



Monterey County Water Resources Agency and Monterey One Water
Water Recycling Agreement Expenses Audit performed by GPP Analytics, Inc.
Dated July 22, 2024



Recommendation List

The following is a table showing all recommendation made in the audit and who they are addressed to.

	Recommendation Addressed To	Recommendation	Status as of August 12, 2025	Complete
1.1	Water Resources Agency	Seek a refund in the amount of \$1,110,117.41.	Staff have been focused on Amendment #4 to the ARWRA. Addressing this recommendation is the next priority for both Agencies.	No
1.2	Water Resources Agency and Monterey One Water	Agree to and document the method to calculate indirect costs to be used in future years and amend the Agreement to reflect this decision. The selected method should be compliant with the requirements set for the in Section 8.03 of the Agreement, and the Agreement should include a final version of the methodology and exclude words such as "sample" and "draft".	Agreement to update methodology and timeline is included in ARWRA Amend. #4, Sections 7.02(1)(iv) and 8.02(7) describes the requirements. An indirect cost rate of 14.5% has been agreed upon for FY 2024–25 and 2025–26. A cost allocation method for future years will be developed collaboratively by both agencies. The agreed-upon cost allocation method will be incorporated as a future amendment to the agreement.	In Progress
1.3	Water Resources Agency and Monterey One Water	Amend the Agreement to require that Monterey One Water must submit working papers that support and document the calculation of the indirect cost allocation amount charged to the Water Resources Agency. The working papers should include sufficient detail for the Water Resources Agency to verify how all calculations were made and any assumptions that were used in the calculations.	Included in ARWRA Amend. #4, Section 8.02(1) A cost allocation method for years beyond FY 2025-2026 will be developed collaboratively by both agencies. The agreed-upon cost allocation method will be incorporated as an amendment to the agreement.	In Progress
2.1	Monterey One Water	Write and implement an organization-wide policy where supervisors of staff who directly bill time to the Water Resources Agency's projects review all work order time entered and timesheet time prior to approving timesheets for payroll. If the supervisor sees a possible discrepancy, the	M1W has implemented a policy to ensure labor hours for O&M related work are properly documented in its payroll system (Eden) and	In Progress



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		policy should direct them to reconcile the information in both systems before approving the timesheet. This will help improve the accuracy of data in both systems.	asset management system (Lucity).	
2.2	Monterey One Water	Once any necessary corrections have been made to work order or timesheet information, Monterey One Water should provide the Water Resources Agency with detailed monthly reports of time from both systems. This will allow the Water Resources Agency to monitor Monterey One's progress and better assess the accuracy of time billed.	Lucity is used solely for work orders related to O&M and will never reflect total work hours worked on WRA projects. For example, hours for Capital Projects and water quality sampling/testing are not included in Lucity. However, M1W is reviewing the functionality of its work order system and separate payroll system to determine how best to generate a monthly report for each of the WRA programs to ensure billing accuracy and accountability.	In Progress
2.3	Monterey One Water	Seek to integrate its work order time entry with its timesheet entry for payroll. Such an integration will improve staff compliance while also saving staff time by entering their billable hours in a single place.	M1W is currently implementing a new Enterprise Resource Planning (ERP) system that will include payroll functionality. As a result, the outgoing payroll system (Eden) and asset management system (Lucity) will not be integrated. However, monthly documentation to be developed should show clear correlation between the two systems. Future integration, if available and cost-effective, could be considered.	Pending – To be determined at a later date
3.1	Monterey One Water	Implement a formal procedure for monthly reporting, assigning this responsibility explicitly to designated staff.	Included in ARWRA Amend. #4, Section 8.04(1). M1W is in the process of developing and implementing a reporting procedure for Fiscal Year 2026.	In Progress
3.2	Monterey One Water	Develop a backup plan or succession strategy for critical roles and responsibilities in the Finance Department, ensuring continuity in fulfilling key requirements of the Agreement, including the monthly expenditure reports.	M1W remains committed to fulfilling the reporting requirements outlined in the agreement, and ambiguities clarified in ARWRA Amend. #4 will help ensure continuity and compliance.	In Progress



