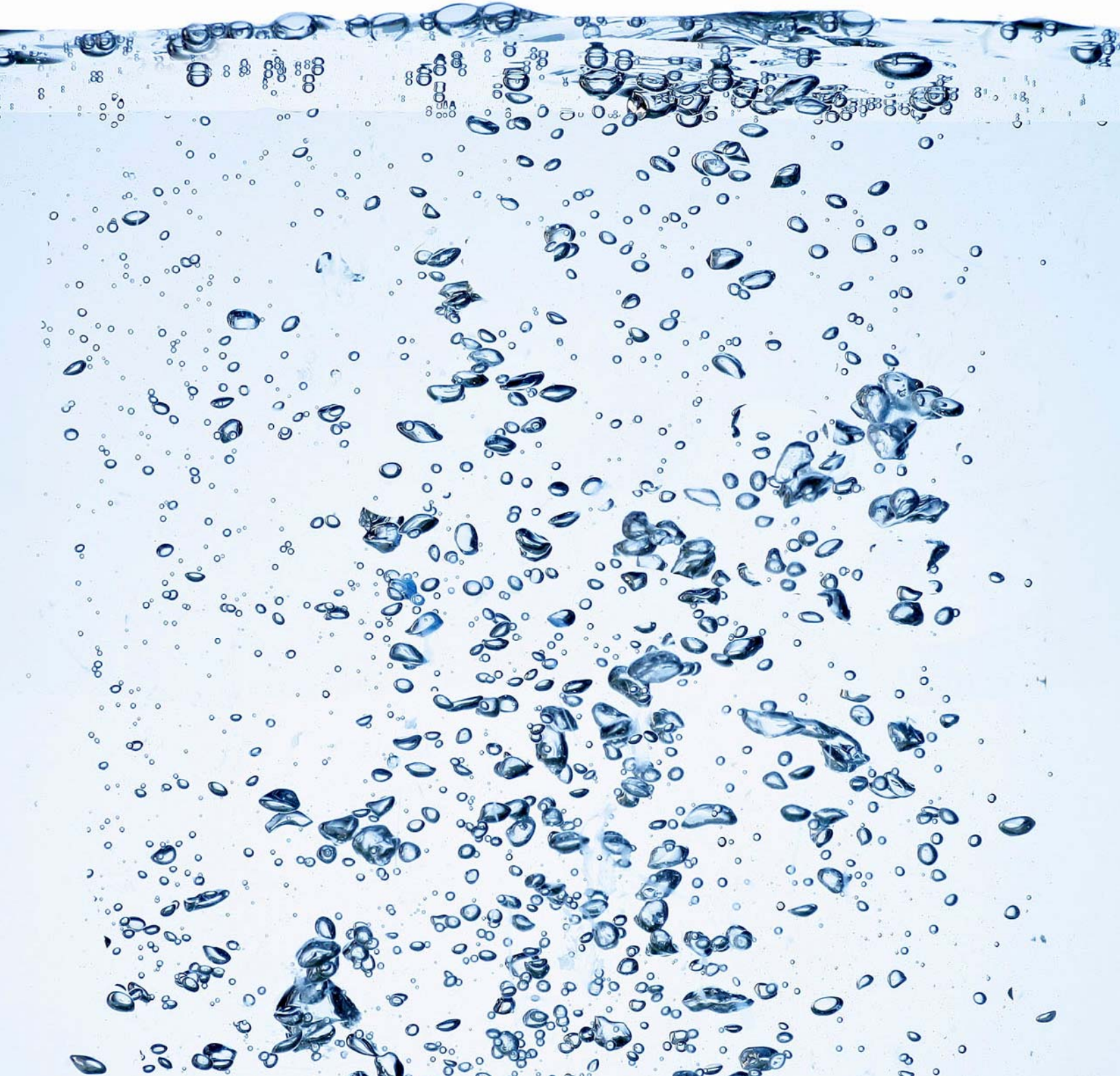


# State Water Resources Control Board

Accounting System  
Program Evaluation Services

JULY 1, 2009



**Table of Contents**

Section 0: Introduction.....	3
Background .....	3
Objectives, Approach, and Report Format.....	8
Executive Summary .....	10
Section 1: Accounting Structure and Process Review .....	13
Scope and Methodology .....	13
Analysis, Observations, and Conclusion .....	16
Section 2: Indirect Cost Allocation Review.....	28
Scope and Methodology .....	28
Analysis, Observations, and Conclusion .....	28
Section 3: Accounting IT Systems Review.....	39
Scope and Methodology .....	39
Analysis, Observations, and Conclusion .....	41
Section 4.0: Implementation Plan .....	50
Going Forward .....	50
Estimated Cost and Staff Resources.....	50
Appendix 1 – Process Narratives .....	78
Appendix 2 – IT System Data Collection Narratives.....	79
Appendix 3 – SAM Matrix for Internal Control, Cash Receipting, and Safeguarding of Assets .....	143
Appendix 4 – Fund and Sub-Fund List.....	150
Appendix 5 – Detailed Functional Listing .....	152
Appendix 6 – List of Abbreviations.....	182

## Section 0: Introduction

### *Background*

#### General

The State Water Resources Control Board (Water Board) is composed of the State Board and nine regional boards located throughout the State. Each of these regional boards functions in relative autonomy from the State Board. The mission of the Water Board is to “preserve, enhance, and restore the quality of California’s water resources, and ensure their proper allocation and efficient use for the benefit of present and future generations.

Created by the Legislature in 1967, the five-member State Board protects water quality by setting statewide policy, coordinating and supporting the regional boards efforts, and reviewing petitions that contest regional board actions. The State Board is also solely responsible for allocating surface water rights. Each of the five full-time salaried board members fills a different specialized position. The members are appointed to four-year terms by the Governor and confirmed by the Senate.

The State Board has four major programs:

- **Water Quality:** The State Board works in coordination with the regional boards to preserve, protect, enhance and restore water quality. Major areas of focus include: Stormwater, Wastewater treatment, Water quality monitoring, Wetlands protection, Ocean protection, Environmental education, Environmental justice, Clean up contaminated sites, including brownfields, and Low-impact development.
- **Financial Assistance:** The State Board provides loans and grants for constructing municipal sewage and water recycling facilities, remediation for underground storage tank releases, watershed protection projects, and for nonpoint source pollution control projects. The State Board has several financial programs to help local agencies and individuals prevent or clean up pollution of the State’s water.
- **Water Rights:** Anyone wanting to divert water from a stream or river not adjacent to their property must first apply for a water right permit from the State Board. The State issues permits for water rights specifying amounts, conditions and construction timetables for diversion and storage. Decision-making stems from water availability, prior water rights and flows needed to preserve instream uses, such as recreation and fish habitat.
- **Enforcement:** The State Board and the nine regional boards are responsible for swift and fair enforcement when the laws and regulations protecting our waterways are violated. The State Board has recently created an Office of Enforcement to assist and coordinate enforcement activities statewide. The Water Boards also work with federal, state and local law enforcement, as well as other environmental agencies to ensure a coordinated approach to protecting human health and the environment.

#### Financial

Based on information provided by the Water Board in their Request for Offer (RFO), and information that came to attention during our review, the Water Board manages and reports on more than 70 funds and

sub-funds (KPMG's tabulation came to 83), including 29 federal grants, and 15 reimbursement agreements, with a Fiscal Year (FY) 2007-08 budget of approximately \$835 million. Within these funds, there are 287 appropriation symbols used to track spending authority, transfers, and revenues. The Water Board uses the California State Accounting and Reporting System (CalSTARS) as its primary accounting system of record. In addition, the Water Board allocates its indirect costs based on labor hours using more than 1,000 CalSTARS Program Cost Account (PCA) codes. The Water Board allots staff resources based on Task rather than specific funding source. Major funds and funding sources include the following:

- **General Fund, Fund # 0001:** This fund has 4 appropriation symbols and uses 79 tasks to track and report financial information.
- **Waste Discharge Permit Fund (WDPF), Fund #0193:** This fund is made up of fees paid by dischargers to support the Core Regulatory Program and has seen dramatic growth in revenue and dischargers in the past five years. This fund has 2 appropriation symbols and uses 20 tasks to track and report financial information.
- **Underground Storage Tank Cleanup Fund (USTCF), Fund #0439:** This fund is used to help tank owners and operators meet the cost of cleaning up leaks from their underground tanks by providing funding to them to assist in their clean-up activities. This fund has 11 appropriation symbols and uses 86 tasks to track and report financial information. As of June 30, 2007, the fund was covering costs for more than 4,000 sites. In a typical FY, the fund receives over 5,000 reimbursement requests and processes over 4,000 payments of more than \$200 million.
- **Water Rights Fund (WRF), Fund #3058:** This fund is comprised of various Water Rights fees that are paid by water right-permit holders. This fund has 3 appropriation symbols and uses 16 tasks to track and report financial information.
- **Various Bond Funds and Local Assistance Funds:** There are currently 9 open General Obligation (GO) Bond issues with authority of over \$4.5 billion, that use 48 funds/sub-funds, 198 appropriation symbols, and 31 tasks to track their activity. There is one Revenue Bond issue that uses 8 funds/sub-funds and one task. The State Water Pollution Control Revolving Fund, Fund #0617, known by the Water Board as the State Revolving Fund (SRF), is a \$2.5 billion revolving loan program that receives funds from federal grants, state monies, revenue bond proceeds, and repayments.
- **Federal Trust Fund, Fund #0890:** The Water Board has a large number of programs funded through federal grants. There are currently 29 open grants and 2 interagency agreements which require quarterly billing. This fund uses 8 appropriation symbols, 27 tasks, and 22 revenue sources.
- **Reimbursements:** The Water Board has several reimbursement agreements with various agencies and entities. The Water Board has more than \$9 million in reimbursement authority and prepares billing monthly.

The Water Board has various systems that support CalSTARS. These assist with financial reporting, accounts receivable management, loan management, budgeting, and time and attendance reporting. In addition, to supplementing CalSTARS and these other systems, the Water Board uses a number of end-user applications to report on and monitor its activities, such as Microsoft® Word®, Excel®, Access®, etc.



## Organizational

The Water Board has an Executive Office that is comprised of the five member State Board, the Executive Director, and other executive and administrative staff.

As indicated previously the regional boards are somewhat autonomous to the State Board. There are nine regional boards: North Coast, Region 1; San Francisco Bay, Region 2; Central Coast, Region 3; Los Angeles, Region 4; Central Valley, Region 5; Lahontan, Region 6; Colorado River Basin, Region 7; Santa Ana, Region 8; and San Diego, Region 9.

In addition to the Executive Office, the Water Board is comprised of the following offices:

- Chief Counsel;
- Research, Planning and Performance;
- Public Affairs;
- Employee Assistance;
- Enforcement;
- Legislative Affairs;
- Public Participation; and
- Information Management and Analysis

The Water Board also has the following divisions:

- Water Quality;
- Information Technology (DIT);
- Water Rights;
- Administrative Services (DAS); and
- Financial Assistance (DFA).

Within DAS, the following functions, branches, offices, or units exist:

- Budget Management;
- Human Resources;
- Accounting;
- Business Management & Support;
- Health & Safety;
- Fee; and
- Internal Audits.

Our review was primarily focused on DAS's Accounting Branch (Accounting Office) and its operations. However, as part of our review we met with Region 1 and 5, the DIT, Division of Water Rights, and the DFA. In addition, we met with DAS operations staff within Budget Management, Fee, and Internal Audits. Finally, we contacted the State Controller's Office (SCO) and State Treasurer's Office (STO) to obtain information on sub-funds and cash management, respectively.

In all, we conducted over 50 meetings, attended by over 90 individuals, and collected in excess of 200 documents. Our review should not be considered an audit, however, we did perform limited inquiry, observation, and/or testing related to specific areas within the Water Board. For instance, we performed inquiry and testing of the Plan of Financial Adjustment (PFA) within the Accounting Office, inquiry and observation of the cash receipting and the accounts receivable process within the Accounting Office, inquiry and observation of the cash receipting process within the Division of Water Rights and DFA, and inquiry and observation related to the custodianship of securities and safekeeping of vault assets within the Accounting Office, Division of Water Rights, and the DFA.

Figures 0.1 and 0.2, on the following pages, present the Water Board Organization Chart and the Accounting Office Organization Chart, respectively.

**Figure 0.1 – Water Board Organization Chart**



**STATE WATER RESOURCES CONTROL BOARD**

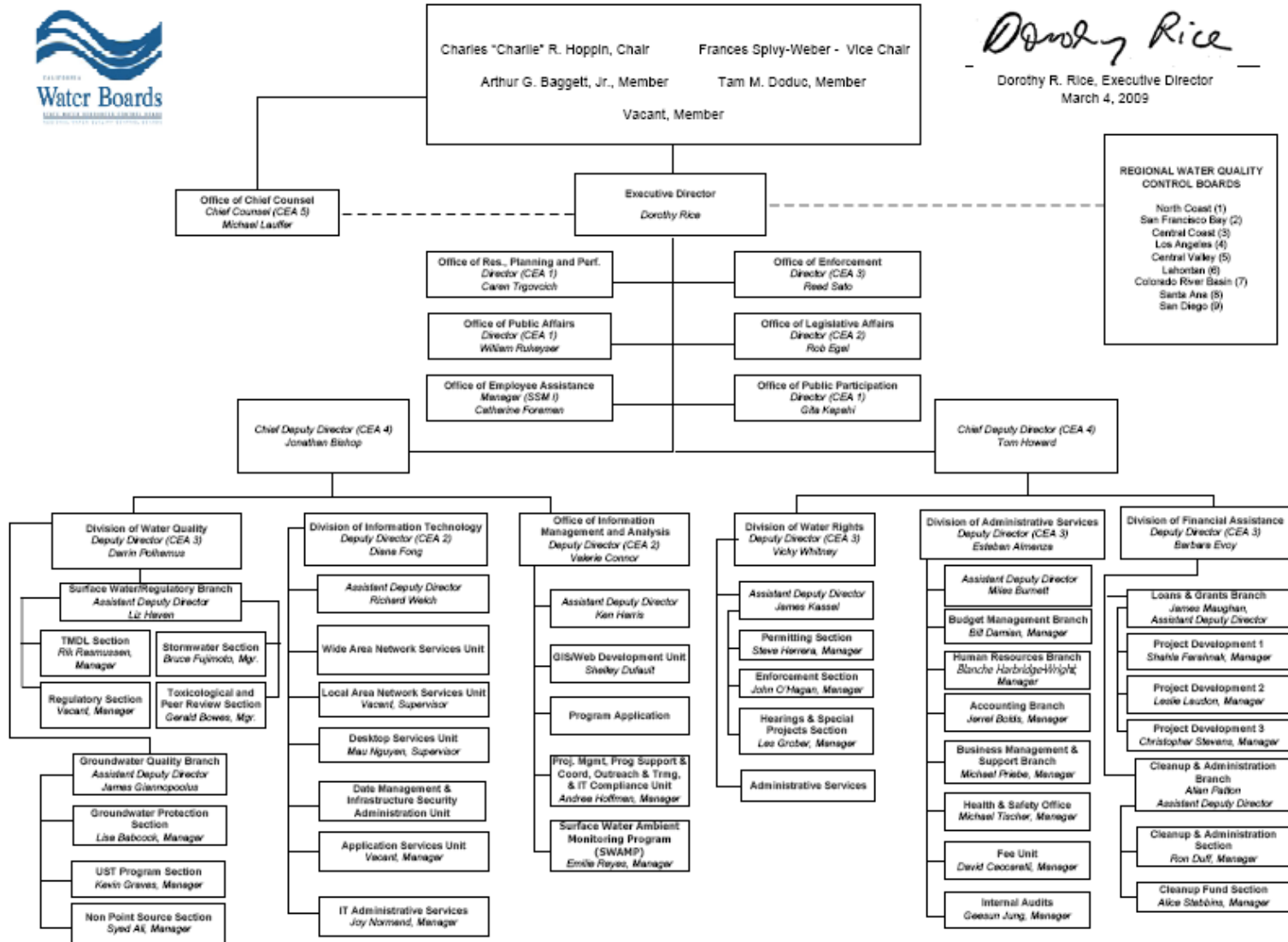
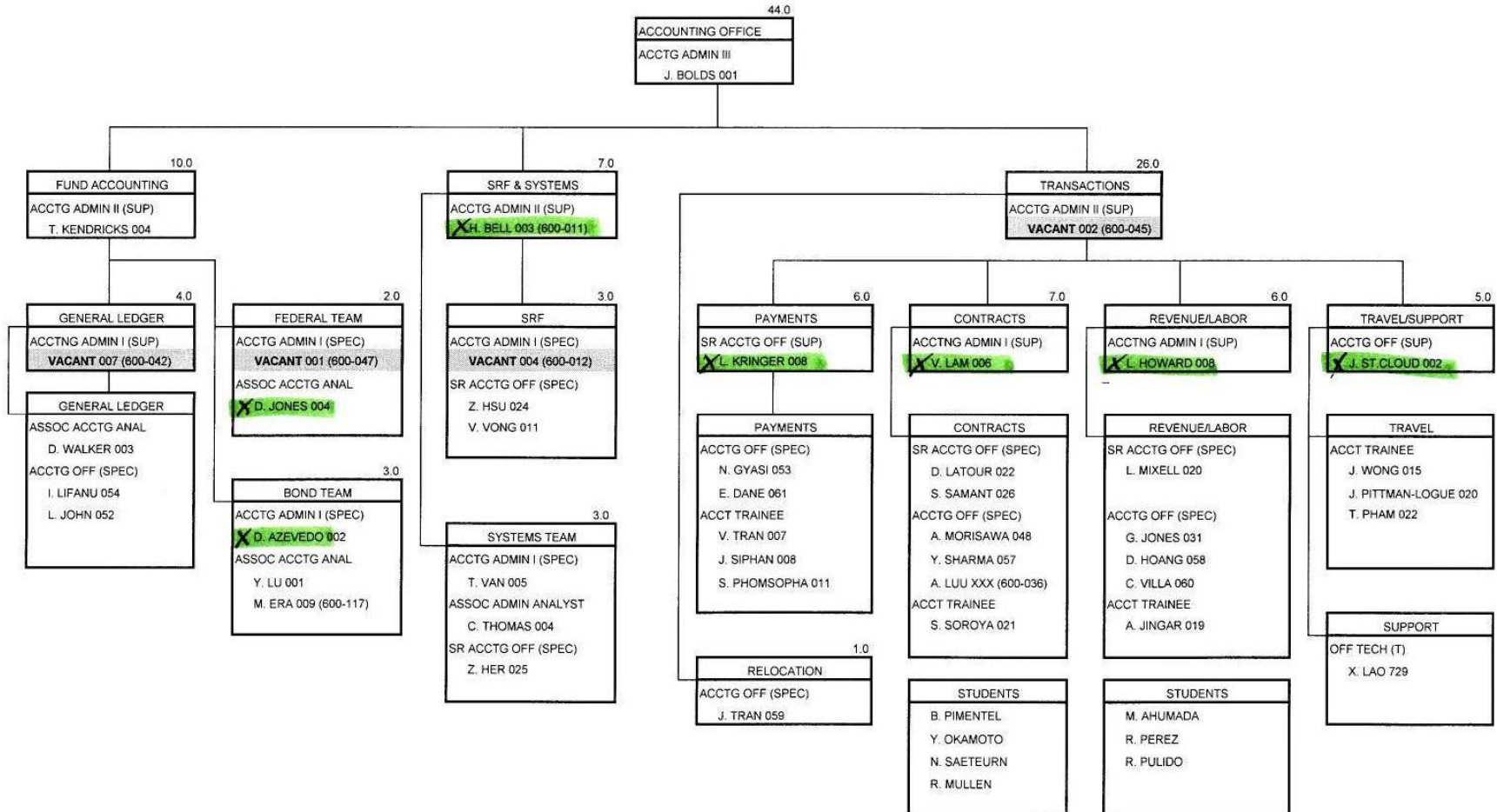


Figure 0.2 – Accounting Office Organization Chart



Note: Based on our initial interview with the manager of the Accounting Office, the individuals marked with an “x” and in green highlight were identified as key personnel to be interviewed for the Planning and Scoping phase of our Accounting Structure and Process Review section of the report.

## ***Objectives, Approach, and Report Format***

### **Objectives**

The RFO indicated that the Water Board had the following objectives for the, “*Accounting System Program Evaluation Report:*”

- Document and map the existing program structure, classification system, and accounting processes.
- Analyze, document, and map the indirect cost allocation system.
- Evaluate the cost accounting structure.
- Evaluate the structure, systems, and processes for tracking revenues, expenditures, receipts, disbursements, and property.
- Document and assess internal controls.
- Analyze and document accounting policies, standards, and procedures.
- Develop recommendations to improve the classification system, accounting processes and indirect cost allocation system.
- Develop an implementation plan that includes cost and staff resources.
- Provide early detection of potential problems and obstacles.

### **Approach**

As such, our high level tasks and deliverables were as follows:

#### **Task I: Project Kickoff / Strategy Session**

- Conducted and facilitated a project kickoff / strategy session with the Water Board’s project team to confirm the processes that would be followed for the engagement and define how the Water Board’s stakeholders would participate;
- Worked with the Water Board’s project team to develop a list of expected outcomes for the project; and
- Prepared a “Project Plan,” based upon the information gathered from the strategy session, which guided the project through its completion.

Task I Deliverable:

- Deliverable 1: Prepare and submit “Project Plan” for Water Board review and approval.

#### **Task II: Functional Assessment and “Draft” Business Process Mapping**

- II.1 – Documented and mapped the Water Board’s accounting classification system, structure, and processes, including its indirect cost allocation process;
- II.2 – Evaluated the Water Board’s cost accounting structure and made recommendations on how the Water Board could improve this structure to simplify the process, minimize data tracking requirements for accounting and program staff, and best utilize CalSTARS’ existing structure for tracking revenues, expenditures, receipts, disbursements, and property;
- II.3 – Analyzed accounting policies, procedures, processes, activities, work tasks, and work methods to design more efficient work flows to replace outdated work flows; identify policies and procedures that need improvement; and identify redundant, inefficient, burdensome, or non value-added tasks and activities that could be eliminated or modified; and



- II.4 – Document and assess internal controls.

Task II Deliverable:

- Deliverable 2: Prepare and submit “Draft Accounting System Program Evaluation Report” for Water Board review and approval.

**Task III: “Final” Program Evaluation Report**

- Prepared an “Implementation Plan” that included cost and staff resources; and
- Prepared a final report of the findings and recommendations on ways the Water Board can improve its cost accounting structure to more efficiently and effectively utilize existing resources, streamline and automate procedures, and enhance productivity.

Task III Deliverables

- Deliverable 3: Prepare and submit “Implementation Plan” for Water Board review and approval; and
- Deliverable 4: Prepare and submit final “Accounting System Program Evaluation Report” for Water Board review and approval.

**Report Format**

In addition to this section, our report has four additional sections. The next three sections are organized by the subtasks we were requested to perform for Task II. Each of these sections contains a scope and methodology discussion, as well as a discussion on our analysis, observations, and conclusion. From Task II we have identified the subtasks and the items requested for review within those subtasks and identified the sections of the report that contain the results of our review. This is illustrated in Figure 0.3 below, Task II to Report Section Mapping.

**Figure 0.3 – Task II to Report Section Mapping**

Task	Section 1: Accounting Structure and Process Review	Section 2: Indirect Cost Allocation Review	Section 3: Accounting IT Systems Review
<i>II.1 – Documented and mapped the Water Board’s Accounting:</i>			
Classification system	X	X	
Structure	X	X	
Processes	X		X
Indirect cost allocation process		X	
<i>II.2 – Evaluated the Water Board’s cost accounting structure and made recommendations on:</i>			
Improve this structure to simplify the process	X	X	

<b>Task</b>	<b>Section 1: Accounting Structure and Process Review</b>	<b>Section 2: Indirect Cost Allocation Review</b>	<b>Section 3: Accounting IT Systems Review</b>
Minimize data tracking requirements for accounting and program staff	X	X	
Best utilize CalSTARS' existing structure for tracking revenues, expenditures, receipts, disbursements, and property	X	X	
<b><i>Task 11.3 – Analyzed accounting policies, procedures, processes, activities, work tasks, and work methods to:</i></b>			
Design more efficient work flows to replace outdated work flows	X	X	X
Identify policies and procedures that need improvement	X	X	X
Identify redundant, inefficient, burdensome, or non value-added tasks and activities that could be eliminated or modified	X	X	X
<b><i>Task 11.4 – Document and assess:</i></b>			
Internal controls	X	X	X

The final section, 4.0: Implementation Plan, will contain the following discussions: Going Forward; Estimated Cost; and Estimated Staff Resources and will completed following review of this draft.

### ***Executive Summary***

Based on information provided by the Water Board in their RFO, and information that came to attention during our review, the Water Board manages and reports on more than 70 funds and sub-funds (KPMG's tabulation came to 83), including 29 federal grants, and 15 reimbursement agreements, with a FY 2007-08 budget of approximately \$835 million. Within these funds, there are 287 appropriation symbols used to track spending authority, transfers, and revenues. The Water Board uses CalSTARS as its primary accounting system of record. In addition, the Water Board allocates its indirect costs based on labor hours using more than 1,000 CalSTARS PCA codes. As indicated by this lead in, the accounting for the operations of the Water Board is highly complex due to the number of funds, sub-funds, federal grants, reimbursement agreements, appropriation symbols, and PCA codes.

### *Accounting Structure and Process Review*

Our Accounting Structure and Process Review resulted in one overarching observation and ten other observations. The overarching observations deal with simplifying the CalSTARS classification structure within the Water Board.

Four of our observations included various Water Board recommendations, for instance: modifying the budget process; conducting an overall organizational assessment of the Water Board's administrative functions; that compliance with administrative policies and procedures is not discretionary; and the Water Board should review and provide administrative support to the regional boards.

Our remaining observations are for DAS, for instance, we did not that the timeliness of PFA reconciliations has improved since the beginning of the FY. Other observations were: changes to Internal Audit and the Internal Audit Plan are needed; the Accounting Office needs to create a policies and procedures manual that leverages existing information but also provides new information where gaps exist; that cash receipting and the custodianship over securities needs to be improved; the consolidations of payables process should be addressed; and the lack of KPIs within the Accounting Office.

In all the administrative functions within the Water Board appear to be disbursed throughout the entity and centralization needs to occur. The Water Board should also initiate efforts to reduce the number of PCAs and the complexity of its current accounting. This would simplify the internal budget process, improve accuracy and timeliness of correct accounting information, and most likely reduce workload throughout the Water Board.

### *Indirect Cost Allocation Review*

The indirect cost allocation process for the Water Board is primarily performed within CalSTARS. We made nine observations related to the current process that should be improved. Within the current process direct costs are charged to indirect accounts, indirect costs are allocated inappropriately or not fully allocated, year-end adjustments distort the actual allocations, and the net result is that there are potentially many PCAs that are not fully burdened, or burdened at too low or too high a rate.

We would suggest that the Water Board review our observations and make the appropriate adjustments so that indirect costs are allocated uniformly and in accordance with OMB Circular A-87, DOF direction, and the Water Board's own policies and procedures. Key improvements could be made by simplifying the cost allocation process and establishing a more rigorous control environment related to this process.

### *Accounting IT Systems Review*

Our Accounting IT Systems Review resulted in one overarching observation and five other observations. The overarching observations deals with creating an IS Governance structure within the Water Board.

Four observations involved the excessive number of program systems and end-user applications necessary to support Water Board programs, the overall lack of integration between systems, inconsistency in the depth and breadth of "financial" data maintained in program systems, enterprise systems, and end-user applications, and the significant fragmentation of program and "financial" data between systems. The proliferation of end-user applications requires the use of appropriate controls for accuracy, consistency, proper calculation and validation, and security that is appropriate for its complexity.

Our review also included an observation involving the need to develop a comprehensive DIT application support strategy for all Water Board systems including the capability to enhance program systems in a timely manner to meet evolving program and statutory requirements.

In the short to intermediate term, the Water Board should initiate efforts to reduce the number of program systems and the number of end-user applications needed to support programs, improve the integration between program and enterprise systems, and consider using FMS to support accounts receivable functionality for all programs and the recording of all accounts receivable activity. In the longer term, the Water Board should assess the use of data warehouse technology to integrate program and “financial data” to support program and enterprise reporting, and the use of workflow and document management technology to improve business process effectiveness and efficiency.

### *Implementation Plan*

From our review related to the: *Accounting Structure and Process Review*; *Indirect Cost Allocation Review*; and *Accounting IT Systems Review*, we had several observations. In all, the Water Board should consider each observation and determine if they will implement the suggested changes without modification, with modification, or not at all. Change is difficult; it requires energy and resources, not only in hard dollars, but soft as well.

We have separated the estimated cost and staff resources into the three areas of our review. Determining cost is a difficult thing, for instance, since most internal staff are salaried do you include this as a cost, that is a soft cost, i.e. reallocation of resources, or not include this cost as implementation of our suggestions should be part of the job of administering the duties of the Water Board. Most of the suggestions for the *Accounting Structure and Process Review and Indirect Cost Allocation Review* do not require the use of external, non-State, resources and can be managed internally with existing staff. Thus, for these two areas we have not included the soft cost of implementing our suggestions. For the *Accounting IT Systems Review* we have included the soft cost for the effort required to implement our IT suggestions will require a significant commitment by the Water Board.

In all, someone should be assigned by the Water Board to develop an overall project management approach to implementing all suggestions made in the report and update the Water Board on the progress of implementing these suggestions on a regular basis until, as indicated above, the Water Board has implemented the suggested change without modification, with modification, or not at all.

# Section 1: Accounting Structure and Process Review

## *Scope and Methodology*

### Scope

As indicated earlier, our review was primarily focused on DAS's Accounting Office and its operations. As part of our Accounting Structure and Process Review we also met with Region 1 and 5, Division of Water Rights, and the DFA. In addition, we met with DAS operations staff within Budget Management, Fee, and Internal Audits. Finally, we contacted the SCO and STO to obtain information on sub-funds and cash management, respectively.

As part of our review we documented and mapped the Water Board's accounting classification system; structure; and processes. We also evaluated the cost accounting structure and made recommendations related to improving this structure and simplifying the process; minimize data tracking requirements for accounting and program staff, and how to best utilize CalSTARS' existing structure for tracking revenues, expenditures, receipts, disbursements, and property. In addition, we analyzed accounting policies, procedures, processes, activities, work tasks, and work methods to design more efficient work flows to replace outdated work flows; identified policies and procedures that needed improvement; and identified redundant, inefficient, burdensome, or non value-added tasks and activities that could be eliminated or modified. For those areas we reviewed, we documented and assessed the internal controls that we observed.

### Methodology

Our Accounting Structure and Process Review began by conducting a series of pre-planning meeting with DAS executive management. We then conducted a Pre-Kick-Off meeting with Water Board executives from DAS and other divisions identified as parties to our review. Following this Pre-Kick-Off meeting we attended a Kick-Off meeting with all DAS staff to introduce the team and the projects goals and objectives.

Following our Kick-Off meeting we began our Planning and Scoping meetings with key Accounting Office staff. These Planning and Scoping meetings were conducted to: 1] Understand what accounting functions and activities were conducted by the various staff within the Accounting Office; and to 2] Collect any relevant documentation that would assist in our evaluation of the Accounting Office.

Our initial meeting was with the Manager over the Accounting Office to obtain a general understanding of the functions and activities of the Accounting Office and to identify key staff to be interviewed. Our initial interviews were approximately an hour in length and focused on the processes and sub-processes within the area being reviewed. We also requested that the area being reviewed bring anything that they thought would be useful in assessing their processes, such as: 1) Work schedules / calendars that indicated important activities of that area by date; 2) Desk procedures / manuals, or other items that indicated what processes they had and the work steps involved; 3) Workload or performance measures that they maintained that demonstrated the number of transactions processed, reports prepared, etc.; 4) Annual plans or other documents that demonstrated how they managed their staff, what important activities they performed, laws, rules and regulations they needed to comply with, etc.; and finally 5) Anything they thought would be helpful in communicating what they do, how they do it, and how they manage it. As part of these initial interviews we provided an example of a process narrative template that we would be



using during the engagement. The completed process narratives that we prepared can be found in Appendix 1.

Following these initial Planning and Scoping meetings we provided meeting notes back to the areas for their review and comment. As part of our review, the table of contents of the State Administrative Manual (SAM) was obtained and used to identify what activities the following KPMG named areas within the Accounting Office, and one other area, performed: General Ledger Unit, Federal Team, Bonds/General Obligation (GO) Team, SRF/ Federal / Revenue Bonds / Systems Unit, Payments / Purchase Order Unit, Contracts Payment Unit, Revenue/ Labor Unit, Travel / Support / Payroll Unit and Budget Management Branch. In addition, we obtained the Government Finance Officers Association's (GFOA's) report, "*California State Water Resources Control Board Business Needs Assessment.*" From this report we identified the activities they had reported and placed their comments within the above areas.

After several reviews the SAM table of contents was modified to reflect the following activities: Travel, Loans (Not Identified in the SAM), Bonds (Not Identified in the SAM), Grants, Contracts, Purchases (Requisition Procedures, Cash Purchases, Credit Cards, Acquisition of Vehicles, and Office Equipment); Budgeting; Automated Accounting Systems / CalSTARS, Reconciliations and Report, Office Revolving Funds, Income / Revenue, Fiscal Affairs - Allotment - Expenditure Accounting, Disbursements, Purchase and Expense Claims Invoices and Vouchers, Revolving Fund Invoices, Reportable Payments, Claim Schedules, Remittance Advice (CD102), Remittance Advice (SCO), Plans of Financial Adjustment (PFA), Preparation of PFAs, Late Payment Penalty, Payrolls, Miscellaneous Accounting Procedures, Full Cost Recovery Policy, Central Service Costs - General Administrative Costs (Pro Rata), Central Service Costs - Statewide Cost Allocation Plan (SWCAP), Indirect Cost Rate Proposal (ICRP), Accounting for Direct and Indirect Costs, Accounting for Investment Securities, Accounts Receivable / Income, Special Accounting Procedures, Funds With Proceeds From Sale of Bonds, Trust and Agency Funds – Federal, Trust and Agency Funds - Non-Treasury, Depositors' Securities, and Safekeeping.

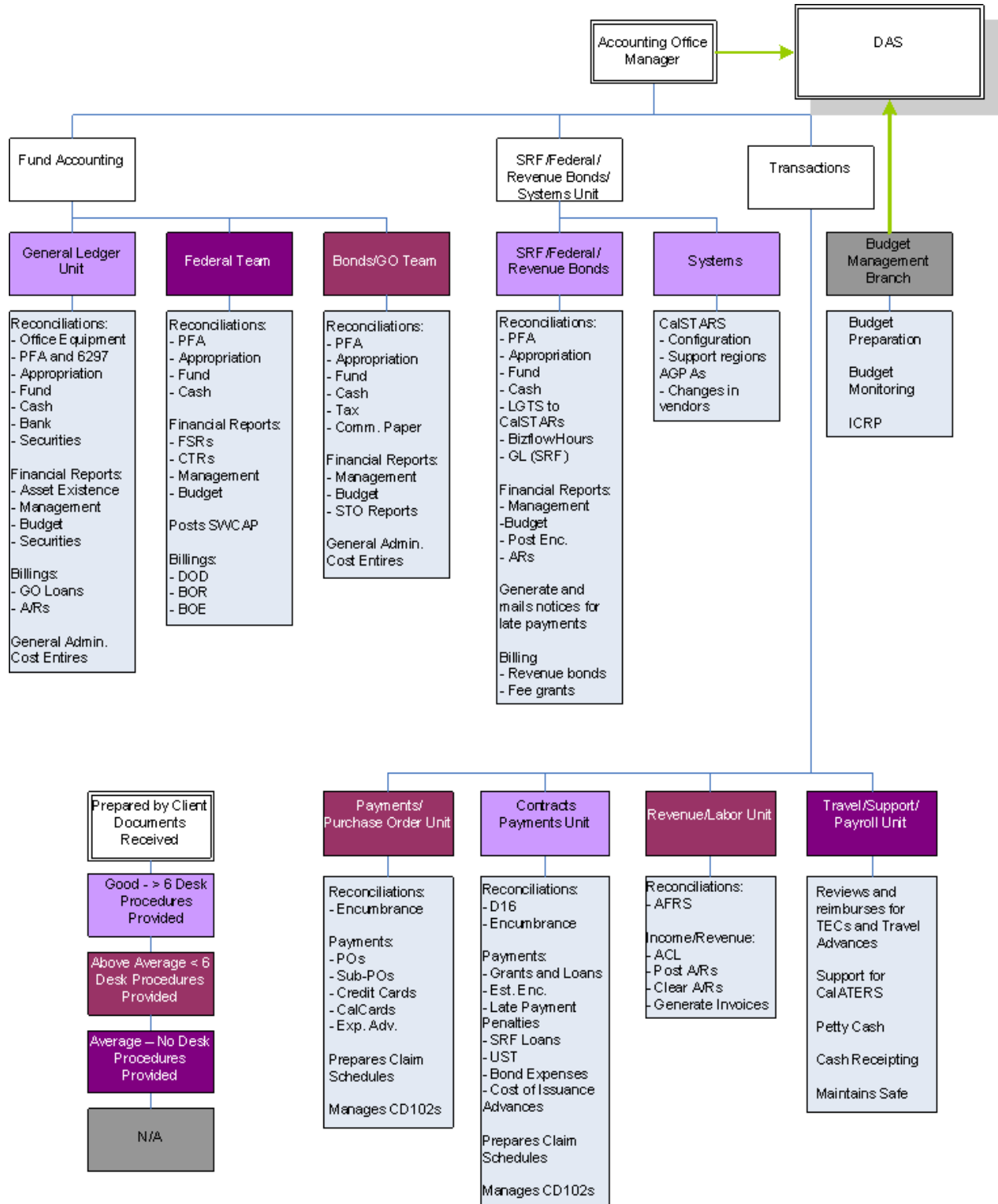
As indicated on the following page in Figure 1.1, Functional Accounting Office Organization Chart, we prepared a summary of what activities the various units within the Accounting Office, and one other area, performed. A more detailed analysis of this can be found in Appendix 5.

Finally, we prepared a Planning and Scoping document that identified the areas we would review. These are as follows: Travel Advances and Travel Expense Claims (TECs); Accounts Receivable and Cash Receipting; Accounts Payable; Safe and Securities; Cost Allocation, this review is covered under Section 2.0; and Plans of Financial Adjustment (PFAs). Following this, we met with the appropriate staff and walked through each of these processes and documented the processes and sub-processes related to these areas. In addition, we identified controls, gaps, and Performance Improvement Opportunities (PIOs).

As part of the review we performed inquiry and testing of the PFAs within the Accounting Office, inquiry and observation of the cash receipting and the accounts receivable process within the Accounting Office, inquiry and observation of the cash receipting process within the Division of Water Rights and DFA, and inquiry and observation related to the custodianship of securities and safekeeping of vault assets within the Accounting Office, Division of Water Rights, and the DFA.

In addition to our mapping of activities within the Accounting Office and other units of DAS, we created our own listing of funds managed by the Water Board. We reviewed the Budget Act for those funds that are appropriated, requested a listing of funds from the Accounting Office, and prepared a consolidated listing of all funds under the supervision of the Water Board, see Appendix 3.

**Figure 1.1 – Functional Accounting Office Organization Chart**



## Analysis, Observations, and Conclusion

### Analysis

#### Classification Structure

As requested, we analyzed the Water Board’s classification structure in CalSTARS. At the on-set of the engagement it was communicated that the current classification structure, which is primarily Program, Element, Component, Task, and PCA, was cumbersome. However, in our meetings with the regional boards and the DWR none of the staff indicated that the current classification structure was cumbersome.

We noted that the use of PCA to account for Water Board activity is more detailed than that found in most departments. The reason for this is mostly related to two areas: One, the complexity of the Water Board’s funding; and Two, the use of CalSTARS for management reporting related to workload measures or Key Performance Indicators (KPIs).

The Water Board’s accounting is complex as they have a multitude of funding sources and reimbursement programs that have a significant amount of oversight by those they serve. For instance, the Water Board has federal programs, state programs, loan programs, grant programs, GO and Revenue bonds, and also reimbursements from the federal government and other entities for the services it provides. In addition to these funding sources they need to ensure that these funds are spent in accordance with the applicable proposition, statute, appropriation, etc. Thus, tracking expenditures by region, location, site, etc. of the activity is rigorous. This is illustrated in Figure 1.2 below, Element, Component, Task, PCA by Site.

**Figure 1.2 – Element, Component, Task, PCA by Site**

20 -- POLLUTION CONTROL - UNPERMITTED FACILITIES				
160 -- SPILLS, LEAKS, INVESTIGATIONS/CLEANUPS				
	120-AEROJET GENERAL CORP OVERSIGHT CLEANUP	12001-REIMBURSEMENTS FROM AEROJET GENERAL CORP	R	0001
	163-REDEVELOPMENT CLEANUP ACTIVITIES R(RA)	16011-REDV- REGION 1 SITE SPECIFIC CHARGE	R	0001
		16021-REDV- REGION 2 SITE SPECIFIC CHARGE	R	0001
		16031-REDV- REGION 3 SITE SPECIFIC CHARGE	R	0001
		16041-REDV- REGION 4 SITE SPECIFIC CHARGE	R	0001
		16051-REDV- REGION 5 SAC. SITE SPECIFIC CHARGE	R	0001
		16052-REDV- REGION 5 FRES. SITE SPECIFIC CHARGE	R	0001
		16053-REDV- REGION 5 RED. SITE SPECIFIC CHARGE	R	0001
		16061-REDV- REGION 6 SLT. SITE SPECIFIC CHARGE	R	0001
		16062-REDV- REGION 6 VICT. SITE SPECIFIC CHARGE	R	0001
		16071-REDV- REGION 7 SITE SPECIFIC CHARGE	R	0001
		16081-REDV- REGION 8 SITE SPECIFIC CHARGE	R	0001
		16091-REDV- REGION 9 SITE SPECIFIC CHARGE	R	0001

Second, many of the operational divisions, units, etc. within the Water Board, and the regional boards, use PCAs to track expenditures at a management level rather than at a funding source level. This is illustrated in Figure 1.3 below, Element, Component, Task, PCA by Activity.

**Figure 1.2 – Element, Component, Task, PCA by Activity**

10 -- POLLUTION CONTROL - PERMITTED FACILITIES				
120 -- WDR/NON SUBCHAPTER 15				
	123-FISH CONTAMINATION ACTION PLAN DEVELOPMENT	12310-CONTRACT-FISH CONTAMINAT. ACTION PLN DVLP	G	0001
	126-WDR/NON-CHAPTER 15 PROGRAM (WDRP)	12601-WDR PERMITTING	O	0193
		12620-WDR REPORT REVIEW	O	0193
		12630-WDR INSPECTIONS	O	0193
		12640-WDR COMPLAINTS	O	0193
		12650-WDR CASE HANDLING	O	0193
		12660-AGRICULTURAL RELATED WAIVER ACTIVITIES	O	0193
		12679-WDR PROGRAM MANAGEMENT	O	0193
		12680-WDR ENFORCEMENT	O	0193
		12691-WDR LAB SERVICES CONTRACTS	O	0193

For instance, an appropriation, or other funding source, may provide for water quality activities, however, the division, unit, etc. may have determined that they needed to track water quality activities at a lower level of detail and created additional PCAs to account for this. Thus, this is not really at an accounting level, that is you spent the funds appropriately for the program's designated purpose, but to track the duties within water quality as a lower level of detail for management reporting purposes.

## Observations

### **Observation 1.0: The CalSTARS Classification Structure of the Water Board Should be Simplified**

Section 13300 of the Government Code mandated the Department of Finance (DOF) to develop, install and supervise a modern and complete accounting system for each agency of the State which is permitted or charged by law with the handling of public money. Assembly Bill 3322 (Chapter 1284, Statutes of 1978) reaffirmed this mandate by requiring that a coding system be developed in order to obtain accurate and comparable records, reports and statements of all the financial affairs of the State. This system is CalSTARS.

Seven major methods of classifying financial data have been identified by the DOF. Some of these are recommended by the National Council on Governmental Accounting (NCGA). The others are used to meet special needs of agencies. Each part of the classification structure provides a unique and essential way to classify financial data. The CalSTARS classification structure includes:

- Fund;
- Program;
- Organization;
- Object of Expenditure;
- Receipt Source;
- Appropriation;
- Project; and
- Special Classifications.

The **Program** classification structure identifies the public purpose for the financial resources of the State. This structure is used for central budget development and control and for internal management purposes in many agencies. A department's program structure identifies the relationships of the department's activities to its hierarchy of goals and objectives. The program hierarchy contains seven levels of detail as follows:

- Program--Identifies the major program activities performed by an agency.
- Element--Provides a further refinement of an agency program. Each element must be unique within an agency program.
- Component--Further defines the elements of a program. Each component must be unique within an element.
- Task--Further defines the components of a program. This is the lowest level of program classification that may be defined in the Budget Act.
- PCA--Lowest level of detail within the program structure for an agency. Further classifies program activities for purposes of cost accounting and cost allocation. This code is the one normally used for financial transaction entry.

- PCA Level 1--Represents groupings of related PCAs. This level provides for summary reporting across PCAs. This classification level satisfies the specialized reporting requirements of certain agencies as a table lookup. For most agencies, the PCA Level 1 is not used.
- PCA Activity--Further defines a PCA for extremely low level detail. This classification level may be entered on specific transactions rather than by table look up. For most agencies, PCA Activity is not used.

The program classification structure is used for both revenues and expenditures. The first four levels of program classification are intended to relate an agency's activities to **state-mandated goals and objectives**. These are the minimum reporting levels normally defined in the Budget Act or the Governor's Budget. **Agencies may choose to use additional levels of program detail, below that which is specified in either document for their own internal reporting and management purposes.**

This classification structure provides all of the necessary data structures for internal agency accounting as well as external reporting. However, in a large system performing many types of accounting, such as CalSTARS, maintaining a simple coding scheme is required so that errors may be kept at a minimum. To satisfy this requirement and minimize key entry workload without reducing the amount of information available, CalSTARS uses coding reduction techniques based on table look ups.

We have included the detailed information above, with emphasis added in some places, to indicate that CalSTARS is primarily an accounting system that can maintain and account for a great deal of detail, but the minimum requirements are all that are required. As such, the Water Board has created a complex accounting structure at the PCA level to maintain "management reporting" functionality. What defines what is needed for "management reporting" is defined by the agency/department within CalSTARS, but as indicated previously, a significant number of PCAs are not needed for "accounting" for the Water Board's activities.

Accounting, per DOF's CalSTARS Manual, is "A recording of financial events that, by the interrelationships of general ledger accounts and various structures, provides information to management necessary for program and fund control as well as other **state financial** and management reporting.

As such, we would suggest that the Water Board review its current classification structure, and reduce the number of coding elements to be those that are absolutely necessary for monitoring budget control as defined by the Budget Act, or have a direct relationship to the required reporting by either statute, rule, regulation, etc. of the activities of the Water Board.

There are two advantages to a simplified classification structure. One, as indicated above, simplicity creates less exposure to making errors that need to be identified, if they are, and corrected. Two, a simplified structure reduces workload as unnecessarily complex reporting, reconciliations, monitoring, error correction, etc. are minimized.

### **Observation 1.1: The Budget Process Needs Modification**

Based on our analysis of the classification structure we believe modification is needed at this time. When the classification structure is to be simplified, the DAS should convene working groups to determine what PCAs are still required. During our review we also determined that it appears that several PCAs are no longer used, that is we found no charges against these PCAs.

The Budget Management Branch maintains an Excel® spreadsheet of all PCAs in what is called the "Task Book." The Task Book contains PCA title, PCA description, information about why the PCA was created, PCA effective date, PCA termination date, and other useful information. If a division, unit, etc.



within the Water Board wants to create a new PCA the Budget Management Branch reviews the request and forwards this on to the Accounting Office for establishment if approved. We did note that the Task Book is not complete, that is not all fields in the spreadsheet for various PCAs are complete. We would suggest the Budget Management Branch ensure that the Task Book is complete and contains the universe of all existing PCAs within CalSTARS. The Task Book is a valuable tool for the use by the DAS when reducing the number of PCAs.

The most significant issue identified during our review relates to the way the State Water Board and regional water boards are budgeted. During our cost allocation review it was determined that there is insufficient direct charge budget allocated to the various divisions, units, etc. within the Water Board. As such, the various divisions, units, etc. exhaust their direct charge funding and then have to charge to indirect funding sources. This process of charging to direct and then to indirect creates issues with budget monitoring and timekeeping. As such, significant time is spent monitoring budget overages at the PCA level that is not necessary if divisions, units, etc. had been provided sufficient budget allocations at the beginning of the fiscal year to their direct charge PCAs.

Another issue that was identified is that personal services budgets are established at a flat amount per employee. Considering that information as to what positions are in what division, units, etc. the Budget Management Branch should be allocating personal services costs by specific employee and allocating budget dollars at this level.

We would suggest, as a pilot, that the Budget Management Unit modify their budget process to allocate sufficient direct charge dollars and personal services costs by specific employee to the following pilots: The Division of Water Rights and to the North Coast regional board. The Division of Water Rights has its own Program budget and is part of the State Water Board and thus is a good choice for a pilot at a central level. Any regional board could be selected for a pilot, but the North Coast regional board is a good choice as we visited them as part of our review and they suggested no changes to their PCA structure.

We believe a pilot is needed so that any issues with the change in process can be monitored and corrected prior to full implementation of a modified budget process. Some of the changes needed relate to how compensated absences are charged. Currently, these are charged to an indirect charge PCA. Compensated absences should be charged pro rata based on what direct charges the employee incurred. Thus, a system needs to be established to allow this.

### **Observation 1.2: An Overall Organizational Assessment of the Water Board's Administrative Functions Is Needed**

We identified several administrative functions that are located outside the DAS, either within other divisions of the State Water Board, or at the regional boards. As such, the Water Board should take steps necessary to identify administrative functions that are outside the DAS and determine if these functions should be moved within the DAS or remain where they are with modifications.

For instance, during our review we identified that the DFA has its own cash receipting process, as well as the Division of Water Rights. In addition, we found that administrative processes reside within the regional boards that may be better consolidated centrally. The Water Board should make a determination as to where administrative functions should reside.

### **Observation 1.3: Compliance with Administrative Policies and Procedures is Not Discretionary**

During our review we did not find any examples of where the regional boards were not following the directives of the State Water Board related to administrative functions. However, we were communicated that the regional boards do have a certain amount of autonomy from the State Water Board and it was alluded to that this belief by the regional boards extends, in some cases, to administrative functions. Administrative policies and procedures are not discretionary, in most cases. Due to the significant number of statutes, rules, and regulations, that govern proper budgeting, accounting, personnel, and other administrative functions, the State Water Board is primarily responsible for ensuring compliance with these. Thus, the regional boards should ensure that they are implementing their own processes to ensure compliance with these requirements.

During our review we did find that there should be a great deal more centralization of some activities, mostly related to cash receipting and the safeguarding of securities, as discussed later. In addition, we determined that some centralized IT applications are not used by all the regional boards even though available. This is mostly related the DAS not making this a requirement, which we think should be.

For instance, CalATERS, the automated travel advance and travel expense claim system should be required for use by all employees. Manual processes have certain internal control limitations while automated systems have internal controls that are integrated into the system. As such, manual processing can result in non-compliance with an internal control while if that same control is in an automated system non-compliance cannot occur. During our review of the travel advance and travel expense claim process we became aware that a significant amount of time is spent by the Accounting Office in processing these transactions. Reliance on CalATERS could reduce this time by streamlining both these activities.

### **Observation 1.4: The Water Board Should Review and Provide Administrative Support to the Regional Boards**

As discussed above the regional boards have a certain amount of autonomy from the State Water Board. In addition, they have their own administrative staff to assist the regional boards with budget monitoring, preparation of accounting information, purchasing, contracting, etc. Based on our discussions with the Accounting Office, and the regional boards we visited, the level of administrative staff and their proficiency varies.

We believe it would be prudent for the State Water Board to make an assessment of the number of administrative staff within the regional boards, their proficiency related to administrative functions such as budget monitoring, preparation of accounting information, purchasing, contracting, etc. and determine: 1] Do regional boards have sufficient administrative staff; and 2] Do these staff have the skills needed to perform the day-to-day administrative functions needed by both the State Water Board and the regional boards.

Following such analysis, a staffing plan should be developed to ensure that the regional boards have sufficient and knowledgeable staff to assist with the administrative functions of both the State Water Board and the regional boards. In addition, we believe the administrative staff should have a direct reporting relationship to the DAS. This is consistent with our observations that administrative functions should be centralized, that is reporting to one entity, and the regional boards compliance with administrative requirements are not discretionary.

Regional board administrative staff reporting to the DAS will allow for greater consistency in the application of administrative processes related to areas such as budgeting, accounting, training on centralized IT systems, etc.

**Observation 1.5: The Timeliness of PFA Reconciliations has Improved Since July 1st**

During our review we tested the timeliness of PFA processing. This is important as various funds charges are initially expensed to Fund #0439 even though these are not expenses of Fund #0439. Delays in processing PFAs can lead to cash management issues for both Fund #0439 and the funds that are using Fund #0439 as their clearing account.

There are several PFAs that are prepared each month in the Accounting Office due to the number of funds that use Fund #0439 as their clearing account. We tested three of these funds, Fund #0001, Fund #0193, and Fund #0890. In addition to this testing we reviewed the 6297 Reconciliation; also know as the B04 Reconciliation, that basically identifies what funds “owe” Fund #0439. Based on our review, the timeliness of the reconciliations for the three funds reviewed and the B04 Reconciliation have improved since July 1<sup>st</sup>.

It should be noted that some PFA letters sent to the SCO were dated prior to approval by the secondary reviewer of the PFA reconciliation. PFA letters should not be sent to the SCO prior to this secondary review and approval. Figure 1.3 below, PFA Fund Reconciliation, illustrates the timing of various PFA documents.

**Figure 1.3 – PFA Fund Reconciliation**

Fund 0001 -- PFA Worksheet													
CalSTARS Potential Closing Date?	Reports Dated?	Days	Prepared By Complete?	Days	Approved By Complete?	Days	Cummulative Days	Date of PFA?	Days	Date PFA Posted by SCO?	Days	Cummulative Days	
A	B	C=B-A	D	E=D-B	F	G=F-D	H=C+E+F	I	J=I-F	K	L=K-I	M=H+J+L	
July	8/15/2008	8/22/2008	7	10/1/2008	40	10/6/2008	5	52	10/6/2008 [2]	0	10/21/2008	15	67
August	9/15/2008	9/19/2008	4	10/2/2008	13	10/6/2008	4	21	10/6/2008 [2]	0	10/21/2008	15	36
September	10/15/2008	10/14/2008	(1)	10/21/2008	7	10/24/2008	3	9	10/24/2008 [2]	0	11/18/2008 [3]	25	34
October	11/15/2008	11/21/2008	6	12/2/2008	11	12/5/2008	3	20	12/5/2008 [2]	0	12/16/2008	11	31
November	12/15/2008	12/22/2008	7	12/22/2008	0	12/23/2008	1	8	12/23/2008 [2]	0	12/29/2008 [4]	6	14
December	1/15/2009	1/16/2009	1	1/20/2009	4	1/20/2009	0	5	1/20/2009 [2]	0	1/27/2009	7	12
Average		4		13		3	19		0			13	32

Fund 0193 -- PFA Worksheet													
CalSTARS Potential Closing Date?	Reports Dated?	Days	Prepared By Complete?	Days	Approved By Complete?	Days	Cummulative Days	Date of PFA?	Days	Date PFA Posted by SCO?	Days	Cummulative Days	
A	B	C=B-A	D	E=D-B	F	G=F-D	H=C+E+F	I	J=I-F	K	L=K-I	M=H+J+L	
July	8/15/2008	8/22/2008	7	10/7/2008	46	10/9/2008	2	55	10/10/2008	1	10/21/2008	11	67
August	9/15/2008	9/19/2008	4	10/10/2008	21	10/14/2008	4	29	10/10/2008	(4)	10/21/2008	11	36
September	10/15/2008	10/14/2008	(1)	10/22/2008	8	10/23/2008	1	8	10/22/2008	(1)	11/21/2008 [1]	30	37
October	11/15/2008	11/21/2008	6	12/1/2008	10	12/1/2008	0	16	12/1/2008	0	12/9/2008	8	24
November	12/15/2008	12/22/2008	7	12/22/2008	0	12/23/2008	1	8	12/22/2008	(1)	12/29/2008 [4]	7	14
December	1/15/2009	1/16/2009	1	1/20/2009	4	1/20/2009	0	5	1/20/2009	0	1/27/2009	7	12
Average		4		15		1	20		(1)			12	32

Fund 0890 -- PFA Worksheet													
CalSTARS Potential Closing Date?	Reports Dated?	Days	Prepared By Complete?	Days	Approved By Complete?	Days	Cummulative Days	Date of PFA?	Days	Date PFA Posted by SCO?	Days	Cummulative Days	
A	B	C=B-A	D	E=D-B	F	G=F-D	H=C+E+F	I	J=I-F	K	L=K-I	M=H+J+L	
July		0		0		0	0			0		0	
August	9/15/2008	9/19/2008	4	9/25/2008	6	10/1/2008	6	16	9/25/2008	(6)	10/1/2008 [5]	6	16
September	10/15/2008	10/14/2008	(1)	10/22/2008	8	10/29/2008	7	14	10/13/2008	(16)	11/24/2008	42	40
October	11/15/2008	11/21/2008	6	12/2/2008	11	12/3/2008	1	18	12/17/2008	14	12/24/2008	7	39
November	12/15/2008	12/22/2008	7	1/7/2009	16	1/7/2009	0	23	1/6/2009	(1)	1/13/2009	7	29
December	1/15/2009	1/16/2009	1	1/26/2009	10	1/27/2009	1	12	1/22/2009	(5)	2/2/2009	11	18
Average		3		9		3	14		(2)			12	24

[1] -- There were 3 PFAs, two were dated 11/05/2008 and the 3rd one, which was the largest, was dated 11/21/2008.  
 [2] -- Packet did not contain PFA letter from Water Board to the SCO.  
 [3] -- There were 3 PFAs, two were dated 11/05/2008 and the 3rd one, which was the largest, was dated 11/18/2008.  
 [4] -- There were 3 PFAs, two were dated 12/29/2008 and the 3rd one was dated 12/26/2008.  
 [5] -- Dollar amounts on the PFA did not match amounts provided in PFA letter.

## Observation 1.6: Changes to Internal Audit and the Internal Audit Plan are Needed

As part of our review we interviewed the manager of Internal Audits. During this review it was communicated that Internal Audits is not only responsible for conducting internal audits of Water Board operations, but is also the Information Security Officer (ISO) for the Water Board. The ISO function is an administrative function, and as such, could be subject to audit by internal audits. Therefore, we believe the ISO function should be moved out of internal audits and housed in a more appropriate area so that internal audits would be free from any conflicts of interest should a review of the ISO operation be necessary.

In addition, Internal Audits currently reports to the DAS. To maintain the appearance of independence we would suggest that Internal Audits report to another area within the Water Board other than the DAS. As indicated in Figure 1.4 below, Internal Audit Plan, various areas that would be overseen by DAS are contemplated as part of the audit plan.

**Figure 1.4 – Internal Audit Plan**

**Water Boards Internal Controls Risk Assessment**

Risk Ranking	Program/Process/Offices	Areas of program or process identified for audit
1	Administrative Civil Liabilities (ACLs) & Supplemental Environmental Projects (SEPs)	1) Review the process of the ACL with respect to establishment of the revenue account, receiving payments and recording payments. 2) Test for best practices of accounting for SEP transactions.
2	Water Right Application Program	1) Determine if application fees are collected timely for correct amount.
3	Water Right Permit	1) Determine if annual permit fees are accurately assessed. 2) Review if the Board of Equalization collects annual fees in an efficient and effective manner.
4	Storm Water Program	1) Examine if dischargers are billed timely for correct amount. 2) Review if the collections are recorded accurately and reported properly.
5	Clean-up and Abatement Fund	1) Verify that disbursements are timely and accurately made to contractors (grantees).
6	Loans and Grants	1) Determine whether loans and grants receipts and disbursements are managed and accounted for adequately.
7	Water Pollution Control Revolving Fund (State Revolving Fund Program) (SRF)	1) Determine whether loans and grants receipts and disbursements are managed and accounted for adequately.
8	Non-Point Source-Fed 319(h) Grant	1) Verify that the CWA 319 grant funds are adequately used for implementation of project grants.
9	Underground Storage Tank (UST) Program	1) Test UST program internal controls for disbursements.
10	Total Maximum Daily Load (TMDL) Program	1) Verify that the contractors are monitored and paid according to the contract terms.
<b>Recommended Audits</b>		
Mgmt. Recom.	ACLs and SEPs	See the above audit areas with risk ranking 1.
Mgmt. Recom.	Underground Storage Tank (UST) Program	See the above audit areas with risk ranking 9*.

\* UST program has the largest amount of transactions and is critical to the Water Boards financial stability.

**Approved by:**

Dorothy Rice 12-4-08  
Dorothy Rice, Executive Director Date

Tom Howard 12/3/08  
Tom Howard, Chief Deputy Director Date

Esteban Almanza 12/2/08  
Esteban Almanza, Deputy Director  
Division of Administrative Services Date

To ensure conflicts of interest do not occur, or the appearance of a lack of independence, we believe Internal Audits should either directly report to the five-member State Board, or alternatively to the Water Board's Chief Counsel. This is generally what is found in the private sector, that is the internal audit function reports to either the board of directors or the entity's chief legal counsel.

Finally, even though we understand that a great deal of effort went into creating the current internal audit plan based on a risk assessment we believe, due to the internal control weaknesses we identified during our review, that the internal audit plan should focus on more the more traditional Financial Integrity and State Manager's Accountability Act (FISMA) review.

To ensure that internal controls are in place and operative, the Legislature enacted FISMA in 1983 as promulgated in Government Code (GC) Sections 13400 through 13407. FISMA places the responsibility for establishing and maintaining internal accounting and administrative control with the entity's head. This responsibility includes documenting internal control, communicating control requirements to employees, and assuring that internal controls are functioning as prescribed and are appropriately modified for changes in conditions. The requirements of FISMA have been incorporated into the SAM in Section 20000 et seq.

The DOF's Office of Statewide Evaluations and Audits (OSAE) has published a detailed audit guide as well as audit programs for use in determining compliance with FISMA. Audit programs cover the following: Information Technology Controls, Budget Cycle, Cash Receipts Subcycle, Receivables Subcycle, Purchasing Subcycle, Cash Disbursements Subcycle, Revolving Fund Subcycle, Personnel / Payroll Subcycle, Contracts Subcycle, Fixed Assets Cycle, and Financial Reporting Cycle. In addition, the OSAE has provided additional guidance related to:

- Trust Operations – For entities that maintain cash, property, and/or securities in trust for others; and
- IT Audit Guide – Provides a framework to assist the auditor in IT security and risk management.

