



Transmitted via e-mail

July 10, 2012

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

Dear Mr. Laird:

Final Report—City of Cupertino, Proposition 40 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Cupertino's (City) grant 40745-06.

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. 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: 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. Penny Harding, Grants Administrator, California Natural Resources Agency
Mr. Timm Borden, Director, Department of Public Works, City of Cupertino
Ms. Gail Seeds, Park Restoration and Improvement Manager, City of Cupertino
Mr. David Woo, Finance Director, City of Cupertino

AUDIT REPORT

City of Cupertino Proposition 40 Bond Program Grant Agreement 40745-06



Stevens Creek Corridor Park and Restoration Project
Source: City of Cupertino

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Jon G. Chapple, CPA
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Staff
Patty Roth

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40). The \$2.6 billion of bond proceeds provide grants to finance a variety of resource programs.

The California Natural Resources Agency (Resources) awarded the City of Cupertino (City) a Proposition 40 grant to realign and restore Stevens Creek Corridor Park including riparian plantings, construction of a park trail and fence, and installation of benches, signs, and a drinking fountain.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 40745-06 for the period January 1, 2007 through May 1, 2010.

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. Resources 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 City'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.
- Conducted a site visit to verify the restoration and construction work was performed.
- 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.

Based on the audit procedures performed, the grant expenditures claimed 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 40745-06	
Category	Claimed
Creek Channel Construction and Restoration	\$ 390,771
Park Amenities	126,999
Trail Construction	249,730
Inspection, Permitting, and Surveying	31,000
Total Expenditures	\$ 798,500