COUNTY OF LOS ANGELES
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November 13, 2024

TO: Supervisor Lindsey P. Horvath, Chair
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Supervisor Holly J. Mitchell
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: Oscar Valdez
Auditor-Controller

Robert G. Campbell
Assistant Auditor-Controller / Chief Audit Executive

SUBJECT: **DEPARTMENT OF PUBLIC WORKS – LOS ANGELES COUNTY SAFE, CLEAN WATER PROGRAM EXAMINATION OF THE DISTRICT, MUNICIPAL, AND REGIONAL PROGRAMS**

Background

Los Angeles County (County) Department of Public Works (DPW) is one of the largest municipal public works agencies in the United States, providing vital infrastructure and essential services to more than 10 million people across a 4,000-square-mile regional service area. As part of its responsibility for Countywide water resource management, DPW constructs, operates, and maintains a regional system of flood control and water conservation facilities on behalf of the Los Angeles County Flood Control District (District).

The District was established in 1915 and encompasses approximately 2,758 square miles within the County of Los Angeles. Employees of DPW serve as staff for the District. The District is separate from DPW, and funds of each entity remain in separate accounts. DPW pays the District for the use of District equipment, materials and property used for County purposes.

On November 6, 2018, voters approved Measure W, which resulted in the County establishing the Safe, Clean Water (SCW) Program and imposing a special parcel tax

within the District to provide for increased stormwater and urban runoff capture and reduced stormwater and urban runoff pollution. The District is responsible for allocating the revenues derived from the Special Parcel Tax as follows:

1. Ten percent (10%) - allocated to the District for implementation and administration of Projects and Programs, and for the payment of the costs incurred in connection with the levy and collection of the Special Parcel Tax and the distribution of the funds generated by imposition of the Special Parcel Tax. This allocation is referred to as the **District Program**.

2. Forty percent (40%) - allocated to Municipalities within the District, in the same proportion as the amount of revenues collected within each Municipality, to be expended by those cities within the cities' respective jurisdictions and by the County within the unincorporated areas that are within the boundaries of the District, for the implementation, operation and maintenance, and administration of Projects and Programs. This allocation is referred to as the **Municipal Program**.

3. Fifty percent (50%) - allocated to pay for the implementation, operation and maintenance, and the administration of Projects and Programs implemented through the Regional Program, including Projects and Programs identified in approved regional plans such as stormwater resource plans developed in accordance with the Water Code, watershed management programs developed pursuant to waste discharge requirements for municipal separate storm sewer system (MS4) discharges within the coastal watersheds of the County, issued by the Los Angeles Regional Water Quality Control Board, and other regional water management plans. Funds allocated to the Regional Program shall be distributed among the nine (9) Watershed Areas in proportion to the funds generated in each Watershed Area. This allocation is referred to as the **Regional Program**.

Per Los Angeles County Flood Control District Code (LAC FCDC) Chapter Section 16.07.D, the District will be subject to an independent examination of their use of the SCW Program funds not less than once every three years. In addition, as the program manager for the County's Unincorporated Area Stormwater Program, DPW is responsible for administering SCW funds received by the County and oversees the development and implementation of County projects funded through the Municipal and Regional programs. In this capacity, DPW is subject to the audit requirements of municipalities and Infrastructure Program Project Developers as outlined in LAC FCDC Chapter Sections 16.07.B and C.

Scope and Objectives

At the request of DPW, we contracted with Davis Farr LLP (Davis Farr), to conduct a financial and compliance examination of SCW funds to determine compliance with LAC FCDC Chapters 16 (which established the SCW Program) and 18 (which established additional criteria and procedures related to the SCW Program).

The objective of the audit was to determine DPW's compliance with the implementation and administration of the SCW Program, as well as to evaluate the appropriateness of revenue allocation to the District, Municipal, and Regional programs. In addition, Davis Farr reviewed both expenditure plans and actual expenditures to ensure they were in compliance with SCW Program requirements.

