



Transmitted via e-mail

September 8, 2015

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—Yuba County Water Agency, Proposition 84 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Yuba County Water Agency's (YCWA) grants 4600008704 and 4600010065 issued by the California Department of Water Resources.

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 YCWA. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Sherry Ma, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Laura King Moon, 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. Curt Aikens, General Manager, Yuba County Water Agency
Ms. Page Hensley, Finance Manager, Yuba County Water Agency
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

Yuba County Water Agency
Proposition 84 Bond Program
Grant Agreements 4600008704 and 4600010065



Drilling of Monitoring Well
Source: Yuba County Water Agency

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

MEMBERS OF THE TEAM

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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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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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 Yuba County Water Agency (YCWA) is a public agency governed by a seven-member Board of Directors comprised of the five members of the Yuba County Board of Supervisors and two members elected at large. YCWA's primary functions are the development and sale of hydroelectric power, flood control, fisheries enhancement, recreation, water conservation and storage, and sale of water to member districts.¹

YCWA was awarded the following Proposition 84 grants from the California Department of Water Resources (DWR):

- **YCWA Regional Monitoring Well Program-Phase 2 (Grant 4600008704)**—\$249,793 to conduct groundwater studies or groundwater monitoring and management activities, including building six monitoring wells.
- **Integrated Regional Water Management Planning (Grant 4600010065)**—\$603,106 to develop or complete a new, or update an existing Integrated Regional Water Management (IRWM) Plan to meet IRWM Plan standards set forth in the IRWM Program Guidelines.

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> ²
4600008704	June 30, 2010 through December 31, 2012
4600010065	October 2, 2013 through July 31, 2015 ³

The audit objectives were to determine whether the YCWA'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.

¹ Excerpts from www.ycwa.com and grant agreements 4600008704 and 4600010065.

² An interim audit was conducted on grant agreement 4600010065 because audit fieldwork was performed prior to the grant end date of July 31, 2015. There may be subsequent expenditure claims not included in this report.

³ The term for grant agreement 4600010065 began on the execution date of October 3, 2013; however, section 9, Eligible Costs, of the grant agreement states work performed between November 29, 2012 and October 2, 2013, shall be eligible for reimbursement.

YCWA'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 as required, we performed the following procedures:

- Examined the grant files, the grant agreements, and applicable policies and procedures.
- Reviewed the YCWA's accounting records, subcontractor invoices, 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 supporting documentation such as planned draft and final reports, and conducted a site visit to verify existence of a monitoring well.

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

We conducted these audits in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audits 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

Based on the procedures performed, the grant expenditures claimed complied with the grant requirements. Additionally, the grant deliverables were completed as specified in the grant agreements. The Schedules of Claimed Amounts are presented on the next page.

Schedules of Claimed Amounts

Grant Agreement 460008704	
Task	Claimed⁴
Well Design and Siting	\$ 26,525
Permitting and Environmental Documentation	10,395
Well Drilling Construction	171,488
Construction Management Services	1,632
Pressure Transducer Programming and Installation	13,315
Water Quality Sampling and Analysis	953
Surveying New Wells for Horizontal and Vertical Positioning	8,545
Monitoring Well Completion	5,644
Project Management	11,256
Total Grant Funds	\$ 249,753

Grant Agreement 4600010065	
Task	Claimed⁵
Operating Expenses	\$ 792
Professional and Consultant Services	487,889
Total Grant Funds	488,681
Match Funds	220,000
Total Project Expenditures	\$ 708,681

⁴ DWR awarded \$249,793 and YCWA claimed \$249,753.

⁵ DWR awarded \$603,106 and YCWA claimed \$488,681 as of February 2015.