



Transmitted via e-mail

December 11, 2013

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

Dear Mr. Laird:

**Final Report—City of Gilroy, Proposition 50 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Gilroy's (City) grant R81707-0 issued by the California Natural Resources Agency, for the period January 1, 2007 through May 1, 2012.

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 Frances Parmelee, Manager, or John Ponce, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Polly Escovedo, Manager, California Natural Resources Agency  
Ms. Penny Harding, Grant Administrator, California Natural Resources Agency  
Mr. Thomas Haglund, City Administrator, City of Gilroy  
Ms. Christina Turner, Finance Director, City of Gilroy  
Ms. Barbara Voss, Assistant Finance Director, City of Gilroy  
Ms. Eileen Jacobs, Budget Analyst, City of Gilroy  
Mr. David Stubchaer, Senior Engineer/Operations Manager, City of Gilroy

# AUDIT REPORT

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## City of Gilroy Proposition 50 Bond Program Grant Agreement R81707-0



Lions Creek Parkway Trail

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

## **MEMBERS OF THE TEAM**

Frances Parmelee  
Manager

John Ponce  
Supervisor

Staff  
Emma Jungwirth

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

You can contact our office at:

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# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## **BACKGROUND**

In November 2002, 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 natural resource programs.

In 2007, the California Natural Resources Agency (Resources) awarded the City of Gilroy (City) a \$492,000 Proposition 50 grant to partially fund the \$1.1 million Lions Creek Parkway Trail project. The goal of the project was to create a pedestrian/bicycle trail along the south side of Lions Creek in Gilroy.

## **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant R81707-0 for the period January 1, 2007 through May 1, 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 City's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. Resources is 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 agreement, 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.
- Conduct a site visit to verify project existence.

- Evaluated whether a sample of grant deliverables required by the grant agreement 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 audit 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, and grant deliverables were completed as required. The Schedule of Claimed Amounts is presented in Table 1.

**Table 1: Schedule of Claimed Amounts**

<b>Grant Agreement R81707-0</b>	
<b>Expenditures</b>	<b>Claimed</b>
Project Management	\$ 122,980
Demolition and Grading	47,707
Construction	321,293
Contingency	20
Total Grant Funds	492,000
Match Funds	54,667
Total Project Expenditures	\$ 546,667