



Transmitted via e-mail

October 26, 2016

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 1E and 84 Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Contra Costa Water District's (District) grants 4600009425, 4600009720, 4600009636, and 4600010067, issued by the California Department of Water Resources.

The enclosed report is for your information and use. Because there were no audit findings 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 Jon Chapple, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Jennifer Whitaker, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Carl Torgersen, Chief Deputy Director, California Department of Water Resources
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
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Ms. Lisa M. Borba, President, Board of Directors, Contra Costa Water District
Mr. Jerry Brown, General Manager, Contra Costa Water District

Contra Costa Water District
Propositions 1E and 84 Bond Programs
Grant Agreements 4600009425, 4600009720,
4600009636, and 4600010067



Title: Contra Costa Canal Levee Elimination and Flood Protection Project
Source: Contra Costa Water District

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

MEMBERS OF THE TEAM

Jon G. Chapple, CPA
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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E), and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for \$4.1 billion and \$5.4 billion, respectively. The bond proceeds finance a variety of natural resource programs.

The Contra Costa Water District (District) serves 500,000 customers in 13 cities and is a major urban water supplier and leader in drinking water treatment technology and advocacy for the Sacramento-San Joaquin Delta. The District's mission is to strategically provide a reliable supply of high-quality water at the lowest cost possible, in an environmentally responsible matter.¹

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

- **East Contra Costa County Integrated Regional Water Management (IRWM) Planning (4600009425)**—\$449,843 awarded under Proposition 84 to revise and update the 2006 Functionally Equivalent Integrated Regional Water Management Plan, develop a Pittsburg Plain groundwater management plan, develop a Data Gap Water Plan for a portion of the Tracy Subbasin, develop a salinity and nutrient management program, and conduct public outreach. The District will provide an estimated \$155,000 in match funding for the project.
- **IRWM Implementation (4600009720)**—\$1,775,000 awarded under Proposition 84 for three projects associated with the East Contra Costa County IRWM. The projects include the rehabilitation of the Pittsburg Recycled Water Pipeline, watershed protection and restoration including acquisition and restoration of portions of eastern Contra Costa County, and the expansion and further rehabilitation of the Pittsburg Recycled Water Pipeline. The District and local agency sponsors will provide \$618,000 in match funding for the projects.
- **Contra Costa Canal Levee Elimination and Flood Protection Project (Levee Project) (4600009636)**—\$10,000,000 awarded under Proposition 1E to assist in financing Phase 5 of the Levee Project. Phase 5 includes pipeline installation beginning at Marsh Creek, the elimination of 1.5 miles of earthen levees, and the installation of a flood isolation structure at the Rock Slough headworks. The District will provide \$10,000,000 in match funding for the project.
- **IRWM Planning (4600010067)**—\$451,818 awarded under Proposition 84 to enhance the IRWM by increasing outreach to disadvantaged communities, continue the development of recycled water planning and regional water efficiency including the preparation of a System Optimization Report, and update the IRWM Plan. The District and other project participants will provide an estimated \$867,000 in match funding for the project.

¹ Source: The District's 2015 Annual Report located on the District's website, www.ccwater.com.

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>
4600009425	October 1, 2008 through November 30, 2013
4600009720	August 16, 2011 through September 30, 2015
4600009636	October 1, 2011 through April 30, 2016 ²
4600010067	February 5, 2012 through September 30, 2015

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.

The District's 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 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:

- Examined the grant files, grant agreements, program guidelines, and applicable policies and procedures.
- Reviewed the District's accounting records, vendor invoices, cancelled checks, and bank statements.
- Selected a sample of claimed 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 agreements.
- Evaluated whether a sample of grant deliverables were met by reviewing project reports, technical reports, and conducting site visits to verify existence of specific physical project components.

In conducting our audit, we obtained an understanding of the District's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. No deficiencies in internal control were identified during our audit or determined to be significant within the context of our audit objectives.

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.

² An interim audit was conducted on grant 4600009636 since the grant term ends December 31, 2018.

RESULTS

Based on the procedures performed, the grant expenditures claimed complied with the grant agreements requirements. Additionally, the grant deliverables available for review at the time of our site visit in July 2016 were completed as specified in the grant agreements. The Schedules of Claimed Amounts are presented below.

Schedules of Claimed Amounts

Grant Agreement 4600009425	
Task	Claimed
Update and Integrate East County Integrated Regional Water Management Plan	\$ 180,300
Develop Pittsburg Plain Groundwater Management Plan	61,371
Data Gap Analysis for East County Portion of Tracy Subbasin	48,052
Develop Salinity & Nutrient Management Program	82,145
Public Outreach	53,080
Funding Administration	24,895
Total Grant Funds	\$ 449,843
Match Funds	154,867
Total Project Expenditures	\$ 604,710

Grant Agreement 4600009720	
Project 1: Pittsburg Recycled Water Pipeline Rehabilitation	
Task	Claimed
Direct Project Administration	\$ 12,302
Land Purchase/Easement	463
Planning/Design/Engineering/Environmental Documentation	62,887
Construction/Implementation	831,660
Construction Administration	66,700
Total Grant Funds	\$ 974,012
Match Funds	286,440
Total Project Expenditures	\$ 1,260,452

Project 2: Watershed Protection and Restoration	
Task	Claimed
Direct Project Administration	\$ 20,000
Planning/Design/Engineering/Environmental Documentation	250,000
Construction/Implementation	380,000
Total Grant Funds	\$ 650,000
Match Funds	243,000
Total Project Expenditures	\$ 893,000

Project 3: Pittsburg Recycled Water Pipeline Expansion and Rehabilitation	
Task	Claimed
Direct Project Administration	\$ 13,154
Planning/Design/Engineering/Environmental Documentation	21,643
Construction/Implementation	97,328
Construction Administration	18,863
Total Grant Funds	\$ 150,988
Match Funds	88,560
Total Project Expenditures	\$ 239,548

Grant Agreement 460009636	
Task	Claimed³
Land Purchase/Easement	\$ 63,110
Planning/Design/Engineering/Environmental Documentation	300,000
Construction/Implementation	9,516,697
Total Grant Funds	\$ 9,879,807
Match Funds	9,884,218
Total Project Expenditures	\$ 19,764,025

Grant Agreement 4600010067	
Task	Claimed
Personnel Services	\$ 232,547
Professional & Consultant Services	219,271
Total Grant Funds	\$ 451,818
Match Funds	867,069
Total Project Expenditures	\$ 1,318,887

³ DWR awarded \$10,000,000 and the District has claimed \$9,879,807 as of April 30, 2016.