



Transmitted via e-mail

June 24, 2014

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

Dear Mr. Schuchat:

**Final Report—San Diego Maritime Museum, Proposition 84 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the San Diego Maritime Museum's (Museum) grant 09-035, issued by the California 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 Museum. If you have any questions regarding this report, please contact Diana Antony, Manager, or Lisa Negri, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Mary Small, Deputy Executive Officer, California State Coastal Conservancy  
Ms. Nadine Peterson, Deputy Executive Officer, California State Coastal Conservancy  
Ms. Regine Serrano, Chief of Administrative Services, California 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. Raymond E. Ashley, President/CEO, San Diego Maritime Museum  
Mr. Mark Montijo, Vice President/Chief Administrative Officer, San Diego Maritime Museum  
Ms. Grace Rodriquez, Controller, San Diego Maritime Museum

San Diego Maritime Museum  
Proposition 84 Bond Program  
Grant Agreement 09-035



San Salvador Replica Project, San Diego  
Source: San Diego Maritime Museum

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Lisa Negri  
Supervisor

Staff  
MaryAnn Reamer

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, METHODOLOGY AND RESULTS

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## 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 California State Coastal Conservancy (SCC) administers the Urban Waterfront Restoration program. Under this program SCC is authorized to restore the state's urban waterfronts into environmentally sound areas through the creation of parks, open space and visitor facilities to preserve, restore and enhance urban coastal watersheds. SCC may award grants for projects that encourage tourism, public access, and coastal-dependent private-sector development.

The San Diego Maritime Museum (Museum), formed in 1948, restores, maintains, and operates historical vessels. The Museum displays permanent and temporary exhibits on maritime history, commerce and exploration, and stages popular public events.<sup>1</sup>

The Museum received a \$2 million<sup>2</sup> grant from SCC to construct a full-sized replica of the San Salvador, the flagship for the expedition of Juan Cabrillo in 1542 from New Spain (Mexico) to California. The replica of the San Salvador is to be a historically accurate reconstruction of a 16<sup>th</sup> century sailing vessel, be sea-worthy, and be certified by the United States Coast Guard to carry passengers.

## SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 09-035 for the period November 2, 2009 through October 31, 2013.<sup>3</sup>

The audit objectives were to determine whether the Museum'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 Museum'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.

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<sup>1</sup> Source: [www.sdmaritime.org](http://www.sdmaritime.org)

<sup>2</sup> The grant amount is \$2 million. However, any amount over \$1.5 million is to be repaid by the Museum two years after project completion or by December 31, 2015, whichever is earlier.

<sup>3</sup> An interim audit was conducted as the grant term ends July 30, 2014. In addition, while the Museum has claimed the full grant amount, the project has not been completed and the Museum is still incurring match expenditures.

## **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 Museum'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.
- 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 progress reports, and conducting a site visit to verify project 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, the grant deliverables have not yet been completed. The Schedule of Claimed Amounts is presented on the following page.

### Schedule of Claimed Amounts

<b>Grant Agreement 09-035</b>	
<b>Task</b>	<b>Claimed</b>
Shipyard Development	\$ 103,500
Lofting & Pattern Making	75,487
Mobilization & Demobilization	9,700
Materials Handling	68,751
Building Ways	21,922
Backbone & Hull Framing	1,272,315
Ballasting: Internal/External	18,725
Stringers & Clamps	13,616
Deck Frame/Planking/Caulking	48,153
Hull Planking/Caulking/Fairing	129,743
Masts & Spars	17,728
Rigging and Sails	16,997
Auxiliary Power Systems	83,513
Supervision	119,850
<b>Total Grant Funds</b>	<b>2,000,000</b>
Match Funds	2,885,288
<b>Total Project Expenditures</b>	<b>\$ 4,885,288</b>