



DEPARTMENT OF
FINANCE

ARNOLD SCHWARZENEGGER, GOVERNOR

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February 4, 2010

Mr. Jim Libonati, Deputy Director for Business Operations
Department of Water Resources
1416 Ninth Street, Room 1115-19
Sacramento, CA 95814

Dear Mr. Libonati:

Final Report—Rubidoux Community Services District, Proposition 13 Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the Rubidoux Community Services District's (District) grant agreement E68015 for the audit period May 25, 2005 to December 31, 2006.

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.

In accordance with Finance's policy of increased transparency, 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 assistance and cooperation of the District. If you have any questions, please contact Frances Parmelee, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Richard R. Sierra for:

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

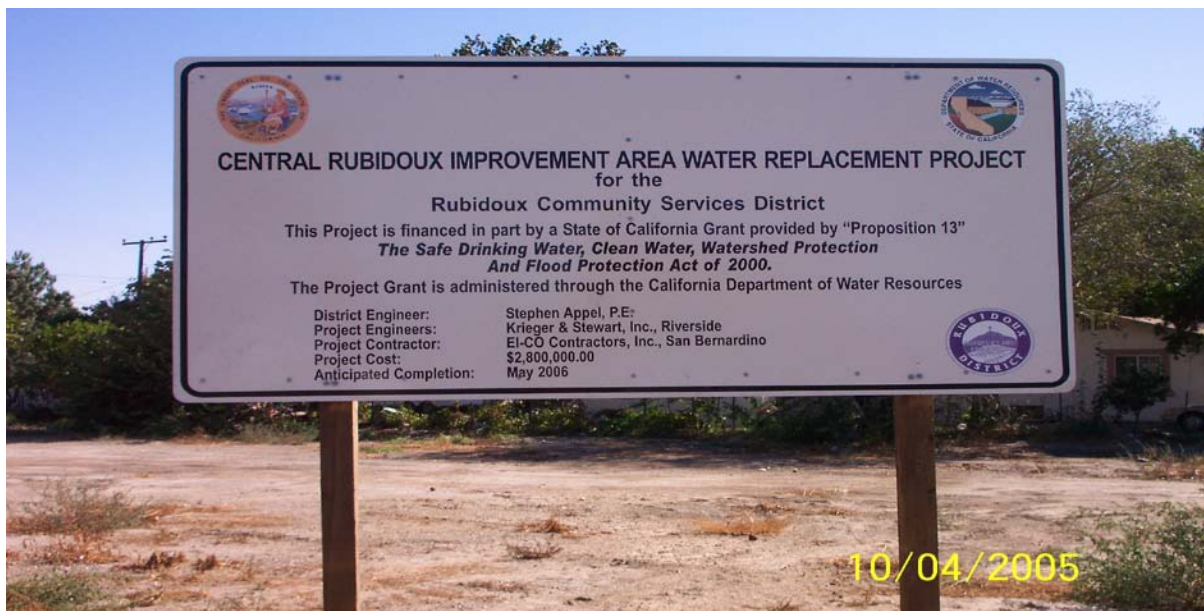
Enclosure

cc: On following page

cc: Mr. David Lopez, General Manager, Rubidoux Community Services District
Ms. Cathy Poindexter, Manager of Financial Services, Rubidoux Community Services District
Ms. Perla Netto-Brown, Controller, Department of Water Resources
Ms. Tracie Billington, Chief, Special Projects Section, Department of Water Resources
Ms. Gail Chong, Chief, Bond Accountability Office, Department of Water Resources
Mr. Eric Hong, Supervising Engineer, Department of Water Resources
Ms. Jeffrey Ingles, Chief Auditor, Department of Water Resources
Mr. Patrick Kemp, Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency

A GRANT AUDIT

Rubidoux Community Services District Proposition 13 Bond Program Grant Agreement E68015



Picture provided by the District.

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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

Rich Hebert
Supervisor

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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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BACKGROUND

In March 2000, California voters approved the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act (Proposition 13), which authorized the State of California to sell \$1.97 billion in general obligation bonds. The bond proceeds provide funds for safe drinking water, water quality, flood protection, and water reliability programs. Proposition 13 also provides funding for the protection, restoration, and interpretation of the diverse cultural influences and extraordinary human achievements that have contributed to the unique development of California.

The Department of Water Resources (DWR) is one of many state departments that administer Proposition 13 funds. The Proposition 13 Infrastructure Rehabilitation Program authorizes the DWR to award grants to local public agencies and incorporated mutual water companies to finance feasible, cost effective urban water conservation projects that improve water use efficiency. The program is aimed at lower income California residential areas.

In May 2005, the Department awarded the Rubidoux Community Services District (District) a \$2.162 million Proposition 13 grant for the Central Rubidoux Improvement Area Water Main Infrastructure Rehabilitation and Water Replacement Project (CRIA). Work on the project began in June 2005. The grant supported the District's mission of providing high quality water service, sewer disposal, trash, and fire mitigation services at the best value for its customers. The goal of the grant project was to install 1,750 feet of new 12" diameter water mains and 19,500 feet of new 8" water mains. The CRIA project also included installation of 50 new fire hydrants and 72 isolation valves to increase reliability and ease of maintenance.

SCOPE

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted an audit of grant agreement E68015 for the period May 25, 2005 to December 31, 2006.

The audit objective was to determine whether the District'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 internal controls. We did not assess the efficiency or effectiveness of program operations.

District 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. The DWR and the California Natural Resources Agency are responsible for state-level administration of the bond programs.

METHODOLOGY

To determine whether the District's grant 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 the DWR, the grant agreement, and applicable policies and procedures.
- Selected a sample of expenditures, including labor costs, to determine if costs were allowable, grant related, incurred within the grant period, supported by accounting records, and properly recorded.
- Reviewed the District's accounting records, vendor invoices, pay warrants, and bank statements.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit to verify project existence.

The results of the audit are based on our review of documentation and other information made available to us, as well as interviews with the staff directly responsible for administering bond funds. The audit was conducted from August 2009 through January 2010.

This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations, based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

RESULTS

The District's expenditures were in compliance with applicable laws, regulations, and the grant requirements. No observations or questioned costs were identified. The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement E68015			
For the Period May 25, 2005 to December 31, 2006			
Category	Claimed	Audited	Questioned
Planning/Design/Engineering	\$ 184,141	\$ 184,141	\$ 0
Materials/Installation	1,855,146	1,855,146	0
Construction	97,790	97,790	0
Admin/Overhead			0
Legal & License Fees	25,152	25,152	0
Total Expenditures	\$ 2,162,229	\$2,162,229	\$ 0