



DEPARTMENT OF  
**FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR

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Transmitted via e-mail

November 7, 2014

Mr. Charlton H. Bonham, Director  
California Department of Fish and Wildlife  
1416 Ninth Street, 12<sup>th</sup> Floor  
Sacramento, CA 95814

Dear Mr. Bonham:

**Final Report—Natomas Central Mutual Water Company, Proposition 84 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Natomas Central Mutual Water Company's (Natomas) grant E0920007 issued by the California Department of Fish and Wildlife.

The enclosed report is for your information and use. Because there were no audit observations 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 Natomas. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

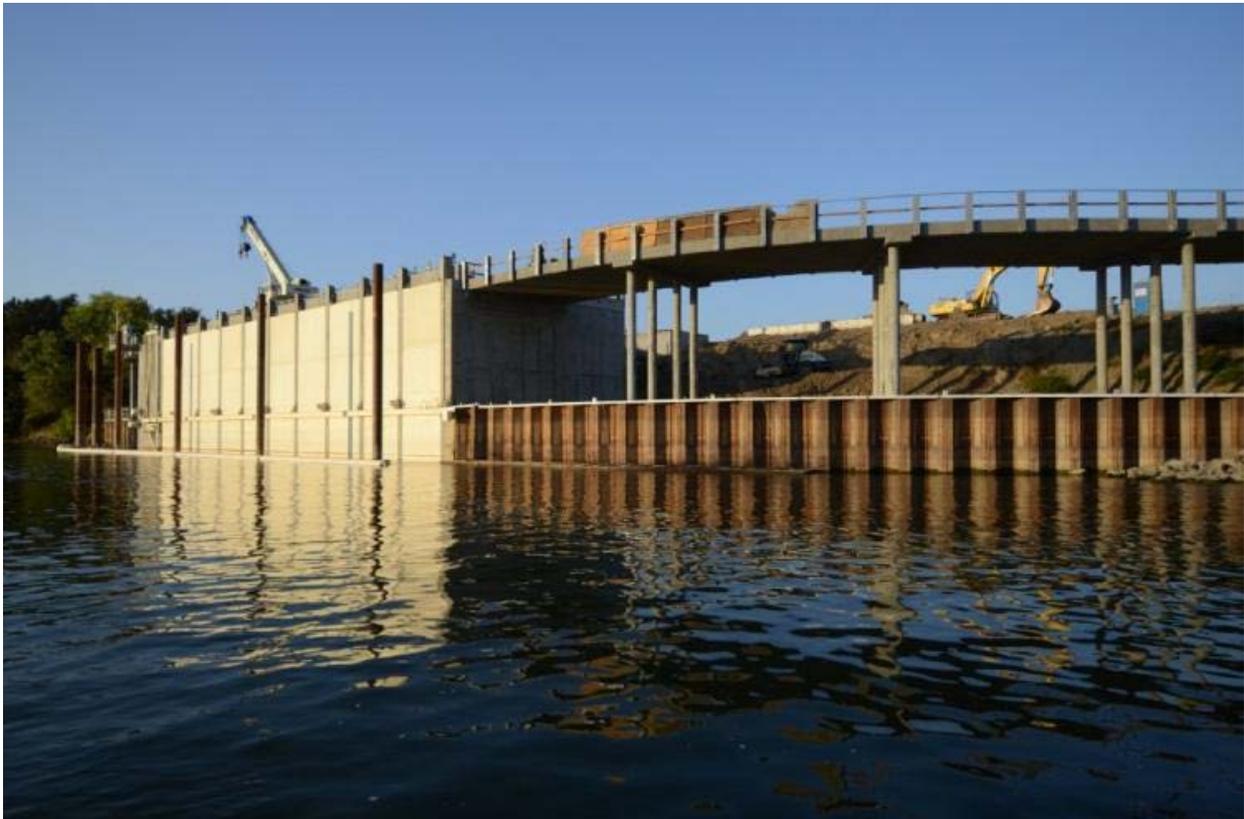
Original signed by:

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

Enclosure

cc: Mr. Gabe Tiffany, Acting Deputy Director, Administration, California Department of Fish and Wildlife  
Ms. Mary Dunne, Staff Environmental Scientist, California Department of Fish and Wildlife  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Brett Gray, General Manager, Natomas Central Mutual Water Company  
Mr. Thomas Ramos, President, Board of Directors, Natomas Central Mutual Water Company

Natomas Central Mutual Water Company  
Proposition 84 Bond Program  
Grant Agreement E0920007



Riverside View of Sankey Diversion  
Source: California Department of Fish and Wildlife

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

## **MEMBERS OF THE TEAM**

Jon G. Chapple, CPA  
Manager

Rebecca McAllister, CPA  
Supervisor

Staff  
Randy McClendon, CISA

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

You can contact our office at:

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# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## **BACKGROUND**

California voters approved the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coast Protection Bond Act of 2006 (Proposition 84). The \$5.4 billion in bond proceeds finance a variety of resource programs.

Natomas Central Mutual Water Company (Natomas) is a private, non-profit corporation, which provides local resource management and water to its 280 members and shareholders. Natomas provides water to more than 33,200 acres of land north and west of the city limits of Sacramento.

Natomas received a \$9 million Proposition 84 grant from California Department of Fish and Wildlife (DFW) to assist in financing a project to improve fish passage for at-risk species in the Sacramento River. The project's total cost is estimated at \$45.9 million. The entire project consists of replacing existing unscreened diversions with a consolidated fish screen and the construction of an intake facility to meet federal and state screening criteria.

## **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement E0920007 for the period of June 1, 2010 through April 4, 2014.<sup>1</sup>

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

Natomas' 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:

- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed Natomas' accounting records, vendor invoices, and canceled checks/wire transfers.

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<sup>1</sup> An interim audit was conducted because the grant term ends June 30, 2016 and fieldwork was performed prior to the grant end date.

- 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.
- Evaluated whether a sample of grant deliverables were met by conducting a site visit and reviewing supporting documentation to verify the existence of the project area.

In conducting our audit, we obtained an understanding of Natomas' internal controls, including any information systems controls, that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

We conducted this audit in accordance with generally accepted government performance 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 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 complied with the grant agreement requirements. Because the project was active at the time of our site visit, not all deliverables were completed; however, Natomas has completed interim deliverables in accordance with the grant agreement. The Schedule of Claimed Amounts is presented below.

### Schedule of Claimed Amounts

<b>Grant Agreement E0920007</b>	
<b>Project Task</b>	<b>Claimed</b>
Sankey Diversion Construction	\$ 3,579,537
Distribution Facility Construction	2,589,141
<b>Total Grant Funds<sup>2</sup></b>	<b>\$ 6,168,678</b>

<sup>2</sup> Natomas was awarded \$9 million and as of April 4, 2014 had claimed \$6,168,678. Included in the claimed amount is \$323,857 representing retention required by the grant agreement.