

# **VENTURA COUNTY WATERSHED PROTECTION DISTRICT**

Audit Report

## **FLOOD CONTROL SUBVENTIONS PROGRAM**

Beardsley Watershed Project

*August 8, 1988, through September 24, 1996*



**JOHN CHIANG**  
California State Controller

April 2012



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

April 30, 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 Ventura County Watershed Protection District under the Flood Control Subventions Program.

The district claimed costs of \$1,935,857 for the Beardsley Watershed project for the period of August 2, 1988, through September 24, 1996. Our audit disclosed that \$1,877,863 is allowable and \$57,994 is unallowable. The unallowable costs of \$57,994 occurred because the district claimed ineligible road improvement costs.

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/bf

cc: Nahideh Madankar, Chief  
Flood Control Subventions Program  
Department of Water Resources  
The Honorable John C. Zaragoza, Chair  
Ventura County Board of Supervisors  
Norma Camacho, Director  
Ventura County Watershed Protection District  
The Honorable Christine C., Cohen, Auditor-Controller  
Ventura County Auditor-Controller's Office  
Margaret Lopez, Fiscal Services Manager  
Ventura County Watershed Protection District  
Lucy Taylor, Accounting Supervisor  
Ventura County Watershed Protection District

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the reimbursement claims of the Ventura County Watershed Protection District under the Flood Control Subventions Program. Our audit included the Beardsley Watershed Project, for the period of August 2, 1988, through September 24, 1996.

The district claimed \$1,935,857 during the audit period. Our audit disclosed that \$1,877,863 is allowable and \$57,994 is unallowable. The unallowable costs occurred because the district claimed ineligible road improvement costs.

## 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
- Relocation 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 an instance of noncompliance with the requirements outlined above. This instance is shown on the Summary of Project Costs (Schedule 1) and described in the Finding and Recommendation section. The Ventura County Watershed Protection District claimed \$1,935,857 for the Beardsley Watershed project under the Flood Control Subventions Program for the period of August 2, 1988, through September 24, 1996. Our audit disclosed that the claimed amounts for the audit period included allowable costs of \$1,877,863 and unallowable costs of \$57,994.

**Views of  
Responsible  
Officials**

We discussed the audit results with the district's representatives during an exit conference conducted on January 31, 2012. Margaret Lopez, Fiscal Services Manager; and Lucy Taylor, Accounting Supervisor, agreed with the audit results. Ms. Lopez declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of the Ventura County Watershed Protection 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

April 30, 2012

**Schedule 1—  
Summary of Project Costs  
August 2, 1988, through September 24, 1996**

<u>Project</u>	<u>District Claim Number</u>	<u>Costs Claimed</u>	<u>Allowable Per Audit</u>	<u>Audit Adjustments</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>
Beardsley Watershed Project							
BWW 96-1	13	\$ 1,314,550	\$ 1,329,449	\$ 14,899	Finding	75% (90% for Relocations)	\$ 1,042,594
BWW 97-1	14	<u>621,307</u>	<u>548,414</u>	<u>(72,893)</u>	Finding	75% (90% for Relocations)	<u>476,929</u>
Totals		<u>\$ 1,935,857</u>	<u>\$ 1,877,863</u>	<u>\$ (57,994)</u>			<u>\$ 1,519,523</u>

<sup>1</sup> See the Finding and Recommendation 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.

# Finding and Recommendation

**FINDING—  
Costs identified  
were understated  
or overstated**

The district's claims to the California Department of Water Resources (DWR) included understated and overstated costs.

- On claim #BWW 96-1, DWR determined that the district failed to claim reimbursable costs of \$14,899 for Relocation-Contract activity.
- On claim #BWW 97-1, DWR determined that the district claimed unallowable Relocation-Contract activity for road improvements in the amount of \$72,893.

The district did not provide the State Controller's Office with documentation to refute DWR's findings.

We concur with DWR's determinations. DWR's Guidelines for State Reimbursement on Flood Control Projects (February 1974), section VI, specifies that DWR will review agency claims to determine the amount eligible for reimbursement.

Recommendation

The district should reduce its claims for reimbursement by \$57,994 (\$72,893 less \$14,899). In the future, the district should ensure that costs claimed are eligible for reimbursement under DWR guidelines.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**