



Transmitted via e-mail

August 8, 2012

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

Dear Mr. Laird:

Final Report—City of Montebello, Proposition 12 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Montebello's (City) grant 12107-12 issued by the Natural Resources Agency.

The enclosed report is for your information and use. The City's response to the report observation is incorporated into this final report. The City 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 City. 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:

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

Enclosure

cc: Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, Natural Resources Agency
Ms. Polly Escovedo, Bonds & Grants Manager, Natural Resources Agency
Ms. Francesca Tucker-Schuyler, Interim City Administrator, City of Montebello
Mr. Michael A. Huntley, Director of Planning and Community Development,
City of Montebello

AUDIT REPORT

City of Montebello Proposition 12 Bond Program Grant Agreement 12107-12



Ramp at Whittier Boulevard Linkage

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

MEMBERS OF THE TEAM

Diana Antony
Manager

Lisa Negri
Supervisor

Staff
Lorena Romero

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 AND METHODOLOGY

BACKGROUND

California voters approved the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (Proposition 12). The \$2.1 billion of bond proceeds provide for grants to finance a variety of resource programs.

The California Natural Resources Agency (Resources) awarded the City of Montebello (City) a \$1 million grant to improve trails and access points that link Grant Rae Park, Whittier Dam, and the Rio Hondo Channel bicycle trail; improve public access; and restore native habitat. The project includes planning, design, and construction of a trailhead, and improvements for existing equestrian and pedestrian trails along the Rio Hondo Channel between the Whittier Narrows Dam and Whittier Boulevard.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 12107-12 for the audit period December 15, 2003 through September 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, the grant agreement, and applicable policies and procedures.
- Reviewed the City's accounting records, vendor invoices, 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 existence.

- 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.

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 grant expenditures claimed were in compliance with 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 12107-12	
Task	Claimed¹
Pre - Construction	\$ 89,652
Construction–Whittier Boulevard Linkage	158,115
Construction–Beverly Boulevard Linkage	71,428
Construction–Grant Rea Park Linkage	559,182
Storm Water Pollution Prevention Plan and Implementation	3,481
Mobilization	35,000
Contingency	83,142
Total Project Expenditures	\$ 1,000,000

Observation 1: Non-Compliance with Operation and Maintenance Requirement

The City has not maintained the trails and facilities as required by the grant agreement. The following was noted during our site visit conducted on May 19, 2012:

- All three interpretive signs have been vandalized. The protective covers are broken and the posters are covered with graffiti.
- The restroom at Grant Rea Park has remained closed since project completion because the City has not finalized the proposed janitorial service contract. As a result, the restroom is not available for public use.
- The horse waterer at Grant Rea Park was not working.

Grant agreement, section H.1, requires the City to maintain, operate, and use the property funded pursuant to this grant for a minimum of twenty (20) years.

Recommendation:

Implement an operations and maintenance plan that ensures the bond funded trails and facilities are in good repair and available for public use.

¹ The project was completed; however, Resources is withholding the retention pending an operations and maintenance plan from the City.



City of Montebello

July 26, 2012

Department of Finance
David Botelho, CPA
915 L Street
Sacramento, CA 95814-3706

Re: City of Montebello, Draft report related to Proposition 12 Grant Audit

VIA Overnight Mail

Mr. Botelho;

This is the City of Montebello's response to the Department of Finance, State Audits and Evaluations draft report related to the City of Montebello's grant 12107-12 issues by the Natural Resources Agency.

The City of Montebello is pleased to see the positive outcome of the audit conducted by the Department of Finance field staff Lorena Romero. As it relates to the recommendation in the draft report, the City of Montebello is in full agreement of the recommendation to finalize the operations and maintenance plan for review by the Natural Resources Agency. The City is working towards completing the plan and will be submitting the document to the Agency for review and approval.

If you have any questions regarding the information above, please do not hesitate to contact the Director of Planning and Community Development Michael Huntley at 323/887-1386.

Respectfully,

Original signed by:
Francesca Tucker-Schuyler
Interim City Administrator

Cc: Francesca Schuyler
File Copy