

O

Docket: : I.18-07-009

Exhibit Number : _____

Commissioner : Rechtschaffen

Admin. Law Judge : Zhang

:
:
:



**CONSUMER PROTECTION
AND ENFORCEMENT DIVISION
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**DIRECT TESTIMONY
OF
STATE CONTROLLER'S OFFICE**

San Francisco, California
July 7, 2020

1 **1. How did you go about initiating the audit of California’s One Million Internet User’s**
2 **Coalition (NIU) after SCO was retained by the California Public Utilities Commission’s**
3 **(Commission) Communication Division?**

4 As is typical in all SCO audits, an Engagement Planning Memorandum¹² was initiated once
5 the audit program, audit resources and audit budget/timeline were established. This document
6 contained the following:
7

- 8 • Scope and Objectives
- 9 • Background Information
- 10 • Engagement Strategy
- 11 • Management Approval which includes:
 - 12 ○ Preliminary review
 - 13 ○ Estimated materiality level
 - 14 ○ Risk assessment of internal controls (e.g. control, detection, and inherent risks)
 - 15 ○ Sampling methodology
 - 16 ○ Considerations of fraud and/or abuse
 - 17 ○ Risk assessment - fraud brainstorming
 - 18 ○ Consideration of the entity’s computer systems
 - 19 ○ Outside use of auditors or specialist
 - 20 ○ Engagement Letter
 - 21 ○ Entrance and exit conferences
 - 22 ○ Establish distribution of report or letter
- 23 • Time Budget/Timeline
- 24 • Management Approval

25
26 **2. When did the SCO commence the audit of NIU?**

27 Approximately February 6, 2015 when Chris Prasad sent an audit engagement letter to Mr.
28 Ortega and Ms. Im.³ The engagement letter contained a request for the following documents:
29

- 30 1. Organizational chart;
- 31 2. CASF reimbursement claims submitted to the Public Utilities Commission;
- 32 3. Accounting policies and procedures;

¹ Attachment 1, Engagement Planning Memorandum dated 1/29/2015.

² Attachment 13, Engagement Planning Memorandum Addendum.

³ Attachment 2, SCO Engagement Letter dated February 6, 2015.

- 1 4. Copy of cost allocation methodology;
- 2 5. Audit reports of KCCD (Korean Churches for Community Development)
- 3 and NIU;
- 4 6. General ledgers;
- 5 7. Time records;
- 6 8. Vendor invoices; and
- 7 9. Cancelled checks.

8

9 **3. Did NIU respond?**

10 Yes. Hyepin Im responded that Larry Ortega was best positioned to navigate the document
11 request and navigate the audit process. I contacted Community Union/Larry Ortega to initiate
12 the audit and after several attempts to coordinate a day suitable for Mr. Ortega, arranged to
13 meet Mr. Ortega at his office on March 10, 2015.

14

15 **4. What process did you follow to gather information and records to conduct the audit?**

16 As explained above, the SCO made an initial document request in our engagement letter.

17

18 The SCO made document requests during various meetings, including during the entrance
19 conference with Larry Ortega.⁴ On February 9, 2015, the SCO conducted the audit entrance
20 (opening) conference. In attendance were Larry Ortega and audit staff: Nick McCarty, Johnny
21 Tran, and Chris Prasad. We discussed records we needed and attempted to obtain information
22 regarding the NIU project.

23

24 The SCO, including myself and my Auditor-in-Charge (AIC), Nick McCarty, made numerous
25 email requests to Mr. Ortega for documents during the audit.⁵ In addition, I have attached my
26 email response to Mr. Ortega's claim that the tonality of SCO's draft report was untrue and
27 misleading.⁶ I am attaching this as it includes statements in response to my bureau chief at the
28 time Andrew Finlayson, where I indicate the amount of document requests we had made and
29 the failed attempts by Mr. Ortega in delivering the documents requested.

30

31 **5. What are the processes followed by SCO to conduct the audit?**

32 Below are the key processes that SCO follows in audits and that were utilized in the audit of
33 NIU:

34

- 35 • Assessed internal controls, available records, source documents, policies and
36 procedures and found internal controls were inadequate.⁷ Larry Ortega had
37 complete control over NIU's operations. No policies/accounts/records were

⁴ Attachment 3, Entrance Conference Agenda and Dates, dated 2/17/15.

