



Transmitted via e-mail

October 5, 2011

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

Dear Mr. Cowin:

Final Report—City of Glendale Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the City of Glendale's (City) grant agreement 50086B04 for the period March 5, 2005 through June 30, 2010.

The enclosed report is for your information and use. Because there were no audit findings or issues requiring a response, we are issuing the report as final. This report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov/> within five working days of this transmittal.

We appreciate the City's assistance and cooperation with the audit. If you have any questions, please contact Susan M. Botkin, Manager at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: On following page

cc: Ms. Katherine Kishaba, Deputy Director of Business Operations, Department of Water Resources
Ms. Gail Chong, Chief, Bond Accountability Office, Department of Water Resources
Ms. Perla Netto-Brown, Controller, Department of Water Resources
Ms. Tracie Billington, Chief, Financial Assistance Branch, Department of Water Resources
Mr. Jeffrey Ingles, Chief Auditor, Department of Water Resources
Ms. Linda Ng, Chief, Safe Drinking Water Section, Department of Water Resources
Mr. Steve Giambrone, Program Analyst, Safe Drinking Water Section, Department of Water Resources
Mr. Patrick Kemp, Assistant Secretary, 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. Peter Kavounas Assistant General Manager, City of Glendale
Mr. Don Froelich, Chief Engineer, City of Glendale
Mr. Leighton Fong, Engineer, City of Glendale

AUDIT REPORT

City of Glendale Department of Water Resources Grant Agreement 50086B04



WBA System located at Well Site GS-3
Source: City of Glendale Water Agency

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

MEMBERS OF THE TEAM

Susan M. Botkin, CGFM
Manager

Zach Stacy
Supervisor

Staff
Douglas Evans

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
300 Capitol Mall, Suite 801
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), which authorized the State of California to sell \$3.44 billion in general obligation bonds. Bond proceeds provide funds for grants and loans to assist in meeting safe drinking water standards; acquisition, restoration, protection, and development of river parkways; and coastal watershed and wetland protection.

The Department of Water Resources (DWR) is one of many state departments that administer Proposition 50 programs. The mission of DWR is to manage the water resources of California in cooperation with other agencies, and to protect, restore, and enhance natural and human environments.

The City of Glendale (City), located in Los Angeles County, was awarded a \$2.5 million Proposition 50 grant from DWR. The grant funded a pilot program involving research, development, and construction of two test facilities to remove Chromium 6 from contaminated ground water. Chromium 6 is a contaminant introduced into the water supply by industrial activities. The test facilities are based on two of the leading scientific methods of removing chromium 6 from drinking water: weak-based anion exchange and reduction-coagulation-filtration. Once the study provides realistic options to remove Chromium 6 from ground water, the solutions can be used in other parts of the state.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we conducted an audit of the City's grant agreement 50086B04 for the period March 5, 2005 through June 30, 2010. Although the grant agreement specifies the project should be complete by December 31, 2011, the City submitted its final invoice for the period February 1, 2010 through June 30, 2010. As of March 3, 2011, DWR had not reimbursed the City for the final invoice; however, this final invoice was included in our audit.

The audit objective was to determine whether the City's grant expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant controls. We did not assess the efficiency or effectiveness of program operations. Finally, no assessment was performed on the reasonableness or the conservation value of the projects completed.

The City's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the efficiency and effectiveness of the program. DWR and the California Natural Resources Agency are responsible for state-level administration of bond programs.

METHODOLOGY

To determine whether expenditures were in compliance with applicable laws, regulations, and the grant requirements, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files maintained by DWR, the grant agreement, and applicable policies and procedures.
- Reviewed the City's accounting records, vendor invoices, and bank statements.
- Reviewed payroll documentation.
- 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.
- Conducted a site visit to verify existence.

The audit results are based on our review of documentation, other information made available to us, and interviews with the staff directly responsible for administering bond funds. The audit was conducted from February 2011 through July 2011.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

Based on the audit procedures performed, the City complied with applicable laws, regulations, and grant requirements and no findings or questioned costs are reported. In addition, the City, which was required to provide matching funds equal to 100 percent of eligible expenditures, met the match requirements. The Schedule of Claimed and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement 50086B04		
For the Period March 5, 2005 through June 30, 2010		
Category	Claimed	Questioned
Chromium 6 Removal Facilities	\$2,500,000	\$ 0