



Transmitted via e-mail

April 22, 2015

Mr. Samuel P. Schuchat, Executive Officer
State Coastal Conservancy
1330 Broadway, 13th Floor
Oakland, CA 94612-2530

Dear Mr. Schuchat:

Final Report—City of Santa Cruz, Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Santa Cruz's (City) grant 10-094 issued by the State Coastal Conservancy.

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 Jon Chapple, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Cheryl McCormick for:

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

Enclosure

cc: Ms. Mary Small, Deputy Executive Officer, State Coastal Conservancy
Ms. Regine Serrano, Chief of Administrative Services, State Coastal Conservancy
Ms. Nadine Peterson, Deputy Executive Officer, State Coastal 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
Mr. Martin Bernal, City Manager, City of Santa Cruz
Ms. Kim Wigley, Finance Manager, Economic Development Department, City of Santa Cruz

Audit Report

City of Santa Cruz Proposition 84 Bond Program Grant Agreement 10-094



Monterey Bay National Marine Sanctuary Exploration Center
Source: City of Santa Cruz website

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

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
Manager

Rebecca McAllister, CPA
Supervisor

Staff
Randy McClendon, CISA

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
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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 of bond proceeds finance a variety of natural resource programs.

The City of Santa Cruz (City) received a \$500,000 grant from the State Coastal Conservancy (SCC) to assist in the construction of interpretive exhibits within the Monterey Bay National Marine Sanctuary Exploration Center (Exploration Center). The Exploration Center's mission is to educate visitors about the sanctuary's unique and fascinating coastal and marine environment, foster a more personal connection with the sanctuary and the ocean's relevance in people's daily lives, and encourage stewardship of the sanctuary and a better understanding of how to responsibly enjoy and protect the ocean.¹ The interpretive exhibits were constructed in two phases, with the funding from this grant used for fabrication and purchase of equipment during the second phase.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 10-094 for the period June 2, 2011 through June 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 City's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SCC 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 as required, we performed the following procedures:

- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed the City's accounting records, vendor invoices, and canceled checks/wire transfers.
- Selected a sample of claimed expenditures and determined if they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

¹ Source: Monterey Bay National Marine Sanctuary website

- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting a site visit to verify existence of the project.

In conducting our audit, 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 the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented below.

Schedule of Claimed Amounts

Grant Agreement 10-094	
Category	Claimed
Subcontractor Expenses	\$ 500,000
Total Project Expenditures	\$ 500,000