



Transmitted via e-mail

September 25, 2012

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

Dear Mr. Laird:

Final Report—San Diego River Conservancy Proposition 40 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its interim audits of the following San Diego River Conservancy's (SDRC) grants:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Award</u>
40720-05	April 1, 2007 through April 12, 2012	\$833,843
40720-08	June 30, 2007 through April 12, 2012	\$136,169
40720-09	September 5, 2008 through April 12, 2012	\$787,562
40720-11	June 24, 2009 through April 12, 2012	\$577,846

The enclosed report is for your information and use. Because there were no audit observations 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 SDRC. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Angie Williams, 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
Mr. Michael Nelson, Executive Officer, San Diego River Conservancy

AUDIT REPORT

San Diego River Conservancy Proposition 40 Bond Program Grant Agreements 40720-05, 40720-08, 40720-09, and 40720-11



San Diego River Gorge Trail
Source: San Diego River Conservancy

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

MEMBERS OF THE TEAM

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

You can contact our office at:

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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 for grants to finance a variety of resource programs.

The California Natural Resources Agency (Resources) is one of many state agencies that administer Proposition 40 funds in the form of grants to cities, counties, and districts.

The San Diego River Conservancy (Conservancy) received Proposition 40 funds through four grants from Resources for projects including the San Diego River Gorge Trail construction, rehabilitation, and improvement projects. Also included in the grants are the San Diego Riverford Road Trail project connecting the Lakeside Baseball Park to the San Diego River Trail, and the Conservancy Invasive Control and Restoration project to remove invasive non-native plants and support the restoration along the San Diego River.

The Conservancy's mission is the restoration and conservation of the San Diego River Area, and is accomplished by: (1) acquiring, managing, and conserving land; and (2) protecting or providing recreational opportunities, open space, wildlife species and habitat, wetlands, water quality, natural flood conveyance, historical/cultural resources, and educational opportunities.

Source: www.sdrc.ca.gov

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities we audited the following grants.

Grant Agreement	Audit Period
40720-05	April 1, 2007 through April 12, 2012 ¹
40720-08	June 30, 2007 through April 12, 2012 ¹
40720-09	September 5, 2008 through April 12, 2012 ²
40720-11	June 24, 2009 through April 12, 2012 ¹

The audit objectives were to determine whether the Conservancy's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the required grant deliverables are in the process of being completed. We did not assess the efficiency or effectiveness of program operations.

¹ An interim audit was conducted on grant 40720-05, 40720-08, and 40720-11 as the grant period ends May 1, 2013.

² An interim audit was conducted on grant 40720-09, as the grant period ends December 31, 2013.

Conservancy management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The California Natural Resources Agency is responsible for the state-level administration of the bond programs.

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 agreements, and applicable policies and procedures.
- Reviewed the grantee's accounting records and vendor invoices.
- 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 site visits to verify project existence.
- Evaluated whether a sample of grant deliverables required by the grant agreements were met and or in process.

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 procedures performed, the grant expenditures claimed were in compliance with the requirements of the grant agreements and grant deliverables were in process as required. The Schedules of Claimed Amounts are presented in Table 1.

Table 1: Schedules of Claimed Amounts

Grant Agreement 40720-05	
Task	Claimed³
Preliminary Costs/Fees and Services	\$ 222,301
Site Preparation	7,150
Materials	299,366
Construction	142,692
Trail Pipes/Rock Excavation	52,373
Total Project Expenditures	\$ 723,882

³ The California Natural Resources Agency awarded \$833,843; however, the grantee has only claimed \$723,882 as of April 12, 2012.

Grant Agreement 40720-08	
Task	Claimed⁴
Preliminary Costs—Project Management/Contract Administration	\$ 11,219
Construction—Labor	0
Construction—Materials	0
Total Project Expenditures	\$ 11,219

Grant Agreement 40720-09	
Task	Claimed⁵
Project Management	\$127,904
Material	0
Labor	2,730
Total Project Expenditures	\$130,634

Grant Agreement 40720-11	
Task	Claimed⁶
Direct Project Management	\$ 47,369
Contractor/Subcontractor—Installed Costs/Services	330,673
Total Project Expenditures	\$378,042

⁴ The California Natural Resources Agency awarded \$136,169; however, the grantee has only claimed \$11,219 as of April 12, 2012.

⁵ The California Natural Resources Agency awarded \$787,562; however, the grantee has only claimed \$130,634 as of April 12, 2012.

⁶ The California Natural resources Agency awarded \$577,846; however, the grantee has only claimed \$378,042 as of April 12, 2012.