

# **RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

Audit Report

## **FLOOD CONTROL SUBVENTIONS PROGRAM**

Norco Bluffs Bank Stabilization and Gunnerson  
Pond Environmental Restoration Projects

*July 1, 1992, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

March 2012



**JOHN CHIANG**  
**California State Controller**

March 15, 2012

Mark Cowin, Director  
Department of Water Resources  
1416 Ninth Street, Room 1115-1  
Sacramento, CA 95814

Dear Mr. Cowin:

The State Controller's Office audited claims submitted by the Riverside County Flood Control and Water Conservation District under the Flood Control Subventions Program.

The district claimed costs of \$6,259,608 for the Norco Bluffs Bank Stabilization and Gunnerson Pond Environmental Restoration projects for the period of July 1, 1992, through June 30, 2004. Our audit disclosed that \$6,048,590 is allowable and \$211,018 is unallowable. The unallowable costs of \$211,018 occurred primarily because the district claimed ineligible items and land acquisition costs that exceeded appraised values.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Nahideh Madankar, P.E., Chief  
Flood Control Subventions Program  
Division of Flood Management  
Department of Water Resources  
Warren D. Williams, General Manager-Chief Engineer  
Riverside County Flood Control and Water Conservation District  
Honorable John F. Tavaglione, Chairman  
Riverside County Board of Supervisors  
Honorable Paul Angulo, CPA  
County Auditor-Controller  
Riverside County Auditor-Controller's Office  
David Garcia, Senior Civil Engineer  
Riverside County Flood Control and Water Conservation District  
Steve Gale, Administrative Analyst  
Riverside County Flood Control and Water Conservation District

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the reimbursement claims of the Riverside County Flood Control and Water Conservation District under the Flood Control Subventions Program. Our audit included the Norco Bluffs Bank Stabilization and Gunnerson Pond Environmental Restoration Projects for the period of July 1, 1992, through June 30, 2004.

The district claimed \$6,259,608 during the audit period. Our audit disclosed that \$6,048,590 is allowable and \$211,018 is unallowable. The unallowable costs occurred primarily because the district claimed ineligible items and land acquisition costs that exceeded appraised values.

## Background

The State of California provides financial assistance to local agencies participating in the construction of federal flood control projects. Under the Flood Control Subventions Program (State Water Code, Division 6, Part 6, Chapters 1 through 4), the California Department of Water Resources pays a portion of the local agency's share of flood control project costs, including the costs of rights of way, relocation, and recreation and fish and wildlife enhancements.

State Water Code section 12832 authorizes the State Controller to audit the books and records of local agencies to determine whether the state funds received were expended for the purposes and under the conditions authorized.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the costs claimed as presented in the Summary of Project Costs (Schedule 1) are allowable and in compliance with the Department of Water Resources' Guidelines for State Reimbursement on Flood Control Projects.

We conducted this performance audit under the general authority of Government Code section 12410 and the specific authority under State Water Code section 12832. We did not audit the district's financial statements. We conducted the 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.

The sampling method we used to test transactions was haphazard sampling. The areas examined included:

- Claim preparation process
- Land acquisition costs
- Other allocable costs
- Revenue recognition

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are shown on the Summary of Project Costs (Schedule 1) and described in the Findings and Recommendations section. The Riverside County Flood Control and Water Conservation District claimed \$6,259,608 for the Norco Bluffs Bank Stabilization and Gunnerson Pond Environmental Restoration projects under the Flood Control Subventions Program for the period of July 1, 1992, through June 30, 2004. Our audit disclosed that the claimed amounts for the audit period included allowable costs of \$6,048,590 and unallowable costs of \$211,018.

**Views of  
Responsible  
Official**

We issued a draft audit report on January 5, 2012. We contacted Steve Gale, Administrative Analyst, by telephone on February 14, 2012. Mr. Gale indicated that the district declined to respond to the draft report.

**Restricted Use**

This report is solely for the information and use of the Riverside County Flood Control and Water Conservation District, the California Department of Water Resources, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

March 15, 2012

**Schedule 1—  
Summary of Project Costs  
July 1, 1992, through June 30, 2004**

<u>Project/ DWR Claim Number</u>	<u>District Claim Number</u>	<u>Costs Claimed</u>	<u>Allowable Per Audit</u>	<u>Audit Adjustments (Schedule 2)</u>	<u>Reference<sup>1</sup></u>	<u>State Share of Eligibility Percentage<sup>2</sup></u>	<u>State Share of Allowable Costs<sup>2</sup></u>
Norco Bluffs Bank Stabilization Project:							
NBBS 2001-01	1	\$ 3,514,356	\$ 3,482,367	\$ (31,989)	Finding 1	70%	\$ 2,437,657
NBBS 2001-02	2	4,598	4,598	—		70%	3,219
Gunnerson Pond Environmental Restoration Project:							
GNP 2002-01	1	263,781	149,939	(113,842)	Finding 2	60%	89,963
GNP 2005-01	2	<u>2,476,873</u>	<u>2,411,686</u>	<u>(65,187)</u>	Findings 1, 2, 3	60%	<u>1,447,012</u>
Totals		<u>\$ 6,259,608</u>	<u>\$ 6,048,590</u>	<u>\$ (211,018)</u>			<u>\$ 3,977,851</u>

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> The state share of allowable project costs represents the percentage of state funding, as stipulated in the California Water Code, for each project cost category.

**Schedule 2—  
Summary of Audit Adjustments  
July 1, 1992, through June 30, 2004**

<u>Project/ DWR Claim Number</u>	<u>District Claim Number</u>	<u>Audit Adjustments <sup>1</sup></u>			<u>Total</u>
		<u>DWR Adjustment (Finding 1)</u>	<u>Land Acquisition Costs Overclaimed (Finding 2)</u>	<u>Double- claimed Costs (Finding 3)</u>	
Norco Bluffs Bank Stabilization Project:					
NBBS 2001-01	1	\$ (31,989)	\$ —	\$ —	\$ (31,989)
NBBS 2001-02	2	—	—	—	—
Gunnerson Pond Environmental Restoration Project:					
GNP 2002-01	1	—	(113,842)	—	(113,842)
GNP 2005-01	2	(21,409)	(37,294)	(6,484)	(65,187)
Totals		<u>\$ (53,398)</u>	<u>\$ (151,136)</u>	<u>\$ (6,484)</u>	<u>\$ (211,018)</u>

<sup>1</sup> See Findings and Recommendations section.

# Findings and Recommendations

## FINDING 1— Department of Water Resources adjustments

The district's claims included costs identified as ineligible and disallowed by the California Department of Water Resources (DWR) for the Norco Bluffs Bank Stabilization Project and the Gunnerson Pond Environmental Restoration Project in the amounts of \$290,739 and \$405,058 respectively. The SCO audit determined that \$642,399 is allowable, reducing ineligible costs to \$53,398, as detailed below.

Description	DWR Adjustments		SCO Audit Adjustments	
	Reason	Amount	Reason	Amount
Norco Bluffs Bank Stabilization Project: Claim No. NBBS 2001-01:				
Payment to Army Corps of Engineers 9/94	Need further documentation	\$ (68,125)	District provided adequate documentation	\$ 0
Payment to Army Corps of Engineers 6/95	Need further documentation	(68,125)	District provided adequate documentation	0
Payment to Army Corps of Engineers 4/98	Need further documentation	(122,500)	District provided adequate documentation	0
Professional services	Need further documentation	(19,461)	SCO concurred with DWR's determination	(19,461)
Copying, photography, data processing	Administrative costs	(12,528)	SCO concurred with DWR's determination	(12,528)
Subtotal		<u>(290,739)</u>		<u>(31,989)</u>
Gunnerson Pond Environmental Restoration Project: Claim No. GNP 2002-01:				
Salaries and benefits	Administrative costs	(4,575)	SCO determined that costs claimed were for non-administrative positions	0
Claim No. GNP 2005-01:				
Professional services	Need further documentation	(379,074)	District provided adequate documentation	0
Copying, mileage	Administrative costs	(21,409)	SCO concurred with DWR's determination	(21,409)
Subtotal		<u>(405,058)</u>		<u>(21,409)</u>
Total		<u>\$ (695,797)</u>		<u>\$ (53,398)</u>

DWR's Guidelines for State Reimbursement on Flood Control Projects (February 1974), Section VI, specifies that DWR will review district claims to determine the amount eligible for reimbursement.

As a result, costs totaling \$53,398 are disallowed.

### Recommendation

The district should reduce its claims for reimbursement by \$53,398. In the future, the district should ensure that costs claimed are eligible for reimbursement under DWR guidelines.

**FINDING 2—  
Land acquisition  
costs overclaimed**

The district acquired various parcels of land for construction of the Gunnerson Pond Environmental Restoration Project.

The district claimed land acquisition costs of \$206,330 for 9 parcels of land on Claim No. GNP 2002-01, and \$1,633,920 for 197 parcels of land on Claim No. GNP 2005-01.

On Claim No. GNP 2002-01, the district claimed costs of \$113,842 that exceeded the amount of the appraisals.

On Claim No. GNP 2005-01, the district claimed costs of \$32,616 that exceeded the amount of the appraisals. Also, the district claimed \$4,678 in acquisition costs that exceeded the amount documented by payment records.

The cost detail only includes amounts for parcels of land where costs claimed were in excess of appraisals or payments, as follows:

Claim No.	Parcel No.	Costs Claimed	Appraisals	Payments	Costs Claimed in Excess of Appraisal	Costs Claimed in Excess of Payments	Total Audit Adjustments	
GNP 2002-01	378-137-013, 019	\$ 71,608	\$ 4,000	\$ 71,608	\$ (67,608)	\$ 0	\$ (67,608)	
	378-143-001	48,434	2,200	48,434	(46,234)	0	(46,234)	
Subtotal					(113,842)	0	(113,842)	
GNP 2005-01	378-122-016	9,000	7,500	9,000	(1,500)	0	(1,500)	
	378-123-017	5,001	4,000	5,001	(1,001)	0	(1,001)	
	378-124-007,008, 024, 025	9,000	8,000	9,000	(1,000)	0	(1,000)	
	378-124-017	3,900	3,200	3,141	0	(759)	(759)	
	378-143-028	17,942	16,000	18,000	(1,942)	0	(1,942)	
	378-146-004, 005	9,000	8,900	8,881	0	(119)	(119)	
	378-137-020, 021	4,248	3,700	4,310	(548)	0	(548)	
	378-135-022	4,968	4,000	4,968	(968)	0	(968)	
	378-137-031	3,800	3,800	0	0	(3,800)	(3,800)	
	378-122-019, 029, 030, 006	16,800	12,500	16,800	(4,300)	0	(4,300)	
	377-360-003, 014	196,357	175,000	196,455	(21,357)	0	(21,357)	
	Subtotal					(32,616)	(4,678)	(37,294)
	Total					\$ (146,458)	\$ (4,678)	\$ (151,136)

DWR’s Guidelines for State Reimbursement on Flood Control Projects (February 1974), Section IV, Part D, specifies that a local agency may not claim land acquisition costs in excess of the high appraised value unless it obtains the advance approval of DWR. Section VI, Part B, specifies that local agency claims will be for costs incurred.

As a result, claimed land acquisition costs of \$151,136 are disallowed.

Recommendation

The district should reduce its claim for reimbursement by \$151,136. In the future, the district should ensure that costs claimed are eligible for reimbursement under the DWR guidelines.

**FINDING 3—  
Double-claimed costs**

For the Gunnerson Pond Environmental Project, on Claim No. GNP 2005-01, the district claimed \$6,484 for employee benefits and inadvertently claimed this amount again as materials and supplies costs. The correct charge is \$6,484 for employee benefits which we allowed. We reduced the claim by \$6,484 for the duplicate charge to materials and supplies.

DWR's Guidelines for State Reimbursement on Flood Control Projects (February 1974), Section VI, Part B, specifies that local agency claims will be for costs incurred.

As a result, claimed costs of \$6,484 are disallowed.

Recommendation

The district should reduce its claim for reimbursement by \$6,484. In the future, the district should ensure that costs claimed are eligible for reimbursement under the DWR guidelines.

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