

# ORANGE COUNTY FLOOD CONTROL DISTRICT

Audit Report

## FLOOD CONTROL SUBVENTIONS PROGRAM

Santa Ana River Mainstream Project

*July 1, 2018, through December 31, 2021*



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

October 2024



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

October 22, 2024

Mr. Eric Nichol, Assistant Division Chief  
Division of Flood Management  
Department of Water Resources  
3310 El Camino Avenue, Suite 120  
Sacramento, CA 95821

Dear Mr. Nichol:

The State Controller's Office audited Flood Control Subventions Program claims submitted by the Orange County Flood Control District (the district) to the Department of Water Resources (DWR). Our audit pertained to DWR claim numbers SAMO 2019-02 (119 A&B) through SAMO 2023-01 (132 A&B), for the period of July 1, 2018, through December 31, 2021.

The district claimed \$24,107,390 for the Santa Ana River Mainstem project for the period of July 1, 2018, through December 31, 2021. Our audit found that the entire amount is allowable.

The State's share of allowable costs is \$16,875,173. The DWR reimbursed the district \$15,187,656 during the audit period; therefore, the district is owed the remaining balance of \$1,687,517.

If you have any questions regarding this report, please contact Efren Loste, Chief, Local Government Audits Bureau, by telephone at 916-324-7226, or email at [eloste@sco.ca.gov](mailto:eloste@sco.ca.gov). Thank you.

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

KAT/am

Mr. Eric Nichol  
October 22, 2024  
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Copy: Marisela Pavlenko, Manager  
Flood Control Subventions Program  
Division of Flood Management  
Department of Water Resources  
The Honorable Andrew N. Hamilton, CPA, Auditor-Controller  
Orange County  
The Honorable Donald P. Wagner, Chair  
Orange County Board of Supervisors  
James Treadaway, PE, SE, Director  
Orange County Public Works

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# Audit Report

## Summary

The State Controller's Office (SCO) audited Flood Control Subventions Program claims submitted by the Orange County Flood Control District (the district) to the Department of Water Resources (DWR). Our audit pertained to DWR claim numbers SAMO 2019-02 (119 A&B) through SAMO 2023-01 (132 A&B), for the period of July 1, 2018, through December 31, 2021.

The district claimed \$24,107,390 during the audit period. Our audit found that the entire amount is allowable.

Water Code stipulates the percentage of state funding by project cost category. Pursuant to Water Code section 12832, the DWR reimbursed the district 90% of eligible claimed costs, with the remaining 10% to be released subject to the completion of this audit. Based on our audit, the State's share of allowable project costs is \$16,875,173. The DWR reimbursed the district \$15,187,656 during the audit period; therefore, the district is owed the remaining balance of \$1,687,517.

## 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 (California 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.

In accordance with Water Code section 12585.5, the DWR reimburses the district for 70% of eligible costs associated with non-federal expenditures, land acquisitions, and relocations.

The DWR's *Guidelines for Reimbursement on Flood Control Projects* describe the compliance requirement for local agencies seeking reimbursement for the state share of federal flood control projects.

## Audit Authority

We conducted this performance audit in accordance with Water Code section 12832, which requires the SCO to perform audits of flood control projects. In addition, Government Code section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the costs claimed by the district, as presented in the Schedule, were allowable and in compliance with the DWR's *Guidelines for Reimbursement on Flood Control Projects*.

Our audit pertained to DWR claim numbers SAMO 2019-02 (119 A&B) through SAMO 2023-01 (132 A&B), for the period of July 1, 2018, through December 31, 2021.

To achieve our objective, we performed the following procedures:

- We gained an understanding of the district's internal controls that are significant to the audit objective by interviewing key personnel, by completing an internal control questionnaire, and by reviewing the district's organization chart.
- We evaluated and assessed control activities for the claim preparation process by inspecting documents and records, and by inquiring with key personnel.
- We assessed the reliability of computer-processed data by reviewing existing information about the data and the system that produced it; by interviewing district officials knowledgeable about the data; and by tracing data to source documents, based on auditor judgment and non-statistical sampling. We determined that the data was sufficiently reliable for the purposes of achieving our audit objective.
- We conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- We reviewed the district's prior SCO audit and single audit reports.
- We reviewed the DWR's engineering reports and/or claim evaluations pertaining to the district's claims.
- We determined whether the district received revenues that should be offset against the flood program expenditures.
- We reviewed the district's claim detail for any condemnation interest and inquired of the district whether it had received interest on condemnation deposits.
- We determined whether the district received from DWR advances on its flood control project expenditures.
- We verified through sampling that the claimed costs were supported by proper documentation and eligible in accordance with the applicable criteria. Based on our risk assessment, we tested all items that were equal to or greater than the significant item amount (calculated based on materiality threshold). We also tested additional items that were valued less than the individual significant item amount, based on auditor judgment and non-statistical sampling.

