

COACHELLA VALLEY WATER DISTRICT

SINGLE AUDIT REPORT

JUNE 30, 2017

COACHELLA VALLEY WATER DISTRICT

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Coachella Valley Water District
Coachella, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the each major fund, and the aggregate remaining fund information of the Coachella Valley Water District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





CPAs AND ADVISORS

Board of Directors
Coachella Valley Water District
Coachella, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
December 20, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Coachella Valley Water District
Coachella, California

Report on Compliance for Each Major Federal Program

We have audited the Coachella Valley Water District, California (the District)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



Board of Directors
Coachella Valley Water District
Coachella, California

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002, which we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



CPAs AND ADVISORS

Board of Directors
Coachella Valley Water District
Coachella, California

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Coachella Valley Water District, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 20, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California

March 23, 2018 (except for the Report on the Schedule of Expenditures of Federal Awards which is dated December 20, 2017)

COACHELLA VALLEY WATER DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of the Interior Bureau of Reclamation</u>			
Direct Program:			
Sustaining and Manage America's Resources for Tomorrow*	15.507	N/A	\$ 796,083
Federal adjustment for FY 2016-17 expenditures:			<u>(570,964)</u>
Total U.S. Department of Housing and Urban Development			<u>225,119</u>
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
Cooperating Technical Partners	97.045	N/A	<u>5,540</u>
Total U.S. Department of Homeland Security			<u>5,540</u>
Total Federal Expenditures			<u>\$ 230,659</u>

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

Note d: This adjustment was due to the agency applying the incorrect matching ratio to the grant during it's initial phase. The federal agency corrected the error by adjusting th federal share of expenditure that occurred during FY 2016-17.

COACHELLA VALLEY WATER DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Coachella Valley Water District, California, that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the District from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the District becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

COACHELLA VALLEY WATER DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ___yes ___X_no
- Material weaknesses identified? ___yes ___X_none reported

Noncompliance material to financial statements noted? ___yes ___X_no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ___X_yes ___no
- Material weaknesses identified? ___yes ___X_none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Code of Resolutions Part 200 ___X_yes ___no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.507	Sustaining and Manage America's Resources for Tomorrow

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee? ___yes ___X_no

COACHELLA VALLEY WATER DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2017-001

Noncompliance & Significant Deficiency:

Reporting

Federal Program:

Federal Agency: Department of the Interior

CFDA number: 15.507

Title: Sustaining and Manage America's Resources for Tomorrow

Grant number: R15AP00138

Criteria or specified requirement:

Per Inspection of the Federal Financial Report, The participating agency agrees to submit a quarterly Federal Financial Reports within 30 days of each quarter end in accordance with the Bureau of Reclamation's guidelines.

Condition:

Per inspection of the quarterly reports and submission email, the Federal Financial Report for quarter ended 12/31/16 was submitted on 3/9/2017 and should have been submitted by 1/30/2017.

Cause:

The District does not have a formal process for reviewing and tracking reporting deadlines.

Effect:

Failure to submit the report by the required deadline has resulted in noncompliance.

Questioned Costs:

None.

Context:

Per inspection of the submitted reports, the required quarterly reports were not submitted within the 30 day reporting deadline.

Recommendation:

We recommend that the District implement a system to ensure that all required reporting deadlines are tracked and required submissions are made timely.

Management Response & Corrective Action:

All reporting responsibilities are now the responsibility of the Finance Department. Each grant is entered into the grant management software (eCivis). The software includes tools for tracking the reporting due dates and prompts the user in advance of the reporting deadline to prepare the report. Two Finance staff receive the reminders for all grants.

COACHELLA VALLEY WATER DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-002

Noncompliance & Significant Deficiency:

Matching principles

Federal Program:

Federal Agency: Department of the Interior

CFDA number: 15.507

Title: Sustaining and Manage America's Resources for Tomorrow

Grant number: R15AP00138

Criteria or specified requirement:

Per the Bureau of Reclamation grant agreement with the District, the recipient of these federal funds will share the cost of the approved project by paying 86% of the total project costs, while the Bureau will reimburse the District for 14% of the costs.

Condition:

LSL recalculated the total project costs for the year and the amount of federally reimbursed funds received and noted the District had applied for a higher reimbursement ratio by the Bureau than was agreed.

Cause:

The District does not have a formal procedure for preparing and reviewing submittals for reimbursement requests to ensure matching requirements are met.

Effect:

The federal share of the project for FY2016-17 was higher than specified in the grant agreement.

Questioned Costs:

None

Context:

The District applied for federal reimbursement that was not allowable.

Recommendation:

We recommend that the District prepare reimbursement requests showing the appropriate matching calculations for the total project cost for the time period covered and the amount of reimbursement applied for.

Management Response & Corrective Action:

The responsibility for preparing and reviewing reimbursement submittals is now housed in the Finance Department. A formal procedure has been written detailing the process for preparing reimbursement requests. The requests are prepared by one person on the Finance staff and then reviewed for accuracy by another person on the Finance staff. In addition, all grant agreements are summarized in the grant management software with the applicable reimbursement rates.

COACHELLA VALLEY WATER DISTRICT

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

No single audit was required for the Fiscal Year Ended June 30, 2016.