⁵ See Attachment 4, Correspondence with Auditee.

⁶ Attachment 5, Auditor is fabricating statement, 2/11/2015.

⁷ Attachment 6 – Internal Control Strength and Weakness dated 4/20/15.

1 made available. At the time of the audit, Larry Ortega only made available a
2 record of checking account activity and cancelled checks. No other accounts
3 and records were made available by Mr. Ortega.

- 4 • The SCO planned to review 100% of the transactions.
- 5 • Identified individuals on NIU's submitted invoices to the CPUC – names and
6 amount of charges compared to cancel checks. Canceled checks did not agree
7 with the invoices. Amounts per canceled check were greater than the invoices
8 suggesting other sources of revenue. Not all expenses per the check register
9 provided by Larry Ortega agreed with the invoice, suggesting other cash outgo.
- 10 • Larry Ortega, indicated that the NIU was unable to provide documents to
11 substantiate costs associated with the program. Mr. Ortega proclaimed that
12 these documents existed; however, they, are not available onsite and could be
13 thousands of pages long.

14 **6. How did SCO conclude the audit?**

15 An exit conference⁸ was conducted to discuss the audit results:

16
17 We noticed that the total amount submitted on the Payment Request did not match
18 the total amount of cancelled checks. The total amount of cancelled checks was
19 \$431,875 while invoices minus KCCD's costs totaled \$310,050.

20 Most of the cancelled check were for partial payments and did not match the time
21 periods for invoices. There were \$34,630 of cancelled checks for individuals that
22 had no invoice.

23 The fact that cancelled checks total \$121,825 over invoices led me to believe that
24 NIU had additional revenue sources. Mr. Ortega has stated multiple times to me
25 that the CASF Grant is its sole source of income and main reason for conducting
26 business.

27 Having been provided no accounting records or cost allocation plans by Mr.
28 Ortega to conduct a more thorough review, the SCO was unable to determine
29 whether or not payments rendered to individual trainers were charged solely for
30 work that was CASF Grant related. Since there was no complete ledger available,
31 SCO could not determine if these charges were appropriately charge to the CASF
32 grant or if they were charge to other grants as well.

In the alternative, the SCO thought of other means to try and verify expenses billed to the CASF Grant. Based on SCO's interviews with the 8 Trainers who responded to our outreach, we were able to only substantiate Consortia Program-related expenses for the audit period. Of these expenses, the NIU Coalition submitted invoices for reimbursement for approximately \$363,216. The NIU

⁸ Attachment 7 Exit Conference dated 3/21/2015.

Coalition requested CASF quarterly draws of approximately \$37,500, (\$150,000 annual contribution equally allocated for each quarter).²

The NIU Coalition submitted to the CPUC the required Consortia Program Action Plan identifying activities and their related costs for each of the Consortia Program tasks. As illustrated in the table below, approximately 39% of Consortia Program expenses were anticipated by the NIU Coalition to be charged against the CASF grant, and 61% to be charged against other funds.¹⁰ The NIU Coalition did not make available accounting records and/or source documents for any other funds; therefore, we could not determine whether the CPUC-reimbursed program costs also were charged against other funds.¹¹

As there were no accounting records available to determine if these CPUC-reimbursed program costs were cross charged to other grants, we determined through alternate means that services were provided. We used the best available means to approximate NIU’s program costs eligible for reimbursement. Thus, while we do realize that the Action Plan budget contained projected and invisible costs, as explained below, we have only this budget as a sole source by which to determine how the Consortia Program costs would have been allocated by the NIU Coalition, given their planned spending habits.¹² Therefore, we used the percentages presented by Mr. Ortega to allocate CASF program costs.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17

7. Did you have difficulty obtaining the necessary information and records to conduct the audit?

- Yes. Despite the SCO’s repeated broad request for information and documents as provided for in SCO’s Engagement Letter, Mr. Ortega did not make records available.
- The SCO had concerns regarding NIU’s internal control weakness of record keeping. During post field work review, we found that there was still a lack of internal controls, accounting records, and documentation practices were limited at best. The documents that were provided post field work by NIU lacked signatures and any evidence of when they were prepared or submitted.

