



Transmitted via e-mail

November 4, 2013

Mr. Charlton H. Bonham, Director
California Department of Fish and Wildlife
1416 9th Street
Sacramento, CA 95814

Dear Mr. Bonham:

Final Report—Meridian Farms Water Company Proposition 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of Meridian Farms Water Company's grant E0720041 issued by the Department of Fish and Wildlife.

The enclosed report is for your information and use. Because there were no audit observations or issues requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of Meridian Farms Water Company. If you have any questions regarding this report, please contact Diana Antony, Manager, or Lisa Negri, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Acting Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Helen E. Carriker, Deputy Director, California Department of Fish and Wildlife
Mr. Scott Cantrell, Branch Chief, California Department of Fish and Wildlife
Mr. William J. Fong, Branch Chief, California Department of Fish and Wildlife
Ms. Treva Porter, Staff Environmental Scientist, California Department of Fish and Wildlife
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Andy Duffey, General Manager, Meridian Farms Water Company

Meridian Farms Water Company
Proposition 84 Bond Program
Grant Agreement E0720041



Fish Screen, Meridian, CA
Source: Meridian Farms Water Company

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

MEMBERS OF THE TEAM

Diana Antony, CPA
Manager

Lisa Negri
Supervisor

Staff
Randy Enriquez

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, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for \$5.4 billion. The bond proceeds finance a variety of natural resource programs and are administered by several state agencies that provide grants to local governments and non-profit organizations.

Meridian Farms Water Company (MFWC) received a \$2.5 million grant from the California Department of Fish and Wildlife (DFW) to remove, reposition, and rebuild an unscreened pumping plant, with the addition of a positive barrier fish screen. MFWC provides irrigation water to three distinct service areas encompassing 9,150 total acres, with an estimated annual water delivery of 35,000 acre-feet. MFWC's Sacramento River water diversions utilized an unscreened intake and had been identified by state agencies as a potential threat for entrainment and mortality to Chinook salmon, steelhead trout, and Sacramento split-tail.¹ This grant only funded the construction (Task 4) of Phase I of the larger project totaling \$6,050,000.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, audited grant agreement E0720041 for the period June 1, 2008 through June 30, 2011.

The audit objectives were to determine whether MFWC'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.

MFWC management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DFW 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, the grant agreement, and applicable policies and procedures.

¹ Source: Grant Agreement E0720041.

- Reviewed MFWC’s accounting records, vendor invoices, and bank statements.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Reviewed project close-out reports submitted to DFW to determine if grant deliverables were met and conducted a site visit to verify existence of the fish screen.

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 observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

RESULTS

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

Based on the procedures performed, the grant expenditures claimed were in compliance with the grant agreement requirements and grant deliverables were completed as required. The Schedule of Claimed Amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement E0720041	
	Claimed
Construction	\$ 2,500,000
Total Grant Funds	\$ 2,500,000