



Transmitted via e-mail

October 1, 2014

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 San Joaquin, Proposition 50 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the County of San Joaquin Public Works Department's (County) grant P-50-3910024-009, issued by the California Department of Public Health (CDPH). On July 1, 2014, pursuant to Chapter 35, Statutes of 2014, the Drinking Water Programs were transferred from CDPH to the State Water Resources Control Board. This change is reflected throughout the final report.

The enclosed report is for your information and use. The County's response to the report observation and our evaluation of the response are incorporated into this final report. 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 Cheryl McCormick, Assistant Chief, or Angie Williams, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Jennifer Taylor, Budget Officer, State Water Resources Control Board  
Ms. Leslie Laudon, Manager, Division of Financial Assistance, State Water Resources Control Board  
Ms. Kim Gossen, Fiscal Unit Manager, State Water Resources Control Board  
Ms. Wendy Westerman, Staff Services Manager I, State Water Resources Control Board  
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  
Ms. Jeri Wong, Accounting Manager, County of San Joaquin Public Works Department  
Mr. Bill Dubois, Engineering Program Manager, County of San Joaquin Public Works Department

County of San Joaquin  
Proposition 50 Bond Program  
Grant Agreement P-50-3910024-009



San Joaquin County Stormwater Pollution Prevention Program  
Source: San Joaquin County

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

## **MEMBERS OF THE TEAM**

Cheryl L. McCormick, CPA  
Assistant Chief

James Kong, CPA  
Angie Williams  
Supervisors

Staff  
Andrew Kortez  
Jack Liu

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, 6<sup>th</sup> Floor  
Sacramento, CA 95814  
(916) 322-2985

# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND

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 resource programs.

The San Joaquin County Public Works Department (County) received a \$2.589 million grant from the California Department of Public Health (CDPH)<sup>1</sup>. Grant proceeds were used to construct emergency interconnections between the special water districts in Morada.<sup>2</sup> The interconnections will be used to transfer and supply water from one water district to another during fires, outages, and other emergency situations. The County's mission is to plan, design, construct, operate, and maintain the infrastructure; including public roads, transportation systems, bridges, water, wastewater, drainage, and solid waste disposal.<sup>3</sup>

## SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant P-50-3910024-009 for the period March 5, 2005 through October 30, 2011.

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.

County 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.

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<sup>1</sup> Chapter 35, Statutes of 2014 transferred the Drinking Water Program from CDPH to the State Water Resources Control Board.

<sup>2</sup> Morada is a census-designated place in San Joaquin County.

<sup>3</sup> County of San Joaquin Public Works website.

- Reviewed the County's accounting records, vendor invoices, reimbursement claims, checks, and bank statements.
- 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.
- 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 by reviewing the technical report, grant agreement, and conducting a site visit to verify existence of pipes, water meters and valves.

We conducted this audit in accordance with generally accepted government performance 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 complied with the requirements of the grant agreement. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed and Questioned Amounts is presented in below.

**Schedule of Claimed and Questioned Amounts**

<b>Grant Agreement P-50-3910024-009</b>		
<b>Task</b>	<b>Claimed<sup>4</sup></b>	<b>Questioned</b>
Preliminary Costs	\$ 13,000	\$ 13,000
Construction Costs	851,550	-
Engineering Costs	553,139	70,013
<b>Total Expenditures</b>	<b>\$ 1,417,689</b>	<b>\$ 83,013</b>

**Observation 1: Unsupported Expenditures**

The County of San Joaquin (County) was unable to support \$83,013 in claimed personnel costs. Specifically, the County did not maintain timecards for the period March 5, 2005 through June 30, 2007, or other source documentation to demonstrate the costs claimed represented actual efforts spent on grant-related activities.

Grant agreement Article A-10 requires the County to maintain accurate records of its costs, disbursements, and receipts with respect to its grant-related activities. All such records are required to be maintained for three years following the final disbursement or the final resolution of any litigation, claim, negotiation, or audit, whichever shall later occur.

**Recommendations:**

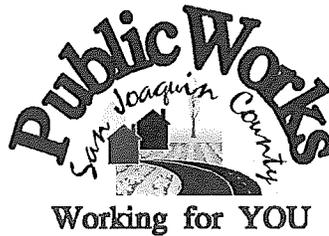
- A. Remit \$83,013 to the State Water Resources Control Board (SWRCB) for the unsupported expenditures. SWRCB will determine the final disposition of the questioned costs.
- B. For current and future reimbursement claims, ensure all expenditures are supported and appropriate documentation is maintained as required in the grant agreement.

<sup>4</sup> The County was awarded \$2,589,000 and claimed \$1,417,689.





THOMAS M. GAU  
DIRECTOR



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BUSINESS ADMINISTRATOR

emailed 8/29/2014

August 29, 2014

Mr. Richard R Sierra, CPA  
Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814-3706

Dear Mr. Sierra:

**Response to Draft Report – County of San Joaquin, Proposition 50 Grant Audit**

We have reviewed the draft audit report completed by the Department of Finance Audit team.

With regard to Observation I: Unsupported Expenditures, we disagree that the expenditures were unsupported and cannot be corroborated. While we were unable to provide hard copies of timecards for the period stated, our processes and procedures for documenting claimed personnel costs have not changed over the years. Prior to 2009-10, our employees completed paper time cards which were then approved by their supervisors. The timecards were then submitted to the Fiscal division to key into the County Financial system to capture labor hours, associated project numbers and activity codes. The system calculated labor costs by multiplying the employee pay rate and fringe benefits rates.

With the introduction of newer available technology, we converted to electronic time keeping records in 2009-10 and that data is archived in our department cost accounting system. We are able to retrieve electronic versions of the time cards and other documents that have been scanned into computerized archive files. However, we still possess paper timecards for the years 2007-08 and 2008-09 when we used the County system for capturing project personnel costs and our County system still contains similar data records of that time keeping system for the years 2003 through 2008-09. The process and procedure described can be substantiated by data in our County Financial system for 2007-08 and 2008-09. This process and procedure had been used since 2003. It is unfortunate that with the introduction of available technology hard copies of time cards are still needed, copies of timecards were not retained in project files and that original timecards for the period questioned had been disposed of in July 2013. We normally retain these records five years. Fiscal year 2005-06 and 2006-07 are six and seven years before the audit began.

We have revised our records retention policy to incorporate retaining all original paper time cards indefinitely as they are filed by employee and not by project. We hope you will reconsider requiring a repayment of \$83,013 to California Department of Public Health.

Sincerely,

Original signed by:

Jeri Wong  
Accounting Manager  
County of San Joaquin Public Works Department

cc: Mr. Thomas M. Gau, Director, County of San Joaquin Public Works Department  
Mr. Bill Dubois, Engineering Program Manager, County of San Joaquin Public Works  
Department

## EVALUATION OF RESPONSE

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The County of San Joaquin's (County) response to the draft report has been reviewed and incorporated into the final report. In evaluating the County's response, we provide the following comments:

### **Observation 1: Unsupported Expenditures**

The County disagrees the claimed personnel costs were unsupported and unable to be corroborated. However, the County was unable to provide evidence supporting \$83,013 of claimed personal expenditures for the period March 5, 2005 through June 30, 2007. Therefore, the observation and recommendation will remain unchanged.