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Summary and response only

**Alleghany County Water District**  
Proposition 1 Bond Program  
Agreements D15-02031 and D17-02013

Report No. 22-3940-036  
July 2022

## **CONCLUSION**

Based on the procedures performed and evidence gathered, we obtained reasonable assurance the claimed expenditures, excluding any SWRCB adjustments, complied with the agreements' requirements. However, we identified an area where the District could improve its administration management practices, as noted in Finding 1. Additionally, the District did not complete all the project deliverables required in the agreements, as described in Finding 2.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding 1: Improvement Needed for Professional Services Procurement**

The District contracted with two professional services firms to provide construction management and/or engineering services for the projects; however, the District did not provide evidence that the selection was based on demonstrated competence and qualifications, as required. The District stated the engineering firm providing construction management and engineering services was selected by soliciting and obtaining recommendations from surrounding districts, and reviewing the recommended firms' resumes and credentials. The District was not aware of the legal requirements relating to the procurement of professional services. The District's review of only one candidate's qualifications omitted the evaluation of other potential candidates. Further, the engineering firm hired to perform hydrogeology and geotechnical studies was selected through an informal bid process. And while the District stated the evaluation to support the candidate selection was performed, including the review of resumes and discussing potential candidate qualifications, the evaluation was not documented as the District was managing other priorities. Additionally, the District does not have documented policies or procedures for the procurement of professional services.

California Government Code section 4526 requires local agency heads to select private architectural, landscape architectural, engineering, environmental, land surveying, or construction project management firms for professional services on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required.

Contract administrative state laws exist to protect the public from misuse or waste of public funds, provide qualified service organizations with a fair opportunity, stimulate competition, and help prevent favoritism, fraud, and abuse in selecting firms for service. Additionally, securing professional services without confirmation of competence and qualifications increases the risk that bond funds may not be expended in the most prudent and economical manner, which may impact the quality and/or completion of the project deliverables.

**Recommendations:**

- A. Develop and implement policies and procedures to solicit, evaluate, and select candidates for professional services based on demonstrated competence and professional qualifications.
- B. Maintain documentation to support the selection of a particular candidate.

**Finding 2: Incomplete Planning Project Deliverables**

For Agreement D15-02031, the District did not fully complete the Planning, Specification, and Cost Estimates and the CEQA/NEPA Compliance deliverables by March 31, 2021, as required. Specifically, the final construction drawings and specifications, and estimated construction costs were not completed. Further, while the project was eligible for CEQA exemption status, the District did not file the required CEQA Notice of Exemption until September 20, 2021, nearly six months after the deadline. Nevertheless, SWRCB accepted the project as complete based on the depletion of Agreement funds, the understanding that the incomplete deliverables were to be funded through other sources, and the District's submission of the March 2, 2021 Project Completion Report which identified the incomplete deliverables. SWRCB stated the deliverables modifications were agreed upon by both parties; however, SWRCB and the District did not provide written documentation memorializing the agreement. Without written documentation to support approved agreement term modifications, the agreement may not be legally enforceable.

Agreement section 2.10 (c) (1), states prompt notification of any substantial change in the scope of work must be provided and no substantial change in scope of work will be undertaken until written notice of the proposed change has been provided to SWRCB and written approval received. Further, the Agreement's Amendment 4, Attachment A states all milestones must be achieved with relevant deliverables approved by SWRCB and the final invoice submitted prior to March 31, 2021.

**Recommendation:**

- A. Ensure all Agreement requirements are met and scope of work changes and approvals are documented.



# Alleghany County Water District

P.O. Box 860, Alleghany CA 95910

530-287-3204 alleghanywater.org alleghanywater@gmail.com

July 1, 2022

Kylie L. Ottman, CPA Assistant Chief  
California Dept. of Finance  
Office of State Audits and Evaluations  
915 L Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814

Response to the findings of Audit report No: 22-3940-036

Dear Ms. Ottman,

This letter is ACWD's formal response to the audit report referenced above. ACWD takes its responsibilities seriously and is pleased that its financial accounting and administrative record keeping was found to be substantially in compliance with the terms of both funding agreements.

Regarding finding number one: ACWD is in the process of drafting a policy and procedure for procurement of professional services for future use. The audit finding is informing the development and adoption of this policy and procedure.

Regarding finding number two: The failure to modify agreement D15-02031 to reflect the fact that the environmental work had to be shuttled to other programs for completion was an oversight on the part of both ACWD and the Dept. of Financial Assistance.

In hindsight, the scope of agreement D15-02031 was too broad for completion within the given budget constraints for planning projects. As of today, the environmental work is still in the process of being completed through Technical Assistance offered by the State Dept. of Financial Assistance's SAFER program.

ACWD is grateful for the assistance that it has and continues to receive via these State sponsored programs. Without such assistance it is unlikely that the district would be able to provide safe and affordable drinking water to the community of Alleghany.

ACWD appreciates the professionalism displayed by you and the other team members: Crystal Venneman and Yeng Xiong throughout the audit. We also appreciate your patience and understanding regarding the fact that our district does not have full-time office staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Rae Bell Arbogast".

Rae Bell Arbogast  
General Manager