8. Since CU did not provide the documentation necessary for the audit, how did you proceed to conduct the audit?

Mr. Ortega could not provide any general ledger for Community Union as a whole, which we needed to determine if there was any cross claiming of costs between grants. Instead, he provided a document titled “general ledger” but it was merely a check register. We were initially planning to disallow all the costs based upon a lack of documentation. Upon

² OII, Attachment B (SCO Audit Report), p. 20.
¹⁰ OII, Attachment B (SCO Audit Report), p. 20.
¹¹ OII, Attachment B (SCO Audit Report), p. 20.
¹² OII, Attachment B (SCO Audit Report), p. 21.

1 reconsideration, the SCO decided to perform additional alternate procedures to verify trainers
2 and students and give Mr. Ortega additional time to see if he could come up with timesheets
3 and a general ledger. Below is a description of the alternative procedures used to verify
4 NIU's trainers and students.

5
6 The SCO performed post field work as follows:
7

- Obtained a list of perspective graduates from the NIU program and selected a sample, contacted individuals selected in an attempt to determine if they received the services that NIU was reimbursed for.¹³
- Obtained list of perspective Instructors of the NIU, its curriculum, and selected a sample of individuals in an attempt to substantiate the costs claimed by NIU were CASF Grant related.¹⁴
- Obtained timesheets and invoices for Trainers of NIU, selected a sample of individuals in an attempt to substantiate the costs claimed by NIU were CASF Grant related.¹⁵
- Obtained timesheets and invoices for Lead Trainers of NIU, interviewed individuals in an attempt to substantiate the costs claimed by NIU were CASF Grant related.¹⁶
- Obtained Calendar Activity Reports and invoices for liaison member of NIU in an attempt to substantiate the costs claimed by NIU were CASF Grant related.¹⁷
- Obtained KCCD Cost allocation plan for 2013 and 2014. Reviewed plan in an attempt to determine if the costs charged to the CASF Grant program were reasonable and associated to the NIU program.
- Obtained and reviewed 2012, 2013, and 2014 Budgets submitted by NIU to CPUC to gain an understanding of what portion of CASF Grant funding was needed to complete NIU courses for each of the awarded years.

8 **Verification whether NIU provided services to students that were related to CASF**
9 **grant funding.**

10 We reviewed the database attendance records NIU provided which contained columns with
11 attendees' name, site locations, instructor's name, date of attendance and quarter the student
12 graduated.
13
14

¹³ Attachment 8, Analysis of Services, dated 6/30/15.

¹⁴ Attachment 9, Sample Selection Methodology, dated 6/24/15.

¹⁵ Attachment 10, Analysis of Trainers, dated 7/17/15.

¹⁶ Attachment 11, Analysis of Lead Trainers, dated 7/17/15.

¹⁷ Attachment 12, Analysis of Liaison, dated 7/17/15.

1 We used attendance records to determine if students completed graduations in accordance
2 with the NIU submitted and approved Work Plan.

3
4 We were given access to view the records NIU placed in the online Dropbox. The records
5 showed 125 classes had been completed during year 1, quarter (Q1) through year 3, Q3.
6

- 7 1. We opened each record
- 8 2. We compiled all the data into one excel worksheet
- 9 3. We filtered the worksheet to determine the number of attendees that graduated
- 10 4. We filtered list of all graduates totaled 1,779
- 11 5. We used the filtered list of graduates' population size 1,779 of this sample size
12 of 79 was generated.
- 13 6. We implemented alternative audit procedures to determine whether students
14 attended the classes listed on the database attendance records as follows:
 - 15 a. We develop a questionnaire
 - 16 b. We called all 79 students
 - 17 c. We used questionnaire to interview students
 - 18 d. We were able to contact 15 students but two decline to answer our
19 questions.
 - 20 e. Of the two students that declined to answer auditor's questions, one stated
21 she did take the class.
 - 22 f. We were unable to reach 64 students and messages were left for those
23 with voicemail.
 - 24 g. As a result, 13 of the 79 (16%) students responded to our questions.
- 25 7. Of the 13 students, auditors were able substantiate 11 students attended the
26 CASF related classes. One individual did not recall taking the class and the
27 other individual drop the class.
- 28 8. Some students were able to confirm the instructor's name and site location
- 29 9. Students confirmed information that was on databases that classroom sessions
30 lasted about 20 hours not 40 hours.

31
32 **Verification whether trainer hours and related costs are for the consortia program**
33 **purpose and that the source documents and accounting records substantiate those**
34 **amounts.**
35

- 36 • We were provided a list of sites that Mr. Ortega claimed to have provided
37 services for. From that list, we made a selection and requested Mr. Ortega
38 provide timesheets and documentation related to services provided. Mr.

