



Transmitted via e-mail

September 21, 2012

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

Dear Mr. Cowin:

**Final Report—Fresno Irrigation District, Propositions 13 and 50 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the following Fresno Irrigation District (FID) Proposition 13 and 50 grants:

<b>Grant Agreement</b>	<b>Audit Period</b>	<b>Awarded</b>
E90018	March 11, 2005 through December 31, 2008	\$4,615,072
4600003156	June 1, 2003 through October 31, 2005	\$ 220,000
4600008190	June 20, 2008 through August 19, 2011	\$ 250,000

The enclosed report is for your information and use. Because there were no audit findings 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 FID. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Angie Williams, 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 of Business Operations, California Department of Water Resources  
Ms. Gail Chong, Deputy Assistant DWR Executive, Bond Accountability, California Department of Water Resources  
Mr. Jeffrey Ingles, Chief Auditor, California Department of Water Resources  
Ms. Tracie Billington, Chief, Financial Assistance Branch, California Department of Water Resources  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Gary R. Serrato, General Manager, Fresno Irrigation District  
Ms. DeAnn Hailey, Controller, Fresno Irrigation District

# AUDIT REPORT

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## Fresno Irrigation District Propositions 13 & 50 Bond Programs Grant Agreements E90018, 4600003156, and 4600008190



Waldron Banking Facility  
Source: Fresno Irrigation District

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

## **MEMBERS OF THE TEAM**

Susan Botkin, CGFM  
Manager

Angie Williams  
Supervisor

Staff  
Alex Balandra

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

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## BACKGROUND

In March 2000 and November 2002, California voters passed two bond measures totaling \$5.41 billion. The Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13) was passed on the March 2000 ballot; and the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) was passed on the November 2002 ballot. These propositions authorized the sale of bonds to finance a variety of water programs.

The Fresno Irrigation District (FID) was formed in 1920 under the California Irrigation Districts Act, as the successor to the privately owned Fresno Canal and Land Company. The FID, which now comprises some 245,000 acres, lies entirely within Fresno County and includes the rapidly growing Fresno-Clovis metropolitan area. The FID has combined forces with the City of Fresno, the City of Clovis, the County of Fresno, and the Fresno Metropolitan Flood Control District in a cooperative effort to develop and implement a comprehensive surface and groundwater management program. The main thrust of the program involves using flood control basins for recharge during the summer when the basins are not needed to control urban storm runoff. This program also contains elements designed to protect the quality of groundwater in the area. (Source: [www.fresnoirrigation.com/history.html](http://www.fresnoirrigation.com/history.html))

The FID received Proposition 13 funds from DWR to assist in financing a Groundwater Storage Project pursuant to Chapter 9, Division 26, of the California Water Code.

The FID also received Proposition 50 funds through grants from DWR's Local Groundwater Assistance Fund for the purpose of conducting groundwater studies, or for carrying out groundwater monitoring and management activities in accordance with FID's groundwater management authority.

## SCOPE

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

Grant Agreements	Audit Period
E90018	March 11, 2005 through December 31, 2008
4600003156	June 1, 2003 through October 31, 2005
4600008190	June 20, 2008 through August 19, 2011 <sup>1</sup>

The audit objectives were to determine whether the FID's grant expenditures 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.

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<sup>1</sup> An interim audit was performed because the grant period was extended to September 30, 2011.

Further, no assessment was performed on the reasonableness of the land acquisition costs, the conservation value of acquired land, or projects completed.

The FID management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The California Department of Water Resources and the California Natural Resources Agency are responsible for the state-level administration of the bond programs.

## **METHODOLOGY**

To determine whether grant expenditures were in compliance with applicable laws, regulations, and grant requirements; and if 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 grantee's accounting records, vendor invoices, 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 agreements were met.
- Performed procedures to assess the monitoring and reporting practices of FID.
- Reviewed documentation provided for matching funds.

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.

Based on the audit 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**

<b>Grant Agreement E90018 For the Period March 11, 2005 through December 31, 2008</b>	
<b>Category</b>	<b>Claimed *</b>
Phase 1	
District Agreements	\$ 10,779
Environmental	20,122
Land and ROW Acquisition	582,898
Engineering, Design, Bidding	230,033
Construction	1,696,499
Project Administration	22,365
Contingency	0
Total Phase 1	\$ 2,562,696

<b>Grant Agreement E90018 (continued) For the Period March 11, 2005 through December 31, 2008</b>	
<b>Category</b>	<b>Claimed *</b>
Phase 2	
District Agreements	\$ 1,250
Environmental	9,426
Land and ROW Acquisition	312,241
Engineering, Design, Bidding	189,854
Construction	1,534,108
Project Administration	5,497
Contingency	0
Total Phase 2	2,052,376
Total Expenditures	\$ 4,615,072

\* Claimed amounts include reimbursed retention totaling \$461,507 (10%).

<b>Grant Agreement 4600003156 For the Period June 1, 2003 through October 31, 2005</b>	
<b>Category</b>	<b>Claimed</b>
Coordination with Small Water System (SWS)	\$ 7,229
Water Quality Monitoring (QUA)	50,622
Well Water Level Monitoring (LEV & GIS)	105,803
Groundwater Recharge Evaluation (REC)	34,549
Groundwater Management Plan and Project Reporting (GWM)	20,756
Total Expenditures	\$ 218,959

<b>Grant Agreement 4600008190</b>	
<b>For the Interim Period June 20, 2008 through August 19, 2011<sup>2</sup></b>	
<b>Category</b>	<b>Claimed</b>
Coordination with Small Water System (SWS)	\$ 9,750
Water Quality Monitoring (QUA)	9,078
Well Water Level Monitoring (LEV & GIS)	14,647
Groundwater Recharge Evaluation (REC)	2,273
Administration (Applicable to all Tasks)	14,427
<b>Total Expenditures</b>	<b>\$ 50,175</b>

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<sup>2</sup> The contract period was extended to September 30, 2011 per Amendment 1. Additional costs may be claimed that are not reflected in this report.