



Transmitted via e-mail

March 21, 2014

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

Dear Dr. Chapman:

Final Report—Merced County Housing Authority, Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Merced County Housing Authority's (Authority) grant 84-11C51 for the period September 2011 through February 2013.

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 Authority. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. David Mazzer, Chief, Division of Drinking Water and Environmental Management,
California Department of Public Health
Ms. Jean Iacino, Acting Chief of Internal Audits, California Department of Public Health
Mr. Carl Carlucci, District Engineer, California Department of Public Health
Mr. Patrick Kemp, Assistant Secretary, California Natural Resources Agency
Ms. Julie Avis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Rennise Ferrario, Director, Merced County Housing Authority
Mr. John Daugherty, Finance Officer, Merced County Housing Authority

Merced County Housing Authority
Proposition 84 Bond Program
Grant Agreement 84-11C51



Los Banos Migrant Center Backflow and Shut-off Valve

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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

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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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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84). The \$5.4 billion of bond proceeds finance a variety of resource programs.

The Merced County Housing Authority (Authority) received a \$1.06 million grant from the California Department of Public Health (CDPH) to construct a one mile, 12-inch water pipeline connecting the Los Banos Migrant Center to the City of Los Banos' fresh water supply. The grant funded 100 percent of construction costs, which will allow Merced County to meet safe drinking water standards.¹

SCOPE

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, we audited grant agreement 84-11C51 for the period September 2011 through February 2013.

The audit objectives were to determine whether the Authority'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.

Authority management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. CDPH 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 Authority's contracts, vendor invoices, and accounting records.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

¹ Excerpts from the grant agreement and the Authority's website.

- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant deliverables were met.
- Conducted a site visit to verify existence of the water pipeline.

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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations 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 complied with the grant agreement requirements. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement 84-11C51	
Task	Claimed²
Construction	\$ 691,159
Engineering	59,734
Legal	25,318
City of Los Banos Fees	93,565
Construction Staking	5,915
Construction Management	46,468
Labor Compliance	10,527
Total Grant Funds	\$ 932,686

² CDPH awarded \$1,058,412 and the Authority claimed \$932,686.