



Transmitted via e-mail

March 17, 2014

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

Dear Mr. Stanley:

Final Report—City of Duarte, Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Duarte's (City) Proposition 84 grant RMC3633, for the period April 28, 2008 through March 31, 2011.

The enclosed report is for your information and use. The City's response to the report observation and our evaluation of the response are incorporated into this final report. 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 Rick Cervantes, 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
Mr. Darrell George, City Manager, City of Duarte
Ms. Karen Herrera, Deputy City Manager, City of Duarte
Mr. Roger Cathey, Finance Services Manager, City of Duarte
Mr. Rafael Casillas, Public Works Manager, City of Duarte

AUDIT REPORT

City of Duarte Proposition 84 Bond Program Grant Agreement RMC3633



Encanto Nature Walk
Source: City of Duarte

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Rick Cervantes, CPA
Supervisor

Staff
Thao Truong

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, 6th Floor
Sacramento, CA 95814
(916) 322-2985

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BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

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

The City of Duarte (City) received a \$508,000 Proposition 84 grant from the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (RMC) for the Encanto Nature Walk-Bioswale Project. The project required constructing a 1,000 foot bioswale along the southern and western perimeter of El Encanto Park, including interpretive signage, native landscaping, and an infiltration basin to manage storm runoff from the park. At the south end of the park, the project required an outdoor nature center with interpretive displays and outdoor classroom.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant RMC3633 for the period April 28, 2008 through March 31, 2011.

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 is 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, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Reviewed the grant agreement.
- Examined the City's accounting records, vendor invoices, and bank statements.
- 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 agreement.

- Evaluated whether a sample of grant deliverables were met by conducting a site visit.

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.

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 grant agreement requirements. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement RMC3633		
Category	Claimed	Questioned
Grant Reimbursed	\$ 507,990	\$ 38,531
Cost Share	84,083	
Total Project Expenditures	\$ 592,073	\$ 38,531

Observation 1: Duplicate Billing of \$38,531

The City claimed \$38,531 for the construction of an interpretive display, outdoor display board, directional sign, and outside classroom. However, these same expenditures were also reimbursed by Los Angeles County with Proposition A funding. As a result, these expenditures are not eligible for reimbursement. The grant agreement requires the City to maintain adequate records of its project costs, disbursements, and receipts.

Recommendation:

Remit \$38,531 to RMC. RMC will make the final determination regarding disposition of the questioned cost.



City of Duarte

Sixteen Hundred Huntington Drive, Duarte, California 91010-2592
Tel 626-357-7931 FAX 626-358-0018 www.accessduarte.com

February 24, 2014

Mr. Rick Cervantes, Audit Supervisor
Office of State Audits and Evaluations
915 L Street
Sacramento, CA 95814

Subject: City of Duarte, Proposition 84 Grant Audit (RMC3633)

Dear Mr. Cervantes,

In response to the Department of Finance (DOF), Office of State Audits and Evaluations audit of the City of Duarte's (City) Proposition 84 grant RMC3633 the following information is to provide project budget clarification.

Per the terms of the agreement number RMC3633, Project Costs Section C.5, *"line item shifts if up to \$100,000 or 10% of the annual Agreement total, whichever is less may be made during the performance period"* and Payment Documentation Section D.1, *"An approved Payment Request Form constitutes as a valid invoice for payment."* Additionally Section D.1 indicates, "RMC will consider the use of organizational records in lieu of the detailed listing on the specific exhibits, providing all the information required on the exhibits is contained in the organizational record." The City submitted prior to final payment Project Certification Form (Exhibit S) demonstrating compliance with the terms of the agreement and clearly identified charges to the Work Plan tasks and elements.

The Rivers and Mountains Conservancy (RMC) responded to the City's current request for documentation identifying the final project billing and adjustments to agreement number RMC3633 (enclosed email and documents). In addition, the City's Project Completion and Retention Payment letter dated March 1, 2011, to RMC includes a Summary Expense Report identifying funding source allocations

and final billing amounts (enclosed). The City is enclosing the project correspondences to RMC for DOF's justification and records.

The letter dated June 9, 2011 to Los Angeles County Regional Park and Open Space District (County), for Encanto Nature Walk grant number 58C9-07-2099 includes Exhibit G, Payment Request Form. The Payment Request Form (Exhibit G) itemizes costs charged to the County and Other funds.

The City is enclosing the project correspondences to the County for DOF's justification and records. The distributed cost illustrates the shift of costs from RMC to County as per the RMC guidelines.

Per the Agreement, the City corresponded with RMC on project line item shifts during the performance period and is the office of records for detail project accounting. The supporting documentation was provided to RMC for review and was acceptance under the terms of the agreement. The detailed Encanto Park Nature Walk Summary Report is enclosed for DOF's audit clarification. Total costs were distributed to the three (3) funding sources and no duplicate billings occurred.

If you have any questions or concerns, please do not hesitate to contact me at (626) 357-7931, extension 233 or via email rcasillas@accessduarte.com

Sincerely,

Original Signed By,

Rafael O. Casillas, PE
Public Works Manager

Enclosure:

Project Certification From, Exhibit S
RMC Email, February 11, 2014
Project Completion and Retention Payment Letter March 1, 2011
Encanto Nature Walk Letter June 9, 2011
Encanto Park Nature Walk Summary Report

Cc: Mark Stanley, Executive Office, San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Brayn Cash, Deputy Assistant Secretary, California Natural Resources Agency
Darrell George, City Manager, City of Duarte
Karen Herrera, Deputy City Manager, City of Duarte
Roger Cathey, Finance Services Manager, City of Duarte

EVALUATION OF RESPONSE

We reviewed the City of Duarte's (City) response dated February 24, 2014. The attachments referenced in the City's response were omitted for brevity. We acknowledge receipt and review of these attachments.

The City states it corresponded with the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (RMC) on project line item shifts during the performance period and that supporting documentation was accepted by RMC. However, the City did not provide evidence that RMC approved additional costs to offset the duplicate expenditures reimbursed by Los Angeles County. Therefore, the observation remains unchanged.