



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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Receive an update on recommendations from the July 22, 2024, GPP Analytics, Inc. Water Recycling Agreement Expense Audit of the Water Recycling Agreement with Monterey One Water (M1W).

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Receive an update on recommendations from the July 22, 2024, GPP Analytics, Inc. Water Recycling Agreement Expense Audit of the Water Recycling Agreement with Monterey One Water (M1W).

SUMMARY/DISCUSSION:

At the request of the Monterey County Water Resources Agency ("Agency"), the County of Monterey Auditor-Controller's Office ("ACO") engaged GPP Analytics, Inc. ("GPP") to conduct a financial audit to assess the accuracy and compliance of expenses reported by Monterey One Water ("M1W") over four fiscal years (FY 2018-19 to FY 2021-22), the audit period, in accordance with the Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency [now M1W] and Monterey County Water Resources Agency (the "Agreement"). The Agreement was entered into by the Agency and M1W on November 3, 2015, to incorporate and restate agreements that had been developed over the years since the establishment of the Castroville Seawater Intrusion Project ("CSIP"), the Salinas Valley Reclamation Project ("SVRP"), and the Salinas River Diversion Facility ("SRDF"). Subsequently, there have been three minor amendments to the Agreement related to the New Source Water Facilities and more recently a fourth amendment to address multiple Audit recommendations.

The Audit's objectives were to evaluate M1W's expenses for compliance with the provisions of the Agreement. This work was completed through verifying if expenses for the SVRP, CSIP, and the SRDF were reasonably incurred, verifying direct and indirect costs were accurately documented, and assessing financial systems and internal controls. The Audit aimed to verify proper record keeping, accurate reporting, accurate reconciliations, and compliance with the Agreement overall. The Audit resulted in seven findings and subsequent recommendations to address those findings.

In September 2024, Agency and M1W formed a workgroup and a leadership committee to address the findings through the implementation of the Audit's recommendations and/or other identified solutions. The Audit recommendations were focused on ways to improve processes and provide clarity in the Water Recycling Agreement to benefit both agencies going forward. The workgroup and leadership committee have made significant progress over the last year to address the Audit recommendations and will continue to utilize the Audit recommendations as a guide to make future

improvements. The current status of addressing the Audit findings is in attachment 1 which provides an overview of each recommendation, how it has been addressed, and if it is resolved or needs additional work to resolve.

OTHER AGENCY INVOLVEMENT:

The Agency has worked with M1W throughout the audit phases.

FINANCING:

Staff time to participate in the workgroup meetings is included in the FY2026 approved budget and no additional costs are associated with receiving this update on Audit recommendations.

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Attachments:

1. August 2025 Status Update of the Water Recycling Agreement Expense Audit Recommendations