Finally, please see Appendix 3 – SAM Matrix for Internal Control, Cash Receipting, and Safeguarding of Assets for our overall assessment of compliance with SAM section 20050.

### **Observation 1.7: The Accounting Office Needs to Create a Policies and Procedures Manual**

At the onset of the review we met with the Manager of the Accounting Office to obtain as much information as possible as to the functions and activities of the Accounting Office. The only information provided during that meeting was an organizational chart, a calendar of accounting events, and other miscellaneous information. Our following meetings with staff of the Accounting Office provided various levels of documentation associated with their operations. We attempted to illustrate in the functional organizational chart for the Accounting Office was the level of such documentation provided by the various units and teams. Most information was not at the desk procedure level, but some was. For instance, our interviews with the staff of the Accounting Office provided the following examples of documented procedures:

#### *Contracts Payment Unit*

Late Payment Penalties, USTC Encumbrances, Returned Warrant Inquiry Process, Tank Abatement Procedure, 1099 Procedure, Procedure for Processing IRS CP2100 Backup Withholding List, Escheat Account Claim Schedule Procedure, Procedure for Updating LGTS, Transaction Unit LGTS Encumbrance Procedure, SRF Loan Disbursements, Payments Related to SRF Bond Expense, Steps For



Verifying Claim Schedules Before Uploading, Contract Workflow, Procedures for Completing QTRLY D16 Reconciliation, Contract Balance Verification (CBV) Form 2007/2008 Year-End, and Year-End Accrual Highlights & Procedures.

*Revenue/Labor Unit:*

Procedures for Processing ORF Deposits, Revenue Refund Claim Schedule Process, Regular Labor Document, Manual Timesheet Data Entry Procedures, and ACL'S & Settlements.

*SRF/Federal/Revenue Bonds/Systems Unit:*

Posting to SCO Documents, Posting SCO Journal Entries (JE) into CALSTARS, Posting SCO Cash Receipts (CRs) into CALSTARS, SRF Draws for Loans & Administration Costs Via the Automated Standard Application Payment (ASAP) System, SRF Management Report, Manual Fund Split for SRF Claim Schedule, SRF Payments to Bondholders for Series 2002 Revenue Bonds Procedure, Electronic Copy of SCO Balance Report, Setting Up a New Federal Grant, SRF Year End Accruals and Re-class, SCO Appropriation / Fund Reconciliation Procedure, LGTS General ledger Reconciliations / Data Import, General Cash Reconciliation, Expenditure / Transfer-In Reconciliation Procedure, Monthly Plan of Financial Adjustment (PFA), SRF Unit Loans & Grants Tracking System (LGTS) Repayment Procedures, Transaction Unit Loans& Grants Tracking (LGTS) Procedures, LGTS Confirmations, and Miscellaneous LGTS Manual Data Input.

As such, the Accounting Office has a significant amount of procedural related material. It our suggestion that the Accounting Office consolidates such material in a central repository and begins developing procedures for all Accounting Office functions. These procedures should be consistently formatted and identify existing internal controls, similar to the process narratives we prepared. In addition, any Water Board administrative policies should also be consolidated within this policies and procedures manual.

In addition, our efforts to document the accounts receivables and payables processes were hampered as we could not obtain a listing of all accounts receivables and payables the Accounting Office processes. In any review the establishment of the universe of an activity is needed. Since we could not establish the universe of accounts receivables and payables processed by the Accounting Office we could not ensure that we documented all the activity related to these functions. For accounts receivable we relied on what cash receipting functions the Accounting Office performed, for accounts payable we relied on what staff communicated to our team. Without listings that identify the universe of certain accounting transactions it is not possible to affirmatively state that all accounts receivables have been posted or all accounts payables have been paid. The Accounting Office should develop listing for certain accounts that would assure them that all accounting transactions for these accounts have been received and posted.

Finally, the Accounting Office should create a listing of all terms, definitions, abbreviations, acronyms, etc. used in administrative functions so when communicating within the Accounting Office, or with other divisions, units, etc. all parties can agree what the subject matter is. As part of our review we created our own list of abbreviations and consolidated this list with that of the Water Board. This list can be found in Appendix 6.

**Observation 1.8: Cash Receipting and the Custodianship over Securities Needs to be Improved**

During our review, KPMG observed the cash receipting process for DAS, DFA, and the Division of Water Rights. In addition, we observed the custodianship over securities for DAS and DFA. It was noted that cash receipting and the custodianship over securities occurs throughout the Water Board. KPMG

recommends that the Accounting Office be responsible for all cash receipting and custodianship over securities throughout the Water Board in order to localize accountability. The lack of centralization creates a situation that causes the Water Board to be non-compliant with several SAM sections as indicated in Appendix 3 – SAM Matrix for Internal Control, Cash Receipting, and Safeguarding of Assets.

For example, SAM section 8023 states that “all checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.” Due to the lack of centralization, some divisions/units need a safe in order to keep their cash receipts in a secured place until they can be delivered to the Accounting Office for deposit. In addition, cash receipting procedures are inconsistent throughout the Water Board. For example, some divisions/units may or may not prepare a pre-listing in accordance with SAM section 8020.1, that is “All incoming mail receipts consisting of cash and negotiable instruments, not payable to the State agency, will be prelisted by the person opening the mail to localize accountability of these assets.” Since no one can tell when such an event will occur it is prudent to pre-list all items. In addition, all mail received by the Water Board should have two employees present when the mail is opened and the pre-list should be prepared by those two employees.

If centralization does not occur, at a minimum, the State Water Board should create and implement a standard policy and procedure for cash receipting and the custodianship over securities that all divisions/units/etc. adhere to.

The Water Board should also consider how to centralize its cash receipting. For instance, use of one P.O. Box with suffixes for zip code that would allow for ease in identification of the various receipt types, or use of different colored envelopes for various receipt types sent to one P.O. Box, or utilizing a lockbox for cash receipting. A lockbox is generally a banking service in which payments or deposits are collected by the bank at a postal or drop box, and then processed by a special department in the bank. As indicated in Figure 1.5 below, Lockbox Information from the STO, the STO has provided information for what other agencies do in relation to a lockbox. It should be noted that use of a lockbox, or external entity, for providing cash receipting is not in violation of a statute, only when a state employee would be in jeopardy of losing their position would such use of lockbox, or an external entity, be in violation of statute.

**Figure 1.5 – Lockbox Information from the STO**

BOE: Has a contractor pick up the mail from their P.O. Box and delivers it to their mail room. The mailroom sorts all the mail and sends the incoming receipts (checks) to the cashiering unit. The mailroom personnel pick up the mail addressed to their street address at a small postal station across the street from them.

DMV: Most of the mail goes to a P.O. Box. My contact believes DMV goes to the P.O. Box to pick it up, but I haven't been able to confirm with the DMV mail manager.

EDD: Haven't received a response as yet, but I believe it's a P.O. Box operation with their mail room picking it up. If they have a lockbox/fiscal agent I will let you know.

FTB: Mary Yessen (916) 845-5553 -- FTB does not have a lockbox, but uses a P.O. Box (the alternative we suggested in our phone conversation). They send a courier to pick up the mail from the Post Office. You can contact Mary for more information.

PUC: Jenny Yu (415)703-2720 -- The PUC uses a lockbox operation through a bided contract with a CTS bank to deposit checks and ACH transactions. The CTS bank sets up Zero Balance Accounts for specific

programs and types of receipts (checks vs. ACH). The checks for each program must be separated from the ACH transactions so the STO can compensate the bank for each check deposited. Please contact Jenny for more information on their process.

B of A: Maureen Woelffer (925) 675-2886 – the B of A asked that you contact Maureen about the lockbox services they offer.

Side Notes: Any lockbox operation would have to be approved by STO and DOF. The fiscal agent must identify the agency on each deposit by using a paper deposit slip, Electronic Deposit Form or Zero Balance Account. If approved, STO would need to know the number of checks being processed. Also, STO does not pay for lockbox services.

For additional information, contact:

Pat Gennett  
STO  
Bank Reconciliation Section  
ph: (916) 653-8526  
fax: (916) 657-5120

#### **Observation 1.9: It is Unclear Why Two Units in the Accounting Office Process Payables**

During our review we determined that two units within the Accounting Office process account payables transactions. As indicated earlier, we believe in the centralization of administrative functions. As such, we would suggest that one unit within the Accounting Office process all payables related to the Water Board, similar to cash receipting as discussed above.

#### **Observation 1.10: Lack of KPIs**

During our review we often heard, “We are very busy.” We understand that and can appreciate that every day brings new challenges to existing workloads. What we did not find is anything to support this assertion other than our understanding of the complex accounting related to the Water Board. As such we would suggest that the Accounting Office start developing workload measures that then can be translated into KPIs.

Workload measures tend to be static numbers that do not allow the number to be interpreted easily, that is, does the number represent a good thing or bad thing. Examples of workload measures are: Payables processed during the period; Purchase orders processed during the period; New grants awarded during the period; etc.

A KPI is a workload measure that is compared against another number to allow for some interpretation. Examples of KPIs are: Payables processed during the period compared to hours incurred in processing these payables; Purchase orders processed during the period compared to procurement staff hours worked; New grants awarded during the period as compared to total grant submissions; etc.

The development of KPIs would assist the Accounting Office not only in identifying what activities is spending it’s time on and therefore what processes to streamline, but also in support of any budget augmentations that may be requested in the future.

## Conclusion

Our Accounting Structure and Process Review resulted in one overarching observation and ten other observations. The overarching observations deal with simplifying the CalSTARS classification structure within the Water Board.

Four of our observations included various Water Board recommendations, for instance: modifying the budget process; conducting an overall organizational assessment of the Water Board's administrative functions; that compliance with administrative policies and procedures is not discretionary; and the Water Board should review and provide administrative support to the regional boards.

Our remaining observations are for DAS, for instance, we did not that the timeliness of PFA reconciliations has improved since the beginning of the FY. Other observations were: changes to Internal Audit and the Internal Audit Plan are needed; the Accounting Office needs to create a policies and procedures manual that leverages existing information but also provides new information where gaps exist; that cash receipting and the custodianship over securities needs to be improved; the consolidations of payables process should be addressed; and the lack of KPIs within the Accounting Office.

In all the administrative functions within the Water Board appear to be disbursed throughout the entity and centralization needs to occur. The Water Board should also initiate efforts to reduce the number of PCAs and the complexity of its current accounting. This would simplify the internal budget process, improve accuracy and timeliness of correct accounting information, and most likely reduce workload throughout the Water Board.

## Section 2: Indirect Cost Allocation Review

### *Scope and Methodology*

#### Scope

As part of our review we conducted an evaluation of the Water Board's indirect cost allocation process. We agreed to analyze, document, and map the current indirect cost allocation process and report our observations related to this process. In the discussion below, we document the current Indirect Cost Rate Proposal (ICRP) process, the current indirect cost allocation process, and the current charging practices as they relate to direct and indirect costs.

#### Methodology

We conducted interviews with the DAS's Budget Management Branch and Accounting Office, the North Coast and Central Valley regional boards, and the Division of Water Rights. We also collected and reviewed over 12 types of significant documents related to the processes, including ICRPs, final indirect cost submittals, Budget Development and Administration System (BDAS) reports, CalSTARS cost allocation and expenditure reports, organizational charts, regional staff time tracking reports, task and PCA listings, Pro Rata and Statewide Cost Allocation Plan (SWCAP) documents, see definition below, and process narratives prepared in a procedural outline format. We compared the existing processes and allocations with the general costing principals promulgated in Office of Management and Budget's (OMB's) Circular A-87, "*Cost Principals for State, Local and Indian Tribal Governments.*"

Per the DOF, "The State utilizes the Pro Rata and SWCAP cost allocation and recovery process to recover an equitable share of central services costs from special funds (Pro Rata) and from federal funds (SWCAP). The amounts recovered are transferred to the General Fund."

### *Analysis, Observations, and Conclusion*

#### Analysis

##### **Overview of Current Process**

The Water Board submits an ICRP to the United State Environmental Protection Agency (U.S. EPA) and the DOF by January 1<sup>st</sup> every year for the FY beginning the following July. The rate is approved by the U.S. EPA prior to the beginning of the FY.

When the FY begins, instead of using the agreed upon indirect cost rate from the ICRP, the Water Board allocates actual indirect costs incurred to direct funding sources on a monthly basis. An ad hoc spreadsheet is then used to calculate an indirect cost adjustment on a monthly basis. This ad hoc spreadsheet calculation is the internal control that is used to ensure that the PCAs that should be allocated indirect costs at the same rate will receive indirect costs at that same rate. By December 31<sup>st</sup>, after the FY is complete, a final indirect cost submittal is sent to the U.S. EPA.

The following discussions detail the current Water Board processes as it relates to the ICRP based on budgeted and actual costs, and its direct and indirect cost charging practices.

## Indirect Cost Rate Proposal Based on Budgeted Costs

As previously mentioned, the ICRP is submitted to the U.S. EPA by January 1<sup>st</sup> each year for the FY beginning the following July. The expenditures used in this proposal are the preliminary budget numbers from the BDAS. The final budget is not generally approved prior to June 30<sup>th</sup>, making the preliminary budget numbers the best available information by the time the ICRP is due. Budgeted costs that are included in the ICRP are “State Operations” costs, these costs are as they appear, the cost of operating the Water Board, as opposed to costs related to “Local Assistance,” which are not included in the indirect costs of the Water Board but are direct costs.

The Water Board develops two separate rates for its two primary programs, Water Quality and Water Rights. Water Quality is Program 10 in CalSTARS and the majority of the program activity is performed at the regional board level. The PCAs for Water Quality, Program 10, are in the 10000 to 59999 range and in the 70000 to 79999 range. Water Rights is Program 20 in CalSTARS and all of the program activity is performed by the State Board. The PCAs for Water Rights, Program 20, are in the 60000 to 69999 range.

“Personal Services” charged to “Water Quality Direct” and “Water Rights Direct” represents the denominator for their indirect cost rate calculation, which is all indirect costs are allocated based on Personal Services.

Indirect costs allocated to Water Quality Direct and Water Rights Direct are as follows, in the order of their allocation:

- Allocated Operating Expenses
- Paid Time Off
- General Administration
- Water Rights Management
- Water Quality Management
- SWCAP
- Adjustment for Equipment

“Allocated Operating Expenses” are charged to PCA 80000 and are related to general expenses that include printing, communications, postage, training, and utilities and facilities operations, which include building rent/lease costs. These costs are allocated to the following categories based on Personal Services expenses: General Administration, Water Rights Management, Water Quality Management, Water Rights Direct, and Water Quality Direct.

“Paid Time Off” expenses are all charged to PCA 80199. These expenses are composed of Personal Service costs for vacation time, holidays, sick leave, and any other paid time off that a Water Board employee receives. These costs are allocated in the same manner as the Allocated Operating Expenses, which to General Administration, Water Rights Management, Water Quality Management, Water Rights Direct, and Water Quality Direct.

“General Administration” expenses includes costs allocated from Allocated Operating Expenses and Paid Time Off, as well as expenses that are charged to PCAs in the 90000 range. These expenses are incurred entirely at the State Board level and represent central administrative department expenses and well as contract related expenses. The General Administration category is designed to represent overall management and administrative costs that are not incurred at the program level and that benefit the entire

Water Board. The General Administration category is allocated to Water Rights Direct and Water Quality Direct.

“Water Rights Management” expenses now includes costs allocated from Allocated Operating Expenses and Paid Time Off, as well as expenses that are charged to PCA 69101 “WR Program Mgmt Administration.” PCA 69101 expenses are incurred entirely at the State Board level as the entire Water Rights, Program 20, activities occur at this level. This PCA was designed to represent the overall management and administrative costs incurred within Water Rights, Program 20, that cannot be associated to any specific project. In addition, these costs should represent a benefit to the entire Water Rights, Program 20, as a whole. The Water Rights Management category is allocated entirely to Water Rights Direct.

“Water Quality Management” expenses includes costs allocated from Allocated Operating Expenses and Paid Time Off, as well as expenses that are charged to PCA 59101 “WQ Prog Management Admin Support” and PCA 59102 “TMDL Developmnt IDC Augmentation.” The majority of the PCA 59101 and PCA 59102 expenses are incurred at the regional board level where the majority of Water Quality, Program 10, resides. Water Quality Management is designed to represent overall management and administrative costs incurred within the Water Quality Program, but again not directly associated to any individual project and should represent a benefit to the overall Water Quality, Program 10. The Water Quality Management category is allocated entirely to Water Quality Direct.

As detailed above, the Allocated Operating Expenses, Paid Time Off, General Administration, Water Rights Management, and Water Quality Management categories all get allocated to either Water Rights Direct or Water Quality Direct. The indirect costs allocated to Water Rights Direct is divided by the Water Rights Direct Personal Services to get a preliminary Water Rights indirect cost rate. The indirect costs allocated to Water Quality Direct is divided by the Water Quality Direct Personal Services to get a preliminary Water Quality indirect cost rate. After these preliminary rates have been calculated, additional calculations for the SWCAP and the Adjustment for Equipment are added to the preliminary rates to get the total federal indirect cost rates.

“SWCAP” expenses represent costs that are incurred by other central service agencies that are then allocated to the Water Board and other agencies by the DOF. These costs include Health Benefits for Annuitants (Retired), Controller Accounting, Finance Budgets, Finance Audits, Office of Administrative Law, Office of the State Chief Information Officer, and other costs. To calculate the SWCAP rate, the Water Board divides their SWCAP portion by the Personal Services of Water Rights and Water Quality combined. This one percentage is then added to the preliminary rates for both Water Rights and Water Quality.

“Adjustment for Equipment” expenses, equipment depreciation, are the final costs allocated in the indirect cost rate calculation process. The equipment values are placed in five categories: Water Quality Direct, Water Rights Direct, Water Quality Management, Water Rights Management, and General Administration. Equipment values for Water Quality Direct, Water Quality Management, and General Administration are allocated to Water Quality. Values for Water Rights Direct and Water Rights Management are allocated to Water Rights. Depending on the category of equipment, a useful life of either 15 or 16 years is used to calculate the depreciation amount to use in the indirect cost calculations. The depreciation allocated to Water Quality is divided by the Water Quality Personal Services and the depreciation allocated to Water Rights is divided by the Water Rights Personal Services. As indicated above, these two percentages are then added to the preliminary indirect cost rates and the SWCAP rate to get the total federal indirect cost rates for both Water Quality and Water Rights.



## Indirect Cost Allocation Based on Actual Costs

The ICRP is submitted to and approved by the U.S. EPA; however, this rate is not used to charge projects with indirect costs throughout the FY. Instead, the Water Board uses CalSTARS to allocate the actual indirect costs charged to direct funding activity each month. At the end of each month an ad hoc spreadsheet is used to ensure that all PCAs are charged the appropriate rate. The indirect cost allocations used by CalSTARS are the same as the ICRP allocations for Allocated Operating Expenses, Paid Time Off, General Administration, Water Rights Management, and Water Quality Management. The SWCAP allocation is done separately and based on our discussions with Water Board staff, there is no actual allocation done for the Adjustment for Equipment. In addition to the allocations listed above, there are also PCAs that exist to collect and allocate indirect costs related to a certain project. Project specific indirect PCAs exist for the Department of Defense (DoD), the Site Clean-up Program (SCP), which was formerly known as Spills, Leaks, Investigation and Clean-up (SLIC), and the San Gabriel Cooperative Agreement (SGCA).

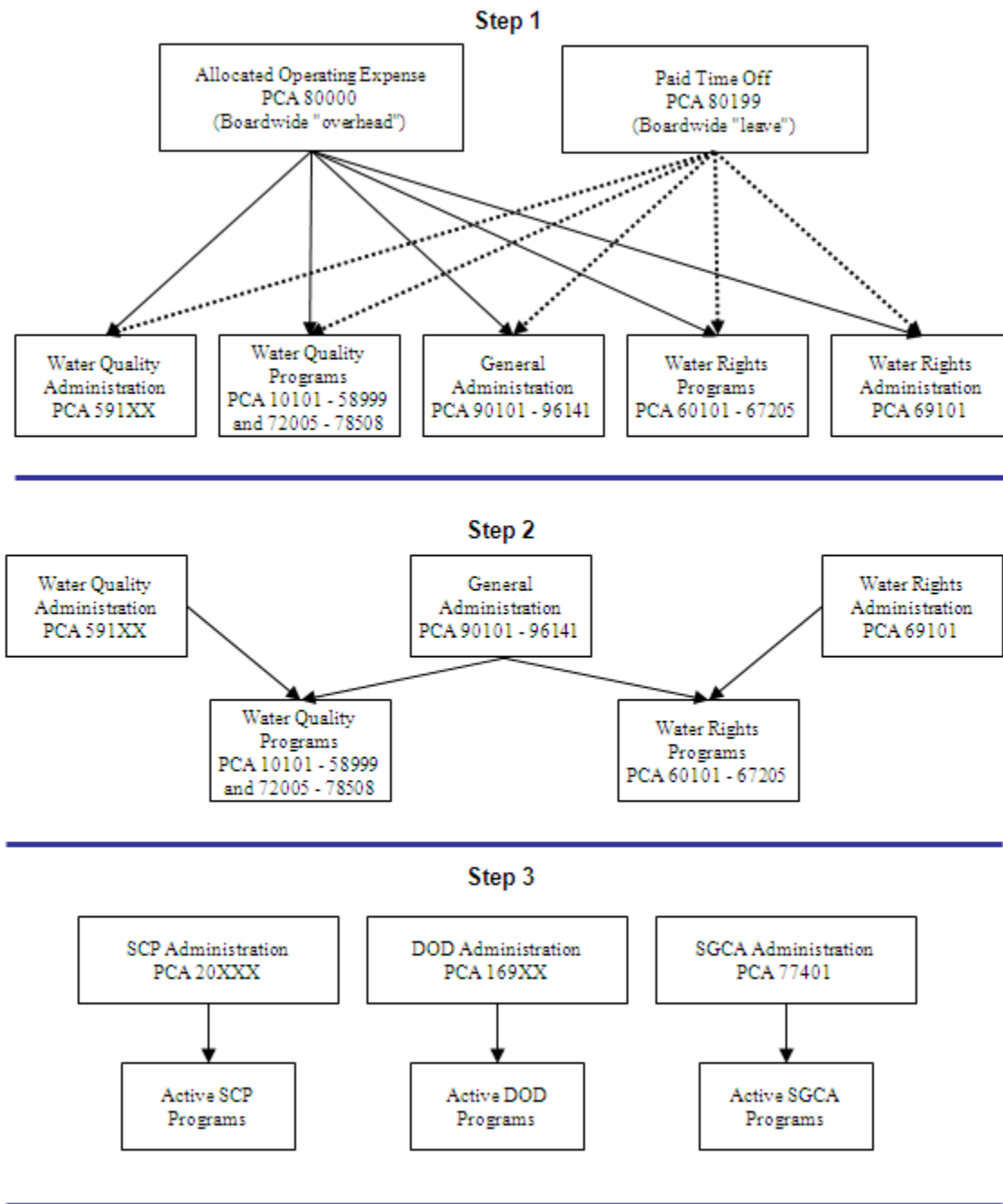
The first two steps in the above diagram are the same as the ICRP. In the first step, the Allocated Operating Expense and the Paid Time Off are allocated to the other five groups based on their share of Personal Service charges for the month. In the second step, General Administration is allocated to the Water Quality direct PCAs and Water Rights direct PCAs based on their share of Personal Service charges for the month. Also, in the second step, Water Quality Administration is allocated to the Water Quality direct PCAs and Water Rights Administration is allocated to the Water Rights direct PCAs.

The third step is not included in the ICRP. In this step, the administration PCAs for SCP, DOD, and SGCA are allocated to the direct project PCAs for each of these three projects, respectively. These administrative PCAs are designed to represent overall management and administrative costs incurred in relation to their overall project, but not directly associated to any individual PCA. This step is also handled a little differently than the other three in the CalSTARS system. The first three steps are allocated automatically by Personal Services. This fourth step is allocated by Statistic. In order to allocate by Statistic, the allocation percentages are input manually. All four steps use Personal Services as the allocation basis, however; for the PCAs that are allocated by Statistic the original Index remains intact. Examples of Indexes include Division of Administrative Services, Division of Financial Assistance, Office of Chief Counsel, Region 1, Region 2, etc. The reason that this fourth step is allocated by Statistic is because budgets for indirect costs related to these project PCAs are budgeted by Index, and the allocation by Statistic allows the SWRCB to track expenditures versus budget for these PCAs by Index.

At the end of each month, an ad hoc spreadsheet is used to calculate an indirect cost adjustment. As stated previously, this ad hoc spreadsheet calculation is the control that is used to ensure that PCAs that should be allocated indirect costs at the same rate will receive indirect costs at the same rate. After the each month of the fiscal year the spreadsheet will calculate year to date allocations. Data from CalSTARS is loaded into an Excel spreadsheet and pre-existing cell calculations are made to determine the necessary adjustments. The results of these adjustments are then transferred back into CalSTARS and are recorded the following month.

Figure 2.1 below, Monthly Cost Allocation Process, illustrates the monthly CalSTARS indirect cost allocation process.

**Figure 2.1 – Monthly Cost Allocation Process**



The Pro Rata and SWCAP allocations are not part of the normal cost allocation process. As indicated above, Pro Rata is designed to recover an equitable share of central services costs from special funds, while SWCAP is designed to recover an equitable share of central services costs from federal funds. For Pro Rata, the SCO makes a quarterly transfer from the applicable fund(s) and transfers this to the General Fund. The amount of Pro Rata is calculated at the beginning of the FY and is a uniform amount each quarter. For the Water Boards’s federal funds, Federal Trust Fund, Fund #0890, an ad hoc Microsoft®

Excel® spreadsheet is used to calculate the SWCAP amount. This amount is then transferred from the Federal Trust Fund to the General Fund quarterly.

### **The Adjustment for Equipment Portion of the ICRP**

Based on our review and discussions with Water Board staff, the Adjustment for Equipment is not done in the actual allocation process.

### **Indirect Cost and Direct Cost Charging Practices**

To gain an understanding of the indirect and direct charging practices at the program level we interviewed the Central Valley and North Coast regional boards, as well as the Division of Water Rights.

Our first visit was to the Central Valley regional board as they were located in Sacramento. The Central Valley regional board has three office locations: Sacramento, Fresno, and Redding. The budget they are allocated by the State Board is then allocated to these offices by the Central Valley regional board. The Central Valley regional board indicated that the State Board provides their budget for the FY with little input from them as to what is a sufficient budget amount for their direct charge PCAs. The Central Valley regional board generally budgets and monitors costs by fund and by task. Fund is the funding source and task is used to roll-up PCA information, which is PCAs are tied to a task, task being at the more summary level in CalSTARS than a PCA. All Central Valley regional board charges are to either Water Quality Direct PCAs or to Water Quality Management PCAs. The Water Quality Management PCAs are indirect charge PCAs and these roll-up under Task 591.

To monitor time and expenses the Central Valley regional board uses an in-house developed tracking system that compares each employee's budgeted hours to hours charged by task. From our discussions with the Central Valley regional board, this system is used by some, but not all, of the other regional boards. Each employee is budgeted for 2,088 hours at the beginning of the FY funded from both direct charge and indirect charge tasks. All employee budgeted hours include hours for Task 801, PCA 80199, which is "Paid Time Off" and an indirect charge PCA. When an employee does not have any direct charge task budgeted hours remaining for the current FY the Central Valley regional board indicated one of four things can occur:

- The employee will charge the same task but use the budgeted hours of another employee that has remaining budgeted hours for that task. This is only done based on management direction.
- The employee will charge a different task in which he/she has budgeted hours remaining and work on that task.
- The employee will charge a different task in which he/she has budgeted hours remaining but continue to work on the previously expended task. Note: It was indicated that this is only done if the new task being charged has the same funding source and a program funding purpose to remain consistent with the "Intent of the Legislature."
- The employee will charge an indirect charge PCA, which rolls-up to the indirect charge Task 591, even though the employee is not providing services that would be considered indirect.

The North Coast regional board is located in Santa Rosa and the Division of Water Rights is located in Sacramento. Both these entities indicated they had a similar budgeting process experience as that of the Central Valley regional board. That is, the State Board provides their budget for the FY with little input from these entities as to what is a sufficient budget amount for their direct charge PCAs. Based on review, it would appear that the same methods employed to overcome insufficient direct charge budget allotments used by the Central Valley regional board are also used by these entities.

## Observations

Above we outlined the current Water Board cost allocation processes. We compared the existing processes and allocations with the general costing principals found in OMB Circular A-87. Our key observations related to the current cost allocation processes and methodologies follow.

### **Observation 2.1: PCAs in the Same Program Receive Different Indirect Cost Rates**

When reviewing the actual indirect cost allocation for FY 2007-08 it became clear that not all Water Quality or Water Rights PCAs at the end of the FY had been charged the same indirect cost rate. One of the key aspects of a properly functioning indirect cost allocation system is that like programs are burdened with indirect costs proportionally, which is all PCAs, in this case for Water Quality and Water Rights, should receive the same proportion of indirect costs. Another way to say this is that all Water Quality and Water Rights direct PCAs should have had the same indirect cost rate applied. This is not occurring with the current Water Board processes or methodology.

Figure 2.2 below, FY 2007-08 Water Quality Direct PCAs, illustrates the range of indirect cost rates that were applied during the period.

**Figure 2.2 – FY 2007-08 Water Quality Direct PCAs**

<b>FY 2007-08 Water Quality Direct PCAs Final Indirect Cost Rates</b>	
<i>Indirect Cost Rate</i>	<i>Number of PCAs</i>
Less than 82.1%	11
82.1%	94
82.2% to 85.8%	11
85.9%	27
86.0% to 86.9%	41
87.0% to 87.9%	105
88.0% to 90.0%	49
Greater than 90.0%	33
No Personal Services	28
<b>Total</b>	<b>399</b>

As the figure above illustrates, the majority of Water Quality PCAs received indirect cost rates ranging from 82.1% to 90.0%. In addition, some PCAs received rates either below this range or above this range. Finally, 28 PCAs were allocated indirect costs without incurring any Personal Service expenses. Since Personal Services expenses are the basis of allocation for Water Board indirect costs, PCAs without Personal Service expenses should not be allocated any indirect costs.

Figure 2.3 below, FY 2007-08 Water Rights Direct PCAs, illustrates the range of indirect cost rates that were applied during the period.

**Figure 2.3 – FY 2007-08 Water Rights Direct PCAs**

<b>FY 2007-08 Water Rights Direct PCAs Final Indirect Cost Rates</b>	
<i>Indirect Cost Rate</i>	<i>Number of PCAs</i>
Less than 76.3%	2
76.3% to 76.9%	15

77.0% to 77.9%	16
78.0% to 78.9%	12
79.0% to 79.9%	8
Greater than 79.9%	14
No Personal Services	4
<b>Total</b>	<b>71</b>

The majority of Water Rights PCAs received indirect charge rates from 76.3% to 79.9%, while 16 PCAs received rates outside of this range and 4 PCAs were allocated indirect costs without incurring any Personal Service expenses.

The fact that PCAs within the same program are not receiving the same indirect cost allocation is, in our interpretation, not in accordance with OMB Circular A-87 guidelines and an indication that the Water Board allocation process needs correction. Based on our discussions with Water Board staff this is not the only FY that this has occurred. From our review we could not identify what created this misallocation, but we suspect it may be related to manual entries that are posted to CalSTARS. We would also suggest that controls be established that will monitor for potential errors in the rate allocations.

**Observation 2.2: The Rate from the Indirect Cost Rate Proposal Is Not Actually Used**

Even though the ICRP is submitted and approved the approved rates are not used throughout the FY. While the Water Board desires to charge actual costs rather than using the agreed-upon rate as to potentially avoid large year-end adjustments, the current process is more complicated than need be. As shown in the figure below, some proposed FY indirect cost rates had significant variances from the actual FY rate.

Figure 2.4 below, FYs 2003-04 to 2007-08 Water Quality and Water Rights Proposed vs. Actual, illustrates the difference between the ICRP rates proposed and those actually incurred.

**Figure 2.4 – FYs 2003-04 to 2007-08 Water Quality and Water Rights Proposed vs. Actual**

<b>Water Quality Indirect Cost Rate</b>			
<i>Fiscal Year</i>	<i>Proposed Rate</i>	<i>Actual Rate</i>	<i>Difference</i>
FY 2003-04	87.23%	92.85%	5.62%
FY 2004-05	92.84%	100.90%	8.06%
FY 2005-06	92.66%	100.88%	8.22%
FY 2006-07	100.12%	97.86%	-2.26%
FY 2007-08	99.72%	98.05%	-1.67%

<b>Water Rights Indirect Cost Rate</b>			
<i>Fiscal Year</i>	<i>Proposed Rate</i>	<i>Actual Rate</i>	<i>Difference</i>
FY 2003-04	84.02%	82.84%	-1.18%
FY 2004-05	83.04%	85.50%	2.46%
FY 2005-06	86.29%	88.29%	2.00%
FY 2006-07	91.30%	87.38%	-3.92%
FY 2007-08	92.91%	88.01%	-4.90%

Even with some large variances between proposed and actual rates, we still recommend charging a set rate at the beginning of the FY. The major benefit to charging a set rate it is much easier to ensure that all PCAs receive the same rate. The drawback is the possibility for potentially large adjustments when the proposed rate and actual rate are trued-up. Another advantage of using the approved rate is that when

adjustments are made for actuals the potential for having differences in the indirect rates within the same program are minimized because every account should receive the same adjustment percentage. Currently, a multiple step process with an ad hoc Microsoft® Excel® spreadsheet is used to adjust every PCA differently at the end of each month. A set rate process with less adjustment intervals would be cleaner and easier to create controls around to prevent errors similar to those found in Observation 2.1. The best way to protect against the possibility of large adjustments in a set rate process that is as accurate as possible when preparing the ICRP and to have controls in place not to overspend indirect costs during the FY.

### **Observation 2.3: When a PCA Closes Mid-Year It Is No Longer Part of the Indirect Cost Adjustment**

In the current indirect cost allocation process an ad hoc spreadsheet is used monthly to adjust different PCAs within the same program that are receiving different indirect cost rates. As pointed out in Observation 2.1, this control is not functioning properly. One part of the problem is due to the fact that when a PCA closes mid-year it is no longer part of the indirect cost adjustment process. That is the PCA and the expenses charged to it are no longer loaded into this ad hoc spreadsheet and as such the direct and indirect costs of this closed PCA will no longer be part of the monthly indirect cost calculation.

We would suggest that the Water Board again use a set rate process as suggested in Observation 2.2 and / or to close PCAs only after the final actual cost allocation process is completed. Since a set rate process will not require the month-to-month adjustments used in the current process, a closed PCA will most likely be charged the indirect cost rate of other open PCAs at year end. Due to the fact that indirect costs are incurred disproportionately throughout the year, and month-to-month allocations of actual expenses will have a range of indirect cost rates throughout the year, closing the PCA after the final actual costs are allocated, or using the set rate process, will again assist in having all PCAs within the same program receiving the same indirect cost rate.

### **Observation 2.4: Paid Time Off Is Allocated as an Indirect Expense Instead of a Direct Expense**

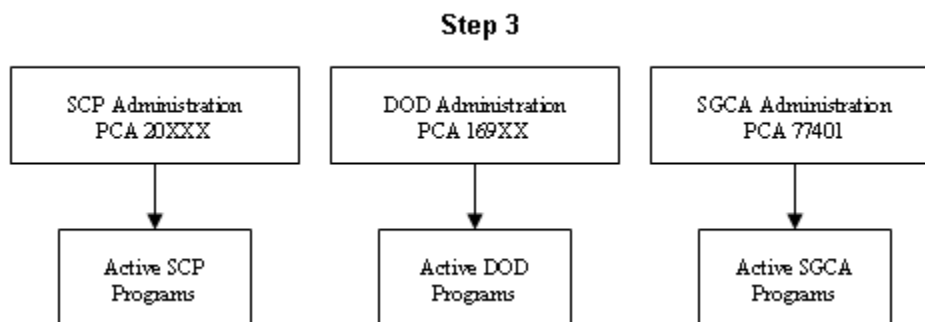
The current Water Board allocation treats Paid Time Off as an indirect cost. When the allocation occurs, the Paid Time Off expenses are allocated proportionally to accounts based on the total Personal Services charge of each account. However, this may not be an accurate representation of where those costs were incurred. Employees working on Account #1 may have more Paid Time Off expenses related to their Personal Service expenses when compared to Account #2. In this case, Account #2 will be unfairly burdened with Paid Time Off expenses. If Account #2 is federally funded then this policy will unfairly charge federal funds, which again, in our interpretation, is not in accordance with OMB Circular A-87.

Our recommendation is that Paid Time Off expenses for each employee be charged to the specific projects that that employee worked on. Then Paid Time Off can not unfairly burden some accounts in respect to others. One method to accomplish this is through a Fringe Benefit rate that is added to each hour charged by an employee to a direct PCA.

### **Observation 2.5: Not All Indirect Costs are Being Fully Allocated**

In our review of the FY 2007-08 indirect cost allocations we observed that not all indirect costs were being fully allocated. For instance, we found that at year-end some indirect cost PCAs that were to be fully allocated to direct charge PCAs still had a remaining balance. This occurred with respect to the PCAs for SCP, DoD, and SGCA, the fourth step of the current cost allocation process as outlined in Figure 2.5 below, Monthly Cost Allocation Process Step 3.

**Figure 2.5 – Monthly Cost Allocation Process Step 3**



Most of the remaining unallocated balances were minor, however; one PCA in particular had an unallocated balance in excess of \$100,000. This indicates a potential issue with the CalSTARS allocation process. We recommend that the cause of this error be explored and corrected and that controls are established to ensure the allocation of these PCAs at year-end.

#### **Observation 2.6: Potentially Inappropriate Year-End Adjustments**

During our review of the indirect cost accounts for FY 2007-08 it appears that the Water Board may have expended monies in excess of their available balances in CalSTARS. In order to correct this situation, and for the Water Board to close CalSTARS and submit their year-end financial statements, many potentially inappropriate year-end adjustments may have been made. This issue is not directly related to the indirect cost allocation process, but these year-end adjustments may have contributed to the disproportionate indirect cost rates mentioned in Observation 2.1. These adjustments may also be a direct cost issue, as funds may have been inappropriately charged for expenses unrelated to that fund, program, or project.

We would suggest that better controls be established to monitor budgets on an on-going basis to prevent this type of issue from occurring in the future. We would also suggest that all entries that may have been made to make adjustments for these cost overruns be reviewed and analyzed to determine their appropriateness. Ideally, preventive controls should be established that would not allow overcharges to occur.

#### **Observation 2.7: Allocated Operating Expenses Receive Inappropriate Charges**

When comparing the ICRP to the final indirect cost submittal to the U.S. EPA, we noticed a discrepancy related to expense types charged to the Allocated Operating Expenses category. We reviewed ICRP for the last five FYs, based on that there are seven expense types that are budgeted for Allocated Operating Expenses. These seven expense types are: General Expense, Printing, Communications, Postage, Training, Facilities Operations, and Utilities. Also from our review we found that for the last five FYs the actual indirect cost rate charged other expense types to Allocated Operating Expenses. These included Travel and Other Items of Expense. It appears that the Allocated Operating Expenses PCA is being used when there is not sufficient budget remaining on other PCAs.

We would suggest that controls be established to limit the ability of charging expenses, other than the established seven expense types, to Allocated Operating Expenses. We would also suggest that all expense categories be monitored to ensure overages are not allocated inappropriately to line items with budget available or are allocable to programs.



## **Observation 2.8: Programs are Charging the Water Quality Management PCAs Inappropriately**

Programs at the regional board level are given a budget for the Water Quality Management PCA 59101 “WQ Prog Managemnt Admin Support” and PCA 59102 “TMDL Development IDC Augmentation.” These accounts are designed to represent administrative overhead costs incurred within the Water Quality Program, but not directly associated to any individual project. From our review we determined that these PCAs are used on occasion when an employee may not have sufficient budgeted direct charge hours. Thus, PCAs that are charged for indirect costs that are really direct costs unjustly burden the indirect charge rate for that program.

We recommend that Water Quality Management PCAs are used only for administrative overhead activities that benefit the entire Water Quality Program. In order to do this the budgetary process currently in place needs to be adjusted to allow for more charging, i.e. more budget, to direct PCAs vs. indirect PCAs.

Currently, the Central Valley regional board’s office in Redding has 25 out of 30 employees that are provided indirect PCA budgeted hours. For the office located in Fresno 41 out of 57 employees are provided indirect PCA budgeted hours. Many of these employees hold project level positions and are not involved in the administration of the overall program. By re-evaluating which employees actually provide services that benefit the overall Water Quality program, it is possible to achieve a more accurate allocation of budget between direct and indirect PCAs. This also allows for better controls related to monitoring indirect PCAs.

## **Observation 2.9: An Adjustment for Equipment is not Performed in the Actual Cost Allocation Process**

The Adjustment for Equipment is not performed in the actual cost allocation process, but is presented on both the ICRP and the final indirect cost submittal. If Adjustment for Equipment was to be allocated, the appropriate equipment object codes need to be identified and should be charged indirect costs. Also, the appropriate equipment adjustment must be included in the indirect cost allocations to all PCAs. Neither of these actions occur with the current process. Based on additional discussions with the Water Board, it does not appear that depreciation is being recorded and thus cost recovery is not occurring.

We would suggest that the Water Board make the necessary Adjustment for Equipment in the actual cost allocation process.

## **Conclusion**

The indirect cost allocation process for the Water Board is primarily performed within CalSTARS. We made nine observations related to the current process that should be improved. Within the current process direct costs are charged to indirect accounts, indirect costs are allocated inappropriately or not fully allocated, year-end adjustments distort the actual allocations, and the net result is that there are potentially many PCAs that are not fully burdened, or burdened at too low or too high a rate.

We would suggest that the Water Board review our observations and make the appropriate adjustments so that indirect costs are allocated uniformly and in accordance with OMB Circular A-87, DOF direction, and the Water Board’s own policies and procedures. Key improvements could be made by simplifying the cost allocation process and establishing a more rigorous control environment related to this process.

## Section 3: Accounting IT Systems Review

### Scope and Methodology

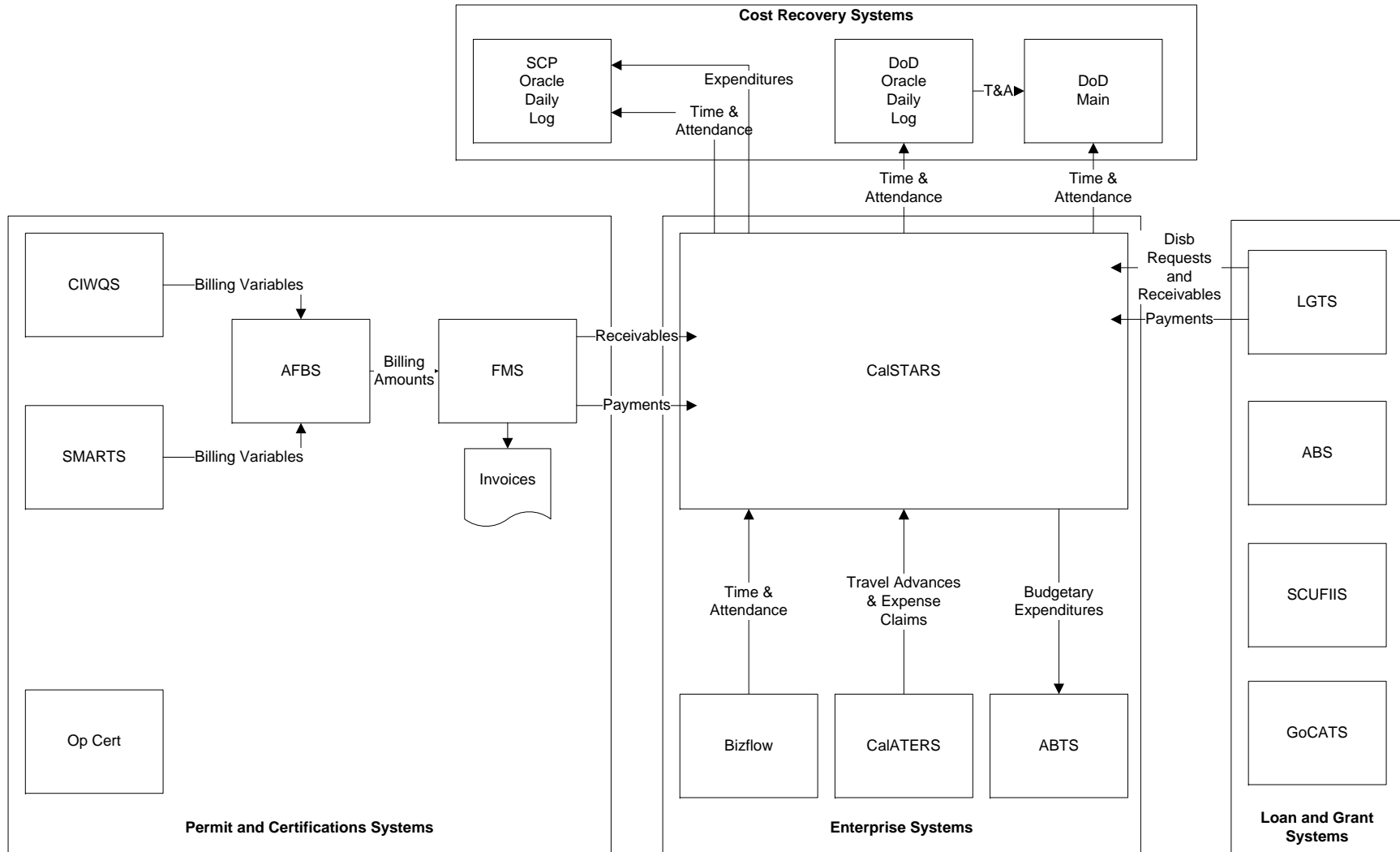
#### Scope

Figure 3.1 below, Accounting IT Systems Review, summarizes the program focus, program, program specific systems, and the Water Board’s enterprise systems that were included in the scope of our review. Figure 3.2 on the following page, Relationships Diagram of Water Board’s Financial Systems, visually summarizes the relationships between these various systems.

**Figure 3.1 – Accounting IT Systems Review**

Program Focus	Program	Program Specific System(s)	Enterprise Systems
Permits and Certifications	Waste Water Discharge	CIWQS, AFBS, AFRS, and FMS	CalSTARS  CalATERS  ABTS  Bizflow
Permits and Certifications	ACL Discharge Complaints and Orders	CIWQS	
Permits and Certifications	Industrial, Construction and Linear Storm Water Discharge	SMARTS, AFBS, AFRS, and FMS	
Permits and Certifications	Operator Certification Program	Op Cert	
Loans and Grants	Clean Water State Revolving Fund (CWSRF)	LGTS	
Loan and Grants	Replacement Underground Storage Tank (RUST) Clean-up	ABS	
Grants	Underground Storage Tank Clean-up	SCUFIS	
Grants	DFA Non-profit, Local Public, and Municipality Water Quality	GoCATS	
Cost Recovery	DoD and Toxic Site Clean-up	DoD Oracle Daily Log and DoD Main	
Cost Recovery	Site Clean-up Program	SCP Oracle Daily Log	

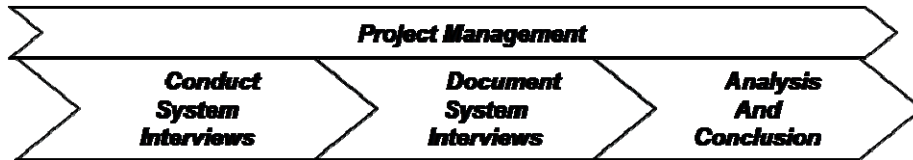
**Figure 3.2 – Relationships Diagram of Water Board’s Financial Systems**



## Methodology

Figure 3.3 below, Accounting IT Systems Review Methodology, graphically depicts the methodology used for the Accounting IT Systems Review.

**Figure 3.3 – Accounting IT Systems Review Methodology**



### **Project Management**

For this portion of the methodology, we worked with the Water Board’s project team to develop a list of systems within the scope of the Accounting IT System Review. In addition, we maintained close coordination with the Water Board’s project team throughout the course of the engagement to apprise them of progress, issues, and on-going results of our review.

### **Conduct System Interviews**

For this portion of the methodology, we conducted interviews of approximately two hours in length. These were scheduled and conducted with the key stakeholders for each of the systems identified in Figure 3.1. Interview topics included system functionality / high level process, issues / unmet requirements / desired functionality, interfaces, relevant accounting transactions, system security and internal controls, number of users, transaction volume, and technical environment.

### **Document System Interviews**

An initial draft of the system interview was created using our IT System Data Collection template and then sent to the interviewees for review and comment. Interviewees reviewed and commented on the draft system interview, returned their comments, and these were incorporated into the final IT System Data Collection template for that system. All IT System Data Collection narratives can be found in Appendix 2.

### **Analysis and Conclusion**

System interviews were analyzed individually and collectively to identify issues, trends, and improvement opportunities. Based upon the individual and collective analysis of the systems, observations and conclusions were developed.

## ***Analysis, Observations, and Conclusion***

### Analysis

Water Board program and administrative business processes are inherently complicated: there are a significant number of distinct programs that exist within the Water Board, program administration and “financial” requirements are inherently complex, program and “financial” data also needs to be integrated for summary reporting purposes to many diverse entities, the systems must cross both State Board and

regional board boundaries, be in compliance with other federal and state policies and procedures, and integrate/interface with other statewide systems. The Water Board’s program and administrative business processes are supported by a combination of program and enterprise systems, as well as end-user applications, desktop applications, such as Microsoft® Word®, Excel®, Access®, etc. Broadly speaking, program systems can be classified as follows:

- Permits and Certifications;
- Loans and Grants; and
- Cost Recovery.

Also, broadly speaking, Water Board enterprise systems include the following types of “financial” data:

- Timesheet;
- Budget Preparation and Budgetary Encumbrance; and
- Accounting.

Program and enterprise systems may not meet all program business requirements and this has led to multiple program systems and the proliferation of end-user applications to support a single program. Accounts Receivable functionality is critical to an organization like the Water Board that utilizes a fee based funding model. Figure 3.4 below, Accounts Receivable Functionality, graphically depicts, by program, the numerous systems needed to provide billing, receivables, and payments processing.

**Figure 3.4 – Accounts Receivable Functionality**

Program Focus	Program	Program Specific System(s)	Accounts Receivable Functionality		
			Billing	Receivable	Payment
Permits and Certifications	Waste Water Discharge	CIWQS	CIWQS and AFBS	AFRS (see FMS) and CalSTARS	ARFS (see FMS) and CalSTARS
Permits and Certifications	ACL Discharge Complaints and Orders	CIWQS			CIWQS and CalSTARS
Permits and Certifications	Industrial, Construction and Linear Storm Water Discharge	SMARTS	SMARTS and AFBS	AFRS (see FMS)	AFRS (see FMS) and CalSTARS
Permits and Certification	Operator Certification Program	Op Cert			CalSTARS
Loans and Grants	Clean Water State Revolving Fund (CWSRF)	LGTS	LGTS	LGTS and CalSTARS	LGTS and CalSTARS
Loans and Grants	Replacement Underground Storage Tank (RUST) Clean-up	ABS	ABS	CalSTARS	ABS and CalSTARS

Program Focus	Program	Program Specific System(s)	Accounts Receivable Functionality		
			Billing	Receivable	Payment
Loans and Grants	Underground Storage Tank Clean-up Grants	SCUFIS	N/A	CalSTARS	CalSTARS
Loans and Grants	DFA Non-profit, Local Public, and Municipality Water Quality Grants	GoCATS	N/A	CalSTARS	CalSTARS
Cost Recovery	DoD and Toxic Site Clean-up	DoD Oracle Daily Log and DoD Main	DoD Oracle Daily Log, DoD Main, and CalSTARS	CalSTARS	CalSTARS
Cost Recovery	Site Clean-up Program	SCP Oracle Daily Log	SCP Oracle Daily Log		SCP Oracle Daily Log and CalSTARS

Program systems focus on program administration, and their corresponding data, and typically include some “financial” data. When program systems include timesheet data, such as SCP Oracle Daily Log, DoD Oracle Daily Log, and DoD Main, it is at a lower level than what is contained within the enterprise systems such as CalSTARS and Bizflow.

Budget preparation data is maintained in the Water Board’s enterprise system, ABTS, and not in any program system. However, budget preparation and budget vs. actual data are manually combined with program data to create management reports. Program systems may include budgetary encumbrance and accounting data, however the breadth, type, and depth, level of detail, of the accounting data varies significantly between these systems.

End-user applications such as Microsoft® Word®, Excel®, Access®, etc. may have some combination of program, timesheet, budget preparation, budgetary encumbrance, and accounting data. The breadth and depth of the data in these end-user applications varies significantly. There is little if not poor integration between these primary systems and the end-user applications, which has resulted in duplicate data entry or interfaces without sufficient IT controls.

The use of multiple program systems, the proliferation of end-user applications, poor integration between systems, and duplicate data without sufficient IT controls has resulted in:

- Data that is fragmented and inconsistent between program systems, enterprise systems, and end-user applications;
- Significant barriers to accurate and timely program and “financial” reporting;
- Reporting issues that lead to associated compliance, control, decision making, grant reimbursement, loan repayment, and cost recovery challenges at the program and enterprise level;
- Reconciliation challenges between the data in program systems, enterprise systems, and end-user applications;

- End-to-end business processes that are fragmented across multiple systems, manually intensive, and non-standardized; and
- Excessive reliance on hardcopy documentation of financial transactions.

Most program systems, except ABS and FMS, and enterprise systems, except CalSTARS and CalATERS, have been custom developed by vendors. System support is a combination of vendor and Water Board IT staff. Program system technical support varies significantly. The vendor that originally developed the application may no longer exist and the Water Board's staff resources with system expertise related to that system may have separated from the Water Board. Therefore, barriers exist to enhancing functionality to meet evolving business and statutory requirements. This contributes to the proliferation of end-user applications to fill functional gaps resulting in process and data fragmentation. It has also led to a general tendency to satisfy business requirements from an individual business function view as opposed to taking a more programmatic and enterprise view of satisfying needed business requirements.

Most systems reside on the Water Board's network or other infrastructure assets and are backed-up on a standard, periodic basis. Virtually every program system requires the use of a UserId and password, and includes some role based security. However, data in end-user applications may not be backed-up, password protected, have version control or audit trail capability, or lack other basic IT controls.

## Observations

### **Observation 3.0: The Water Board Needs to Create an IS Governance Structure**

When we provided our draft report to the Water Board their comment was, how does the Water Board begin to address our initial IT system related observations? As such we believe that the adoption of an Information System (IS) or IT Governance structure is needed.

As the Water Board scribes its future, it is clear that rational and appropriate application of technology is fundamental to achieving its service delivery vision. In fact, it is reasonable to assume that technology will take a forward position in enabling improved levels of customer and stakeholder self-service, providing better information to management to make informed business decisions, increasing organizational agility and responsiveness to address changing expectations, and helping to manage operational risk.

However, to capitalize fully on its investments in technology, the Water Board must have a means to manage its technology environment effectively from the top down, ensuring that executives and business managers are engaged in setting and communicating direction and expectations downward through the organization. A discipline, understood and utilized by all, is needed to bring the organization together to successfully plan, create and operate technology that consistently benefits the Water Board, its stakeholders, and its customers, and that can be relied upon now and into the future.

IS Governance, properly conceived and implemented, positions the Water Board to become and remain firmly in control of its technology environment and meet the expectations of its stakeholders and its customers consistently over time. Therefore, the Water Board needs to implement a means to manage the its technology from the top down, ensuring that executives and business managers are engaged in setting, communicating, and monitoring direction and expectations, related to IT downward through the organization.

IT should be governed with the same diligence, discipline, and control focus that is exercised in other areas of the Water Board. Given the fact that the Water Board is just that, a board, has regional water boards, and operates a host of administrative and financial programs, it is reasonable to assume that



individuals throughout the organization have ideas regarding technology vision and strategy. To accommodate this and other influences on technology business practices, such as newly defined decision making and accountability structures, a common method and language for communicating information, and standardized reporting processes is required.

Some key concepts to bear in mind are that IS Governance:

- Is an inseparable element of good organizational governance;
- Is a shared responsibility of the board and executive staff, both business process owners and IT specialists;
- Requires a top-down approach, championed by executive staff and driven by senior staff who can embrace this new model and discipline; and
- Aligns IT objectives and resources with the business objectives meeting the needs of the overall organization.

If there is a simple message about IS Governance, it is that it needn't be, and shouldn't be, complicated. After all, IT is an entity like any other business unit and should be governed in a similar manner.

IS Governance, properly conceived and implemented, positions the Water Board to become and remain firmly in control of its technology environment and meet the expectations of its stakeholders and customers consistently, over time. Also, the need for assurance about the value of IT, the management of IT-related risks and increased requirements for control over information are now understood as key elements of overall enterprise governance. Put simply, effective IS Governance drives business value by:

- Aligning IT strategy with the business strategy;
- Cascading IT strategy and goals through out the entity;
- Providing organizational and technological structures that facilitate the implementation of strategy and goals;
- Creating constructive relationships and effective communications between business and IT staff and with their stakeholders and customers;
- Establishing and implementing an IT control framework;
- Managing IT risk; and
- Measuring IT performance.

Figure 3.5 below, IS Governance Approach, graphically depicts the linkage between external forces outside the organization, internal considerations of the organization, the entities IS or IT Strategy, the adopted IS Governance Framework, and how these tie to overall IS Governance activities to bring about change and control.

**Figure 3.5 – IS Governance Approach**



IS Governance integrates and institutionalizes sound practices to ensure that the enterprise's IT supports business objectives. IS governance thus enables the enterprise to take full advantage of its information,

thereby maximizing its benefits and capitalizing on opportunities. These outcomes require a framework for management of IT that is aligned with the overall direction of the organization.

IS Governance:

- Enables an organization to get the most value from its IT assets while moving it towards its strategic goals;
- Ensuring that stakeholders and management understand the key risks associated with information; and
- Establishing the conditions that allow IT management to operate effectively and in concert with the other business units.

The IT strategies that emerge from the Water Board's IS Governance process will provide a road map for developing IT service offerings, infrastructure, systems, and information that will support the business in achieving its goals. These strategies will clearly define what IT services will be provided, how they will be provided, who will provide them, and when they will be provided.

As part of the overall Water Board IS Governance implementation, new policies, procedures, and standards will be defined and agreed to by the board and the Water Board's staff. Effective policy enables staff to understand the organization's business direction, and the role and responsibilities they have in helping to achieve business goals. Procedures and standards take policies to the next level thus establishing a means of stating expectations for how the organization's work will be carried out. A common approach to common tasks also improves intra-organization communication allowing disparate groups to share key information, such as resource utilization, in a standardized manner.

The board and Water Board staff should define a governance structure for managing and implementing both its business and IT strategies. In addition, the Water Board staff should ensure the governance structure and associated policies, procedures, and standards are communicated to and understood by all staff of the Water Board. Implementing organizational governance, including IS Governance, takes time, persistence, and a methodical plan that starts with the recognition and acceptance that good governance is critical for implementing and sustaining the Water Board's strategic vision. For IS Governance to be woven into the fabric of the organization the Water Board should:

- Obtain necessary sponsorship from the board;
- Understand in detail the organization's current governance and service delivery models;
- Calibrate the organization's IS Governance and service delivery models and align them with its business models;
- Create a design for implementing IS Governance into the overall Water Board management program;
- Identify a list of short-, medium-, and long-term projects to improve IS Governance;
- Define and implement a process for customer and stakeholder feedback pertaining to IS Governance and delivery of services;
- Define a process that will provide clear and consistent communication pertaining to the value IT is delivering to the organization;
- Define and charter an "IS Governance Board" and create a reporting relationship to executive level management in the organization;
- Formalize the Water Board's long-term IT strategy. Determine how the Water Board should be positioned with respect to the use of its IT program. This strategy will provide the road map for developing IT service offerings, infrastructure, applications and managing information that will support the Water Board in accomplishing its business goals and objectives;

- For each of the Water Board’s program areas this plan should define how the IT program will enable the delivery of program services. This strategy should be revisited and adjusted each year to coincide with changes in any Water Board entity-wide strategies and operational program business plans;
- Define the policies, procedures, and standards that will govern the IT program and how IT will be leveraged by the organization.
- Implement a Program Management Office capability that will define and monitor how individual projects relate to the overall direction of the organization.

**Observation 3.1: Water Board Business Requirements are Generally Developed from an Individual Business View as Opposed to an Enterprise-Wide View**

In each system focus area, Permits and Certifications, Loans and Grants, and Cost Recovery, the Water Board utilizes an individual system for program administration; for example, in the Loans and Grants system focus area, LGTS is used for the CWSRF program, ABS is used for the RUST program, SCUFHIS is used for the Under Storage Tank Clean-up program, and GoCATS is used for the DFA’s Water Quality program. DoD and Toxic Site Clean-up utilizes DoD Oracle Daily Log and DoD Main. In addition, program areas need to have budget, encumbrance, and actual accounting expenditure information for sound financial management, however program systems do not have budgetary data and ABTS does not separate budgetary expenditures into budgetary encumbrances and actual accounting expenditures.

The Water Board should look for opportunities in the short and intermediate term to reduce the number of program systems by (1) defining standards for the depth and breadth of “financial” data in program systems, (2) defining program and “financial” business requirements with a focus on the critical area of accounts receivable, and (3) identifying areas where one program system can be used to support multiple programs. For example, consider utilizing LGTS to support all loan and grant programs, a single program system to support cost recovery programs, and FMS to support accounts receivable functionality for all programs and the recording of all accounts receivable activity.

**Observation 3.2: In Some Cases Program Business Requirements Have Not Been Met Which Has Led to the Proliferation of End-User Applications Creating Poor IT Internal Controls**

Based on our review, the following programs use the following end-user applications as part of managing their programs. The RUST program utilizes ABS, the Collateral / Insurance Access database, and the Loan and Grant Tracking spreadsheet. DFA’s Water Quality program utilizes GoCATS and the following spreadsheets: (1) Master Project Tracking, (2) Invoice Log, and (3) Invoice Tracking. In addition, multiple end-user applications are used within the Accounting Office for reconciliations, preparing journal entries, tracking management information, etc.

End-user computing applications, such as Microsoft Word®, Excel®, Access®, etc., present an organization like the Water Board with a unique set of IT control needs. This is because providing end users with these types of flexible tools typically increases the risk of misstatements caused by errors due to incomplete or inaccurate data. Since the output from end-user computing processes frequently appears as an authoritative document that management will rely on in its financial reporting, end-user computing applications that support significant internal controls should be identified and included in control documentation. In addition, the Water Board should support end-user computing with IT controls that are consistent with the level of sophistication of other systems. IT controls should address areas such as access to programs and data, program changes, program development, and computer operations. While end-user computing generally does not require the same rigors of IT controls of other primary systems, these controls should be appropriate to help ensure the completeness and accuracy of reported data,

consistency of presentation, proper calculation and validation, and security that is appropriate to the significance and complexity of the end-user application.

