



Transmitted via e-mail

February 20, 2014

Mr. Patrick Wright, Executive Director  
California Tahoe Conservancy  
1061 Third Street  
South Lake Tahoe, CA 96150

Dear Mr. Wright:

**Final Report—City of South Lake Tahoe Propositions 40, 50, and 84 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the City of South Lake Tahoe's (City) grant agreements CTA-03007 and CTA-07041.

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 Diana Antony, Manager, or Lisa Negri, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Kevin Prior, Chief Administrative Officer, California Tahoe Conservancy  
Mr. David Gregorich, Budget Officer, California Tahoe Conservancy  
Ms. Penny Stewart, Erosion Control Program Manager, California Tahoe Conservancy  
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. Nancy Kerry, City Manager, City of South Lake Tahoe  
Ms. Debbie McIntyre, Financial Services Manager, City of South Lake Tahoe  
Ms. Lori Marino, Associate Management Analyst, City of South Lake Tahoe

City of South Lake Tahoe  
Propositions 40, 50, and 84 Bond Programs  
Grant Agreements CTA-03007 and CTA-07041



Upper Truckee River in the South Lake Tahoe Region

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Lisa Negri  
Supervisor

Staff  
Michael Bratman

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, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40), 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 \$2.6 billion, \$3.44 billion, and \$5.4 billion, respectively. The bond proceeds finance a variety of natural resource programs.

The City of South Lake Tahoe (City) received the following grants from the California Tahoe Conservancy (Conservancy):

- **Grant CTA-03007** – This \$452,851 Proposition 40 grant was to assist in the planning of the restoration of approximately 4,000 feet of the Upper Truckee River adjacent to the Lake Tahoe Airport. This project was funded with an additional \$974,850 from the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (Proposition 12), and California Wildlife Protection Act of 1990 (Proposition 117).
- **Grant CTA-07041** – This \$4,500,000 grant was to construct 4,000 feet of new river channel which will result in stream environment zone, wildlife, and water quality benefits. This grant was funded with a combination of Propositions 40, 50, 84 and also included \$30,000 from Proposition 117.

## 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> <sup>1</sup>
CTA-03007	September 19, 2003 through June 30, 2013
CTA-07041	May 16, 2008 through September 30, 2012

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 audit scope included Propositions 40, 50, and 84 funding.

The City’s management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The Conservancy and the California

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<sup>1</sup> An interim audit was conducted on grant CTA-07041 as the grant end date is June 30, 2015.

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:

- 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 and vendor invoices.
- 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.
- 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.
- Evaluated whether a sample of grant deliverables required by the grant agreements were met.

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 were in compliance with the requirements of the grant agreements and grant deliverables were completed as required for grant CTA-03007. For grant CTA-07041, 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 below:

**Table 1: Schedules of Claimed Amounts**

<b>Grant Agreement CTA-03007</b>	
<b>Category</b>	<b>Claimed<sup>2</sup></b>
A. Engineering, Design, and Environmental Documents	\$ 317,133
B. Administration	65,130
C. Other <sup>3</sup>	42,387
Total Project Expenditures	\$ 424,650

  

<b>Grant Agreement CTA-07041</b>	
<b>Category</b>	<b>Claimed<sup>4</sup></b>
A. Construction	\$ 3,964,278
B. Administration	217,926
C. Monitoring	187,135
Total Project Expenditures	\$ 4,369,339

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<sup>2</sup> The City did not claim the full grant amount of \$452,851.

<sup>3</sup> The Conservancy used Proposition 40 funds to reimburse the City for retention withheld on expenditures claimed against Proposition 12 and 117 funds which were fully expended.

<sup>4</sup> The City had not claimed the full grant amount of \$4,500,000 as of September 30, 2012.