

# **CITY OF OCEANSIDE**

Audit Report

## **FLOOD CONTROL SUBVENTIONS PROGRAM**

San Luis Rey River Project

*Claims Dated September 12, 1994, through January 24, 2000*



**JOHN CHIANG**  
California State Controller

May 2007



**JOHN CHIANG**  
California State Controller

May 23, 2007

Lester A. Snow, Director  
Department of Water Resources  
Post Office Box 942836  
Sacramento, CA 94236-0001

Dear Mr. Snow:

The State Controller's Office audited claims submitted by the City of Oceanside under the Flood Control Subventions Program.

The city claimed costs of \$3,321,176 for the San Luis Rey River project for claims dated September 12, 1994, through January 24, 2000. Our audit disclosed that \$3,188,575 is allowable and \$132,601 is unallowable. The unallowable costs occurred primarily because the city claimed ineligible costs.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

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

JVB/jj:ams

cc: Dena N. Uding, Chief  
Flood Control Subventions Program  
Division of Flood Management  
Department of Water Resources  
Mark Stuart, Chief  
Southern District Office  
Department of Water Resources  
William Marquis, Senior Property Agent  
Public Works Department  
City of Oceanside  
Nita McKay, Financial Services Director  
City of Oceanside  
David Crowe, Senior Management Analyst  
Financial Services Department  
City of Oceanside

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the reimbursement claims of the City of Oceanside under the Flood Control Subventions Program. Our audit included the San Luis Rey River Project for the claims dated September 12, 1994, through January 24, 2000. The last day of fieldwork was February 2, 2007.

The city claimed \$3,321,176 during the audit period. Our audit disclosed that \$3,188,575 is allowable and \$132,601 is unallowable. The unallowable costs occurred because the city claimed ineligible 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 our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the city's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of costs claimed for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the amounts claimed were supported. We considered the city's internal controls only to the extent necessary to plan the audit.

## 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 City of Oceanside claimed \$3,321,176 for the San Luis Rey River project under the Flood Control Subventions Program for the claims dated September 12, 1994, through January 24, 2000. Our audit disclosed that the claimed amounts for the audit period included allowable costs of \$3,188,575 and unallowable costs of \$132,601.

**Views of  
Responsible  
Official**

We discussed the audit results with the city's representative during a telephone exit conference conducted on February 2, 2007. William Marquis, Senior Property Agent, agreed with the audit results. Mr. Marquis 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 City of Oceanside, 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

**Schedule 1—  
Summary of Project Costs  
Claims Dated February 12, 1994, through January 24, 2000**

<u>Project</u> <u>Claim Number</u>	<u>Costs</u> <u>Claimed</u>	<u>Allowable</u> <u>Per Audit</u>	<u>Audit</u> <u>Adjustments</u>	<u>Reference</u> <sup>1</sup>	<u>State Share of</u> <u>Allowable</u> <u>Costs</u> <sup>2</sup>
San Luis Rey River Project:					
SLRR 94-2A	\$ 1,464,283	\$ 1,457,397	\$ (6,886)	Findings 1, 2	\$ 1,020,178
SLRR 95-1	1,248,001	1,140,135	(107,866)	Finding 1	798,095
SLRR 97-1	254,772	252,422	(2,350)	Finding 1	176,695
SLRR 2000-1	278,692	277,392	(1,300)	Finding 1	194,174
SLRR 2000-2	36,968	27,969	(8,999)	Finding 1	19,578
SLRR 2000-3	<u>38,460</u>	<u>33,260</u>	<u>(5,200)</u>		<u>23,282</u>
Totals	<u>\$ 3,321,176</u>	<u>\$ 3,188,575</u>	<u>\$ (132,601)</u>		<u>\$ 2,232,002</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.

# Findings and Recommendations

**FINDING 1—  
Department of  
Water Resources  
adjustments**

The city claimed costs totaling \$130,700 that the California Department of Water Resources (DWR) specifically identified as ineligible. We concur with the DWR’s determinations.

The DWR’s *Guidelines for State Reimbursement on Flood Control Projects* (February 1974), Section VI, Part D, states that the DWR will reduce a local agency’s reimbursement claims for any item that the DWR cannot verify. It also states that administrative overhead costs are unallowable. In addition, the guidelines and *Water Code* Section 12583 state that reimbursement is limited to the cost of land, easements, relocation, and rights-of-way necessary in conjunction with the project construction.

The following table summarizes the audit adjustment.

<u>Claim Number</u> <u>Description</u>	<u>Audit</u> <u>Adjustment</u>
SLRR 94-2A:	
Unsupported land acquisition costs	\$ (4,985)
SLRR 95-1:	
Unsupported land acquisition costs	(104,866)
Ineligible weed abatement costs	(3,000)
SLRR 97-1:	
Ineligible weed abatement costs	(1,750)
Ineligible permit fees	(600)
SLRR 2000-01:	
Ineligible weed abatement costs	(1,300)
SLRR 2000-02:	
Ineligible furniture, fixture, and office equipment costs	(1,000)
Unallowable administrative overhead costs	(3,999)
Ineligible weed abatement costs	(4,000)
SLRR 2000-03:	
Ineligible weed abatement costs	(5,200)
Total	<u>\$ (130,700)</u>

Recommendation

We recommend that the city claim only those costs that are eligible for reimbursement under DWR guidelines.

**FINDING 2—  
Unsupported costs**

The city claimed labor costs totaling \$99,504 on claim number SLRR 94-2. However, the city’s expenditure records support only \$97,603. As a result, the city overstated claimed costs by \$1,901.

DWR’s *Guidelines for State Reimbursement on Flood Control Projects* (February 1974), Section VI, Part D, states, “The local agency must keep and maintain a complete, accurate, and itemized record of any cost for which state reimbursement is requested.”

Recommendation

We recommend that the city claim only those costs that are supported by its expenditure records.

**State Controller's Office**  
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