



Transmitted via e-mail

September 25, 2012

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

Dear Mr. Howard:

Final Report—Nevada County Sanitation District No. 1 Proposition 40 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the following Nevada County Sanitation District No. 1 (District) grants:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
06-369-550-0	January 24, 2006 through September 30, 2008	\$ 189,241
06-370-550-0	March 25, 2008 through September 30, 2010	\$1,752,702

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 District. If you have any questions regarding this report, please contact Jennifer Whitaker, 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
Mr. Bill Damian, Budget Officer, State Water Resources Control Board
Ms. Monica Torres, Fiscal Unit Manager, State Water Resources Control Board
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. Rick Haffey, County Executive Officer, County of Nevada
Mr. Steve Castleberry, Department Director, Nevada County Sanitation District No. 1
Mr. Dan Chatigny, Chief Financial Administrative Officer, Nevada County Sanitation District No. 1

AUDIT REPORT

Nevada County Sanitation District No. 1 Proposition 40 Bond Program Grant Agreements 06-369-550-0 and 06-370-550-0



Cascade Shores Wastewater Treatment 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

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

The Nevada County Sanitation District No. 1 (District) received two Proposition 40 grants for \$189,241 and \$1,752,702, respectively, from the State Water Resources Control Board (SWRCB). These grants assisted with the design and construction of the Cascade Shores Wastewater Treatment Facility Upgrade project.

SCOPE

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

Grant Agreement	Audit Period
06-369-550-0	January 24, 2006 through September 30, 2008
06-370-550-0	March 25, 2008 through September 30, 2010

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.

District management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SWRCB is 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 agreements, and applicable policies and procedures.
- Reviewed the District's reimbursement claims, accounting records, vendor contracts, and invoices.

- 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 grant deliverables required by the grant agreements 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 audits 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 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 06-369-550-0	
Task	Claimed
Design	\$ 189,241
Total Expenditures	\$ 189,241

Grant Agreement 06-370-550-0	
Task	Claimed
Site Work	\$ 243,767
Building	256,571
Equipment	966,020
Installation	286,344
Total Expenditures	\$ 1,752,702