



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 20, 2013

TO: Richard J. Bruckner, Director
Department of Regional Planning

Santos H. Kreimann, Director
Department of Beaches and Harbors

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **REVIEW OF THE COASTAL IMPROVEMENT FUND**

Based on a number of public inquiries regarding the Coastal Improvement Fund's (CIF or Fund) balance, we reviewed the Departments of Regional Planning's (DRP) and Beaches and Harbors' (DBH) records for the CIF to determine the reasonableness of the Fund balance. The CIF was established by County Code Sections 22.46.1950 and 22.46.1970. The CIF is funded by developer fees from the construction of new residential units in Marina del Rey (MDR), and is used to pay for park facilities in MDR. The Fund is administered by DRP and DBH.

Results of Review

We reviewed DRP and DBH's reconciliation of CIF fees received to the number of residential units built from June 1997 to July 2012. We also reviewed building permit information to validate the number of units built and CIF receipts, and traced the CIF receipts to eCAPS. Our review was limited to records provided by DRP and DBH staff. We noted that there were three deposits to the CIF between June 1997 and July 2012.

Our review identified some issues with the CIF reconciliation. The following is a summary of issues and areas for improvement, as well as corrective actions taken by your staff:

Accounting for CIF Fees

We noted that CIF funds were not kept in a single fund or account. One CIF fee was held in a DBH Accumulative Capital Outlay (ACO) fund, and the other two fees were

held in a DRP trust account. Although County Code Section 22.46.1970 requires the CIF to be administered jointly by the directors of DRP and DBH, to ensure accountability, we recommended that the fund be kept in a single account. After our review, DRP worked with the Auditor-Controller's (A-C) Accounting Division (Accounting) to transfer their CIF balance to the DBH ACO fund. DRP and DBH should develop a formal policy specifying each department's role in administering the CIF.

Fee Deposits and Interest Earnings

County Code Section 22.46.1970 requires CIF funds to be kept in a separate, interest-bearing account. DRP's CIF account was not interest-bearing. After our review, DRP worked with Accounting to credit the ACO fund for the interest that should have been earned.

County Fiscal Manual (CFM) Section 1.3.7.1 requires departments to deposit collections of \$500 or more each day. DBH did not deposit the CIF funds until three months after the funds were received. DRP and DBH should consult with Accounting to determine if interest should be credited from when the one CIF deposit was received. In addition, DRP and DBH should ensure that CIF collections are deposited timely.

Department Reconciliations

DBH's CIF account was interest-earning. However, the interest was not included in the reconciliation of the CIF account. In addition, DRP and DBH's reconciliation did not contain clear or accurate explanations of the Fund transactions. For example, to explain why no fee was collected for project number 00-39, DRP and DBH referred to two different project numbers, 00-39 and 91-329, with no other explanation. DRP and DBH should ensure CIF reconciliations include all earned interest, and that the balances are reconciled to eCAPS. In addition, DRP and DBH should ensure their reconciliations contain clear and accurate explanations.

Conclusion

Based on our review of the CIF reconciliation and related documentation, it appears that the July 31, 2012 CIF fund balance was \$201,353 (\$142,681 in CIF fees, plus \$58,672 in interest), and we confirmed this balance agrees with eCAPS as of the same date.

We thank DRP and DBH staff for their assistance in completing our review. Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:RS:TK

c: Audit Committee