The Water Board should look for opportunities in the short and intermediate term to enhance program systems to include the functionality that the end user computing application provides due to the gap between business requirements and the program system's functionality.

### **Observation 3.3: The Lack of Integration Between Systems Leads to Poor IT Internal Controls**

From our review, employees for the Site Clean-up program must enter timesheet information into Bizflow and SCP Oracle Daily Log, as such the data may not be consistent, and requires significant effort to ensure these two systems reconcile. For the DoD Toxic Site Clean-up program, employees must enter timesheet information into Bizflow and the DoD Oracle Daily Log, again, the data may not be consistent, and requires significant effort to reconcile these two systems. Figure 3.4 graphically depicts the potential for incorrect and inconsistent recording of accounts receivable information in multiple systems supporting a single program. As additional Microsoft Excel® and Access® shadow systems are added to satisfy functional gaps between business requirements and program system capabilities, there is a risk that the information will not be recorded correctly in these systems or in CalSTARS.

The Water Board should look for opportunities in the short and intermediate term to improve the integration and reconciliation between program systems and enterprise systems. For instance, create automated interfaces and reconciliation procedures between the SCP Oracle Daily Log and Bizflow, and DoD Oracle Daily Log and Bizflow. The SCP Oracle Daily Log and DoD Oracle Daily Log should include data entry edits to ensure the validity of data entered. In addition, the Water Board should create automated interface and reconciliation procedures between ABTS and the SCO's Personnel and Payroll Services Division's data tapes. Finally, the Water Board should identify opportunities to create, or improve interfaces between program systems and CalSTARS.

### **Observation 3.4: Application Support from the Division of Information Technology (DIT) Varies by System**

DIT does not have a comprehensive list of systems that need to be supported; therefore it is difficult to allocate sparse IT resources appropriately. Documentation is poor or does not exist for several systems, including ABS, GoCATS, SCP Oracle Daily Log, and the DoD Oracle Daily Log. During our review program staff expressed satisfaction with the support received for CIWQS, SMARTS, LGTS, the new ABTS system development, and Bizflow, however there are many unmet requirements associated with ABS, SCUFHIS, GoCATS, SCP Oracle Daily Log, and the DoD Oracle Daily Log. A number of maintenance agreements with third party vendors exist that include provisions for program system enhancements.

The Water Board should, in the short and intermediate term, develop a comprehensive inventory of systems and obtain all necessary system documentation. In addition, consider the recommendations associated with the observations noted above and initiate workforce planning efforts: vendor vs. DIT resource mix, DIT resource levels, skills sets, skill development, succession planning, etc. In addition, all third party vendor agreements should be coordinated with DIT.

### **Observation 3.5: Water Board Data is Fragmented Across Many Systems And Business Processes Are Manually Intensive With a Reliance on Hardcopy Documentation for Financial Transactions**

Figure 3.4 graphically depicts the large number of program and enterprise systems that contain program and “financial” data. Our review found that data that is fragmented and inconsistent between program systems and end-user applications, that there are significant barriers to accurate and timely program reporting which lead to reconciliation, compliance, control, decision making, grant reimbursement, loan repayment, and cost recovery challenges at the program and enterprise levels. An excessive number of systems and end user applications with fragmented data also lead to manually intensive business processes with a heavy reliance on hardcopy documentation.

In the longer term, the Water Board should develop an enterprise data model and Extract, Transform and Load (ETL) processes to integrate program and “financial” data that will enable program and enterprise reporting to support management control and decision making. In addition, the Water Board should consider utilizing workflow and document management technology to improve business process effectiveness and efficiency.

### **Conclusion**

Our Accounting IT Systems Review resulted in one overarching observation and five other observations. The overarching observations deals with creating an IS Governance structure within the Water Board.

Four observations involved the excessive number of program systems and end-user applications necessary to support Water Board programs, the overall lack of integration between systems, inconsistency in the depth and breadth of “financial” data maintained in program systems, enterprise systems, and end-user applications, and the significant fragmentation of program and “financial” data between systems. The proliferation of end-user applications requires the use of appropriate controls for accuracy, consistency, proper calculation and validation, and security that is appropriate for its complexity.

Our review also included an observation involving the need to develop a comprehensive DIT application support strategy for all Water Board systems including the capability to enhance program systems in a timely manner to meet evolving program and statutory requirements.

In the short to intermediate term, the Water Board should initiate efforts to reduce the number of program systems and the number of end-user applications needed to support programs, improve the integration between program and enterprise systems, and consider using FMS to support accounts receivable functionality for all programs and the recording of all accounts receivable activity. In the longer term, the Water Board should assess the use of data warehouse technology to integrate program and “financial data” to support program and enterprise reporting, and the use of workflow and document management technology to improve business process effectiveness and efficiency.

## Section 4.0: Implementation Plan

### Going Forward

From our review related to the: *Accounting Structure and Process Review*; *Indirect Cost Allocation Review*; and *Accounting IT Systems Review*, we had several observations. In all, the Water Board should consider each observation and determine if they will implement the suggested changes without modification, with modification, or not at all. Change is difficult; it requires energy and resources, not only in hard dollars, but soft as well.

We have separated the estimated cost and staff resources into the three areas of our review. Determining cost is a difficult thing, for instance, since most internal staff are salaried do you include this as a cost, that is a soft cost, i.e. reallocation of resources, or not include this cost as implementation of our suggestions should be part of the job of administering the duties of the Water Board. Most of the suggestions for the *Accounting Structure and Process Review* and *Indirect Cost Allocation Review* do not require the use of external, non-State, resources and can be managed internally with existing staff. Thus, for these two areas we have not included the soft cost of implementing our suggestions. For the *Accounting IT Systems Review* we have included the soft cost for the effort required to implement our IT suggestions will require a significant commitment by the Water Board.

In all, someone should be assigned by the Water Board to develop an overall project management approach to implementing all suggestions made in the report and update the Water Board on the progress of implementing these suggestions on a regular basis until, as indicated above, the Water Board has implemented the suggested change without modification, with modification, or not at all.

### Estimated Cost and Staff Resources

#### Accounting Structure and Process Review

Below, we have provided a synopsis of our observations related to the *Accounting Structure and Process Review* with our suggested approach to resolving these, the resources we believe are needed, and the cost to the Water Board in hard dollars.

Observation	Approach	Resources	Cost
<p><i>Observation 1.0: The CalSTARS Classification Structure of the Water Board Should be Simplified</i></p> <p>We would suggest that the Water Board review its current classification structure, and reduce the number of coding elements to be those that are absolutely necessary for monitoring budget control as defined by the Budget Act, or have a direct relationship to the required reporting by either statute, rule, regulation, etc. of the activities of the Water Board.</p>	<p>We would suggest that a committee be convened that is comprised of one member from the Budget Management Unit, the Accounting Office, the programs or regional water boards, as necessary, to review existing</p>	<p>Internal:</p> <p>Budget Management Unit and Accounting Office staff familiar with PCAs in use in CalSTARS should meet on a regular basis to reduce the number of PCAs. If these PCAs are used</p>	<p>Internal:</p> <p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to work internally to determine which</p>

Observation	Approach	Resources	Cost
	PCAs in use and determine whether that PCA is necessary as defined to the left. If the PCA is necessary the criteria for its inclusion in the CalSTARS table should be documented. For those PCAs that are not needed these should be removed from the CalSTARS	by a specific program, program staff should attend these meetings as well. The purpose of the meetings are to review existing PCAs and determine whether these are necessary based on a set of criteria as established by the Budget and Management Unit and the Accounting Office. Due to the number of PCAs current in use by the Water Board, the number of programs within the Water Board, and the existence of regional water boards, we would estimate that approximately 3 FTE would need approximately 6 months in duration to review all PCAs and determine whether these should be maintained or eliminated in CalSTARS. Actual effort should not be more than 720 hours.  External:  None	PCAs should be maintained and which should be eliminated based on an agreed upon and documented criteria.  External:  None
<p><i>Observation 1.1: The Budget Process Needs Modification</i></p> <p>We would suggest, as a pilot, that the Budget Management Unit modify their budget process to allocate sufficient direct charge</p>	The Budget Management Unit should work with the programs and	Internal:  The Budget Management Unit	Internal:  The cost related to the implementation



Observation	Approach	Resources	Cost
<p>dollars and personal services costs by specific employee to the following pilots: The Division of Water Rights and to the North Coast regional board.</p> <p>We believe a pilot is needed so that any issues with the change in process can be monitored and corrected prior to full implementation of a modified budget process. Some of the changes needed relate to how compensated absences are charged. Currently, these are charged to an indirect charge PCA. Compensated absences should be charged pro rata based on what direct charges the employee incurred. Thus, a system needs to be established to allow this.</p>	<p>regional water boards to effectively budget for the operations at both the program and regional board level. That is, sufficient budget should be provided to direct PCAs so that indirect PCAs are not being charged inappropriately. See Observation 2.8. As we suggested, a pilot should be conducted to ensure that the new budgeting process does not create unforeseen issues with budgeting, cost allocation, accounting, or cash management.</p>	<p>and programs and regional water boards should meet to discuss how to more effectively budget direct costs and reduce the reliance on charging costs to indirect PCAs. We would estimate that approximately 2 FTE would need approximately 6 months in duration to review the current budgets related to the pilots that we identified and make the needed adjustments to the budgets for these pilot entities. Actual effort should not be more than 480 hours.</p> <p>External:  None</p>	<p>of this recommendation is soft, that is it is redirection of existing staff to work internally to determine the amount of direct budget sufficient to operate the pilots.</p> <p>External:  None</p>
<p><i>Observation 1.2: An Overall Organizational Assessment of the Water Board's Administrative Functions Is Needed</i></p> <p>We identified several administrative functions that are located outside the DAS, either within other divisions of the State Water Board, or at the regional boards. As such, the Water Board should take steps necessary to identify administrative functions that are outside the DAS and determine if these functions should be moved within the DAS or remain where they are with modifications.</p>	<p>This may seem like a significant task, but it can be accomplished in two ways. One, DAS, or the Accounting Office, should prepare a survey to be sent to the various divisions of the Water Board and to the regional water boards that determine what type</p>	<p>Internal:  DAS, or the Accounting Office, should prepare a survey and review administrative PCAs to determine the extent of administrative functions being conducted within the divisions of the Water Board and at</p>	<p>Internal:  The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to work internally to develop the survey, tabulate results, and review PCAs.</p>

Observation	Approach	Resources	Cost
	<p>of administrative functions are currently being provided by these divisions and the regional water boards. In addition, a review of the administrative PCAs used by the Water Board can be made to determine who outside of DAS is charging to these PCAs and inquiry can be made to determine why these PCAs are being charged by individuals outside of DAS. In addition, the survey and PCA review should be used to determine the number of FTEs that are performing administrative functions and what these services are for. The survey here should also keep in mind our suggestions under Observation 1.4. Finally, when considering centralization of functions see Observation 1.8.</p>	<p>the regional water boards. We would estimate that approximately 1 FTE would need approximately 3 months in duration to develop the survey, tabulate the results of the survey, and review existing PCA administrative charges. The review of the PCAs should be done first to identify potential survey recipients and also allow for inquiry as to why areas other than DAS are charging to these administrative PCAs. Actual effort should not be more than 160 hours.</p> <p>External: None</p>	<p>External: None</p>
<p><i>Observation 1.3: Compliance with Administrative Policies and Procedures is Not Discretionary</i></p> <p>During our review we did find that there should be a great deal more centralization of some activities, mostly related to cash receipting and the safeguarding of securities,</p>	<p>We would suggest that DAS, with the support of the Water Board, issue a memorandum to all</p>	<p>Internal</p> <p>DAS should prepare a memorandum that is sent by the</p>	<p>Internal:</p> <p>The cost related to the implementation of this</p>

Observation	Approach	Resources	Cost
<p>as discussed later. In addition, we determined that some centralized IT applications are not used by all the regional boards even though available. This is mostly related the DAS not making, this a requirement, which we think should be.</p> <p>As such, manual processing can result in non-compliance with an internal control while if that same control is in an automated system non-compliance cannot occur. During, our review of the travel advance and travel expense claim process we became aware that a significant amount of time is spent by the Accounting Office in processing, these transactions. Reliance on CalATERS could reduce this time by streamlining both these activities.</p>	<p>regional water hoards indicating the need to ensure that policies and procedures, with embedded internal controls, which are issued by DAS, are not discretionary. In addition, DAS should determine what policies, processes, systems, etc. are not being consistently followed, used, etc. and determine best how to ensure that these are being followed and used. For instance, making the use of CalATERS mandatory.</p>	<p>Executive Director that discusses the need to ensure compliance with directives of DAS. In addition, this memorandum can serve as the vehicle to communicate those policies, processes, systems, etc. that are not being consistently followed, used, etc survey and request compliance. We would estimate that approximately 1 FTE would need approximately 1 month in duration to develop the memorandum. Actual effort should not be more than 40 hours.</p> <p>External: None</p>	<p>recommendation is soft, that is it is redirection of existing staff to work internally to the memorandum.</p> <p>External: None</p>
<p><i>Observation 1.4: The Water Board Should Review and Provide Administrative Support to the Regional Boards</i></p> <p>We believe it would be prudent for the State Water Board to make an assessment of the number of administrative staff within the regional boards, their proficiency related to administrative functions such as budget monitoring, preparation of accounting information, purchasing, contracting, etc. and determine: 1] Do regional boards have sufficient administrative staff; and 2] Do these staff have the skills needed</p>	<p>Depending what is found in Observation 1.2, the DAS should determine how best to support those administrative functions that will remain and reside within the regional water hoards. Primarily, DAS should work with the Executive Director</p>	<p>DAS should work with the Executive Director to discuss the proposed reorganization of staff within the regional water hoards. In addition, an assessment of what training is needed by the regional water boards should be</p>	<p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to work internally to develop the memorandum.</p>

Observation	Approach	Resources	Cost
<p>to perform the day-to-day administrative functions needed by both the State Water Board and the regional boards.</p> <p>Following such analysis, a staffing plan should be developed to ensure that the regional boards have sufficient and knowledgeable staff to assist with the administrative functions of both the State Water Board and the regional boards. In addition, we believe the administrative staff should have a direct reporting relationship to the DAS. This is consistent with our observations that administrative functions should be centralized, that is reporting to one entity, and the regional boards compliance with administrative requirements are not discretionary.</p>	<p>to establish either a direct reporting, relationship to the DAS Deputy Director or a dotted line reporting relationship. This will assist with the implementation of Observation 1.3. In addition, following an assessment of the administrative staff within the regional water boards, a training plan should be developed to assist DAS in ensuring that administrative staff within the regional water boards has the same training and skills as those staff within DAS.</p>	<p>conducted. This could be done concurrently with the survey suggested in Observation 1.2. Finally, a training plan should be developed to assist the regional water boards with their needs. We would estimate that approximately 1 FTE would need approximately 6 months in duration to develop proposed organizational change, conduct the assessment of training needs, and develop the training plan. Actual effort should not be more than 240 hours.</p> <p>External:</p> <p>There is the potential to hire a consultant with experience in developing training needs assessments and training plans to assist DAS. If that occurs the hours above could be moved to the consultant.</p>	<p>External:</p> <p>240 hours at \$100 an hour it is estimated this effort would be \$24,000.</p>
<p><i>Observation 1.5: The Timeliness of PFA Reconciliations has Improved Since July 1<sup>st</sup></i></p> <p>It should be noted that some PFA letters sent to the SCO were dated prior to approval by the secondary reviewer of the PFA reconciliation. PFA letters should</p>	<p>This observation basically indicates that the timeliness of PFAs has improved, but there were</p>	<p>Internal:</p> <p>Existing Accounting Office staff should ensure compliance</p>	<p>Internal:</p> <p>Zero</p>

Observation	Approach	Resources	Cost
not be sent to the SCO prior to this secondary review and approval.	identified instances of non-compliance in administrative approvals. The Accounting Office should ensure compliance with internal controls.	with appropriate internal controls. There is no additional effort related to this observation as this should be currently being done.  External:  None	External:  Zero
<p><i>Observation 1.6: Changes to Internal Audit and the Internal Audit Plan are Needed</i></p> <p>The ISO function should be moved out of internal audits and housed in a more appropriate area so that internal audits would be free from any conflicts of interest should a review of the ISO operation be necessary.</p> <p>To ensure conflicts of interest do not occur, or the appearance of a lack of independence, we believe Internal Audits should either directly report to the live-member State Board, or alternatively to the Water Board's Chief Counsel.</p> <p>Finally, even though we understand that a great deal of effort went into creating, the current internal audit plan based on a risk assessment we believe, due to the internal control weaknesses we identified during, our review, that the internal audit plan should focus on more the more traditional Financial Integrity and State Manager's Accountability Act (FISMA) review.</p>	We would suggest that DAS prepare a memorandum to the Executive Director suggesting that the ISO function be moved to a more appropriate area within the Water Board as well as suggesting that Internal Audit report to with the State Board or to the Chief Counsel. In addition, this memorandum can discuss the desire to adjust the current audit plan to address a FISMA review first.	Internal:  Preparation of a memorandum and response that would require 1 FTE for approximately 1 month in duration. Actual effort should not be more than 16 hours.  External:  None	Internal:  The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to work internally to develop the memorandum.  External:  Zero
<i>Observation 1.7: The Accounting Office Needs to Create a Policies</i>			

Observation	Approach	Resources	Cost
<p><i>and Procedures Manual</i></p> <p>We attempted to illustrate in the functional organizational chart for the Accounting Office was the level of such documentation provided by the various units and teams. Most information was not at the desk procedure level, but some was.</p> <p>As such, the Accounting Office has a significant amount of procedural related material. It our suggestion that the Accounting Office consolidates such material in a central repository and begins developing procedures for all Accounting Office functions. These procedures should be consistently formatted and identify existing internal controls, similar to the process narratives we prepared. In addition, any Water Board administrative policies should also be consolidated within this policies and procedures manual.</p> <p>Without listings that identify the Universe of certain accounting transactions it is not possible to affirmatively state that all accounts receivables have been posted or all accounts payables have been paid. The Accounting Office should develop listing for certain accounts that would assure them that all accounting transactions for these accounts have been received and posted.</p> <p>Finally, the Accounting Office should create a listing of all terms, definitions, abbreviations, acronyms, etc. used in administrative functions so when communicating within the Accounting Office, or with other</p>	<p>The Accounting Office should develop the following and determine a process for ensuring these items are revised as needed: 1] Functional organizational chart that allows an individual not within the Accounting Office to know who does what. This functional organization chart can then be posted to the agency's intranet so that other divisions and the regional water boards know who to call related to what activities they perform. 2] Policies and procedures manual specific to the Water Board that includes embedded controls. It should be noted that policies and procedures often do not clearly identify internal controls, and this is needed to demonstrate compliance with SAM. These policies and procedures should be maintained in a centralized location on the intranet and accessible by all staff of the agency.</p>	<p>Internal:</p> <p>This may be one of the larger tasks to implement of the other observations. We would believe that if the Accounting Office would assign I FTE full-time for approximately 9 months the four items identified could be developed. The most difficult effort would be to develop the internal controls that are embedded in the current processes. As such, a resource familiar with internal control and SAM should fill this position. In addition, the full cooperation of the Accounting Office will be needed to ensure completeness and expediency in this effort. Actual effort should not be more than 1,560 hours.</p> <p>External</p> <p>There is the potential to hire a consultant with experience in developing policy and procedure manuals and knowledge of internal controls and</p>	<p>Internal:</p> <p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to work internally to develop the four items identified.</p> <p>External:</p> <p>1,560 hours at \$100 an hour it is estimated this effort would be \$156,000.</p>

Observation	Approach	Resources	Cost
<p>divisions, units, etc. all parties can agree what the subject matter is. As part of our review we created our own list of abbreviations and consolidated this list with that of the Water Board.</p>	<p>Also, see Observation 1.8. 3] Listings should be made of all receivable types and all payable types, otherwise how does one ensure that all receivables have been posted and all payables are recorded? Again, these listings should be made available on the intranet and reviewed by all staff of the agency responsible for the creation of receivables or the incurrence of payables to ensure completeness. 4] Just as the Water Board has created a listing of terms, the Accounting Office should develop a listing all terms, definitions, abbreviations, acronyms, etc. used in administrative functions. This listing should be available on the intranet and available to all staff. These terms, definitions, abbreviations, acronyms, etc. should be used consistently in all communication within the Accounting Office and between the Accounting Office</p>	<p>SAM. If that occurs the hours above could be moved to the consultant.</p>	

Observation	Approach	Resources	Cost
	and staff outside the Accounting Office.		
<p><i>Observation 1.8: Cash Receipting and the Custodianship over Securities Needs to be Improved</i></p> <p>KPMG recommends that the Accounting Office be responsible for all cash receipting and custodianship over securities throughout the Water Board in order to localize accountability.</p> <p>If centralization does not occur, at a minimum, the State Water Board should create and implement a standard policy and procedure for cash receipting and the custodianship over securities that all divisions/units/etc. adhere to.</p> <p>The Water Board should also consider how to centralize its cash receipting. For instance, use of one P.O. Box with suffixes for zip code that would allow for ease in identification of ‘the various receipt types, or use of different colored envelopes for various receipt types sent to one P.O Box, or utilizing a lockbox for cash receipting.</p>	<p>To address the first two paragraphs of the observation at left please see our comments to Observation 1.2 and 1.7. To address the final paragraph, the Accounting Office should assign an individual to explore how best to centralize its cash receipting. We would suggest contacting the STO and then determine the cost benefit associated with improved processes and controls within this area. If there is a cost benefit, then the Accounting Office should implement such improvements.</p>	<p>Internal:</p> <p>We would estimate this would take 1 FTE approximately 3 months in duration to explore potential improvements to the current cash receipting process of the Water Board. Actual effort should not be more than 120 hours.</p> <p>External:</p> <p>None</p>	<p>Internal:</p> <p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to work on exploring improvements to the current cash receipting process.</p> <p>External:</p> <p>Zero</p>
<p><i>Observation 1.9: It is Unclear Why Two Units in the Accounting Office Process Payables</i></p> <p>During our review we determined that two units within the Accounting Office process account payables transactions. As indicated earlier, we believe in the centralization of administrative functions. As such, we would suggest that one unit within the Accounting Office process all payables related to the Water</p>	<p>We would suggest that DAS direct the Accounting Office to consolidate functions as much as administratively feasible, thus, if similar functions are being conducted by different units these</p>	<p>Internal:</p> <p>Insignificant</p> <p>External:</p> <p>None</p>	<p>Internal:</p> <p>Insignificant</p> <p>External:</p> <p>Zero</p>



Observation	Approach	Resources	Cost
Board, similar to cash receipting as discussed above.	be consolidated.		
<p><i>Observation 1.10: Lack of KPIs</i></p> <p>The development of KPIs would assist the Accounting Office not only in identifying what activities is spending it's time on and therefore what processes to streamline, but also in support of any budget augmentations that may be requested in the future.</p>	<p>We would suggest that the Accounting Office direct unit managers to develop KPIs for their units and reported on monthly to DAS management. In most cases the units could use currently exiting, information that is developed through normal daily activities. Upon the initial develop of these KPIs, further refinement could be made that could assist in identifying areas where improvement in the process would lead to the best cost benefit return.</p>	<p>Internal:</p> <p>Management reporting is fundamental to managing an organization. During, our review we did not see any management reporting that was conducted within the Accounting Office that was provided through information developed by the units, then provided to the manager, and then provided to DAS management. As indicated, management reporting is fundamental to internal control, which includes communication and monitoring. Thus, we do not feel that this observation would result in additional effort as it should be currently conducted.</p> <p>External:</p> <p>None</p>	<p>Internal:</p> <p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing, staff to work internally to develop the four items identified.</p> <p>External:</p> <p>None</p>

## Indirect Cost Allocation Review

### *Overall Approach*

Several of our suggestions related to cost allocation area can be corrected by one simple approach, which is use the approved ICRP rate for the entire year and adjust any overages/underages in the following year's ICRP computation. We have been engaged by several hundred entities related to cost allocation, worked with most federal cognizant agencies that approve ICRPs, and are often involved in negotiating indirect cost rates with the federal Department of Health and Human Services' Division of Cost Allocation. The use of a single unadjusted rate for the approved period is a common approach that is used by most entities that have an approved ICRP.

Most of our observations are a result of the Water Board not using the agreed upon rate for the entire year, that is there are adjustments for "actual" expenses throughout the year that result in a trued up rate. There was concern expressed by the Water Board that if adjustments are not made for actual that this would result in billings for services or charges to federal programs that are not based on actual. The fact is, the use of an agreed upon ICRP that allocates cost uniformly is considered "actual" by the federal government as long as an adjustment is made in the following year's ICRP.

Another concern was that the use of the approved rate without making adjustments for "actual" could result in budget overages at year-end that would not be identified using a set rate throughout the year. There is nothing that prevents the Water Board from monitoring their true cost against the rate. Basically, the process for this monitoring is in place since the Water Board has been making manual adjustments based on the current monthly process. The Water Board can continue the current process for monitoring purposes; however they should not make any manual adjustments to the rate.

Thus, our recommendation is that staff from the Water Board meets with the DOF's Fiscal Systems and Consulting Unit (FSCU) and the CalSTARS Unit to discuss what modifications to their current cost allocation process is needed using the above suggested method. FSCU provides fiscal consultation to agencies and advises agencies on compliance with federal guidelines, such as OMB's Circular A-87 and Implementation Guide ASMB C-10. The CalSTARS Unit can assist the Water Board by providing individualized analyst support for operational assistance and consultation related to the use of the cost allocation module with CalSTARS. Since the cost of operating FSCU and the CalSTARS Unit is part of Pro Rate and the Statewide Cost Allocation Plan (SWCAP), the cost to the Water Board for using the services of the DOF should be zero.

The above recommendation relates to Observations 2.1, 2.2, 2.3, and 2.5.

Below, we have provided a synopsis of our observations related to the *Indirect Cost Allocation Review* with our suggested approach to resolving these, the resources we believe are needed, and the cost to the Water Board in hard dollars.

<b>Observation</b>	<b>Approach</b>	<b>Resources</b>	<b>Cost</b>
<i>Observation 2.1: PCAs in the Same Program Receive Different Indirect Cost Rates</i>			
When reviewing the actual indirect cost allocation for FY 2007-08 it became clear that not	See our Overall Approach at the beginning of this	Internal: Accounting Office	Internal: The cost related to

<b>Observation</b>	<b>Approach</b>	<b>Resources</b>	<b>Cost</b>
<p>all Water Quality or Water Rights PCAs at the end of the FY had been charged the same indirect cost rate.</p>	<p>section.</p>	<p>staff familiar with CalSTARS' cost allocation module and the current cost allocation methodology of the Water Board. We would expect that the time needed to implement such a change would require the effort of 1 FTE for approximately 3 months in duration. Actual effort should not be more than 80 hours.</p> <p>External: FSCU CalSTARS Unit</p>	<p>the implementation of this recommendation is soft, that is it is redirection of existing staff to work with FSCU and the CalSTARS Unit to modify the current cost allocation process within CalSTARS to provide for an annual unadjusted rate process.</p> <p>External: Zero</p>
<p><i>Observation 2.2: The Rate from the Indirect Cost Rate Proposal Is Not Actually Used</i></p> <p>Even though the ICRP is submitted and approved the approved rates are not used throughout the FY. While the Water Board desires to charge actual costs rather than using the agreed-upon rate as to potentially avoid large year-end adjustments, the current process is more complicated than need be.</p>	<p>See our Overall Approach at the beginning of this section and Observation 2.1.</p>	<p>See Observation 2.1.</p>	<p>See Observation 2.1.</p>
<p><i>Observation 2.3: When a PCA Closes Mid-Year It Is No Longer Part of the Indirect Cost Adjustment</i></p> <p>In the current indirect cost allocation process an ad hoc spreadsheet is used monthly to adjust different PCAs within the same program that are receiving different indirect cost rates. As</p>	<p>See our Overall Approach at the beginning of this section and Observation 2.1.</p>	<p>See Observation 2.1.</p>	<p>See Observation 2.1.</p>

Observation	Approach	Resources	Cost
<p>pointed out in Observation 2.1, this control is not functioning properly. One part of the problem is due to the fact that when a PCA closes mid-year it is no longer part of the indirect cost adjustment process. We would suggest that the Water Board again use a set rate process as suggested in Observation 2.2 and / or to close PCAs only after the final actual cost allocation process is completed.</p>			
<p><i>Observation 2.4: Paid Time Off Is Allocated as an Indirect Expense Instead of a Direct Expense</i></p> <p>The current Water Board allocation treats Paid Time Off as an indirect cost. When the allocation occurs, the Paid Time Off expenses are allocated proportionally to accounts based on the total Personal Services charge of each account. However, this may not be an accurate representation of where those costs were incurred. Our recommendation is that Paid Time Off expenses for each employee be charged to the specific projects that that employee worked on. One method to accomplish this is through a Fringe Benefit rate that is added to each hour charged by an employee to a direct PCA.</p>	<p>The Water Board should develop a Fringe Benefit rate that is added to each hour charged by an employee to a direct PCA. The Budget Unit and Accounting Office should work together on developing such a rate and may seek guidance from FSCU on how to develop such a rate or seek advice on how other agencies address this issue.</p>	<p>Internal:</p> <p>Budget Management Unit and Accounting Office staff familiar with the current cost allocation methodology of the Water Board. We would expect that the time needed to implement such a change would require the effort of 2 FTEs for approximately 1 month in duration. Actual effort should not be more than 160 hours.</p> <p>External:</p> <p>FSCU</p>	<p>Internal:</p> <p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to develop the Fringe Benefit rate. In addition, there may be the need to consult with FSCU to determine what other agencies do to address this issue.</p> <p>External:</p> <p>Zero</p>
<p><i>Observation 2.5: Not All Indirect Costs are Being Fully Allocated</i></p> <p>In our review of the FY 2007-08 indirect cost allocations we observed that not all indirect costs were being fully allocated. This</p>	<p>See our Overall Approach at the beginning of this section and</p>	<p>See Observation 2.1.</p>	<p>See Observation 2.1.</p>

Observation	Approach	Resources	Cost
<p>indicates a potential issue with the CalSTARS allocation process. We recommend that the cause of this error be explored and corrected and that controls are established to ensure the allocation of these PCAs at year-end.</p>	<p>Observation 2.1.</p>		
<p><i>Observation 2.6: Potentially Inappropriate Year-End Adjustments</i></p> <p>During our review of the indirect cost accounts for FY 2007-08 it appears that the Water Board may have expended monies in excess of their available balances in CalSTARS. In order to correct this situation, and for the Water Board to close CalSTARS and submit their year-end financial statements, many potentially inappropriate year-end adjustments may have been made. This issue is not directly related to the indirect cost allocation process, but these year-end adjustments may have contributed to the disproportionate indirect cost rates mentioned in Observation 2.1.</p> <p>We would suggest that better controls be established to monitor budgets on an on-going basis to prevent this type of issue from occurring in the future. We would also suggest that all entries that may have been made to make adjustments for these cost overruns be reviewed and analyzed to determine their appropriateness. Ideally, preventive controls should be established that would not allow overcharges to occur.</p>	<p>An analysis should be conducted to determine the cause of this issue and a plan be developed to institute procedures to ensure this does not occur in the future. It should be noted that Observation 2.6 may be related to Observations 2.7 and 2.8.</p>	<p>Internal:</p> <p>Budget Management Unit and Accounting Office staff responsible for monitoring the overall budget of the Water Board. We would expect that the time needed to address this would require the effort of 2 FTEs for approximately 1 month in duration. Actual effort should not be more than 160 hours.</p> <p>External:</p> <p>None</p>	<p>Internal:</p> <p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to analyze the cause of this condition and develop a plan to ensure this does not occur in the future.</p> <p>External:</p> <p>Not Applicable</p>
<p><i>Observation 2.7: Allocated Operating Expenses Receive Inappropriate Charges</i></p>			

Observation	Approach	Resources	Cost
<p>When comparing the ICRP to the final indirect cost submittal to the U.S. EPA, we noticed a discrepancy related to expense types charged to the Allocated Operating Expenses category. It appears that the Allocated Operating Expenses PCA is being used when there is not sufficient budget remaining on other PCAs.</p> <p>We would suggest that controls be established to limit the ability of charging expenses, other than the established seven expense types, to Allocated Operating Expenses. We would also suggest that all expense categories be monitored to ensure overages are not allocated inappropriately to line items with budget available or are allocable to programs.</p>	<p>The Accounting Office should place controls over CalSTARS that does not allow for the charging of the Allocated Operating Expense category for other than approved expense types. Also see Observation 2.6.</p>	<p>Internal:</p> <p>Accounting Office staff familiar with the controls within CalSTARS that allow charges to be incurred by the Allocated Operating Expense category. If system controls cannot be established that would prevent non-approved expense types from being charged to the Allocated Operating Expense category, a budget monitoring process should be established. This budget monitoring process could be part of approach we have suggested in Observation 2.6. We would expect that the time needed to address this would require the effort of 1 FTE for approximately 1 week in duration. Actual effort should not be more than 16 hours.</p> <p>External:</p> <p>None</p>	<p>Internal:</p> <p>The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to modify CalSTARS to ensure that non-approved expense types cannot be charged to the Allocated Operating Expense category.</p> <p>External:</p> <p>Not Applicable</p>
<p><i>Observation 2.8: Programs are Charging the Water Quality Management PCAs Inappropriately</i></p> <p>Programs at the regional board level are given a budget for the</p>	<p>See our comments related to</p>	<p>See our comments related to</p>	<p>See our comments related to</p>

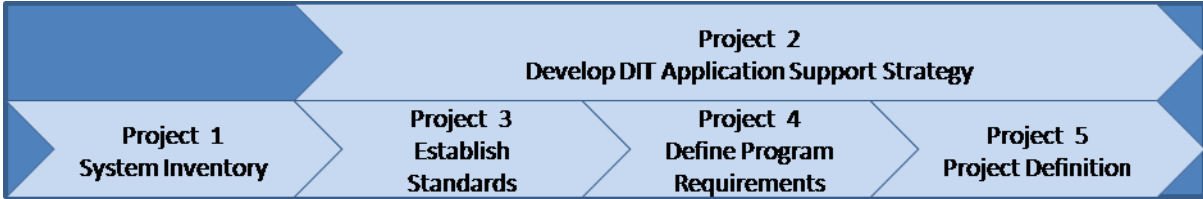
Observation	Approach	Resources	Cost
<p>Water Quality Management PCA 59101 “WQ Prog Managemnt Admin Support” and PCA 59102 “TMDL Development IDC Augmentation.” These accounts are designed to represent administrative overhead costs incurred within the Water Quality Program, but not directly associated to any individual project. From our review we determined that these PCAs are used on occasion when an employee may not have sufficient budgeted direct charge hours. Thus, PCAs that are charged for indirect costs that are really direct costs unjustly burden the indirect charge rate for that program.</p> <p>We recommend that Water Quality Management PCAs are used only for administrative overhead activities that benefit the entire Water Quality Program. In order to do this the budgetary process currently in place needs to be adjusted to allow for more charging, i.e. more budget, to direct PCAs vs. indirect PCAs.</p>	<p>Observation 1.1.</p>	<p>Observation 1.1.</p>	<p>Observation 1.1.</p>
<p><i>Observation 2.9: An Adjustment for Equipment is not Performed in the Actual Cost Allocation Process</i></p> <p>The Adjustment for Equipment is not performed in the actual cost allocation process, but is presented on both the ICRP and the final indirect cost submittal. If Adjustment for Equipment was to be allocated, the appropriate equipment object codes need to be identified and should be charged indirect costs. Also, the appropriate equipment adjustment must be included in the indirect cost allocations to all PCAs. We would suggest that the Water Board make the necessary</p>	<p>The Budget Management Unit and Accounting Office should work together to determine how this adjustment should be implemented related to the development of the ICRP. In addition, the Accounting Office should analyze the Water Board’s current fixed assets</p>	<p>Internal: Budget Management Unit and Accounting Office staff working together on the amount of the Adjustment for Equipment that should be used in the ICRP and allocated. This amount must first be analyzed by the Accounting Office to determine</p>	<p>Internal: The cost related to the implementation of this recommendation is soft, that is it is redirection of existing staff to analyze the current fixed assets subsidiary ledger and develop a depreciation methodology, as</p>

Observation	Approach	Resources	Cost
Adjustment for Equipment in the actual cost allocation process.	and determine if the listing of fixed assets is complete, what fixed assets should be depreciated, and how this depreciation charge should be used in the development of the ICRP.	<p>the Adjustment for Equipment amount is complete and establish a depreciation computation methodology as well as determine the depreciation entry needed for the ICRP. We would estimate this effort would take approximately 2 FTEs 3 to 6 months in duration depending on the completeness and accuracy of the Water Board's fixed assets subsidiary ledger. Actual hours could be from 160 hours to 320 hours.</p> <p>External: None</p>	<p>well as developing a depreciation entry to be used in the ICRP process.</p> <p>External Not applicable</p>

**Accounting IT Systems Review**

Figure 4.1: Implementation Plan, graphically depicts the implementation plan for the Accounting IT Systems Review, which consists of five “projects.” With the exception of Project 2 – Develop DIT Application Support Strategy, projects are performed sequentially, as shown in Figure 4.1 below.

**Figure 4.1: Implementation Plan**



**Project 1 – System Inventory**

Project 1 – System Inventory and Documentation, includes performing a comprehensive system inventory, identifying existing system documentation, identifying current DIT support for the system, defining documentation deficiencies, and for documentation deficiencies, acquiring or creating the necessary documentation for each system. The financial system inventory in the appendix of this report



can serve as a starting point, as can the current IT Capital Plan submitted to the Office of the State Chief Information Officer. However, the inventory should be expanded to identify all systems (not just financial) and should emphasize support needs (from DIT, from system and user documentation, for training, etc.), rather than business functionality. The Figure 4.2: Project 1 – System Inventory, summarizes the project.

**Figure 4.2: Project 1 – System Inventory**

<b>Task #</b>	<b>Scope of Work</b>		
1	<b>Perform system inventory</b>		
	<b>Deliverable: System Inventory.</b> Identify and document all project systems used by SWRCB. Identify existing documentation and determine documentation that needs to be acquired or created for each system.		
	<b>Roles:</b> SWRCB Project Manager SWRCB System Analyst	<b>Estimated Effort:</b> 900 person hours	<b>Estimated Cost:</b> \$43,727
2	<b>Acquire or create system documentation</b>		
	<b>Deliverable: System Documentation.</b> Acquired or created system documentation to address identified deficiencies.		
	<b>Roles:</b> To be determined, pending Task 1	<b>Estimated Effort:</b> TBD	<b>Estimated Cost:</b> TBD
<b>Project Objectives</b>			
<ul style="list-style-type: none"> <li>• System and documentation inventory, and the identification of documentation deficiencies.</li> <li>• Acquire or create system documentation.</li> </ul>			
<b>Key Stakeholders</b>			
<ul style="list-style-type: none"> <li>• DIT</li> <li>• Accounting, Budgets</li> <li>• Program</li> </ul>			
<b>Duration</b>			
<ul style="list-style-type: none"> <li>• 6 months</li> </ul>			
<b>Assumptions</b>			
<ul style="list-style-type: none"> <li>• Comprehensive inventory of systems and documentation has not been performed.</li> <li>• Acquisition or creation of system documentation can be performed in parallel with other projects.</li> <li>• Cost estimates below assume 60 systems must be inventoried. Documentation provided by DIT identified 27 current systems; however, many of the financial systems listed in the appendix to this report were not included. Also, an additional 17 projects identified in the SWRCB IT Capital Plan will result in new systems or additional functionality to current systems. The assumption of 60 systems may allow for documentation of “shadow systems,” as well.</li> </ul>			

## Project 2 – Develop DIT Application Support Strategy

Our review identified the need to develop a comprehensive DIT application support strategy for all Water Board financial systems including the capability to enhance program systems in a timely manner to meet evolving program and statutory requirements with regard to financial data.

In addition, the Implementation Plan culminates in Project 5, Project Definition, which will define and prioritize system enhancement projects and new system implementation projects necessary to satisfy enterprise and program requirements. As such, Project 2 – Develop DIT Application Support Strategy, should be performed in parallel with the projects that define standards and requirements, system enhancement projects and new system implementation projects, which are important inputs into the development of the application support strategy. Figure 4.3: Project 2 – Develop DIT Application Support Strategy, summarizes the project.

**Figure 4.3: Project 2 – Develop DIT Application Support Strategy**

<i>Task #</i>	<i>Scope of Work</i>		
1	<b>DIT Participation in Project 3, Establish Standards</b>		
	<b>Deliverable: Support Needs Regarding Financial Systems Standards.</b> DIT participation to understand business requirements associated with "financial" data in program systems.		
	<b>Roles:</b> SWRCB Project Manager SWRCB Project Team SWRCB SME's	<b>Estimated Effort:</b> 528 person hours	<b>Estimated Cost:</b> \$25,288
2	<b>DIT Participation in Project 4, Define Program Requirements</b>		
	<b>Deliverable: Support Needs Related to Program Business Requirements.</b> DIT participation to understand program business requirements and contribute to interface, reporting and other topics.		
	<b>Roles:</b> SWRCB Project Manager SWRCB Project Team SWRCB SME's	<b>Estimated Effort:</b> 528 person hours	<b>Estimated Cost:</b> \$25,288
3	<b>DIT Participation in Project 5, Project Definition</b>		
	<b>Deliverable: Support Needs Related to Proposed IT Projects.</b> DIT participation to help define IT projects for new systems and system enhancement projects.		
	<b>Roles:</b> SWRCB Project Manager SWRCB Project Team SWRCB SME's	<b>Estimated Effort:</b> 528 person hours	<b>Estimated Cost:</b> \$25,288
4	<b>Develop DIT Application Support Strategy</b>		
	<b>Deliverable: Application Support Strategy.</b> Strategy for developing system enhancements, implementing new systems and on-going application support. The strategy will take into account the support needs identified in tasks 1 – 3 above. Strategy should include in-house vs. contractor, staffing levels, skill sets, training requirements, service levels, costs, etc.		

<i>Task #</i>	<i>Scope of Work</i>		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 2,420 person hours	<b>Estimated Cost:</b> \$252,569
<b>Project Objectives</b> <ul style="list-style-type: none"> <li>Develop DIT application support strategy for system enhancement projects, new system implementation projects and on-going application support.</li> </ul>			
<b>Key Stakeholders</b> <ul style="list-style-type: none"> <li>DIT</li> <li>Program</li> <li>Accounting, Budget</li> </ul>			
<b>Duration</b> <ul style="list-style-type: none"> <li>3to 9 months</li> </ul>			
<b>Assumptions</b> <ul style="list-style-type: none"> <li>Project is performed in parallel with other projects that provide important inputs into the development of the application support strategy.</li> <li>Creation of the application support strategy is a joint effort between DIT, program, accounting and budget staff to ensure program and administrative support requirements are met.</li> </ul>			

### Project 3 – Establish Standards

Project 3 – Establish Standards, involves the definition of enterprise standards for “financial” data – for both program and financial systems – that will facilitate consistent program and enterprise reporting. “Financial” data includes (1) timesheet data, (2) budget and budgetary encumbrance data, and (3) accounting data. Establishing standards includes defining what a “Customer” is from the perspective of the programs and DAS Accounting. For example, is a “Customer” a permitted organization/individual, a location, a facility, a loan recipient, etc.?

Establishing standards may also involve gaining enterprise agreement for the use of FMS as a centralized, enterprise system to provide accounts receivable functionality for all SWRCB programs. In addition, a standardized relationship between program systems and FMS involving data and process should be defined that also facilitates consistent program and enterprise reporting. For example, what data will be sent from the program system to FMS and what data will be sent from FMS to the program system for billing / creating receivables and processing payments. And lastly, standardization should include the identification of all SWRCB accounts receivable types and prioritize them for inclusion in FMS. Figure 4.4: Project 3 – Establish Standards, summarizes the project.

**Figure 4.4: Project 3 – Establish Standards**

<i>Task #</i>	<i>Scope of Work</i>
1	Define enterprise standards for “financial” data

<b>Task #</b>	<b>Scope of Work</b>		
	<b>Deliverable: Enterprise Standards for “Financial” Data.</b> Defines timesheet, budget, budgetary encumbrance and accounting data that should be recorded in all program systems.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 3,271 person hours	<b>Estimated Cost:</b> \$283,219
2	<b>Define data and process standards between program systems and FMS</b>		
	<b>Deliverable: Program System / FMS Data and Process Standards.</b> Defines standard data exchanged between program systems and FMS for accounts receivable related processes.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 3,271 person hours	<b>Estimated Cost:</b> \$283,219
3	<b>Identify and prioritize accounts receivable types for inclusion in FMS</b>		
	<b>Deliverable: Prioritized List of Accounts Receivable Types.</b> Identifies types of accounts receivables throughout SWRCB and prioritizes them for inclusion in FMS based on selected criteria (complexity, A/R volume, A/R dollars, etc.).		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 931 person hours	<b>Estimated Cost:</b> \$87,347
<b>Project Objectives</b> <ul style="list-style-type: none"> <li>• Definition of enterprise standards for “financial data” that will be recorded in all program systems.</li> <li>• Definition of enterprise data and process standards for the relationship between program systems and FMS.</li> <li>• Identify and prioritize accounts receivable types for inclusion in FMS.</li> </ul>			
<b>Key Stakeholders</b> <ul style="list-style-type: none"> <li>• DIT</li> <li>• Accounting, Budget</li> <li>• Program</li> </ul>			
<b>Duration</b> <ul style="list-style-type: none"> <li>• 6 to 9 months</li> </ul>			

<i>Task #</i>	<i>Scope of Work</i>
<b>Assumptions</b>	
<ul style="list-style-type: none"> <li>All tasks in this project serve as inputs to Projects 4 and 5. While Projects 4 and 5 can be split into smaller tasks/projects that emphasize certain program groups, this standard-setting project must be completed in its entirety in order to provide a solid foundation for the other projects.</li> <li>Task 3, which results in the identification and prioritization of accounts receivable types for inclusion in FMS, is likely to have an impact on subsequent project. The prioritization of accounts receivable in this task should take into account the “low hanging fruit” that can be easily added to FMS. More complex accounts receivable may require additional functionality defined in Project 4 and prioritized in Project 5.</li> </ul>	

#### **Project 4 – Define Program Requirements**

Project 4 – Define Program Requirements, addresses program administration requirements – including financial requirements – for individual programs. Project 3 – Establishing Standards, is an important input and forms an enterprise context for the relationship between individual program administration requirements and enterprise standards. Important discussion points during program requirement definition include:

- Requirements satisfied by existing program systems,
- Requirements that are satisfied in end user applications such as Microsoft Word®, Excel®, and Access®,
- Requirements that are unmet by existing program systems and end user applications,
- New or improved reporting requirements, especially reports that are created by manually combining data and /or reports from multiple systems to create another report,
- New or improved interfaces between program and enterprise systems; and
- Integration requirements with document management, workflow, GIS and data warehouse technologies.

Figure 4.5: Project 4 – Define Program Requirements, summarizes the project.

**Figure 4.5: Project 4 – Define Program Requirements**

<i>Task #</i>	<i>Scope of Work</i>		
<b>Loan and Grant Focused Programs</b>			
1	<b>Clean Water State Revolving Fund (CWSRF) Program requirements definition [LGTS]</b>		
	<b>Deliverable: CWSRF Requirements.</b> Program administration, reporting, interface and integration requirements.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,797 person hours	<b>Estimated Cost:</b> \$175,147
2	<b>Replacement Underground Storage Tank Program (RUST) requirements definition [ABS]</b>		
	<b>Deliverable: RUST Requirements.</b> Program administration, reporting, interface and integration requirements.		

<b>Task #</b>	<b>Scope of Work</b>		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,198 person hours	<b>Estimated Cost:</b> \$116,765
3	<b>Underground Storage Tank Clean-up requirements definition [SCUFIS]</b>		
	<b>Deliverable: Underground Storage Tank Clean-up Requirements.</b> Program administration, reporting, interface and integration requirements.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,797 person hours	<b>Estimated Cost:</b> \$175,147
4	<b>Non-profit Clean-up Grants requirements definition [GoCATS]</b>		
	<b>Deliverable: Non-profit Clean-up Requirements.</b> Program administration, reporting, interface and integration requirements.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,198 person hours	<b>Estimated Cost:</b> \$116,765
<b>Cost Recovery Focused Programs</b>			
5	<b>Site Clean-up Program [SCP Oracle Daily Log]</b>		
	<b>Deliverable: SCP Requirements.</b> Program administration, reporting, interface and integration requirements.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,797 person hours	<b>Estimated Cost:</b> \$175,147
6	<b>DoD Site Clean-up and DSMOA Federal Reimbursement requirements definition [DoD Oracle Daily Log and DoD Main]</b>		
	<b>Deliverable: DoD Site Clean-up and DSMOA Federal Site Clean-up Requirements.</b> Program administration, reporting, interface and integration requirements.		

<b>Task #</b>	<b>Scope of Work</b>		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,797 person hours	<b>Estimated Cost:</b> \$175,147
<b>Payment and Certification Focused Programs</b>			
7	<b>Agricultural Discharge Permit and Waste Water ACL Complaints and Orders requirements definition [CIWQS]</b>		
	<b>Deliverable: Agricultural Discharge Permit and Waste Water ACL Requirements.</b> Program administration, reporting, interface and integration requirements.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,797 person hours	<b>Estimated Cost:</b> \$175,147
8	<b>Industrial, Construction, Linear Discharge Permits and Storm Water ACL Complaints requirements definition and Orders [SMARTS]</b>		
	<b>Deliverable: Industrial, Construction, Linear Discharge Permit and Storm Water ACL Requirements.</b> Program administration, reporting, interface and integration requirements.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,797 person hours	<b>Estimated Cost:</b> \$175,147
9	<b>Waste Water Treatment Operator Certification Requirements Definition [Op Cert]</b>		
	<b>Deliverable: Waste Water Treatment Operator Certification Requirements.</b> Program administration, reporting, interface and integration requirements.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 1,198 person hours	<b>Estimated Cost:</b> \$116,765
<b>Project Objectives</b> <ul style="list-style-type: none"> <li>Identify program administration requirements, whether the requirement is satisfied by an existing program system, satisfied by an end user application or is unmet,</li> <li>Identify new or improved reporting and interface requirements; and</li> </ul>			

<i>Task #</i>	<i>Scope of Work</i>
	<ul style="list-style-type: none"> <li>Identify new integration requirements with document management, workflow, GIS and data warehouse technologies.</li> </ul>
<b>Key Stakeholders</b>	<ul style="list-style-type: none"> <li>DIT</li> <li>Individual Program Staff</li> <li>Accounting, Budget</li> </ul>
<b>Duration</b>	<ul style="list-style-type: none"> <li>9 sub-projects lasting 2 to 3 months each</li> <li>9 to 18 months overall, if some are done in parallel</li> </ul>
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>Project 3 has been completed and relevant financial standards have been defined.</li> <li>Tasks 1 through 9 can be completed in any order, and include or exclude some of the defined tasks. However, economies of scale are likely to be achieved by analyzing a “focused program group” as a whole (e.g., Loan and Grant Focused Programs).</li> </ul>

### **Project 5 – Project Definition**

Collectively, Project 3 – Establish Standards, and Project 4 – Define Program Requirements, define all standards and requirements for each program. Using the standards and requirements defined for each program, Project 5 – Project Definition, evaluates the capability of existing systems to meet those requirements, and defines and prioritizes system enhancement projects and new implementation projects necessary to satisfy requirements. Project 5 – Project Definition, should address the following questions:

- Can an existing program system potentially be used to administer multiple programs?,
- If an existing program system can potentially be used to administer multiple programs, what enhancements are necessary to (1) satisfy enterprise “financial” standards, (2) centralize accounts receivable functionality in FMS, (3) satisfy program administration requirements including new or enhanced reports and interfaces and (4) satisfy requirements for integration with new technology – *for all programs the system will support*,
- Given the enhancements to the existing systems that are necessary, is it better to enhance the existing system, or procure and implement a new program system, and integrate that system into the SWRCB environment?; and
- If a program needs to continue using its existing system for program administration, what enhancements are necessary to (1) satisfy enterprise “financial” standards, (2) centralize accounts receivable functionality in FMS, (3) satisfy unmet program administration requirements, (4) satisfy new or enhanced reports and interfaces, and (5) satisfy requirements for integration with new technologies?

Figure 4.6: Project 5 – Project Definition, summarizes the project.

**Figure 4.6: Project 5 – Project Definition**

<i>Task #</i>	<i>Scope of Work</i>
1	<b>Define and prioritize system enhancement and new system implementation projects for loan and grant focused programs</b>



	<b>Deliverable: Program System Enhancement and New System Implementation Projects.</b> Prioritized listed of system enhancement and new system implementation projects that includes (1) project objectives, (2) project scope, (3) estimated effort / resources / cost, and (4) benefits.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 599 person hours	<b>Estimated Cost:</b> \$58,382
2	<b>Define and prioritize system enhancement and new system implementation projects for cost recovery focused systems</b>		
	<b>Deliverable: Program System Enhancement and New System Implementation Projects.</b> Prioritized listed of system enhancement and new system implementation projects that includes (1) project objectives, (2) project scope, (3) estimated effort / resources / cost, and (4) benefits.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 599 person hours	<b>Estimated Cost:</b> \$58,382
3	<b>Define and prioritize system enhancement and new system implementation projects for permit and certification focused programs</b>		
	<b>Deliverable: Program System Enhancement and New System Implementation Projects.</b> Prioritized listed of system enhancement and new system implementation projects that includes (1) project objectives, (2) project scope, (3) estimated effort / resources / cost, and (4) benefits.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 726 person hours	<b>Estimated Cost:</b> \$64,030
4	<b>Enterprise prioritization of system enhancement and new system implementation projects</b>		
	<b>Deliverable: Enterprise Project Prioritization.</b> Enterprise list of prioritized projects from all focus areas.		
	<b>Roles:</b> Project Sponsor SWRCB Project Manager SWRCB Project Team SWRCB SME's Consultant Project Manager Consultant Project Team	<b>Estimated Effort:</b> 821 person hours	<b>Estimated Cost:</b> \$68,266

<p><b>Project Objectives</b></p> <ul style="list-style-type: none"> <li>• Define projects that result in the following: <ul style="list-style-type: none"> <li>○ Reduction in the number of program systems required for program administration,</li> <li>○ Elimination of end user applications such as Microsoft Word®, Excel®, and Access®,</li> <li>○ Implementation of enterprise standards for “financial” data in program systems and the use of FMS to centralize program accounts receivable functionality,</li> <li>○ Implementation of program administration requirements including new or enhanced reports and interfaces,</li> <li>○ Implementation of integration requirements with document management, workflow, GIS and data warehouse technologies; and</li> <li>○ Prioritize projects within their focus area and for the enterprise.</li> </ul> </li> </ul>
<p><b>Key Stakeholders</b></p> <ul style="list-style-type: none"> <li>• DIT</li> <li>• Accounting, Budget</li> <li>• Program</li> </ul>
<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>• 4 sub-projects lasting 1 to 2 months each</li> <li>• 1 to 3 months overall, if done in parallel</li> </ul>
<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Project 3 has been completed. Relevant financial standards have been defined and accounts receivable types have been prioritized.</li> <li>• The tasks to be completed in this project will depend upon the tasks completed in Project 4. Project definition and prioritization will only be necessary for those “focused program groups” for which requirements were gathered in Project 4.</li> </ul>

A summary of the overall estimated project costs of the five projects defined above is shown in Figure 4.7, below.

**Figure 4.7: Summary of Estimated Project Costs**

<b>Project/Task</b>	<b>Estimated Effort (hours)</b>	<b>Estimated Cost</b>
Project 1 - System Inventory	900	\$ 43,727
Project 2 - Develop DIT Application Support Strategy	4,004	328,432
Project 3 - Establish Standards	7,473	653,786
Project 4 - Define Program Requirements	14,373	1,401,175
Project 5 - Project Definition	2,745	249,061
Total Estimate	29,495	\$2,676,180

**Appendix 1 – Process Narratives**



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)	
<b>Process:</b>	Travel	
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)	
<b>Prepared By:</b>	<b>Date:</b>	<b>Version:</b>
Eddie Sison and Amanda Hutchinson	3/4/09	SWRCB TPS Unit Process Narrative EbSv9.doc
<b>Reviewed By:</b>	<b>Date:</b>	
Bill Ashby	3/4/09	See above.

### Table of Contents

1)	Process Overview .....	2
2)	Summary of Financial Statement Elements.....	2
3)	Client Interviews .....	2
4)	Process Detail.....	2
5)	Process Workflow and Activities .....	10
6)	General Ledger Transactions.....	11
7)	Computer Information Systems.....	12
8)	Controls Identified.....	12
9)	Performance Improvement Observations (PIOs).....	16
10)	High Level Process Mapping .....	17
11)	Components of Internal Control.....	17
12)	Linked Processes .....	18
13)	Policies and Procedures, Forms, Files, Abbreviations, Etc. ....	18



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

### 1) Process Overview

This narrative documents the various sub-processes related to SWRCB Travel / Payroll / Support (TPS) Unit, and include the following areas: Manual Travel Advances, Automated Travel Advances, Manual Travel Expense Claims and Automated Travel Expense Claims.

### 2) Summary of Financial Statement Elements

Financial Statement Elements Leading to Selection of the Process for Documenting	Brief Description
Significant Class Of Transactions (SCOT)	Travel Advances Travel Expenditures
Significant Account Balance(s)	Travel Expense Receivables Travel Expense Payables
Financial Statement Disclosures	Not Applicable
Significant Non-Routine and Non-Systematic Transactions	Determine balance from Travel Advances Receivables and TECs. Accruals are made during year end for Manual and Automated TECs.
Other	Not Applicable

### 3) Client Interviews

The information for this process was obtained from the following individuals:

Name	Title / Unit	Interview Date	Phone Number
Jamie St. Cloud	TPS Unit Supervisor / DAS	2/25/2009	(916) 341-5035
Lucy Howard	Accounting Administrator I / DAS	2/25/2009	(916) 341-5021

### 4) Process Detail

#### Travel Advances

Travel Advances and TECs can be processed two ways, manually or electronically through the California Automated Travel Expense Reimbursement System (CalATERS).

#### Manual Travel Advances



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

To receive a Travel Advance through the manual process, employees must complete a “Travel Advance Request” (tar.xls) (see item 1) and obtain authorization from their supervisor or an alternate (**M-1: Authorization**). Depending on the department and region, the form may go through further internal approval before arriving at the TPS Unit.

The supervisor or alternate sends the tar.xls, to the TPS Unit in the accounting office (AO). The TPS Unit first logs information from the form, such as the travelers name, advance amount and date received, into the TEC log, an Excel spreadsheet that is password protected (see item 2). The log can be used to find an advance or claim and determine where it is at in the approval process (**M-2: Monitoring**). The Excel spreadsheet log is kept in a centralized location on the AO shared drive. Only authorized employees, employees who work at the TPS Unit, know the password to the log. The password is changed annually. (**GAP-1: End User**). **PIO-1: Due to the lack of internal control inherent in an Excel spreadsheet, KPMG recommends SWRCB consider either an alternate tool / application or fully implementing the California Automated Travel Expense Reimbursement (CalATERS) to keep track of all Travel Advances. With an Excel spreadsheet, the TPS Unit cannot determine changes an employee has made (Loss of control over data), who had accessed the Excel spreadsheet and when (Authorization), and version control (whether or not the data is current, accurate and complete).** After the tar.xls has been logged, TPS Unit Staff will review the Travel Advance, first validating whether a supervisor signature was obtained. However, there is no formal listing of authorized supervisors (**M-3: Management Review**). Employees in the TPS Unit know who the authorized supervisors are and if necessary can look at the organizational chart (**GAP-2: List of Authorized Employees**). **PIO-2: KPMG recommends that TPS Unit create a formal listing of authorized supervisors and a signature file to prevent any invalid approvals.**

TPS Unit staff will also verify that the employee requesting a Travel Advance is a valid active employee (**M-4: Management Review**). This may be performed several ways such as signing into CalATERS and inputting the employees bargaining unit from the tar.xls to determine whether that employee is still active or by checking the master file. The TPS Unit staff also inspects the Travel Advance Binder and then an Excel spreadsheet that contains all advances to see if there are any outstanding Travel Advances, more than 30 days overdue (**M-5: Management Review**). If there are outstanding Travel Advances, the TPS Unit staff makes a note and contacts the supervisor and employee for justification. The current request is put on hold until the outstanding Travel Advance is cleared.

If an employee does not have an outstanding Travel Advance, or the outstanding Travel Advance issued has been resolved, the TPS Unit staff will then determine whether the amount is valid and reasonable based on travel location, length of the trip, and the method of travel (**M-6: Management Review**). For example, lodging rates are different per area, so the TPS staff will look at the average cost per night in that area. An “Excess Lodging Rate Request/Approval” (STD 255C) (see item 3) must be filled out and submitted to TPS Unit for Department of Personnel Administration (DPA) approval if the amount is over the State rate and over the allowed maximum (\$140 for everyday travel, \$150 for conferences or conventions). If the amount is over the State rate, but under the allowed maximum, the form only needs departmental approval before the trip. If the employee is asking for more than what is reasonable, the TPS Unit will contact the employee for justification. If it is determined that the amount needs to be reduced, the TPS Unit sends an email to the employee and reduces the amount on the form (**M-7: Reconciliation**).

The TPS staff also validates the Program Cost Account (PCA) against active PCAs in California’s Statewide Accounting and Reporting System (CalSTARS) (see item 4), and whether the PCA has a travel budget, based on the list provided by the Budget Unit (see item 5) (**M-8: Management Review**). The TPS Unit staff only validate whether the PCA is a valid code, that the PCA has a travel budget and that that specific region can charge the PCA code. However, they do not validate whether an employee should be charging that code (**GAP-3: Missing Process**).



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

**PIO-3: KPMG recommends that a process be implemented to ensure that employees can only charge Travel Advances or Travel Expense Claims to PCA on which they have worked on. For example, in order for the employee to charge PCA XXXX, they must provide their timesheet indication that they worked on that specific project.** It is the responsibility of the employee’s supervisors to validate whether the correct PCA is being charged.