Review Summary

Davis Farr did not identify any financial or compliance findings applicable to the functions and responsibilities of the:

- Municipal Program for Fiscal Years (FYs) 2020-21 through 2022-23 (Attachment I).

- Regional Program related to the Franklin D. Roosevelt Park Regional Stormwater Capture Project, East Los Angeles Sustainable Median Stormwater Capture Project, and Ladera Park Stormwater Improvements Project for FYs 2018-19 through 2022-23 (Attachment II).

However, Davis Farr's examination procedures conducted of the District Program for FYs 2019-20 through 2021-22 noted findings applicable to the District's implementation and administration of the SCW Program (Refer to Findings and Recommendations section on pages 15-20 of Attachment III). These findings were as follows:

1. Finding No. 2022-01: Annual Reports Not Generated - The District did not generate the required fiscal year-end annual reports as required by the LAC FCDC.

2. Finding No. 2022-02: Unimplemented Education Programs - The District did not implement the local workforce job training or school education and curriculum programs, as required by the LAC FCDC.

3. Finding No. 2022-03: Unimplemented Credit Trading Program - The District did not establish a credit trading program as required by the LAC FCDC.

4. Finding No. 2022-04: Incorrect Approvals over Special Parcel Tax Appeals - The District erroneously approved 114 appeal applications ($1,041.61 for FY 2020-21

and $1,174.94 for FY 2021-22) that did not meet the full required criteria for approval.

Though they recommended corrective actions, Davis Farr considered these findings to be immaterial to the District's compliance with LAC FCDC Chapters 16 and 18, in all material respects.

Review of Reports

Davis Farr discussed the reports with DPW, and they agreed with the findings. DPW management indicated that they have fully implemented recommendations for Finding No. 2022-04 and have developed corrective action plans to fully implement the remaining recommendations by April 30, 2025.

If you have any questions please call us, or your staff may contact Mike Pirolo at mpirolo@auditor.lacounty.gov.

OV:CY:RGC:MP:YK:hs

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Edward Yen, Executive Officer, Board of Supervisors
Mark Pestrella, Director, Department of Public Works
Kirk Allen, Senior Civil Engineer, Department of Public Works
Jalaine Q. Verdiner, Principal Engineer, Department of Public Works
Rochelle P. Wilson, Program Manager II, Department of Public Works
Audit Committee
Countywide Communications

COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS

Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended
June 30, 2021 through June 30, 2023

Statement on Standards for Attestation Engagements No. 21
Direct Examination Engagements

Table of Contents

Executive Summary 1

Summary of Findings 2

Schedule of Examined Revenues and Expenditures 2

Background 3

Objectives 6

Scope 6

Independent Accountant's Report 7

Methodology 9

Procedures and Results 9

Procedures and Results on Supporting Objectives 9

Procedures and Results on Compliance with LAC FCDC 10

Conclusions 15

Findings and Recommendations 16

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Executive Summary

The County of Los Angeles Department of Public Works ("DPW") through the Auditor-Controller ("A-C") engaged Davis Farr LLP ("Davis Farr") to perform a direct examination on the implementation of the Safe, Clean Water ("SCW") Los Angeles County Unincorporated Municipal Program against Chapters 16 and 18 of the Los Angeles County Flood Control District Code ("LAC FCDC").

As the program manager for the County's Unincorporated Area Stormwater Program, the DPW has taken the lead in administering SCW funds received by the County and oversees the development and implementation of County projects funded through the Municipal and Regional programs. As such, the DPW assisted Davis Farr in the performance of the examination which focused on the financial and compliance responsibilities associated with the financial records and operations of the Los Angeles County Unincorporated Municipal Program projects as defined by the LAC FCDC for the fiscal years (FYs) ended June 30, 2021 through June 30, 2023. The scope of our examination included projects that were funded as part of the implementation of the Los Angeles County Unincorporated Municipal Program.

