



Transmitted via e-mail

September 27, 2012

Mr. Thomas Howard, Executive Director
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812-0100

Dear Mr. Howard:

Final Report—County of Orange Proposition 13 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the County of Orange's (County) grant 04-198-558 for the period November 22, 2004 through June 30, 2010.

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 County. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Alexis Calleance, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Elizabeth Haven, Deputy Director, State Water Resources Control Board
Mr. John Russell, Assistant Deputy Director, State Water Resources Control Board
Mr. Bill Damien, Budget Officer, State Water Resources Control Board
Ms. Leslie Laudon, Manager, Division of Finance and Local Assistance, State Water Resources Control Board
Ms. Monica Torres, Fiscal Unit Manager, State Water Resources Control Board
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. Ignacio Ochoa, Interim Director, Public Facilities and Resources Department, County of Orange
Ms. Mary Fitzgerald, Director, Administrative Services, County of Orange
Mr. Salvador Lopez, Accounting Manager, Auditor-Controller, County of Orange
Mr. Chris Crompton, Environmental Resources Program Manager, County of Orange
Mr. Kevin Onuma, Flood Program Manger, County of Orange
Ms. Mary Anne Skorpanich, Watershed Program Manager, County of Orange

AUDIT REPORT

County of Orange Proposition 13 Bond Program Grant Agreement 04-198-558



Newport Harbor
Source: County of Orange

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

MEMBERS OF THE TEAM

Susan Botkin, CGFM
Manager

Alexis Calleance
Supervisor

Staff
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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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Office of State Audits and Evaluations
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(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

In March 2000, California voters approved the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act (Proposition 13), which authorized the State of California to sell \$1.97 billion in general obligation bonds. The bond proceeds finance a variety of resource programs.

The State Water Resources Control Board (SWRCB) awarded a Proposition 13 grant to the County of Orange (County) to conduct a bacterial study in Newport Bay to identify and quantify levels of urban and natural bacterial sources.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited the following grant:

<u>Grant Agreement</u>	<u>Audit Period</u>
04-198-558	November 22, 2004 through June 30, 2010

The audit objectives were to determine whether the County'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 County's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SWRCB and California Natural Resources Agency are 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 grantee's accounting records, vendor invoices, and cancelled checks.
- 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.
- 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 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 04-198-558	
Cost Categories	Claimed
Personnel Services	\$ 34,592
Operating Expenses	229
Professional and Consulting Services	745,000
Total Grant Funds	779,821
Match Funds	50,000
Total Project Expenditures	\$ 829,821