



Transmitted via e-mail

June 24, 2016

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—Sutter Butte Flood Control Agency, Proposition 1E Grant Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the Sutter Butte Flood Control Agency's (SBFCA) grant 4600010296, issued by the California Department of Water Resources.

The enclosed report is for your information and use. Because there were no audit findings 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 SBFCA. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Rebecca McAllister, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA  
Assistant Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Carl Torgersen, 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. Kash Gill, Chair, Board of Directors, Sutter Butte Flood Control Agency  
Mr. Michael Inamine, Executive Director, Sutter Butte Flood Control Agency  
Mr. Michael Bessette, Director of Engineering, Sutter Butte Flood Control Agency  
Mr. Seth Wurzel, Principal, Larsen Wurzel & Associates, Inc.

Sutter Butte Flood Control Agency  
Proposition 1E Bond Program  
Grant Agreement 4600010296



Feather River West Levee Project  
Source: Sutter Butte Flood Control Agency

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

## **MEMBERS OF THE TEAM**

Jon G. Chapple, CPA  
Manager

Rebecca McAllister, CPA  
Supervisor

Staff  
Wrenna Finche, CPA  
Randy McClendon, CISA

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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# BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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## BACKGROUND

California voters approved the Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E). The \$4.09 billion in bond proceeds finance a variety of natural resource programs.

The Sutter Butte Flood Control Agency (SBFCA) is a joint powers agency formed in 2007 by the Counties of Butte and Sutter; the Cities of Biggs, Gridley, Live Oak and Yuba City; and Levee Districts 1 and 9. SBFCA has the authority to finance and construct regional levee improvements. It is governed by a 13-member Board comprised of elected officials from the counties, cities, and levee districts.<sup>1</sup>

SBFCA received a \$158.4 million grant from the California Department of Water Resources (DWR) for the Feather River West Levee Project to improve 44 miles of levees from the Thermalito Afterbay (west of Yuba City) south to the Sutter Bypass. The goal of the project is to reduce flood risk and eventually remove more than 34,000 properties from Federal Emergency Management Agency Special Flood Hazard Areas. SBFCA is providing an additional \$50 million in cost share funding for this project.

## SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 4600010296 for the period November 1, 2013 through September 30, 2015.<sup>2</sup>

The audit objectives were to determine whether SBFCA'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.

SBFCA's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. DWR and the California Natural Resources Agency are 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:

- Examined the grant files, the grant agreement, and applicable policies and procedures.

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<sup>1</sup> Excerpts from <http://www.sutterbutteflood.org>

<sup>2</sup> An interim audit was conducted because the grant term ends December 31, 2017.

- Reviewed SBFCA's accounting records, vendor invoices, and bank statements.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Evaluated whether other revenue sources were used to reimburse expenditures claimed for reimbursement under the grant agreement.
- Evaluated whether a sample of grant deliverables were met by reviewing quarterly reports, technical reports, project reports, and conducting a site visit to verify existence of specific physical project components.

In conducting our audit, we obtained an understanding of SBFCA's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

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

Based on the procedures performed, the grant expenditures claimed complied with the grant requirements. Additionally, the grant deliverables available for review at the time of our site visit in March 2016 were completed as specified in the grant agreement. The Schedule of Claimed Amounts is presented below.

### Schedule of Claimed Amounts

<b>Grant Agreement 4600010296</b>	
<b>Task</b>	<b>Claimed<sup>3</sup></b>
Project Areas C, B & D Construction	\$ 64,146,173
Right of Way	1,282,943
Construction Management Services & Support Activities	17,243,327
Project Management, Overhead & Administration	1,533,853
Environmental Mitigation	496,671
<b>Total Grant Funds</b>	<b>\$ 84,702,967</b>
Match Funds	\$ 29,720,340
<b>Total Project Expenditures</b>	<b>\$ 114,423,307</b>

<sup>3</sup> DWR awarded \$158,445,378 and SBFCA has claimed \$84,702,967 as of September 30, 2015.