The Municipal Program projects included in the scope of the examination were the following.

1) The Adventure Park Multi-Benefit Stormwater Capture Project ("Adventure Park Project"),

2) The Alondra Park Multi-Benefit Stormwater Capture Project ("Alondra Park Project"),

3) The Altadena–Lake Avenue Green Improvement Project ("Altadena Improvement Project"),

4) The Bassett High School Multi-Benefit Stormwater Capture Project ("Bassett HS Project"),

5) The Compton Boulevard et al. Street and Water Quality Improvement Project ("Compton Blvd Project"),

6) The Hasley Canyon Stormwater Capture Project ("Hasley Canyon Project"),

7) The Mt. Lowe Median Stormwater Capture Project ("Mt. Lowe Project"),

8) The Sorensen Park Multi-Benefit Stormwater Capture Project ("Sorensen Park Project"), and

9) The Walnut Park Pocket Park Project ("Walnut Park Project").

Our examination procedures were performed in accordance with the Statement on Standards for Attestation Engagements Direct Examination Engagement (SSAE) No. 21, AT-C section 105 and 206, and Generally Accepted Auditing Standards (GAAS), and Generally Accepted Government Auditing Standards (GAGAS) as applicable.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Summary of Findings

As a result of our examination procedures, we did not identify any financial or compliance findings applicable to the functions and responsibilities of the Los Angeles County Unincorporated Municipal Program for the FYs ended June 30, 2021 through June 30, 2023.

Schedule of Examined Revenues and Expenditures

Summarized in the table below are the total special parcel tax revenues collected, revenues allocated to the Municipal Program, revenues allocated to the unincorporated municipality and SCW Program expenditures subject to our examination for the FYs ended June 30, 2021 through June 30, 2023. As part of our expenditure testing, we did not identify any unallowable expenditures. See the *Procedures and Results* section of this report for details.

Fiscal Year	Total Revenues Collected (1) & (2)	Revenues Allocated to Municipal Program	Revenues Allocated to Unincorporated Municipality (3)	Unincorporated Municipality Program Expenditures (3)
2020-2021	$278,005,530	$111,202,212	$10,800,000	$4,686,430
2021-2022	$280,494,303	$112,186,197	$5,500,000	$2,370,481
2022-2023	$278,875,881	$111,561,876	$12,200,000	$10,497,825
Total	**$837,375,714**	**$334,950,285**	**$28,500,000**	**$17,554,736**

(1) Total Revenues Collected as reported by the DPW reports for collected revenue only.
(2) Revenues reported by A-C include billed revenue, interest, and adjusting entries.
(3) The Revenues Allocated to Unincorporated Municipality include the nine projects in scope of the examination, as referenced in the Executive Summary section above; however, the Unincorporated Municipality Program Expenditures only account for the expenditures of five projects which had recognized expenditures during the FYs in scope. As such, the *Procedures and Results* described in this report are only applicable to the following five projects.

1) Adventure Park Project
2) Alondra Park Project
3) Bassett HS Project
4) Mt. Lowe Project
5) Walnut Park Project

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Background

The DPW is one of the largest municipal public works agencies in the United States, providing vital 21st century infrastructure and essential services to more than 10 million people across a 4,000-square-mile regional service area. As part of its responsibility for Countywide water resource management, DPW constructs, operates, and maintains a regional system of flood control and water conservation facilities on behalf of the Los Angeles County Flood Control District ("District").

The District was established in 1915 and encompasses approximately 2,758 square miles within the County of Los Angeles. Employees of DPW serve as staff for the District. The District is separate from DPW and funds of each entity remain in separate accounts. DPW pays the District for the use of District equipment, materials and property used for County purposes. The District is empowered to carry out the objectives of the Los Angeles County Flood Control Act of 1915, California Water Code, Appendix, Chapter 28 (the "Act"). The objectives are to provide for the control and conservation of flood, storm, and other wastewater, and to protect the harbors, waterways, public highways, and property within the District from damage such as flood or storm waters. These powers are exercised by the County Board of Supervisors ("Board"), which acts as the governing body of the District. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining when to issue bonds authorized by the voters of the District.

