



Transmitted via e-mail

January 27, 2014

Mr. Mark Cowin, Director
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Dear Mr. Cowin:

Final Report—City of Firebaugh, Proposition 13 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Firebaugh's (City) grant 4600008060 issued by the California Department of Water Resources.

The enclosed report is for your information and use. The City did not provide a response to the draft audit report. However, as recommended in the audit report, the City submitted a revised final project report to the California Department of Water Resources. This final audit 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:

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

Enclosure

cc: Ms. Laura King Moon, Chief Deputy Director, California Department of Water Resources
Ms. Katherine Kishaba, Deputy Director of Business Operations, California Department of Water Resources
Ms. Gail Chong, Deputy Assistant DWR Executive, Bond Accountability, California Department of Water Resources
Mr. Jeffery Ingles, Chief Auditor, California Department of Water Resources
Ms. Tracie Billington, Chief, Financial Assistance Branch, California Department of Water Resources
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. Kenneth McDonald, City Manager, City of Firebaugh
Mr. Pio Martin, Finance Director, City of Firebaugh
Mr. Ben Gallegos, Public Works Director, City of Firebaugh

AUDIT REPORT

City of Firebaugh Proposition 13 Bond Program Grant Agreement 4600008060



Water Main Installed in City of Firebaugh
Source: City of Firebaugh

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Lisa Negri
Supervisor

Staff
Michael Bratman

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 AND METHODOLOGY

BACKGROUND

In March 2000, California voters approved the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13). The \$1.97 billion of bond proceeds finance a variety of resource programs.

The City of Firebaugh (City) received a \$3.2 million Proposition 13 grant from the California Department of Water Resources (DWR) to install 8,208 linear feet of water main pipe, new fire hydrants, meter boxes, and water valves.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 4600008060 for the period March 27, 2007 through June 30, 2012.

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. DWR 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 and vendor invoices.
- 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.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit and reviewed supporting documentation to verify the project's 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 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.

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 the grant deliverables were completed as required. The Schedule of Claimed Amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement 4600008060	
Task	Claimed
Administration/Overhead	\$ 184,896
Design Engineering & Surveying	261,984
Construction Engineering & Inspection	332,765
Materials Installation/Construction	1,806,929
Contingency	634,680
Total Project Expenditures	\$ 3,221,254

Observation 1: The City’s Final Report Contained Inaccurate Information

The final report submitted to DWR contained inaccurate information. Specifically, the report included inaccurate data on the length and size of the water main pipes installed. For example, in a list of major construction components included in the report, there is no mention of 16 inch pipe when, in fact, 1,483 linear feet (LF) of 16 inch pipe was installed. The report also incorrectly stated 4,000 LF of 8 inch pipe was installed when only 3,587 LF was actually used in the project. When asked about the inaccuracies, the engineer (a subcontractor of the City) stated that he used the amounts listed in the original contract’s scope of work and not the amounts actually installed. Additionally, no other City employee reviewed the final report.

Grant agreement, section A-6 (e), requires the grantee to provide a final inspection and certification by a California Registered Civil Engineer that the project was completed in accordance with submitted final plans and specifications including any modifications in accordance with the grant agreement.

Final reports must contain accurate information. The state relies on final inspection reports to obtain assurance that the project has been completed in conformity with plans and specifications including authorized changes. It provides a basis for acceptance of the project and reimbursement of final project costs.

Recommendations:

- A. The City should submit a corrected final report to DWR.
- B. For future grants, the City should review subcontractor final reports before submittal to the state.