



Transmitted via e-mail

June 26, 2014

Ronald Chapman, M.D., M.P.H., Director  
California Department of Public Health  
P.O. Box 997377, MS-0500  
Sacramento, CA 95899-7377

Dear Dr. Chapman:

**Final Report—West Valley Water District, Proposition 84 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the West Valley Water District's (District) grant 84-10C15.

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 the District. If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Robert Scott, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Mr. David Mazzera, Chief, Division of Drinking Water and Environmental Management,  
California Department of Public Health  
Mr. Lance Reese, Chief, Technical Programs, California Department of Public Health  
Ms. Jean Iacino, Acting Chief of Internal Audits, California Department of Public Health  
Mr. William Young, Audit Manager, Internal Audits, California Department of Public Health  
Mr. Sean McCarthy, District Engineer, California Department of Public Health  
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. Anthony W. Araiza, General Manager, West Valley Water District  
Mr. Thomas Crowley, Assistant General Manager, West Valley Water District  
Ms. Deborah Sousa, Chief Financial Officer/Treasurer, West Valley Water District  
Ms. Shanae Smith, Executive Assistant, West Valley Water District

West Valley Water District  
Proposition 84 Bond Program  
Grant Agreement 84-10C15



Groundwater Wellhead Treatment Facility  
Source: West Valley Water District

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

**MEMBERS OF THE TEAM**

Frances Parmelee, CPA  
Manager

Robert Scott, MSA, CPA, CGMA  
Supervisor

Staff  
Alice Yip

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, 6<sup>th</sup> 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). The \$5.4 billion of bond proceeds finance a variety of resource programs.

The West Valley Water District (District) received a \$10 million grant from the California Department of Public Health to assist in financing a \$23.1 million project that will enable the District to reduce groundwater contamination in its drinking water source. The District's mission is to provide a reliable, safe drinking water supply to meet customers' needs and promote water-use efficiency and conservation.<sup>1</sup>

## **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 84-10C15 for the period November 2010 through July 2013.

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. The California Department of Public Health 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.
- Reviewed the District's accounting records, contracts, vendor invoices, electronic fund transfer payment records, and bank statements.

---

<sup>1</sup> Excerpts from the grant agreement and District website.

- 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 the grant deliverables were met by reviewing supporting documentation.
- Conducted a site visit to verify existence of the Groundwater Wellhead Treatment System Project.

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 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 complied with the grant agreement. Additionally, the grant deliverables were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented in the table below:

### Schedule of Claimed Amounts

<b>Grant Agreement 84-10C15</b>	
<b>Task</b>	<b>Claimed</b>
Construction/Site Work	\$10,000,000
<b>Total Grant Funds</b>	<b>\$10,000,000</b>