



Transmitted via e-mail

May 31, 2013

Mr. Thomas Howard, Executive Director
State Water Resources Control Board
P.O.Box 100
Sacramento, CA 95812-0100

Dear Mr. Howard:

Final Report—Lamont Public Utility District, Proposition 40 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Lamont Public Utility District's (District) grants 06-362-550-1 and 06-363-550-1.

The enclosed report is for your information and use. The District's response to the report observation is incorporated into this final report. The District agreed with our observation and we appreciate its willingness to implement corrective actions. The observation in our report is intended to assist management in improving its bond-funded program. This report will be placed on our website.

We appreciate the assistance and cooperation of the District. If you have any questions regarding this report, please contact Frances Parmelee, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Leslie Laudon, Manager, Division of Finance and Local Assistance, State Water Resources Control Board
Ms. Christine Gordon, Operations Manager, State Water Resources Control Board
Ms. Monica Torres, Fiscal Unit Manager, State Water Resources Control Board
Ms. Marilyn Rogers, Payment Analyst, State Water Resources Control Board
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Daniel Portillo, Board President, Lamont Public Utility District
Mr. Larry F. Pennell, Interim General Manager, Lamont Public Utility District

AUDIT REPORT

Lamont Public Utility District Proposition 40 Bond Program Grant Agreements 06-362-550-1 and 06-363-550-1



Project 06-363-550-1 Construction Ponds

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

MEMBERS OF THE TEAM

Frances Parmelee
Manager

Rich Hebert
Supervisor

Staff
Kweku Atta-Mensah

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) for \$2.6 billion. The bond proceeds finance a variety of resource programs.

The Lamont Public Utility District (District) received Proposition 40 grants from the State Water Resources Control Board (Board) to design and construct sewer collection and wastewater treatment plant storage and disposal improvements.

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited the following grants:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Award</u>
06-362-550-1	January 3, 2006 through September 30, 2009	\$ 174,391
06-363-550-1	December 31, 2006 through November 1, 2010	\$1,825,609

The audit objectives were to determine whether the District's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations.

The District's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The Board and the California Natural Resources Agency are responsible for the state-level administration of the bond program.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements; and if the grant deliverables were completed as required, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, grant agreements, and applicable policies and procedures.
- Reviewed a sample of grant expenditures to determine if costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Performed site visits to verify project existence.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of the audits are based on our review of documentation, other information made available to us, and interviews with staff responsible for administering grant funds.

Except as noted below, the grant expenditures claimed were in compliance with the requirements of the grant agreements and grant deliverables were completed as required. The Schedules of Claimed Amounts are presented in Table 1.

Table 1: Schedules of Claimed Amounts

Grant Agreement 06-362-550-1	
Category	Claimed
Design	\$ 174,391
Total Expenditures	\$ 174,391

Grant Agreement 06-363-550-1	
Category	Claimed
Construction	\$ 1,825,609
Total Expenditures	\$ 1,825,609

Observation 1: Required Maintenance Work Not Performed

Although the District designed and constructed the treatment ponds (project) as required, the District has not performed any maintenance and improvements since the project completion date (July 2008). Grant Agreement 06-363-550-1, Exhibit C, Item 24, requires the District to maintain and operate the facility and structures constructed throughout the life of the project. The District is responsible for all operations and maintenance costs and can only be excused from such responsibility upon the written approval of the State Water Resources Control Board.

At the time of our fieldwork, both the District’s Interim General Manager and Engineer stated maintenance was not performed because the District was not provided the necessary funding. Failure to continuously perform repairs and maintenance as stipulated by the grant agreement may reduce the useful life of the project which was partially funded with public funds. The District stated it intends to set aside funding to perform the necessary maintenance work on the project.

Recommendation:

Perform the required maintenance work on a continuous basis that includes repairs and replacements necessary to prolong the useful life of the project.

RESPONSE

The attachments referenced in the District's response were omitted in the interest of brevity.

Lamont Public Utility District
8624 Segrue Road Lamont CA, 93241
Phone 661-845-1213 Fax 661-845-4436

May 9, 2013

Dear Mr. Botelho,

I am pleased to respond to your letter of May 6, 2013 regarding Lamont Public Utility District grant 06-362-550-1 and 06-363-550-1.

In the above referenced audit report, it was recommended that the District “perform maintenance work on continuous basis that includes repairs and replacements necessary to the useful life of the project”. In a successful effort to abide by these requirements the District has taken the necessary steps to maintain and improve these newly installed facilities. In 2009, Solar Bee mixers were added to the two new facultative ponds to help improve treatment and reduce algae growth. In 2008, decomposed granite was placed on the surface of all embankment roads to provide better access during inclement weather and to help prevent erosion caused by runoff. In March 2012, the District completed a weed abatement project which removed all vegetation from the WWTP property including from both the interior and exterior of the new facultative and storage ponds. Following completion of the weed abatement project, the District contracted with Abate-A-Weed, a local weed and pesticide control company, for providing on-going weed control at the WWTP facility. Currently, the District is nearing the end of a construction project that involves installing a geosynthetic liner on the interior embankments of the four new ponds to prevent erosion of the embankments caused by wave action. This liner installation project is expected to be completed by the end of July, 2013. The District is also currently beginning a construction project that involves the cleaning and video inspection of the District’s entire gravity sewer system including pipes and manholes. This project will remove all grease, grit and

debris from the sewer collection system and will provide the District with visual understanding of the condition of the sewer facilities to ensure that the system is functioning properly and that the necessary maintenance is performed when needed. In this regard, I have taken the liberty of including current photos of the area in question. In addition, adequate funds have been included in the current FY 2012-13 and the proposed FY 2013-14 District Budget to continue the performance of required maintenance work.

If you have any questions regarding the District's commitment and response to the Grant Audit, please contact me.

Original signed by,

Larry F. Pennell
Interim General Manager

Cc: Mike Popichak, CPO
Nick Turner, District Engineer
Hon. Daniel Portillo, President, Board of Directors