After the Travel Advance has been approved, the check issuance process begins. The TPS Unit will prepare a “State of California CalSTARS Batch Header Slip” for Travel Advances and complete a “Check Route Slip” (see item 6). On the top right corner of the “Check Route Slip” are four reminders for the TPS Unit staff as to what they should audit on the tar.xls. The TPS Unit staff will check off the four reminders indicating that they have reviewed the batched Travel Advances for the following:

- I-11: The employee requesting a Travel Advance is a valid employee. (Note: I-11 is the screen in the CalSTARS that shows whether an employee is Valid.)
- TA (Travel Advances): Determine whether the employee have any outstanding Travel Advances.
- I-9: PCA is valid, Travel Advances can be charged to the PCA, and the region / organization can charge the PCA. (Note: I-9 is the screen in the CalSTARS that shows whether a PCA is active or inactive)
- Reportables: Determine if there are expenses, according to State Administrative Manual (SAM), that need to be taxed or reported to the Internal Revenue Center (IRS) (**M-9: Management Review**).

The “Check Route Slip” is signed by eight employees handling the Travel Advances batch; the same employee cannot sign the slip twice (**M-10: Segregation of Duties (SOD)**).

- Requester: Preparer of the “State of California CalSTARS Batch Header Slip.” The same employee will also sign the “State of California CalSTARS Batch Header Slip.” (**M-11: Authorization**).
- Supervisor/Mgmt Approval: Approver of the Batch (**M-12: Authorization**). This must be signed by Jamie St. Cloud, Travel Unit Supervisor or the Lead in order for the checks to be printed. If either the Travel Unit Supervisor or the Lead prepares the batch, the other has to sign off (**M-13: SOD**). If neither is available another supervisor can sign as the supervisor, are cross-trained on how to sign other department checks.
- Typed / Printed and the Check No’s: An authorized staff who prints the check(s), signs the Check Route Slip (**M-14: Authorization**). The same staff will then write the check numbers on the “Check No’s” line. All Travel Advances are printed checks from the Office Revolving Fund (ORF).
  - The check printing is performed within the AO. Checks can be printed manually using a typewriter or can be printed automatically through CalSTARS printer. Only authorized employees can print checks. The General Ledger (GL) Unit has custody of the checks and releases the checks to authorized employees only. GL Unit has a list of authorized employees who can print checks. GL Unit is also in charge of reconciling the checks.
  - When an employee begins employment at the SWRCB or is promoted within AO, a form must be submitted to the Department of Finance indicating which capabilities that employee will have in CalSTARS. One of those capabilities is check printing. A list of authorized employees who have check printing capability has been provided. In addition, CalSTARS is set up so that it will not allow an employee to be able to Print Checks and Key in Transaction Codes (TC) in CalSTARS (see “Keyed” section below for more detail regarding the TC).
- Proofed: An initial review to determine whether the checks that were printed are accurate. This is usually performed by a student (**M-15: Authorization**).



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

- Reviewed: A high level review which is performed by an officer (**M-16: Authorization**).
- Signed: An authorized staff runs the checks through the check signing machine (signature) (**M-17: Authorization**). This is usually performed by an employee in the Revenue / Labor Unit.
  - The check signing machine is locked in a secured room and only authorized employees in the TPS Unit have the key to access the room. In addition, only authorized employees have a key to the stamps that are used in the check signing machine. The authorized employee is the employee who signs the check route slip on “signed”. Therefore, two keys are necessary in order to sign the check: One to enter the room and one to obtain the stamps for the check signing machine (**M-18 SOD**).
- Disbursed: The signed checks are sent to the Front Desk, where they separate the checks by liaison (**M-19: Authorization**). The liaison for the division will pick up the checks by signing for them on a log. By signing for the checks, the liaison assumes responsibility to distribute the checks to the employees. Employees do not sign off on the checks. If the primary liaison is unavailable, there are back-ups designated for each division or region. If the back-ups are exhausted, occasionally the employee will pick it up.
- Keyed: The Staff who keys in the TC in CalSTARS (**M-20: Authorization**).
  - The batch type is entered into CalSTARS and the check is either printed through CalSTARS the next day (automated) or is manually typed out that same day by the TPS Unit. Manually typed checks are usually processed when an employee needs a Travel Advance faster than when CalATERS can generate a check. . If the check is manually printed the same day, the Transaction Code (TC) 278 is entered into CalSTARS. If the check process is automated, TC 423 is entered into CalSTARS. This allows CalSTARS to know whether or not to print the checks, while still debiting the correct amount from the Office Revolving Fund (ORF).

### Automated Travel Advances

To process an advance electronically, the employee logs into CalATERS using their unique user identification (ID). Fields in the TEC are automatically populated based on the employee’s CalATERS profile, for example, employee’s division/region and bargaining unit. The employee completes an electronic Travel Advance. Any amounts or conditions that exceed the CalATERS parameter are automatically flagged by CalATERS. Flagged items include items over \$1,000, amount is agency defined, if an entire Travel Advance is over \$4,000, if an advance is submitted less than 10 days, or if an advance is submitted outside of 30 days. When the employee completes the electronic Travel Advance, the employee submits it to their supervisor. The supervisor will receive an email informing them that they have a Travel Advance for review in CalATERS. The authorized supervisor logs in to CalATERS using their unique ID and will review and approve the electronic Travel Advance request in their queue (**A-1: Authorization**). If the supervisor is not there, the employee can change the approver to another authorized supervisor. The employee’s original supervisor would still get a copy, but the advance gets re-routed to the changed approver.

After an authorized supervisor reviewed and approved the Travel Advance request, it is routed into the TPS Unit queue for approval (**A-2: Authorization**). The Department Technician Queue from CalATERS is the active accounting queue where the TPS Unit can view action items. The TPS Unit checks the queue throughout the day to determine if there are any new Travel Advances that need to be reviewed (**M-21: Management Review**). Each TPS Unit staff has their own unique user ID and varying levels of access. Only two employees have system administrative capability and they are the Travel Unit Supervisor and the lead. The two employees who have system administrative capability do not have the ability to grant access or change roles of their staff in CalATERS. System





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

Administrators can only key in manual Travel Advances and clear manual and automated Travel Advances. In order to grant access to CalATERS, Jamie or her lead would need to fill out a form (form name TBD), for the State Controllers Office (SCO) to approve access (**M-22: System Access**).

When a Travel Advance is received, a similar review process for manual Travel Advances is applied:

- **M-23: Management Review:** TPS Unit log in Travel Advances information in a password protected Excel spreadsheet located a centralized location on the AO shared drive.
- TPS Unit does not need to verify whether an authorized supervisor approval. Travel Advance Requests would not be in the active accounting queue if an authorized supervisor did not approve (**see A-1 and A-2 for detail**).
- **A-3: Automated Review; removes M-4:** The TPS Unit does not need to verify the vendors or employee's employment status since neither would be in CalATERS if they were not already valid.
- **M-24: Management Review:** TPS Unit validates whether there are any outstanding manual Travel Advances. Electronic Travel Advances submitted through CalATERS which are still outstanding are automatically flagged so the TPS Unit is aware (**A-4: Automated Review; replaces M-5**). However, because an employee may have submitted a manual Travel Advance, TPS Unit staff has to validate whether the employee has any outstanding manual Travel Advances by reviewing the Travel Advance Binder and Excel spreadsheet TEC log,
- **M-25: Management Review:** TPS Unit validates whether the Travel Advance is valid and reasonable
- **M-26: Reconciliation:** If TPS Unit determines that the Travel Advance is not reasonable, TPS will reduce the amount on the Travel Advance. TPS Unit will then inform and provide an explanation to the employee.
- **M-27: Management Review:** TPS Unit reviews the PCA to determine whether it PCA has a travel budget and is active.
- **M-28: Management Review:** TPS Unit reviews the Travel Advance to determine if there are any reportables.

After the electronic Travel Advance has been reviewed, TPS Unit will electronically approve the Travel Advance (**A-5: Management Review**) and the check issuance process will begin. The check issuance process is similar to the manual tar.xls, starting with the Batch Header Slip and Check Route Slip:

- **M-29: SOD:** The Check Route Slip cannot be signed off twice by the same employee
- **M-30: Authorization:** Preparer of State of California CalSTARS Batch Header Slip signs the Check Route Slip. The same employee will also sign the "State of California CalSTARS Batch Header Slip."
- **M-31: Authorization:** TPS Unit Supervisor or alternate lead must sign the Check Route Slip in order for the check to be printed / issued.
- **M-32: SOD:** If either the TPS Unit Supervisor or Lead creates the batch, the other has to sign off on the Check Route Slip the "Supervisor/Mgmt Approval Line."
- **M-33: Authorization:** Staff keys in the TC in CalSTARS and signs the Check Route Slip.
  - Unlike manual Travel Advances, a staff must key in the TC in CalSTARS earlier in the process for automated Travel Advances.
  - TPS Unit creates a batch in CalSTARS with the appropriate TCs entered. When completing the batch in CalATERS the check is either entered as automated (printed through CalSTARS) creating an XB batch, or manual (typed out by staff) creating an XD batch. When entering a manual check, the check number needs to be provided in CalATERS. Overnight, CalATERS and CalSTARS communicate which checks need to be issued. The following day the TPS Unit prints reports from both programs, verifying what CalATERS said was approved the day before is currently in the CalSTARS system and correctly listed as manual or



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

automated. After the checks are issued, CalATERS and CalSTARS communicate again indicating that the checks have been issued and debiting Accounts Receivable.

- **M-34: Authorization:** A staff who prints the check, signs the Check Route Slip. The same staff will then write the check numbers on the “Check No’s” line. All Travel Advances are printed checks from the Office Revolving Fund (ORF).
  - Checks can be printed manually using a typewriter or can be printed automatically through CalSTARS printer.
- **M-35: Authorization:** A staff performs an initial review to determine whether the checks are accurate.
- **M-36: Authorization:** A high level review is performed by an officer and signs the Check Route Slip.
- **M-37: Authorization:** The staff who runs the check through the check signing machine signs the Check Route Slip.
- **M-38: Authorization:** The Front Desk staff will sign the Check Route Slip indicating he has received the checks and is disbursing the checks to the correct liaison. The liaison for the division will pick up the checks by signing for them in a log. By signing for the checks, the liaison assumes responsibility to distribute the checks to the employees. Employees do not sign off on the checks. If the primary liaison is unavailable, there are back-ups designated for each division or region. If the back-ups are exhausted, occasionally the employee will pick it up.

### Travel Expense Claims (TEC)

As with Travel Advances, employees can file either a manual TEC or an electronic TEC through CalATERS.

#### Manual TEC

To file a claim manually, the employee completes and signs Travel Expense Claim Form, STD 262 (see item 7). This is sent to their supervisor for review and an approval signature (**M-39: Authorization**). When an employee requests for a non-travel related expense over \$25, an additional signature is required on Line 17 (**M-40: Authorization**). Those who can sign Line 17 are limited to a select group (see item 8). If an employee is staying at a hotel which is over the State rate, they will include an “Excess Lodging Rate Request / Approval”, STD 255C (see item 3). The form authorizes the employee to stay at the location, and must be signed before they go on the trip (**M-41: Authorization**). Employees authorized to sign the STD 255C are the same as those who can sign Line 17. Once approval is met on the TEC, signed forms and all original receipts are submitted to the TPS Unit along with an additional copy. Receipts are not needed for certain items unless over the standard amount, which are based on SAM guidelines. For example, if parking is set at eight dollars per day and an employee spends over the amount, a receipt needs to be submitted. If an employee spends the eight dollars or less, a receipt is not required. If receipts are missing, TPS Unit will remove the amount from the claim and contact and provide an explanation to the employee.

When TPS Unit receives the signed form(s) and all original receipts, a similar process to the manual Travel Advance begins: (**M-2 – M-9**).

- **M-42: Management Review:** TPS Unit log in TEC information in a password protected Excel spreadsheet located a centralized location on the AO shared drive.
- **M-43: Management Review:** TPS Unit verifies and validates whether an authorized supervisor signature was obtained.
- **M-44: Management Review:** TPS Unit verifies that the employee requesting a TEC is a valid employee.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

- **M-45: Management Review:** TPS Unit validates whether there are any outstanding Travel Advances.
  - If an employee has a manual Travel Advance, the TPS Unit will deduct the advance from the TEC. If the TEC is over the amount due, the balance is paid to the employee. If the TEC does not cover the outstanding advance, the employee has to pay back the remainder. The TPS Unit will email the employee the remaining balance and how the amount can be cleared. The TPS Unit will check on them until amount is collected (**M-46: Reconciliation**). When the amount is received, the Travel Advance is cleared.
  - If there is a CalATERS Travel Advance, but a paper TEC, the TPS Unit staff has to login to CalATERS and pull out the advance. They will clear out the amount as being recovered by a paper TEC, inputting the dates (**M-46: Reconciliation, same as above**). The rest of the process in CalATERS will clear the outstanding amount out of CalSTARS. This step is also double-checked at the high level review before the batch is approved. However, if step is missed, the employee has money taken away twice, and another check has to be issued. Nothing exists in the process to remind the employee of the step.
- **M-47: Management Review:** TPS Unit validates whether the TEC is valid and reasonable. When applicable, TPS Unit Staff reconcile the amounts on the TEC with the receipts.
- **M-48: Reconciliation:** If TPS Unit determines that the TEC is not reasonable or receipt is not obtained, TPS will reduce the amount on the TEC. TPS Unit will then inform and provide an explanation to the employee.
- **M-49: Management Review:** TPS Unit reviews the PCA to determine whether it PCA has a travel budget and is active. If the PCA is not valid, the TPS Unit will contact the employee and have them provide a new PCA. As noted in the Travel Advance section, the TPS Unit only validates whether the PCA is active and has a travel budget. They do not validate whether the employee can charge to the specific PCA (**See GAP above and PIO-3**). An invalid PCA is most often caught by the management report that is run for each PCA, after the check has been issued. When this happens, TPS Unit will reverse the amount and charge the correct code. Also, employees can enter multiple PCAs if including multiple trips on the same form. After all items are verified, the TPS Unit signs off on the form by initialing the final amount.
- **M-50: Management Review:** TPS Unit reviews the TEC to determine if there are any reportables.

When 25 claims have been reviewed by the TPS Unit staff, the TECs will be batched. With each batch, the TPS Unit initiates the Check Route Slip and performs the same process as the manual Travel Advances:

- **M-51: Authorization:** Preparer of State of California CalSTARS Batch Header Slip signs the Check Route Slip. The same employee will also sign the “State of California CalSTARS Batch Header Slip.
- **M-52: Authorization:** TPS Unit Supervisor or alternate lead must sign the Check Route Slip in order for the check to be printed / issued.
- **M-53: SOD:** If either the TPS Unit Supervisor or Lead creates the batch, the other has to sign off on the Check Route Slip the “Supervisor/Mgmt Approval Line.”
- **M-54: Authorization:** An authorized staff who prints the check, signs the Check Route Slip. The same staff will also indicate the check numbers on the “Check No’s” line.
- **M-55: Authorization:** A staff performs an initial review to determine whether the checks are accurate and sign the Check Route Slip.
- **M-56: Authorization:** A high level review is performed by an officer and signs the Check Route Slip.
- **M-57: Authorization:** The staff who runs the check through the check signing machine signs the Check Route Slip. The same staff will then write the check numbers on the “Check No’s” line.
  - Checks can be printed manually using a typewriter or can be printed automatically through CalSTARS printer.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

- **M-58: Authorization:** The Front Desk staff will sign the Check Route Slip indicating he has received the checks and is disbursing the checks to the correct liaison. By signing the Check Route Slip, the Liaison assumes responsibility to distribute the checks to the employees.
- **M-59: Authorization:** The staff who keys in the TC in CalSTARS signs the Check Route Slip.
  - Transaction code 431, when the TEC is greater than the travel advance, is entered if a Travel Advance has already been issued for the TEC. CalSTARS will then zero out or reduce the amount on the Travel Advance and issue a balance owed to the employee. For all other claims, Transaction Code 423, a paper TEC without a travel advance is entered.

### Automated TEC

The automated TEC process is very similar to the automated Travel Advance. To electronically submit a claim, the employee logs into CalATERS, and completes the electronic form. The employee's information is automatically populated in the various fields based on the employee's stored profile. A default PCA is loaded automatically but can be changed to a different PCA if needed. The CalATERS form calculates the amount, and notifies the employee as to which receipts need to be included, based on State and Agency rules. If more documentation outside of receipts is needed to support the requests, CalATERS will automatically flag those and detail the documentation needed (**A-6: Monitoring**). CalATERS also informs the employee if there are outstanding Travel Advances and will calculate the amount they will receive or owe after the advance has been deducted (**A-7: Reconciliation**). In addition, CalATERS will flag if an additional approver is needed (Line 17 on the paper form) (**A-8: Monitoring**). If required, the employee can add an additional approver. The employee can still submit a TEC even if an additional approver is not marked, as in some cases the additional approver is their supervisor. However, CalATERS will flag the claim red indicating that the TPS Unit needs to validate specific information. TPS Unit has to verify this and if they determine that the additional approver is not the employee's supervisor, the claim is sent back (**M-60: Monitoring**). When the TEC is completed, the employee submits the TEC which is then automatically routed to their authorized supervisor. In addition, the employee is prompted by CalATERS, to print a transmittal sheet (see item 9). The employee prints a transmittal sheet and provides the soft copy to his/her supervisor for approval. The transmittal sheet includes information such as the employee's name, claim number, supervisor approval name and a list of receipts to attach. The supervisor will review and sign the transmittal sheet indicating that all necessary receipts are attached (**M-61: Authorization**). The supervisor will also approve and submit the electronic TEC which is then routed to TPS Unit for Approval (**A-9: Authorization**). The supervisor will also send the copy of the Transmittal Sheet to the TPS Unit.

When the TPS Unit receives a CalATERS claim, they initially look only at the claim, as the receipts arrive later. The claim comes to the queue where the TPS Unit performs a similar process to the Automated Travel Advance:

- **M-62: Management Review:** TPS Unit logs in manual TEC information in a password protected Excel spreadsheet located at a centralized location on the AO shared drive.
- TPS Unit does not need to verify whether an authorized supervisor approval. TEC requests would not be in the active accounting queue if an authorized supervisor did not approve.
- **A-10: Automated Review:** The TPS Unit does not need to verify the vendors, or the employee's employment status since neither would be in CalATERS if they were not already valid.
- **M-63: Management Review:** TPS Unit validates whether there are any outstanding manual Travel Advances. Electronic Travel Advances submitted through CalATERS which are still outstanding are automatically flagged so the TPS Unit is aware (**A-11: Automated Review**). However, because an employee may have submitted a



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

manual Travel Advance, TPS Unit staff has to validate whether the employee has any outstanding manual Travel Advances by reviewing the Travel Advance Binder and Excel spreadsheet TEC log.

- **M-64: Management Review:** TPS Unit validates whether the TEC is valid and reasonable. When applicable, TPS Unit Staff reconcile the amounts on the TEC with the receipts.
- **M-65: Reconciliation:** If TPS Unit determines that the TEC is not reasonable or receipt is not obtained, TPS will reduce the amount on the TEC. TPS Unit will then inform and provide an explanation to the employee.
- **M-66: Management Review:** TPS Unit reviews the PCA to determine whether it PCA has a travel budget and is active. If the PCA is not valid, the TPS Unit will contact the employee and have them provide a new PCA. As noted in the Travel Advance section, the TPS Unit only validates whether the PCA is active and has a travel budget. They do not validate whether the employee can charge to the specific PCA (**See GAP above and PIO-3**). An invalid PCA is most often caught by the management report that is run for each PCA, after the check has been issued. When this happens, TPS Unit will reverse the amount and charge the correct code. Also, employees can enter multiple PCAs if including multiple trips on the same form. After all items are verified, the TPS Unit signs off on the form by initialing the final amount.
- **M-67: Management Review:** TPS Unit reviews the TEC to determine if there are any reportables.
- Receipts most often arrive after the CalATERS TEC is submitted. Receipt reconciliation is also performed by the TPS Unit (**M-68: Reconciliation**). Some claims have to wait for receipts depending on the item, i.e. excess lodging over departmental approval, rental car, tuition or other designated “high risk” items. If a receipt is missing or a mistake is noted during the reconciliation, the TPS Unit will email both the employee and supervisor to start the collection process. If the receipt is accidentally not included, the employee can still send it to accounting after the claim has been submitted. **PI-5: KPMG recommends that SWRCB not to perform an automated TEC review until the transmittal sheet and receipts are received by the TPS Unit to prevent additional work and charge back, if applicable.**

After the TPS Unit has performed its review of the automated TEC, it is approved in CalATERS which then starts the check issuance process. **PI-6: KPMG recommends that the TPS Unit require the use of CalATERS both for advances and reimbursements, and require all Water Boards to use this application. The use of CalATERS will reduce various manual processes and errors.** The check issuance process differs from Travel Advances and Manual TEC, as the checks are directly deposited to the employees account or the SCO issues a check to the employee. Therefore, the signing process of the Check Route Slip does not need to be performed.

Reports are run for TECs and Travel Advances, to double check the batches between the information CalATERS and CalSTARS are showing. An XC batch has information on amounts posted to clear Travel Advances. If information is entered incorrectly the XC batch, corresponds to the checks issued by the SCO to reimburse the ORF, will not run and errors out. XA batches will show if posted expenditures matches the journal entries provided by SCO.

### 5) Process Workflow and Activities

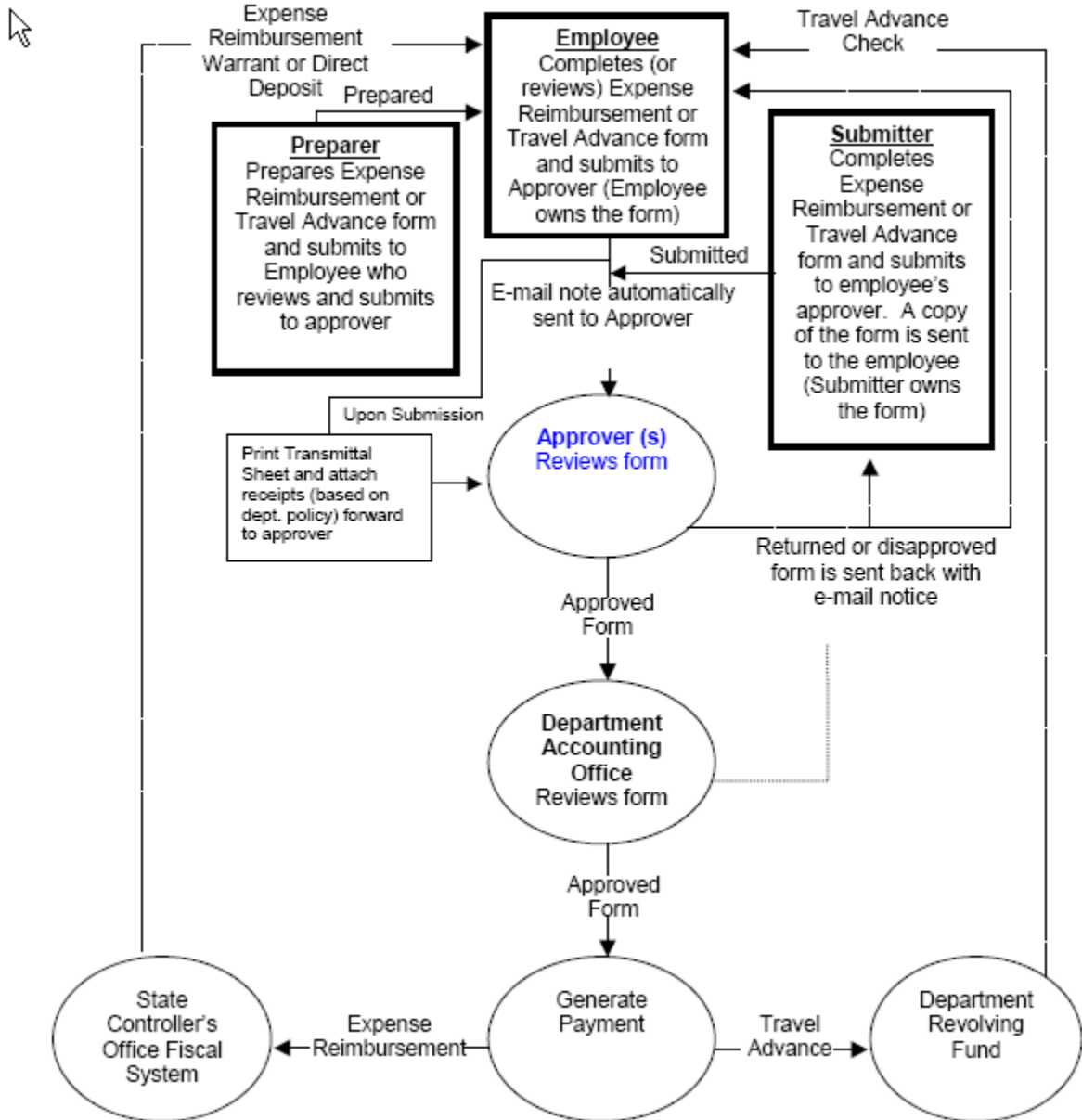
The following is a high level overview of the flow of electronic Travel Advance and TEC submitted through CalATERS.





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)



Source: CalSTARS website

### 6) General Ledger Transactions

See Narrative.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

### 7) Computer Information Systems

California Automated Travel Expense Reimbursement (CalATERS) – CalATERS is a web-based application that allows State employees and non-State employees to process Travel Advance and expense reimbursements forms online via the internet or intranet.

California’s Statewide Accounting and Reporting System (CalSTARS) - Provide all agencies of the state with an automated organization and program cost accounting system to accurately and systematically account for all revenue, expenditures, receipts, disbursements, and property of the state

End User Excel Spreadsheets – Excel spreadsheets are used throughout the SWRCB for various reasons such as tracking manual Travel Advances.

### 8) Controls Identified

Manual Control Number	Description	Control Type
<b>M-1</b>	Manual Travel Advance Forms requires an authorized supervisor signature approval.	Authorization
<b>M-2</b>	TPS Unit log in Travel Advances and/or TEC information in a password protected Excel spreadsheet located a centralized location on the AO shared drive. The log can be used to find an advance or claim to determine where it is in the approval process.	Management Review
<b>M-3</b>	TPS Unit verifies and validates whether an authorized supervisor signature was obtained.	Management Review
<b>M-4</b>	TPS Unit verifies that the employee requesting a Travel Advance is a valid employee.	Management Review
<b>M-5</b>	TPS Unit validates whether there are any outstanding manual Travel Advances.	Management Review
<b>M-6</b>	TPS Unit validates whether the Travel Advance is valid and reasonable	Management Review
<b>M-7</b>	If TPS Unit determines that the Travel Advance is not reasonable, TPS will reduce the amount on the Travel Advance. TPS Unit will then inform and provide an explanation to the employee.	Reconciliation
<b>M-8</b>	TPS Unit reviews the PCA to determine whether it PCA has a travel budget and is active.	Management Review
<b>M-9</b>	TPS Unit reviews the Travel Advance to determine if there are any reportables.	Management Review
<b>M-10</b>	The Check Route Slip cannot be signed off twice by the same employee	Segregation of Duties
<b>M-11</b>	Preparer of “State of California CalSTARS Batch Header Slip” signs the Check Route Slip.	Authorization
<b>M-12</b>	TPS Unit Supervisor or alternate lead must sign the Check Route	Authorization



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

Manual Control Number	Description	Control Type
	Slip in order for the check to be printed / issued.	
<b>M-13</b>	If either the TPS Unit Supervisor or Lead creates / prepares the batch, the other has to sign off on the Check Route Slip the "Supervisor/Mgmt Approval Line."	Segregation of Duties
<b>M-14</b>	An authorized staff who prints the check, signs the Check Route Slip. The same staff will also indicate the check numbers on the "Check No's" line.	Authorization
<b>M-15</b>	Staff performs an initial review to determine whether the checks are accurate.	Authorization
<b>M-16</b>	A high level review is performed by an officer and signs the Check Route Slip.	Authorization
<b>M-17</b>	The staff who runs the check through the check signing machine signs the Check Route Slip.	Authorization
<b>M-18</b>	Two keys are required in order to access and use the check signing machine	Segregation of Duties
<b>M-19</b>	The Front Desk staff will sign the Check Route Slip indicating (s)he has received the signed checks and is disbursing the checks to the correct liaison. By signing the Check Route Slip, the Liaison assumes responsibility to distribute the checks to the employees.	Authorization
<b>M-20</b>	The staff who keys in the TC in CalSTARS, signs the Check Route Slip.	Authorization
<b>A-1</b>	An authorized supervisor will electronically approve the automated Travel Advance.	Authorization
<b>A-2</b>	Electronic Travel Advance form is routed to TPS Unit for review and approval.	Authorization
<b>M-21</b>	Daily, TPS Unit reviews the active accounting queue daily to determine if there are any automated Travel Advances to review and approve.	Management Review
<b>M-22</b>	A form must be completed and approved by SCO in order for an employee to be granted access into CalATERS.	System Access
<b>M-23</b>	TPS Unit log in Travel Advances in a password protected Excel spreadsheet located a centralized location on the AO shared drive. The log can be used to find an advance or claim to determine where it is in the approval process.	Management Review
<b>A-3</b>	CalATERS will validate whether the employee requesting a Travel Advance is a valid employee.	Automated Review
<b>M-24</b>	TPS Unit validates whether there are any outstanding manual Travel Advances.	Management Review
<b>A-4</b>	Outstanding Electronic Travel Advances are automatically flagged by CalATERS.	Automated Review
<b>M-25</b>	TPS Unit validates whether the Travel Advance is valid and reasonable.	Management Review





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

Manual Control Number	Description	Control Type
<b>M-26</b>	If TPS Unit determines that the Travel Advance is not reasonable, TPS will reduce the amount on the Travel Advance. TPS Unit will then inform and provide an explanation to the employee.	Reconciliation
<b>M-27</b>	TPS Unit reviews the PCA to determine whether it PCA has a travel budget and is active.	Management Review
<b>M-28</b>	TPS Unit reviews the Travel Advance to determine if there are any reportables.	Management Review
<b>A-5</b>	TPS Unit electronically approves the Travel Advance	Management Review
<b>M-29</b>	The Check Route Slip cannot be signed off twice by the same employee	Segregation of Duties
<b>M-30</b>	Preparer of "State of California CalSTARS Batch Header Slip" signs the Check Route Slip.	Authorization
<b>M-31</b>	TPS Unit Supervisor or alternate lead must sign the Check Route Slip in order for the check to be printed / issued.	Authorization
<b>M-32</b>	If either the TPS Unit Supervisor or Lead creates the batch, the other has to sign off on the Check Route Slip the "Supervisor/Mgmt Approval Line."	SOD
<b>M-33</b>	The staff who keys in the TC in CalSTARS, signs the Check Route Slip.	Authorization
<b>M-34</b>	Staff who prints the check is signs the Check Route Slip. The same staff will also indicate the check numbers on the "Check No's" line.	Authorization
<b>M-35</b>	Staff performs an initial review to determine whether the checks are accurate.	Authorization
<b>M-36</b>	A high level review is performed by an officer and signs the Check Route Slip.	Authorization
<b>M-37</b>	The staff who runs the check through the check signing machine signs the Check Route Slip.	Authorization
<b>M-38</b>	The Front Desk staff will sign the Check Route Slip indicating (s)he has received the signed checks and is disbursing the checks to the correct liaison. By signing the Check Route Slip, the Liaison assumes responsibility to distribute the checks to the employees.	Authorization
<b>M-39</b>	Manual TEC form requires an authorized supervisor signature approval.	Authorization
<b>M-40</b>	An authorized signature is required on Line 17 on the Manual TEC form for non-travel related expense over \$25.	Authorization
<b>M-41</b>	A completed "Excess Lodging Rate Request / Approval", STD 255C must be approved and signed by an authorized supervisor.	Authorization
<b>M-42</b>	TPS Unit log in TEC information in a password protected Excel spreadsheet located a centralized location on the AO shared drive. The log can be used to find an advance or claim to	Management Review



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

Manual Control Number	Description	Control Type
	determine where it is in the approval process.	
<b>M-43</b>	TPS Unit verifies and validates whether an authorized supervisor signature was obtained.	Management Review
<b>M-44</b>	TPS Unit verifies that the employee requesting a TEC is a valid employee.	Management Review
<b>M-45</b>	TPS Unit validates whether there are any outstanding manual Travel Advances.	Management Review
<b>M-46</b>	The TPS Unit will calculate the difference between the TEC and the manual Travel Advances.	Reconciliation
<b>M-47</b>	TPS Unit validates whether the TEC amount is valid and reasonable	Management Review
<b>M-48</b>	If TPS Unit determines that the TEC is not reasonable, TPS will reduce the amount on the TEC. TPS Unit will then inform and provide an explanation to the employee.	Reconciliation
<b>M-49</b>	TPS Unit reviews the PCA to determine whether it PCA has a travel budget and is active.	Management Review
<b>M-50</b>	TPS Unit reviews the TEC to determine if there are any reportables.	Management Review
<b>M-51</b>	Preparer of "State of California CalSTARS Batch Header Slip" signs the Check Route Slip.	Authorization
<b>M-52</b>	TPS Unit Supervisor or alternate lead must sign the Check Route Slip in order for the check to be printed / issued.	Authorization
<b>M-53</b>	If either the TPS Unit Supervisor or Lead creates / prepares the batch, the other has to sign off on the Check Route Slip the "Supervisor/Mgmt Approval Line."	Segregation of Duties
<b>M-54</b>	An authorized staff who prints the check, signs the Check Route Slip. The same staff will also indicate the check numbers on the "Check No's" line.	Authorization
<b>M-55</b>	Staff performs an initial review to determine whether the checks are accurate.	Authorization
<b>M-56</b>	A high level review is performed by an officer and signs the Check Route Slip.	Authorization
<b>M-57</b>	The staff who runs the check through the check signing machine signs the Check Route Slip.	Authorization
<b>M-58</b>	The Front Desk staff will sign the Check Route Slip indicating (s)he has received the signed checks and is disbursing the checks to the correct liaison. By signing the Check Route Slip, the Liaison assumes responsibility to distribute the checks to the employees.	Authorization
<b>M-59</b>	The staff who keys in the TC in CalSTARS, signs the Check Route Slip.	Authorization
<b>A-6</b>	CalATERS automatically flags items that require a receipt.	Monitoring
<b>A-7</b>	CalATERS will automatically flag outstanding Travel Advances	Reconciliation



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
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<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

Manual Control Number	Description	Control Type
	and calculate the balance between the outstanding Travel Advance and TEC.	
<b>A-8</b>	CalATERS automatically flags if an additional approver is needed.	Monitoring
<b>M-60</b>	TPS Unit validates whether the approver for Line 17 items is the same supervisor as the employees immediate supervisor.	Management Review
<b>M-61</b>	Transmittal sheet is reviewed and approved by an authorized supervisor.	Authorization
<b>A-9</b>	TPS Unit will approve the electronic TEC.	Authorization
<b>M-62</b>	TPS Unit log in Travel Advances in a password protected Excel spreadsheet located a centralized location on the AO shared drive. The log can be used to find an advance or claim to determine where it is in the approval process.	Management Review
<b>A-10</b>	CalATERS will validate whether the employee requesting a TEC is a valid employee.	Automated Review
<b>M-63</b>	TPS Unit validates whether there are any outstanding manual Travel Advances.	Management Review
<b>A-11</b>	Outstanding Electronic Travel Advances are automatically flagged by CalATERS.	Automated Review
<b>M-64</b>	TPS Unit validates whether the TEC is valid and reasonable.	Management Review
<b>M-65</b>	If TPS Unit determines that the TEC is not reasonable, TPS will reduce the amount on the TEC. TPS Unit will then inform and provide an explanation to the employee.	Reconciliation
<b>M-66</b>	TPS Unit reviews the PCA to determine whether it PCA has a travel budget and is active.	Management Review
<b>M-67</b>	TPS Unit reviews the Travel Advance to determine if there are any reportables.	Management Review
<b>M-68</b>	TPS Unit receives the TEC receipts and performs reconciliation.	Reconciliation

### 9) Performance Improvement Observations (PIOs) and GAPS

PIO Item	Control Description	Control Type
PIO-1	Due to the lack of internal control inherent in an Excel spreadsheet, KPMG recommends SWRCB consider an alternate tool / application or fully implementing the California Automated Travel Expense Reimbursement (CalATERS) to keep track of all Travel Advances. With an Excel spreadsheet, TPS Unit cannot determine changes an employee has made (Loss of control over data), when and who had accessed the Excel spreadsheet (Authorization), and version control (whether or not the data is current, accurate and complete)	End User
PIO-2	KPMG recommends that there should be a listing of authorized	System Configuration



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

PIO Item	Control Description	Control Type
	supervisors and a signature file to prevent any invalid checks from being issued.	
PIO-3	KPMG recommends that a process be implemented to ensure that employees can only charge Travel Advances or Travel Expense Claims to PCA on which they have worked on. For example, in order for employees to charge PCA XXXX, they must provide their timesheet indication that they worked on that specific project.	Missing Process
PIO-4	KPMG recommends that the TPS Unit require use of CalATERS both for advances and reimbursements, and require all Water Boards to use this system.	Authorization
PIO-5	KPMG recommends that SWRCB not perform an automated TEC review until the transmittal sheet and receipts are received by the TPS Unit to prevent additional work and charge back, if applicable.	Reconciliation and Management Review
PIO-6	KPMG recommends that the SWRCB require all employees use CalATERS for both Travel Advances and TEC. The use of CalATERS will reduce various manual process and errors.	System Capability

GAP Item	Control Description	GAP Type
GAP-1	An Excel spreadsheet is used to keep track of all Travel Advances.	End User
GAP-2	There is no formal listing of authorized supervisors and signature file to prevent any invalid approvals.	List of Authorized Employees
GAP-3	There is no process to ensure that employees only charge Travel Advances or TECs to a PCA in which they have worked on.	Missing process

### 10) High Level Process Mapping

Not Applicable

### 11) Components of Internal Control

For each financial statement element, i.e. SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction, document each of the components of internal control in place to support management's assertions. Additionally, space is provided to document controls management has in place to prevent / detect fraud in the SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction.

In completing this section, individuals should refer to the COSO guidance previously provided.

Components of Internal Control per COSO	Brief Description of Each of the Components of Internal Control in Place to Support Management's Assertions
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## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

Components of Internal Control per COSO	Brief Description of Each of the Components of Internal Control in Place to Support Management's Assertions
Control Environment	Normally a "Control Framework Gap Analysis" document would be completed for this area. This document was not prepared as part of this review.
Risk Assessment	Normally a "Control Framework Gap Analysis" document would be completed for this area. This document was not prepared as part of this review.
Control Activities	See Section 7 "Controls Identified" for documentation of control activities.
Information and Communication	See Section 5 "Process Level Workflow and Activities" and Section 6 "Information Systems" for documentation of how information is identified, captured, processed, and reported by information systems.
Monitoring	See Section 5 "Process Level Workflow and Activities" and Section 6 "Controls Identified" for documentation of management and supervisory activities, and other actions personnel take in performing their duties that assess the quality of the internal control systems performance.

Additional Control Considerations	Brief Description of Additional Controls in Place to Support Management's Assertions
Controls to Prevent or Detect Fraud	See PIOs above.
Safeguarding Controls	See PIOs above.
General Controls	See PIOs above.

### 12) Linked Processes

Not Applicable

### 13) Policies and Procedures, Forms, Files and Abbreviations

See appendix 1 for a list of SWRCB Acronyms.

#### Appendix – Control Types

Financial Statement Assertions	Control Type – Assertions
Completeness	There are no unrecorded assets, liabilities, classes of transactions or undisclosed items.
Existence	An asset or liability exists at a given date and recorded transactions within a class



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

	occurred during the period covered by the financial statements (including proper cut-off).
Accuracy	Details of assets, liabilities and classes of transactions are correctly recorded, processed and reported with respect to party, allocation to the proper period (including proper cut-off), description, quantity and price.
Valuation	Assets are recorded at an appropriate amount.
Obligations and Rights	The entity has the appropriate rights (such as the title) to the assets reflected in the financial statements. The liabilities reflect the entity's obligations.
Presentation and Disclosure	An item is disclosed, classified and described in accordance with the applicable financial reporting framework including the application of accounting literature. An account balance is a component of the financial statements. It is the accumulation of accounting entries arising from classes of transactions, accounting estimates and presentation and disclosure decisions.

General	Control Type – General
Authorization	Approval of transactions, as well as access to assets and records, is executed in accordance with management's general, or specific, policies and procedures. Authorizations can be manual or automated. If this is facilitated by limiting access to functions or information within a system then refer to "System Access" below.
Configuration	These controls generally include switches / tables / menus / etc. that can be set by turning them on or off to secure data against inappropriate processing based on the entities business rules.
Account Mapping	These controls relate to how a specific transaction is treated. For instance, how a transaction with a certain transaction code is posted to the general ledger and then to the financial statements.
Exception/Edit Report	A report that is generated by a company to monitor something and followed-up on through resolution. Reports are generally focused on exceptions/edits, as defined below, however this is not always the case. For example, an aging report is generated and followed up on, the content is not necessarily an edit or exception but the control would still fall in this category. Definition of Exception & Edit reports: Exception: a violation of a set standard (e.g., customer sales exceed credit limit or 3-way match does not reconcile; and Edit: A change to a master file (e.g., addition of a new employee or a change in wage rates).
Interface	Interface controls relate to the activities that ensure the transfer of specifically defined portions of information from one system to another are done correctly. The role of an interface control is to ensure the secure transfer of data, once and only once, completely and accurately, with integrity, and to highlight any exceptions.
Conversion	Conversion controls relate to the process of migrating data from one system to another system in either a manual or automated manner. To perform a conversion, data must be cleansed, reviewed, and synchronized prior to a conversion, then mapped, reformatted, translated, consolidated and loaded into the other system.
Key Performance Indicator	Financial and non-financial quantitative measurements that are collected by the entity, either continuously or periodically and used by management to evaluate the



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit Division of Administrative Services (DAS)
<b>Process:</b>	Travel
<b>Sub-Process:</b>	Travel Advances and Travel Expense Claims (TECs)

	extent of progress toward meeting the entity's defined objectives.
Management Review	Management review is the activity of a person, different than the preparer, analyzing and performing oversight of the activities performed. This would generally be a manager reviewing but can also include co-workers reviewing each others work.
Reconciliation	This is a control designed to check whether two different items are consistent, in balance, etc., or the process necessary to identify the reason the two items do not agree.
Segregation of Duties	The separation of duties and responsibilities of authorizing transactions, recording transactions and maintaining custody to prevent individuals from being in a position to both perpetrate and conceal an error or irregularity.
System Access	The ability that individual users or groups of users have within a computer information system processing environment, as determined and defined by the access rights configured in the system. The access rights in the system agree to the access in practice.





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

<b>Prepared By:</b>	<b>Date:</b>	<b>Version:</b>
Eddie Sison	4/13/09	SWRCB AR and Cash Receipting Process Narrative EBSv6.doc
<b>Reviewed By:</b>	<b>Date:</b>	
Bill Ashby	<a href="#">4/13/09</a>	<a href="#">See above</a>

### Table of Contents

1)	Process Overview .....	2
2)	Summary of Financial Statement Elements.....	2
3)	Client Interviews .....	2
4)	Process Detail.....	3
5)	Process Workflow and Activities .....	11
6)	General Ledger Transactions.....	11
7)	Computer Information Systems.....	11
8)	Controls Identified.....	11
9)	Performance Improvement Observations (PIOs).....	13
10)	High Level Process Mapping .....	14
11)	Components of Internal Control.....	14
12)	Linked Processes .....	15
13)	Policies and Procedures, Forms, Files, Abbreviations, Etc. ....	15





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

### 1) Process Overview

This narrative documents the various process and sub-processes related to the SWRCB's Travel / Payroll / Support (TPS) Unit, and include the following areas: Accounts Receivable, Cash Receipting and Deposit. In addition, this narrative also includes the Cash Receipting sub-process for DWR.

### 2) Summary of Financial Statement Elements

Financial Statement Elements Leading to Selection of the Process for Documenting	Brief Description
Significant Class Of Transactions (SCOT)	Posting of Accounts Receivables Applied
Significant Account Balance(s)	Accounts Receivable, Cash
Financial Statement Disclosures	Not Applicable
Significant Non-Routine and Non-Systematic Transactions	Not Applicable
Other	Not Applicable

### 3) Client Interviews

The information for this process was obtained from the following individuals:

Name	Title	Business Unit / Division	Interview Date	Phone Number
Jamie St. Cloud	TPS Unit Supervisor	TPS Unit / DAS	04/13/2009	(916) 341-5035
Xia Lao	Office Technician in the TPS Unit	TPS Unit / DAS	04/13/2009	(916) 341-5001
Thu Pham	Accounting Trainee in the TPS Unit	TPS Unit / DAS	04/13/2009	(916) 341-5004
Judy Wong	Accounting Trainee in the TPS Unit	TPS Unit / DAS	04/13/2009	(916) 341-5080
Erica Gonzales	Administrative Support	Records Unit / DWR	04/17/2009	(916) 341-Need
Pam Perry	Staff Services Analyst	Records Unit / DWR	04/17/2009	(916) 341-5333



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

### 4) Process Detail

Accounts Receivable processing and Cash Receipting occurs throughout the SWRCB. This process narrative covers the cash receipting process within the Accounting Office (AO) and the Records Unit in the DWR.

#### AO Cash Receipting:

There are multiple post office (PO) Boxes assigned to the SWRCB. The AO has a list of mailing addresses for the AO. However, there is not a comprehensive list of PO Boxes for the entire SWRCB. Invoices sent to the customer / borrower / etc. includes which PO Box to submit their payment. PO Box addresses are assigned to the different programs and can assist the Office Technician, Xia Lao, to determine the type of payment received.

Physical / PO Box Addresses	Mail Sent For:
1001 I Street Sacramento, CA 95814	For checks that need to be delivered over-night to meet their due date. Miscellaneous invoices and mail are sent to this address as well.
PO Box 100 Sacramento, CA 95812	General checks and miscellaneous invoices.
PO Box 1402 Sacramento, CA 95812	Replacement Underground Storage Tanks (RUST) checks.
PO Box 1888 Sacramento, CA 95812	Annual Fee Remittance System (AFRS) and State Revolving Fund (SRF) checks.
PO Box 944212 Sacramento, CA 94244	Miscellaneous invoices

In the morning, a centralized mail center staff will go to the various PO boxes to pick up the mail and separate the mail accordingly. The Office Technician in the TPS Unit will then go to the central mailroom around 10 A.M. on Monday and 9:30 A.M. Tuesday-Friday, obtain only the AO mail and bring it to the 18<sup>th</sup> floor. During that time, the Office Technician will separate the mail into the following:

- AFRS
- SRF
- Office Revolving Fund
- General Cash
- General Cash over \$25K.

All mail received is electronically date stamped by the Office Technician, indicating the time and date the mail was received on the 18<sup>th</sup> floor.

The Office Technician opens the mail and prepares an Excel® spreadsheet pre-listing, also known as the Report of Collections, for the various groups except for AFRS. The Report of Collections is not performed for AFRS due to



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

the high volume that SWRCB receives, which are usually batched / processed in groups of 50. The Report of Collections Excel® spreadsheet requires specific information to be entered:

- CID No – CID number is not entered in by the Accounting Trainee. The Accounting Trainee will stamp each payment, along with the support, with a unique CID number.
- Name of the Remitter.
- Type of Remittance: Payment received, i.e. check.
- Date of Check.
- Post Date.
- Check Number.
- Type of Fee / Remarks: Coupon or Accounting Number.
- Amount of Remittance: The Office Technician will use the alpha on the check as there might be discrepancies between what is written and the numerical amount.

The Report of Collections automatically counts the checks received and sums the amount of remittance. The Office Technician electronically types her name on the Report of Collections Excel® spreadsheet (**M-1: Authorization - Preparer of Report of collections includes their name on the Excel® spreadsheet**).

All payments are not sent directly to the TPS Unit. Checks for SCP and Group Deposits are sent to the applicable programs, i.e. SCP in the DFA. These programs will prepare the Report of Collections and will provide the Excel® spreadsheet along with the checks to the Office Technician. There are also programs that do not prepare a Report of Collection Excel® spreadsheet. When this occurs, a staff from the program or unit will bring the check(s) to the Office Technician for deposit. The Office Technician will then complete and sign the receipt indicating that a check was received (**M-2: Management Review - Office Technician signs the receipt indicating that a check was brought to the TPS Unit**). A copy of the receipt will be provided and the original copy of the receipt is kept in a binder. The receipt provides information such as the individual who brought the check, date of receipt, receipt number, and dollar amount (**PIO-1 General Control: All payments should be sent to one centralized location and one group / unit should be in charge of opening the mail and preparing the pre-list / Report of Collection. Staff that answers the phones should know which PO boxes payments should be sent to**). These checks will also be included in the Report of Collection Excel® spreadsheet. After the Report of Collection Excel® spreadsheet is completed, the Office Technician will provide the checks and the spreadsheet to the Accounting Trainee in the TPS Unit.

When the Accounting Trainee, Thu Pham, receives the Report of Collections and the checks, she will separate the checks from the invoice and endorse the check using a stamp (**M-3: Authorization - Accounting Trainee endorses the check**). The Stamp reads the following:

0148 pay to the order of 0148  
 Bank of America  
 National Trust and Savings Association  
 FOR DEPOSIT ONLY  
 STATE OF CALIFORNIA  
 WATER RESOURCES CONTROL BOARD  
 Absences of Prior Endorsement Guaranteed.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

The Accounting Trainee will run a tape, summing the check with an accounting tape register, using the numerical number and the written alpha to determine whether they agree. If there is a variance, Thu will sum the alpha from the checks again to make sure they reconcile and this amount that will be recorded. The tape is also compared to the Report of Collections check sum. **(M-4: Reconciliation – A tape is run for the checks using the numerical numbers and the written alpha to determine whether they agree. The tapes are also compared to the Report of Collections which also determines that they have received all the checks).** However, for AFRS, only the two tape runs are compared as there is no Report of Collections Excel® spreadsheet prepared. After they are reconciled, the Accounting Trainee signs and dates the tapes **(M-5: Authorization – Accounting Trainee initials and dates the tapes indicating that they reconcile).**

The Accounting Trainee will then complete the following electronic documents:

- Report of Collections Log – Note: this is different from the Report of Collection Excel® spreadsheet document.
  - Date
  - RC# (report of collection): This is already pre-filled in the Excel® spreadsheet.
  - Description – Determines type of checks; i.e. SRF and RUST
  - Name **(M-6: Authorization – The Accounting Trainee will input their name here, indicating that they are the one preparing the batch).**
  - Batch #
- CID Numbers Log. The Excel® spreadsheet includes the following information:
  - Date – Same date as the “Report of Collections Log” above.
  - RC # - From the “Report of Collections Log” above.
  - Total number of checks – From the pre-list count. For AFRS, they perform batches of 50. However, if it less than 50, she will perform a count.
  - Beginning CID number
  - Ending CID number
  - Amount – This is the sum of all the checks included.

For each batch, the Accounting Trainee stamps each check and supporting document with a unique CID number. The Accounting Trainee will then make copies of the check, check stub and invoice and place everything for that batch together in a Manila folder (see table below for more details regarding the copies).

After the copies have been made and placed into the folder, the Accounting Trainee will complete the Report of Collection Excel® spreadsheet created by the Office Technician.

- Input the RC number from the “Report of Collection Log.”
- Input the CID number from the CID Numbers Log Excel® spreadsheet
- The Accounting Trainee will include her initials after the Report of Collection Excel® spreadsheet is completed **(M-7: Authorization – Accounting Trainee includes their initials on the Report of Collections Excel® spreadsheet after they have completed filling in the document).**

Thu Pham will attach an envelope to the folder and write the RC number, the CID numbers and total check amount for that batch on the envelope. The checks and tapes are put into the envelope to prevent any lose items from being lost. The Accounting Trainee will then sign into the electronic deposit form (EDF) website, California State



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

Treasurer's office (STO), where she will prepare the deposit. The EDF will electronically include her signature after she has entered the following: CID number, the check amounts and deposit date (**A-1: Authorization – the EDF will include an electronic signature for the staff who prepares the deposit in the EDF**). The EDF will not allow the employee who prepares the deposit to transmit the deposit to the STO (**A-2: Segregation of Duties (SOD) – the EDF application does not allow the same individual who prepares the deposit to transmit the deposit**). After the deposit has been prepared and saved, Thu Pham will complete a "Deposited List" document. The "Deposited List" includes the following information:

- Completed By
- Number Deposited – Indicates how many deposits were submitted for the day.
- Type of Deposit: i.e. AFRS and RUST
- RC No.
- CID No.
- Total Checks
- Date Deposited
- Amount of Deposit

The folder with the copies, the originals and the Report of collections are then delivered to Judy Wong, Accounting Trainee. The Deposited List is not provided to Judy Wong until after 2:30 pm, as this list will include all the deposits that the Thu Pham has created in EDF for the day. Judy Wong will perform the following between 2-2:30 pm.

- Run a third tape for the checks and compare the amount against the two tapes run by Thu Pham, along with the "Report of Deposit" Amount. For AFRS, she will only compare the two tapes. If the check amounts agree, Judy will sign her tape run. (**M-8: Reconciliation – the Accounting Trainee will run a third tape for the checks and will compare the tape to the other two tapes and, if applicable, Report of Collection**). One copy of each accounting trainee tape will go into the envelope attached to the manila folder and the other, Thu's second tape run, will go with the checks that are deposited to the bank.
- Determine whether all the checks are endorsed (**M-9: Management Review – The Accounting Trainee will validate that all checks are endorsed**).
- Matches check CID number to the Report of Collections Excel® spreadsheet (**M-10: Management Review – The Accounting Trainee will validate the CID numbers on the check to the Report of Collections Excel® spreadsheet**).
- Verifies that the checks and check copies are legible (**M-11: Management Review – The Accounting Trainee will validate if the checks and the copy are legible**).

After 2:30 p.m., Judy signs into EDF and will validate the information entered to the Report of Collection Excel® spreadsheet prior to submittal to the STO (**M-12: Management Review – The Accounting Trainee will validate the information on the EDF**). In addition, Thu Pham will also provide the "Deposited List." Judy will compare the information on the EDF to the "Deposited List" for accuracy and completeness. No signature is required after the "Deposited List" is reviewed and will be placed in a binder. Judy then prints and sign the "Report of Deposit" from EDF for each RC number (**M-13: Authorization – The employee that submits the deposits to STO through the EDF, signs the Report of Deposit**). The "Report of Deposit" has the following information:

- Report of Deposit Number



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

- Total Deposit.
- Item Count – How many checks.
- Date Deposited
- Signature
- RC number
- CID
- There are three copies of the Report of Deposit on one page and each copy notes where it should be sent.
  - One stays with SWRCB – This goes in the envelope attached to the manila folder
  - Two to the local bank.

The checks, the two “report of deposits,” and the tape are placed in a separate envelope for deposit. The envelope is given to the either a student, Thu Pham, or Jamie St. Cloud. The other copies are then sent to various staff in the Revenue Labor Unit for recording in the correct application, i.e. Loans Grant Tracking System (LGTS) (see table below for details).

Report of Collection	Copies Made	Copies Provided to
RUST	<ul style="list-style-type: none"> <li>• One copy of the check in Pink</li> <li>• One copy of the check and Check Stub in White</li> <li>• Three copies of the Report of Collections</li> </ul>	<ul style="list-style-type: none"> <li>• Pink copy of check and RC (1) sent to Revenue / Labor Unit, David Hong</li> <li>• White copy of the check, check stub and RC (2) will be delivered to the RUST program.</li> <li>• The RC (3) will also go to student cubicle where it is filed. It is used as a cross reference for if a check remitter inquired as to whether a check was received.</li> </ul>
ORF	<ul style="list-style-type: none"> <li>• One copy of the check in Pink (Three checks per page)</li> <li>• Two copies of the Report of Collections</li> </ul>	<ul style="list-style-type: none"> <li>• The RC (1) and the pink copy of the check will also go to Revenue / Labor Unit, Nai Saeteurn</li> <li>• The RC (2) will also go to student cubicle where it is filed. It is used as a cross reference for if a check remitter inquired as to whether a check was received.</li> </ul>
General and General Over 25K	Without a Notice of Intent (NOI) or Notice of Termination (N.O.T). <ul style="list-style-type: none"> <li>• One copy of the check in Pink (Three checks per page).</li> <li>• Two copies of the Report of Collections.</li> <li>• Make a copy of the NOI or N.O.T form.</li> </ul>	Without a NOI or N.O.T. <ul style="list-style-type: none"> <li>• Yogeeta Sharma of the Revenue / Labor Unit gets copy of the RC (1), pink copy of the check and NOI / N.O.T.</li> <li>• The RC (2) will also go to student cubicle where it is filed. It is used as a cross reference for if a check remitter inquired as to whether a</li> </ul>





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

Report of Collection	Copies Made	Copies Provided to
	<p>With a NOI or N.O.T.</p> <ul style="list-style-type: none"> <li>One copy of the check in Pink (Three checks per page).</li> <li>One copy of the check and check stub in White.</li> <li>Three copies of the Report of Collections.</li> <li>Make a copy of the NOI or N.O.T form.</li> </ul>	<p>check was received.</p> <p>With a NOI or N.O.T.</p> <ul style="list-style-type: none"> <li>Yogeeta Sharma of the Revenue / Labor Unit gets copy of the RC (1) and pink copy of the check.</li> <li>The copy of RC (2), white copy of the check and check stub and the original NOI/N.O.T go to the storm water unit outbox.</li> <li>The RC (3) will also go to student cubicle.</li> </ul> <p>For General OVER 25K, everything must be delivered and received by an employee. If Yogeeta Sharma is unavailable, Lucy Howard or Vonn Lam will get the documents.</p>
SRF	<ul style="list-style-type: none"> <li>One copy of the check Pink.</li> <li>One copy of the check and support in White.</li> <li>Three copies of the Report of Collections.</li> </ul>	<ul style="list-style-type: none"> <li>The pink copy of the check, white copy of the support and RC (1) will go to David Hoang of the Revenue / Labor Unit.</li> <li>RC (2), original envelope, original document and copy of the white check goes to SRF Unit Zhiqui Hsu.</li> <li>The RC (3) will also go to student cubicle.</li> </ul>
AFRS	<ul style="list-style-type: none"> <li>One copy of the check in gold.</li> </ul>	<ul style="list-style-type: none"> <li>Copy of the check will also go to student cubicle.</li> </ul>

The designated employee will then walk to the Bank of America located on 1130 K Street. The Bank of America teller will provide the SWRCB staff a receipt indicating how much was deposited and one of the Report of Deposit slips that were printed from EDF. The staff will then compare the two documents to validate that Bank of America deposited the correct amount (**M-14: Reconciliation – Staff who deposits the checks to Bank of America, compares the Report of Deposit and the bank receipt to validate that the amount deposited is accurate**). The receipt and Report of Deposit is then provided to the Denise Walker, Associate Accounting Analyst.

### Cash Deposits:

It was noted that the SWRCB does receive cash payments. Cash received is usually accepted for programs in which interest accrues. It was noted that the cash received is minimal and infrequent, \$15 and possibly once a year. In



## Performance Evaluation Review (PER) Project

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addition, similar to the cash receipting process noted above, all cash is not sent and opened to a centralized location (**PIO-2 General Control: SWRCB should not accept cash regardless volume, quantity and accrued interest. Similar to PIO-1, all cash received should be sent to a centralized location and all mail should be opened by two employees**). Therefore, a staff at the various programs will create a Report of Collections Pre-list and note the amount of cash received. The program staff will then place the cash in a locked bag and must deliver it an employee in the TPS unit, usually Xia Lao. The Office Technician will then find another employee to count the cash. Once the cash is reconciled to the Report of Collections, it will be placed in an envelope, sealed and the two employees will sign the envelope (**M-15: Management Review and Reconciliation - Two employees must be present when the cash is counted and the amount is confirmed. Both employees must sign the envelope**). (See PIO 1 and 2. **All payments received should be sent to one centralized location. In addition, two employees should be opening to the mail in case cash is received. It is unknown of the cash receipting process for the other programs but due to the fact that the TPS Unit Staff is not present when the cash is initially received and pre-listed, it cannot be determined whether the amount of the Report of Collections Excel® spreadsheet is accurate**). A receipt will be provided to the program staff indicating that they have received the cash while the original copy of the receipt is kept in a binder. The Office Technician will then input the cash received in the General Report of Collection Excel® spreadsheet.

The envelope containing the cash and the Report of Collection Excel® spreadsheet is then provided to Thu Pham, to process the cash in the EDF. Thu will also have another employee present to count and confirm the cash amount. Cash will then be placed in a new envelope and both employees will sign the envelope cash before the cash is processed in EDF (**M-15: Management Review and Reconciliation - Two employees must be present when the cash is counted and the amount is confirmed. Both employees must sign the envelope**). The employees who originally counted the cash cannot process the cash (**M-16: SOD – the two employees that counted the cash and initialed the envelope, cannot be the same individual who processes the cash received in the EDF**). The processing of the cash in the EDF is the same as the process above, however, the only difference is that no CID number is assigned to it. An RC number is still assigned to the cash.

After the individual has processed the cash in the EDF, the employee will then deliver it to Judy Wong to submit the deposit in the EDF. Thu will stay until Judy Wong confirms the cash amount. Judy then signs the envelope and submits the deposit on the EDF (**M-15: Management Review and Reconciliation -Two employees must be present when the cash is counted and the amount is confirmed. Both employees must sign the envelope**). After it has been submitted, the cash payments received follow the same process as the non-cash receivables.

### DWR Records Unit:

A centralized mail center staff will deliver mail to the DWR records room located on the 2<sup>nd</sup> floor of the Environmental Protection Agency (EPA) building. Staff / interns in the DWR Records Unit open the mail, determines which employee they should be delivered to and if there are any payments received. Application fees received are usually in the form of checks which are payable to the SWRCB. No cash payments are accepted by the DWR Records Unit. According to Section 1211 of the Water Code, approval from the DWR is required before making a change in the point of discharge, place of use, or purpose of use of treated wastewater, the owner of the treatment plant.

Any application or petition fees are documented in a control tag application. The control tag application has the following information:

- Date
- Date of origin





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

- File No.
- From
- Subject
- Reference to
- Due Date

On the actual application document, the records room staff will write red ink, the check number, amount, application number and the name of the remitter. The application number is determined by Pam Perry. In addition, Pam Perry logs into California Integrated Water Quality System (CIWQS) and performs an e-WRIMs Routing Slip which is submitted to the approving engineer. After the application number is determined, a folder is made for each application. A copy of the application and the folder is then scanned out of the records room and sent to the approving engineer where it will be processed to determine whether the application is accepted or rejected. The status of the application is usually communicated within a day or two.

Meanwhile, the checks received for the applications or petitions are then placed in an envelope. The RC number and date is written on the envelope. DWR Records Unit will have the RC number written on the whiteboard and this RC number will be the number used when the checks and the Report of Collection document are sent to the TPS Unit. However, the envelope does not state how many checks were received during the day, the amount and which individual has submitted payment. The checks received are documented on an Excel® spreadsheet. The Excel® spreadsheet contains the following information:

- Application number
- Date
- Name
- Reason for payment
- Payment amount.

