



February 4, 2010

Mr. Jim Libonati, Deputy Director for Business Operations
Department of Water Resources
P.O. Box 942836, Room 1115-6
Sacramento, CA 94236-0001

Dear Mr. Libonati:

Final Report—City of Sacramento Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Sacramento's (City) grant agreement 4600004213 funded under Proposition 50, for the audit period June 14, 2006 to November 30, 2008.

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

Sincerely,

Original signed by:

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

Enclosure

cc: On following page

cc: Mr. James L. Combs, Director of Parks and Recreation, City of Sacramento
Ms. Camille Wise, Resource Development Specialist, Department of Parks and Recreation,
City of Sacramento
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
Mr. Jeffrey Ingles, Chief Auditor, Department of Water Resources
Mr. Patrick Kemp, Assistant Secretary for 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

A GRANT AUDIT

City of Sacramento Proposition 50 Bond Program Grant Agreement 4600004213



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

MEMBERS OF THE TEAM

Frances Parmelee, CPA
Manager

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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 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. The 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 funds. The Proposition 50 Park Irrigation Infrastructure Improvement (PIII) Program authorized the DWR to grant funds to cities and counties to improve recreation areas, enhance the environment, enhance air and water quality, prevent soil erosion, and replace ecosystems lost or damaged by urban development.

In June 2006, the DWR awarded the City of Sacramento (City) a \$754,000 Proposition 50 grant to implement a water conservation program. The purpose of the grant was to increase water efficiency, thereby saving an estimated \$68,000 of water per year by reducing water runoff for 10 City parks. The project included modifying the infrastructure and equipment in these parks by replacing old water meters, valves, pumps, and lines.

SCOPE

In accordance with the Department of Finance's (Finance) bond oversight responsibilities, Finance conducted an audit of the City's Proposition 50 grant agreement 4600004213 for the period June 14, 2006 to November 30, 2008.

The audit objective was to determine whether the City's grant expenditures were in compliance with applicable laws, regulations, and the 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.

City 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 City's grant expenditures were in compliance with applicable laws, regulations, and 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.
- Reviewed the City's grant-related accounting records, vendor invoices, payroll records, warrants, and bank statements.
- Selected a sample of project expenditures to determine if costs were allowable, grant related, incurred within the grant period, properly recorded, and adequately supported in the accounting records.
- Performed procedures to determine if other revenues sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit to verify existence of the installed water lines.

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

Based on the audit procedures performed, the City met the fiscal requirements for the grant agreement. No observations or questioned costs were identified. In addition, the City, which was required to provide matching funds equal to eight percent of eligible expenditures, met the \$62,321 matching fund requirement. The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed, Audited and Questioned Amounts

Grant Agreement 4600004213			
For the Period June 14, 2006 to November 30, 2008			
Category	Claimed	Audited	Questioned
Planning/Design/Engineering	\$ 14,656	\$ 14,656	\$ 0
Materials/Installation/Implementation	737,844	737,844	0
Project Legal/License Fees	1,000	1,000	0
Monitoring and Assessment	500	500	0
Total Expenditures	\$ 754,000	\$ 754,000	\$ 0