

# **ORANGE COUNTY FLOOD CONTROL DISTRICT**

Audit Report

## **FLOOD CONTROL SUBVENTIONS PROGRAM**

Santa Ana River Mainstem Flood Control Project

*January 1, 2010, through September 30, 2013*



**BETTY T. YEE**  
California State Controller

June 2016



**BETTY T. YEE**  
California State Controller

June 3, 2016

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 Orange County Flood Control District under the Flood Control Subventions Program.

The district claimed costs of \$33,354,736 for the Santa Ana River Mainstem Flood Control Project for the period of January 1, 2010, through September 30, 2013. Our audit found that the entire amount is allowable. The State share of allowable costs is \$23,348,314. The State share represents the percentage of state funding stipulated in California Water Code section 12585.5.

If you have any questions, please contact Christopher Lek, Interim Chief, Local Government Audits Bureau, at (916) 284-0120.

Sincerely,

*Original signed by*

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

JVB/as

cc: Patrick Luzuriaga, Chief  
Flood Control Subventions Program  
Division of Flood Management  
Department of Water Resources  
Lance Natsuhara, P.E., Manager  
Orange County Flood Control District  
Lisa A. Bartlett, Chair  
Orange County Board of Supervisors

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objectives, Scope, and Methodology .....</b>	<b>1</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Follow-up on Prior Audit Findings.....</b>	<b>2</b>
<b>Views of Responsible Officials.....</b>	<b>2</b>
<b>Restricted Use .....</b>	<b>2</b>
<b>Schedule 1—Summary of Project Costs .....</b>	<b>3</b>

# Audit Report

## Summary

The State Controller's Office (SCO) audited the reimbursement claims of the Orange County Flood Control District under the Flood Control Subventions Program. Our audit included the Santa Ana River Mainstem Flood Control Project, for the period of January 1, 2010, through September 30, 2013.

The district claimed \$33,354,736 during the audit period. Our audit found that the entire amount is allowable. The State share of allowable costs is \$23,348,314. The State share represents the percentage of state funding stipulated in California Water Code section 12585.5.

## 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 requires 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.

## Objectives, Scope, and Methodology

Our audit objectives are 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;
- Adequately supported and documented; and
- Abated for applicable credits.

To achieve our audit objectives, we performed the following audit procedures:

- Reviewed the auditee's prior SCO audit and single audit.
- Gained a basic understanding of the internal controls and claim process by interviewing key personnel, completing the internal control questionnaire, and reviewing the auditee's organization chart.
- Traced selected claimed cost items to supporting documentation:
  - acquisition of land or rights-of-way
  - relocation, reconstruction, and replacement
  - advances

- Verified the abatement of applicable credits by examining land purchase records for excess land and salvageable materials; reviewed expenditure records for condemnation deposits on land acquisition and related interest earned; and scanned the revenue ledger for receipts related to the flood control project.

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 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.

We did not audit the district’s financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement.

**Conclusion**

Costs claimed by the Orange County Flood Control District totaling \$33,354,736 were eligible for reimbursement under state regulations. The State share of allowable costs is \$23,348,314. The State share represents the percentage of state funding stipulated in California Water Code section 12585.5.

**Follow-up on  
Prior Audit  
Findings**

The finding noted in our prior audit report, issued on March 14, 2016, has been satisfactorily resolved by the district.

**Views of  
Responsible  
Officials**

We discussed the audit results with the district’s representatives during an exit conference conducted on April 27, 2016. Lance Natsuhara, Manager; James Tyler, Manager; and Howard Thomas, Manager, agreed with the audit results. Mr. Natsuhara 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 Orange County Flood Control 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, CPA  
Chief, Division of Audits

June 3, 2016

**Schedule 1—  
Summary of Project Costs  
January 1, 2010, through September 30, 2013**

Project/  
Claim Number

Santa Ana River Mainstem Project	District Claim Number	Costs Claimed	Allowable Per Audit	Audit Adjustments	State Share of Eligibility Percentage <sup>2</sup>	State Share of Allowable Costs <sup>2</sup>
SAMO 2012-07	85B(R)	\$28,136	\$28,136	–	70%	\$19,695
SAMO 2014-02 and 06	88 and 90, A&B	\$4,221,739 <sup>1</sup>	\$4,221,739	–	70%	\$2,955,217
SAMO 2014-10	97A&B	\$12,903,402	\$12,903,402	–	70%	\$9,032,381
SAMO 2015-01	98A&B	\$11,184,182	\$11,184,182	–	70%	\$7,828,927
SAMO 2015-02	99A&B	<u>\$5,017,277</u>	<u>\$5,017,277</u>	–	70%	<u>\$3,512,094</u>
Totals		<u>\$33,354,736</u>	<u>\$33,354,736</u>	–		<u>\$23,348,314</u>

<sup>1</sup> Department of Water Resources removed Cash Contribution claimed amounts from claims 88B and 90B and paid them separately on Engineering Report SAMO 2014-09. Accordingly, we did not include Cash Contribution costs on this audit for claims 88B and 90B, since we included these costs in our prior audit.

<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.

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

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