



Transmitted via e-mail

November 29, 2012

Mr. John Donnelly, Executive Director
Wildlife Conservation Board
1807 13th Street, Suite 103
Sacramento, CA 95811

Dear Mr. Donnelly:

Final Report—County of Orange Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the County of Orange's (County) grant agreement WC-8038BT issued by the Wildlife Conservation Board.

The enclosed report is for your information and use. The County's response to the report observation is incorporated into this final report. The County agreed with our observation and we appreciate its willingness to implement corrective actions. The observation in our report is intended to assist management in improving its grant program. This report will be placed on our website.

We appreciate the assistance and cooperation of the County. If you have any questions regarding this report, please contact Frances Parmelee, 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: Mr. Peter Perrine, Assistant Executive Director, Wildlife Conservation Board
Ms. Cynthia Alameda, Budget Officer, Wildlife Conservation Board
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. Marilyn Thoms, Manager of Environmental Engineering, OC Watersheds, County of Orange
Ms. Mary Fitzgerald, Director of Administration, OC Public Works, County of Orange
Mr. Howard Thomas, Accounting Manager, OC Public Works, County of Orange
Mr. David Santalahti, Watershed/Flood Accounting Manager, OC Public Works, County of Orange
Ms. Mary Anne Skorpanich, Section Manager, OC Watersheds, County of Orange
Ms. Ann Mesa, Civil Engineering Assistant, OC Watersheds, County of Orange
Ms. Susan Brodeur, Senior Coastal Engineer, OC Parks, County of Orange

County of Orange
Proposition 50 Bond Program
Grant Agreement WC-8038BT



Upper Newport Bay, New Least Tern Island
Source: Upper Newport Bay Ecosystem Restoration Bulletin

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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

Supervisors
Evelyn Suess
Jon G. Chapple, CPA

Staff
Susana Medina Jackson
Terrance McDowell Jr.

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, METHODOLOGY AND RESULTS

BACKGROUND

In November 2002, California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Bond Act of 2002 (Proposition 50), which authorized the State of California to sell \$3.44 billion in general obligation bonds. The bond proceeds provide funds for grants and loans to assist in meeting safe drinking water standards; acquisition, restoration, protection, and development of river parkways; and coastal watershed and wetland protection.

The Wildlife Conservation Board (WCB) awarded the County of Orange (County) a Proposition 50 grant for the Upper Newport Bay Ecosystem Restoration project. The project was completed in conjunction with the U.S. Army Corps of Engineers and the California State Coastal Conservancy.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement WC-8038BT for the period November 28, 2008 through December 31, 2010.

The audit objectives were to determine whether the County'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 County's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. WCB is 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:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, grant agreement, and applicable policies and procedures.
- Reviewed the County's accounting records, contracts, contractor invoices, 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.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.

- 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 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

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. Except as noted below, the County's expenditures were in compliance with the requirements of the grant agreement and grant deliverables were completed as required. The Schedule of Claimed Amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement WC-8038BT	
Category	Claimed
Construction Unit I/III Dredging	\$ 2,000,000
Total Expenditures	\$ 2,000,000

Observation 1: Non-Compliance with Grant Agreement

Non-compliance with the grant agreement and County procedures resulted in costs reimbursed before being incurred. The County was reimbursed \$1 million for expenditures claimed for the period March 29, 2009 through May 1, 2009. Our review of County accounting records shows only \$473,504 in eligible project costs were incurred during the claim period. However, we performed additional audit procedures and identified project costs of \$526,496 incurred after May 1, 2009 but before the end of the grant period. The following eligible costs were not claimed for reimbursement but were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

- \$271,410 incurred May 2, 2009 through June 6, 2009
- \$255,086 incurred June 7, 2009 through March 11, 2010

Section 3.2 of the grant agreement states, "Each invoice shall contain supporting or back-up documentation for all charges on the invoice, including receipts for all materials and supplies, all Grantee staff time shown by number of hours worked and hourly rate, and all sub-contractor services."

In addition, County procedures require program and accounting reviews of project-related expenses prior to claiming reimbursement. Without proper monitoring and review of expenditures, the risk of grant funds being disallowed and grant goals not being fully met increases.

Recommendation:

In the event the County is awarded future state funds, the County should review all reimbursement claims prior to submission, and ensure that only actual incurred costs are claimed for reimbursement.

October 22, 2012

David Botelho
Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
Transmitted via email: OSAEReports@dof.ca.gov

Mr. Botelho:

This letter is in response to the County of Orange Proposition 50 Grant Audit draft report received on October 11, 2012. The audit report contained one observation and one recommendation. The County's response to the recommendation is attached.

We appreciate your Department's willingness to work with us throughout the audit. If you have any questions regarding this response, please contact Howard Thomas, OC Public Works Accounting Manager, at (714) 667-9745 or via email at Howard.Thomas@ocpw.ocgov.com.

Sincerely,

Original signed by:
Mary Anne Skorpanich
Manager, OC Watersheds Program

Attachment

c: Howard Thomas, Accounting Manager, OC Public Works
Salvador Lopez, Watershed/Flood Accounting Manager, OC Public Works
Tony Olmos, Assistant Director of OC Engineering, OC Public Works
Randi Dunlap, Interim Manager of Finance Services, OC Public Works

**OC Public Works Response to the Department of Finance Draft Report:
County of Orange Proposition 50 Grant Audit**

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Recommendation:

In the event the County is awarded future state funds, the County should review all reimbursement claims prior to submission, and ensure that only actual incurred costs are claimed for reimbursement.

County's Response:

We concur with the recommendation and will ensure that the backup documentation supports claimed amounts, and that that only actual costs are claimed for reimbursement.