

# **SANTA CLARA VALLEY WATER DISTRICT**

Audit Report

## **FLOOD CONTROL SUBVENTIONS PROGRAM**

Upper Guadalupe River Flood Control Project

*July 1, 2011, through February 19, 2013*



**BETTY T. YEE**  
California State Controller

August 2016



**BETTY T. YEE**  
California State Controller

August 2, 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 Santa Clara Valley Water District under the Flood Control Subventions Program.

The district claimed costs of \$1,259,499 for the Upper Guadalupe River Flood Control project for the period of July 1, 2011, through February 19, 2013. Our audit found that the entire amount is allowable. The State share of allowable costs is \$881,649. The State share represents the percentage of state funding stipulated in California Water Code sections 12670.8 and 12585.5.

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/rg

cc: Patrick Luzuriaga, Chief  
Flood Control Subventions Program  
Division of Flood Management  
Department of Water Resources  
Barbara Keegan, Chairperson  
Santa Clara Valley Water District  
Norma Camacho, Interim Executive Officer  
Santa Clara Valley Water District  
Joseph Atmore, Finance Officer  
Santa Clara Valley Water District

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the reimbursement claims of the Santa Clara Valley Water District under the Flood Control Subventions Program. Our audit included the Upper Guadalupe River Valley Flood Project, for the period of July 1, 2011, through February 19, 2013.

The district claimed \$1,259,499 during the audit period. Our audit found that the entire amount is allowable. The state share of allowable costs is \$881,649. The state share represents the percentage of state funding stipulated in California Water Code sections 12670.8 and 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 (DWR) 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 were to determine whether the costs claimed as presented in the Summary of Project Costs (Schedule 1) were:

- Allowable and in compliance with the DWR Guidelines for State Reimbursement on Flood Control Projects;
- Adequately supported and documented; and
- Reduced by applicable credits to program expenditures.

Our audit included the Upper Guadalupe River Flood Control Project, for the period of July 1, 2011, through February 19, 2013.

To achieve our audit objectives, we performed the following:

- Gained a limited understanding of the internal controls over the claim preparation process and the related accounting records by interviewing key personnel, completing the internal control questionnaire, reviewing the district's organization chart, and assessing the reliability of computer-processed data;
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing;
- Reviewed the district's prior SCO audit and single audit;
- Reviewed all DWR's engineering reports on the district's claims;

- Verified whether the district received revenues that should be offset against the flood program expenditures;
- Reviewed the district's claim detail for any condemnation interest, and inquired of the district whether it had received interest on condemnation deposits;
- Inquired of the district whether it received from DWR advances on its flood control project expenditures; and
- Verified whether the costs claimed were supported by source documents by selecting haphazard samples for the following categories (for the selected sample, errors found will not be projected to the intended population):
  - Labor – We tested \$299,578 of \$423,071 in total labor costs claimed.
  - Contract Services – We vouched claimed amounts to invoices \$102,205 of \$110,622 in total contract services costs claimed.
  - Land-Other – We vouched claimed amounts to invoices \$556,377 of \$725,806 in total land-other costs claimed.

We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed are allowable for reimbursement. We considered the district's internal controls only to the extent necessary to plan the audit.

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.

## **Conclusion**

Costs claimed by the Santa Clara Valley Water District totaling \$1,259,499 were eligible for reimbursement under state regulations. The state share of allowable costs is \$881,649. The state share represents the percentage of state funding stipulated in California Water Code sections 12670.8 and 12585.5.

## **Follow-up on Prior Audit Findings**

The finding noted in our prior audit report, issued on February 10, 2016, have been satisfactorily resolved by the district.

**Views of  
Responsible  
Officials**

We discussed the audit results with the district's representatives during a telephone exit conference conducted on June 30, 2016. Joe Atmore, Finance Officer, and Anne Cooper, Senior Management Analyst, agreed with the audit results. Mr. Atmore further agreed that a draft audit report was not necessary and that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of Santa Clara Valley Water District, the DWR, 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

August 2, 2016

**Schedule 1—  
Summary of Project Costs  
July 1, 2011, through February 19, 2013**

<u>Project Claim Number</u>	<u>District Claim Number</u>	<u>Costs Claimed</u>	<u>Allowable Per Audit</u>	<u>Audit Adjustment</u>	<u>State Share of Eligibility Percentage</u>	<u>State Share of Allowable Costs</u>
UGR 2013-02	45	\$ 725,806	\$ 725,806	\$ -	70%	\$ 508,064
UGR 2013-02	46	\$ 110,622	\$ 110,622	\$ -	70%	\$ 77,435
UGR 2013-02	47	<u>\$ 423,071</u>	<u>\$ 423,071</u>	<u>\$ -</u>	70%	<u>\$ 296,150</u>
Totals		<u><u>\$ 1,259,499</u></u>	<u><u>\$ 1,259,499</u></u>	<u><u>\$ -</u></u>		<u><u>\$ 881,649</u></u>

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