



Transmitted via e-mail

January 27, 2015

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

Dear Mr. Howard:

Final Report—City of Manhattan Beach, Propositions 50 and 84 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the City of Manhattan Beach's (City) grants 04-408-554 and 10-653-554, issued by the State Water Resources Control Board.

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 Jon Chapple, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Leslie Laudon, Manager, Division of Financial Assistance, State Water Resources Control Board
Ms. Jennifer Taylor, Budget Officer, 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. Josh Ziese, Loans and Grants Section, Division of Financial Assistance, State Water Resources Control Board
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. Mark Danaj, City Manager, City of Manhattan Beach
Mr. Michael Guerrero, Principal Civil Engineer, Public Works Department, City of Manhattan Beach
Mr. Ish Medrano, Project Manager, Public Works Department, City of Manhattan Beach

Audit Report

City of Manhattan Beach Propositions 50 and 84 Bond Programs Grant Agreements 04-408-554 and 10-653-554



Greenbelt Low Flow Diversion
Source: Public Works Department, City of Manhattan Beach

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

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
Manager

Rebecca McAllister, CPA
Supervisor

Staff
Randy McClendon, CISA

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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Sacramento, CA 95814
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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved 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 \$3.44 billion and \$5.4 billion, respectively. The bond proceeds finance a variety of natural resource programs.

The City of Manhattan Beach (City) was awarded the following Propositions 50 and 84 grants from the State Water Resources Control Board (SWRCB):

- **Permeable Beach Parking Lots (Grant 04-408-554)**—Proposition 50 grant totaling \$900,000 to install pervious pavement to a minimum of five existing parking lots to infiltrate water from low-flows and first flush during wet weather. Included in the grant project was the collection of water quality data before and after the installation of the pervious pavement parking lots.
- **Greenbelt Low Flow Infiltration (Grant 10-653-554)**—Proposition 84 grant totaling \$500,000 to construct a storm drain diversion to divert year-round dry-weather and wet-weather low flows from the existing storm drain system. Water quality monitoring was also included to determine the effectiveness of the grant project.

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>
04-408-554	April 14, 2005 through March 19, 2009
10-653-554	May 15, 2011 through December 31, 2013

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. SWRCB and the California Natural Resources Agency 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:

- 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 if 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 supporting documentation and conducting site visits to verify existence of the projects.

In conducting our audits, we obtained an understanding of the City's internal controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audits and determined to be significant within the context of our audit objectives are included in this report.

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 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 the grant agreements. The Schedules of Claimed Amounts are presented below.

Schedules of Claimed Amounts

Grant Agreement 04-408-554	
Task	Claimed
Professional and Consultant Services	\$ 5,000
Construction	895,000
Total Grant Funds	900,000
Match Funds	245,058
Total Project Expenditures	\$ 1,145,058

Grant Agreement 10-653-554	
Task	Claimed
Construction	\$ 500,000
Total Grant Funds	500,000
Match Funds	270,294
Total Project Expenditures	\$ 770,294