ 3,420,610

Grant Agreement R81764-0	
Task	Claimed³
Mobilization	\$ 108,642
Demolition	37,675
Clearing and Grubbing	53,590
Earth Work / Grading	171,841
Paving	308,832
Restroom Installation 2	131,006
Site Amenities	146,206
Landscape and Irrigation	473,386
Total Grant Expenditures	\$ 1,431,178

² RMC awarded \$3,420,610 and the City claimed \$3,420,610. Of this amount, final payment of \$301,066 was pending as of January 6, 2014.

³ Resources awarded \$2.5 million. To date, the City claimed \$1,431,178. Of this amount, payment of \$1,341,178 was pending as of January 6, 2014.