



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

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Transmitted via e-mail

August 18, 2014

Mr. Mark Cowin, Director
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Dear Mr. Cowin:

Final Report—City of Rancho Palos Verdes, Proposition 1E Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Rancho Palos Verdes' (City) grant 4600009642 issued by the California Department of Water Resources.

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 Diana Antony, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Laura King Moon, Chief Deputy Director, California Department of Water Resources
Ms. Katherine Kishaba, Deputy Director of Business Operations, California Department of Water Resources
Ms. Gail Chong, Deputy Assistant DWR Executive, Bond Accountability, California Department of Water Resources
Mr. Jeff Ingles, Chief Auditor, California Department of Water Resources
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
Mr. Michael Throne, Director of Public Works, City of Rancho Palos Verdes
Mr. Andy Winje, Project Engineer, City of Rancho Palos Verdes
Ms. Kathryn Downs, Deputy Director of Finance and Information Technology, City of Rancho Palos Verdes

City of Rancho Palos Verdes
Proposition 1E Bond Program
Grant Agreement 4600009642



City of Rancho Palos Verdes

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

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Michael Bratman

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

BACKGROUND

California voters approved the Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E) for \$4.09 billion. The bond proceeds provide financing to rebuild and repair California's most vulnerable flood control structures.

The City of Rancho Palos Verdes (City) received a \$9.5 million grant from the California Department of Water Resources (DWR) to construct a mid-canyon inlet structure connected to a shoreline outfall below the oceanfront bluffs. The primary objective of the San Ramon Canyon Stormwater Flood Reduction Project is to manage stormwater runoff to reduce flood damage to the area. Total project cost is estimated at \$18.9 million

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 4600009642 for the period September 30, 2008 through December 31, 2013.¹

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. DWR 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:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant file, the grant agreement, and applicable policies and procedures.
- Reviewed 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.

¹ An interim audit was conducted as the grant term ends October 3, 2014.

- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with the grant funds.
- Conducted a site visit and reviewed supporting documentation to verify the project's existence.

We conducted this audit in accordance with generally accepted government performance 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. Because the project was active at the time of our site visit, not all deliverables were completed; however, the City has completed interim deliverables in accordance with the grant agreement. The Schedule of Claimed Amounts is presented below.

Schedule of Claimed Amounts

Grant Agreement 4600009642	
Task	Claimed²
Direct Project Administration Costs	\$ 204,602
Land Purchase/Easement	18,182
Construction/Implementation	5,651,998
Environmental Compliance/Mitigation/ Enhancement	75,875
Construction Administration	487,316
Other Costs	31,008
Total Grant Funds	\$ 6,468,981
Match Funds	7,211,008
Total Project Expenditures	\$ 13,679,989

² Reflects amounts claimed through December 31, 2013.