



Transmitted via e-mail

September 25, 2013

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

Dear Mr. Howard:

**Final Report—Palmdale Water District, Proposition 13 Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Palmdale Water District's (District) grant 04-208-556-3 issued by the State Water Resources Control Board.

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: 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. Pam Biggins, Administration and Financial Section Manager, State Water Resources Control Board  
Ms. Jennifer Taylor, Budget Officer, State Water Resources Control Board  
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. Dennis LaMoreaux, General Manager, Palmdale Water District  
Mr. Matthew Knudson, Engineering Manager, Palmdale Water District  
Mr. Michael Williams, Finance Manager, Palmdale Water District

# AUDIT REPORT

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## Palmdale Water District Proposition 13 Bond Program Grant Agreement 04-208-556-3



Palmdale Ditch Water Management Project

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

## **MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Lisa Negri  
Supervisor

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**

In March 2000, California voters approved the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13). The \$1.97 billion of bond proceeds finance a variety of natural resource programs.

The Palmdale Water District (District) received a \$1,512,250 Proposition 13 grant from the State Water Resources Control Board (SWRCB) to develop the Palmdale Ditch Resource Management Plan and Program (Project). The Project's goal was to place 5,200 feet of 48 inch pipe into a section of the Palmdale Ditch, apply water quality management practices, and monitor water quality conditions.

## **SCOPE**

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant agreement 04-208-556-3 for the period December 1, 2004 through May 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 the grant requirements; and if the 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.
- Selected a sample of expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.

- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting a site visit to verify existence of the pipeline.

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 procedures performed, the grant expenditures claimed were in compliance with the requirements of 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 04-208-556-3</b>	
<b>Task</b>	<b>Claimed</b>
Personnel Services	\$ 61,777
Operating Expenses	33,158
Professional and Consulting Fees	172,875
Construction Expenses	1,244,440
Total Grant Funds	1,512,250
Match Funds	942,176
Total Project Expenditures	\$ 2,454,426