1 Ortega provided documentation to a select number of sites from the auditor's
2 request.

- 3 • From the provided documents, we performed the following procedures:
 - 4 ➤ We identified sample trainers, time sheets, invoices, and site logs.
 - 5 ➤ We identified a population of 70 trainers and sampled 20 individual
6 trainers. We attempted to analyze 136 time sheets related to the 20
7 individual trainers from the documents provided by the consortia.
 - 8 ➤ We compared the time sheets to the invoices that were given by the
9 consortia. For documents that only contained time sheets, we compared
10 those with invoices previously provided by the consortia. For documents
11 that contained time sheets and invoices, auditors compared what was
12 provided.
 - 13 ➤ We noted the timesheet dates, hours specified on the timesheet, and
14 commented on its relation to invoices provided.
- 15 • We noticed 12 missing time sheets and 10 discrepancies between time sheets
16 and invoices.
- 17 • We noticed hours that differ between time sheets and invoices.
- 18 • We noticed that 3 different trainers had time sheets that detailed the exact
19 same message in the comments section.
- 20 • We noticed that 2 different trainers had invoices that detailed the exact same
21 personal information.
- 22 • We noticed that a timesheet contained an incorrect signature in the signature
23 line.

24 **Verification if lead trainer hours and related costs are for the consortia's program**
25 **purpose and if the source documents and accounting records substantiate those**
26 **amounts**
27

- 28 • We were provided a list of sites that the Mr. Ortega claimed to have provided
29 services for. From that list, we made a selection and requested that NIU
30 provide timesheets¹⁸ and documentation related to the services provided. Mr.
31 Ortega provided documentation to a selecte number of sites from our request.
- 32 • From the provided documents, we performed the following procedures:
 - 33 ➤ We identified the lead trainers, timesheets, invoices, and site logs.
 - 34 ➤ The NIU *Daily Activities Report* (timesheets) were prepared in an excel
35 file and the printouts provided were neither signed by the trainers nor
36 authenticated by Larry Ortega. As a result, we planned to interview the
37 lead trainers to substantiate the timesheets.

¹⁸ Unsigned.

- 1 ➤ We identified 3 lead trainers and attempted to contact them.
- 2 ➤ We were able to contact and interview 2 of the lead trainers, Francisco
- 3 Galvan Jr. and Teresa Cortes.
- 4 • Both lead trainers confirmed that they have provided services relating to
- 5 teaching classes and helping out classes with computer related issues for the
- 6 NIU.
- 7 • Francisco stated that his duties included writing the class curriculum and
- 8 fixing hardware issues with computers.
- 9 • Francisco also stated that the NIU held non-CASF related classes that was
- 10 charging \$150 per student per class. The classes taught students how to fix
- 11 and build computers. Francisco stated that 5 classes were held and each served
- 12 20 students. (Auditors did not find any of these costs that were included in the
- 13 claims for CASF grant reimbursement)
- 14 • Teresa stated that her duties involved outreach to parents and doing
- 15 promotions for the consortia program.
- 16 • Both lead trainers confirmed that they turned in timesheets along with a
- 17 detailed activity report and stated the amount of hours they worked as well as
- 18 an explanation of what they did to justify those hours.
- 19 • Francisco stated that he was a part of the NIU since the beginning of the
- 20 CASF grant and left the consortia early January 2014.
- 21 • Teresa stated that she joined the NIU in January 2014 as a trainer and gained
- 22 lead trainer responsibilities during March 2014.

23 **Verification to determine if the liaison hours and related costs are for the consortia**

24 **program purpose and if the source documents and accounting records substantiate**

25 **those amounts.**

26

- 27 • We were provided timesheets and invoices for liaison member, Larry
- 28 Ortega.
- 29 • From the provided documents, we performed the following procedures:
- 30 ➤ We compared the time stated on the Calendar Activity Report to
- 31 invoices provided.
- 32 ➤ We noted that the time stated on the Calendar Activity Report
- 33 differs from the invoices.
- 34 ➤ Through my interview with Larry Ortega, I understood that the
- 35 hours stated on the Calendar Activity Report represent the actual
- 36 time spent on all of NIU's program and the hours stated on the
- 37 invoices represent time that could be charged to the CASF grant.
- 38 • Through interviews with lead trainers and Larry Ortega, and based on our
- 39 review of the documents provided by Larry Ortega, the following are tasks
- 40 and services that were provided by Larry Ortega:

- 1 ➤ Hiring of staff
- 2 ➤ Promotion and Outreach to schools and school officials
- 3 ➤ Hosting and preparing computer classes, graduation classes,
- 4 graduation programs and certificates
- 5 ➤ Recruitment and Coordination of Trainers
- 6 ➤ Handled employee timesheets, invoices, and disbursing payments

7

8 Results:

9 Our audit found that NIU internal controls over their accounting records were weak or
10 nonexistent. Despite the lack of internal controls regarding the consortia’s record keeping,
11 we determined that the liaisons’ hours and the related costs for the NIU’s program were
12 allowable. Through interviews with the liaison, we were able to determine that services
13 appeared to be rendered and thus costs associated with the liaisons were allowable.

Grant Funding - To verify that the Program/Grant Funding was expended according to budget and the labor costs for the project are accurate, complete, and adequately supported.

- We obtained copies of cancelled checks from cofounder Larry Ortega.
- Authorized payment letters from CPUC.
- We created a Matrix of all Cancelled Checks compared to Invoice totals that appear on billings.
- We created a Matrix that illustrated Cancelled Check total by Quarter.
- We inquired with NIU Coalition co-founder, trainers, and sampled participants.
- We obtained organizational actuals worksheets from KCCD.
- We obtained the budget for 2012, 2013, and 2014 from Larry Ortega.

Auditors:

- Reviewed 2012, 2013, and 2014 Budgets submitted by NIU to CPUC to gain an understanding of what portion of CASF Grant funding was needed to complete NIU courses for each of the awarded years.
- Review additional funding sources that were stated on the budget utilized by NIU to insure that costs were not being claimed in multiple Grants
- Requested and documented all cancelled checks for each of the 3 years the Grant was awarded.
- Applied percentage of CASF Grant award per submitted Budgets against total funding to determine CASF funding percentage for the program.

- Applied CASF percentage to cancelled checks to verify that Grant funding is being expended according to budget.

In its Action Plan, the NIU Coalition agreed to provide seven distinct types of Consortia Program services (approved activities), with one being to conduct 40 hour Parent Engagement through Technology sessions on school sites, community-based organizations, and community centers where the computer labs were turned into Empowerment Hubs.

Our inquiries with NIU Coalition co-founder, trainers, and sampled participants revealed that seven three-hour training sessions were provided. The trainings were based on classroom materials and curriculum designed by the NIU Coalition’s lead trainers. Per the NIU Coalition co-founder, Larry Ortega, while the NIU Coalition did agree to provide 40 hours of training, the 20-hour classroom sessions achieved the desired results. Larry Ortega stated that the students did receive the adequate training, but for only approximately 50% of the time, and any savings of time and effort were then used for other allowable activities such as follow-up with students. In all, the CPUC paid out \$353,784 of CASF funds to the NIU Coalition for the Consortia Program expenses.¹⁹ We determined that the CPUC reimbursed approximately \$185,353 in CASF funds for Consortia Program expenses that may have been charged to other NIU Coalition funds.²⁰

The available cancelled checks and KCCD’s records showed expenses of \$438,418 or Consortia Program-related expenses for the audit period. Of these expenses, the NIU Coalition submitted invoices for reimbursement for approximately \$363,216. The NIU Coalition requested CASF quarterly draws of approximately \$37,500, (\$150,000 annual contribution equally allocated for each quarter).²¹

The NIU Coalition submitted to the CPUC the required Consortia Program Action Plan identifying activities and their related costs for each of the Consortia Program tasks. As illustrated in the table below, approximately 39% of Consortia Program expenses were anticipated by the NIU Coalition to be charged against the CASF grant, and 61% to be charged against other funds.²² The NIU Coalition did not make available accounting records and/or source documents for any other funds; therefore, we could not determine whether the CPUC-reimbursed program costs also were charged against other funds.²³

As there were no accounting records available to determine if these CPUC-reimbursed program costs were cross charged to other grants, we determined through alternate means that services were provided. We used the best available means to approximate NIU’s program costs eligible for reimbursement. Thus, while we do realize that the Action Plan budget contained projected and invisible costs, as explained, we have only this budget as a sole source by which to

¹⁹ OII, Attachment B (SCO Audit Report), p. 20.

