



Transmitted via e-mail

October 11, 2013

Ronald Chapman, MD, MPH, Director
California Department of Public Health
P.O. Box 997377, MS 0500
Sacramento, CA 95899-7377

Dear Dr. Chapman:

Final Report—City of Riverside, Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Riverside's (City) grant P50-3310031-014 issued by the California Department of Public Health.

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 City. If you have any questions regarding this report, please contact Diana Antony, Manager, or Jon Chapple, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Acting Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Leah Walker, Drinking Water Technical Programs Branch, California Department of Public Health
Ms. Jean Iacino, Acting Chief, Internal Audits, California Department of Public Health
Ms. Addie Aguirre, Staff Services Manager II, Drinking Water Technical Programs Branch, California Department of Public Health
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Scott Barber, City Manager, City of Riverside
Mr. Brent Mason, Finance Director, City of Riverside
Mr. David Wright, General Manager, City of Riverside Public Utilities
Mr. Todd Jorgenson, Interim Assistant General Manager, City of Riverside Public Utilities
Ms. Talika Graham, Senior Accountant, City of Riverside Public Utilities

AUDIT REPORT

City of Riverside
Proposition 50 Bond Program
Grant Agreement P50-3310031-014



John W. North Water Treatment Facility
City of Riverside Public Utilities

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Jon G. Chapple, CPA
Supervisor

Staff

Andrew J. Kortez
MaryAnn Reamer

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, METHODOLOGY AND RESULTS

BACKGROUND

In November 2002, California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Bond Act of 2002 (Proposition 50). The \$3.44 billion in bond proceeds finance a variety of natural resource programs.

The City of Riverside (City) received a \$12.84 million Proposition 50 grant from the California Department of Public Health (DPH), to design and construct a water treatment facility and water pipelines that will enable the City to meet safe drinking water standards and reduce demand on the Colorado River.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant P50-3310031-014 for the period March 5, 2005 through October 31, 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. DPH and the 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 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.

- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting a site visit to verify project existence.

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 P50-3310031-014	
	Claimed
Preliminary Costs	\$ 94,657
Construction Costs	8,081,252
Engineering Costs	271,245
Contingencies	23,902
Other Costs (Transmission Pipelines)	4,367,791
Total Grant Funds	12,838,847
Match Funds	12,838,847
Total Project Expenditures	\$ 25,677,694