



Transmitted via e-mail

April 17, 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—Glenn-Colusa Irrigation District, Proposition 50 Grant Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the following Glenn-Colusa Irrigation District (District) grants:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
4600004175	March 27, 2006 through December 31, 2008	\$257,000
4600004531	January 3, 2006 through March 31, 2011	\$499,940
4600007828	January 1, 2008 through December 31, 2010	\$2,383,000
4600007369	September 30, 2006 through April 30, 2011	\$1,400,000

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, or Lisa Negri, 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. Jeff 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
Mr. Thaddeus L. Bettner, General Manager, Glenn-Colusa Irrigation District
Mr. Dennis Michum, Project Director, Glenn-Colusa Irrigation District
Ms. Karen M. Alves, Assistant Treasurer, Glenn-Colusa Irrigation District

AUDIT REPORT

Glenn-Colusa Irrigation District Proposition 50 Bond Program Grant Agreements 4600004175, 4600004531, 4600007828, and 4600007369



Source: Lower Main Canal, SCADA Site Visit

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

MEMBERS OF THE TEAM

Diana Antony
Manager

Lisa Negri
Supervisor

Staff
Lorena Romero

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
300 Capitol Mall, Suite 801
Sacramento, CA 95814
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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

In November 2002, California voters approved the Water Security, Clean Drinking Water, Coastal and Beach Protection Bond Act of 2002 (Proposition 50), which authorized the State of California to sell \$3.44 billion in general obligation bonds. The bond proceeds provide funds for grants and loans to assist in meeting safe drinking water standards; acquisition, restoration, protection, and development of river parkways; and coastal watershed and wetland protection.

Glenn-Colusa Irrigation District

The Glenn-Colusa Irrigation District (District) was organized in 1920 with boundaries covering approximately 175,000 acres, of which 138,800 acres of deeded property is irrigable. There are an additional 5,000 acres of private habitat land. Water supplied by the District to thousands of acres of rice land provides valuable habitat for migrating waterfowl during the winter months. The District's mission is to provide reliable, affordable water supplies to its landowners and water users, while ensuring the environmental and economic viability of the region¹.

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

Regional Drain Regulation Reservoir Feasibility Study (Grant 4600004175)—Feasibility study investigating the viability of adding a regulating reservoir to the District's conveyance system near its termination of the Colusa Basin Drain. The study addressed project components to design, construct, and implement a successful project.

Lower Tuscan Integrated Planning Program (Grant 4600004531)—Evaluate the integration of the Lower Tuscan Formation aquifer into the management of regional water supplies to achieve water supply reliability and enhance the ecosystems in the rivers of the Sacramento Valley.

Water Conservation and Management Project (Grant 4600007828)—Modernization and expansion of the water distribution system for the main canal and integration with an existing regulating reservoir.

Stony Creek Project (Grant 4600007369)—Installation of three deep water supply production wells to augment water supply options and facilitate integration of the Lower Tuscan Formation aquifer system.

¹ Source: District website, www.gcid.net/GCIDBackground.html.

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	<u>Awarded</u>
4600004175	March 27, 2006 through December 31, 2008	\$ 257,000
4600004531	January 3, 2006 through March 31, 2011	\$ 499,940
4600007828	January 1, 2008 through December 31, 2010	\$2,383,000
4600007369	September 30, 2006 through April 30, 2011	\$1,400,000

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. In order to design adequate procedures to conduct our audit, we obtained an understanding of the relevant internal controls. 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. DWR and the California Natural Resources Agency are responsible for the state-level administration of the bond programs.

METHODOLOGY

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

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files and grant agreements.
- Reviewed the District's accounting records, such as vendor invoices, and bank statements.
- Selected a sample of expenditures to determine whether expenditures were allowable, grant related, incurred within the grant period, and properly supported.
- Determined if other revenue was used to reimburse expenditures already reimbursed with grant funds.
- Conducted site visits to verify project existence.
- Evaluated whether a sample of grant deliverables required by the grant agreement were met.

The results of our 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 August 2011 through April 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.

² An interim audit was conducted on grants 4600004531, 4600007828, and 4600007369, based on claimed and paid, as the grant periods end in December 2011, December 2012, and December 2012, respectively. Additional amounts may be claimed and paid for periods subsequent to the audit periods stated above.

RESULTS

Based on the audit procedures performed, grant expenditures claimed are in compliance with applicable laws, regulations, and 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

Grant Agreement 4600004175 For the Period March 27, 2006 through December 31, 2008	
Category	Claimed
Consultant Services—Survey	\$257,000
Total Expenditures	\$257,000

Grant Agreement 4600004531 For the Period January 3, 2006 through March 31, 2011	
Category	Claimed
Workshops	\$ 145,324
Groundwater/Surface Water Modeling	151,939
Surface Water Delivery Alternatives	30,491
Environmental Flow Improvement	61,450
Management Scenarios	47,461
Select Alternatives	5,988
Institutional Feasibility	9,978
Stakeholders Risk Assessment	16,321
Fiscal Administration	22,988
Total Expenditures	\$ 491,940

Grant Agreement 4600007828 For the Period January 1, 2008 through December 31, 2010	
Category	Claimed
System Upgrades & Expansions	\$ 769,240
Wireless Data Radio Network	513,282
Total Expenditures	\$ 1,282,522

Grant Agreement 4600007369
For the Period September 30, 2006 through April 30, 2011

Category	Claimed
Program Outreach	\$ 7,460
Exploratory Drilling	145,767
Groundwater Production Element	838,805
Engineering and Legal Services	1,193
Program Management Services	65,215
Total Expenditures	\$ 1,058,440