We tested the following expenditures:

- Land – We tested \$2,674,200 of \$5,217,692 in total land, easement, and right-of-way acquisition costs claimed.
- Cash contributions – We tested all \$7,018,434 in total cash contributions to the Army Corps of Engineers.
- Relocation – We tested all \$3,001,900 in total relocation costs claimed.

- Associated project costs – We tested \$67,965 of \$4,519,305 in total labor costs.
- Revenue – We tested \$33,134 of \$1,267,563 in total offset claimed.

No errors were identified.

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 claimed costs are allowable for reimbursement.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **Conclusion**

The district claimed \$24,107,390 in project costs for the period of July 1, 2018, through December 31, 2021. Our audit found that the entire amount is allowable.

Based on our audit, the State’s share of allowable project costs is \$16,875,173. The DWR reimbursed the district \$15,187,656 during the audit period; therefore, the district is owed the remaining balance of \$1,687,517.

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

Our prior audit report, issued on June 16, 2020, disclosed no findings.

## **Views of Responsible Officials**

We discussed our audit results with the district’s representatives during an exit conference conducted on July 16, 2024. At the exit conference, the district’s representatives agreed with the audit results.

## **Restricted Use**

This audit report is solely for the information and use of the 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, and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

October 22, 2024

## Schedule— Summary of Project Costs July 1, 2018, through December 31, 2021

Project Claim Number	Claimed Costs	Adjustment to Allowable Claimed Costs	State Share	State Share of Claimed Costs	State Share of Allowable Costs	Adjustment to State Share of Claimed Costs	Amount Received by the District	Additional Amount Due to the District Pending Audit
SAMO 2019-02 (119 A&B)	\$3,213,908	\$ -	70%	\$2,249,736	\$2,249,736	\$ -	\$2,024,762	\$224,974
SAMO 2019-03 (120 A&B)	1,483,048	\$ -	70%	1,038,134	1,038,134	-	934,320	103,813
SAMO 2019-04 (121 A&B)	7,129,829	\$ -	70%	4,990,880	4,990,880	-	4,491,792	499,088
SAMO 2019-05 (122 A&B)	1,169,443	\$ -	70%	818,610	818,610	-	736,749	81,861
SAMO 2020-01 (123 A&B)	829,221	\$ -	70%	580,455	580,455	-	522,409	58,045
SAMO 2020-02 (124 A&B)	1,428,095	\$ -	70%	999,667	999,667	-	899,700	99,967
SAMO 2020-03 (125 A&B)	562,185	\$ -	70%	393,530	393,530	-	354,177	39,353
SAMO 2021-01 (126 A&B)	957,560	\$ -	70%	670,292	670,292	-	603,263	67,029
SAMO 2021-02 (127 A&B)	2,554,319	\$ -	70%	1,788,023	1,788,023	-	1,609,221	178,802
SAMO 2022-01 (128 A&B)	3,274,481	\$ -	70%	2,292,137	2,292,137	-	2,062,923	229,214
SAMO 2022-02 (129 A&B)	480,704	\$ -	70%	336,493	336,493	-	302,844	33,649
SAMO 2022-03 (130 A&B)	236,924	\$ -	70%	165,847	165,847	-	149,262	16,585
SAMO 2022-04 (131 A&B)	67,568	\$ -	70%	47,298	47,298	-	42,568	4,730
SAMO 2023-01 (132 A&B)	720,105	\$ -	70%	504,074	504,074	-	453,666	50,407
<b>Total</b>	<b>\$24,107,390</b>	<b>\$ -</b>		<b>\$16,875,173</b>	<b>\$16,875,173</b>	<b>\$ -</b>	<b>\$15,187,656</b>	<b>\$1,687,517</b>



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