²⁰ OII, Attachment B (SCO Audit Report), p. 20.

²¹ OII, Attachment B (SCO Audit Report), p. 20.

²² OII, Attachment B (SCO Audit Report), p. 20.

²³ OII, Attachment B (SCO Audit Report), p. 20.

determine how the Consortia Program costs would have been allocated by the NIU Coalition, given their planned spending habits.²⁴ Therefore, we used the percentages presented by Mr. Ortega to allocate CASF program costs.

1 **9. Can you summarize the key findings from your report?**²⁵

2 The audit was for ten quarters of the program, March 1, 2012 through August 31, 2014. The
3 CPUC withheld \$96,216 of allocated grant funds for the remaining two quarters of the period,
4 from September 1, 2014, through March 1, 2015, pending results of the SCO audit.

5
6 Our audit found that:²⁶

- 7
- 8 • The NIU Coalition lacked proper internal control safeguards to ensure that the
9 Consortia Program functioned as intended and that the accounting records and
10 source documents properly substantiated program-related activities and costs.
- 11 • The NIU Coalition provided approximately 50% (20 of 40 hours per
12 participant) of broadband instructional training agreed upon in the terms of the
13 CASF grant.
- 14 • The NIU Coalition did not provide complete records; therefore, we could not
15 determine whether \$182,801 of CASF-reimbursed costs also may have been
16 charged against other grants or funds.
- 17 • KCCCD's accounting records and source documents suggest that \$46,621 was
18 charged for unallowable Consortia Program activities. These costs were not
19 incurred for allowable fiscal agent responsibilities.

20 **10. Did Community Union record all of its revenues and expenses in a general ledger under**
21 **the generally accepted accounting procedures?**

22 During the course of the audit, a general ledger was not provided. Mr. Ortega could not
23 provide adequate accounting records let alone obtain any certification that the “general
24 ledger” he presented was authentic. Mr. Ortega had a CPA create a check register from his
25 bank statements, but he could not get any financial records certified. What Larry Ortega
26 essentially provided was a check register showing only the deposits and withdrawals from a
27 checking account. Without more, the check register was insufficient to allow us to determine
28 the entire universe of NIU's transactions. What Larry Ortega provided was not considered an
29 accounting record and no other accounting records were provided during the course of the
30 audit.
31

²⁴ OII, Attachment B (SCO Audit Report), p. 21.

²⁵ OII, Attachment B (SCO Audit Report).

²⁶ OII, Attachment B (SCO Audit Report), p. 1.

1 **11. Did the audit report correctly include all allowable expenses for Q11, 12, 13?**

2 NIU's claims for quarters 11, 12, and 13 of the grant were not examined as these were not
3 reimbursed by the CPUC. As described above, the scope of the SCO's audit related only to
4 the verification of expenses reimbursed by the Commission with CASF grant funds.
5

6 **12. Did the audit report estimate numbers when it could have used actual numbers?**

7 As explained in the SCO Audit Report, except for the CASF grant, NIU did not make
8 available accounts and records for activities funded via other fund sources, meaning other
9 grants, etc. Had Larry Ortega made available all accounts and records for NIU's operations,
10 the cost allocation for NIU's services could have been established via historical and not
11 estimated data.
12

13 **13. Do the invoices submitted to the Communications Division support the reimbursements?**

14 As the audit found, time and effort for the CASF program were substantiated. However, the
15 SCO needed NIU's complete revenue and expenditure data from Larry Ortega to get a
16 complete picture of their operations to verify NIU's costs were charged appropriately and only
17 once to each of their grants. Since Larry Ortega did not provide this information, instead of
18 disallowing all of NIU's submitted expenses to CD, the SCO took steps to derive additional
19 audit procedures to help NIU allow costs that the SCO believed were reasonable based upon
20 the information on hand. We did this since we could confirm that NIU did hold some of the
21 classes it claimed to perform. We utilized NIU's budgeted data to approximate the extent of
22 allowable CASF reimbursement.
23

24 **14. Do the time cards produced by Mr. Ortega to the State Controller's Office indicate that
25 the described activities took place?**

26 For salaries and wages, there are several items required to demonstrate proper documentation.
27 Information is needed that substantiates the amount paid to the employee, proof of the amount
28 paid, and proof that the employee received the payment. Typical documentation for salaries
29 and wages can include:

- 30
- 31 • Timesheets signed by employee with written approval by the immediate supervisor;
 - 32 • Quarterly payroll returns (Forms 941) or payroll register;
 - 33 • Personnel files with salary/wage information, employment contract, or other
34 information that clearly describes duties and wages; and
 - 35 • Cancelled checks or direct deposit schedule.

