



Transmitted via e-mail

March 14, 2016

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 Malibu, Proposition 84 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the City of Malibu's grants 10-407-550 and 10-411-550, 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 of Malibu. If you have any questions regarding this report, please contact Diana Antony, Manager, or Mindy Patterson, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA
Assistant Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Jennifer Taylor, Branch Chief, Budgets Section, State Water Resources Control Board
Ms. Leslie Laudon, Assistant Deputy Director, 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. Joshua Ziese, Loans and Grants Section, Division of Financial Assistance, State Water Resources Control Board
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Jim Thorsen, City Manager, City of Malibu
Ms. Ruth Piyaman, Finance Manager, City of Malibu

AUDIT REPORT

City of Malibu Proposition 84 Bond Program Grant Agreements 10-407-550 and 10-411-550



Keep it Clean Malibu Drain Painting
Source: State Water Resources Control Board grant project file 10-407-550

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Mindy Patterson
Supervisor

Staff
Wrenna Finche, CPA

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

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). The \$5.4 billion in bond proceeds finance a variety of natural resource programs.

The State Water Resources Control Board (SWRCB) is responsible for administering \$90 million of these funds allocated by Public Resource Code section 75060(a) for the purpose of protecting beaches and coastal waters from pollution and toxic contamination. This includes grants to local public agencies to help comply with discharge prohibitions into areas designated as Areas of Special Biological Significance (ASBS) under the Clean Beaches grant program.

SWRCB awarded the City of Malibu (City) the following grants:

- **Broad Beach Road Biofiltration (10-411-550)** – \$2,250,000 for the diversion of water runoff into an engineered biofiltration system along a one-mile stretch of Broad Beach Road.
- **Wildlife Road Treatment and ASBS Focused Outreach (10-407-550)** – \$540,000 for the installation of filtration systems to treat runoff along Wildlife Road. This grant also funds the City’s coastal preservation specialist position, a two-year position dedicated to conducting ASBS education and outreach with the Malibu community.

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>
10-407-550	May 15, 2011 through July 31, 2015
10-411-550	May 15, 2011 through August 31, 2015

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. SWRCB and the California Natural Resources Agency are 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:

- Reviewed grant files, grant agreements, ASBS grant program guidelines, and SWRCB's Grant Manager Resource Guide.
- Interviewed the City's Finance Manager, grant program managers, and key accounting and public works staff to obtain an understanding of how the City oversees grant expenditures.
- Reviewed the City's grant-related accounting records, invoices from consultants and contractors, receipts for purchases and operating expenses, timesheets, and supporting payment information.
- 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 grant expenditures were claimed for reimbursement on other grantee projects.
- Evaluated whether grant deliverables were met by reviewing the monitoring plans, quality assurance plans, CEQA/NEPA documentation, design specifications, pre- and post-construction photo documentation, quarterly progress reports, outreach materials, annual progress summaries, and project reports.

In conducting our audits, we obtained an understanding of the City's internal controls, including any information systems 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 performance audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Based on the procedures performed, the grant expenditures claimed complied with the grant agreements' requirements. Additionally, the grant deliverables were completed as specified in the grant agreements. The Schedules of Claimed Amounts are presented on the following page.

Schedules of Claimed Amounts

Broad Beach Road Biofiltration	
Grant Agreement 10-411-550	
Task	Claimed
Professional/Consultant Services	\$ 699,164
Construction	1,550,836
Total Grant Funds	\$2,250,000
Match Funds	253,620
Total Project Expenditures	\$2,503,620

Wildlife Road Treatment & ASBS Focused Outreach	
Grant Agreement 10-407-550	
Task	Claimed¹
Personnel Services	\$173,832
Operating Expenses	34,609
Professional/Consultant Services	79,222
Construction	181,608
Total Grant Funds	\$469,271
Match Funds	\$73,333
Total Project Expenditures	\$542,604

¹ SWRCB awarded \$540,000 and the City claimed \$469,271.