



Transmitted via e-mail

May 9, 2016

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—Coachella Valley Water District, Proposition 84 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Coachella Valley Water District's (District) grants 4600009342, 4600009468, 4600009560, and 4600010577, issued by the California Department of Water Resources.

The enclosed report is for your information and use. Because there were no audit findings 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 District. 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:

David Botelho, CPA  
Program Budget Manager  
Administration, Audits and Information Services  
Department of Finance

Enclosure

cc: Mr. Carl Torgersen, Chief Deputy Director, California Department of Water Resources  
Ms. Katherine Kishaba, Deputy Director of Business Operations, California Department of Water Resources  
Ms. Gail Chong, Deputy Assistant DWR Executive, Bond Accountability, California Department of Water Resources  
Mr. Jeff Ingles, Chief Auditor, California Department of Water Resources  
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. John Powell, Jr., President, Board of Directors, Coachella Valley Water District  
Mr. James Barrett, General Manager, Coachella Valley Water District  
Ms. Kay Godbey, Director of Finance, Coachella Valley Water District  
Ms. Amy Aguer, Controller, Coachella Valley Water District  
Ms. Patricia Reyes, Planning and Special Projects Manager, Coachella Valley Water District

Coachella Valley Water District  
Proposition 84 Bond Program  
Grant Agreements 4600009342, 4600009468, 4600009560,  
and 4600010577



Coachella Valley Water District Headquarters  
Source: Coachella Valley Water District

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  
Jedediah Thompson

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

You can contact our office at:

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(916) 322-2985

# 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.

The Coachella Valley Water District (District) is a multifaceted agency that delivers irrigation and domestic (drinking) water, collects and recycles wastewater, provides regional storm water protection, replenishes the groundwater basin, and promotes water conservation. The District's mission is to meet the water-related needs of the people through dedicated employees, providing high quality water at a reasonable price.

The District, along with the Coachella Water Authority, Desert Water Agency, Indio Water Authority, and the Mission Springs Water District, formed a partnership, the Coachella Valley Regional Water Management Group (CVRWMG), in order to create and adopt an Integrated Regional Water Management (IRWM) plan. The IRWM plan provides a mechanism for coordinating and integrating existing water resource planning efforts within a regional context, identifying regional priorities for implementation projects, and generating funding support for the plans, programs, and projects.

The District, acting as the lead agency for the CVRWMG, received the following grants from the Department of Water Resources (DWR):

- **Integrated Regional Water Management Plan (Grant 4600009342)**—\$1 million awarded to assist in the financing to update the existing Coachella Valley IRWM plan to meet August 2010 program guidelines.
- **Integrated Regional Water Management Disadvantaged Community Outreach (Grant 4600009468)**—\$500,000 awarded to conduct an outreach project to improve participation of disadvantaged communities in the IRWM plan.
- **Integrated Regional Water Management Implementation (Grant 4600009560)**—\$4 million awarded to assist in financing projects associated with the Coachella Valley IRWM plan (Round 1). In addition, the grant will fund projects that benefit the critical water supply or water quality needs of disadvantaged communities, and for urban and agricultural water conservation projects.
- **Integrated Regional Water Management Implementation (Grant 4600010577)**—\$5.24 million awarded to assist in financing projects associated with the Coachella Valley IRWM plan (Round 2). In addition, the grant will fund projects that benefit the critical water supply or water quality needs of disadvantaged communities.

## 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> <sup>1</sup>
4600009342	April 10, 2012 through June 30, 2014
4600009468	April 10, 2012 through December 31, 2013
4600009560	June 28, 2012 through June 30, 2015
4600010577	October 15, 2014 through June 30, 2015

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. DWR 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, we performed the following procedures:

- Examined the grant files, the grant agreements, and applicable policies and procedures.
- Reviewed the District'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 agreements.
- Evaluated whether a sample of grant deliverables were met by reviewing quarterly reports, technical reports, and project reports.

In conducting our audit, we obtained an understanding of the District's 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 our audit and determined to be significant within the context of our audit objectives are included in this report.

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.

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<sup>1</sup> An interim audit was conducted on grants 4600009560 and 4600010577 because the grant terms end December 31, 2017 and January 31, 2018, respectively.

## RESULTS

Based on the procedures performed, the grant expenditures claimed complied with the grant requirements. Additionally, the grant deliverables available for review at the time of our site visit in November 2015 were completed as specified in the grant agreements. The Schedules of Claimed Amounts are presented below.

### Schedules of Claimed Amounts

<b>Grant Agreement 4600009342</b>	
<b>Task</b>	<b>Claimed</b>
Ongoing Outreach	\$ 384,654
Technical Evaluation	432,574
Integrated Regional Water Management Plan Update	182,772
<b>Total Grant Funds</b>	<b>\$ 1,000,000</b>
Match Funds	\$ 386,380
<b>Total Project Expenditures</b>	<b>\$ 1,386,380</b>

<b>Grant Agreement 4600009468</b>	
<b>Task</b>	<b>Claimed<sup>2</sup></b>
Disadvantaged Community (DAC) Activities	\$ 9,000
Outreach Activities	226,886
DAC Focused Characterization	79,181
DAC Project Development	184,445
<b>Total Project Expenditures</b>	<b>\$ 499,512</b>

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<sup>2</sup> DWR awarded \$500,000 and the District claimed \$499,512.

<b>Grant Agreement 4600009560</b>	
<b>Task</b>	<b>Claimed<sup>3</sup></b>
<b>Grant Administration</b>	
Direct Project Administration Costs	\$ 100,000
<b>Regional Water Conservation Program</b>	
Construction/Implementation	819,815
<b>Short Term Arsenic Treatment Project</b>	
Direct Project Administration Costs	13,200
Construction/Implementation	536,650
Other Costs	150
<b>Groundwater Quality Protection Program DHS D-1</b>	
Direct Project Administration Costs	3,814
Planning/Design/Engineering/Environmental Documentation	1,977
Construction/Implementation	994,003
Construction Administration	206
<b>Groundwater Quality Protection Program DHS J-1</b>	
Direct Project Administration Costs	11,359
Planning/Design/Engineering/Environmental Documentation	41,103
<b>Oasis Gardens Septic to Sewer Conversion Project</b>	
Construction/Implementation	390,000
<b>Total Grant Funds</b>	<b>\$ 2,912,277</b>
Match Funds	\$ 1,840,783
<b>Total Project Expenditures</b>	<b>\$ 4,753,060</b>

<b>Grant Agreement 4600010577</b>	
<b>Task</b>	<b>Claimed<sup>4</sup></b>
<b>Grant Administration</b>	
Direct Project Administration Costs	\$ 31,788
<b>Non-Potable Water Use Expansion Program</b>	
Construction/Implementation	871,285
<b>Groundwater Quality Protection Program DHS D-2</b>	
Direct Project Administration Costs	29,631
<b>San Antonio del Desierto DAC Extension Project</b>	
Planning/Design/Engineering/Environmental Documentation	287,452
<b>Torres-Martinez Avenue 64 Water Supply Connection Project</b>	
Direct Project Administration Costs	16,031
Planning/Design/Engineering/Environmental Documentation	884
<b>Total Grant Funds</b>	<b>\$ 1,237,071</b>
Match Funds	\$ 1,233,993
<b>Total Project Expenditures</b>	<b>\$ 2,471,064</b>

<sup>3</sup> DWR awarded \$4 million and the District has claimed \$2,912,277 as of June 30, 2015.

<sup>4</sup> DWR awarded \$5,240,000 and the District has claimed \$1,237,071 as of June 30, 2015.