On July 17, 2018, the Board approved a resolution calling for and giving notice of an election on a measure to impose a special tax upon parcels located within the District, to fund projects and programs to increase stormwater capture and to reduce stormwater and urban runoff pollution. During the November 6, 2018 election, more than two-thirds of voters approved Measure W, which required the Board to adopt an ordinance to establish and implement the SCW Program.

The adopted ordinance amended the LAC FCDC by adding Chapter 16, establishing the Los Angeles Region, SCW Program and imposing a special parcel tax within the District to provide for increased stormwater and urban runoff capture and reduced stormwater and urban runoff pollution, as authorized by Section 2, subsections 8a-8c of the Act. The District also adapted Chapter 18 of the LAC FCDC to establish additional criteria and procedures related to the implementation of the SCW Program. Chapter 18 describes the various functions the District is responsible for performing as part of the implementation of the SCW Program including administration of the SCW Program, collection of Special Parcel Tax and distribution of funds; administration of credit and tax relief program or incentive programs; review of budgets and conducting independent audits to ensure compliance with requirements of the SCW Program.

As part of the adaptation of Chapters 16 and 18 of the LAC FCDC, the District is responsible for allocating the revenues derived from the special parcel tax as follows:

1. Ten percent (10%) shall be allocated to the District for implementation and administration of Projects and Programs, and for the payment of the costs incurred in connection with the levy and collection of the special parcel tax and the distribution of

the funds generated by imposition of the special parcel tax. This allocation will be referred to as the District Program.

2. Forty percent (40%) shall be allocated to municipalities within the District, in the same proportion as the amount of revenues collected within each municipality, to be expended by those cities within the cities' respective jurisdictions and by the County within the unincorporated areas that are within the boundaries of the District, for the implementation, operation and maintenance, and administration of Projects and Programs. This allocation will be referred to as the Municipal Program.

3. Fifty percent (50%) shall be allocated to pay for the implementation, operation and maintenance, and administration of Projects and Programs implemented through the Regional Program, including Projects and Programs identified in approved regional plans such as stormwater resource plans developed in accordance of the Water Code, watershed management programs developed pursuant to waste discharge requirements for municipal separate storm sewer system (MS4) discharges within the coastal watersheds of the County, issued by the Los Angeles Regional Water Quality Control Board, and other regional water management plans. Funds allocated to the Regional Program shall be distributed among the nine (9) Watershed Areas in proportion to the funds generated in each Watershed Area. This allocation will be referred to as the Regional Program.

As the program manager for the County's Unincorporated Area Stormwater Program, the DPW has taken the lead, as the Infrastructure Program Project Developer, in administering SCW funds received by the County and oversees the development and implementation of County projects funded through the Municipal and Regional programs. Municipalities are subject to an independent audit of their use of SCW Program funds not less than once every three years. The following Los Angeles County Unincorporated Municipal Program projects were in scope of the examination.

1) The Adventure Park Multi-Benefit Stormwater Capture Project ("Adventure Park Project") conveys urban and stormwater runoff through a pretreatment system, then diverts it to underground storage as well as through the sewer system for treatment and reuse. It includes above ground park improvements such as athletic fields and natural enhancements including trees and bioswales planted with native species. Construction is anticipated to conclude by December 2024.

2) The Alondra Park Multi-Benefit Stormwater Capture Project ("Alondra Park Project") diverts urban and stormwater runoff through a pretreatment system into underground storage as well as through the sewer system for treatment and reuse. It includes above ground improvements such as a soccer field and natural enhancements including trees, bioswales planted with native species, and permeable pavements. Construction is anticipated to conclude by May 2026.