36
37 In the case of NIU, the time cards alone were not authenticated as it lacked sufficient checks
38 and balances – missing signature, unknown who and when they were prepared. We
39 performed alternative procedures such as confirmations with the trainers and lead trainers and
40 class participants to validate activities performed. However, this did not validate if their work
41 was charged exclusively for the NIU consortia grant as the trainer would not know that
42 information.

1 **15. Did the audit report correctly use 10 out of 13 months of expenses incurred?**

2 Yes. As described above, the scope of the SCO's audit related only to the verification of
3 expenses reimbursed by the CPUC with CASF grant funds.

**QUALIFICATIONS AND PREPARED TESTIMONY
OF
CHRIS PRASAD**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

Q1. Please state your name and business address for the record.

A1. Chris Prasad, 1300 I Street, Sacramento, California 95814.

Q2. Are you currently employed with the California Department of Justice?

A2: Yes.

Q3. What is your current position with the California Department of Justice?

A3. I serve as the Director reporting to the Chief Deputy to the Attorney General. I am responsible for various internal and external program audits.

Q4. When were you employed with the California's State Controller's Office?

A4. June 1, 1987 through October 31, 1991
November 1, 1992 through March 31, 1996
January 6, 1999 through September 17, 2017

Q5. Can you summarize your credentials?

A5. I possess a Bachelor of Science Degree, Accountancy Concentration and am licensed to practice as a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE).

Q6. Can you summarize your experience related to conducting and managing audits?

A6. After finishing college, began working for the State Controller's Office as an auditor I have been conducting audits since then - for more than 30 years audits. For almost 20 years, I was employed as a Senior Management Auditor (Audit Manager) for the SCO, Division of Audits. I have planned, organized, directed, and monitored various complex and routine financial and performance audits for state and federal funded programs. I have conducted and led various forms of audits, examinations, reviews, compilations. Engagements have included financial audits, performance audits, agreed upon procedures, forensic studies, and special engagements. For about 4 years, performed employment tax audits for the Employment Development Department and investigative audits for the California Department of Consumer Affairs. I have advanced knowledge of the financial, performance, internal audits standards, and State Administrative Manual (SAM) Section 20000 audit requirements.

Q7. What was your position at the time of the audit of NIU?

A7. Senior Management Auditor – Audit Manager

- 1 Q8. Are you the author of the California’s One Million New Internet Users Coalition Audit
2 Report conducted by the California State Controller dated November 2015²⁷?
- 3 A8. Yes. I am the primary author. Andrew Finlayson, my supervisor at the time, was also an
4 author.
5

²⁷ OII, Attachment B, SCO’s Audit Report.

**QUALIFICATIONS AND PREPARED TESTIMONY
OF
ANDREW FINLAYSON**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

- Q1. Please state your name and business address for the record.
- A1. Andrew Finlayson, 300 Capitol Mall, Suite 1850, Sacramento, California, 95814.
- Q2. What is your current position with the California’s State Controller?
- A2. I serve as the Bureau Chief. In doing so, I establish and oversee the implementation of audit programs and approve all engagement planning memo prior to the beginning of an engagement. I routinely engage with our quality control unit to verify our audits are consisted with GAO standards. Our office has consistently passed, and takes pride in, passing PEER reviews performed by the National Association State Auditors Comptrollers Treasurers (NASACT).
- Q3. How long have you been employed with the California’s State Controller?
- A3. I have been with the California State Controller’s Office (SCO) since 1983.
- Q4. Can you summarize your credentials?
- A4. I have Bachelor of Science degrees in Accounting and Finance from California State University of Sacramento and also completed the Leadership for Government Executives program at California State University, Sacramento.
- Q5. Can you summarize your experience related to conducting and managing audits?
- A5. During the past 17 years, as part of the SCO’s management team, I have gained extensive experience representing the Division of Audits in meetings with stakeholders, the Department of Finance, the State Auditor, and other Departments, including the FBI and the Legislature as well as providing responses to the public and outside attorneys. I regularly collaborate with other programs, departments, and subject matter experts on various audit issues including legislation, proposed regulations impacting the Division, and the development of program policy.
- I provide program and policy direction to my staff on audit functions and ensure they are fully aware of new and existing auditing standards policies.
- I have played key roles in working on, developing, overseeing and writing high profile audits of importance to the State and the State Controller. These reports have always communicated findings succinctly and concisely and have shaped policy changes with various auditees.
- Some audits of interest include:
1. City of Bell – Administrative and Internal Accounting Controls