The checks are not pre-listed daily on the standard “report of collection” Excel® spreadsheet that the AO utilizes **(PIO-3 General Control: Payments received should be pre-listed by the individuals opening the mail daily. According to SAM 8024, “All incoming mail receipts consisting of cash and negotiable instruments, not payable to the State agency, will be prelisted by the person opening the mail to localize accountability of these assets”)**. In addition, the RC document is completed and submitted to the TPS unit at the end of the week, along with the checks received. Checks are not sent to the AO until the application has been approved or rejected. Checks are kept in one of the two safes located in the Records Unit until the application status is determined. When the checks have been brought to the TPS unit in the AO to deposit, DWR will cross out the RC number on the envelope.

If the application is rejected, the approving engineer will inform the records room via email or phone that the application was rejected. The approving engineer will then walk to the records room, pick up the check and send the applicant the rejected application, a letter indicating why the application was rejected and the check. The Records Unit staff will provide the check to the approving engineer. No signature is required indicating a change of custody for the check **(PIO-4 General Control: The DWR records room should consider implementing a signature sheet indicating change of custody for the check. According to SAM 8021, “A separate series of transfer receipts will be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit”)**. If the Records Unit staff is not informed that the application was rejected, they will send the checks and the RC to the AO by the end of the week.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

As noted above, at the end of the week, a Records Unit employee will complete the “Report of Collections Division of Water Rights” document (**See PIO 3 General Control: Payments received should be pre-listed by the individuals opening the mail daily**). Pam Perry will then run a tape, summing the check with the accounting tape register, using the numerical number (**PIO-5 General Control: The Records Unit staff should summarize the checks received using the alpha and the numerical code on the checks to validate whether they match. If there is a discrepancy, the alpha should be used as this is what the TPS Unit and the banks will use when depositing the checks**). The value of the checks is then compared to the RC lotus document and the tape is also attached. After the RC document is completed, it is then sent to the AO to process and deposit. After the submittal of the RC document and the checks, DWR Records Unit is uninformed of the process. There is no confirmation that the amount that DWR Records Unit had written on the Report of Collection number is what was deposited. In addition, they cannot determine if there were any checks that did not have sufficient funding (**PIO-6: There should be a cross reference between AO and the DWR Records Unit to determine whether the check amount deposited is complete and accurate**).

### 5) Process Workflow and Activities

Not Applicable.

### 6) General Ledger Transactions

See Narrative.

### 7) Computer Information Systems

Electronic Deposits Form – California State Treasurer’s Office Website where the cash receipts deposits are input.

End User Excel® spreadsheets – Excel® spreadsheets are used throughout the SWRCB for various reasons such as tracking payments received.

### 8) Controls Identified

Manual Control Number	Description	Control Type
M-1	Preparer of Report of collections includes their name on the Excel® spreadsheet.	Authorization
M-2	Office Technician signs the receipt indicating that a check was brought to the TPS Unit.	Management Review
M-3	Accounting Trainee endorses the check.	Authorization
M-4	A tape is run for the checks using the numerical numbers and the written alpha to determine whether they agree. The tapes are also compared to the Report of Collections which also	Reconciliation



## Performance Evaluation Review (PER) Project

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<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

Manual Control Number	Description	Control Type
	determines that they have received all the checks.	
M-5	Accounting Trainee initials and dates the tapes indicating that they reconcile.	Authorization
M-6	The Accounting Trainee will input their name here, indicating that they are the one preparing the batch.	Authorization
M-7	Accounting Trainee includes their initials on the Report of Collections after they have completed the document.	Authorization
A-1	The EDF will include an electronic signature for the staff who prepares the deposit in the EDF	Authorization
A-2	The EDF application does not allow the same individual who prepares the deposit to transmit the deposit.	SOD
M-8	<b>The Accounting Trainee will run a third tape for the checks and will compare the tape to the other two tapes and, if applicable, Report of Collection.</b>	Reconciliation
M-9	The Accounting Trainee will validate that all checks are endorsed.	Management Review
M-10	The Accounting Trainee will validate the CID numbers on the check to the Report of Collections Excel® spreadsheet.	Management Review
M-11	The Accounting Trainee will validate if the checks and the copy are legible.	Management Review
M-12	The Accounting Trainee will validate the information on the EDF.	Management Review
M-13	The employee that submits the deposits to STO through the EDF, signs the Report of Deposit.	Authorization
M-14	Staff who deposits the checks to Bank of America, compares the Report of Deposit and the bank receipt to validate that the amount deposited is accurate.	Reconciliation
M-15	Two employees must be present when the cash is counted and the amount is confirmed. Both employees must sign the envelope).	Management Review and Reconciliation



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

Manual Control Number	Description	Control Type
M-16	The two employees that counted the cash and initialed the envelope cannot be the same individual who processes the cash received in the EDF.	SOD

### 9) Performance Improvement Observations (PIOs)

PIO Item	Control Description	Control Type
PIO-1	All payments should be sent to one centralized location and one group / unit should be in charge of opening the mail and preparing the pre-list / Report of Collection. Staff that answers the phones should know which PO boxes payments should be sent to. In addition, two employees should be opening to the mail in case cash is received. It is unknown of the cash receipting process for the other programs but due to the fact that the TPS Unit Staff is not present when the cash is initially received and pre-listed, it cannot be determined whether the amount of the Report of Collections Excel® spreadsheet is accurate	General Control
PIO-2	SWRCB should not accept cash regardless of the volume, quantity and accrued interest.	General Control
PIO-3	Payments received should be pre-listed by the individuals opening the mail daily. According to SAM 8024, "All incoming mail receipts consisting of cash and negotiable instruments, not payable to the State agency, will be prelisted by the person opening the mail to localize accountability of these assets."	General Control
PIO-4	The DWR records room should consider implementing a signature sheet indicating change of custody for the check. According to SAM 8021, "A separate series of transfer receipts will be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit."	General Control
PIO-5	The Records Unit staff should summarize the checks received using the alpha and the numerical code on the checks to validate whether they match. If there is a discrepancy, the alpha should be used as this is what the TPS Unit and the banks will use when depositing the checks.	General Control



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support (TPS) Unit in the Division of Administrative Services (DAS) and the Records Unit in the Division of Water Rights (DWR).
<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

PIO Item	Control Description	Control Type
PIO-6	There should be a cross reference between AO and the DWR Records Unit to determine whether the check amount deposited is complete and accurate.	General Control

### 10) High Level Process Mapping

Not Applicable

### 11) Components of Internal Control

For each financial statement element, i.e. SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction, document each of the components of internal control in place to support management's assertions. Additionally, space is provided to document controls management has in place to prevent / detect fraud in the SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction.

In completing this section, individuals should refer to the COSO guidance previously provided.

Components of Internal Control per COSO	Brief Description of Each of the Components of Internal Control in Place to Support Management's Assertions
Control Environment	Normally a "Control Framework Gap Analysis" document would be completed for this area. This document was not prepared as part of this review.
Risk Assessment	Normally a "Control Framework Gap Analysis" document would be completed for this area. This document was not prepared as part of this review.
Control Activities	See Section 7 "Controls Identified" for documentation of control activities.
Information and Communication	See Section 5 "Process Level Workflow and Activities" and Section 6 "Information Systems" for documentation of how information is identified, captured, processed, and reported by information systems.
Monitoring	See Section 5 "Process Level Workflow and Activities" and Section 6 "Controls Identified" for documentation of management and supervisory activities, and other actions personnel take in performing their duties that assess the quality of the internal control systems performance.

Additional Control Considerations	Brief Description of Additional Controls in Place to Support Management's Assertions



## Performance Evaluation Review (PER) Project

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<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

Additional Control Considerations	Brief Description of Additional Controls in Place to Support Management's Assertions
Controls to Prevent or Detect Fraud	See PIO 1-6.
Safeguarding Controls	See PIO 1-6.
General Controls	See PIO 1-6.

### 12) Linked Processes

Not Applicable

### 13) Policies and Procedures, Forms, Files and Abbreviations

See appendix 1 for a list of SWRCB Acronyms.

DWR Records Unit provided a one page "Responsibilities of the Records Unit" Policy and Procedure.

DAS has not provided any Policies and Procedures

The following forms have been provided by DAS:

- Payment receipt
- Report of Collections
- Report of Collection Log
- CID Numbers
- Deposited List
- Report of Deposit

### Appendix – Control Types

Financial Statement Assertions	Control Type – Assertions
Completeness	There are no unrecorded assets, liabilities, classes of transactions or undisclosed items.
Existence	An asset or liability exists at a given date and recorded transactions within a class occurred during the period covered by the financial statements (including proper cut-off).
Accuracy	Details of assets, liabilities and classes of transactions are correctly recorded, processed and reported with respect to party, allocation to the proper period (including proper cut-off), description, quantity and price.
Valuation	Assets are recorded at an appropriate amount.
Obligations and Rights	The entity has the appropriate rights (such as the title) to the assets reflected in the financial statements. The liabilities reflect the entity's obligations.



## Performance Evaluation Review (PER) Project

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<b>Process:</b>	Accounts Receivable
<b>Sub-Process:</b>	Cash Receipting and Deposit

Presentation and Disclosure	An item is disclosed, classified and described in accordance with the applicable financial reporting framework including the application of accounting literature. An account balance is a component of the financial statements. It is the accumulation of accounting entries arising from classes of transactions, accounting estimates and presentation and disclosure decisions.
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General	Control Type – General
Authorization	Approval of transactions, as well as access to assets and records, is executed in accordance with management’s general, or specific, policies and procedures. Authorizations can be manual or automated. If this is facilitated by limiting access to functions or information within a system then refer to “System Access” below.
Configuration	These controls generally include switches / tables / menus / etc. that can be set by turning them on or off to secure data against inappropriate processing based on the entities business rules.
Account Mapping	These controls relate to how a specific transaction is treated. For instance, how a transaction with a certain transaction code is posted to the general ledger and then to the financial statements.
Exception/Edit Report	A report that is generated by a company to monitor something and followed-up on through resolution. Reports are generally focused on exceptions/edits, as defined below, however this is not always the case. For example, an aging report is generated and followed up on, the content is not necessarily an edit or exception but the control would still fall in this category. Definition of Exception & Edit reports: Exception: a violation of a set standard (e.g., customer sales exceed credit limit or 3-way match does not reconcile; and Edit: A change to a master file (e.g., addition of a new employee or a change in wage rates).
Interface	Interface controls relate to the activities that ensure the transfer of specifically defined portions of information from one system to another are done correctly. The role of an interface control is to ensure the secure transfer of data, once and only once, completely and accurately, with integrity, and to highlight any exceptions.
Conversion	Conversion controls relate to the process of migrating data from one system to another system in either a manual or automated manner. To perform a conversion, data must be cleansed, reviewed, and synchronized prior to a conversion, then mapped, reformatted, translated, consolidated and loaded into the other system.
Key Performance Indicator	Financial and non-financial quantitative measurements that are collected by the entity, either continuously or periodically and used by management to evaluate the extent of progress toward meeting the entity’s defined objectives.
Management Review	Management review is the activity of a person, different than the preparer, analyzing and performing oversight of the activities performed. This would generally be a manager reviewing but can also include co-workers reviewing each others work.
Reconciliation	This is a control designed to check whether two different items are consistent, in balance, etc., or the process necessary to identify the reason the two items do not agree.
Segregation of Duties	The separation of duties and responsibilities of authorizing transactions, recording





## Performance Evaluation Review (PER) Project

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	transactions and maintaining custody to prevent individuals from being in a position to both <u>perpetrate and conceal an error or irregularity.</u>
System Access	The ability that individual users or groups of users have within a computer information system processing environment, as determined and defined by the access rights configured in the system. The access rights in the system agree to the access in practice.





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).	
<b>Process:</b>	Account Payable (AP) Process	
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.	
<b>Prepared By:</b>	<b>Date:</b>	<b>Version:</b>
Eddie Sison	4/16/09	SWRCB AP Process Narrative EBSv4.doc
<b>Reviewed By:</b>	<b>Date:</b>	
Bill Ashby	<a href="#">4/16/09</a>	

### Table of Contents

1)	Process Overview .....	2
2)	Summary of Financial Statement Elements.....	2
3)	Client Interviews .....	2
4)	Process Detail.....	2
5)	Process Workflow and Activities .....	8
6)	General Ledger Transactions.....	8
7)	Computer Information Systems.....	8
8)	Controls Identified.....	8
9)	Performance Improvement Observations (PIOs).....	9
10)	High Level Process Mapping .....	9
11)	Components of Internal Control.....	9
12)	Linked Processes .....	10
13)	Policies and Procedures, Forms, Files, Abbreviations, Etc. ....	10



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

### 1) Process Overview

This narrative documents the various account payable (AP) processes and sub-processes that the Contracts Payment Unit and Payments Unit perform.

### 2) Summary of Financial Statement Elements

Financial Statement Elements Leading to Selection of the Process for Documenting	Brief Description
Significant Class Of Transactions (SCOT)	Posting of Account Payable Applied
Significant Account Balance(s)	Account Payables, Liabilities
Financial Statement Disclosures	Not Applicable
Significant Non-Routine and Non-Systematic Transactions	Not Applicable
Other	Not Applicable

### 3) Client Interviews

The information for this process was obtained from the following individuals:

Name	Title	Business Unit / Division	Interview Date	Phone Number
Lucy Howard	Accounting Administrator I	Revenue and Labor Unit / DAS	03/30/2009	(916) 341-5021
Leanne Kringer	Accounting Supervisor (TBD)	Payments Unit / DAS	03/30/2009	(916) 341-5034
Debra Latour	Accounting Supervisor (TBD)	Contracts Payment Unit / DAS	03/30/2009	(916) 341-5039

### 4) High level Process Detail

There are two groups within SWRCB that can make disbursements: Contracts Payment Unit and Payments Unit. However, these two groups are under one manager, Lucy Howard. Currently, there is no comprehensive listing of payables within the Accounting Office (AO) created by SWRCB. The D16 report from the California Statewide Accounting and Reporting Systems (CalSTARS) lists all encumbrances and balances. The Contracts Payment Unit does have a general document listing the payables within the Contracts Payment Unit (**PIO 1 General Control:**



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

Both Contracts Payment Unit and Payments Unit should have a formal document with a complete listing of all payables and how they are paid). It was noted that payables can be categorized by:

Category	Contracts Payment Unit makes payment?	Payments Unit makes payments?
Direct Pay	Yes	Yes
Direct Transfer	No	Yes
Contracts	Yes	Yes
Contract for Loans: SRF and Fund 8026	Yes	No
Purchase Order	Yes	Yes
Contract for Fund 8026	Yes	No
Expense Advancements	No	Yes
Cal Card	No	Yes

Note: The categories stated in the table above, is not a comprehensive listing of all payables. Due to time limitations, not all payments were discussed (see **PIO 1 above**).

Each category has their own unique process for payment and posting. It was noted during our discussions that though both Units may perform the same pay, i.e. direct pay, but the processes around the payment maybe different (**PIO 2 General Control: Both Payment Units processes should be similar for each payment type**) (**PIO 3 General Control: SWRCB should consider having one payment unit perform each payment type**).

### Direct Pays:

Direct pays are performed by both the Contracts Payment Unit and Payments Unit. Invoices from the vendor are sent to SWRCB for payment. The invoices are reviewed to determine which program, region or department, the invoice should be sent out to for approval. After approval is obtained by the authorized employee, it is sent to the Contracts Payment Unit or Payments Unit for payment. It was noted that Business Services unit is in charge of updating the binder that contains the list of authorized employees. The Payments Units or Contracts Payment Unit validates that an authorized signature was obtained and will prepare a batch for the invoice to be processed in California Statewide Accounting and Reporting System (CalSTARS) (**M-1 Management review: Contracts Payment Unit or Payments Unit validates that an authorized employees has approved a direct pay**) (**PIO 4 General Control: KPMG recommends that a signature file / card be created for all authorized supervisors to prevent any invalid payments**).

After the batch of invoices has been processed, a claim schedule face sheet, STD. 218 will be generated in CalSTARS and printed the following day. The claim schedule face sheet printed has one original copy and three carbon copies. Contracts Payment Unit or Payments Unit keeps two carbon copies of the STD. 218, along with the copy of the invoice. The original face sheet with an authorized approval signature, the original invoices and the remittance advice forms, STD. 404c will be submitted to the State Controller's Office (SCO) for review and



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

payment (**M-2 Authorization: Authorized employee will sign the claim schedule face sheet prior to submittal to SCO**). Only authorized employees will have a signature card with SCO and SCO will validate the approving signature before payment is made. After the authorized signature has been verified, SCO will print a warrant and send a CD102 to SWRCB, informing them that the payment has been made. The CD102 is attached to the face sheet in the claim schedule. Contracts Payment Unit and Payments Unit keeps the CD102, the two copies of the claim schedule face sheet, a copy of the invoice and any additional documents in a folder.

Direct pays, transaction code 231, for the Clean Up and Abatement is performed by the Contracts Payment Unit and is a slightly different than a typical direct pay. Direct pays for the Clean Up and Abatement Account (CAA) comes with a letter of funding approval and is not encumbered within CalSTARS because these are already budgeted or allocated continuous funding every year. In addition, the invoices from the vendors are sent directly to the contract manager within the regions. The contract manager approves the invoice and then sends this to the program manager in Division of Finance Administration (DFA), Christine Ochoa, for approval. Christine Ochoa oversees all the money regarding the CAA. An additional approval is required if the invoice deals with an employee going to training. Once all necessary approvals are obtained, it is sent to the Contracts Payment Unit for payment. Contracts Payment Units only validates the Christine Ochoa's approval was obtained and prepares a claim schedule (see process above) (**M-3 Management Review: Contracts Payment Unit validates that Christine Ochoa has approved the claim schedule before submittal to the SCO for payment from the CAA**).

### Direct Transfers:

Direct Transfers are usually performed for other State Agencies. According to SAM,

“To simplify processing and reduce paper flow and workloads, the Department of General Services has implemented a direct transfer system which eliminates the need for agencies to prepare and submit claim schedules and remittance advices to the State Controller for payment of Department of General Services' invoices.”

The direct transfers are taken from the fund noted in the inter-agency agreement and can be for purchase orders (PO), services, and contracts. The General Ledger (GL) Unit will receive the journal entry (JE) from SCO notifying them that money has been transferred out of their account. The GL unit will then inform the Payments Unit that a transfer occurred and Payments Unit will wait for the invoice to reconcile the transfer amount. The invoice can take up to 30 days before it is received. When the invoice is received, the Payments Unit will then determine the delegated authority is, i.e. which region, and then forward them the invoice for approval. After the invoice has been forwarded to the appropriate delegated authority, the delegated authority will audit the invoice for accuracy and approve the invoice. The approved invoices is then sent back to Payments Unit who will validate that the appropriate approval was obtained and then post the invoice amount in CalSTARS (**M-4 Management Review: Payments Unit validates that the delegated authority has approved the invoice before posting the invoice amount into CalSTARS**) (same as **PIO 4 General Control: KPMG recommends that a signature file / card be created for all authorized supervisors to prevent any invalid payments**).

### Contracts:

Payments for contracts are made by both the Contracts Payment Unit and Payments Unit. The Contracts Payment Unit typically deals with long term, 1-3 years, high dollar amount contracts, \$5000 and above. Invoices go directly to the contract manager for approval. The approved invoice is then sent to the Contracts Payment Unit who then validates the contract manager and approval was obtained (**M-5 Management Review: Contracts Payment Unit / Payments Unit validates that contract manager has approved invoice**) (same as **PIO 4 General Control: KPMG recommends that a signature file / card be created for all authorized supervisors to prevent any**



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

**invalid payments**). For each contract, there is a log that indicates the contract manager. The log has detailed information such as the encumbered amount, date of contract, funding and object code. During the year, the contract manager can change and the Contracts Payment Unit can determine this either one of two ways:

- 1 The Contracts Payment Unit can be notified via email that the contract manager has changed by the region, program or department.
- 2 When the Contracts Payment Unit is validating the approval, they will notice that this is not the correct manager.

If Contracts Payment Unit notices the approval is not the authorized manager, they will then contact the administrative officer for the specific region or program, and will determine the correct contract manager (**PIO-5 General Control: Administrative officers should notify the Contracts Payment Unit immediately if there is a change in the contract manager**). Either way, the Contracts Payment Unit staff is responsible for updating the log with the correct contract manager for each contract. After the Contracts Payment Unit has determined that the correct contract manager has approved the invoice, a claim schedule is prepared and sent SCO for payment (see direct pays for claim schedule payments).

Contracts that hit the State Revolving Fund (SRF) or Bond disbursements require a transfer letter to be sent with the claim schedule face sheet. In addition, the transfer letter needs to be approved by an authorized employee within the SRF or Bonds Unit (**M-6 Management Review: Payments within the SRF or Bonds Unit need to be approved by an authorized employee and submitted with the claim schedule to the SCO**).

There is an additional slip that needs to be filled out in order for payments to be expedited by the SCO. Any expedited payments incur an additional charge and requires an additional approval from the programs. The SCO will send the SWRCB an invoice for the additional charge and the GL Unit will determine who is responsible to pay the fee. GL Unit then approves the invoice and sends the check to SCO.

Payments Units also make disbursements for contracts and the process is very similar to the Contracts Payment Unit. However, these contracts are usually \$5,000 and everything is handled within the AO. Another main difference is that even after the contract manager approval, Payments Unit still has to validate the invoice billing. The invoices that they receive are broken out by line items and Payments Unit only has 14 days to dispute the invoice.

### **Contract for Loans: SRF and Fund 8026**

#### SRF

SRF loans can be issued for 20-30 years. GL Unit is responsible for tracking / posting the loan disbursement and repayments for SRF in the Loan Grant Tracking System (LGTS), which is then fed into CalSTARS. Currently, LGTS is only tracking SRF loans. LGTS is installed on specific computers and only authorized employees have access to the application. Repayments are sent to the Travel / Payroll / Support Unit (TPS) for deposit (see Cash Receipting Narrative for more information on the deposits). All SRF contracts are monitored by DFA. In addition, DFA is in charge of the amortization schedules and their approval is required for all loan payments and disbursements.

In order for disbursements to be made for SRF, A SRF ‘Request for Disbursement’ must be completed and signed by the Division Chief (TBD) and the other is the requestor (i.e. Janice Clemons). Once the two authorized employees have approved the disbursement of funds to a borrower, the DFA must set-up the borrower loan information and electronically approve the disbursement in LGTS. After DFA approval, Contracts Payment Unit will be informed and they will sign into LGTS and enter the following: Encumbrance amount, PCA number, appropriate transaction code (TC), and obligation date. It was noted that encumbrances can only be performed by



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

the Contracts Payment Unit. Contracts Payment Unit then creates a batch record within LGTS and prepares the subsidiary number which tracks the individual loan. The batch record is then uploaded into CalSTARS by the SRF/ Systems Unit. SRF / System Unit will not upload the loan information unless the batch, subsidiary number, and request for disbursement is printed and approved by an authorized employee in the Contracts Payment Unit, Debra Latour or a lead **(M-7 Authorization: Contracts Payment Supervisor or lead need to the batch before borrower loan information can be uploaded into CalSTARS)**. In addition, the person who prepares the batch in LGTS cannot be the same person who approves the batch. **(M-8 Segregation of Duties (SOD): Preparer of batch cannot approve the batch in LGTS)**.

The batch record is printed out and included in the audit package. The audit package, which is sent to the SCO for payment, include a copy of the batch and the claim schedule face sheet, STD. 218, an approved transfer letter, and the contract request form. After the CD102 is received, the audit package is sent to the SRF Unit to upload into CalSTARS. In addition, all SRF loan payments are expedited as the loan is accruing interest the day it is set-up. Contracts Payment Unit is also in charge of setting up the account payable (AP) and account receivable (AR) subsidiary ledgers in CalSTARS.

### Contract for Fund 8026 (Petroleum Underground Storage Tank Financing Account):

Fund 8026 has both grants and loan disbursements. DFA has their own division that oversees Fund 8026. DFA is responsible for sending out contracts or agreements and are also in charge of the encumbrance. The key difference between Fund 8026 and the SRF Contracts is that the SRF / Systems Unit are in charge of setting the subsidiary number. In addition, they are only setting up the AP subsidiary ledger. DFA is also in charge of tracking the repayments.

### **Purchase Orders:**

POs can be for products or services and the process is the same for both. When a region, department or unit within SWRCB needs to order products or services, an internal “intraoffice requisition” STD. 5, must be completed. This requisition needs to be approved by a delegated authority. STD.5 is then sent to procurement for review and approval. If approved, Procurement will determine whether an authorized approval was obtained and will complete and send a “Purchasing Authority Purchase Order (STD.65),” to the vendor. Procurement will determine if the authorized approval was obtained by reviewing the delegated authority book. Procurement is in charge of updating this book.

The vendor will then send an invoice to procurement, who is in charge of forwarding the invoice to the responsible region, unit or department. The region, unit or department will validate the invoice, noting that the service or product has been completed or received. The delegated authority will then sign the invoice and send it back to procurement. If a product is received, a copy of the receiving document is also sent. Procurement will sign the invoice and all the documents will be sent to the Contracts Payment Unit or Payments Unit. Contracts Payment Unit or Payments Unit validates that the invoice was signed by Procurement and the Delegated Authority **(M-9 Authorization: Contracts Payment Unit or Payments Unit validates that the invoice was signed by procurement and the delegated authority)**. Either Contracts Payment Unit or Payments Unit will then perform a three way reconciliation: Receiving Document, Purchase Order and Invoice before a claim schedule is prepared (See claim schedule process in the “direct pays” section above) **(M-10 Reconciliation: Contracts Payment Unit or Payments Unit performs a three way reconciliation prior to preparing a claim schedule)**.

Late payment penalties may occur. Therefore, both Payments Unit are constantly communicating with the region, department or unit to provide all the documents. If a late payment penalty arises, both payment units will determine who should be responsible for paying the late penalty fee. Due dates for the invoices are not tracked in an excel





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

spreadsheet but are kept in an unpaid invoice file. Both Payment Unit will review the unpaid invoice file to determine which invoices need to be paid immediately.

### Expense Advances:

Expense advances are made for training, supplies and postage. Supplies and postage require an approved purchase order and expense advance request from the procurement team. Training requests require a signature from the employee attending the training, the supervisor and division chief. These forms are then sent to the Payments Unit. Payments Unit verifies that the forms are approved, complete and accurate. A Payments Unit staff will complete the expense advance request, i.e. TC, fiscal year and vendor number. After approval, the check issuance process begins. The Payments Unit will prepare a "State of California CalSTARS Batch Header Slip" and complete a "Check Route Slip."

The "Check Route Slip" is signed by eight employees handling the Expense Advance; the same employee cannot sign the slip twice (**M-11 SOD: An employee can only sign the check route slip once**).

- Requester: Preparer of the "State of California CalSTARS Batch Header Slip."
- Supervisor/Mgmt Approval: Approver of the Batch. This must be signed by Leanne Kringer or the Lead in order for the checks to be printed (**M-12 Authorization: The supervisor / manager must approve the batch in order for the checks to be disbursed**).
- Typed / Printed and the Check No's: The authorized staff who prints the check(s)
  - The check printing is performed within the AO. Checks can be printed manually using a typewriter or can be printed automatically through CalSTARS printer. Only authorized employees can print checks. The General Ledger (GL) Unit has custody of the checks and releases the checks to authorized employees only. GL Unit has a list of authorized employees who can print checks. GL Unit is also in charge of reconciling the checks.
- Proofed: An initial review to determine whether the checks that were printed are accurate.
- Reviewed: A high level review which is performed by an Accounting Officer.
- Signed: An authorized staff runs the checks through the check signing machine (signature). This is usually performed by an employee in the Revenue / Labor Unit.
- Disbursed: Staff who disburses the checks. The check is then issued to the vendor directly or to the programs / regions to submit to the vendor. If the check is submitted to the programs / regions, a tracking number is attached to the checks. The tracking number is held in a binder until the check is received.
- Keyed: The Staff who keys in the TC in CalSTARS.

Expense advances are paid from the Office Revolving Fund (ORF). The SCO will reimburse the ORF after the following documents have been received: Approved disbursement voucher and a copy of the batch header slip.

### Cal Cards:

Cal Cards are used to procure commodities and services, provided that the purchase is within the authorized Cal Card dollar limit. For example, Cal Card pays for items such as office supplies and training. Only authorized employees have a Cal Card. Procurement team determines which employees are authorized to have Cal Cards and the Payments Unit is in charge of the payment. U.S. Bank will send a visa statement to the cardholder monthly and a Cal Card packet is due to the Payments Unit by the 10<sup>th</sup> day of every month. Cal Card packet includes purchase orders, invoices, receipts, training request forms and the visa statement. The cardholder must approve and sign the visa statement and provide the statement to their Cal Card approver, usually their supervisor. The supervisor will review the receipts and statement and will approve and sign the visa statement. If two appropriate signatures are not



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

on the visa statement by the time it is received by the Payments Unit, it is sent back to the cardholder. After the two approving signatures have been obtained, Payments Unit will validate the authenticity of the Cal Card invoice, receipt with credit card charges, visa statement and will confirm that the purchases are appropriate (**M-13 Management Review: Payments Unit validates that the invoice is signed by the Cal Card holder and the supervisor**) (**M-14 Management Review: Payments Unit reviews the Cal Card packet for accuracy**). Cal Card payments are then entered into CalSTARS and a claim schedule is prepared. SCO will perform their review of the CAL-Card expenses and if approved, will send a CD102 informing SWRCB that the payment has been made.

### 5) Process Workflow and Activities

Not Applicable.

### 6) General Ledger Transactions

See Narrative.

### 7) Computer Information Systems

California's Statewide Accounting and Reporting System (CalSTARS) - Provide all agencies of the state with an automated organization and program cost accounting system to accurately and systematically account for all revenue, expenditures, receipts, disbursements, and property of the state

Loans and Grants Tracking System (LGTS) - A custom developed application from Northbridge Environmental Management that supports the SRF program. The SRF program provides grants and loans, primarily to municipalities, for wastewater infrastructure, and primarily utilizes fund 617, Clean Water SRF. Loans comprise a majority of the program. LGTS is used to: (1) record SRF loan / grant applications, (2) monitor the loan approval process, (3) monitor the loan contract creation process, (4) record the loan contract terms / conditions, (5) record the loan contract encumbrance, (6) record loan / grant disbursement requests, (7) partially liquidate the encumbrance for each disbursement, (8) set-up a long term receivable as loan proceeds are disbursed, (9) generate loan repayment memos / amortization schedules, (10) track loan repayment and (11) generate year-end financial statements.

### 8) Controls Identified

Manual Control Number	Description	Control Type
M-1	Contracts Payment Unit or Payments Unit validates that an authorized employees has approved a direct pay.	Management Review
M-2	Authorized employee will sign the claim schedule face sheet prior to submittal to SCO	Authorization
M-3	Contracts Payment Unit validates that Christine Ochoa has approved the claim schedule before submittal to the SCO for payment from the CAA.	Management Review
M-4	Payments Unit validates that the delegated authority has approved the invoice before posting the invoice amount into	Management Review





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

Manual Control Number	Description	Control Type
	CalSTARS	
M-5	Contracts Payment Unit / Payments Unit validates that contract manager has approved invoice	Management Review
M-6	Payments within the SRF or Bonds Unit need to be approved by an authorized employee and submitted with the claim schedule to the SCO	Management Review
M-7	Contracts Payment Supervisor or lead need to the batch before borrower loan information can be uploaded into CalSTARS	Authorization
M-8	Preparer of batch cannot approve the batch in LGTS	SOD
M-9	Contracts Payment Unit or Payments Unit validates that the invoice was signed by procurement and the delegated authority	Authorization
M-10	Contracts Payment Unit or Payments Unit performs a three way reconciliation prior to preparing a claim schedule	Reconciliation
M-11	An employee can only sign the check route slip once	SOD
M-12	The supervisor / manager must approve the batch in order for the checks to be disbursed	Authorization
M-13	Payments Unit validates that the invoice is signed by the Cal Card holder and the supervisor.	Management Review
M-14	Payment Unit reviews the Cal Card packet for accuracy.	Management Review

### 9) Performance Improvement Observations (PIOs) and GAPS

PIO Item	Control Description	Control Type
PIO-1	Both Contracts Payment Unit and Payments Unit should have a formal document with a complete listing of all payables and how they are paid.	General Control
PIO-2	Both Payment Units processes should be similar for each payment type.	General Control
PIO-3	SWRCB should consider having one payment unit perform each payment type.	General Control
PIO-4	KPMG recommends that a signature file / card be created for all authorized supervisors to prevent any invalid payments.	General Control
PIO-5	Administrative officers should notify the Contracts Payment Unit immediately if there is a change in the contract manager.	General Control

### 10) High Level Process Mapping

Not Applicable

### 11) Components of Internal Control



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

For each financial statement element, i.e. SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction, document each of the components of internal control in place to support management’s assertions. Additionally, space is provided to document controls management has in place to prevent / detect fraud in the SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction.

In completing this section, individuals should refer to the COSO guidance previously provided.

<b>Components of Internal Control per COSO</b>	<b>Brief Description of Each of the Components of Internal Control in Place to Support Management’s Assertions</b>
Control Environment	Normally a “Control Framework Gap Analysis” document would be completed for this area. This document was not prepared as part of this review.
Risk Assessment	Normally a “Control Framework Gap Analysis” document would be completed for this area. This document was not prepared as part of this review.
Control Activities	See Section 7 “Controls Identified” for documentation of control activities.
Information and Communication	See Section 5 “Process Level Workflow and Activities” and Section 6 “Information Systems” for documentation of how information is identified, captured, processed, and reported by information systems.
Monitoring	See Section 5 “Process Level Workflow and Activities” and Section 6 “Controls Identified” for documentation of management and supervisory activities, and other actions personnel take in performing their duties that assess the quality of the internal control systems performance.

<b>Additional Control Considerations</b>	<b>Brief Description of Additional Controls in Place to Support Management’s Assertions</b>
Controls to Prevent or Detect Fraud	None identified at this time.
Safeguarding Controls	None identified at this time.
General Controls	None identified at this time.

### 12) Linked Processes

Not Applicable

### 13) Policies and Procedures, Forms, Files and Abbreviations

See appendix 1 for a list of SWRCB Acronyms.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

Policies and Procedures were provided for the following:

- Cal Card
- Paying Invoice (TC 231 and TC 232)
- Expense Advance Reimbursement
- Direct Transfers

### Appendix – Control Types

Financial Statement Assertions	Control Type – Assertions
Completeness	There are no unrecorded assets, liabilities, classes of transactions or undisclosed items.
Existence	An asset or liability exists at a given date and recorded transactions within a class occurred during the period covered by the financial statements (including proper cut-off).
Accuracy	Details of assets, liabilities and classes of transactions are correctly recorded, processed and reported with respect to party, allocation to the proper period (including proper cut-off), description, quantity and price.
Valuation	Assets are recorded at an appropriate amount.
Obligations and Rights	The entity has the appropriate rights (such as the title) to the assets reflected in the financial statements. The liabilities reflect the entity's obligations.
Presentation and Disclosure	An item is disclosed, classified and described in accordance with the applicable financial reporting framework including the application of accounting literature. An account balance is a component of the financial statements. It is the accumulation of accounting entries arising from classes of transactions, accounting estimates and presentation and disclosure decisions.

General	Control Type – General
Authorization	Approval of transactions, as well as access to assets and records, is executed in accordance with management's general, or specific, policies and procedures. Authorizations can be manual or automated. If this is facilitated by limiting access to functions or information within a system then refer to "System Access" below.
Configuration	These controls generally include switches / tables / menus / etc. that can be set by turning them on or off to secure data against inappropriate processing based on the entities business rules.
Account Mapping	These controls relate to how a specific transaction is treated. For instance, how a transaction with a certain transaction code is posted to the general ledger and then to the financial statements.
Exception/Edit Report	A report that is generated by a company to monitor something and followed-up on through resolution. Reports are generally focused on exceptions/edits, as defined below, however this is not always the case. For example, an aging report is generated and followed up on, the content is not necessarily an edit or exception but the control would still fall in this category. Definition of Exception & Edit reports: Exception: a violation of a set standard (e.g., customer sales exceed credit



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Contracts Payment Unit and Payments Unit within the Division of Administrative Services (DAS).
<b>Process:</b>	Account Payable (AP) Process
<b>Sub-Process:</b>	Payment Validation and Posting of Payables.

	limit or 3-way match does not reconcile; and Edit: A change to a master file (e.g., addition of a new employee or a change in wage rates).
Interface	Interface controls relate to the activities that ensure the transfer of specifically defined portions of information from one system to another are done correctly. The role of an interface control is to ensure the secure transfer of data, once and only once, completely and accurately, with integrity, and to highlight any exceptions.
Conversion	Conversion controls relate to the process of migrating data from one system to another system in either a manual or automated manner. To perform a conversion, data must be cleansed, reviewed, and synchronized prior to a conversion, then mapped, reformatted, translated, consolidated and loaded into the other system.
Key Performance Indicator	Financial and non-financial quantitative measurements that are collected by the entity, either continuously or periodically and used by management to evaluate the extent of progress toward meeting the entity's defined objectives.
Management Review	Management review is the activity of a person, different than the preparer, analyzing and performing oversight of the activities performed. This would generally be a manager reviewing but can also include co-workers reviewing each others work.
Reconciliation	This is a control designed to check whether two different items are consistent, in balance, etc., or the process necessary to identify the reason the two items do not agree.
Segregation of Duties	The separation of duties and responsibilities of authorizing transactions, recording transactions and maintaining custody to prevent individuals from being in a position to both perpetrate and conceal an error or irregularity.
System Access	The ability that individual users or groups of users have within a computer information system processing environment, as determined and defined by the access rights configured in the system. The access rights in the system agree to the access in practice.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.	
<b>Process:</b>	Safe	
<b>Sub-Process:</b>	Securities	
<b>Prepared By:</b>	<b>Date:</b>	<b>Version:</b>
Eddie Sison	4/16/09	SWRCB Securities Process Narrative EBSV7.doc
<b>Reviewed By:</b>	<b>Date:</b>	
Bill Ashby	4/29/09	<a href="#">See above.</a>

### Table of Contents

1)	Process Overview .....	2
2)	Summary of Financial Statement Elements.....	2
3)	Client Interviews .....	2
4)	Process Detail.....	3
5)	Process Workflow and Activities .....	10
6)	General Ledger Transactions.....	10
7)	Computer Information Systems.....	10
8)	Controls Identified.....	10
9)	Performance Improvement Observations (PIOs).....	10
10)	High Level Process Mapping .....	11
11)	Components of Internal Control.....	11
12)	Linked Processes .....	12
13)	Policies and Procedures, Forms, Files, Abbreviations, Etc. ....	12



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

### 1) Process Overview

This narrative documents the various processes and sub-processes related to SWRCB's Safe administration and the controls over Securities within those Safes.

### 2) Summary of Financial Statement Elements

Financial Statement Elements Leading to Selection of the Process for Documenting	Brief Description
Significant Class Of Transactions (SCOT)	Securities
Significant Account Balance(s)	Securities on Deposit and Assets Held in Trust
Financial Statement Disclosures	Not Applicable
Significant Non-Routine and Non-Systematic Transactions	Not Applicable
Other	Not Applicable

### 3) Client Interviews

The information for this process was obtained from the following individuals:

Name	Title	Division	Interview Date	Phone Number
Jamie St. Cloud	TPS Unit Supervisor	DAS	03/27/2009	(916) 341-5035
Lucy Howard	Accounting Administrator I	DAS	03/27/2009	(916) 341-5021
Doug Tsuda	Associate Governmental Program Analyst (AGPA)	DFA	04/02/2009	(916)341-5788
Janice Clemons	Staff Services Manager 1	DFA	04/02/2009	(916)341-5657




## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

Name	Title	Division	Interview Date	Phone Number
Tanya Kendricks	Accounting Administrative Supervisor	DFA	04/08/2009	(916)341-5011
Heather Bell	Need	DAS	04/08/2009	(916)340-5030
Denise Walker	Associate Accounting Analyst	DAS	04/08/2009	Need
Donna Vercruyssen	AGPA	DFA	04/21/2009	(916)341-5664
Pam Perry	Office Technician	DWR	04/17/2009	(916) 341-5333

#### 4) Process Detail

Safes are maintained throughout the SWRCB: Division of Administration Services (DAS), the Division of Financial Assistance (DFA), the Department of Water Rights (DWR), and most likely the various regional boards. There is no universal listing of how many safes / vaults are within the SWRCB (**PIO-1 General Control: A complete listing of all safes and who is in charge of maintaining the safe should be documented**). This narrative only captures the safes / vaults that we were made aware of for DAS, DFA and DWR.






Safe	Items in Safe	Picture of Safe
DAS Safe	<ul style="list-style-type: none"> <li>• Securities.</li> <li>• Petty cash box.</li> <li>• Expedite tags which are for contracts.</li> <li>• Manual deposit slips.</li> <li>• Confidential employee emergency information folder.</li> <li>• Accounting Office (AO) fundraising envelope.</li> <li>• Blue CalCard for AO use.</li> <li>• Check signing keys.</li> <li>• Payroll white binder.</li> <li>• Any un-deposited checks.</li> <li>• Checks waiting for pick-up, such as: Refund checks, Travel Advance checks, Payroll Advance checks, and Expense Advance checks.</li> </ul>	





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

DFA Safe 1	<ul style="list-style-type: none"> <li>• Borrower Promissory Notes</li> <li>• Un-deposited loan origination checks.</li> </ul>	
DFA Safe 2	<p>Petroleum Underground Storage Tank (UST) Financial responsibility documents.</p> <p>These include:</p> <ul style="list-style-type: none"> <li>• Certificates of Deposit (CDs)</li> <li>• Letters of Credit (LOCs); and</li> <li>• Surety Bonds.</li> </ul>	
DFA Safe 3	<ul style="list-style-type: none"> <li>• Un-deposited checks for the Site Cleanup Program (SCP).</li> </ul>	
DWR Safe 1	<ul style="list-style-type: none"> <li>• Un-deposited checks.</li> <li>• More current Legal documents, such as Water Rights, Small Domestic Use Registration, and Livestock and Stockpond Registration Notices.</li> </ul>	
DWR Safe 2	<p>Legal documents, such as Water Rights, Small Domestic Use Registration, and Livestock and Stockpond Registration Notices</p>	

### DAS Safe:

DAS has one safe located on the 18<sup>th</sup> floor in the Environmental Protection Agency (EPA) Building. The safe contains various items as indicated above.





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

### *Securities*

Typically, the AO is unaware of when securities will arrive. In some cases, some regional boards may notify the AO to expect a security and will ask for confirmation when it is received (**PIO-2 General Control: The AO should be made aware of all securities expected to be received via email or phone call. A confirmation that the securities have been received should always be sent. In addition, all securities and checks should be sent to DAS AO for safekeeping (see PIO-7).** Securities are sent from the regional boards to the Travel / Payroll / Support (TPS) Unit with a cover letter indicating which regional board it is from. The Office Technician, Xia Lao, will then log the securities received in an unprotected Excel® spreadsheet called “Inventory of Securities – Accounting Safe.” The Excel® spreadsheet maintains and tracks all securities within the safe (**PIO-3 General Control: The End User Excel® spreadsheet that tracks information for the securities should at least be password protected to prevent any unauthorized changes. Only appropriate employees should have access to this Excel® spreadsheet).** The Excel® spreadsheet contains the following information:

- Region / Division – This represents who the securities belong to.
- Date Received.
- Facility Name.
- Type of Security.
- Security Number.
- Financial Organization.
- Date of Issuance.
- Date of Expiration.
- Value / Amount.
- Date Returned.
- Returned By.
- Amount Released.

**(PIO-4 General Control: The excel spreadsheet for DAS appears to be incomplete. The date received or date of expiration is not completed for all the securities. In addition, some of the dates of the securities appear to be expired. TPS Unit needs to complete the excel spreadsheet consistently and perform more review over the securities such as validating whether expired securities need to be reviewed, etc. The acronym list needs to be updated.)**

After the security is logged into the Excel® spreadsheet, Xia Lao will email the regional board confirming that the AO has received the security. Xia Lao will also print an updated Excel® spreadsheet that tracks and maintains all the securities and hand the security received to one of the eight employees who has access to the safe. It was noted that the combination to the safe is changed regularly and when an employee leaves the AO. The last two dates that the combination was changed were February 22, 2008, and March 17, 2009. No signature is required when Xia Lao transfers the custody of the security. An employee who has the security and updated Excel® spreadsheet will then place the documents in the security folder within the safe. Various types of securities are held within the safe:

- CDs
- Time Deposits (TDs)
- LOCs and Financial Assurance Bonds
- Guaranty



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

- Performance Bonds (PBs)
- Surety Bonds (SBs)
- Common Stock (CS)

The value of the securities within the safe is over \$61million. Securities are not released until the SWRCB's Executive Officer writes and signs a letter requesting the AO to release to the regions (**M-1: Authorization – Executive Officer must write and sign a letter indicating the release of a security**). There are no signature cards for all the Executive Officers who are authorized to request a release (**PIO-5 General Control – A signature card should be utilized to prevent any unauthorized security releases**). All released securities are copied and logged into the Excel® spreadsheet. A copy of the security is date stamped for the date it was returned and is placed back in the securities folder. Yearly, a reconciliation of the securities within the safe and listed on the Excel® spreadsheet occurs (see “Year End Reconciliation” section below for more detail).

### *Petty Cash Box*

Petty cash is locked in a box and contains approximately \$50. Petty cash is used only for emergencies. If the petty cash is to be used, an employee must get authorization for its use, provide a receipt following purchase of the item, and then the petty cash will be reimbursed. There is no formal listing of employees who have access to the petty cash box but it was noted that only Xia Lao, Office Technician, has a key (**PIO-6 General Control: A formal listing of employees who know the combination the safe / lock box should be documented**). Petty cash is not counted until year-end and two employees must be present when the cash is counted. Employees who have access to the petty cash box do not know the combination to the safe (**M-2: Segregation of duties (SOD) – Employees who have a key to the petty cash box does not know the combination to the safe**).

### **DFA Safes:**

The DFA is aware of three safes (**See PIO-1 General Controls: DFA and the SWRCB should have a complete listing of all safes and who is in charge of maintaining the safe should be documented**).

### **DFA Safe 1:**

DFA Safe 1 is maintained by Janice Clemons and contains Repair and Removal Underground Storage Tanks (UST) borrower information such as promissory notes and loan origination fees. The loan origination fee checks are sent to DFA as part of their loan agreement package and the loan will not be processed until these checks are received. After the loan has been established, the actual loan repayment checks are sent directly to the AO. The loan origination fee checks received are only temporarily stored in the safe until they can be delivered to the TPS Unit for deposit (**PIO-7 General Control: SWRCB should consider that all securities and checks be sent to one centralized location**). The DFA is expecting promissory notes and checks to be sent to them as they are part of their loan agreement. Loans typically have a 10 year repayment period but a borrower can obtain an extended 20 year repayment period if they provide a deed.

When the borrower information / loan origination fee checks are received, these will be logged into a secured Access® Database, also known as Applied Business Software (ABS). Only four employees have access to the ABS. This Access® Database can be used as a cross-reference against the promissory notes kept in the safe. However, a yearly reconciliation is not performed to determine whether all the promissory notes in the safe reconcile to what is in the ABS (**PIO-8 General Control: DFA should reconcile the items in the safe to the ABS on a routine basis**). After the borrower information is entered into the ABS, the securities must be provided to one of the two employees who have access to the safe, for safekeeping. No formal listing of employees who know the combination to the safe exists (**PIO-6 General Control: A formal listing of employees who know the combination to the safe should be**



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

**documented).** It was noted that for the two employees identified that do have access to the safe also have access to the ABS (**PIO-9 Segregation of Duties (SOD): Custody, recording and authorization functions should be properly segregated. Employees who know the combination to the safe should not have the ability to record the information.**) In addition, the combination to the safe is not changed frequently (**PIO-10 General Control: The combination to the safe should be changed yearly, or when an employee leaves. In addition, an assessment should occur to determine whether appropriate employees have access to the safe.**) If checks are received, they are hand-delivered to the TPS Unit Office Technician with a standard form called the “RUST loan fee check.” The RUST loan fee check contains the following information:

- Loan number.
- Borrower.
- Dollar amount.
- Check number.
- Date.

According to the Office Technician, a receipt is provided after the check(s) have been delivered to the AO. She will then prepare an Excel® spreadsheet pre-listing, also know as a “Report of Collection (RC),” for the checks received (See “Cash Receipting” Process Narrative for more detail regarding this process.)

In order for the borrower to get his/her promissory note and supporting documents returned, the loan must be paid in full. When a borrower makes its repayments, AO will make the deposits and prepare an RC. A copy of the RC will be provided to the DFA, who will then note which borrower has made their payments. A DFA employee will then input the payment information into the ABS and determine whether any loans have been paid in full. Note: The ABS will perform all the calculations necessary regarding the loan, i.e. loan balance, payments, interest, etc... If the DFA employee determines that the loan is paid in full, the borrower documents will be sent back with a stamp indicating that the loan is paid in full.

### DFA Safe 2:

DFA Safe 2 is maintained by Doug Tsuda and contains CDs, LOCs, and surety bonds for the UST program. A CD, LOC, or surety bond is submitted to the SWRCB by all owners or operators of an UST system as a sign of financial responsibility. According to Title 40, Code of Federal Regulation (CFR), part 280, subpart H, owners and operators are required to show an approved method that they can pay for cleanup and third party damages resulting from accidental releases from their USTs. CDs are generally in the amount of \$5,000 and the SWRCB has around \$400,000 in DFA Safe 2. LOCs and surety bonds total approximately \$16.2 million and \$9.3 million, respectively. All CDs, LOCs, and surety bonds received are made payable to the SWRCB and are logged in an Excel® spreadsheet called the “Underground Storage Tank Cleanup Fund Inventory of Securities.” The Excel® spreadsheet contains the following information:

- Entity issuing the security.
- Type of security (CD, LOC, or Surety Bond).
- Financial institution.
- Board Order # or Reason for Security; i.e. financial responsibility.
- Date issued.
- Date of expiration.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

- Value / amount.

The Excel® spreadsheet is stored on the common drive and is not password protected (**Same as PIO-3 General Control: The End User Excel® spreadsheet that tracks information for the securities should at least be password protected to prevent any unauthorized changes. Only appropriate employees should have access to this Excel® spreadsheet**). When the CD, LOC, or surety bond is received, DFA sends out a confirmation indicating that they have received the security and will place these documents in the safe (**Same as PIO-9 SOD: Custody, recording and authorization functions should be properly segregated. Employees receiving securities should not have the combination to the safe and the ability to record the security**). Only three employees know the combination to the safe. It was noted that the combination to the safe is not changed frequently (**Same as PIO-10 General Control: The combination to the safe should be changed yearly, or when an employee leaves. In addition, an assessment should occur to determine whether appropriate employees have access to the safe**). At the end of the year, a reconciliation occurs between the securities within the safe and those recorded on the Excel® spreadsheet. As noted above, the same employee who logs the securities into the unprotected Excel® spreadsheet also has the combination to the safe, creating an SOD issue. The value of the securities is then communicated to the General Ledger (GL) Unit within AO (Note – see reconciliation below for more detail).

The UST owner or operator must keep a CD, LOC, or surety bond with the SWRCB as long as an UST is maintained by them. If the owner or operator no longer maintains an UST, i.e. decides to sell the business, they can request that the CD, LOC, or surety bond be returned. These securities are not returned unless there is a request from the owner. In order for them to get their documents back, they must contact the SWRCB. However, there is no “official” policy or procedure indicating how to have these documents returned (**PIO-11 General Control: DFA need to create policies and procedures for maintaining the safe and when to release documents. When releasing documents, the policy and procedure should indicate how to confirm the identity of the owner or operator**). Any documents sent back from DFA Safe 2 are then recorded in the Excel® spreadsheet.

### DFA Safe 3:

DFA Safe 3 is maintained by Carmen Rios and Donna Vercruyssen. This safe is used as a temporary pass through for reimbursement checks for the Site Cleanup Program (SCP). The safe utilizes a combination lock and a key. Only three employees know the combination to the safe. However, there is no formal listing of employees who know the combination to the safe (**same as PIO-6: A formal listing of employees who know the combination the safe should be documented**). In addition, there are a total of four keys, one skeleton key and three copies, to the safe and they do not include a “do not copy” stamp (**PIO-12: The key to the safe should include “do not copy”**). The skeleton key is maintained by Christine Ochoa and can open the safe without the combination. One of the three other keys is kept in a location where the other two employees who know the combination can obtain the key. The two other copies are maintained with Christine Ochoa. DFA has had DFA Safe 3 for less than a year but the combination to the safe has not been changed (**Same as PIO-10 General Controls: The combination to the safe should be changed yearly, or when an employee leaves. In addition, an assessment should occur to determine whether the appropriate employees have access to the safe’s combination and/or keys**). Checks received for the SCP are payable to the SWRCB and are documented in the SCP database. The SCP database is only on specific computers and employees must have authorization in order to access the SCP database. Checks are batched in 20’s on the SCP database and these batches are then printed. A copy of the batches is attached to the checks prior to forwarding them to the AO. Checks are safeguarded in a locked money bag in the safe when these cannot be provided to the TPS Unit that day (**Same as PIO-7 General Controls: SWRCB should consider sending all securities and checks to one centralized location**). When checks can be delivered to the TPS Unit to process and



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

deposit, a staff person will walk the locked money bag, with all the support, to the TPS Unit and provide this to Judy Wong, Accounting Trainee. Included in the support is a copy of the batch listings generated from the SCP database. The money bag is returned to SCP via interoffice mail service.

### Regional Board Safes:

It is unknown as to how many safes are located at the regional boards or if securities are actually safeguarded in a safe (**See PIO 1 above – A listing of all safes should be maintained**) (**See PIO 7 - all securities should be sent and maintained by one centralized location within SWRCB**). In addition, it is unknown if there are any policies and procedures for these safes.

### Department of Water Rights (DWR):

The DWR also has two safes in the Records Room located on the 2<sup>nd</sup> floor in the EPA Building. Both safes contain various types of legal documents such as Water Rights, Small Domestic Use Registration, and Livestock and Stockpond Registration Notices. In addition, application fees are temporarily stored in one of the safes until all the checks are reported in the RC document submitted to the AO for processing and deposit. The combination to both safes is known by all the staff within the Records Room, approximately seven employees, and the combination is not changed frequently (**PIO-10 General Controls: The combination to the safe should be changed yearly, or when an employee leaves. In addition, an assessment should occur to determine whether appropriate employees have access to the safe**). In addition, there is no formal listing of the staff that has the combination to the safe (**Same as PIO-6 General Controls: A formal listing of employees who know the combination to the safe should be documented**).

Daily, Records Unit staff goes to various office inboxes and pick up the licenses / registrations from the appropriate licensing secretary. All licenses are in a manila folder and have a bar code. At the same time, the licensing secretary will email a PDF format of the license to Pam Perry, Staff Services Analyst, to post the license on the SWRCB website. When licenses are delivered to the Records Room, all files are verified and scanned. Licenses are then permanently stored in the safe. A copy of the license is also sent to the owner of the license. DWR does not perform a reconciliation to determine that licenses in the safe are complete. However, all licenses or documents that are received or removed from the Records Room are scanned in and out and as noted above, all licenses in the safe are also posted on the SWRCB website.

### Year End Reconciliation:

The AO's GL Unit is responsible for performing the year-end reconciliation for securities maintained by the SWRCB. A TPS Unit employee who knows the combination to the safe will open the safe for the GL Unit staff person performing the reconciliation. The GL Unit will reconcile the securities within the safe to the "Inventory of Securities – Accounting Safe" Excel® spreadsheet for accuracy and completeness. No signature is required indicating that a reconciliation was performed (**PIO-13 General Control: The GL Unit should sign the Excel® spreadsheet indicating that the reconciliation occurred between the AO Safe and the "Inventory of Securities – Accounting Safe" Excel® spreadsheet**). In addition, the GL unit will send an email out to all the programs and regional boards indicating that they need the value of any securities that are not maintained by the AO. The DFA and the regions will send an email or letter to the GL Unit indicating the value of the securities at the end of the year that they maintain. The GL Unit does not independently confirm the amount indicated by the regional boards or programs (**PIO 7 – All Securities should be sent and maintained in a centralized location within the SWRCB**). The value of the securities is documented in an Excel® spreadsheet titled "Securities on Deposit outside State Treasury." This spreadsheet noted that the total value of these securities as of June 30, 2008, was approximately \$126.1 million. In addition, not all regional boards indicate that they have securities. All security values are shown





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

under Fund 0990, Fiduciary Funds Outside the State Treasury. This fund has its own set of financial statements which are submitted to the State Controller's Office and signed by Jerrel Bolds or by Tanya Kendricks and Heather Bell.

### 5) Process Workflow and Activities

Not Applicable.

### 6) General Ledger Transactions

See Narrative.

### 7) Computer Information Systems

ABS – Tracks payments received for the UST.

SCP Database – Tracks payments received for the SCP.

End User Excel Spreadsheets – Excel spreadsheets are used throughout the SWRCB for various reasons such as tracking securities / documents within the safes.

### 8) Controls Identified

Manual Control Number	Description	Control Type
M-1	Executive officer must write and sign a letter indicating the release of a security.	Authorization
M-2	Employees who have a key to the lockbox that contains petty cash does not know the combination to the safe.	SOD

### 9) Performance Improvement Observations (PIOs)

PIO Item	Control Description	Control Type
PIO-1	A complete listing of all safes and who is in charge of maintaining the safe should be documented.	General Control
PIO-2	The AO should be made aware of all securities expected to be received via email or phone call. In addition, a confirmation that the securities have received should always be sent.	General Control
PIO-3	End user excel spreadsheet that tracks information for the securities should at least be password protected to prevent any unauthorized changes. Only appropriate employees should have access to this excel spreadsheet.	General Control



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

PIO Item	Control Description	Control Type
PIO-4	The excel spreadsheet for DAS appears to be incomplete. The date received or date of expiration is not completed for all the securities. In addition, some of the dates of the securities appear to be expired. TPS Unit needs to complete the excel spreadsheet consistently and perform more review over the securities such as validating whether expired securities need to be reviewed, etc. The acronym list needs to be updated.	General Control
PIO-5	A signature card should be utilized to prevent any unauthorized security releases.	General Control
PIO-6	A formal listing of employees who know the combination to the safe / lock box should be documented.	General Control
PIO-7	SWRCB should consider that all securities and checks be sent to one centralized location.	General Control
PIO-8	DFA should reconcile the items in the safe to ABS to determine if they have all the promissory notes.	General Control
PIO-9	Custody, recording and authorization functions should be properly segregated.	General Controls
PIO-10	Combination to the safe should be changed yearly or when an employee leaves. In addition, an assessment should occur to determine whether the employees who know the combination are appropriate.	SOD Control
PIO-11	DFA need to create policies and procedures for maintaining the safe and when to release documents. When releasing documents, the policy and procedure should indicate how to confirm the identity of the owner or operator	General Control
PIO-12	The key to the safe should include “do not copy.”	General Control
PIO-13	The GL Unit should sign the Excel® spreadsheet indicating that the reconciliation occurred between the AO Safe and the “Inventory of Securities – Accounting Safe” Excel® spreadsheet.	General Control

### 10) High Level Process Mapping

Not Applicable

### 11) Components of Internal Control

For each financial statement element, i.e. SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction, document each of the components of internal control in place to support management’s assertions. Additionally, space is provided to document controls management has in place to prevent / detect fraud in the SCOT, significant account balance, financial statement disclosure, and / or significant non-routine and non-systematic transaction.



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

In completing this section, individuals should refer to the COSO guidance previously provided.

Components of Internal Control per COSO	Brief Description of Each of the Components of Internal Control in Place to Support Management's Assertions
Control Environment	Normally a "Control Framework Gap Analysis" document would be completed for this area. This document was not prepared as part of this review.
Risk Assessment	Normally a "Control Framework Gap Analysis" document would be completed for this area. This document was not prepared as part of this review.
Control Activities	See Section 7 "Controls Identified" for documentation of control activities.
Information and Communication	See Section 5 "Process Level Workflow and Activities" and Section 6 "Information Systems" for documentation of how information is identified, captured, processed, and reported by information systems.
Monitoring	See Section 5 "Process Level Workflow and Activities" and Section 6 "Controls Identified" for documentation of management and supervisory activities, and other actions personnel take in performing their duties that assess the quality of the internal control systems performance.

Additional Control Considerations	Brief Description of Additional Controls in Place to Support Management's Assertions
Controls to Prevent or Detect Fraud	See PIOs above.
Safeguarding Controls	See PIOs above.
General Controls	See PIOs above.

### 12) Linked Processes

Not Applicable

### 13) Policies and Procedures, Forms, Files and Abbreviations

See appendix 1 for a list of SWRCB Acronyms.

No policies and procedures exist for the safes.

### Appendix – Control Types





## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

Financial Statement Assertions	Control Type – Assertions
Completeness	There are no unrecorded assets, liabilities, classes of transactions or undisclosed items.
Existence	An asset or liability exists at a given date and recorded transactions within a class occurred during the period covered by the financial statements (including proper cut-off).
Accuracy	Details of assets, liabilities and classes of transactions are correctly recorded, processed and reported with respect to party, allocation to the proper period (including proper cut-off), description, quantity and price.
Valuation	Assets are recorded at an appropriate amount.
Obligations and Rights	The entity has the appropriate rights (such as the title) to the assets reflected in the financial statements. The liabilities reflect the entity's obligations.
Presentation and Disclosure	An item is disclosed, classified and described in accordance with the applicable financial reporting framework including the application of accounting literature. An account balance is a component of the financial statements. It is the accumulation of accounting entries arising from classes of transactions, accounting estimates and presentation and disclosure decisions.

General	Control Type – General
Authorization	Approval of transactions, as well as access to assets and records, is executed in accordance with management's general, or specific, policies and procedures. Authorizations can be manual or automated. If this is facilitated by limiting access to functions or information within a system then refer to "System Access" below.
Configuration	These controls generally include switches / tables / menus / etc. that can be set by turning them on or off to secure data against inappropriate processing based on the entities business rules.
Account Mapping	These controls relate to how a specific transaction is treated. For instance, how a transaction with a certain transaction code is posted to the general ledger and then to the financial statements.
Exception/Edit Report	A report that is generated by a company to monitor something and followed-up on through resolution. Reports are generally focused on exceptions/edits, as defined below, however this is not always the case. For example, an aging report is generated and followed up on, the content is not necessarily an edit or exception but the control would still fall in this category. Definition of Exception & Edit reports: Exception: a violation of a set standard (e.g., customer sales exceed credit limit or 3-way match does not reconcile); and Edit: A change to a master file (e.g., addition of a new employee or a change in wage rates).
Interface	Interface controls relate to the activities that ensure the transfer of specifically defined portions of information from one system to another are done correctly. The role of an interface control is to ensure the secure transfer of data, once and only once, completely and accurately, with integrity, and to highlight any exceptions.
Conversion	Conversion controls relate to the process of migrating data from one system to



## Performance Evaluation Review (PER) Project

<b>Business / Division:</b>	State Water Resource Control Board (SWRCB) Travel / Payroll / Support Unit and General Ledger Unit in the Division of Administrative Services (DAS). SWRCB Records Room in the Department of Water Rights. SWRCB SRF/RUST/WR/SCG and Operations Unit in the Division of Financial Assistance.
<b>Process:</b>	Safe
<b>Sub-Process:</b>	Securities

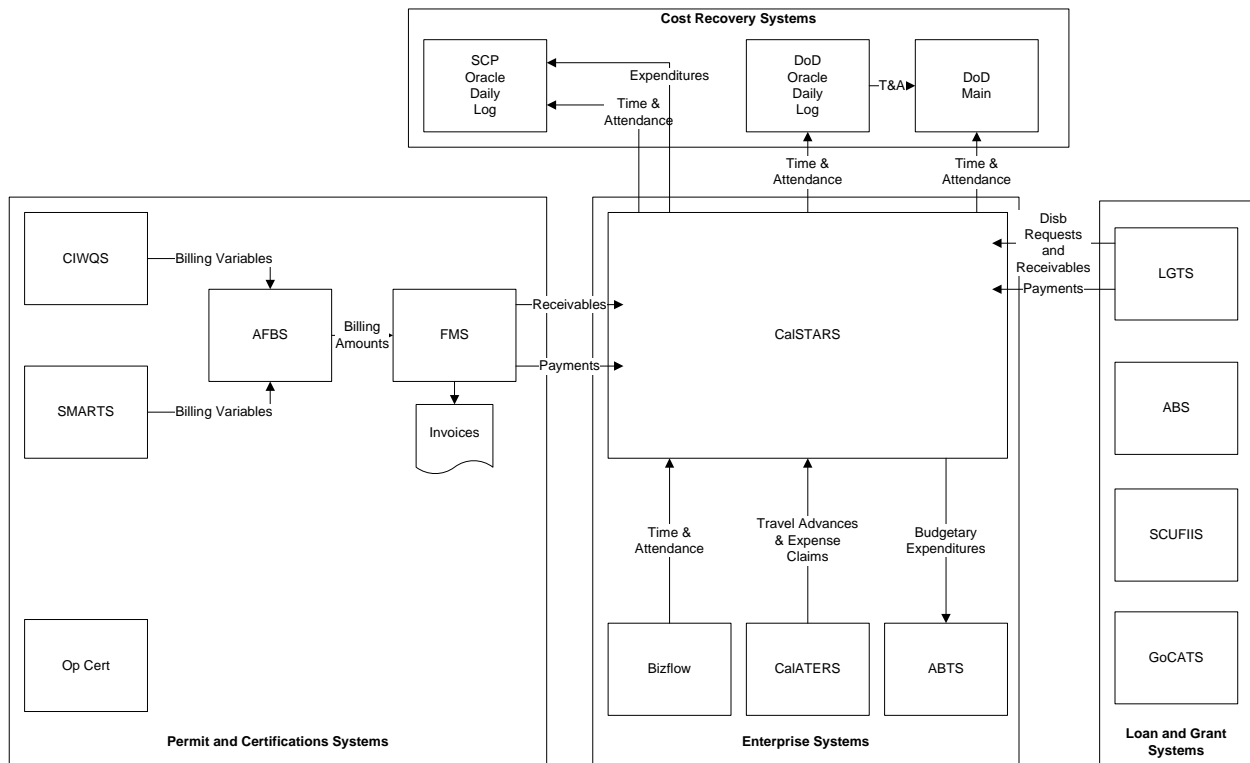
	another system in either a manual or automated manner. To perform a conversion, data must be cleansed, reviewed, and synchronized prior to a conversion, then mapped, reformatted, translated, consolidated and loaded into the other system.
Key Performance Indicator	Financial and non-financial quantitative measurements that are collected by the entity, either continuously or periodically and used by management to evaluate the extent of progress toward meeting the entity's defined objectives.
Management Review	Management review is the activity of a person, different than the preparer, analyzing and performing oversight of the activities performed. This would generally be a manager reviewing but can also include co-workers reviewing each others work.
Reconciliation	This is a control designed to check whether two different items are consistent, in balance, etc., or the process necessary to identify the reason the two items do not agree.
Segregation of Duties	The separation of duties and responsibilities of authorizing transactions, recording transactions and maintaining custody to prevent individuals from being in a position to both <u>perpetrate and conceal an error or irregularity.</u>
System Access	The ability that individual users or groups of users have within a computer information system processing environment, as determined and defined by the access rights configured in the system. The access rights in the system agree to the access in practice.

# Appendix 2 – IT System Data Collection Narratives

Note: During our review some information was not available or provided to us for these narratives. We have identified these items by using To Be Developed (TBD).

## California State Accounting and Reporting System (CalSTARS)

### 1. CalSTARS Graphic



### 2. Owner: Department of Finance

### 3. Functional Summary

#### Overview

CALSTARS is the state’s accounting system of record that provides for statewide uniformity and individual agency uniqueness achieved through chart of account, budget, cost allocation and other master table set-up. Statewide tables define account codes in accordance with the DOF Uniform Codes Manual (UCM). Agency maintained tables allow each agency to address organization, program, object of expenditure, cost allocation, fund distribution, appropriation control, etc. requirements. On-line transactions are edited to ensure that only valid chart of account codes are entered on each accounting line and recorded in on-line tables, the general ledger and subsidiary ledgers. CalSTARS provides a mechanism to upload external files that contain either transaction or master table data. CalSTARS includes a number of system maintained tables for end user on-line inquiry. Below is a summary of relevant CalSTARS functional areas and topics.

### ***General Ledger***

General ledger functionality includes the set-up and maintenance of Chart of Accounts (COA) codes. On-line inquiries allow end users to research current and prior fiscal year transactions and track fund cash balances. CalSTARS supports month-end and year-end processing by executing a number of batch processes and generating reports, including labor distribution, cost allocation, and financial statements for governmental, proprietary and fiduciary funds.

### ***Budget Control***

Budget development is external to CalSTARS in the Budget Development Application System (BDAS). DBAS is being replaced by a custom developed application known as Automated Budget Tracking System (ABTS). Budget control is achieved through two mechanisms:

- On a monthly basis, budgetary expenditures (encumbrances + accounting expenditures) are extracted from CalSTARS and loaded in ABTS for budget vs. actual reporting.
- Other on-line inquiry capabilities allow agencies to track and monitor appropriations, allotments, cash balances in funds, etc.

Budget Act appropriations are recorded in the DOF Budget Preparation System (BPS). An automated interface between BPS and CalSTARS creates CalSTARS appropriations for budgetary control.

### ***Contract Management and Purchasing***

Purchasing functionality includes the set-up and maintenance of vendors. Broadly speaking, procuring goods / services is performed using one of the following procurement cycles:

- Pre-encumbrance → Encumbrance → Expenditure (A/P Claim Processing)
- Contract → Encumbrance → Expenditure (A/P Claim Processing)
- Expenditure (A/P Direct Pay)

Pre-encumbrances are not recorded in CalSTARS. Regions and programs maintain pre-encumbrance, by vendor, in spreadsheets. CalSTARS records a budgetary encumbrance when a purchase order is issued. Loan contracts and grant agreements are not recorded in CalSTARS. Loan contracts and grant agreements are maintained in the system that supports the program. Program loan contracts and grant agreements also generate budgetary encumbrances in CalSTARS. Encumbrances are recorded at the contract / agreement level. The following programs encumber funds in CalSTARS for loan contract and grant agreements:

- Clean Water State Revolving Fund (CWSRF) Loans and Grants;
- DFA Non-profit, Local Public and Municipal Water Quality Grants;
- Replacement Underground Storage Tank (RUST) Loans and Grants; and
- Underground Storage Clean-up Grants.

### ***Accounts Payable and Disbursements***

CalSTARS utilizes two basic accounts payable options for disbursing cash: claim processing and direct pay. When a hardcopy invoice or disbursement / reimbursement request (loan contract and grant agreements) is received, a manual, on-line inquiry is performed to “match” the vendor invoice or disbursement / reimbursement request with the CalSTARS encumbrance. The “match” is recorded in an MS Excel spreadsheet. The spreadsheet data is uploaded to CalSTARS and is the input source to a batch process that creates an A/P transaction that reverses the encumbrance, records the expenditure, and generates a “face sheet”. The “face sheet”, and supporting documentation, e.g. vendor invoice, are packaged into a “claim schedule”, which is electronically sent to the SCO’ system to disburse cash.

Examples of direct pays include utility, travel advances and other miscellaneous payments. An Office Revolving Fund exists for the payment of travel advance and other common office expenditures. An on-line Check Writer Subsystem creates General Cash and Office Revolving Fund checks. An on-line check reconciliation capability is also available.

When the SCO's system disburses cash, the CD 102, Disbursement Occurred Report, is generated. At month end, the SCO's system generates and interface file that is loaded into CalSTARS to record cash disbursement.

**Accounts Receivable**

CalSTARS does not generate invoices; billing is *usually* performed in the system that supports a program. Receivables are *usually* recorded and maintained in the system that supports a program, however that receivable is not always recorded in CalSTARS, or in the case that the receivable is recorded in CalSTARS, the CalSTARS receivable *may* be summarized. Payments are always recorded in CalSTARS and are *usually* recorded in the system that supports the program. The Accounts Receivable Table below identifies each program, the primary system that supports the program, the focus of the primary system and all the systems used to provide accounts receivable functionality to the program.

**Accounts Receivable Table**

System Focus	Program	Program System	Accounts Receivable Functionality		
			Billing	Receivable	Payment
Permits and Certifications	Waste Water Discharge	CIWQS	CIWQS (1) AFBS	AFRS (FMS) CalSTARS	AFRS (FMS) CalSTARS
Permits and Certifications	ACL Discharge Complaints and Orders	CIWQS			CIWQS CalSTARS
Permits and Certifications	Industrial, Construction and Linear Storm Water Discharge	SMARTS	SMARTS (1) AFBS	AFRS (FMS)	AFRS (FMS) CalSTARS
Permits and Certification	Operator Certification Program	Op Cert			CalSTARS
Loans and Grants	Clean Water State Revolving Fund (CWSRF)	LGTS	LGTS	LGTS CalSTARS	LGTS CalSTARS
Loans and Grants	Replacement Underground Storage Tank (RUST) Clean-up	ABS	ABS	CalSTARS	ABS CalSTARS
Loans and Grants	Underground Storage Tank Clean-up Grants	SCUFIS	(2)	CalSTARS	CalSTARS
Loans and Grants	DFA Non-profit, Local Public, and Municipality Water Quality Grants	GoCATS	(2)	CalSTARS	CalSTARS

System Focus	Program	Program System	Accounts Receivable Functionality		
			Billing	Receivable	Payment
Cost Recovery	DoD and Toxic Site Clean-up	DoD Oracle Daily Log DoD Main	DoD Oracle Daily Log (3) DoD Main CalSTARS (3)	CalSTARS	CalSTARS
Cost Recovery	Site Clean-up Program	SCP Oracle Daily Log	SCP Oracle Daily Log (4)		SCP Oracle Daily Log CalSTARS

- (1) CIWQS and SMARTS are identified as providing billing functionality because they maintain the core information necessary to generate the billing file, however they do not generate the billing file or print invoices.
- (2) Billing is not a necessary business function for DFA water quality grants and underground storage tank clean-up grants, however receivable and payment functionality are included because business conditions may exist where a receivable needs to be created.
- (3) DoD Oracle Daily Log and DoD Main do not create invoices but are used to generate detail back-up for invoices.
- (4) CalSTARS reports are used to determine contract, equipment, travel and operating expenditures that are entered into SCP Oracle Daily Log for subsequent billing.

***Time and Attendance and Labor Distribution***

On a monthly basis, employees enter their Time and Attendance (T&A) data into Bizflow. Bizflow generates a T&A file that is uploaded into CalSTARS. The PCA code is the only account code required on a timesheet. CalSTARS infers the Fund, Program, Organization and Task codes from the PCA code and edits the account line to ensure the validity of all account codes. PCA codes are used to record direct and indirect labor costs. The labor distribution process generates expenditure reports, sorted by PCA code, which support the computation of statistics that are entered into CalSTARS and required for the subsequent indirect cost allocation / fund split processes. T&A data is also entered into DoD Oracle Daily Log in support of DoD and Toxic Site Clean-up Program and the SCP Oracle Daily Log in support of the Site Clean-up Program. The PCA code and additional detail information are recorded in the DoD Oracle Daily Log and SCP Oracle Daily Log. T&A data recorded in DoD Oracle Daily Log and SCP Oracle Daily Log must be reconciled with T&A data recorded in CalSTARS; T&A data recorded in CalSTARS was initially captured recorded in Bizflow, but underwent further processing and change before being accepted by CalSTARS.

***Cost Allocation***

Indirect costs and administrative overhead are allocated to programs, and organizational units in accordance with the Cost Allocation Plan. At month end, after the SCO payroll run has been completed, an automated interface between the SCO’s system and CalSTARS posts labor expenditures in CalSTARS to a clearing account in Fund 0439. A CalSTARS cost allocation process is executed to allocate indirect labor costs recorded again indirect PCA codes to direct labor costs associated with direct PCA codes. Then, labor expenditures – based upon hours – are allocated from the clearing account to the correct account distribution, which is inferred from the PCA code. In the case that an employee’s timesheet information is not in CalSTARS, labor expenditures are allocated to the default account distribution defined in the employee master record.

**Reporting**

CalSTARS includes the capability to make on-line requests for reports or groups of reports. Report parameters, including levels of detail, sort and selection criteria may be specified when requesting reports. Report requests include the following parameters:

- Paper sizes to accommodate character, line, or laser printers;
- Microfiche or electronic format for audit trail and archival purposes;
- Print location;
- Timing (immediate, before nightly cycle processing, after nightly cycle);
- Report file format for further processing with Monarch software; and
- Report group which generates a group of reports based upon activity, units or individuals.

CalSTARS has a “file copy” process that allows the SWRCB to receive copies of their data files and/or tables that can be further processed in the SWRCB local environment for internal reporting processes.

**4. Issues, Unmet Requirements / Desired Functionality**

TBD

**5. Interfaces**

Name	I/O	Ext System Name	A/M	F	Volume	Description
A/P Claims	I	A/P Claims Spreadsheet	A	D	TBD	Spreadsheet that matches vendor invoice or reimbursement / disbursement request with its associated encumbrance and creates a CalSTARS transaction that reverses the encumbrance.
SCO Disbursements	I	SCO System	A	TBD	TBD	SCO disbursements are written to tape which is used as an input source to a batch process that creates a CalSTARS transaction to record cash disbursement.
DFA Loan Repayment Receivable	I	Excel Spreadsheet	A	TBD	TBD	DFA populates an Excel spreadsheet with loan repayment information for “local entities” and saves on the network. An automated batch job reads the file and builds transactions that record a receivable in CalSTARS.
Actual Budgetary Expenditures	O	ABTS	A	M	TBD	Actual Budgetary Expenditures (encumbrances and accounting expenditures) are extracted from CalSTARS and imported to ABTS for budget vs. actual reporting.
Time and Attendance	I	Bizflow	A	M	1750	Data is extracted from the Bizflow database and imported into an MS Excel file. The data is reviewed, updated, as required, and uploaded

Name	I/O	Ext System Name	A/M	F	Volume	Description
						to CalSTARS.
Waste Water Discharge and Storm Water Permit Payments	I	FMS	M	D	TBD	Payments recorded in FMS are extracted to an Excel spreadsheet. The spreadsheet is reformatted and uploaded to CalSTARS to record payment.
SWSRF Disbursement Requests	I	LGTS	A	D	TBD	Disbursement requests are extracted from the LGTS database and become the input source to a batch process that builds a CalSTARS transaction to liquidate the encumbrance, set-up a receivable and generate the face sheet for subsequent SCO disbursement.
SWSRF Loan Payments	I	LGTS	A	D	TBD	Payments recorded in LGTS are extracted and become the input source to a batch process that builds a CalSTARS transaction to record revenue and liquidate the receivable.
CalSTARS Timesheet – DoD Main	O	DoD Main	A	M	TBD	Using Monarch, IT extracts data from CalSTARS reports and populates an Excel spreadsheet that is reformatted and loaded into DoD Main.
CalSTARS Timesheet – DoD Oracle Daily Log	O	DoD Oracle Daily Log	M	M	TBD	Using Monarch, IT extracts data from CalSTARS reports and populates an Excel spreadsheet that is reformatted and loaded into DoD Oracle Daily Log.
CalSTARS Timesheet – SCP	O	SCP Oracle Daily Log	Q	A	TBD	Using Monarch, IT extracts data from CalSTARS reports and populates an Excel spreadsheet that is reformatted and loaded into SCP Oracle Daily Log.

## 6. Accounting Transactions

Transactions are identified for each program and its associated system.

## 7. System Security and Internal Controls

TBD



**8. Number Users**

TBD

**9. Transaction Volume**

TBD

**10. Environment**

*Server Hardware:* Mainframe  
*Server Operating System:* TBD  
*Client Operating System:* Windows XP  
*Network:* Novell Netware 6, Ethernet, TCP/IP  
*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor  
*Database:* VSAM  
*Languages:* COBOL

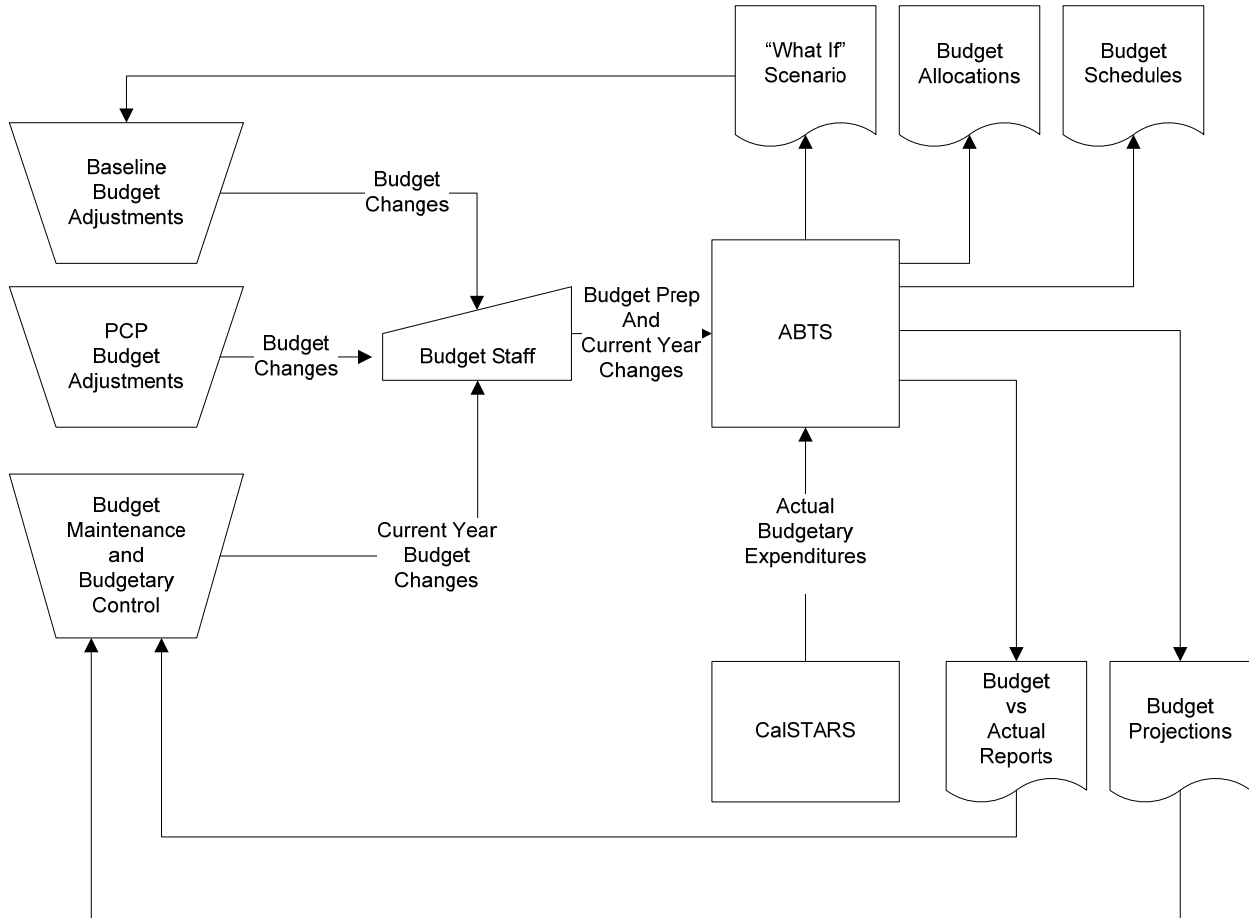
**11. Interviewees**

TBD

Name	Title	Expertise	Interview Date	Phone Number

## Automated Budget Tracking System (ABTS)

### 1. ABTS Graphic



2. **Owner:** Bill Damian, Budget Officer

### 3. Functional Summary

#### *Overview*

The Budget Development Application System (BDAS) is being replaced by a custom developed application known as Automated Budget Tracking System (ABTS). ABTS “go live” is targeted for July 1, 2009. ABTS supports budget rollover / planning / formulation and associated reporting, on-going budget maintenance, budget vs. actual reporting / budget control and budget projections. It is a significant improvement over BDAS.

#### *Definitions*

The Budget Definition Table below includes the CalSTARS Chart Of Account (COA) code, whether the code is used for SWRCB budgeting, SWRCB code examples and applicable comments. From a budgetary perspective, the codes in the table are listed top to bottom in hierarchical order from highest to

lowest level, i.e. Fund is the highest level and G/L Account the lowest level. Other definitions listed below are derived from this table.

**Budget Definition Table**

<b>Budget Code</b>	<b>CalSTARS Code</b>	<b>SWRCB Budget</b>	<b>Comments</b>
<b>Y</b>	<b>Fund</b>	SWRCB Fund	
<b>Y</b>	<b>Program</b>	Water Quality, Water Rights, Distributed Administration	
<b>N</b>	<b>Element</b>	Not Used	Not coded on CalSTARS accounting line
<b>N</b>	<b>Component</b>	Not Used	Not coded on CalSTARS accounting line
<b>Y</b>	<b>Organization</b>	SWRCB Region or Division	
<b>Y</b>	<b>Task</b>	SWRCB “Program”  Examples: RUST, SRF, NPDES	Tasks are also classified as direct, or indirect
<b>N</b>	<b>PCA</b>	Not Used	May be coded on the CalSTARS accounting line, but not used for budgeting purposes.
<b>Y</b>	<b>G/L Account</b>	The G/L Account represents an expenditure classification for budgeting and financial statement preparation.  Examples: Personal Services, Contracts, Equipment, Operating Expenditures, Travel, Other	Objects coded on accounting transactions roll-up to the G/L account.

- Budget. Unique combination of the following codes: Fund, Program, Organization, Task, G/L Account
- Budget Line Item. The G/L Account within a Budget is referred to as the Budget Line Item.
- Appropriation. The sum of all Budgets within a single Fund is defined as an Appropriation. Budgetary control is invoked at the Appropriation level. From a budget perspective, two different types of Appropriations are defined:
  - Budgetary Appropriation. Appropriation for expenditure controls.
  - Continuous Appropriation. Appropriation for reporting purposes, but does not require budgetary control.
- Allotment. Allocation of the Appropriation at either the Program, or the Task level. When the Appropriation is allocated at the Program level it is referred to as a “Program Allocation”, or “Program Allotment”. When the Appropriation is allocated at the Task level, it is referred to as a “Task Allocation”, or “Task Allotment.”

- Budgetary Expenditure. The sum of expenditures and encumbrances for a Budget.
- Direct Expenditures. Direct Expenditures = Personal Services + Contracts + Equipment + Operating Expenditures + Travel + Other.
- Indirect Expenditures: Indirect Expenditures are based upon salaries and include: Paid Time Off (PTO), Operating Expenditures, Program Management for Water Rights and Water Quality, and Administration (DAS, executive salaries, etc). Indirect Expenditures are identified by Task, i.e. a Task is classified as a Direct Expenditure Task, or an Indirect Expenditure Task. Budgets amounts for an Indirect Expenditure Task are negative and are allocated to Budgets with Direct Expenditure Tasks. At year end, all actual Budgetary Expenditures associated with Indirect Expenditures are allocated to Budget with Direct Expenditure Tasks.

### ***Budget Rollover, Planning and Formulation***

Annual budget formulation in ABTS involves expenditures only; revenues are excluded. Budget creation is initiated by rolling over the current year Budget amounts into the budget preparation year. This is termed the Baseline Budget.

Once the Baseline Budget is created, budget planning can be initiated. ABTS will provide “What If” functionality that allows SWRCB to change key budget variables, and model and report the impact of the change on the Baseline Budget. This supports the Baseline Adjustment Process described below. In addition, a budgetary allocation process will allocate Budgets with Indirect Expenditures to Budgets with Direct Expenditures and report the estimated full cost to SWRCB management. The total of budgeted Indirect Expenditures to be allocated is based upon salaries. Indirect PTO and Operating expenditures can only be allocated within the Organization they are budgeted, but can cross Fund boundaries. Indirect Administrative expenditures can cross Organization and Fund boundaries during budgetary allocation.

Currently, a process to manually load Position Control information into ABTS is underway. This includes the following information: position number, position description, job classification, salary range, salary step, organization (region / division), etc. SWRCB staff will maintain changes to the Position Control information. ABTS will sort and aggregate Position Control data in management defined, meaningful ways to support the budget planning process and changes to the baseline budget.

Two basic budget processes result in updates to the Baseline Budget:

- Baseline Adjustment Process. This addresses adjustments such as compensation, retirement, technology, etc.
- Policy Adjustment Process: The Budget Change Proposal (BCP) is the document used.

ABTS will provide functionality for routing and approving Program Change Proposals (PCP)s. ABTS generates a number of budget formulation reports and schedules: Planning Estimate, Personnel, Equipment and Equipment Expenditures, Position Roll-ups, Reimbursements. Budget preparation also include the following reports that are not generated by ABTS: Schedule 7A, Schedule 8, Schedule 10, Fund Conditions, Federal and Revenue (10R).

### ***Budget Maintenance***

A key improvement ABTS will provide is the capability to have the current year budget and Baseline Budget available simultaneously. During the fiscal year, budget changes will be recorded in ABTS. Budget changes that result in Appropriation changes are coordinated with CalSTARS Accounting staff.

***Budget Controls, Budget vs. Actual Reporting, and Budget Projections***

Budgetary control is at the Appropriation level. Budgetary control is a manual process. Actual Budgetary Expenditures are extracted from CalSTARS on a monthly basis and loaded into ABTS. The load is approximately 3 weeks after the period end date to allow for CalSTARS month end processing such as indirect cost allocation. ABTS generates monthly budget vs. actual reports that are reviewed to compare budget vs. actual at various budgetary levels. In the case that Budgetary Expenditures exceed the Appropriation, the following options are available:

- Journal entry to reclassify the expenditure to another Fund, and
- Cancellation of an encumbrance.

In the case that Budgetary Expenditures exceed the Program Allocation an allotment between Programs can be performed.

ABTS will also provide Budget projection functionality for the current year budget. The Budget projection has two components: (a) Budgetary Expenditures to date + (b) estimate of Budgetary Expenditures for the remainder of the year. The estimate of Budgetary Expenditures for the remainder of the year is calculated as follows: (1) assume all Capital, Equipment, Operating Expenditures and Other Budget Lines Items will be fully expended + (2) (last period Personal Services and Travel Budgetary Expenditures) \* (number of periods remaining in the year).

**4. Issues, Unmet Requirements and Desired Functionality**

ABTS is a significant improvement to BDAS. The following functional improvements are included in ABTS:

- Capability to have the current year budget and Baseline Budget available simultaneously
- “What If” functionality
- Allocation of Budgets for Indirect Expenditures to Budgets for Direct Expenditures to generate budget estimate of full cost
- Management defined Position Control roll-ups
- PCP routing and approval processing
- Support for Organizational (Region and Division) Allotments
- Ensure the sum of Allotments = Appropriation
- Generation of select budget schedules
- Reporting flexibility enabled by importing ABTS data into MS Excel
- Budget changes are real-time
- Budget change audit trail

Other than the capability to enter additional Position Control information into ABTS, no other issues, unmet requirements, or desired functionality can be identified at this time.

**5. Interfaces**

Name	I/O	Ext System Name	A/M	F	Volume	Description
Actual Budgetary Expenditures	I	CalSTARS	A	M	TBD	Actual Budgetary Expenditures (encumbrances and accounting expenditures) are extracted from CalSTARS and imported to ABTS for budget vs. actual reporting.

**6. Accounting Transactions**

No ABTS related financial transactions are entered into CalSTARS.

**7. System Security and Internal Controls**

ABTS requires a password and utilizes role based security. Budget creation privileges are only granted to the budget office. Program and Task Allotment change approvals can only be applied by the Region or Division, and can only be entered by SWRCB budget staff. Appropriation change privileges are only granted to the Budget Officer and Budget Manager.

**8. Number Users**

12 budget staff, 2 to 3 people per region or division applying budgetary approvals, 70 with view access

**9. Transaction Volume**

200 to 500 PCP / year.

**10. Environment**

*Server Hardware:* TBD

*Server Operating System:* TBD

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor

*Database:* Oracle

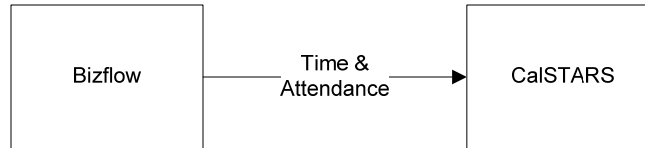
*Languages:* TBD

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Darlene McCoy	Special Projects Manager	Project Management and Accounting	02/23/2009	916.324.0129
Cathy Chapin	Budget Manager	Budgeting, ABTS	02/23/2009 and 02/26/2009	916.341.5143
Bill Damian	Budget Officer	Budgeting, ABTS	02/26/2009	916.341.5144

## Bizflow

### 1. Bizflow



### 2. Owner: Toni Spears, Senior Information Systems Analyst

### 3. Functional Summary

#### *Overview*

Bizflow is a customized, Commercial-Off-The-Shelf (COTS) workflow application from HandiSoft used to support monthly employee Time and Attendance (T&A) data entry and approval. Bizflow includes a Forms Tool which was used to create an electronic timesheet, the functional capability to edit data entered into the timesheet and the ability to route the timesheet to each employee's supervisor for approval.

#### *Master Data Maintenance and Synchronization*

Two basic types of data are maintained in the Bizflow database: PCA codes and select employee master data.

#### PCA Codes

CalSTARS PCA codes are a five character alpha numeric code. Only PCA codes that are associated with labor objects are maintained in Bizflow. PCA codes maintained in Bizflow include begin and end dates which define the time period that the PCA code is valid. Adding a new PCA code to Bizflow is initiated by a program request to establish a new code. Program staff send the request to the Budget office. If the Budget office approves, the Budget office request is forward to Accounting to set-up the PCA code in CalSTARS. After Accounting adds the PCA code to CalSTARS, the Budget office adds the PCA code to Bizflow. The Fund, Program, Organization and Task associated with the PCA code are included in the PCA code set-up in CalSTARS. Therefore, the PCA code is the only code that needs to be entered on a timesheet.

#### Employee Master Data

Employee master data maintenance is driven by: (1) the Request For Personnel Action (RPA) process and (2) Accounting preparation for monthly payroll processing. RPAs are typically initiated by an employee's supervisor. The RPA is sent to HRB. HRB updates the employee master data in the SCO's system and Bizflow. Approximately the 20<sup>th</sup> of each month, Accounting prepares for SCO monthly payroll processing. Accounting prints select employee master data in CalSTARS and sends to HRB. HRB compares the CalSTARS employee master data to the SCO's system. If an inconsistency exists, the hardcopy form is updated with data from the SCO's system, and the hardcopy form is returned to Accounting to update CalSTARS. HRB also confirms that the employee master data in the SCO's system and Bizflow are consistent.

#### *Monthly Payroll Processing*

Employees are required to enter their time into the Bizflow timesheet for each pay period. Employees may enter their time daily, weekly, or at the end of the pay period, which is month end. For each day of the week, employees enter the number of hours worked for each PCA code, and any time off. Using

Bizflow’s workflow technology, the timesheet is routed to the employee’s supervisor for approval. In an employee’s absence, their supervisor may complete the employee’s timesheet. Approximately the 20<sup>th</sup> of each month, HRB sends a request to supervisors to identify “on dock” employees for the pay period. An employee is “on dock” when the combination of hours worked, vacation, sick leave, holiday, etc. are less than the number of hours in the pay period. HRB notifies SCO to adjust the pay of “on dock” employees. After all employees have completed their timesheet and the supervisor has approved the timesheet, the data is extracted from the Bizflow database and imported into an MS Excel file. The data is reviewed, updated, as required, and uploaded to CalSTARS. Employees are paid the first day of each month for the payment period that just ended, e.g. employees are paid on April 1 for the pay period ending March 31.

***CalSTARS Cost Allocation***

After the SCO payroll run has been completed, an automated interface between the SCO’s system and CalSTARS posts labor expenditures in CalSTARS to a clearing account in Fund 0439. A CalSTARS cost allocation process is executed to allocate the labor expenditures – based upon hours – from the clearing account to the correct account distribution, which is inferred from the PCA code. In the case that an employee’s timesheet information is not in CalSTARS, labor expenditures are allocated to the default account distribution defined in the employee master record.

**4. Issues, Unmet Requirements and Desired Functionality**

SWRCB retains Database Republic to maintain Bizflow. As issues, unmet requirements and desired functionality are identified, they can address Bizflow related enhancements.

<b>Issue / Unmet Requirement</b>	<b>Desired Functionality</b>
Duplicate data entry into Bizflow and Oracle Daily Log.	Interface inbound to Bizflow from Oracle Daily Log. Oracle Daily Log data entry is at a more detailed level than Bizflow. Therefore, interface should summarize to the PCA level before exporting to Bizflow.
Improved internet security.	Access Bizflow from the internet.
RPA is a manually intensive process	Workflow process for RPA processing.

**5. Interfaces**

<b>Name</b>	<b>I/O</b>	<b>Ext System Name</b>	<b>A/M</b>	<b>F</b>	<b>Volume</b>	<b>Description</b>
Time and Attendance	O	CalSTARS	M	M	1750	Data is extracted from the Bizflow database and imported into an MS Excel file. The data is reviewed, updated, as required, and uploaded to CalSTARS.

**6. Accounting Transactions**

There are no accounting transactions associated with Bizflow.

**7. System Security and Internal Controls**

Bizflow requires the use of a userid and password, and includes role based (authority group) security. The Bizflow system administrator in OIW sets up new users and maintains the privileges of the authority



group. Since highly sensitive employee data is retained in Bizflow, privileges to maintain this information reside with an extremely limited number of HRB employees (1-2).

**8. Number Users**

1750

**9. Transaction Volume**

1750 timesheets; average of 4 – 5 PCA codes per timesheet.

**10. Environment**

*Server Hardware:* TBD

*Server Operating System:* TBD

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor

*Database:* Oracle

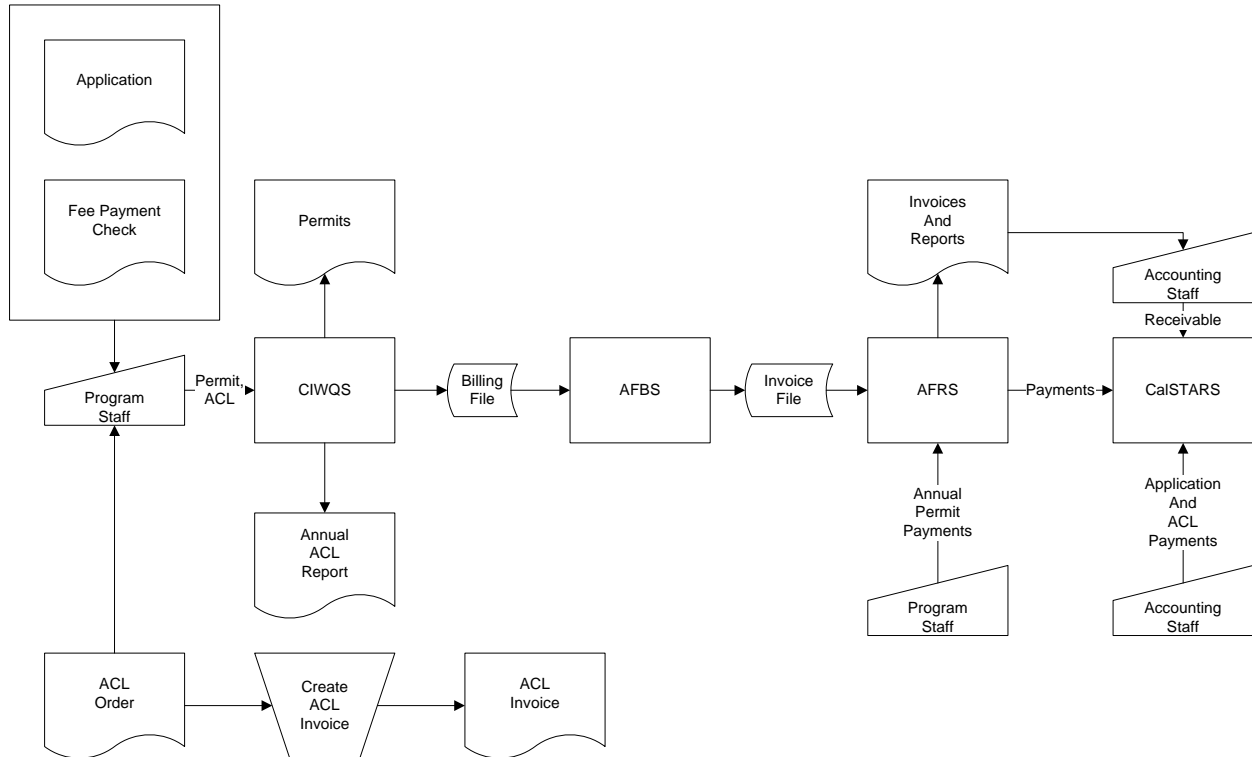
*Languages:* TBD

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Toni Spears	Senior Information Systems Analyst	Bizflow application	3/3/2009	916.341.5046
Darlene McCoy	Special Projects Manager	Project Management and Accounting	3/3/2009	916.324.0129

## California Integrated Water Quality System (CIWQS)

### 1. CIWQS Graphic



2. **Owner:** Jarma Bennett, Senior Water Resources Control Engineer

### 3. Functional Summary

#### *Overview*

CIWQS is a custom developed database application that supports the SWRCB Water Quality Program. This document will specifically address waste water and agricultural discharge permit administration, and waste water Administrative Civil Liability (ACL) complaints and orders.

#### *Application and Fees, Orders, Permits*

The discharger submits a completed application known as a Report of Waste Discharge for individual orders and Notices of Intent for enrollment under general orders, and associated fees to either State Board, or Regional Board staff depending upon the order that the application is associated. In the case that the application is associated with a Sanitation Sewer Overflow (SSO) order, the application is submitted to State Board. Applications and fees submitted to the State Board are sent to DAS Accounting. DAS Accounting sends a copy of the application to program staff and they enter the application into CIWQS. DAS Accounting deposits the payment and records it in CalSTARS to record revenue. Other applications and fees are submitted to the Regional Board. The Regional Board enters the application into CIWQS, deposits the payment, and forwards the information to DAS Accounting. DAS Accounting validates the deposit. DAS Accounting also enters the payment into CalSTARS to record revenue.

***Permit Renewal and Payment Processing***

Permit renewal billing is on an annual basis, generally in October. The Regional Board is responsible for maintaining information in the CIWQS database, including data required to calculate the renewal fees. The DAS Fee Unit also reviews CIWQS data to ensure that it is up-to-date before the billing cycle. A process in CIWQS is executed that generates the billing file and stores it on the network. The billing file is an input source to an Annual Fee Billing System (AFBS) process, which calculates the amount of the invoice and generates an invoice file that is an input source to Annual Fee Remittance System (AFRS). AFRS generates the renewal invoice.

Payments are sent to DAS Accounting. The payment is matched to the invoice and entered into AFRS. Payment information is extracted from AFRS and formatted into an MS Excel spreadsheet for export to CalSTARS to record cash and liquidate the receivable. Payment information is not recorded in CIWQS.

***ACL Complaints and Orders***

Regional Boards issue ACL complaints, send them to the discharger, and enter the complaint into CIWQS. Two scenarios exist:

- the discharger can accept the complaint, which may be negotiated, or
- the discharger can request a hearing.

In the case that the complaint is accepted, the discharger remits payment to either DAS Accounting or to the Regional Board. In the case that DAS Accounting receives payment, they deposit it and record payment in CIWQS and CalSTARS. In the case that the Regional Board receives payment, they deposit the payment and send a Report of Collections to DAS Accounting. DAS records the payment in CIWQS and CalSTARS. In the case that the discharger requests a hearing, the Regional Board can:

- Dismiss the complaint
- Issue an order that upholds, increases, or decreases the fee

If an order is issued, the complaint record is modified. The discharger remits payment to either DAS Accounting or to the Regional Board. In the case DAS Accounting receives payment, they deposit it and record payment in CIWQS and CalSTARS. In the case that the Regional Board receives payment, they deposit payment and send a Report of Collections to DAS Accounting. DAS Accounting records the payment in CIWQS and CalSTARS.

Complaints and orders may include a Supplemental Environment Project (SEP) option. However, a liability (fee) may still be included in the complaint or order. A project, and if applicable, a liability are set-up in CIWQS with appropriate milestones. When the SEP is complete, the discharger submits a Notice of Complete, which is entered into CIWQS.

An ACL Report, which is required by the legislature, is available on the Water Boards' CIWQS Reports internet site.

**4. Issues, Unmet Requirements and Desired Functionality**

CIWQS was built by Teta Tech. Eco Interactive maintains the application and the maintenance contract includes the development of system enhancements.

Issue / Unmet Requirement	Desired Functionality
A single discharger may have multiple permits and a billing address for the discharger must be entered for	After the first permit for a discharger has been recorded in the system, the billing address for the discharger

Issue / Unmet Requirement	Desired Functionality
each permit	defaults to the billing address initially recorded, but allows the end user to enter a different billing address
AFRS payment information not recorded in CIWQS	AFRS payment information imported to CIWQS

## 5. Interfaces

Name	I/O	Ext System Name	A/M	F	Volume	Description
Permit Billing	O	AFBS	A	A	12000	A CIWQS process extracts data required to calculate the renewal billing amount associated with active permits and stores file on network

## 6. Accounting Transactions

Transaction	Fund	GLA	PCA	Object
Application fee payment	TBD	TBD	TBD	TBD
Renewal summary receivable	TBD	TBD	TBD	TBD
Renewal payment	TBD	TBD	TBD	TBD
ACL complaint or order payment	TBD	TBD	TBD	TBD

## 7. System Security and Internal Controls

CIWQS requires the use of a userid and password and includes role based security that is administered by the Program staff. The following internal groups are defined: (1) staff view, (2) RB data entry (ability to create and edit violations and inspections), (3) regional board power user, (4) state and region administrator, (5) system administrator, and (6) enforcement (payments). All information in CIWQS is public information.

## 8. Number Internal Users

Data entry: 400; view: 2,000.

## 9. Transaction Volume

Approximately 10,000 active permits and 10,000 invoices / year.

## 10. Environment

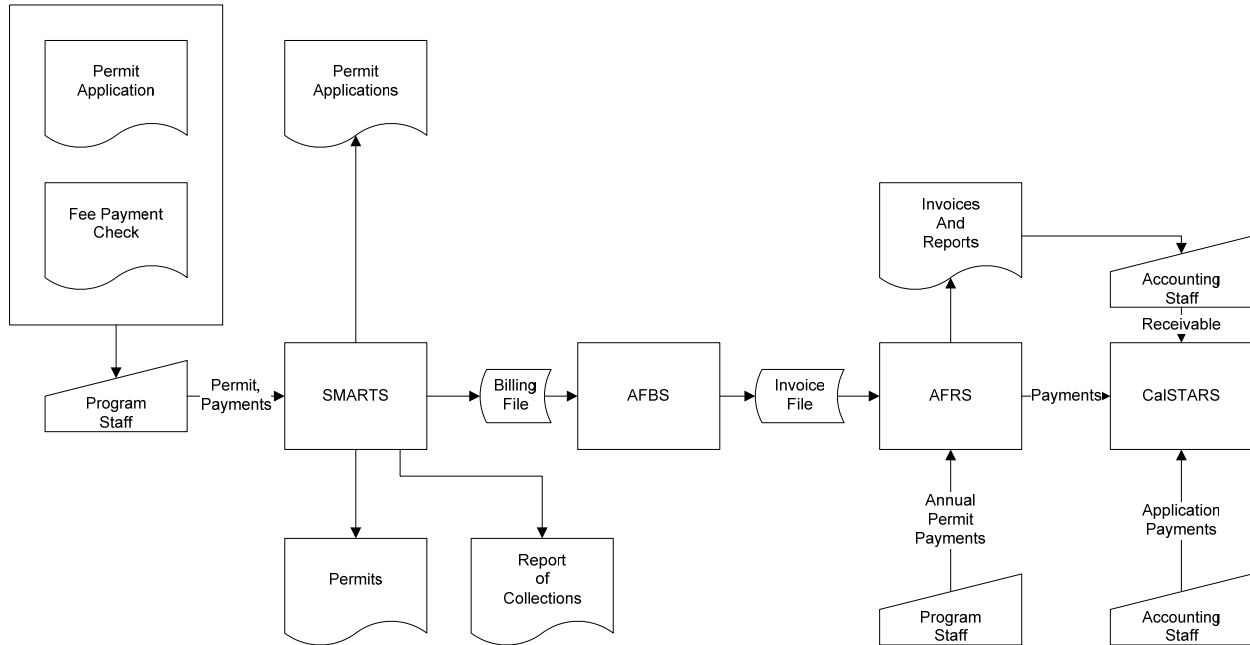
**Server Hardware:** SUN servers  
**Server Operating System:** Solaris  
**Client Operating System:** Windows XP  
**Network:** Novell Netware 6, Ethernet, TCP/IP  
**Hosting Location:** SWRCB Server Room, 8<sup>th</sup> Floor  
**Database:** Oracle  
**Languages:** JSP, Java

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Jarma Bennett	Senior Water Resources Control Engineer	Program and CIWQS	3/12/2009	916.341.5532

## Storm Water Multiple Application Reporting and Tracking System (SMARTS)

### 1. SMARTS Graphic



2. **Owner:** Patrick Otsuji, Environmental Scientist

### 3. Functional Summary

#### *Overview*

At the time of this writing (April 2009), SMARTS is a module within CIWQS. However, in May 2009, SMARTS will be decommissioned as a module within CIWQS and cutover to a new, custom, standalone system utilizing an Oracle database and web front end. SMARTS supports the administration of industrial, construction and liner, e.g. utility storm water discharge permits. In May 2009 it will also support the administration of ACLs related to storm water discharge.

#### *Permit Application, Fees, Overpayment*

Permit applications are generated by SMARTS. Dischargers submit a completed permit application along with fee payment. The application is reviewed by program staff, and if approved, entered into SMARTS, which assigns a Waste Discharger Identifier (WDID). Based upon application information, SMARTS assigns a fee code and calculates the fee due. The payment amount is entered into SMARTS, which generates a Report of Collections. The Report of Collections and payment are sent to DAS Accounting for deposit and entering payment into CalSTARS to recognize revenue. Due to fee calculation complexity, dischargers often remit overpayment. In the case that the discharger submitted overpayment, the Report of Collections will identify the overpayment amount. DAS Accounting will initiate a refund of the overpayment amount in CalSTARS. Information regarding overpayment refunds is not recorded in SMARTS.

**Permit Renewal**

Permits are renewed on an annual basis. Renewal billing is performed on a quarterly basis. The quarter that an individual permit is renewed is based upon the timing of the initial permit application. The Annual Fee Billing System (AFBS) extracts billing data from SMARTS, including the fee code, calculates the invoice amount and creates a billing file. The billing file is an input source to a process in the Annual Fee Remittance System (AFRS) that generates invoices. A summary receivable is entered into CalSTARS.

**Payment Processing**

Invoice payment instructions indicate that payment should be sent to DAS Accounting, however dischargers often send payment to the Regional Board. In the case that the payment is sent to DAS Accounting, the payment is matched to the invoice and entered into AFRS. Payment information is extracted from AFRS and formatted into an MS Excel spreadsheet to export to CalSTARS to record cash and liquidate the receivable. In the case that payment is sent to the Regional Board, the Regional Board deposits the payment and generates a Report of Collections. The Report of Collections is sent to DAS Accounting. DAS Accounting validates that the deposit occurred and processes the payment as previously described in this paragraph. On a daily basis, an AFRS process that identifies permits that have been fully paid and updates the SMARTS data base to indicate the permit is fully paid.

**Fee Revisions**

Fee revisions primarily occur with construction permits and are typically associated with an increase in square footage. Program staff manually enter the change into SMARTS and SMARTS generates a Form X which is sent to DAS Accounting to be entered into AFRS. AFRS generates a supplemental invoice. SMARTS does not receive any information associated with the supplemental invoice or payment.

**Terminations**

SMARTS generates the Notice of Termination form. Dischargers that wish to terminate their permit need to submit a completed Notice of Termination. The completed Notice of Termination is sent to program staff and they enter the termination into SMARTS. When the permit is designated as terminated, it will no longer be included in the annual renewal process.

In many cases, the receipt of the renewal invoice reminds the discharger that a permit is no longer necessary. Further, the discharger may have already submitted payment for the permit. A 90 day grace period exists to process the Notice of Termination and avoid the permit fee. Three scenarios exist:

- Discharger has not submitted payment and the termination is processed within the 90 day grace period – the permit is cancelled and the discharger is not requirement to make payment
- Discharger submitted payment and the termination is processed with the 90 day grace period – the permit is terminated in SMARTS, SMARTS generates a Form X, it is approved / signed by the Fees Unit, sent to DAS Accounting, and DAS Accounting cancels the invoice
- Cancellation is not processed within the 90 day grace period and the discharger is required to make payment.

**4. Issues, Unmet Requirements and Desired Functionality**

Issue / Unmet Requirement	Desired Functionality
Partial payments against an invoice are not recorded in SMARTS	Update SMARTS with partial payment amounts and designate permit as fully paid when the last partial payment is made.

## 5. Interfaces

Name	I/O	Ext System Name	A/M	F	Volume	Description
Billing	O	AFBS	A	Q	30,000 (annual)	AFBS executes a process that uses the SMARTS database as an input source, selects permits for annual renewal, calculates the invoice amount from the fee code and creates an interface file for export to AFRS.
Full Payment Indicator	I	AFRS	A	D	30,000 (annual)	AFRS executes a process that selects invoices that have been paid in full and updates the SMARTS database to indicate full payment.

## 6. Accounting Transactions

Transaction	Fund	GLA	PCA	Object
Application Payment	TBD	TBD	TBD	TBD
Application Overpayment Refund	TBD	TBD	TBD	TBD
Renewal Summary Receivable	TBD	TBD	TBD	TBD
Renewal Payment	TBD	TBD	TBD	TBD
Termination After Renewal	TBD	TBD	TBD	TBD
Termination After Renewal and Refund	TBD	TBD	TBD	TBD

## 7. System Security and Internal Controls

SMARTS requires the use of a userid and password and utilizes role base security. Two roles (groups) are defined: (1) data entry and (2) view. Security is administered by the program staff. In May 2009, applicants will be able to access SMARTS on the internet and will have the capability to enter most data on the permit application.

## 8. Number Users

HQ: 5 – 6 data entry, Regional: 30 data entry.

## 9. Transaction Volume

30,000 active permits; 300 – 500 applications / month.

## 10. Environment

**Server Hardware:** SUN servers  
**Server Operating System:** Solaris  
**Client Operating System:** Windows XP  
**Network:** Novell Netware 6, Ethernet, TCP/IP



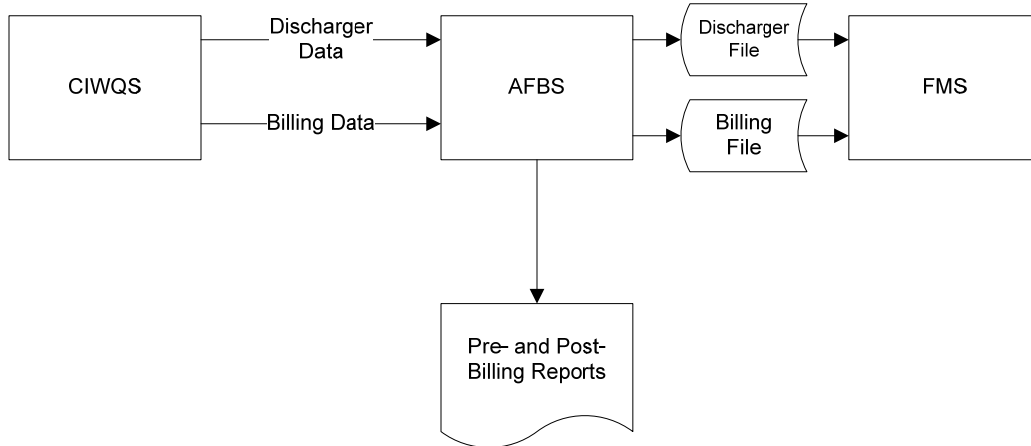
*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor  
*Database:* Oracle  
*Languages:* JSP, Java

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Patrick Otsuji	Environment Scientist	SMARTS and program management	3/10/2009	916.341.5292

## Annual Fee Billing System (AFBS)

### 1. AFBS Graphic



2. **Owner:** David Ceccarelli, Fees Manager

### 3. Functional Summary

The Annual Fee Billing System (AFBS) is an internally developed database application that was designed to calculate annual fee billing amounts for program participants, called dischargers. Recurring billing amounts are calculated from information extracted from CIWQS. AFBS calculates the amount that dischargers are required to pay based on a number of criteria, including the type of permit (Waste Discharge, Storm Water, Irrigated Lands) and the fee basis (number of cubic feet of discharge, number of animals, population). After billing amounts are calculated, a file is extracted and imported into the Financial Management System (FMS) to create a receivable.

Approximately 35,000 dischargers are billed annually. Due to the volume, the annual billings are conducted quarterly, with Waste Discharge and Irrigated Lands dischargers billed in one quarter (approximately 10,000) and Storm Water permittees divided among the remaining three quarters (approximately 8,000 in each quarter).

Pre- and post-billing reports have been created to view billing data before and after creating the billing file. The pre-billing report is used to identify anomalies that must be corrected before performing the billing calculation. The post-billing report is used to validate the billing calculations before importing the billing file into FMS.

Discharger and facility contact information is pulled from CIWQS and passed in a file to FMS on a nightly basis in order to keep the contact information up-to-date for the users in DAS, who are responsible for billing, collecting, and answering questions from dischargers.

The sole purpose of AFBS is to serve as a calculator of billing amounts. AFBS does not retain the billing information. After the billing file is produced and sent to FMS, AFBS is purged.

NOTE: AFBS currently provides the billing file to the Annual Fees Receivable System (AFRS). FMS is scheduled to replace AFRS in the next few months, so the relationship between AFBS and AFRS has been excluded from this analysis.

#### 4. Issues, Unmet Requirements and Desired Functionality

Data edits in AFBS are problematic. Fields in CIWQS that are used to calculate billing amounts, or to provide supplementary information, in AFBS may be changed without notifying the AFBS administrator. This can cause problems with both the calculation, descriptions of what the calculation is for, or in other supplementary information. FMS has some data validation controls and will catch some errors, but is at risk of not catching all errors. These errors from CIWQS/AFBS run the risk of causing DAS Accounting staff to have to back out a complete batch of 8,000 invoices one by one.

#### 5. Interfaces

Name	I/O	Ext System Name	A/M	F	Volume	Description
Recurring Discharge Permit Data	I	CIWQS	A	Q	35,000 per year	Data needed to calculate the annual fee and surcharges
Recurring Discharge Permit Calculation	O	FMS	M	Q	35,000 per year	Annual fee and surcharge billing amounts
Discharger Data	I	CIWQS	A	D	100 per day	Added and modified discharger contact information
Discharger Data	O	FMS	A	D	100 per day	Added and modified discharger contact information

#### 6. Accounting Transactions

There are no accounting transactions associated with AFBS. The accounting transactions that result from the billings are produced by FMS.

#### 7. System Security and Internal Controls

AFBS requires the use of a User ID and Password and includes role based security that is administered by IT staff.

#### 8. Number Users

5

#### 9. Transaction Volume

35,000 invoices calculated per year

**10. Environment**

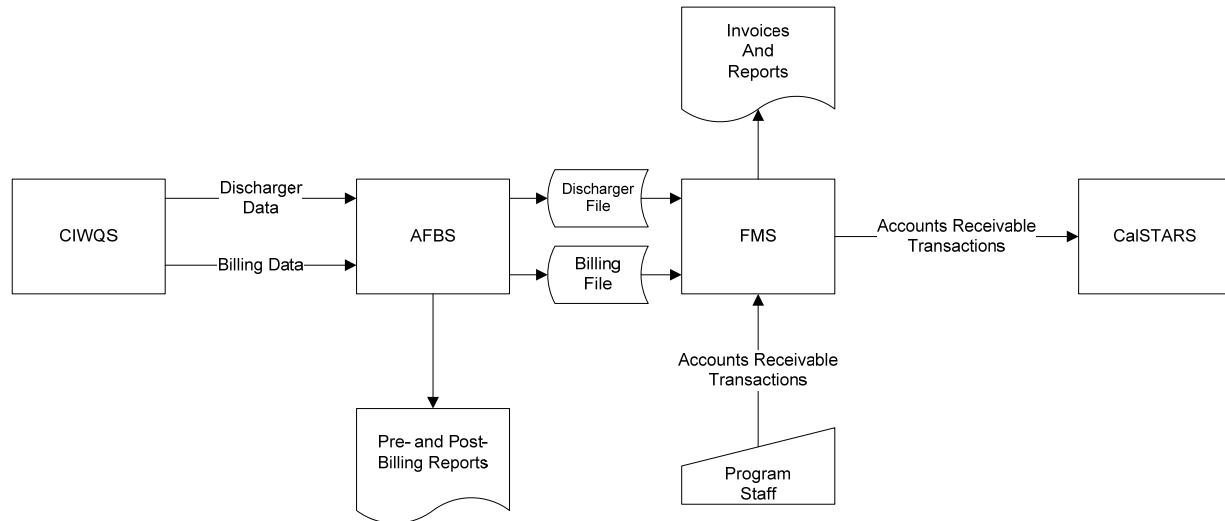
*Server Hardware:* SUN servers  
*Server Operating System:* Solaris  
*Client Operating System:* Windows XP  
*Network:* Novell Netware 6, Ethernet, TCP/IP  
*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor  
*Database:* Oracle  
*Languages:* JSP, Java

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Bob Rinker	Fees Unit	Fees Unit		

## Financial Management System (FMS)

### 1. FMS Graphic



### 2. Owner: Jerrel Bolds

### 3. Functional Summary

#### **Overview**

FMS is a Commercial-Off-The-Shelf (COTS) financial system from Mitchell Humphrey that will replace the Annual Fee Remittance System (AFRS).

#### **Billing Transaction**

Approximately 35,000 dischargers are billed annually. Due to the volume, the annual billings are conducted quarterly, with Waste Discharge and Irrigated Lands dischargers billed in one quarter (approximately 10,000) and Storm Water permittees divided among the remaining three quarters (approximately 8,000 in each quarter).

The billing information is calculated by AFBS and transferred to FMS in a text file. The DAS Fees Unit imports the billing text file into FMS, which performs some data validation edits on the file. Valid batch files that pass the data validation checks are manually posted to the system.

The “high volume” quarterly invoices (about 8,000 to 10,000 invoices each quarter) are printed to PDF files on the network, burned to a compact disk, and carried down to the CalEPA Business Services Office for printing and mailing. Low volume invoices are printed on a networked printer and mailed.

#### **Cash Receipts**

Payments are recorded in FMS by DAS Accounting Revenue staff. Payments are entered into batches of 50 payments each, with each payment being associated with one or more invoices. Payments that cannot be associated with an invoice because it did not arrive with the payment stub are recorded as uncleared collections until they can be researched, at which point the payment is backed out and posted against the correct invoice.

### ***Storm Water Transactions***

Whereas Waste Discharge permits and Irrigated Lands permits are billed for a fiscal year (July 1 through June 30), Storm water billings often span fiscal years (for example, October 1 through September 30). This difference in billing period requires different accounting transactions for CalSTARS purposes:

- **Deferred Revenue** – The amount of the invoice that is allocable to the current fiscal year is recorded as revenue and the amount allocable to the future fiscal year is recorded as deferred revenue.
- **Advance Collections** – If a storm water permittee pays their invoice in full during the fiscal year the invoice was issued, the amount of their invoice that is allocable to the current fiscal year is recorded as revenue and the amount allocable to the future fiscal year is recorded as “advance collections.”
- **Reclassification** – During year end processing, the storm water deferred revenue is reclassified as revenue and the advanced collections are reclassified as revenue.

These accounting transactions may not be in compliance with GAAP, but are required by CalSTARS and the State Administrative Manual. FMS records the transactions in compliance with GAAP and keeps track of the data necessary for the CalSTARS interface separately. The relevant transactions are sent to CalSTARS on a daily basis.

### ***Cancel Invoice***

Approximately 800 invoices are cancelled per month. The reason for such a high number of cancelled invoices is the policy around the storm water invoice grace period. Storm water permits are often taken out by dischargers for only brief periods of time, such as three to six months, after which time they terminate them by notifying the SWRCB. Many dischargers forget to terminate the permit. When the SWRCB sends them a storm water invoice, they are allowed a 90 day grace period from the date of the invoice to contact the SWRCB and terminate the permit. If they had already paid the storm water invoice and then requested cancellation within the 90 day period, the amount they paid is refunded to them.

Cancellations and refunds are recorded in FMS and sent to CalSTARS on a daily basis.

### ***Monthly Reconciliation Between FMS and CalSTARS***

On a monthly basis, reconciliation between FMS and CalSTARS for the Waste Discharge Permit Fund (193) is performed. CalSTARS G01 (trial balance) and HG1 (detailed trial balance) reports are produced and compared with similar reports from FMS. Reconciliation items result in adjustments to both FMS and CalSTARS.

### ***Year End Processing***

At year end, accruals for storm water receivables are recorded. Receivables dating from the “prior-prior-year” are reclassified in CalSTARS in compliance with State Administrative Manual requirements.

NOTE: AFBS currently provides the billing file to the Annual Fees Receivable System (AFRS). FMS is scheduled to replace AFRS in the next few months, so AFRS has been excluded from this analysis.

## **4. Issues, Unmet Requirements and Desired Functionality**

The use of the Mitchell Humphrey COTS software offers opportunities to consolidate the SWRCB’s financial data and processes. DAS managers and staff have expressed a strong desire to consolidate as much of the SWRCB’s accounts receivable transaction processing into FMS as possible. During the

implementation of FMS, some thought has been given to accommodating other receivable types, such as Administrative Civil Liabilities.

The Mitchell Humphrey software also includes other modules in use by other government organizations. These modules include: Accounts Payable, Budgeting, Fixed Assets, Fund/Grant Accounting, Inventory, Project Accounting, and Purchasing. No significant thought has been given by SWRCB to exploring the functionality of these modules to address other financial management needs.

## 5. Interfaces

Name	I/O	Ext System Name	A/M	F	Volume	Description
Recurring Discharge Permit Calculation	I	AFBS	M	Q	35,000 per year	Annual fee and surcharge billing amounts.
Discharger Data	I	AFBS	A	D	100 per day	Added and modified discharger contact information.
Accounts Receivable Transactions	O	CalSTARS	M	D	?	All accounts receivable billing, receipt, write-off and other AR transaction types are recorded in detail in FMS. Summary transactions are exported into a text file to be loaded into CalSTARS.

## 6. Accounting Transactions

Transaction	Fund	GLA	PCA	Object

## 7. System Security and Internal Controls

FMS requires the use of a User ID and Password and includes role based security that is administered by the DAS Accounting Systems staff. The security capabilities of FMS are extremely complex and difficult to manage; security settings are expected to be set up as simply as possible while maintaining necessary separation of duties and internal controls, which may mean that some users will not have access to functionality that would otherwise be desirable.

## 8. Number Users

12

## 9. Transaction Volume

- 35,000 invoices sent to dischargers per year
- \$81 million in revenue collected per year

## 10. Environment

*Server Hardware:* Dell

*Server Operating System:* Windows Server 2003

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor

*Database:* SQL Server 2005 Standard

*Languages:* Proprietary (Mitchell Humphrey develops the software using the C, C++, C#, and .Net programming languages)

## 11. Interviewees

Name	Title	Expertise	Interview Date	Phone Number





forecast, etc. are entered into LGTS. Based upon contract terms / conditions, LGTS generates an amortization schedule, which is an attachment to the loan contract. The contract package is sent to the loan recipient for signature, and returned to the SWRCB to be fully executed.

### ***Loan Encumbrance, Disbursements and Recording Long Term Receivables***

At the time the loan contract is sent to the loan recipient for signature, CWSRF staff completes the Contract Request Forms and Standard Form 215, and sends to CalSTARS Accounting to encumber the entire loan amount. The loan encumbrance is also recorded in LGTS.

Loan disbursements reimburse loan recipients for eligible expenditures. The loan recipient completes the Disbursement Request Form, attaches expenditure validation documentation, and sends the package to CWSRF Admin Unit Program Analyst. After review and approval of expenditure documentation and Disbursement Request Form, the disbursement request is recorded in LGTS by the CWSRF Program Analyst and CWSRF Accounting. An automated interface extracts disbursement requests from LGTS and builds a CalSTARS transaction resulting in the following CalSTARS postings: (1) partial liquidation of the contract encumbrance, (2) creation of long term loan receivable, (3) “claim filed disbursement request”.

An outbound interface from CalSTARS to the SCO’s system imports the “claim filed disbursement request” to the SCO’s system, which disburses the loan proceeds. An inbound interface from the SCO’s system to CalSTARS records the cash disbursement in CalSTARS. CWSRF Accounting monitors the SCO’s system for the actual disbursement of the loan proceeds. When actual disbursement of the loan proceeds is recorded in the SCO’s system, CWSRF Accounting staff records the cash disbursement and date in LGTS.

### ***Billing and Loan Payment Processing***

Two basic loan repayment rules apply:

- Construction Loans. One year after contract completion.
- Non-Point Source (non-construction) Loans. One year after first disbursement. In some cases, e.g. the purchase of land, disbursement may occur before expenditure (IRS tax code 212, 319, 320). However, strict rules govern the timing between disbursement and loan recipient expenditure.

For construction and non-construction loans, the CWSRF Program Analyst generates the billing report for the upcoming billing month. LGTS automatically generates a payment notice and an updated amortization schedule 30 to 45 days prior to the billing due date, which are sent to the loan recipient.

Loan payments are sent to the Accounting Travel Office. They deposit the funds and complete a Report of Collections. The Report of Collections is forwarded to CWSRF Accounting. CWSRF Accounting completes the Remittance Advice and Repayment Form (principal, interest, and prior year interest) and sends them to the SCO. The payment, which recognizes revenue, is recorded in LGTS. An outbound payment interface from LGTS to CalSTARS results in the following CalSTARS postings: (1) revenue, (2) liquidation of long term receivable, (3) general cash, and (4) cash in transit. Subsequent processing between CalSTARS and the SCO’s system result in the following CalSTARS posting: (1) reversal cash in transit, and (2) cash in treasury. The CalSTARS posting triggers the creation of a LGTS journal entry that results in the following LGTS posting: (1) revenue – current year interest, (2) liquidation of long term receivable, and (3) cash.

**Recording Administrative Expenditures in LGTS**

On a monthly basis, using CalSTARS reports, administrative expenditures, eligible for federal grant reimbursement, are recorded in LGTS in fund 617, Clean Water SRF.

**AB 1742 and Fund 9739**

In anticipation of the loss of federal CAP grant proceeds, AB 1742 authorized the CWSRF program to retain 1% of its interest earnings to cover administrative costs. Interest proceeds and administrative costs are recorded in fund 9739.

**Monthly Reconciliation Between LGTS and CalSTARS**

On a monthly basis, reconciliation between LGTS and CalSTARS for fund 617 and fund 9739 is performed. Monarch is used to extract select data from CalSTARS HG1, G01 and D16 reports. These reports provide detail transaction, encumbrance and expenditure information. Information from the reports is entered into MS Access and uploaded into LGTS. LGTS performs a “semi-automated” reconciliation of:

- Cash
- Receivables
- Revenue
- Encumbrance
- Expenditures

Reconciliation items result in adjustments to both LGTS and CalSTARS.

**Year End Processing**

At year end, accruals for interest, principal and construction period interest (cpi) are recorded. A portion of the long term receivable balance is reclassified to short term receivable. LGTS generates GAAP compliant financial statements.

**4. Issues, Unmet Requirements and Desired Functionality**

The source code for the LGTS custom application is owned by SWRCB. Northbridge Environmental Management has an on-going maintenance contract with SWRCB which includes additional custom develop support to address federal and state statute, and reporting requirement changes. Therefore, issues, requirements and desired functionality are addressed and met on an on-going basis.

Currently, the application is being web enabled. Initially, web access will be limited to the intranet, and later, internet access will be available. The February 2009 federal stimulus package has new reporting requirements and the need to develop the functional concept of a “grant equivalent”. These enhancements are also currently being addressed. It is anticipated that LGTS will be used to administer the water recycling (one of the GO Bonds) fund in the near term. Since LGTS provides all desired functionality, RUST program staff would like LGTS to replace ABS, however this is not in the LGTS 2 FSR.

**5. Interfaces**

Name	I/O	Ext System Name	A/M	F	Volume	Description
SWSRF Disbursement Requests	O	CalSTARS	A	D	TBD	Disbursement requests are extracted from the LGTS database and become the input source to a batch process that builds a CalSTARS transaction to liquidate the encumbrance, set-up

Name	I/O	Ext System Name	A/M	F	Volume	Description
						a receivable and generate the face sheet for subsequent SCO disbursement.
SWSRF Loan Payments	O	CalSTARS	A	D	TBD	Payments recorded in LGTS are extracted and become the input source to a batch process that builds a CalSTARS transaction to record revenue and liquidate the receivable.
Reconciliation	I	MS Access Reconciliation Database	M	M	TBD	Cash, receivable, revenue, encumbrance and expenditure data is extracted from CalSTARS reports and entered into an MS Access database. The data is uploaded to LGTS which performs a "semi-automated" reconciliation between LGTS and CalSTARS.
Program assessment – NIMS	O	National Information Management Systems (NIMS)	M	A	TBD	Program-wide assessments (project types and expenditures funded)
Program assessment – CBR	O	Clean Water State Revolving Fund Benefits Reporting System (CBR)	M	A	TBD	Program-wide assessments (project types and expenditures funded)
Financial Assistance Requests	I	Financial Assistance Application Submittal Tool (FAAST)	M	A	TBD	Financial assistance requests recorded in FASST are imported to LGTS and the applicant is placed on a loan priority list.

## 6. Accounting Transactions

Transaction	Fund	GLA	PCA	Object
Loan Encumbrance	TBD	TBD	TBD	TBD
Grant Encumbrance	TBD	TBD	TBD	TBD
Disbursement of Loan Principle	TBD	TBD	TBD	TBD
Disbursement of Grant	TBD	TBD	TBD	TBD
Billing – Interest and Principle	TBD	TBD	TBD	TBD
Payment Receipts – Interest and Principle	TBD	TBD	TBD	TBD

## 7. System Security and Internal Controls

LGTS requires the use of passwords and utilizes role based security for add, change, delete and view only privileges associated with each role's business functions. Currently, nine (9) different roles are defined within LGTS, which include Project Manager, Project Administrator, Payment Requests, Program Manager, Accounts Payable, Accounts Receivable, Accounting Manager, Administration, Read Only. LGTS maintains an audit trail of end user activity. Nightly back-ups are performed to a back-up server. In addition, data is archived to an off-site server.

## 8. Number Users

104

## 9. Transaction Volume

50 – 70 transactions / day.

## 10. Environment

*Server Hardware:* TBD

*Server Operating System:* TBD

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor

*Database:* Oracle 8i

*Languages:* MS Access Front End

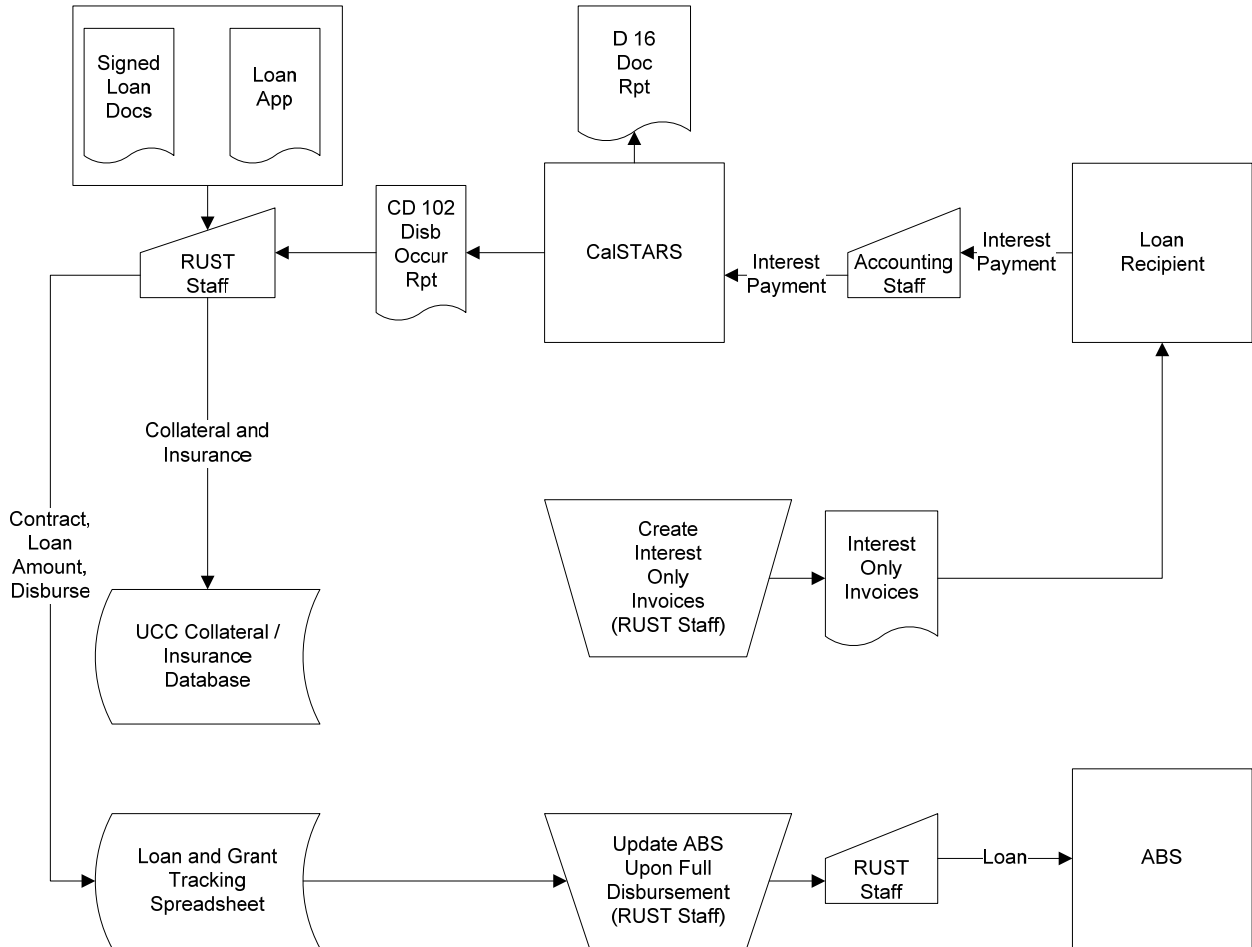
## 11. Interviewees

Name	Title	Expertise	Interview Date	Phone Number
Darlene McCoy	Special Projects Manager	Project Management and Accounting	2/24/2009	916.324.0129
Doug Wilson	DFA Coordinator	LGTS System Management	2/24/2009	916.341.5745
Heather Bell	Accounting Manager	LGTS Accounting	2/24/2009	916.314.5030
Kyle Ochendusko	Program Engineer	Project Engineering	2/24/2009	916.341.5693
Eva Kawada	CWSRF Program Analyst	Contract, Disbursement, and Repayment Processing	2/24/2009	916.341.5715
Kelly Valine	Chief, CWSRF Administration Unit		2/24/2009	916.327.6976
Tanya Mock	Operations Management Unit	Program	2/24/2009	916.341.5741

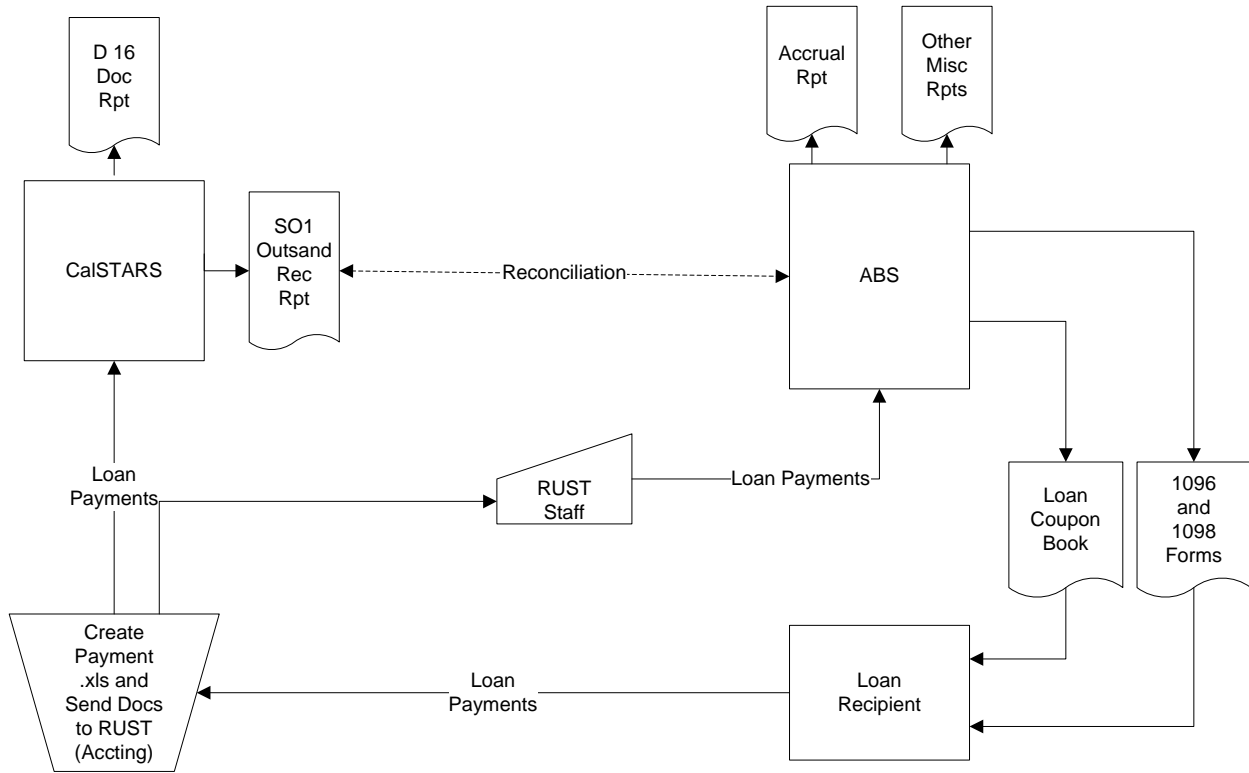
# Applied Business Systems (ABS)

## 1. ABS Graphic

### ABS Before Full Disbursement of Loan Proceeds



## ABS After Full Disbursement of Loan Proceeds



2. **Owner:** Doug Wilson, DFA Coordinator

### 3. **Functional Summary**

#### *Overview*

Applied Business Systems (ABS) is a Commercial-Off-The-Shelf (COTS) loan management application licensed by the software vendor, The Mortgage Office, and utilized by the Replacement of Underground Storage Tank (RUST) program. The RUST program is also supported by the Loan and Grant Tracking Excel spreadsheet, the Collateral / Insurance Access database and a hardcopy disbursement log.

#### *Before Full Disbursement of Loan Proceeds*

Upon loan approval, RUST staff enter loan information (loan number, recipient name / address, UCC collateral classification and insurance certificate) into the Collateral / Insurance Access database. Depending upon the loan, UCC collateral information and insurance certificates are periodically updated, as appropriate. RUST staff also record select loan information, including the loan amount, in the Loan and Grant Tracking Excel spreadsheet. Loan approval also results in the creation of a Caltrans encumbrance for the loan contract amount. Based upon RUST staff requests, CalSTARS accounting staff disburse loan and grant proceeds. As loan and grant proceeds are disbursed, the SCO's system generates the **CD102, Disbursement Occurred Report**, documenting the disbursement. RUST staff update the Loan and Grant Tracking Excel spreadsheet and the hardcopy disbursement log with the disbursement. For each loan disbursement, CalSTARS reduces the loan contract encumbered amount and creates a loan receivable, which is tracked at the individual loan level. On a monthly basis, CalSTARS generates the **D16, Document Report**, which provides period beginning balance, monthly disbursement activity and ending balances associated with loan encumbrances. Prior to full disbursement of loan proceeds, RUST

program staff manually calculate interest only charges and create invoices using Excel. Interest only payments are recorded in CalSTARS by Accounting staff, but not ABS. Prior to the full disbursement of loan proceeds, no activity is recorded in ABS.

**After Full Disbursement of Loan Proceeds**

The Loan and Grant Tracking Excel spreadsheet is used to track loan and grant disbursements and identify when loan or grant proceeds have been fully disbursed. Upon full disbursement of loan proceeds, the loan is recorded in ABS and a loan amortization / repayment schedule is generated by ABS. Loan payments are sent to CalSTARS accounting staff. CalSTARS accounting staff allocates the payment to principal, interest and late fees in an Excel spreadsheet. The Excel spreadsheet is uploaded to CalSTARS to record payment and reduce the loan principal receivable. CalSTARS accounting staff make copies of payment documents, which consists of a Report of Collections and copies of loan payment checks, and send to the RUST program staff. RUST program staff enters the payment into ABS. ABS automatically applies the payment to principal and interest components and generates a Borrower Payment Register. In the case the payment includes a late fee component, RUST program staff record the late fee in ABS. RUST Program staff forwards the Report of Collections and the Borrower Payment Register to CalSTARS accounting staff. On a monthly basis, CalSTARS generates the *SOI, Outstanding Receivable Report*, which reports the outstanding loan principal receivable balance. RUST program staff reconciles the SO1 to ABS. However, primarily due to timing differences between CalSTARS and ABS, the reconciliation is approximate. ABS generates dunning notices for late payments and calculates the late fee. At year end, 1096 and 1098 forms identifying annual interest payments are generated and mailed to the borrower for federal tax reporting purposes. Revenue recognition is on a cash basis except at year end when revenue is accrued based upon an ABS accrual report.

**4. Issues, Unmet Requirements and Desired Functionality**

Issue / Unmet Requirement	Desired Functionality
Prior to full disbursement of loan proceeds, cannot record loan contract, UCC information, contract encumbrance and disbursement and interest only activity.	Ability to: (a) record the loan contract information and UCC information at loan approval, (b) record loan contract encumbrance, (c) track loan disbursements and encumbrance balance and (5) record interest only activity.
Timeliness of CalSTARS reports and lack of FY and ITD loan reports.	Real-time reports, and FY and ITD loan reports.
Due to timing differences, reconciliation between CalSTARS and ABS is approximate and manual.	Automated loan principal reconciliation between CalSTARS and ABS.
No interface between ABS and CalSTARS to avoid double data entry.	Interface that includes loan contract encumbrance, disbursements, and payments.
No audit trail.	Audit trail to track all end-user activity against a loan.

Since LGTS provides all desired functionality, RUST program staff would like LGTS to replace ABS, however time and money barriers have existed to date.

**5. Interface**

There are no electronic interfaces associated with ABS.



## 6. Accounting Transactions

Transaction	Fund	GLA	PCA	Object
Disbursement of Loan Principle	8026	DR 2110, 9844, 6155 CR 5380, 3021, 6150	31712	626
Disbursement of Grant	8026	DR 9000, 6155 CR 3021, 6150	31611	706
Billing – Interest Only accrual at year end only	8026	DR 1314 CR 8000	80812	214900
Billing –Principle Receivable done at time of disbursement	TBD	TBD	TBD	TBD
Payment Receipts – Interest Only	8026	DR 1110 CR 8000	80812	214900
Payment Receipts –Principle	8026	DR 5380, 1110 CR 2110, 9830	80811	530000

## 7. System Security and Internal Controls

ABS requires a password and it is the only system that is used to record Social Security numbers. The Loan and Grant Tracking Excel spreadsheet resides on a shared network drive. At present, data retention / purge policies and procedures do not exist and all data is retained in the ABS database.

## 8. Number Users

ABS is licensed for four (4) users and one person is a full-time end user. The full-time end user allocates time as follows: approximately 15% - 20% researching phone questions and approximately 65% data entry.

## 9. Transaction Volume

The ABS database includes approximately 400 – 500 loans with approximately 300 active loans. ABS processes approximately 300 payments per month. Approximately 25 loans / year are added to ABS.

## 10. Environment

*Server Hardware:* TBD

*Server Operating System:* TBD

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor

*Database:* TBD

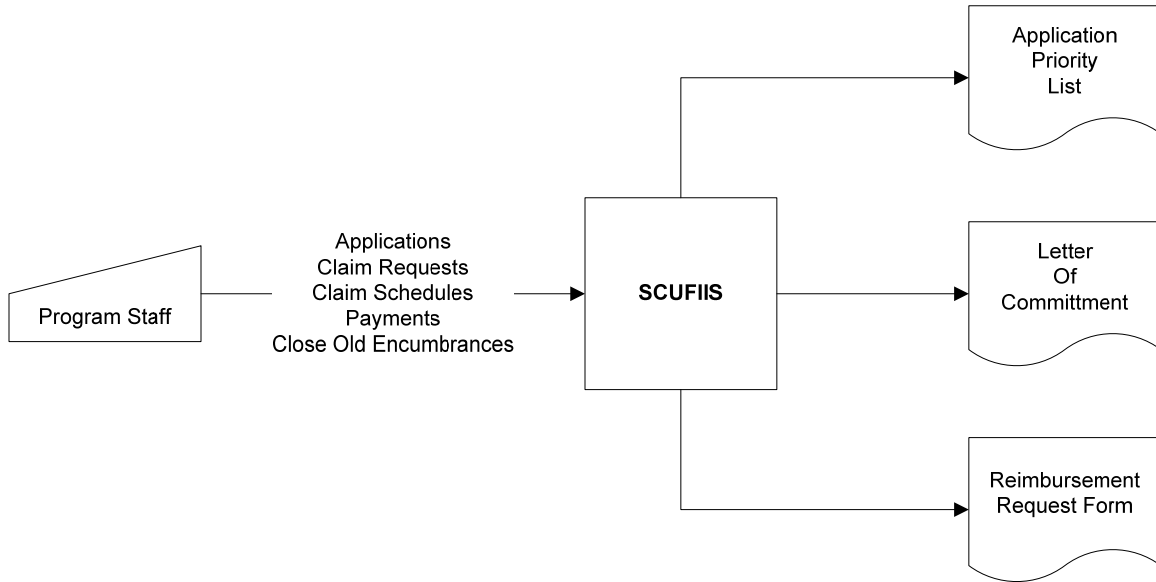
*Languages:* TBD

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Darlene McCoy	Special Projects Manager	Project Management and Accounting	2/11/2009	916.324.0129
Doug Wilson	DFA Coordinator	ABS System Management	2/11/2009	916.341.5745
Janice Clemons	RUST Program Manager	RUST Program	2/11/2009	916.341.5657
Pat Preslar	RUST Staff	ABS Full-time End User	2/11/2009	916.341.5756
Tanya Mock	Operations Management Unit	Program	2/11/2009	916.341.5741

## State Clean-up Fund Improved Information System (SCUFIIIS)

### 1. SCUFIIIS Graphic



2. **Owner:** Doug Wilson, DFA Coordinator

### 3. Functional Summary

#### *Overview*

State Clean-up Fund Improved Information System (SCUFIIIS) is primarily a claims tracking system which supports SWRCB reimbursement grants for the clean-up of underground storage leaks and associated third party damages. SCUFIIIS is a custom application developed by Eco Interactive. The grant is funded by a state gasoline fee of 1.4 cents / gallon. The grant has a maximum amount of \$1.5 million dollars with a deductible of \$0, \$5,000, or \$10,000 to \$20,000. Fund 439 is used to record all activity. To date, approximately 19,000 claims have been processed. SCUFIIIS supports Commingled Plume claims, which are processed in Fund 439 with a special PCA code. SCUFIIIS also supports the Orphan Site Clean-up Account (OSCA), which utilizes the same processes as Fund 439, but a separate Fund and PCA code. SCUFIIIS will be used to support School clean-up. School clean-up will utilize the same processes as Fund 439, but use Fund 3134.

#### *Claim Application, Approval and Encumbrance*

Applicants submit a claim application and supporting documentation. Program staff review the application and supporting documentation, and if approved, record the information into SCUFIIIS. Claim Review staff assign one of four possible priorities based on their review: (1) Residential, (2) Small Business, (3) Business < 500 Employee (full time and part-time), and (4) All Others. On a monthly basis, SCUFIIIS generates a priority list of all approved applications. SCUFIIIS also maintains a priority list of all approved applications.

The Claim Review Unit reviews all approved claims. If the Claim Review Unit approves the claim, the approval is recorded in SCUFIIIS, and SCUFIIIS generates a Letter Of Commitment (LOC). LOCs are

routed to DFA and DAS for signature. The fully executed LOC is treated as a state contract and a copy of the fully executed LOC is sent to DAS Accounting to encumber the funds in CalSTARS. The encumbrance is tracked at the LOC level.

### ***Reimbursement Requests***

SCUFIS creates the Reimbursement Request Forms used by claimants to request reimbursement for incurred expenditures. The claim include a completed Reimbursement Request Form and back-up documentation for incurred expenditures such as vendor, payment amount, payment date, etc. The Reimbursement Request Form and key back-up documentation are recorded in SCUFIS. The Reimbursement Request Form and back-up documentation are sent to the Technical Group which reviews for eligibility and reasonableness of cost. The Technical group returns the documentation to the Payment Unit. The Payment Group calculates final payment. In addition, the Payment Group reviews the LOC and reimbursement history to determine whether an additional LOC is required to encumber funds before reimbursement for the claim under consideration. One of the primary reasons that an additional LOC may be required is an encumbrance increase associated with the claim during reimbursement processing.

### ***Reimbursement Processing***

The Reimbursement Request Form is sent to DAS Accounting. DAS Accounting links the expenditure reimbursement to the oldest encumbrance (sometimes the link is not to the oldest encumbrance) and records the claim request in a MS Excel spreadsheet which is uploaded to CalSTARS. CalSTARS liquidates the encumbrance, records the expenditures and generates the Face Sheet. The CalSTARS coding block utilized is 0550-5701.01-30530. The Claim Schedule package is assembled and sent to SCO for funds disbursement. A copy of the Claim Schedule is sent to the program staff and the Claim Schedule number and date are recorded in SCUFIS. When the SCO disburses the funds, the ***CDI02, Disbursement Occurred Report*** is sent to program staff. The claim schedule number, date and amount are recorded in SCUFIS.

### ***CalSTARS Accounts Receivable, Payment Processing***

Three conditions can result in the creation of a CalSTARS accounts receivable and associated payment processing: (1) claim overpayment, (2) no proof of vendor payment, and (3) insurance settlement after reimbursement. Initially, a MS Word document is created by program staff requesting payment for the amount of overpayment, proof of vendor payment, or requesting payment for the amount of the insurance settlement, as appropriate. If there is no response from the claimant, then a second letter is created. A copy of the letter is sent to DAS Accounting and a receivable is entered in CalSTARS. The receivable number = claim number + Fiscal Year. Claimant payments are sent to DAS Accounting to record the payment, liquidate the receivable and close any open encumbrance balance. A copy of payment documentation is sent to program staff to record payment in SCUFIS. In some cases, payments are sent to program staff. The payment is recorded in SCUFIS and sent to DAS Accounting to record the payment in CalSTARS.

### ***Month End***

On a monthly basis, using CalSTARS's ***D16, Document Report by Fund***, program staff reconcile expenditures and open encumbrance balances between CalSTARS and SCUFIS. If it is determined that an expenditure was not linked to the oldest encumbrance, DAS staff make adjustment that are recorded in CalSTARS to reverse the incorrect encumbrance liquidation and record the expenditure against the correct encumbrance and fiscal year, which results in the liquidation of the correct encumbrance.

### ***Year End***

LOC encumbrances that are three years old are closed in CalSTARS and recorded in SCUFIS. Program staff reconcile expenditure and open encumbrance balances between CalSTARS and SCUFIS.

**4. Issues, Unmet Requirements and Desired Functionality**

The source code for the SCUFIIIS custom application is owned by SWRCB. Eco Interactive is no longer doing business and application support resides with SWRCB IT.

<b>Issue / Unmet Requirement</b>	<b>Desired Functionality</b>
Manual intensive process for disbursement requests.	Automated interface between SCUFIIIS and CalSTARS for disbursement requests.
Manually intensive process to record Claim Schedule information in SCUFIIIS from SCO CD 102.	Direct deposit to claimant and automated interface between SCO and CalSTARS to record warrant number, date and amount.
Manually intensive process to make month end adjustments when the oldest encumbrance was not liquidated during reimbursement processing.	Automated interface between SCUFIIIS and CalSTARS that generates CalSTARS adjustment transactions.

**5. Interfaces**

None

**6. Accounting Transactions**

<b>Transaction</b>	<b>Fund</b>	<b>GLA</b>	<b>PCA</b>	<b>Object</b>
Grant Encumbrance	TBD	TBD	TBD	TBD
Expenditure Reimbursement	TBD	TBD	TBD	TBD
Reimbursement Claim Overpayment	TBD	TBD	TBD	TBD
No Proof of Vendor Payment	TBD	TBD	TBD	TBD
Insurance Settlement	TBD	TBD	TBD	TBD
Payment for Reimbursement Claim Overpayment	TBD	TBD	TBD	TBD
Payment for No Proof of Vendor Payment	TBD	TBD	TBD	TBD
Payment Insurance Settlement	TBD	TBD	TBD	TBD

**7. System Security and Internal Controls**

SCUFIIIS requires the use of a userid and password, and uses role based security. Program staff maintain security privileges.

**8. Number Users**

75 (Accounting, Geo Tracking, Enforcement, Attorneys)

**9. Transaction Volume**

19,000 claims to date, 5000 reimbursement requests / year, approximately 10 CalSTARS claim schedules / week and during annual close, approximately 400 claim schedules between the end of May and July 12.

**10. Environment**

*Server Hardware:* TBD

*Server Operating System:* TBD

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor

*Database:* Oracle

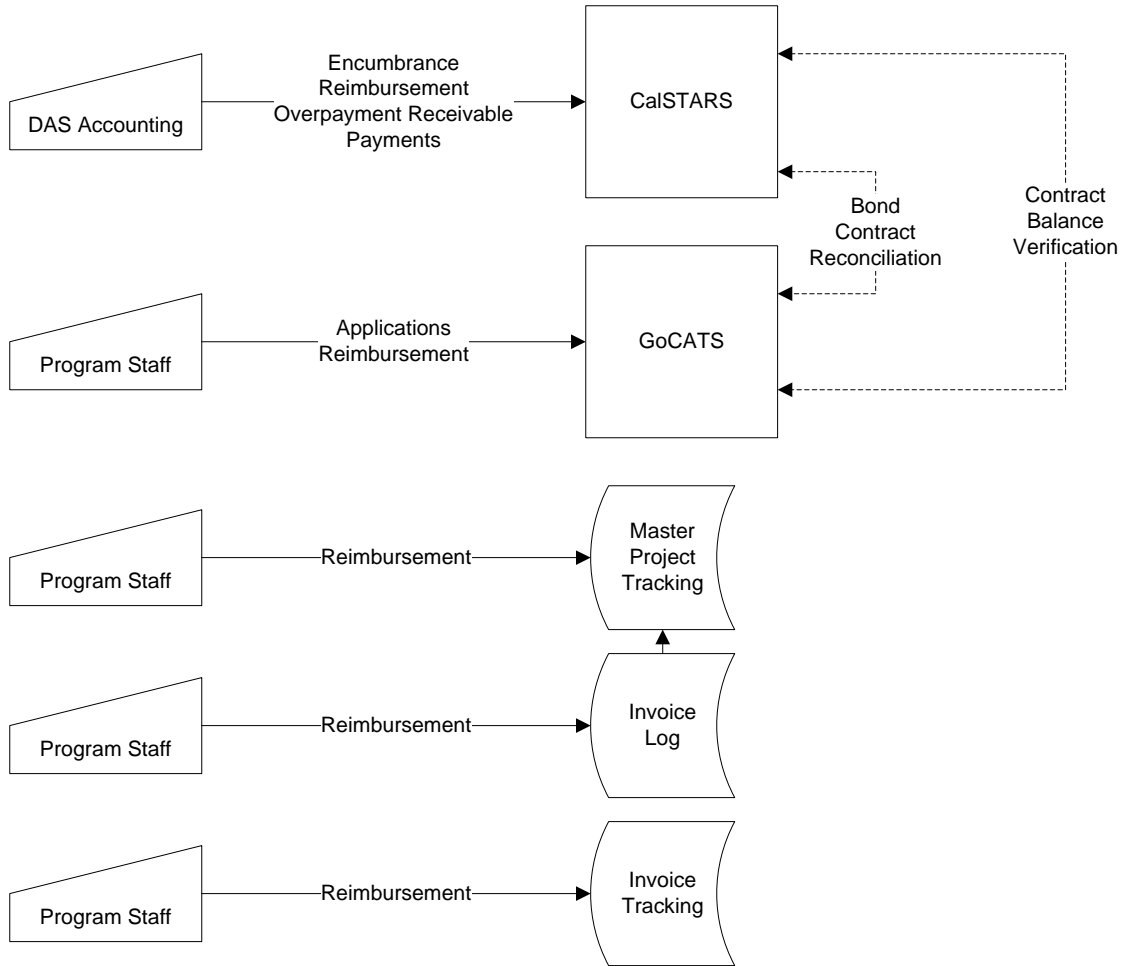
*Languages:* MS Access Front End

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Darlene McCoy	Special Projects Manager	Project Management and Accounting	2/27/2009	916.324.0129
Doug Wilson	DFA Coordinator	SCUFIS Management	2/27/2009	916.341.5745
Tanya Mock	Operations Management Unit	Program	2/27/2009	916.341.5741

## Grants or Contracts Administration Tracking System (GoCATS)

### 1. GoCATS Graphic



2. **Owner:** Doug Wilson, DFA Coordinator

### 3. Functional Summary

#### *Overview*

The Grants or Contracts Administrative Tracking System (GoCATS) is a custom MS Access application used to support grant administration associated with GO bond funded grants within the SWRCB Division of Financial Assistance (DFA) program. Grants are targeted to nonprofits, local public agencies, and municipalities. Three key MS Excel spreadsheets are also used to support grant administration: (1) Master Project Tracking, (2) Invoice Log and (3) Invoice Tracking Template (one Invoice Tracking spreadsheet for every grant agreement). GoCATS records grant agreement and amendment information, and financial related information, however detail financial information is maintained in the three aforementioned spreadsheets.

### ***Grant Application, Agreement and Encumbrance***

Local public agencies, nonprofits, and municipalities submit grant applications that are reviewed by Program staff. Upon approval by the Board, agreements are drafted and executed. Through the execution process, PCA codes that will be used to disburse funds are assigned to each agreement. Program Fiscal staff work with Budget and Accounting to create a PCA code upon the approval of the State budget. Program Fiscal staff ensure sufficient funds exist for the agreement. When the grant agreement is executed, relevant information, e.g. grantee name, description of project, budget info, term of agreement, contacts, etc. is recorded in GoCATS and the Project Tracking maintained by the program Fiscal staff. The agreement is also added to the Master Project Tracking spreadsheet, including recipient number, agreement number, agreement amount, etc. A copy of the Grant Request Form and executed agreement is sent to DAS Budgets and Accounting to encumber the funds.

### ***Reimbursement Requests and Processing***

Based upon the terms and conditions of the agreement, reimbursement is either on a monthly, or a quarterly basis. Grant recipients submit an invoice with detail expenditure back-up. Program staff review invoices, and if approved, reimbursement is recorded in GoCATS, and the Invoice Log and Invoice Tracking spreadsheets. The reimbursement invoice is sent to DAS Accounting where the invoice is linked to the agreement encumbrance. DAS Accounting enters the CalSTARS transaction to record the expenditure and partially liquidate the encumbrance. Reimbursement processing includes 10% retention of the invoice amount. When the SCO disburses the funds, the ***CD102, Disbursement Occurred Report*** is sent to program Fiscal staff, however the warrant number, date, amount, etc. are not recorded in GoCATS, or any of the financial oriented spreadsheets.

### ***CalSTARS Accounts Receivable, Payment Processing***

Two conditions can result in the creation of a CalSTARS accounts receivable and associated payment processing: (1) invoice overpayment, (2) termination. Program staff notify DAS Accounting and they set-up a CalSTARS receivable. Once received, the receivable is recorded in GoCATS or the other financial oriented spreadsheets. Instructions are sent to the grant recipient to remit payment to DAS Accounting. Payments are sent to DAS Accounting to record the payment, liquidate the receivable, back out the expenditure and liquidate any remaining open encumbrance balance. Payment is recorded in the Invoice Tracking Log and Invoice Tracking spreadsheets.

### ***Month End***

The “Bond Contract ‘Reconciliation’” is performed monthly by program Fiscal staff. Strictly speaking, this is not reconciliation, but a process to update the ProgramsTracking spreadsheets with CalSTARS activity, thereby synchronizing the Programs Tracking spreadsheets with CalSTARS. Some CalSTARS activity may already be recorded in the Programs Tracking spreadsheets, but not all. CalSTARS activity to be recorded in the Programs Tracking spreadsheets includes the original encumbrance, encumbrance increases / decreases due to agreement amendments, invoice reimbursements, payments resulting from invoice overpayment and agreement termination. The comparison of information from the Programs Tracking spreadsheets and GoCATS is hampered by the fact that the CalSTARS data in the “Bond Contract ‘Reconciliation’” file is based upon fiscal period and the data in GoCATS is date driven.

### ***Year End***

At year end the Contract Balance Verification process is performed by Program staff. DAS Accounting requests a balance remaining for each contract/agreement as of a certain date, e.g. 2/28/09. Program staff submits this information to DAS Accounting. This process is also hampered by the fact that CalSTARS needs the verification performed on a fiscal year basis and data in GoCATS and the spreadsheets is maintained on a date basis. Reconciliation items are identified and adjustments are made in CalSTARS, GoCATS, or any of the financial related spreadsheets.



**Grant Close-out**

Grant close-out includes release of the 10% retention, liquidating any open encumbrance balance and recording that the grant is closed in GoCATS.

**4. Issues, Unmet Requirements and Desired Functionality**

GoCATS is very slow with only 7 concurrent users. It is anticipated that GoCATS will be replaced by LGTS and all grants currently administered by GoCATS will be converted to LGTS.

**5. Interfaces**

There are no electronic interfaces associated with GoCATS.

**6. Accounting Transactions**

Transaction	Fund	GLA	PCA	Object
Grant Encumbrance	TBD	TBD	TBD	TBD
Expenditure Reimbursement and Retention	TBD	TBD	TBD	TBD
Reimbursement Invoice Overpayment	TBD	TBD	TBD	TBD
Termination	TBD	TBD	TBD	TBD
Payment for Reimbursement Invoice Overpayment	TBD	TBD	TBD	TBD
Payment for Termination	TBD	TBD	TBD	TBD

**7. System Security and Internal Controls**

There is no system security; anyone can access the application. However, since the grant agreement is with a local public agency, nonprofit, or municipality, no sensitive, personal information is at risk. Records retention for GO bond-funded projects is 35 years. The Invoice Tracking spreadsheet is retained on a network shared drive.

**8. Number Users**

20+

**9. Transaction Volume**

Approximately 300 active grants; 100 invoices / month

**10. Environment**

**Server Hardware:** N/A

**Server Operating System:** N/A

**Client Operating System:** Windows XP

**Network:** Novell Netware 6, Ethernet, TCP/IP

**Hosting Location:** SWRCB Server Room, 8<sup>th</sup> Floor

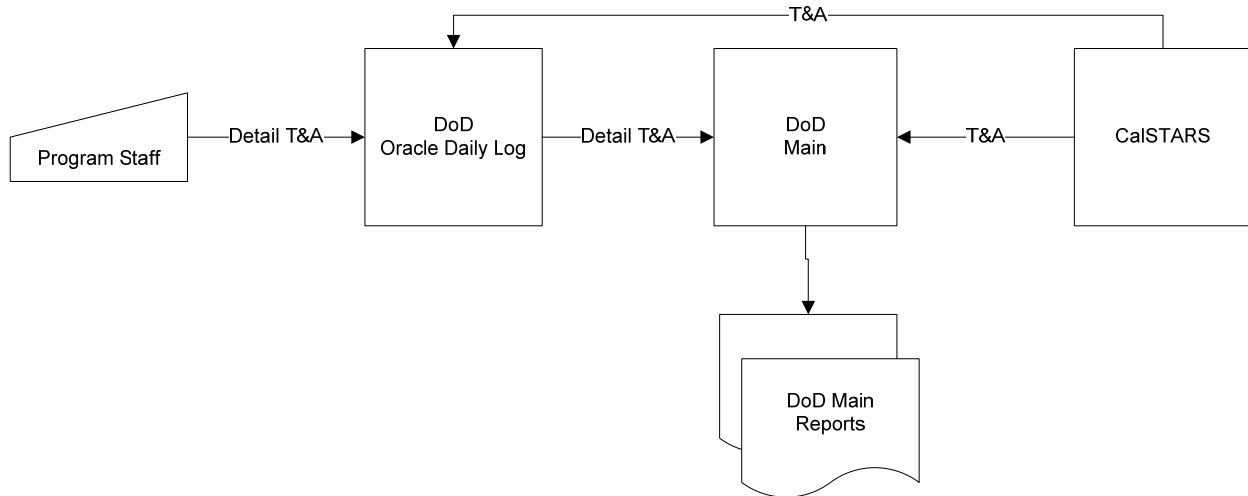
*Database:* MS Access  
*Languages:* VBA

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Darlene McCoy	Special Projects Manager	Project Management and Accounting	3/5//2009	916.324.0129
Tanya Mock	Operations Management Unit	Program	3/5//2009	916.341.5741
Monica Torres	Program Analyst	DFA	3/5//2009	916.341.6929
Barbara Walton	Program Analyst	DFA	3/5//2009	916.341.5461

## DoD Oracle Daily Log and DoD Main Systems

### 1. Dod Oracle Daily Log and Dod Main Graphic



### 2. Owner

**DoD Main Owners:** Lisa Heckler, DoD Program Analyst and Bridget Freeborn, DoD Program Analyst

**DoD Oracle Daily Log Owners:** Joran Kreiss, Associate Programmer Analyst and Sue Oh, Staff Programmer Analyst

### 3. Functional Summary

#### *Overview*

DoD Oracle Daily Log and DoD Main systems support: (1) DoD site clean-up reimbursement through a cooperative agreement with DoD, and (2) federal reimbursement for toxic site clean-up through an inter-agency agreement (DSMOA) with the Department of Toxic Substance Control (DTSC). Both systems focus on detail timesheet information, which is used as back-up for reimbursement invoices. DoD Main is a MS Access application.

#### *Timesheet Data Entry*

Timesheet data is entered into the DoD Oracle Daily Log and into Bizflow. A PCA code has been created for each clean-up site. Timesheet data entered into DoD Oracle Daily Log includes the PCA code and an activity code representing the type of work being performed. Timesheet data entered into Bizflow is at the PCA level. Employees can also record time against overhead PCA codes.

#### *Month End Processing and Reporting*

Bizflow timesheet data is imported into CalSTARS at the end of each pay period. The timesheet data is extracted from CalSTARS by IT, imported into a MS Excel spreadsheet by Accounting and e-mailed to Program staff. Program staff reformat the MS Excel spreadsheet into a format which facilitates export to DoD Main and DoD Oracle Daily Log systems.

After CalSTARS timesheet data has been loaded into DoD Oracle Daily Log, an automated reconciliation process is initiated to reconcile timesheet information entered into Bizflow / CalSTARS and timesheet

information entered into DoD Oracle Daily Log. Since DoD Oracle Daily Log records timesheet information at a lower level than Bizflow, the reconciliation is performed at the Staff, Region and PCA code levels. The automated reconciliation process identifies reconciliation items and adjustments are made in the appropriate systems. In the case that an adjustment is made in CalSTARS, the earliest the adjustment can be recorded in DoD Oracle Daily Log and DoD Main is the next pay period. After the DoD Oracle Daily Log reconciliation process has been completed, the detail timesheet information in the DoD Oracle Daily Log is exported to DoD Main. Therefore, for each pay period, DoD Main has timesheet and related data from CalSTARS and more detailed timesheet data from DoD Oracle Daily Log. Data from DoD Oracle Daily Log and CalSTARS now reside in the DoD Main database, which is the input source for program reports and detail back-up reports that support billing. Reports are created for Program Managers, Regional Boards, Navy, DTSC and DAS Accounting. Approximately 12 standard reports are generated by DoD Main. In addition, information in DoD Main reports and other system's reports, e.g. BDAS, are manually combined by program staff to create still other reports.

CalSTARS month end processing includes a three (3) step indirect cost allocation process that allocates overhead to direct expenditure PCAs.

- Step 1 allocates Paid Time Off (PTO) and operating expenses, e.g. rent
- Step 2 allocates Water Quality and Water Rights program management and administration costs
- Step 3 allocates Regional program management overhead

***Billing and Payment Processing***

After the cost allocation process has been completed, DAS Accounting prepares reimbursement invoices. In addition to the labor related expenditures, which is the focus of DoD Oracle Daily Log and DoD Main, other expenditures recorded in CalSTARS are eligible for reimbursement. DAS Accounting prepares the invoices which include detail timesheet back-up documentation as part of the invoice submission. Invoices are sent to the Navy and DTSC. In accordance with the interagency agreement with DTSC, DTSC, in turn, prepares an invoice for federal reimbursement. Navy payments are sent to DAS Accounting. Federal reimbursement payments are sent to DTSC, and DTSC, in turn, remits payment to DAS Accounting.

**4. Issues, Unmet Requirements and Desired Functionality**

Issue / Unmet Requirement	Desired Functionality
Dual data entry into DoD Oracle Daily Log and Bizflow	Outbound DoD Oracle Daily Log automated interface that summarizes timesheet data at the PCA level and exports to Bizflow.
Reports that need budget allocation information must be manually created by combining DoD Main and BDAS reports	Extract select budget allocation data from BDAS and export to DoD Main; new DoD Main reports that utilize the budget allocation data and eliminate the need to manually create the report.
CalSTARS adjustments are not recorded in DoD Oracle Daily Log and DoD Main until the next pay period, or at a later date. DoD Oracle Daily Logs hours do not match invoice hours.	CalSTARS adjustments immediately reflected in DoD Oracle Daily Log and DoD Main such that the invoice hours match CalSTARS, DoD Main and DoD Oracle Daily Log.

## 5. Interfaces

### *DoD Main*

Name	I/O	Ext System Name	A/M	F	Volume	Description
CalSTARS Timesheet – DoD Main	I	CalSTARS	M	M	TBD	Using Monarch, IT extracts data from CalSTARS reports and populates an Excel spreadsheet that is reformatted and loaded into DoD Main.
Detail Timesheet	I	DoD Oracle Daily Log	A	M	TBD	Automated interface that exports detail timesheet information from DoD Oracle Daily Log to DoD Main

### *DoD Oracle Daily Log*

Name	I/O	Ext System Name	A/M	F	Volume	Description
CalSTARS Timesheet – DoD Oracle Daily Log	I	CalSTARS	M	M	TBD	Using Monarch, IT extracts data from CalSTARS reports and populates an Excel spreadsheet that is reformatted and loaded into DoD Oracle Daily Log.
Detail Timesheet	O	DoD Main	M	M	TBD	Query exports detail timesheet information from DoD Main to DoD Oracle Daily Log.

## 6. Accounting Transactions

There are no accounting transactions associated with DoD Oracle Daily Log, or DoD Main.

## 7. System Security and Internal Controls

DoD Main will require the use of a userid and password. DoD Oracle Daily Log requires a userid and password. Userid / passwords are administered by the program staff. The system only allows an end user to view data within their region.

## 8. Number Users

DoD Main: 2

DoD Oracle Daily Log: 300

## 9. Transaction Volume

DoD Main: 130 sites

DoD Oracle Daily Log: 300 timesheets / month

## 10. Environment

### DoD Main

*Server Hardware:* TBD

*Server Operating System:* TBD

**Client Operating System:** Windows XP  
**Network:** Novell Netware 6, Ethernet, TCP/IP  
**Hosting Location:** SWRCB Server Room, 8<sup>th</sup> Floor  
**Database:** MS Access  
**Languages:** VBA

**DoD Oracle Daily Log**

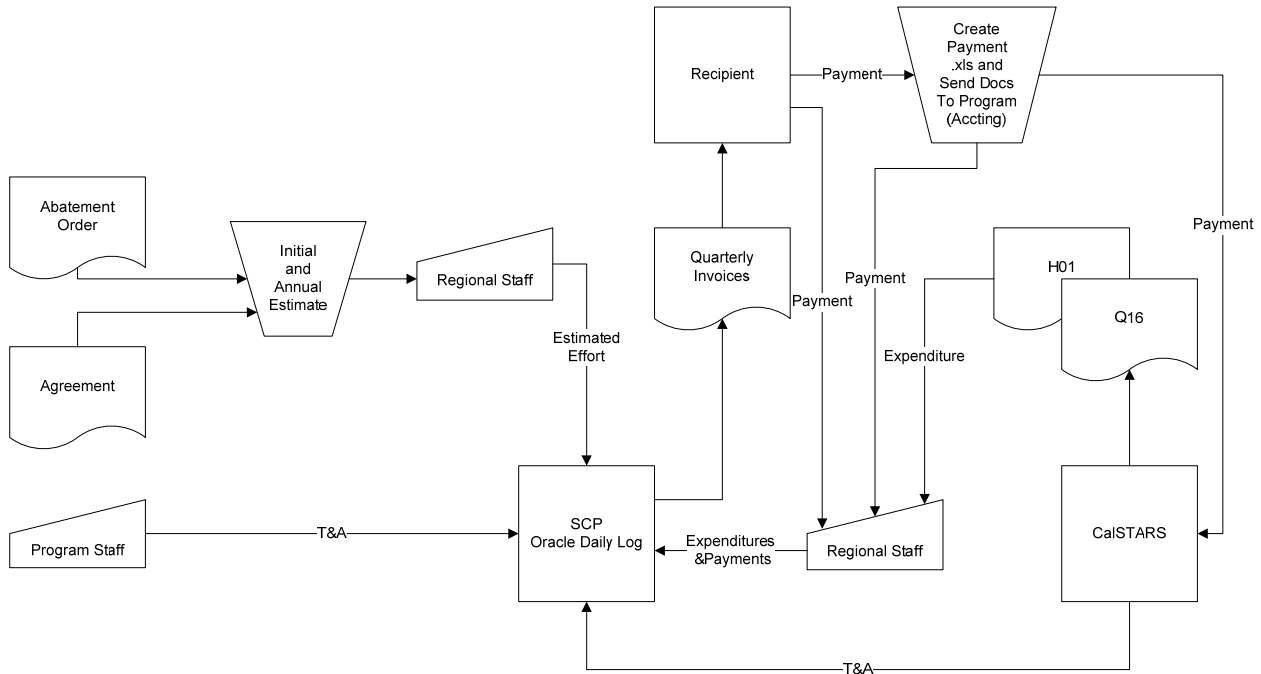
**Server Hardware:** TBD  
**Server Operating System:** TBD  
**Client Operating System:** Windows XP  
**Network:** Novell Netware 6, Ethernet, TCP/IP  
**Hosting Location:** SWRCB Server Room, 8<sup>th</sup> Floor  
**Database:** Oracle  
**Languages:** TBD

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Darlene McCoy	Special Projects Manager	Project Management and Accounting	3/10/2009	916.324.0129
Lisa Heckler	DoD Program Analyst	DoD Oracle Daily Log, DoD Main and program	3/10/2009	916.341.5736

## Site Clean-up Program (SCP) Oracle Daily Log

### 1. SCP Oracle Daily Log Graphic



2. **Owner:** Doug Wilson, DFA Coordinator

### 3. Functional Summary

#### *Overview*

The Site Clean-up Program (SCP), formerly known as the Spills, Leaks, Investigation and Clean-up (SLIC) program is a cost recovery program for expenditures incurred to support site clean-up for non-petroleum based spills. Expenditures include Regional oversight, Program staff and Divisional overhead. The SCP Oracle Daily Log is custom application developed by Eco Interactive for SCP.

#### *Abatement Order, Clean-up Agreement and Regional Oversight Estimates*

Site clean-up and cost recovery is initiated by an abatement order or agreement. Regional staff record their estimated oversight expenditures based upon the abatement order, or the agreement. Regional staff also records their annual expenditure estimate at the start of each fiscal year.

#### *Recording Time and Attendance (T&A) and Expenditures for Cost Recovery*

Regional staff record their T&A information on a daily basis in the SCP Oracle Daily Log. Information recorded includes employee, Region (PCA code) and the site within the region. Regional staff also record their T&A information into Bizflow which is loaded into CalSTARS. Bizflow data entry is at the PCA level, not site level, therefore CalSTARS does not track labor expenditures at the site level. Contract, equipment, travel and operating expenditures to support site clean-up are recorded in CalSTARS and include the PCA code on the accounting line to track expenditures by Region.

**Month End Processing**

An automated interface between CalSTARS and SCP Oracle Daily Log imports CalSTARS T&A information into SCP Oracle Daily Log. CalSTARS T&A information is reconciled with Regional staff T&A information entered into SCP Oracle Daily Log. Reconciliation adjustments are made in both CalSTARS and SCP Oracle Daily Log. Since CalSTARS T&A information is not at the site level, reconciliation is performed at the Region level using the PCA code. CalSTARS performs overhead allocation at month end. Region, division and program staff overhead are allocated to each region. Region overhead cannot exceed 20% of their fully burdened labor costs. Within SCP Oracle Daily Log, overhead costs allocated to the region are, in turn, allocated to each site and recorded. CalSTARS reports are generated when all month end processing has been completed. Program staff use **H01, Expenditure by PCA** and **Q16, Expenditure by Object**, to manually enter contract, equipment, travel and operating expenditures into SCP Oracle Daily Log. A CalSTARS monthly revenue report is also used by Program staff to ensure that all payments recorded in CalSTARS are also recorded in SCP Oracle Daily Log. Revenue reconciliation is hampered by the fact that CalSTARS reports are based upon accounting period and SCP Oracle Daily Log and reports are driven by date range.

**Quarterly Billing**

SCP Oracle Daily Log generates quarterly invoices. Program staff sends DAS Accounting a list of invoices, however due to the large volume; DAS Accounting does **not** set-up a CalSTARS receivable.

**Payment Processing, Overpayment and Collections**

Payment processing utilizes three different paths: (1) payment sent to Program staff (per invoice payment instructions), (2) payment sent to DAS Accounting and (3) electronic payment. In the case that the payment is sent to DAS Accounting, they manually link the payment to the invoice listing sent by Program staff, record the payment (revenue) in CalSTARS and send a copy of the check to Program staff. Program staff enter the payment into SCP Oracle Daily Log. A copy of the check is not always sent to Program staff; revenue reconciliation described in Month End Processing above is meant to identify this situation and ensure all payments recorded in CalSTARS are also recorded in SCP Oracle Daily Log. In the case the payment is sent to Program staff, the payment is recorded in SCP Oracle Daily Log and the check is sent to DAS to record payment (revenue) in CalSTARS. In the case an electronic payment is made, an electronic remittance advice is sent to Program staff by SCO to record the payment in SCP Oracle Daily Log. In the case payment received is greater than the invoice amount, DAS Accounting will first apply the differential to any SCP billing, and next to any other customer receivable. If no other receivable exists, then the amount of overpayment is refunded to the customer by DAS Accounting. Collection for non-payment is the responsibility of the Region.

**Year End Revenue Accruals**

Revenue is accrued at year end based upon historical collection percentage which range from 93% - 96%.

**4. Issues, Unmet Requirements and Desired Functionality**

The source code for Oracle Daily Log custom application is owned by SWRCB. Eco Interactive is no longer doing business and application support resides with SWRCB IT. Oracle Daily Log has not been updated to meet evolving business requirements.

Issue / Unmet Requirement	Desired Functionality
Capture more detailed information to support more detailed reporting.	Program staff indicated that overall the system is extremely difficult to use and expressed a desire to have the entire system replaced
Can't issue credits.	



Issue / Unmet Requirement	Desired Functionality
Batch amount associated with recording payments cannot be deleted or changed when sum of detail lines is not equal to the batch amount.	

## 5. Interfaces

Name	I/O	Ext System Name	A/M	F	Volume	Description
CalSTARS Timesheet - SCP	I	CalSTARS	M	M	TBD	Using Monarch, IT extracts data from CalSTARS reports and populates an Excel spreadsheet that is reformatted and loaded into SCP Oracle Daily Log.

## 6. Accounting Transactions

Transaction	Fund	GLA	PCA	Object
Invoice Payment	TBD	TBD	TBD	TBD
Reimbursement for Invoice Overpayment	TBD	TBD	TBD	TBD

## 7. System Security and Internal Controls

Strict separation of duties for billing and payment processing are observed and controlled by the Program.

## 8. Number Users

200 Regional users.

## 9. Transaction Volume

1300 invoices / quarter and 800 – 1,000 payments / quarter.

## 10. Environment

*Server Hardware:* TBD

*Server Operating System:* TBD

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* SWRCB Server Room, 8<sup>th</sup> Floor

*Database:* Oracle

*Languages:* MS Access Front End

## 11. Interviewees

Name	Title	Expertise	Interview Date	Phone Number
Doug Wilson	DFA Coordinator	SCP Management	2/27/2009	916.341.5745

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Tanya Mock	Operations Management Unit	Program	2/27/2009	916.341.5741
Donna Vercruyssen		Program	2/27/2009	916.341.5664
Carmen Rios		Program	2/27/2009	916.341.5659

## **Operator Certification Program Database (Op Cert)**

1. **Op Cert Graphic:** The Op Cert Database has no interfaces with other systems.
2. **Owner:** Doug Wilson, DFA Coordinator
3. **Functional Summary**

### ***Overview***

The Operator Certification Program (OCP) is responsible for ensuring that operators of wastewater treatment facilities in the State meet the minimum level of competence; thereby, protecting the public health and the environment. The OCP Program uses a custom MS Access database application to track certification exams, certification applications, operator certifications, and financial transactions, in addition to other program-related information.

### ***Applications Received***

Operators submit exam and certification applications with payments to OCP. The types of applications for which OCP receives payments include:

- Exam application
- Certification application
- Renewal application every two years
- Operator in Training (prior to exam)
- Contract Operator Certification
- Reciprocal certification (operators from other states)

OCP staff enter application and payment data into an MS Access database. OCP staff run a calculator tape of all of the checks received and submit the checks with the tape to DAS Accounting for deposit and entering payment into CalSTARS to recognize revenue. OCP does not receive feedback from DAS Accounting confirming the deposit or the amount. Management reports are produced from the MS Access database that provide management information, such as the number of applications received and the amount of revenue received.

### ***Exam Fee Refunds and Credits***

Exam applicants that have paid their application fee but have not taken the exam may either ask to have the exam fee refunded or to receive credit for a future exam. Exam fee credits are not tracked by Accounting as accounts payable. Exam fee credits are only tracked in the Access database.

### ***Refunds***

Exam applicants may have their exam application fee refunded rather than take the exam. OCP staff record the refund in the Access database and send a request for refund to DAS Accounting. DAS Accounting enters the CalSTARS transaction to record the refund and the SCO issues a warrant to the exam applicant. OCP staff do not receive confirmation that the refund transaction has taken place.

### ***CalSTARS Accounts Receivable, Payment Processing***

Pending operator certification renewals do not result in the creation of accounts receivable in CalSTARS. The application for renewal is at the option of the operator. If the application for renewal is submitted without an accompanying payment, the application is not processed and the operator is notified of the error.

**Month End and Year End**

There are no month end or year end reconciliation processes with DAS Accounting or the information in CalSTARS. OCP does not receive the CalSTARS Q25 Summary of Revenues by Appropriation to reconcile payments received as recorded in the MS Access Database against those recorded in CalSTARS. OCP also does not receive the CD102 record of refunds recorded in CalSTARS and warrants issued by the State Controller’s Office.

**4. Issues, Unmet Requirements and Desired Functionality**

The MS Access database is not stable when all five users are using it. OCP staff want a more reliable and robust application. OCP staff also want more data to be recorded, such as treatment facility data and plan data (currently in Excel). They are also concerned that the volume of certifications will increase with new legislation and that the Access database will not be able to keep up.

There is also a desire for ore reporting capabilities. OCP wants management reports that combine OCP program data with the financial data from CalSTARS. The Enforcement Unit wants operator certification data on both a monthly basis and an ad hoc basis.

**5. Interfaces**

None

**6. Accounting Transactions**

Transaction	Fund	GLA	PCA	Object

**7. System Security and Internal Controls**

The Access database is stored in a secure network folder on the SWRCB network, which is backed up nightly. It does not contain sensitive data such as social security numbers.

**8. Number Users**

5

**9. Transaction Volume**

- 6,000 certified operators recorded in the database
- 2,000 exam applications per year
- 1,000 certification applications per year
- 6,000 renewal applications per year
- 100 contract operator registrations per year
- 25 loan operator applications per year
- 30 exemption applications per year

## 10. Environment

*Server Hardware:* N/A

*Server Operating System:* N/A

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* Secure local area network folder

*Database:* MS Access

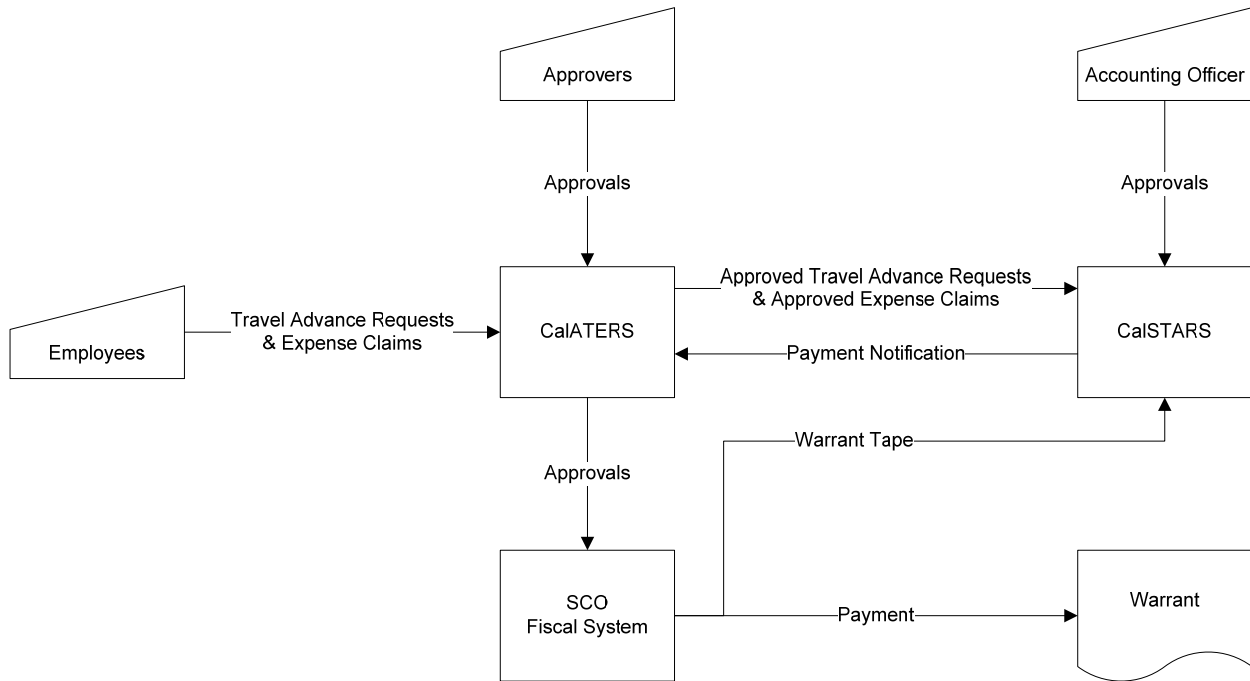
*Languages:* VBA

## 11. Interviewees

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Tanya Mock	Operations Manager	Operations Management	2/26/2009	916.341.5741
Doug Wilson	DFA Coordinator	Management	2/26/2009	916.341.5745
Darlene McCoy	Special Projects Manager	Project Management and Accounting	2/26/2009	916.324.0129

## California Automated Travel Expense Reimbursement System (CalATERS)

### 1. CalATERS Graphic



### 2. Owner: State Controller's Office

### 3. Functional Summary

#### *Overview*

The Travel/Support Unit is responsible for managing travel advances and travel expense reimbursement for Water Board employees. They review Travel Expense Claims (TEC) submitted by employees and process more than 2,000 TECs per quarter.

Travel can be processed two ways: manually or by the use of an automated system called the California Automated Travel Expense Reimbursement System (CalATERS). CalATERS was developed by the State Controller's Office (SCO) and is available to state agencies to automate TEC reimbursement. CalATERS allows staff to go into the application and enter TEC information. CalATERS has automated and centralized edits for the State's travel rules and can be calibrated to flag items for accuracy. In addition, it allows expenses to be charged to the Water Board's Program Cost Accounts (PCA). CalATERS routes claims to Approvers and to DAS Accounting and includes automatic interfaces to CalSTARS and SCO's Fiscal System.

The Travel/Support Unit also processes TECs manually when employees complete paper TEC and submit their actual receipts. The Travel/Support Unit will review the TECs submitted for eligibility and accuracy. One of the issues with the review of TECs is validating whether specific items can be reimbursed or not. Many state employees are submitting TECs for items such as bus passes, books, education, bar dues, etc. and the Water Board has to validate whether these items can be approved. Approved claims are sent to the SCO for reimbursement. The review of these miscellaneous items by the Travel/Support Unit is time consuming.

The table below is taken from the CalSTARS Procedure Manual, Volume 1, Chapter XXII CalATERS Interface, with minor editing. It describes and contrasts the automated and manual processes used to process travel expense related transactions.

<b>Function</b>	<b>Manual Process</b>	<b>Automated Process</b>
Travel Advance Form	Employee completes a paper copy travel advance request form. When the travel advance is approved by the supervisor, it is forwarded to the Accounting Office (AO) for payment.	Employee completes an electronic travel advance form in CalATERS. The travel advance form is electronically routed to the supervisor for approval. The approved travel advance form is electronically routed to the Accounting Office (AO) for payment.
Travel Advance Payments (Automated Check)	The AO approves the travel advance form and prepares/keys a travel advance transaction that generates an ORF check using Checkwriter and records the travel advance in ORF.	The AO electronically approves the travel advance form and answers "No" to the prompted question: "Produce ORF Check Manually?" CalATERS routes this information to CALSTARS. CALSTARS generates a travel advance transaction, which is loaded to the online system for review and release by the AO. When released, the travel advance transaction generates an ORF check using Checkwriter and records the travel advance in CalSTARS. The AO follows normal Checkwriter procedures. Once the check is issued, the ORF check data is automatically transmitted from CALSTARS to CalATERS.
Travel Advance Payments (Manual Check)	The AO manually types an ORF check and prepares/keys a travel advance transaction, which records the travel advance in ORF.	The AO electronically approves the travel advance form and answers "Yes" to the prompted question: "Produce ORF Check Manually?" The AO manually types an ORF check. CalATERS forwards the travel advance form information to CALSTARS. CALSTARS uses the Interface data to generate a travel advance transaction, which is loaded to the online system for review and release by the AO. The AO must complete required fields and release the batch. When released, the travel advance transaction is recorded in CalSTARS. Once the check is issued, the check data is automatically transmitted to CalATERS.
Travel Expense Claims	Employee completes a paper copy of Travel Expense Claim (TEC). When the TEC is approved by the supervisor, it is forwarded to the AO for payment.	Employee completes an electronic expense reimbursement (ER) form via CalATERS. The ER is electronically forwarded to the supervisor for approval. The approved ER is electronically forwarded to the AO for payment.
Payment of Travel	The AO audits the TEC. The AO determines if there is an outstanding travel	The AO audits the electronic ER. CalATERS will attempt to recover all

Function	Manual Process	Automated Process
	advance and then subtracts the amount from the TEC. The result is the balance due to the employee. This balance due is paid to the employee from the ORF. This ORF payment is sometimes referred to as a "TEC advance."	outstanding travel advances, beginning with the oldest. The AO has the option of rescheduling the amount to be recovered. The SCO issues a warrant for the amount that is liquidated to reimburse the outstanding travel advance. The SCO mails this warrant to the AO. The AO deposits this SCO warrant in the ORF. CalATERS calculates the balance due to the employee. The balance due is the total ER less any liquidated travel advance. A SCO warrant is issued to the employee for the balance due. The warrant is either mailed directly to the employee or deposited in the employee's payroll direct deposit account.
Recover Travel Advances	The AO prepares/keys a transaction to record the reimbursement of the travel advance. The transaction records the liquidation of the ORF advance and establishes a Due From Other Funds equal to the full TEC amount.	CalATERS sends the travel advance reimbursement information to CalSTARS. CALSTARS generates a transaction to record the reimbursement of the travel advance. CALSTARS loads the transaction to the online system for review and release by the AO.
Record travel expense in CALSTARS	The AO prepares/keys transactions for the full amount of the TEC. These transactions record the travel expense in CALSTARS and create a claim schedule payable from the appropriation account to the ORF.	CALSTARS receives the travel expense information from CalATERS. CALSTARS uses the Interface data to generate transactions to record the travel expense in CALSTARS, which are loaded to the online system for review and release by the AO.  When the SCO reimburses the travel expenses, warrants are issued and the transaction is sent from the SCO Fiscal System to CALSTARS.
Record Deposit of ORF Reimbursement Warrant	The AO receives a SCO warrant payable to ORF in the amount of the claim schedule. The AO prepares/keys a transaction to record deposit of the SCO warrant in the ORF.	Same as the manual process. CALSTARS does not generate this entry.

#### 4. Issues, Unmet Requirements and Desired Functionality

Not all employees use CalATERS. Some continue to submit paper expense forms and receipts.



**5. Interfaces**

Name	I/O	Ext System Name	A/M	F	Volume	Description
CalATERS to Office Revolving Fund Interface	O	CalSTARS	A	D		The CalATERS to ORF Interface transmits information for activities performed in CalATERS during the prior day. These activities include new travel advances that are ready to be issued and travel advances recovered from expense reimbursement forms.
Office Revolving Fund Interface to CalATERS	I	CalSTARS	A	D		Agencies issue ORF checks for travel advances requested through CalATERS. CALSTARS transmits this check information to CalATERS.
Expense Coding	O	CalSTARS	A	D	8,000 per year	Transmits coding information from expense reimbursement forms approved in CalATERS.

**6. Accounting Transactions**

Transaction	Fund	GLA	PCA	Object

**7. System Security and Internal Controls**

CalATERS requires the use of a User ID and Password, and includes role based (authority group) security.

**8. Number Users**

1750

**9. Transaction Volume**

8,000+ travel expense claims per year

**10. Environment**

*Server Hardware:* N/A

*Server Operating System:* N/A

*Client Operating System:* Windows XP

*Network:* Novell Netware 6, Ethernet, TCP/IP

*Hosting Location:* State Controller's Office

*Database:* N/A

*Languages:* N/A

**11. Interviewees**

<b>Name</b>	<b>Title</b>	<b>Expertise</b>	<b>Interview Date</b>	<b>Phone Number</b>
Jamie St. Cloud	Accounting Supervisor	Travel / Support Unit	01/27/09	
Darlene McCoy	Special Projects Manager	Project Management and Accounting	01/27/09	

## Appendix 3 – SAM Matrix for Internal Control, Cash Receipting, and Safeguarding of Assets

SAM Code	DAS	DFA 1	DFA 2	DFA 3	DWR1	DWR2
<b>20050 Internal Controls</b>						
1 A plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.	1) No	1) No	1) No	1) No	1) No	1) No
2 A plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties.	2) No	2) No	2) No	2) No	2) No	2) No
3 A system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures.	3) No	3) No	3) No	3) No	3) No	3) No
4 An established system of practices to be followed in performance of duties and functions in each of the state agencies.	4) No	4) No	4) No	4) No	4) No	4) No
5 Personnel of a quality commensurate with their responsibilities.	5) Yes	5) Yes	5) Yes	5) Yes	5) Yes	5) Yes
6 An effective system of internal review.	6) No	6) No	6) No	6) No	6) No	6) No



<b>SAM Code</b>	<b>DAS</b>	<b>DFA 1</b>	<b>DFA 2</b>	<b>DFA 3</b>	<b>DWR1</b>	<b>DWR2</b>
<p><b>8020.1 – Prelistings</b></p> <p>All incoming mail receipts consisting of cash and negotiable instruments, not payable to the State agency, will be prelisted by the person opening the mail to localize accountability of these assets.</p>	No	No	No	Yes	No	No
<p><b>8021 – Transfer Receipts</b></p> <p>A separate series of transfer receipts will be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit. This series of receipts need not be press-numbered.</p> <p>A receipt will be signed by the receiving employee whenever cash or checks not payable to the State agency are transferred between employees. State agencies will retain copies of these receipts. A Transfer Receipt form, STD. 440, is available from the DGS, Forms Management Center at (916) 324-4635 or (800) 964-3214.</p>	No	No	No	No	No	No
<p><b>8022 – Identification of collections</b></p> <p>State agency records will contain information regarding the type of collection (such as cash, check, or money order) received from each payer. This information will be recorded so that it can be readily audited from receipts, reports of collections, or the registers, and will show by notation the amount of the check or money order presented. See SAM Section 8023.</p>	Yes	Yes	Yes	Yes	Yes	Yes

SAM Code	DAS	DFA 1	DFA 2	DFA 3	DWR1	DWR2
<p><b>8023 – Acceptance of checks and money orders</b></p> <p>All checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day. See SAM Section 8034.1. If the payee space is blank on any instrument received for deposit, the State agency's name will be entered immediately.</p> <p>Checks and money orders for amounts in excess of the payment required may, at the State agency's discretion and upon proper identification of the payer, be accepted over-the-counter. Immediately refund the amount in excess of the required payment made from cash receipts, except when the person presenting the check has prepared the check for an amount in excess of the required payment.</p> <p>As a general principle, State agencies will accept personal checks to provide convenience to the public. See Government Code Section 6157. However, State agencies may require payment by cash, certified check, cashiers check, or money order when:</p> <ul style="list-style-type: none"> <li>a. Service or materials that cannot be withdrawn if the check is dishonored by the bank are furnished to other than well-established firms or well-known persons.</li> <li>b. The payer previously gave the State agency a check that was dishonored by the bank.</li> <li>c. The check is drawn on a financial institution outside the United States.</li> </ul> <p>State agencies accepting personal checks over-the-counter for cash or for services or materials that cannot be withdrawn will assure that enough information is available, either on the check or from available records, to enable tracing the person who presents the check if it is dishonored by the bank. Supplemental information, such as residence or business address, driver's license number, etc., may be essential in locating such individuals.</p>	Yes	No	N/A	No	No	No

SAM Code	DAS	DFA 1	DFA 2	DFA 3	DWR1	DWR2
<p><b>8024 - Safes and Vaults</b></p> <p>The following standards apply to safes and vaults housing either cash or valuable documents:</p> <p>1 The combination will be known to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.</p> <p>2 A record will be kept showing: (a) date the combination last was changed and (b) names of persons knowing the present combination.</p> <p>3 The combination will be changed when it becomes known to an excessive number of employees, or if any employee having knowledge of the combination leaves the employ of the State agency, or no longer requires the combination in the performance of his or her duties.</p>	<p>1) Yes</p> <p>2) Yes</p> <p>3) Yes</p>	<p>1) No</p> <p>2) No</p> <p>3) No</p>	<p>1) No</p> <p>2) No</p> <p>3) No</p>	<p>1) No</p> <p>2) No</p> <p>3) No</p>	<p>1) No</p> <p>2) No</p> <p>3) No</p>	<p>1) No</p> <p>2) No</p> <p>3) No</p>
<p><b>8025 – Placement of Safes for Security Purposes</b></p> <p>As a deterrent to burglary, State agencies will securely anchor a safe to the building and, where practical, to the building’s foundation.</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>

SAM Code	DAS	DFA 1	DFA 2	DFA 3	DWR1	DWR2
<p><b>19422 – Depositors’ Securities</b></p> <p>Agencies will issue press-numbered property receipts for securities received from private individuals. The par or face value of the securities will be shown on the property receipts. No-par stock will be assigned an arbitrary value of one dollar per share. Amounts are entered on property receipts for securities for custody accounting purposes only. They have no relationship to market values.</p> <p>Interest coupons will be presented for collection as they become due. Interest received will be credited to the depositor's values.</p> <p>Agencies will obtain receipts discharging themselves from accountability whenever they release securities. The values that were shown in property receipts when the securities were received by the agency will be shown on receipts discharging the agency from accountability for the securities. If the securities are released to other than the owner, the circumstances or the authority for the release will be indicated on the discharge of accountability receipt. The Controller's Receipt will suffice for securities that are remitted to the Unclaimed Property Fund or the Special Deposit Fund.</p> <p>Property receipts and discharge of accountability receipts will be entered in the General Journal or in a Securities Register if the Volume justifies a register. Receipts and dispositions of securities will be posted to the individual's security account in the Trust Deposits Ledger, which is subsidiary to Account No. 3510, Deposits.</p> <p>Postings will be made at the end of each month to Account No. 2720, Securities and Other Property Held in Trust, and Account No. 3510, Deposits, from the General Journal or Securities Register. Securities should be inventoried at least annually.</p>	No	N/A	No	N/A	N/A	N/A



**Legend:**

UKN – Unknown

N/A – Not Applicable

## Appendix 4 – Fund and Sub-Fund List

Fund Numbers	Fund / Sub-Fund Name	SCO Information as Interpreted by KPMG	Notes as Provided by Darlene McCoy on 02.09.09
0001	General Fund		
0025	Leaking Underground Storage Tank Cost Recovery		This fund has no appropriation but still has a cash balance (earns SMIF)
0028	Unified Program Account		
0193	Waste Discharge Permit Fund		
0212	Marine Invasive Species Control Fund		
0225	Environmental Protection Trust Fund		This fund has a FFY 07 appropriation and cash
0235	Public Resources Account, Cigarette and Tobacco Products Surtax Fund		
0387	Integrated Waste Management Account		
0402	Safe, Clean, Reliable Water Supply Fund		
0402006	1996 Bond Fund - Water Resources Control Board	Pre-Tax Reform Act Proceeds Account*	Control Accounts assigned to SWRCB: cash flow reduces bond act appropriations
0402307	Up-Front G.O. Bonds	Pre-Tax Reform Act Proceeds Account*	Closed subfund
0402309	Up-Front G.O. Bonds	Pre-Tax Reform Act Proceeds Account*	Closed subfund
0402310	Up-Front G.O. Bonds	Pre-Tax Reform Act Proceeds Account*	Upfront Bond Sales
0402700	1996 Bond Fund - PMIB 0670022 / 0402001-3860	PMIA Loan Proceeds Account (with Commercial Paper)**	PMIB 0780142
0402701	1996 Bond Fund - PMIB 060145 / 0402005-3940	PMIA Loan Proceeds Account (with Commercial Paper)**	PMIB 0780161
0402703	1996 Bond Fund - PMIB 0670087-3 / 0402002-0540	PMIA Loan Proceeds Account (with Commercial Paper)**	PMIB 0890017-3
0402704	1996 Bond Fund - PMIB 0670087-4 / 0402003-3790	PMIA Loan Proceeds Account (with Commercial Paper)**	PMIB 0890017-4
0402706	1996 Bond Fund - PMIB 0670087-6 / 0402006-3600	PMIA Loan Proceeds Account (with Commercial Paper)**	PMIB 0890017-6
0402710	1996 Bond Fund - PMIB 0670087-10 / 0402010	PMIA Loan Proceeds Account (with Commercial Paper)**	Closed subfund
0416	Clean Water and Water Recycling Account		Continuous Appropriation
0417	Revolving Fund Loan Subaccount, State		Continuous Appropriation
0418	Small Communities Grant Subaccount		Continuous Appropriation
0419	Water Recycling Subaccount		Local Assistance (grants & revolving loans) = Budget Act & Continuous Appropriation
0422	Drainage Management Subaccount		Continuous Appropriation
0423	Delta Tributary Watershed Subaccount		Continuous Appropriation
0424	Seawater Intrusion Control Subaccount		Continuous Appropriation
0436	Underground Storage Tank Tester Account		
0439	Underground Storage Tank Cleanup Fund		
0475	Underground Storage Tank Fund		This fund has no appropriation but still has a cash balance (earns SMIF)
0482	Deaf & Disabled Telecommunications Program Administrative Committee Fund		
0617	Water Pollution Control Revolving Fund, State		Continuous Appropriation
0617001	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	This is the disbursing subfund
0617002	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Loan Repayments and Transfer in from Federal Grants & State Match
0617003	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Revenue Bond - Prepayment Account
0617004	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Cash in subfund - originally used to track repayment of GO Bond match-arbitrage tracking
0617005	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Revenue Bond Proceeds
0617006	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Revenue Bond Repayment (pledged loan repayments)
0617008	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Revenue Bond Debt Service Account
0617009	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Revenue Bond Reserve Account
0617010	State Revolving Fund - G02 and G04 only	Bond Expenditure Account***	Revenue Bond Rebate Account
0679	Water Quality Control Fund, State		Continuous Appropriation
0737	Clean Water & Water Conservation Fund, State		Continuous Appropriation
0737002	1978 Bond Fund Bond Expenditure Acct	Bond Expenditure Account***	Portion of bond act assigned to SWRCB: appropriations & expenditures
0737336	1978 Bond Fund UF Bond Acct	Upfront Bond Sale Proceeds Account***	Upfront Bond Sales

0740	Clean Water Bond Fund, 1984 State		This fund is tracking in the SRF unit- repayment of loan belong to SRF program
0740001	1984 Bond Fund Bond Expenditure Acct	Bond Expenditure Account***	Disbursing subfund and loan repayments flow throughout this subfund
0740003	1984 Bond Fund Pre-Tax Reform Bond Proceeds	Bond Expenditure Account***	Short sale - Pre-tax
0740004	1984 Bond Fund Loan Repay From 9/5/91 Pro	Bond Expenditure Account***	Loan repayments for 9/5/91 Bond Sale
0740005	1984 Bond Fund Loan Repay From 3/9/93 Proceeds	Bond Expenditure Account***	Loan repayments for 3/9/93 Bond Sale
0740333	1984 Bond Fund U/F Bonds - 3940-740001	Bond Expenditure Account***	Upfront Bond Sales
0744	Water Conservation Water Quality Bond Fund 1986		Budget Act (has prior year appropriation)
0744001	1986 Bond Fund Bond Expenditure Acct	Bond Expenditure Account***	Portion of bond act assigned to SWRCB: budget act appropriations & expenditures
0744344	1986 Bond Fund Upfront Acct	Upfront Bond Sale Proceeds Account****	Upfront Bond Sales
0744500	1986 Bond Fund PMIB 0670071	Taxable Bond Sale Proceeds*****	PMIB 0890042
0764	Clean Water & Reclamation Fund, 1988		Continuous Appropriation
0764001	1988 Bond Fund Bond Expenditure Acct	Bond Expenditure Account***	Portion of bond act assigned to SWRCB: budget act appropriations & expenditures
0764336	1988 Bond Fund U/F Bond Acct - 3940-764001	Upfront Bond Sale Proceeds Account****	Upfront Bond Sales
0890	Federal Trust Fund		Federal Funds
0942 KPMG			
0942001 SWRCB	Special Deposit Fund		Continuous Appropriation
0942086	Circle K Settlement Trust Fund	Bond Expenditure Account***	Closed subfund
0990			Fiduciary Funds held Outside the State Treasury
3012	Fire Safety Subaccount		Fund has been closed
3058	Water Rights Fund		
6001	Safe Drinking, Clean Water, Watershed Protection, and Flo Protection		Continuous Appropriation
6001003	Safe Drinking, Clean Water, Water Protection, and Flood Protection - Water Resources Control Board	Bond Expenditure Account***	Control Accounts assigned to SWRCB: cash flow reduces bond act appropriations
6001316	Up-Front G.O. Bonds	Upfront Bond Sale Proceeds Account****	Upfront Bond Sales
6001325	Up-Front G.O. Bonds	Upfront Bond Sale Proceeds Account****	Closed subfund
6001328	Up-Front G.O. Bonds	Upfront Bond Sale Proceeds Account****	Closed subfund
6001329	Up-Front G.O. Bonds	Upfront Bond Sale Proceeds Account****	Upfront Bond Sales
6001712	PMIB 0670108-12 / 6001003 - 3940	PMIA Loan Proceeds Account (with Commercial Paper)**	PMIB 0890091-12
6001713	PMIB 01670108-13 / 6001003 - 3940	PMIA Loan Proceeds Account (with Commercial Paper)**	PMIB 0890091-13
6012	Watershed Protection Account		Continuous Appropriation <a href="#">Control Account</a>
6013	Watershed Protection Subaccount		
6016	Santa Ana River Watershed Subaccount		
6017	Lake Elsinore San Jacinto Watershed Subaccount		
6019	Nurtpoint Source Pollution Control Subaccount		
6020	Revolving Fund Loan Subaccount, State		
6021	Wastewater Construction Grant Subaccount		
6022	Coastal Nonpoint Source Control Subaccount		
6024	Water Supply Reliability & Infrastructure Account		Continuous Appropriation <a href="#">Control Account</a>
6029	Clean Water, Clean Air, Coastal Protection Fund, CA		
6029012	California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	Bond Expenditure Account***	
6031	Water Security, Clean Drinking Water, Coastal Beach Protection		
6031002	Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	Bond Expenditure Account***	Portion of bond act assigned to SWRCB: budget act appropriations & expenditures
6051	Safe Drinking Water, Water Quality & Supply, Flood Control, River & Coastal Protection Fund		
6051017	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	Bond Expenditure Account***	Portion of bond act assigned to SWRCB: budget act appropriations & expenditures
8026 KPMG			
8026001 SWRCB	Petroleum Underground Storage Tank Financing Account		Loans and State Ops
8026002	Petroleum Underground Storage Tank Financing Account	Bond Expenditure Account***	Interest on Investments of Funds
8028	Petroleum Financing Collection Account		Continuous Appropriation
9739	Water Pollution Control Revolving Fund Administration Fund, State		
*	To account for bond proceeds priority to the 1986 Tax Reform Act.		
**	To account for monies derived from the Pooled Money Investment Account (PMIA) as a loan. Repayment of loan derived from the future sales of bonds (and interest earnings) or pay down with commercial paper.		
***	To account for appropriation expenditure of the specific PMIA Loan Proceeds Account or the Upfront Bond Sale Proceeds Account. The cash account GL 1140 of this subfund will always indicate a zero balance. Funds are simultaneously transferred "in" and "out" on the same transaction date to provide cash to process claim schedules/expenditures.		
****	To account for monies derived from the sale of bonds (absent of a PMIA loan and/or in excess of a PMIA loan repayment). Expenditures and/or investments of the upfront bond sale proceeds must be monitored in order to calculate Federal rebates or penalties.		
*****	To account for monies derived from the sale of bonds that are not tax exempt, includes any upfront bond sale amount. The interest paid to bondholders is included in gross income for Federal tax purpose.		
	*SWRCB Fund Checklist for Year-End Closing Fiscal Year 2007/08" document does not have the following funds / sub-funds		
	A variance between the "SWRCB Fund Checklist for Year-End Closing Fiscal Year 2007/08" exists		

## Appendix 5 – Detailed Functional Listing

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Travel								<p>Reviews and processes travel advances and Travel Expense Claims (TECs) and provide help desk support and training related to the California Automated Travel Expense Reimbursement System (CalATERS).</p> <p>The unit will process travel advances and TECs manually or by using CalATERS.</p> <p>Unit performs travel advance and TEC review to validate that the correct Program Cost Account</p>		

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
								<p>(PCA) is being used and that the PCA has sufficient funding.</p> <p>Approved travel advances and TECs generate either checks or are sent to State Controller's Office (SCO) for issuance of a warrant.</p> <p>In addition, the unit conducts check printing, claim schedule printing, revenue claim schedule printing, i.e. refund warrants, printing of remittance advices (RAs), and timesheets. Receives and distributes all reports and documents</p>		

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
								from other agencies.		
Bond Issuance / Funds with Proceeds from the Sale of Bonds/Loans			The team is involved with the accounting for General Obligation (GO) bonds, loans, and stage grant programs.	The unit monitors the accounting related to Revenue bonds, loans, and federal grant programs, as well as potential state grants managed by the Division of Financial Assistance (DFA).  Primarily the unit posts encumbrances , accounts receivables, expenditures related to State Operations and the activity related to the accounting information posted to the Loans and Grants Tracking System (LGTS).						

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
				<p>Primarily they post information to the California Statewide Accounting and Reporting System (CalSTARS) and DFA posts to the LGTS. The unit ensures both systems contain the same balances.</p> <p>GFOA -- Generates and mails manual penalty assessment notices for loans with late payments (pg. 68).</p> <p>GFOA – The Contracts Payment Unit sets up long-term receivables in LGTS when the disbursement is made through LGTS. That</p>						

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
				<p>information is then uploaded to CalSTARS. LGTS generates a billing, i.e. invoice, which is mailed to the appropriate entity. The unit receives a copy of the bill and the revenue reconciliation process begins. When the appropriate entity submits payments the Revenue/Labor Unit staff deposits the funds and forwards a manual copy of the check and deposit list to the DFA. The DFA records the receipts in LGTS and also records late payment penalties into LGTS (pg. 68).</p>						



Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Federal Grants		<p>This unit prepares various Financial Status Reports (FSRs), a consolidated FSR, Cash Transaction Reports (CTRs), and other reports as required by either the federal government or Water Board management. This unit also prepares and makes drawdowns against federal grant programs.</p> <p>Funds must be drawn from the Federal Trust Fund prior to paying direct claim schedules and doing monthly PFA.</p> <p>GFOA -- This unit requests the SCO to set up revenue and disbursement accounts along with a "44 account." The account number for a 44 account is</p>		<p>This unit also prepares FSRs and prepares and makes drawdowns against federal grant programs.</p> <p>Funds must not be drawn from the Federal Trust Fund prior to paying direct claim schedules and doing monthly Plan of Financial Adjustment (PFA) as the SRF has sufficient funding to cover expenditures prior to drawdown.</p> <p>GFOA -- This unit requests the SCO to set up revenue and disbursement accounts along with a "44 account" (pg. 70).</p>		<p>GFOA -- This unit disburses funds for grants and loans through LGTS that then feeds CalSTARS.</p> <p>DP: Procedure for updating LGTS and Transaction Unit LGTS</p>				<p>Submits and track status of grant applications submitted to the federal government and tracks and monitors grants using the Budget Development Application System (BDAS) and LGTS.</p> <p>GFOA -- Submits paper based grant applications to the federal government. Sets up tracking systems by task in BDAS. Sends a PCA task request to the Accounting Office, which clarifies how grant activity will be tracked (pg. 70).</p>

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Contracts for Goods and Services						<p>DP: Late Payment Penalties, SRF Loan Disbursements, and Payments (SRF Bond Expense, Cost of Issuance (COI)).</p> <p>Establishes encumbrances and processes payments related to “contracts” associated with SRF/LGTS, tank claims, underground storage tanks, and agreements with local governments and other loans. Also provides project tracking, late payment reporting, and conducts quarterly reconciliations</p> <p>GFOA --</p>				

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
						<p>Accounting staff receive the funding information page, which covers all types of contracts, Agreement Summary, Standard 215, from Budget Staff. Accounting signs the preliminary copy of the Standard 215 then encumbers the funds in CalSTARS, and forwards the document to the Business Services (BS) Analyst. The BS Analyst further completes the Standard 215 and provides the final to Accounting. Accounting staff sign and date the Standard 215 document and</p>				

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
						confirm the encumbrance contract amount and enter data into CalSTARS (pg. 59).				
Purchase Requisition Procedures, Purchase and Expense Claims, and Invoices and Vouchers					Makes payments related to POs, Sub-POs, Credit Cards, and other related expenditures. These areas are discussed in various sections of SAM.  GFOA -- Business Services tracks and maintains requisitions. Creates a purchase order (PO) and submits the PO to the Budget Unit for approval and budget check (pg. 62).  GFOA --					

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
					<p>Upon Receipt of the Purchase Order (PO), accounting staff verifies the vendor cost accounts. If the vendor has not been established, accounting staff established the vendor information and the encumbrances in CalSTARS. Accounting staff files the POs in alphabetical order, along with a manual log sheet to track the encumbrance and payments (pg. 61).</p> <p>GFOA -- Accounting receives invoice from vendor or from regions and performs a three way match</p>					

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
					<p>(invoice, purchase order, receiving slip) and approves the invoice for payments. Accounting matches encumbrance amounts with the invoice amount and develops batch spreadsheets to upload the information into CalSTARS. They then provide supporting documents for submittal the SCO. The SCO submits an electronic notification to accounting indicating receipt of payment, along with copy of the posting. SCO will submit a tape to the DOF, which posts the</p>					

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
					information to CalSTARS to record payment (pg. 62).					
Cash Purchases								This unit maintains the petty cash fund for the Water Board and the regions.		
Credit Card Purchases					CalCARDS are used by the agency for small purchases. The Payments/Purchase Order Unit also tracks who has American Express travel cards. Payments/Purchase Unit performs direct pays for credits cards, utilities, purchase orders, and short-term contracts under \$5,000.					
Acquisition of Vehicle	Business Services									

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Purchases	manages the fleet. The Accounting Office does not manage or monitor the acquisition process.									
Office Equipment Purchases	The General Ledger Unit reviews whether Business Services classified office equipment accurately according to SAM and also performs reconciliation on equipment over \$5,000. Business Services determines that an asset is in existence, i.e. a desk is tagged and a physical count is made.									



Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Budgeting					165					GFOA -- Process begins when the Budget Unit sends out requests for Concept Papers (CPs) to State and Regional Board Staff. After CPs are summarized, budget staff will review and provide an analysis and suggested recommendations that are forwarded to the Water Board's Executive Director. The Director generates a list of approved changes and forwards the changes to the State and Regional Board staff that will develop Budget change proposals (BCPs). BCPs are forwarded to Executive Director staff, which review and approve the final request. The

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Automated Accounting Systems / CalSTARS				<p>DP: Setting up a new Federal Grant</p> <p>SRF/Federal/Revenue Bonds/Systems Unit is responsible for maintaining CalSTARS, configurations related to funds, Program Cost Accounts (PCAs), tables, running reports, etc. Provides support to the regions to assist their Associate Governmental Program Analysts (AGPAs) in understanding CalSTARS. Posts journal entries and perform posting receipts into CalSTARS.</p> <p>SRF/Federal/Revenue Bond/Systems Unit will add, edit and input vendors into CalSTARS.</p>	166					

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Reconciliations and Reports, Plans of Financial Adjustment (PFA), and Preparation of PFAs	<p>The following types of reconciliations are performed by the General Ledger Unit:</p> <p>1] PFA reconciliation,</p> <p>2] Appropriation reconciliation,</p> <p>3] Fund reconciliation,</p> <p>4] Cash reconciliation,</p> <p>5] Bank reconciliation,</p> <p>Appropriation reconciliation – use report from CalSTARS to reconcile to</p>	<p>The following types of reconciliations are performed by the Federal Team:</p> <p>1] PFA reconciliation,</p> <p>2] Appropriation reconciliation,</p> <p>3] Fund reconciliation,</p> <p>4] Cash reconciliation,</p> <p>In addition, the team prepares FSRs, CTRs, and miscellaneous</p>	<p>The following types of reconciliations are performed by the Bonds/General Obligation Team:</p> <p>1] PFA reconciliation,</p> <p>2] Appropriation reconciliation,</p> <p>3] Fund reconciliation,</p> <p>4] Cash reconciliations</p> <p>6] Tax reconciliation, and</p> <p>7] Commercial Paper reconciliation.</p> <p>Also prepares management reports.</p> <p>Plan Financial Adjustment</p>	<p>The following types of reconciliations are performed by the SRF/Federal/Revenue Bond/Systems Unit:</p> <p>1] PFA reconciliation,</p> <p>2] Appropriation reconciliation,</p> <p>3] Fund reconciliation,</p> <p>4] Cash reconciliation,</p> <p>Also prepares general ledger reconciliation and other reconciliations related to the</p>	<p>Quarterly encumbrance reconciliation of purchase orders from source documents and CalSTARS.</p>	<p>DP: Procedures for completing QTRLY D16 reconciliation</p> <p>Prepares quarterly encumbrance reconciliations of everything other than purchase orders using the CalSTARS D16 report.</p> <p>DP: Contract Balance Verification form and Year-End Accrual Highlights and Procedures</p> <p>Performs year-end workplan that includes the Contract Balance Verification (CBV), reversions of encumbrances, contract accruals, and the re-</p>	<p>Revenue / Labor Unit prepare Annual Fee Remittance System (AFRS) reconciliations related to CalSTARS.</p>			

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
	<p>SCO balances.</p> <p>Fund reconciliation -- control agency reconciles the fund for all the agencies in CalSTARS to the SCO, if not the control agency the GL will still reconcile their own fund to the SCO by subtracting other funds.</p> <p>Cash reconciliation – determine whether the general cash posting for the month has posted to the correct subfund, source and/or fiscal year.</p> <p>Bank reconciliation – Statements from the SCO and STO.</p> <p>Prepares</p>	<p>management reports.</p> <p>Plan Financial Adjustment (PFA) Reconciliation - takes the expenditures that are posted to the Water Board's clearing account and moves these expenditures to the correct fund and appropriation within the SCO.</p>	<p>(PFA) Reconciliation - takes the expenditures that are posted to the Water Board's clearing account and moves these expenditures to the correct fund and appropriation within the SCO.</p>	<p>financial statement audit of the SRF. Prepares FSRs related to its grant activity. The unit also creates special reports that compare the Budget Unit's information to CalSTARS. Reconciles the LGTS and CalSTARS to ensure that they agree.</p> <p>Plan Financial Adjustment (PFA) Reconciliation - takes the expenditures that are posted to the Water Board's clearing account and moves these expenditures to the correct fund and appropriation within the SCO.</p> <p>DP: SRF</p>		<p>establishment of federal encumbrances</p>				

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
	<p>miscellaneous management reports and helps programs understand their cash balances, etc.</p> <p>Plan Financial Adjustment (PFA) Reconciliation - takes the expenditures that are posted to the Water Board's clearing account and moves these expenditures to the correct fund and appropriation within the SCO.</p> <p>Prepares a consolidated PFA.</p> <p>DP: Fund 0193 – Waste Discharge Permit Fund Management Report Procedures, Fund 0439</p>			<p>Management Report, SCO Appropriation / Fund Reconciliation Procedure, LGTS General Ledger Reconciliation / Data Import, General Cash Reconciliation , Expenditure / Transfer-in reconciliation procedure, Monthly PFA and electronic copy of SCO Balance Report.</p>						

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
	Underground Storage Tank Cleanup Fund Management Report Procedures, fund 0679 cleanup and abatement fund management report procedures, and fund 0679 monthly fiscal procedures, equipment reconciliation procedures, DOD billing procedures, and PFA reconciliation.									
Office Revolving Funds					Processes expense advances, such as memberships other than payroll and travel.			Water Board actually uses a fund other than the General Fund for its Office Revolving Fund (ORF). The ORF is 3% of clearing account and is used for emergency payments such as advanced payroll, etc.		

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Income / Revenue, and Accounts Receivable / Income	<p>Performs billing for General Obligation (GO) loans.</p> <p>Creates the receivables in CalSTARS for Bonds / GO team.</p>	<p>Performs billing for Department of Defense (DOD), and Bureau of Reclamation (BOR).</p> <p>The Board of Equalization (BOE) for gas tax related to the RUST while Employment Development Department (EDD) collects taxes for water right fees.</p>		<p>Performs billing for Revenue bonds loans and fee grants through LGTS.</p> <p>SRF – Year end (YE) accruals for short term receivables and reclassification of AR. Also in charge of posting receivables for approximately 350 loans. Receives a copy of the checks received. SRF unit also monitors late receivables, sends out dunning notices, and prepares are listing.</p> <p>SRF / Systems Unit also posts interest earned.</p> <p>DP: SRF Year</p>			<p>DP: ACLS &amp; Settlements</p> <p>Revenue and Labor Unit – Determines whether Administrative Civil Liabilities (ACLs) are from the Clean Up and Abatement Account or Waste Discharge Permit Fund and processes these ACLs in CWIQS.</p> <p>GFOA – State and Regional staff generate ACLs, a complaint and contingency invoice, which is sent discharger. If discharger agrees to the ACL, discharger will make payment to accounting staff.</p> <p>Accounting</p>	<p>When employees are overpaid via salary/travel advance, the Water Board will have to collect this overage from the employee, payroll Accounts Receivable.</p> <p>Accounts receivables (ARs) are pre-listed and processed along with making bank deposits and remitting RA to the State Treasurer's Office and State Controller's Office.</p> <p>The Revenue/Labor Unit will receive payments and post receipts against outstanding accounts receivables.</p>	<p>General - Uploads information from AFBS to AFRS. If payment is received, staff deposits the revenue and posts it against a receivable in the AFRS System. Staff will then post the information into CalSTARS when cash is received (pg. 83).</p> <p>The Fee Unit, not part of the Accounting Office, generates billing using the Automated Fee Billing System (AFBS) and keying information into the Automated Fee Remittance System</p>	

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
				End Accruals and Reclasses.			<p>records payments in CWIQS and if necessary, makes deposits. Staff generates reports from CIWQS and posts information into CalSTARS. If ACL is issued for non-payment of an invoice, the invoice portion of the receivable must be posted in AFRS due to the need to collect on unpaid permit fees (pg. 76).</p> <p>Revenue and Labor Unit uses California Information Water Quality Systems to track Waste Discharge Permits Funds and</p>		<p>(AFRS) for general accounts receivables such as waste discharge, irrigated lands, storm water. The Fee Unit will also perform the billing and setup of the accounts receivable within their own systems.</p> <p>GFOA -- Fee Unit prints two invoices and sends one to the discharger and the other to the Accounting Office. Accounting files their copy of the invoice. Fee agency staff will then extract billing information from the AFBS system and transfers to the AFRS</p>	



Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
							<p>Administrative Civil Liabilities.</p> <p>Clears all the receivables.</p> <p>Generates and submits invoices, post AR into CalSTARS and notifies non-payments entities (pg. 80).</p>		(pg. 65).	
Fiscal Affairs - Allotment and Expenditure Accounting	Establishes budget and monitors budget at appropriation level.	Establishes budget and monitors budget at appropriation level.	Establishes budget and monitors budget at appropriation level.	Establishes budget and monitors budget at appropriation level.						Establishes budget and monitors budget at allotment level.
Disbursements Reportable Payments						<p>DP: Tank Abatement, CP - 2100A, and "Escheat Account Claims.</p> <p>Processes abatements related to changes in ownership, Internal Revenue Service (IRS) (CP - 2100A:</p>				

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
						Notice of Possible Payee Name / TIN Discrepancy), Returned Warrant Inquiry, and the escheatment of property.				
Claim Schedules					CalSTARS prints a face sheet with supporting documents. Accounting Staff submits the package to supervisor for approval. Upon approval, the package, which is then called a "claim schedule," is manually submitted to the SCO and the warrant process is initiated.	CalSTARS prints a face sheet with supporting documents. Accounting Staff submits the package to supervisor for approval. Upon approval, the package, which is then called a "claim schedule," is manually submitted to the SCO and the warrant process is initiated.  DP: Escheat Account Claim Schedule		CalSTARS prints a face sheet with supporting documents. Accounting Staff submits the package to supervisor for approval. Upon approval, the package, which is then called a "claim schedule," is manually submitted to the SCO and the warrant process is initiated.		

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
						Procedure and Steps for Verifying Claim Schedules Before Uploading.				
Remittance Advice (CD102)					Obtains and issues CD102s related to disbursements .	Obtains and issues CD102s related to disbursements .  DP: Returned Warrant Inquiry Process and Tank Abatement Procedure.  Processes abatements, expenditure reduction process, for Returned Warrant Inquiry (RWI). When a warrant is returned by the Post Office to the SCO, they issue a RWI. The RA will be attached to the back of the		Obtains and issues CD102s related to disbursements .		

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
						RWI for research by the Water Board.				
Remittance Advice (SCO)	Remittance Advice (RA) is created by the General Ledger Unit for deposit to the bank and to provide information to the STO and SCO.									
Late Payment Penalty						DP: Late payment penalties.  Produces and calculates late penalty report to management, includes procedures, Government Code, State Administrative Manual. This is Water Boards late payments to vendors, local governments, or other private parties.				

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Payrolls				<p>Logs into Bizflow and reconciles the hours worked with the monthly target. If employee hours do not match, send an e-mail to the timesheet liaison for that unit and put timesheets status as "pending". When discrepancy or hours do match, changed the status to "ready to upload."</p> <p>Revenue / Labor unit also audits the manual timesheets and enter them into CalSTARS.</p> <p>Receives time sheet data in paper and electronic format from</p>			<p>DP: Regular Labor Document and State Water Resource Control Board Timesheet Data Entry Procedures.</p>	<p>Payroll Unit handles receiving of SCO documents, Payroll Accounts Receivable, and performs salary advances.</p>		

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
				the Bizflow system. Timesheets are keyed into Bizflow. Staff verifies that all timesheets have been input into Bizflow and then uploaded into CalSTARS.						
General Administrative Costs (Pro Rata)	The GL unit prepares the entries necessary for the expenditures related to Pro Rata for those funds that they account for.		The Bonds/General Obligation Team prepares the entries necessary for the expenditures related to Pro Rata for those funds that they account for.							
Statewide Cost Allocation Plan (SWCAP)		Track balances of grants in excel for draws downs, claim schedules, and SWCAPG. Prepares quarterly SWCAP entry. Computes		Record federal draw downs for SWCAP expenditures paid by capitalization grants that are federal funds.						

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
		SWCAP accounts receivable and the draw downs for their funds.								

Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Full Cost Recovery Policy/Central Service Costs and Indirect Cost Rate Proposal/Accounting for Direct and Indirect Costs				<p>This unit posts the actual cost information to CalSTARS, i.e. makes the indirect cost adjustment.</p> <p>The cost allocation function is already set up in CalSTARS but needs to be "run" based on the closing process.</p> <p>Accounting staff runs the labor process in CalSTARS, which allocates payroll costs and generates a series of reports. Reports provide information on all expenditures for the month by PCA. Accounting staff also uploads static's into CalSTARS for Spills, Leaks and Investigation Cleanup (SLIC) and Department of Defense (DOD). Staff runs the cost</p>						This unit prepares the preliminary or forecasted cost allocation information, i.e. prepares the cost allocation plan.



Topics	General Ledger Unit	Federal Team	Bonds/General Obligation (GO) Team	State Revolving Fund (SRF)/Federal/Revenue Bonds/Systems Unit	Payments / Purchase Order Unit	Contracts Payment Unit	Revenue/Labor Unit	Travel/Support/ Payroll Unit	Fee Unit	Budget Unit
Accounting for Investment Securities/Depositors' Securities /Safekeeping	A confirmation is prepared and an eMail is sent to the regions to make an accrual for investments held for others.							Travel / Support unit maintains the safe in which payroll warrants, dishonored checks that are bought back from the bank, and securities are maintained.  In addition, DFA and the regions maintain safes with their investments.		

## Appendix 6 – List of Abbreviations

Abbreviation	Proper Name
AB	Assembly Bill
ABAG	Association of Bay Area Governments
ABS	Applied Business System
ABS	Automated Bond System
ABTS	Automated Budget Tracking System
ACL	Administrative Civil Liabilities
ACWA	Association of California Water Agencies
Af	(or AF) acre foot
AFBS	Automated Fee Billing System
AFRS	Annual Fee Remittance System
AG	Attorney General
AGPA's	Associate Governmental Program Analysts
ALJ	Administrative Law Judge
AO	Administrative Officer
AP	Accounts Payable
APM	Administrative Procedures Manual
AR	Accounts Receivable
ARAR	Applicable or Relevant and Appropriate Requirements
ARB	Air Resources Board
ASAP	Automated Standard Application for Payments
ASBS	Areas of Special Biological Significance
ASIWPCA	Association of State and Interstate Water Pollution Control Administrators
ASPIS	Abandoned Site Program Information System
AWMC	Agricultural Water Management Council
AWQC	Areas of Water Quality Concern
BAT	Best Available Technology
BCDC	San Francisco Bay Conservation and Development Commission
BCP	Budget Change Proposals
BDAS	Budget Development Application
BDO	Board, Department or Office within Cal/EPA
BizFlow	Time entry application used by staff to submit employee time information for Payroll and Cost allocation
BL	Budget Letter
BLM	Bureau of Land Management
BMPs	Best Management Practices
BOD	Biochemical Oxygen Demand
BOF	Board of Forestry
BOR	Bureau of Reclamation
BPT	Best Practicable Control Technology currently available
BPTCP	Bay Protection and Toxic Cleanup Program
BTU	British Thermal Unit
CAA	Clean Up & Abatement Account
CAF	Confined Animal Facilities (such as dairies and feedlots)
CAFO	Concentrated Animal Feeding Operations

<b>Abbreviation</b>	<b>Proper Name</b>
CAL	FIRE California Department of Forestry and Fire Protection
Cal/EPA	California Environmental Protection Agency
CalATERS	California Automated Travel Expense Reimbursement System
CalEPA	California Environmental Protection Agency
CALFED	State-Federal Program focusing on Bay-Delta issues
CALPIRG	California Public Interest Research Group
CalSTARS	California Statewide Accounting and Reporting System
CalTrans	California Department of Transportation
CAO	Cleanup and abatement order
CAO	(also C&A) Cleanup and Abatement Order (Water Code Section 13304)
CAPS	California Association of Professional Scientists
CASA	California Association of Sanitation Agencies
CBE	Citizens for a Better Environment
CBV	Contract Balance Verification
CCC	California Coastal Commission
CCR	California Code of Regulations (State Water Board regulations are in Title 23)
CDA	California District Attorney's Association
CDF	California Department of Forestry
CDFA	California Department of Food and Agriculture
CDO	Cease And Desist Order
CEC	California Energy Resources Conservation and Development Commission
CEEIN	California Environmental Education Interagency Network
CEQA	California Environmental Quality Act
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CESA	California Endangered Species Act
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
cfs	cubic feet per second
CFY	Current Financial Year
CG	Clifton Gunderson
CHP	California Highway Patrol
CIWMB	California Integrated Waste Management Board
CIWQS	California Integrated Water Quality System
CIWQS	California Integrated Water Quality System
CLEAN	Cleanup Loans and Environmental Assistance Neighborhoods
CMAS	California Multiple Awards Schedule
CNT	Contract
COA	Chart of Account
COD	Chemical Oxygen Demand
COE	U.S. Army Corps of Engineers
COG	Council of Governments
COPP	California Office of Privacy Protection
CPI	Construction Period Interest
CRA	Conestoga-Rovers & Associates
CRF	Contract Request Form
CRMP	Coordinated Resource Management and Planning (refers to watershed groups)
CSAC	California State Association of Counties
CSD	Community Services District

<b>Abbreviation</b>	<b>Proper Name</b>
CSO	Combined Sewer Overflow
CSU	California State Universities and Colleges
CTR	California Toxics Rule
CTR	Cash Transaction Reports
CUPA	Certified Unified Program Agency
CVP	Central Valley Project
CWA	Clean Water Act
CWAP	California Water Pollution Control Association
CWEA	California Water Environment Association
CZARA	Coastal Zone Act Reauthorization Amendments
CZMA	Coastal Zone Management Act
DAS	Division of Administrative Services
DBCP	1,2-Dibromo-3-chloropropane
DBS	Doing Business As
DBW	Department of Boating and Waterways
DFA	Division of Financial Assistance
DFG	Department of Fish and Game
DGS	Department of General Services
DGS	Department of General Services
DHS	Department of Health Services
DMR	Discharge Monitoring Report
DNAPL	Dense Non-Aqueous Phase Liquid
DO	Dissolved Oxygen
DOB	Division of Budget
DOC	Department of Conservation
DoD	Department of Defense (Federal)
DPA	Department of Personnel Administration
DPR	Department of Pesticide Regulation
DTSC	Department of Toxic Substances Control Staff
DWQ	Division of Water Quality
DWR	Department of Water Resources
DWR	Division of Water Rights
EARR	Expected Average Reward Rate
EBEP	Enclosed Bays and Estuaries Plan
EBMUD	East Bay Municipal Utility District
ECM	Electronic Content Manager
ECPP	Environmental Circuit Prosecutor Project
E-CRF	Electronic Contract Request Form
EDF	Electronic Deposit Form
EIA	Economic Impact Assessment
EIR	Environmental Impact Report
EIS	Environmental Impact Study
EJ	Environmental Justice
EPA	United States Environmental Protection Agency
ERP	Enterprise Resource Planning
ESA	Endangered Species Act
ET	Evapotranspiration
FBS	Fee Billing System

<b>Abbreviation</b>	<b>Proper Name</b>
FCSU	Fiscal Systems and Consulting Unit
FEA	Federal Energy Administration
FERC	Federal Energy Regulatory Commission
FIFRA	Federal Insecticide, Fungicide and Rodenticide Act
FMS	Financial Management System
FPPA	Federal Pollution Prevention Act
FSR	Financial Status Report
FTB	Franchise Tax Board
FY	Fiscal Year
G.O.	General Obligation
Gocats	Grants or Contracts Administration Tracking System
GAAP	Generally Accepted Accounting Principles
GAC	Granular Activated Carbon Treatment
GAMA	Groundwater Ambient Monitoring and Assessment
GASB	Government Accounting Standards Board
GC	Government Code
GFOA	Government Finance Officers Association
GIS	Geographic Information System
GL	General Ledger
gpd	gallons per day
gpm	gallons per minute
GRF	Grant Request Form
GWPS	Groundwater Protection Strategy
GWPS	Groundwater Protection Standard
HAR	Hydrogeologic Assessment Report
HAZMAT	Hazardous Material
HFC	Hydrofluorocarbon
Hg	Mercury
HSAR	Hydrogeologic Site Assessment Report
HWCA	Hazardous Waste Control Act
HWCL	Hazardous Waste Control Law
HWG	Hazardous Waste Generator
HWT	Hazardous Waste Treatment
ICRP	Indirect Cost Rate Proposal
IDC	Indirect Cost
IFS	Integrated Financial Suite
IID	Imperial Irrigation District
IRS	Internal Revenue Service
ISWP	Inland Surface Waters Plan
IT	Information Technology
IWMA	Integrated Waste Management Act
JE	Journal Entry
JPA	Joint Powers Authorities
KPMG	KPMG LLP
LA	Load Allocation
LA	Local Assistance
LACFCD	Los Angeles County Flood Control District
LAO	Legislative Analyst's Office

<b>Abbreviation</b>	<b>Proper Name</b>
LAO	Legislative Analyst's Office
LCP	Local Coastal Program
LDR	Land Disposal Restrictions
LEA	local enforcement agency
LGTS	Loans and Grants Tracking System
LI	Langelier Index
LIA	Local Implementing Agency
LIAC	Local Implementing Agency Committee
LID	Low Impact Development
LLNL	Lawrence Livermore National Laboratory
LLRW	Low-Level Radioactive Waste
LOA	Letter of Award
LOC	Letter of Commitment
LOCC	League of California Cities
LOP	Local Oversight Program (underground tanks program)
LTMS	Long-Term Management Strategy
LUFT	Leaking Underground Fuel Tank
LUST	Leaking Underground Storage Tank
MCC	Management Coordinating Committee
mcl	maximum contaminant level
MCP	Municipal Compliance Plan
MDL	or mdl maximum daily load or Method Detection Limit
mg	Milligram
mg/l	milligrams per litre
mgd	million gallons per day (a typical measurement of effluent flow rate)
MICR	Magnetic Ink Character Recognition
MMA	Marine Managed Area
MMP	Mandatory Minimum Penalty
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MPRSA	Marine Protection, Research and Sanctuaries Act
MS4s	Municipal Separate Storm Sewer Systems
MSCA	Multi-Site Cooperative Agreement
MSW	Municipal solid waste
MTBE	Methyl Tertiary Butyl Ether
MWD	Metropolitan Water District of Southern California
NAIL	Non-Aqueous Phase Liquid
NEPA	National Environmental Policy Act of 1969
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NOHSCP	National Oil and Hazardous Substances Contingency Plan
NOI	Notice of Intent
NPDES	National Pollutant Discharge Elimination System
NPL	National Priorities List
NPS	Nonpoint Source
NRDC	Natural Resource Defense Council
NRT	National Response Team
NTR	National Toxics Rule

<b>Abbreviation</b>	<b>Proper Name</b>
OAL	Office of Administrative Law
OCC	Office of Chief Counsel
OCIO	Office of the Chief Information Officer
OCSD	Orange County Sanitation District
OEHHA	Office of Environmental Health Hazard Assessment
OES	Office of Emergency Services
OFT	Office for Technology
OIG	Office of Inspector General
OIT	Office of Information Technology
ONRW	Outstanding Natural Resource Waters
OPA	Office of Public Affairs
OPR	Governor's Office of Planning and Research
ORF	Office Revolving Fund
OSBCR	Office of Small Business Certification and Resources
OSC	On-Scene Coordinator
OSCA	Orphan Site Cleanup Account
PAR	Payroll Accounts Receivable
PCA	Program Cost Account
PCB	Polychlorinated Biphenyls
PCC	Public Contract Code
PCDD	Polychlorinated Dibenzo-p-dioxins
PCDF	Polychlorinated Dibenzofurans
PCE	Perchloroethylene
PCP	Pentachlorophenol (also Tetrachloroethylene)
PCP	Program Change Proposal
PECG	Professional Engineers in California Government
PER	Program Evaluation Review
PFA	Plan of Financial Adjustment
PIC	Products of Incomplete Combustion
PMIA	Pooled Money Investment Account
PMIB	Pooled Money Investment Board
PO	Purchase Order
POTW	Publicly Owned Treatment Work
ppb	parts per billion
ppm	parts per million
PPP	Pollution prevention plans
Prop.	65 Safe Drinking Water and Toxic Enforcement Act of 1996
PRP	Potentially Responsible Party
PSI	Pollutant Standards Index
PSR	Project Status Report
PUC	Public Utilities Commission
PUD	Public Utility District
PUSV	Petroleum Underground Storage
PY	Personnel Year
QA/QC	Quality Assurance/Quality Control
QNCR	Quarterly Noncompliance Report
QSA	Quantification Settlement Agreement
RA	Resources Agency

<b>Abbreviation</b>	<b>Proper Name</b>
RA	Remittance Advice
RCD	Resource Conservation District
RCRA	Resource Conservation and Recovery Act
RFP	Request for Proposal
ROWD	Report of Waste Discharge
RWI	Returned Warranty Inquiry
SAA	Streambed Alteration Agreements
SAM	State Administrative Manual
SAP	State Assistance Program
SARA	Superfund Amendments and Reauthorization Act of 1986
SAWPA	Santa Ana Watershed Project Authority
SB	Senate Bill
SBE	State Board of Education
SCC	State Coastal Conservancy
SCCWRP	Southern California Waters Research Project
SCO	State Controller's Office
SCP	Site Cleanup Program
SCUFIS	State Clean-up Fund Improved Information System
SDE	State Department of Education
SDWA	Safe Drinking Water Act
SEP	Supplemental Environmental Project
SFM	State Fire Marshal
SGCA	San Gabriel Cooperatives Agreement
SIP	Statewide Implementation Policy
SITE	Superfund Innovative Technology Evaluation Program
SLC	State Lands Commission
SLIC	spills, leaks, investigations and cleanups
SLIC	Spills, Leaks, Investigations and Clean-ups
SMART	Storm Water Multiple Application Reporting and Tracking System
SMBRP	Santa Monica Bay Restoration Project
SMCRA	Surface Mining Control and Reclamation Act (1977)
SME	Subject Matter Expert
SMIF	Surplus Money Investment Fund
SMW	State Mussel Watch
SNC	Significant Noncompliance
SO	State Operations
SOC	Synthetic Organic Chemical
SPCC	Spill Prevention, Containment and Countermeasures Plan
SPII	State Personal Information Inventory
SRF	State Revolving Fund
SSN	Social Security Number
SSO	Sanitary Sewer Overflow
STO	State Treasurer's Office
SWAT	Solid Waste Assessment Test
SWCAP	Statewide Cost Allocation Plan
SWIM	System for Water Information Management (now referred to as WIN)
SWIM	System for Water Information
SWP	State Water Project



<b>Abbreviation</b>	<b>Proper Name</b>
SWQPA	State Water Quality Protection Area
SWRCB	State Water Resources Control Board – official and formal name
SWRCB	State Water Resources Control Board
TAC	Technical Advisory Committee
TBT	Tributyltin
TCA	Trade and Commerce Agency
TCE	Trichloroethylene
TDS	Total Dissolved Solids
TEC	Travel Expense Claims
THM	Trihalomethane
THP	Timber Harvest Plan
TIN	Tax Identification Number
TMDL	Total Maximum Daily Load
TPCA	Toxic Pits Cleanup Act
TQM	Total Quality Management
TRPA	Tahoe Regional Planning Agency
TSCA	Toxic Substances Control Act
TSM	Toxic Substances Monitoring
TTLIC	Total Threshold Limit Concentration
U.S.EPA	United States Environmental Protection Agency
UC	University of California
ug/l	Micrograms per liter
UIC	Underground Injection Control
USBR	United States Bureau of Reclamation
USDA	United States Department of Agriculture
USEPA	United States Environmental Protection Agency
USFS	United States Forestry Service
USGS	United States Geological Survey
UST	Underground Storage Tanks
USTC	Underground Storage Tanks Cleanup
USTCF	Underground Storage Tank Cleanup Fund
VE	Vendor Edit
VOC	Volatile Organic Compound
Water Board	State Water Resources Control Board
WDID	Waste Discharge Identification
WDIS	Waste Discharger Information System
WDPF	Waste Discharge Permit Fund
WDR	Waste discharge requirements
WIN	Water Information Network
WLA	Waste Load Allocation
WMU	Waste management unit
WQA	San Gabriel Water Quality Authority
WQCC	Water Quality Coordinating Committee
WSP	Waste Stabilization Ponds
WSWC	Western States Water Council
WWD	Westlands Water District
WWTP	Wastewater Treatment Plant
YE	Year End

Abbreviation	Proper Name
YEC	Year End Close
YEO	Year End Open

***Legend:***

Items in gray are those identified by KPMG, while those not grayed are the abbreviations from the Water Board's website. In addition to the above abbreviations, the Water Board has a glossary on their website at: [http://www.waterboards.ca.gov/water\\_issues/programs/ciwqs/glossary.shtml](http://www.waterboards.ca.gov/water_issues/programs/ciwqs/glossary.shtml).