



Transmitted via e-mail

October 19, 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—Knights Landing Ridge Drainage District, Proposition 1E Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its grant audit of the Knights Landing Ridge Drainage District's (District) grant agreement 4600010246, 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 the District. If you have any questions regarding this report, please contact Diana Antony, Manager, or Mindy Patterson, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Jennifer Whitaker, 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, California Department of Water Resources
Mr. Jeff Ingles, Chief Auditor, California Department of Water Resources
Mr. Mahyar Sabbaghian, Branch Chief, Flood Risk Reduction Projects, California Department of Water Resources
Mr. James Heidrick, Board Director, Knights Landing Ridge Drainage District
Mr. Lewis Bair, General Manager, Knights Landing Ridge Drainage District
Mr. Barry O'Regan, Principal Engineer, Kjeldsen, Sinnock, and Neudeck, Inc.
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

Knights Landing Ridge Drainage District
Proposition 1E Bond Program
Grant Agreement 4600010246

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

In 2006, California Voters approved the Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E). The \$4.1 billion in bond proceeds finance a variety of natural resource programs such as the Early Implementation Program implemented by the California Department of Water Resources (DWR).

DWR awarded Knights Landing Ridge Drainage District (District) \$6.2 million for a levee repair project. The purpose of the grant is to repair three non-urban levee sites totaling 3.4 miles along the Knights Landing Ridge Cut.

The District was formed in 1913 and has 72,000 acres with no population. Because a majority of the land is within Yolo County, the Yolo Local Agency Formation Commission has jurisdiction over this District.¹

SCOPE

In accordance with the Department of Finance's bond oversight responsibilities, we audited grant 4600010246 for the period September 15, 2013 through September 30, 2015.²

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.

The District'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.
- Reviewed the District's accounting records, vendor invoices, bank statements, and cancelled checks.

¹ Source: http://www.colusalafco.org/uploads/1/1/4/5/11454087/colusa_reclam_msr8-9-10_adopted.pdf

² An interim audit was conducted as the grant term ends June 30, 2017.

- 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.
- Evaluated whether a sample of grant deliverables were met by reviewing progress reports, approved engineering designs, property appraisal reports, and bidding documents; and conducting a site visit to verify existence of physical project components.

In conducting our audit, we obtained an understanding of the District’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. No deficiencies in internal control were identified during our audit or determined to be significant within the context of our audit objectives.

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 agreement 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

Grant Agreement 4600010246	
Task	Claimed³
Project Management and Administration	\$ 74,278
Environmental Compliance and Permitting	233,713
Engineering Services	209,231
Utility Relocation	143,602
Real Estate Acquisition Services	101,395
Construction	1,925,062
Construction Management and Inspection	125,259
Project Mitigation	226,726
Total Project Expenditures	\$3,039,266

³ DWR awarded \$6,240,000 and the District has claimed \$3,039,266 through September 30, 2015.