



Transmitted via e-mail

June 24, 2014

Mr. Mark Cowin, Director
California Department of Water Resources
P.O. Box 942836, Room 1115-1
Sacramento, CA 94236-0001

Dear Mr. Cowin:

Final Report—Sacramento Area Flood Control Agency, Propositions 1E and 84 Audits

The Department of Finance, Office of State Audits and Evaluations, has completed its audits of the Sacramento Area Flood Control Agency's (SAFCA) funding agreements 4600008138 and 4600008467, issued by the California Department of Water Resources.

The enclosed report is for your information and use. Because there were no audit observations requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of SAFCA. If you have any questions regarding this report, please contact Diana Antony, Manager, or Lisa Negri, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Laura King Moon, Chief Deputy Director, California Department of Water Resources
Ms. Katherine Kishaba, Deputy Director of Business Operations, California Department of Water Resources
Ms. Gail Chong, Deputy Assistant DWR Executive, Bond Accountability, California Department of Water Resources
Mr. Jeff Ingles, Chief Auditor, California Department of Water Resources
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency
Ms. Julie Alvis, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency
Mr. Richard Johnson, Executive Director, Sacramento Area Flood Control Agency
Ms. Julie Lienert, Chief Financial Officer, Sacramento Area Flood Control Agency

Sacramento Area Flood Control Agency
Propositions 1E and 84 Bond Programs
Funding Agreements 4600008138 and 4600008467



1986 Sacramento Flood – H Street Bridge
Source: www.safca.org

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

BACKGROUND

California voters approved the Disaster Preparedness and Flood Protection Act of 2006 (Proposition 1E), and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coast Protection Bond Act of 2006 (Proposition 84) for \$4.09 billion and \$5.4 billion, respectively. The bond proceeds finance a variety of flood control and natural resource programs.

The California Department of Water Resources (DWR) established the Early Implementation Program (EIP) to fund eligible flood control projects in certain portions of the Central Valley and adjacent areas. EIP was designed to secure federal and local matching funds while prioritizing the selection and project design to achieve maximum public benefits from the use of the funds. Local agencies apply for funding which is authorized by the Legislature through the budget process.¹

The Sacramento Area Flood Control Agency (SAFCA) is a Joint Powers Authority established in 1989 to improve flood control efforts in the Sacramento region. SAFCA's member agencies include the City of Sacramento, Sacramento County, Sacramento County Water Agency, Sutter County, Sutter County Water Agency, Reclamation District No. 1000, and the American River Flood Control District.²

DWR awarded Proposition 1E and 84 funds to SAFCA to finance projects that are part of the larger Natomas Levee Improvement Program (NLIP). The goal of the NLIP is to provide 200 year flood protection to the Natomas Basin. DWR awarded the following funding agreements to SAFCA:

- **Funding Agreement 4600008138**—\$49 million to finance the Natomas Cross Canal South Levee Phase 1 and 2 Improvements. These improvements will provide 200 year flood protection for South Yuba County. Total project cost is estimated at \$70 million.
- **Funding Agreement 4600008467**—\$193 million to finance construction along the Sacramento East Levee, and preliminary improvement designs for the Pleasant Grove Creek Canal West Levee, Natomas East Main Drainage Canal West Levee, and the American River North Levee. In addition, funds will be used to acquire all land necessary for the 200 year flood protection project. Total estimated project cost is \$276 million.

¹ Source: www.water.ca.gov

² Source: www.safca.org

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited the following funding agreements:

<u>Funding Agreement</u>	<u>Audit Period</u> ³
4600008138	November 7, 2006 through June 30, 2013
4600008467	November 7, 2006 through June 30, 2013

The audit objectives were to determine whether SAFCA's project expenditures claimed were in compliance with applicable laws, regulations, and funding agreement requirements; and to determine whether the funding agreement deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations. Further, no assessment was performed on the reasonableness of the land acquisition costs.

SAFCA's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and funding agreement requirements. DWR and the California Natural Resources Agency are responsible for the state-level administration of the bond programs.

METHODOLOGY

To determine whether project expenditures were in compliance with applicable laws, regulations, and the funding agreement requirements; and if the funding agreement deliverables were completed as required, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the funding agreement-related internal controls.
- Examined the funding agreement files, the funding agreements, and applicable policies and procedures.
- Reviewed SAFCA's accounting records, vendor invoices, and bank statements.
- Selected a sample of claimed expenditures and determined whether they were allowable, project-related, incurred within the agreement period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the funding agreements.
- Evaluated whether a sample of funding agreement deliverables were met by reviewing supporting documentation and DWR's oversight process.

We conducted these audits in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

³ An interim audit was conducted as the funding agreements for both projects end June 30, 2014.

RESULTS

The results of the audits are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering project funds.

Based on the procedures performed, the project expenditures claimed complied with the funding agreements. Because the project was active at the time of our site visit, not all deliverables were completed; however, SAFCA has completed interim deliverables in accordance with the funding agreements. The Schedules of Claimed Amounts are presented below.

Schedules of Claimed Amounts

Funding Agreement 4600008138⁴	
Category	Claimed
Land Acquisition	\$ 4,179,913
NCC Phase 1	478,780
NCC Phase 1B	3,566,045
NCC Phase 2	23,280,246
Contingency	-
Total Grant Funds	31,504,984
Match Funds	11,710,745
Total Project Expenditures	\$ 43,215,729

Funding Agreement 4600008467⁵	
Category	Claimed
Lands	\$ 21,048,714
Roadways and Relocations	19,966,395
Levee Modifications	68,274,276
Environmental Mitigation	5,352,028
Engineering, Design, Supervision, and Administration	45,625,691
Total Grant Funds	160,267,104
Match Funds	68,685,902
Total Project Expenditures	\$ 228,953,006

⁴ Reflects amounts claimed through June 30, 2013.

⁵ Reflects amounts claimed through June 30, 2013.