

# **CALIFORNIA DEPARTMENT OF PUBLIC HEALTH**

Independent Auditor's Report

## **COMPLIANCE AUDIT OF THE PUBLIC WATER SYSTEM SUPERVISION PROGRAM**

*For the Fiscal Year Ended June 30, 2013*



**JOHN CHIANG**  
California State Controller

July 2014



**JOHN CHIANG**  
**California State Controller**

July 30, 2014

Ron Chapman, M.D., M.P.H., Director  
California Department of Public Health  
1615 Capitol Avenue  
P.O. Box 997377, MS 0500  
Sacramento, CA 95899-7377

Dear Dr. Chapman:

Following is the report on the compliance audit of the California Department of Public Health's Public Water System Supervision Program for the fiscal year ended June 30, 2013.

Our audit found that the department complied, in all material respects, with the compliance requirements of the Public Water System Supervision program.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/mh

cc: William Young, Chief, Internal Audits  
California Department of Public Health (via e-mail)  
Annette Caraway  
California Department of Public Health (via e-mail)  
Marshay Gregory  
California Department of Public Health (via e-mail)

# Contents

	<u>Page</u>
<b>Independent Auditor’s Report on the Schedule of Expenditures of Federal Awards Issued in a Program-Specific Audit .....</b>	<b>1</b>
Schedule of Expenditures of Federal Awards for the Public Water System Supervision Program .....	3
Notes to Schedule of Expenditures of Federal Awards .....	4
<b>Independent Auditor’s Report on Compliance for a Federal Program and Report on Internal Control Over Compliance .....</b>	<b>5</b>



**JOHN CHIANG**  
**California State Controller**

Ron Chapman, M.D., M.P.H., Director  
California Department of Public Health  
1615 Capitol Avenue  
P.O. Box 997377, MS 0500  
Sacramento, CA 95899-7377

**INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS ISSUED IN A PROGRAM-SPECIFIC AUDIT**

Report of Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the Public Water System Supervision Program of the California Department of Public Health (CDPH) for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the financial statement of the program in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Public Water System Supervision in accordance with accounting principles generally accepted in the United States of America.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

July 30, 2014

---

**Schedule of Expenditures of Federal Awards  
For the Public Water System Supervision Program  
Year Ended June 30, 2013**

---

Federal Agency/Program Title	Federal Catalog Number	Federal Expenditures
<b>U.S. Environmental Protection Agency:</b> Public Water System Supervision	66.432	\$ 8,190,490

The accompanying notes are an integral part of this schedule.

## **Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2013**

---

**NOTE 1— BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal Public Water System Supervision program activity of the California Department of Public Health. The information presented in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the department, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the department.

**NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.



**JOHN CHIANG**  
**California State Controller**

Ron Chapman, M.D., M.P.H., Director  
California Department of Public Health  
1615 Capitol Avenue  
P.O. Box 997377, MS 0500  
Sacramento, CA 95899-7377

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR A FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE

Report on Compliance for the Public Water System Supervision Program

We have audited the California Department of Public Health's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on its Public Water System Supervision Program for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulation, contracts, and grants applicable to the Public Water System Supervision Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the California Department of Public Health's Public Water System Supervision Program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Public Water System Supervision Program occurred. An audit includes examining, on a test basis, evidence about the California Department of Public Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for California Department of Public Health's Public Water System Supervision Program. However, our audit does not provide a legal determination of the California Department of Public Health's compliance.

Opinion

In our opinion, the California Department of Public Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Public Water System Supervision program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the California Department of Public Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the California Department of Public Health's internal control over compliance with the types of requirements that could have a direct and material effect on its Public Water System Supervision program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the California Department of Public Health's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

July 30, 2014

## **Schedule of Findings and Questioned Costs Year Ended June 30, 2013**

---

### **SECTION I—Summary of Auditor’s Results**

1. The auditor’s report expresses an unqualified opinion on the Schedule of Expenditures of Federal Awards of the California Department of Public Health’s Public Water System Supervision Program.
2. No instances of noncompliance material to the Schedule of Expenditures of Federal Awards of the Public Water System Supervision Program were disclosed during the audit.
3. No significant deficiencies in internal control over the Public Water System Supervision Program are disclosed.
4. The auditor’s report on compliance with requirements that could have a direct and material effect on the Public Water System Supervision Program expresses an unqualified opinion.
5. Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in section III of this schedule.
6. We determined that the California Department of Public Health is a high-risk auditee.

### **SECTION II—Financial Statement Findings**

No findings were noted.

### **SECTION III—Federal Award Findings and Questioned Costs**

No findings were noted.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**