



Transmitted via e-mail

September 20, 2012

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 13 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 4600001767 and 4600002517.

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 YCWA. 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. 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
Ms. Page Hensley, Financial Manager, Yuba County Water Agency

AUDIT REPORT

Yuba County Water Agency Proposition 13 Bond Program Grant Agreements 4600001767 and 4600002517



Pump Station 1
Source: Yuba County Water Agency

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

MEMBERS OF THE TEAM

Susan Botkin, CGFM
Manager

Angie Williams
Supervisor

Staff
Dennis Williams

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, 6th Floor,
Sacramento, CA 95814
(916) 322-2985

BACKGROUND, SCOPE METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act (Proposition 13). The \$1.97 billion of bond proceeds provide for grants to finance a variety of resource programs.

The Yuba County Water Agency (YCWA) received two grants totaling \$5,650,000 from the California Department of Water Resources (DWR). The purpose of grant 4600001767 (\$1,500,000) is to implement the Conjunctive Use Pilot Project, which involves installation of eight extraction wells in proximity to an existing irrigation canal distribution system. The purpose of grant 4600002517 (\$4,150,000) is to supply an area of Yuba County that is solely reliant on groundwater for irrigation with surface water from the Yuba River.

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>
4600001767	June 12, 2002 through December 31, 2008
4600002517	June 1, 2004 through December 31, 2009

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.

YCWA 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 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 and vendor 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.

- Evaluated whether a sample of 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 4600001767	
Task	Claimed
A1 Program Management	\$ 274,792
A2 Prepare AB3030 and Implementation	131,606
A3 Operational Planning for the SVWMA	97,948
A4 Engineering/Hydrogeologic Investigation	578,117
A5 Long-Term Conjunctive use Foundation	52,883
B1 Construction Planning	28,911
B2 Environmental Documentation	1,169
B3 Final Design/Construction Documentation	1,525
B4 Construction Administration	8,658
B5 Monitoring	7,241
B6 Reporting	2,738
B7 Permit	5,546
B8 Insurance	0
B9 Construction	142,961
B10 Development of Subsidence Monitoring	15,904
Retention	150,001
Total Project Expenditures	\$ 1,500,000

Grant Agreement 4600002517	
Task	Claimed
1 Land Purchase Easements	\$ 290,347
2 Planning/Design/Engineering	707,862
3 Materials and Installation	433,370
4 Structures	1,716,693
5 Environmental/Mitigation/Enhancements	764,499
6 Project Administration and Overhead	200,695
7 Legal and License Fees	36,534
Total Project Expenditures	\$ 4,150,000