



Transmitted via e-mail

December 4, 2013

Mr. Thomas Howard, Executive Director  
State Water Resources Control Board  
P.O. Box 100  
Sacramento, CA 95812-0100

Dear Mr. Howard:

**Final Report—Calleguas Municipal Water District Proposition 40 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Calleguas Municipal Water District's (District) grant 06-209-554-2 for the period November 15, 2006 through January 31, 2010.

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 District. If you have any questions regarding this report, please contact Diana Antony, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

cc: Ms. Leslie Laudon, Manager, Division of Financial Assistance, State Water Resources Control Board  
Ms. Kim Gossen, Fiscal Unit Manager, State Water Resources Control Board  
Ms. Jennifer Taylor, Budget Officer, State Water Resources Control Board  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Ms. Susan B. Mulligan, General Manager, Calleguas Municipal Water District  
Ms. Kristine McCaffrey, Manager of Engineering, Calleguas Municipal Water District  
Mr. Dan Smith, Manager of Finance, Calleguas Municipal Water District

Calleguas Municipal Water District  
Proposition 40 Bond Program  
Grant Agreement Number 06-209-554-2



Salinity Management Pipeline Phase 1B  
Source: Calleguas Municipal Water District

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

**MEMBERS OF THE TEAM**

Diana Antony  
Manager

Staff  
Michael Bratman

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**

California voters approved the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40). The \$2.6 billion in bond proceeds finance a variety of natural resource programs.

The Calleguas Municipal Water District's (District) mission is to provide its service area with a reliable and adequate supply of quality supplemental water, through the acquisition and distribution of regional and locally developed water in an environmentally and economically responsible manner.

In 2006, the District received a \$5 million grant from the State Water Resources Control Board (SWRCB) under Proposition 40 to develop the Calleguas Regional Salinity Management Project (Brine Line Project). The goal of the Brine Line Project was to reduce salinization in Calleguas Creek Watershed (watershed), remove existing salts, enhance the use of local groundwater resources, and support the watershed's designated beneficial uses.<sup>1</sup>

## **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 06-209-554-2 for the period November 15, 2006 through January 31, 2010.

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.

District management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. SWRCB 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 grant requirements; and whether 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 and vendor invoices.

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<sup>1</sup> Source: Calleguas Municipal Water District website

- 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 agreement 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 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 were in compliance with the grant agreement, and grant deliverables were completed as required. The Schedule of Claimed Amounts is presented in Table 1.

**Table 1: Schedule of Claimed Amounts**

<b>Grant Agreement 06-209-554-2</b>	
<b>Task</b>	<b>Claimed</b>
Construction	\$ 5,000,000
Total Grant Costs	5,000,000
Matching Funds	6,000,000
Total Project Costs	\$11,000,000