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39

Audit found the internal controls were virtually non-existent at the City of Bell. There were major financial issues that were considered criminal that included the Mayor and some members of the City Council.

- 2. Department of Parks and Recreation (California State Parks) Legislative Grant Program Found that there was possible abuse by one of the grantees and a lack of internal controls by other grantees leaving the accountability over grant funds virtually impossible.
- 3. California Public Utilities Commission
 - Audit of California’s One Million New Internet Users Coalition Grant
 - Audit of the Second Interim Performance Audit of the California Advanced Services Fund (including a review of Consortia Grants)
 - Audit of Internal Controls and Follow up review
 - Audit of Pacific Gas and Electric’s with Community Choice Aggregate Code of Conduct Rules Program
 - Review of Pacific Gas & Electric’s SmartMeter Balancing Accounts
 - Review of Energy Efficiency Programs
 - Audit of the Second Interim Financial Audit of the California Advanced Services Fund
 - Audit of Pacific Gas and Electric Company’s Energy Savings Assistance program
 - Audit of Pacific Gas and Electric Company’s California Alternate Rates for Energy program
 - Audit of San Diego Gas & Electric Company’s Energy Savings Assistance program
 - Audit of SoCal Edison’s Energy Savings Assistance program
 - Audited of San Diego Gas & Electric’s California Alternate Rates for Energy program
 - Audit of SoCal Gas’s Assistance program
 - Audit of Southern California Gas’s Activities Compliance with Affiliate Transactions Rules
 - Audit of Pacific Gas & Electric’s Activities Compliance with Affiliate Transactions Rules
 - Audit of SoCal Edison’s Activities Compliance with Affiliate Transactions Rules
 - Audit of San Diego Gas & Electric’s Activities Compliance with Affiliate Transactions Rules

1 4. Los Angeles Community College District - Proposition /AA and Measure J
2 Bond Expenditures – This report found over found over \$100 million of
3 questionable expenditures due to poor management of their Proposition 39’s
4 multi-billion dollar bond program.

5 I have served on task forces and audited four of the Boards the Controller serves
6 on including the California Tax Credit Allocation Committee, Board of
7 Equalization, CalSTRS and CalPERS. I have served on taskforces with a variety
8 of agency high officials. I most recently served as a co-chair on the Treasurer’s
9 Taskforce on Bond Accountability. This taskforce helped develop audit standards
10 for new bond issuances. In meetings, I identify significant policy and audit issues
11 with many of the Department’s Boards and Committees.

12
13 Q6. Does the State Controller regularly perform audits of the Commission’s California
14 Advanced Services Fund?

15 A6. Yes.

16
17 Our first audit of the California Advances Services Fund (CASF) was the NIU Consortia
18 Grant.

19
20 Subsequent to that, CPUC contracted with the SCO to conduct the audits of the

- 21
22 1. Second Interim Performance Audit of the California Advanced Services Fund
23 (including a review of Consortia Grants)
24 2. Second Interim Financial Audit of the California Advanced Services Fund
25

26 The SCO is currently conducting the:

- 27
28 1. Third Interim Performance Audit of the California Advanced Services Fund
29 (including a review of Consortia Grants)
30 2. Third Interim Financial Audit of the California Advanced Services Fund
31

32 These cyclical audits mentioned above occur every two-years.

33
34 Q7. What was your position at the time of the audit of NIU?

35 A7. Supervising Management Auditor

36
37 Q8. Are you the author of the California’s One Million New Internet Users Coalition Audit
38 Report conducted by the California State Controller dated November 2015²⁸?

39 A8. Chris Prasad was the primary authority of the report. I co-authored the report as Chris’
40 supervisor.

²⁸ OII, Attachment B, SCO’s Audit Report.