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4.1	Monterey One Water and Water Resources Agency	Amend the Agreement to reflect the following: - Require that any funds related to the Water Resources Agency's programs should be audited annually and reported in a separate annual audit report on these funds due to the Water Resources Agency no later than December 31st of each year. The Water Resources Agency's programs should be charged for these additional auditing costs. - Require that the reconciliation statement be provided by Monterey One Water to the Water Resources Agency annually by December 31st of each year. - Require the reconciliation statement be produced by comparing the budgeted program costs against the actual amount incurred in the audited statements. This reconciliation statement shall be produced in the form of Cash Flow Statements in separate audited Financial Statement of WRA programs and will form the basis of any resulting refund. - Require that if budget savings are identified in the reconciliation statement, that such savings are applied by issuing a refund to the Water Resources Agency no later than January 31st. - Require Monterey One Water to maintain each Water Resources Agency program, including any future programs or facilities, in separate enterprise funds for each program. - Prohibit Monterey One Water from including encumbered funds in the annual reconciliation statements submitted to the Water Resources Agency. - Require that Monterey One Water cannot move monies between each individual enterprise fund established for each Water Resources Agency program. - Require that the Water Resources Agency hold reserve amounts in separate "Restricted Cash" accounts for each program to provide for an operational, maintenance, capital, and all other non-debt service costs based on 45 days working capital. - Require that Monterey One Water hold reserve amounts in separate "Restricted Cash" accounts for each program funded by the Water Resources Agency and based on all legally required debt service reserves.	Included in ARWRA Amend. #4, Section 8.03(1) by January 31 st of each year.	Yes
			Included in ARWRA Amend. #4, Section 8.03(1) by January 31 st of each year.	Yes
			Included in ARWRA Amend. #4, Section 8.03(1).	Yes
			Included in ARWRA Amend. #4, Section 8.03(1) by February 15 th of each year.	Yes
			Included in ARWRA Amend. #4, Section 7.01(1).	Yes
			Included in ARWRA Amend. #4, Section 8.03(1).	Yes
			Included in ARWRA Amend. #4, Section 7.01(1).	Yes
			Will be in future ARWRA amendment that covers Section 9.	No
			Will be in future ARWRA amendment that covers Section 9.	No
4.2	Monterey One Water	Continue its required monthly reporting as discussed in Finding 3 of this audit report.	Included in ARWRA Amend. #4, Section 8.04(1).	Yes



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4.3	Monterey One Water	Move each program of the Water Resources Agency into individual enterprise funds starting in Fiscal Year 2024–25. Prior to moving these funds, Monterey One Water should first get approval from the Water Resources Agency on the specific redistribution of any pooled cash to be redistributed to the individual funds.	M1W has established individual funds for each WRA program. The newly created funds are as follows: Fund 04 – (SVRP), Fund 05 – (CSIP), Fund 06 – (SRDF)	Yes
5.1	Monterey One Water	Reimburse the Water Resources Agency for the \$1,110,117.41 it overcharged for indirect costs during the four audit years, as stated in Finding 1.	Staff have been focused on Amendment #4 to the ARWRA. Addressing this recommendation is the next priority for both Agencies.	No
6.1	Monterey One Water and Water Resources Agency	Implement the recommendations made in Findings 1-4.	Since last year, M1W and WRA have been in discussions to finalize necessary revisions to the ARWRA to satisfy findings 1-4. Amendment #4 was approved, with an effective date of July 1, 2025.	In Progress, based on above.
7.1	Monterey One Water and Water Resources Agency	Revise the Agreement to include provisions that if problems arise between the parties and are unresolved for longer than 30 days, they be escalated and reported to both entities' Boards of Directors by email and added to the agendas for discussion at the next scheduled meetings. This might include, but not be limited to, any missed reporting deadlines by any party or ongoing disagreement between staff regarding the accuracy of financial reporting. This will encourage M1W to better adhere to their reporting requirements of the Agreement and more quickly escalate any disagreements about information accuracy to each board. Once reported, the boards will be more informed to enact a solution to resolve any dispute.	Will be in future ARWRA amendment that covers Section 13. As a first step, processes have been outlined in Amendment #4, and meetings have been set up to enhance communication between the agencies. The following meetings have been established: leadership meetings and monthly expenditure meetings.	In progress