



February 9, 2010

Ms. Belinda Faustinos, Executive Officer
San Gabriel and Lower Los Angeles Rivers
and Mountains Conservancy
100 N. Old San Gabriel Canyon Road
Azusa, CA 91702

Dear Ms. Faustinos:

Final Report—City of Long Beach Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Long Beach's (City) grant agreement RMC-3554 for the period July 9, 2007 to January 31, 2009.

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.

In accordance with Finance's policy of increased transparency, this report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov> within five working days of this transmittal.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Diana Antony, Manager, or Evelyn Suess, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Richard R. Sierra for:

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

Enclosure

cc: Mr. Patrick H. West, City Manager, City of Long Beach
Ms. Lori Ann Farrell, Director of Financial Management/Chief Financial Officer,
City of Long Beach
Mr. Stephen Hannah, City Controller, City of Long Beach
Mr. Phil Hester, Director, Department of Parks, Recreation and Marine, City of Long Beach
Mr. Dennis Thys, Director, Department of Community Development, City of Long Beach
Mr. Patrick Kemp, Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency

A GRANT AUDIT

City of Long Beach Proposition 50 Bond Program Grant Agreement RMC-3554



Source: City of Long Beach

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Evelyn Suess
Supervisor

Staff
Ngocnhung Tran

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

On the November 2002 ballot, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) was passed for \$3.44 billion. Water facility projects funded with Proposition 50 are designed and constructed to improve the security and safety of the state's drinking water system. The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (Conservancy) is one of many state agencies that administer Proposition 50 programs and award funds in the form of grants.

The Conservancy's mission is to preserve open space and habitat in order to provide for low-impact recreation and educational uses, wildlife habitat restoration and protection, and watershed improvements within its jurisdiction. Its territory covers eastern Los Angeles County and western Orange County. This vast and varied area includes mountains, valleys, rivers, coastal plain, and coastline.

The Conservancy awarded the City of Long Beach (City) a \$150,000 Proposition 50 grant for environmental documentation, and initial phase of the Colorado Lagoon Restoration project. This is a multifaceted project designed to (1) improve the water quality of the lagoon by reintroducing full tidal flushing and remediating soils, and (2) grade and restore the banks of the lagoon to create a functioning salt marsh.

SCOPE

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted a grant audit of the City's Proposition 50 grant agreement RMC-3554 for the period July 9, 2007 to January 31, 2009.

The audit objective was to determine whether the City's expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. 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 as well as evaluating the efficiency and effectiveness of the program. The Conservancy and the California Natural Resources Agency is responsible for state-level administration of the bond programs.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files maintained by the Conservancy, the grant agreement, and applicable policies and procedures.
- Reviewed the City's accounting records, vendor invoices, pay warrants, and bank statements.
- 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.
- Conducted a site visit to verify project existence.

The results of the audit are based on our review of documentation and other information made available to us and interviews with the staff directly responsible for administering bond funds. The audit was conducted from May 2009 through January 2010.

This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

RESULTS

Based on the audit procedures performed, the City met the fiscal requirements for the grant agreement and no findings or questioned costs were reported. The Schedule of Claimed, Audited, and Questioned amounts is presented in Table 1.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

| Grant Agreement RMC-3554 For the Period July 9, 2007 to January 31, 2009 | | | |
|---|----------------|----------------|-------------------|
| Category | Claimed | Audited | Questioned |
| Subcontractor (LSA Associates, Inc.) | \$ 150,000 | \$ 150,000 | \$ 0 |
| Total Expenditures | \$ 150,000 | \$ 150,000 | \$ 0 |