



Transmitted via e-mail

June 6, 2012

Mr. Mark Cowin, Director
California Department of Water Resources
P. O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Dear Mr. Cowin:

Final Report—Mojave Water Agency, Proposition 50 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its interim audit of the Mojave Water Agency's (Agency) grant 4600007653 for the period March 20, 2007 through November 30, 2011.

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 the Agency. If you have any questions regarding this report, please contact Jennifer Whitaker, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Katherine Kishaba, Deputy Director, California Department of Water Resources
Ms. Gail Chong, Deputy Assistant DWR Executive, Bond Accountability, California
Department of Water Resources
Ms. Tracie Billington, Chief, Financial Assistance Branch, California Department of Water
Resources
Mr. Jeffery Ingles, Chief Auditor, California Department of Water Resources
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. Kirby Brill, General Manager, Mojave Water Agency
Ms. Kathy Cortner, Chief Financial Officer, Mojave Water Agency

AUDIT REPORT

Mojave Water Agency Proposition 50 Bond Program Grant Agreement 4600007653



Construction for a Pumping Station and Storage Facility

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

MEMBERS OF THE TEAM

Jennifer Whitaker
Manager

Rich Hebert
Supervisor

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

You can contact our office at:

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Office of State Audits and Evaluations
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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

In November 2002, California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Bond Act of 2002 (Proposition 50), which authorized the State of California to sell \$3.44 billion in general obligation bonds. The bond proceeds provide funds for grants and loans to assist in meeting safe drinking water standards; acquisition, restoration, protection, and development of river parkways; and coastal watershed and wetland protection.

The Department of Water Resources (DWR) is a funding agency for Proposition 50 grants. DWR provided funds under the Integrated Regional Water Management (IRWM) plan as described in California Water Code 79560. A local agency grant was approved in April 2008, primarily for a regional water supply project. The grant also provided funding for non-native plant eradication and a water conservation program.

The Mojave Water Agency (Agency) was organized July 21, 1960 by the Mojave Water Agency Act. The Agency is a state water contractor and receives an annual allotment of up to 82,800 acre feet of water from the State Water Project via the California Aqueduct. Agency boundaries encompass approximately 4,900 square miles of the High Desert in San Bernardino County, including the communities of Adelanto, Apple Valley, Barstow, Hesperia, Victorville and Yucca Valley. The local agency refers to the regional water supply project as the Regional Recharge and Recovery "R³" Project.¹

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we conducted an interim performance audit of grant agreement 4600007653 for the period March 20, 2007 through November 30, 2011. This is an interim audit because the project term was extended through June 30, 2012. This \$25,000,000 grant is to assist in financing projects associated with the Mojave Water Agency IRWM Plan.

The audit objectives were to determine whether the Agency'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. In order to design adequate procedures to conduct our audit, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

Agency management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DWR is responsible for the state-level administration of the bond program.

¹ Obtained from the grant agreement and the Agency's Notes to the Financial Statements.

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.
- Reviewed the Agency's reimbursement claims, accounting records, vendor invoices, vendor contracts, cancelled checks, and bank statements.
- Selected a sample of 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.
- Conducted a site visit to verify project existence.
- Evaluated whether a sample of grant deliverables required by the grant agreement were met.

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.

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. The Agency was in compliance with the requirements of the grant agreement. The Schedule of Claimed amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement 4600007653	
For the Period March 20, 2007 through November 30, 2011²	
Category	Claimed
Planning/Design/Environmental	\$ 5,094,058
Construction/Implementation	8,384,188
Construction Administration	1,422,672
Land Purchase and Easement	179,530
Regional Water Conservation Program	250,000
Eradication of Non-Native Plant Species	250,000
Total Expenditures	\$15,580,448

² The grant term ends June 30, 2012.