



Transmitted via e-mail

June 25, 2013

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—Reclamation District 756, Bouldin Island, Propositions 84 and 1E Grant Audits**

The Department of Finance, Office of State Audits and Evaluations, has completed its grant audit of the following Reclamation District 756 Proposition 1E and 84 grants:

<u>Grant Agreement</u>	<u>Audit Period</u>
4600008484	July 1, 2007 - June 30, 2008
4600007777	August 2, 2007 - July 31, 2008
4600008674	July 1, 2008 - June 30, 2009
4600009204	July 1, 2009 - June 30, 2010
4600009078	September 21, 2009 - April 30, 2011
4600009276	August 9, 2010 - October 31, 2011

The enclosed report is for your information and use. Because there were no audit observations or issues 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 Reclamation District 756. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Ms. Dale Hoffman-Floerke, 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, Bonds and Grants, California Natural Resources Agency  
Mr. Bryan Cash, Deputy Assistant Secretary, California Natural Resources Agency  
Mr. David Forkel, Chairman, Reclamation District 756  
Mr. Al Warren Hoslett, Secretary, Reclamation District 756  
Ms. Pam Forbus, Attorney, Reclamation District 756

Reclamation District 756, Bouldin Island  
Proposition 84 and 1E Bond Programs  
Grant Agreements 4600008484, 4600007777, 4600008674,  
4600009204, 4600009078 and 4600009276



Mokelumne River along Northwest side of Bouldin Island

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

## **MEMBERS OF THE TEAM**

Kimberly Tarvin, CPA  
Manager

Staff  
Lorena Romero  
Dennis Solheim, CPA

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

You can contact our office at:

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Office of State Audits and Evaluations  
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(916) 322-2985

# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## BACKGROUND

California voters approved the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) and the Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E) for \$5.4 billion and \$4.1 billion, respectively. The bond proceeds finance a variety of resource programs and are administered by several state agencies that provide grants to local government and non-profit organizations.

The Delta Levees System Integrity Program receives funding from Propositions 84 and 1E. This local assistance program appropriates funding to local reclamation districts in the Sacramento—San Joaquin Delta to maintain and improve levees. The program consists of two major sub-components, both administered by the Department of Water Resources (DWR) as follows: 1) Delta Levees Subventions Program, and 2) Special Projects Program. The Delta Levees Subventions Program is administered by DWR for the Central Valley Flood Protection Board, formerly known as the Reclamation Board, and offers an annual grant of funds to Delta districts for levee maintenance and improvements. The Special Projects Program implements local assistance to districts that protect water conveyance and water quality in the western Delta and designated areas of the Suisun Marsh, and funds habitat improvement projects to help meet mitigation and enhancement requirements associated with the enabling legislation.<sup>1</sup>

Reclamation District 756 (District), also known as Bouldin Island, contains approximately 6,000 acres. The District was established for the purpose of maintaining the levee systems around and within its designated boundaries. The District also performs other related functions, such as monitoring and maintaining water quality in the waterways.<sup>2</sup>

## SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we conducted audits of the following grants:

<b><u>Grant Agreement</u></b>	<b><u>Audit Period</u></b>
4600008484	July 1, 2007 - June 30, 2008
4600007777	August 2, 2007 - July 31, 2008
4600008674	July 1, 2008 - June 30, 2009
4600009204	July 1, 2009 - June 30, 2010
4600009078	September 21, 2009 - April 30, 2011
4600009276	August 9, 2010 - October 31, 2011 <sup>3</sup>

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<sup>1</sup> Excerpts from [www.water.ca.gov](http://www.water.ca.gov)

<sup>2</sup> Excerpts from [www.bondaccountability.resources.ca.gov](http://www.bondaccountability.resources.ca.gov)

<sup>3</sup> An interim audit was conducted on grant 4600009276. The grant term ends on June 30, 2013.

The audit objectives were to determine whether the District's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements; and to determine whether the grant deliverables were completed as required. We did not assess the efficiency or effectiveness of program operations.

District management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DWR is responsible for the state-level administration of the bond program.

## **METHODOLOGY**

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

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreements, and applicable policies and procedures.
- Reviewed the District's reimbursement claims, accounting records, vendor invoices, and vendor contracts.
- Selected a sample of expenditures and determined whether they were allowable, grant-related, incurred within the grant period, and supported by accounting records.
- Evaluated whether a sample of grant deliverables were met by reviewing supporting documentation and conducting site visits.

We conducted this performance 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.

## **RESULTS**

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

Based on the procedures performed, the grant expenditures claimed were in compliance with the requirements of the grant agreements, and grant deliverables were completed as required. The Schedules of Claimed Amounts are presented in Table 1.

**Table 1: Schedules of Claimed Amounts**

<b>Grant Agreement 4600008484 (FY 2007-08)</b>	
<b>Task</b>	<b>Claimed<sup>(4)</sup></b>
Engineering Services	\$ 182,366
Levee Crown	13,960
Levee Inspection	10,562
Vegetation Control	4,852
Slope Protection	124,977
Flood Emergency Planning	24,588
Rehabilitation	567,453
Other	20,418
Required Minimum Spending	(13,500)
<b>Total Expenditures</b>	<b>\$ 935,676</b>

(4) The District was awarded \$1,030,916 and claimed \$935,676.

<b>Grant Agreement 4600007777 (BO-07-2.0)</b>	
<b>Task</b>	<b>Claimed<sup>(5)</sup></b>
Engineering Services	\$ 185,203
Rehabilitation	1,026,313
Borrow Area Preparation	3,544
Borrow Royalty	184,939
<b>Total Expenditures</b>	<b>\$ 1,399,999</b>

(5) The District was awarded \$1,400,000 and claimed \$1,399,999.

<b>Grant Agreement 4600008674 (FY 2008-09)</b>	
<b>Task</b>	<b>Claimed<sup>(6)</sup></b>
Engineering Services	\$ 77,307
Project Oversight	10,815
Levee Inspection	6,572
Vegetation Control	21,888
Roadway Maintenance	10,181
Rehabilitation	6,152
Roadway Project	31,346
Fencing Project	8,237
Required Minimum Spending	(13,500)
<b>Total Expenditures</b>	<b>\$ 158,998</b>

(6) The District was awarded \$905,553 and claimed \$158,998.

<b>Grant Agreement 4600009204 (FY 2009-10)</b>	
<b>Task</b>	<b>Claimed<sup>(7)</sup></b>
Engineering Services	\$ 25,024
Project Oversight	14,097
Levee Inspection	16,723
Vegetation Control	27,227
Slope Maintenance	104,554
Rehabilitation	3,049
Flood Emergency Planning	3,727
Encroachments	29,436
Other	15,097
Required Minimum Spending	(13,500)
<b>Total Expenditures</b>	<b>\$ 225,434</b>

(7) The District was awarded \$269,432 and claimed \$225,434.

<b>Grant Agreement 4600009078 (BO-09-1.0)</b>	
<b>Task</b>	<b>Claimed<sup>(8)</sup></b>
Professional Services	\$ 48,798
<b>Total Expenditures</b>	<b>\$ 48,798</b>

(8) The District was awarded \$50,000 and claimed \$48,798.

<b>Grant Agreement 4600009276 (BO-09-2.0)</b>	
<b>Task</b>	<b>Claimed<sup>(9)</sup></b>
Engineering Services	\$ 157,172
Construction	249,950
<b>Total Expenditures</b>	<b>\$ 407,122</b>

(9) The expenditures claimed represent the interim audit period August 9, 2010 through October 31, 2011. The grant term ends June 2013.