



Transmitted via e-mail

April 13, 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—Contra Costa Water District, Propositions 13 and 50 Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the following Contra Costa Water District's grants:

<u>Grant Agreement</u>	<u>Grant Period</u>	<u>Awarded</u>
4600002846	March 15, 2002 through June 30, 2005	\$2,009,950
4600003804	October 15, 2004 through June 30, 2011	\$10,137,716
4600004212	January 26, 2006 through December 31, 2008	\$647,446

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 Contra Costa Water District. If you have any questions regarding this report, please contact Diana Antony, Manager, or Chikako Takagi-Galamba, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

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  
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. Marie Valmores, Grant Coordinator, Contra Costa Water District  
Mr. Lars Sandberg, Project Controls Manager, Contra Costa Water District  
Mr. Dan Owre, Director of Construction, Contra Costa Water District  
Ms. Rachel Murphy, Director of Engineering, Contra Costa Water District  
Ms. Desiree Castello, Finance Manager, Contra Costa Water District  
Mr. Luis Llamas, Senior Construction Engineer, Contra Costa Water District  
Mr. Chris Hentz, Principal Engineer, Engineering Services, Contra Costa Water District  
Mr. Alex Alcantara, Senior Accountant, Contra Costa Water District  
Mr. Chris Dundon, Water Conservation Supervisor, Contra Costa Water District

# AUDIT REPORT

---

## Contra Costa Water District Propositions 13 and 50 Bond Programs Grant Agreements 4600002846, 4600003804, and 4600004212



Contra Costa Canal Encasement Project  
Source: Contra Costa Water District

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

**MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Chikako Takagi-Galamba  
Supervisor

Staff  
Wendy Griffe

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  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814  
(916) 322-2985

# BACKGROUND, SCOPE AND METHODOLOGY

---

## BACKGROUND

California voters approved the Safe Drinking Water, Clean Water, Watershed Protection and Flood Protection Act of 2000 (Proposition 13), and the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) for \$1.97 billion and \$3.44 billion, respectively. The bond proceeds finance a variety of resource programs and are administered by several state agencies that provide grants to local government and non-profit organizations.

The Contra Costa Water District (District), founded in 1936, serves approximately 550,000 people in central and east Contra Costa County. Their mission is to strategically provide a reliable supply of high quality water at the lowest cost possible, in an environmentally responsible manner. (Source: Contra Costa Water District website)

The District received the following Proposition 13 and 50 grants from the California Department of Water Resources (Department):

*CALFED Old River and Rock Slough Water Quality Improvement Project* (Grant 4600002846) – Proposition 13 grant totaling \$2,009,950 to reduce, to the extent possible, all significant local sources of water quality degradation that impact the drinking water quality available to the Contra Costa Water District at the Old River and Rock Slough intakes. The grant included pre-construction work such as feasibility studies, CEQA filings, and other testing required during the initial phase of the project.

*CALFED Old River and Rock Slough Water Quality Improvement Project* (Grant 4600003804) – Proposition 13 grant totaling \$10,137,716 for the Contra Costa Canal Encasement. The grant covers four general areas of the Canal Encasement: Engineering, Environmental Documentation and Permitting, Design, and Construction.

*High Efficiency Toilet and Urinal Replacement Program Grant* (Grant 4600004212) – Proposition 50 grant totaling \$647,446 for a high efficiency toilet program that will support the conservation component of the District's future Water Supply Plan and the Urban Water Management Plan.

## SCOPE

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

<u>Grant Number</u>	<u>Grant Period</u>	<u>Award</u>
4600002846	March 15, 2002 through June 30, 2005 <sup>1</sup>	\$2,009,950
4600003804	October 15, 2004 through June 30, 2011	\$10,137,716
4600004212	January 26, 2006 through December 31, 2008	\$647,446

---

<sup>1</sup> In 2004, Finance conducted an interim audit on Grant 4600002846; the interim audit covered the period March 15, 2002 through September 30, 2003 with no audit findings. The current audit of Grant 4600002846 focused on transactions subsequent to the interim audit.

The audit objectives were to determine whether the District's grant expenditures were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. 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 as well as evaluating the efficiency and effectiveness of the program. The Department and the Natural Resources Agency are responsible for state-level administration of the bond programs.

## **METHODOLOGY**

To determine whether grant expenditures were in compliance with applicable laws, regulations, and the grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the grant-related internal controls.
- Examined the grant files, grant agreements, and applicable policies and procedures.
- Reviewed the District's reimbursement claims, 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.
- On a sample basis, evaluated whether grant deliverables required by the grant agreements were met.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with the staff directly responsible for administering grant funds. The audit was conducted from September 2011 through March 2012.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Based on the audit procedures performed, the grant expenditures claimed were in compliance with applicable laws, regulations, and the grant requirements. No observations or questioned costs were identified. The Schedules of Claimed Amounts are presented in Table 1.

**Table 1: Schedules of Claimed Amounts**

<b>Grant Agreement 4600002846 For the Period March 15, 2002 through June 30, 2005</b>	
<b>Category</b>	<b>Claimed<sup>1</sup></b>
<b>Old River</b>	
ID and Quantify Sources of Degradation	\$ 102,407
ID and Quantify Alternatives	186,580
Environmental Docs/Permits	241,667
Project Management	113,074
<b>Rock Slough</b>	
ID and Quantify Sources of Degradation	540,481
ID and Quantify Alternatives	338,126
Environmental Docs/Permits	286,450
Public Involvement Program	49,227
Project Management	151,925
<b>Total Expenditures</b>	<b>\$2,009,937</b>

<b>Grant Agreement 4600003804 For the Period October 15, 2004 through June 30, 2011</b>	
<b>Category</b>	<b>Claimed<sup>2</sup></b>
Environmental/Permitting	\$ 2,523,502
Design	1,650,862
Implementation	5,468,800
Cost Control and Competitive Bid Process	5,000
Project Management	428,266
<b>Total Expenditures</b>	<b>\$10,076,430</b>

<b>Grant Agreement 4600004212 For the Period January 26, 2006 through December 31, 2008</b>	
<b>Category</b>	<b>Claimed</b>
Administration and Fixture Purchase	\$647,446
<b>Total Expenditures</b>	<b>\$647,446</b>

<sup>1</sup> The District was awarded \$2,009,950.

<sup>2</sup> The District was awarded \$10,137,716, but only claimed \$10,076,430.