3) The Altadena–Lake Avenue Green Improvement Project ("Altadena Improvement Project") will divert stormwater and urban runoff into dry wells located within the road right-of-way. The Project will include green street elements such as bioswales along

the parkway space. In addition, the project will improve one mile of major roadways, which will include parkway improvements and curb ramp upgrades. Construction is anticipated to begin by July 2028.

4) The Bassett High School Multi-Benefit Stormwater Capture Project ("Bassett HS Project") diverts, treats, and infiltrates approximately 668 acre-feet of urban and stormwater runoff. It includes above ground improvements such as recreational features including walking paths, and natural enhancements including trees and bioswales planted with native species. Construction is anticipated to conclude by April 2027.

5) The Compton Boulevard et al. Street and Water Quality Improvement Project ("Compton Blvd Project") will capture, treat, and infiltrate approximately 38 acre-feet of dry- and wet- weather runoff annually. The Project will improve 2.8 miles of parkway and roadway within the Los Angeles County Unincorporated Area of East Rancho Dominguez and the City of Compton. A walking trail will be created along Compton Boulevard with trail signage that connects residents to the Los Angeles River Trail. Construction is anticipated to begin by October 2026.

6) The Hasley Canyon Stormwater Capture Project ("Hasley Canyon Project") will divert stormwater and urban runoff into infiltration galleries underneath park fields. The Project will include above ground park improvements, including drought tolerant landscaping, low-impact development features, and educational signage. Construction is anticipated to begin by June 2026.

7) The Mt. Lowe Median Stormwater Capture Project ("Mt. Lowe Project") diverts dry weather and stormwater surface runoff into a series of infiltration drywells located within a roadway median. It includes above ground improvements such as new walking paths and landscaping. Construction is anticipated to conclude by February 2027.

8) The Sorensen Park Multi-Benefit Stormwater Capture Project ("Sorensen Park Project") will divert stormwater and urban runoff into infiltration galleries underneath park fields. The Project will also include above ground park improvements, including drought tolerant landscaping, low-impact-development features, and educational signage. Construction is anticipated to begin by February 2028.

9) The Walnut Park Pocket Park Project ("Walnut Park Project") captures urban and stormwater runoff from a 27-acre drainage area surrounding the park. It includes above ground improvements such as recreational features including a splash pad, a lawn, exercise equipment, and performance stage. The Walnut Park Project was completed in June 2024.

Note: Only five of the nine projects noted above had recognized expenditures during the FYs in scope of the examination. As such, the *Procedures and Results* described in this report are only applicable to projects 1, 2, 4, 7 and 9.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Objectives

The primary objectives of our direct examination of the Los Angeles County Unincorporated Municipal Program were as follows.

A. Obtain reasonable assurance by measuring or evaluating the financial records and operations relating to or arising from the implementation of the Los Angeles County Unincorporated Municipal Program against Chapters 16 and 18 of the LAC FCDC.

B. Express an opinion to convey the results of our procedures applied to the Los Angeles County Unincorporated Municipal Program for FYs ended June 30, 2021 through June 30, 2023 in accordance with SSAE No. 21, AT-C section 105 and 206, GAAS, and GAGAS as applicable.

The supporting objectives of our direct examination of the Municipal Program were as follows.

a. Determine the accuracy of the expenditures reported compared to the accounting records.

b. Determine whether the expenditures were in compliance with Chapters 16 and 18 of the LAC FCDC.

c. Determine whether the required work and services were completed and performed in accordance with Chapters 16 and 18 of the LAC FCDC and the approved reports for the period examined.

d. Determine the adequacy of DPW's accounting records to ensure accurate reporting of expenditures.

e. Determine whether DPW filed copies of any audits by federal, State, or by any other auditor or accountant regarding the SCW Program within 30 days of the DPW's receipt.

f. