



Transmitted via e-mail

May 14, 2012

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

Dear Mr. Laird:

Final Report—City of San Diego Proposition 40 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the following City of San Diego grants:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
40720-01	August 1, 2006 through May 1, 2011	\$ 500,000
40720-02	July 1, 2006 through May 1, 2011	\$ 2,000,000

The enclosed report is for your information and use. Because there were no audit findings 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 of San Diego. If you have any questions regarding this report, please contact Diana Antony, Manager, or Jon Chapple, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

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, Bonds & Grants Manager, California Natural Resources Agency
Ms. Laurie Heller, Grants Administrator, California Natural Resources Agency
Ms. Faye Howard-Hall, Office of the City Comptroller, City of San Diego
Mr. Ray Roberson, Grants Administrator, Park and Recreation Department, City of San Diego
Mr. Albert Cuevas, Assistant Grants Administrator, Park and Recreation Department, City of San Diego
Mr. Marnell Gibson, Deputy Director, City of San Diego
Mr. Jamal Batta, Senior Civil Engineer, Engineering & Capital Projects Department, City of San Diego
Mr. Michael Handal, Associate Civil Engineer, Engineering & Capital Projects Department, City of San Diego
Ms. Sabrina Carnell, Senior Grants Administrator, Engineering & Capital Projects Department, City of San Diego

Audit Report

City of San Diego Proposition 40 Bond Program Grant Agreements 40720-01 & 40720-02



Source: City of San Diego

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Jon G. Chapple, CPA
Supervisor

Staff
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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
(916) 322-2985

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

In November 2002, voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act (Proposition 40), authorizing the sale of \$2.6 billion in general obligation bonds. Bond proceeds provide funding for clean air, clean water, clean beaches, and healthy natural ecosystems that can support both human communities and the state's native fish and wildlife. Proposition 40 also provides funding for the protection, restoration, and interpretation of the diverse cultural influences and extraordinary human achievements that have contributed to the unique development of California.

The City of San Diego (City) received the following two Proposition 40 grants from the California Natural Resources Agency (Resources):

- **Grant 40720-01**—Mission Valley Preserve Habitat Enhancement Program (Mission Grant). The purpose of this \$500,000 grant was to restore 4.22 acres within the Mission Valley Preserve by eradicating non-native vegetation and replacing it with native plants. The grant will also include restoration of riparian habitat, enhancement of low-impact recreational usages, and the development of trails.
- **Grant 40720-02**—Ocean Beach Bike Path (Ocean Grant). The purpose of this \$2,000,000 grant was to extend the Ocean Beach bike path along the north side of Interstate 8 between Ocean Beach and the Pacific Highway. The bikeway will provide non-vehicular traffic with a travel route between the Ocean Beach and Old Town areas and the retail centers of the Mission Valley area.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited the following grants:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
40720-01	August 1, 2006 through May 1, 2011	\$ 500,000
40720-02	July 1, 2006 through May 1, 2011	\$ 2,000,000

The audit objectives were to determine whether the City's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverable 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 state-level administration of the bond programs.

METHODOLOGY

To determine whether grant revenues and 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 grant-related internal controls.
- Examined the grant files, grant agreements, and applicable policies and procedures.
- Reviewed the City's accounting records, vendor invoices, pay warrants, and payment requests.
- Selected a sample of expenditures to determine if costs were allowable, grant related, incurred within the grant period, supported by accounting records, and properly recorded.
- Conducted site visits to verify existence.
- Evaluated whether a sample of grant deliverables required by the grant agreements were met.

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. The audit was conducted from December 2011 through May 2012.

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 findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Based on the audit procedures performed, the grant expenditures claimed are in compliance with applicable laws, regulations, and grant requirements. No observations or questioned costs were identified. The Schedule of Claimed Amounts is presented in Table 1.

Table: 1 Schedule of Claimed Amounts

Grant Agreement 40720-01 Mission Grant	
Category	Claimed
Preliminary Costs (Administration)	\$ 63,887
Construction Materials	33,588
Construction/Plant Establishment	402,525
Total Expenditures	\$500,000

Grant Agreement 40720-02 Ocean Grant	
Category	Claimed
Preliminary Costs (Administration)	\$ 389,261
Site Preparation/Grading	290,120
Other (Field Orders, Mitigation Measures, etc.)	119,900
Public Improvements	999,935
Urban Design	105,250
Miscellaneous	95,534
Total Expenditures	\$2,000,000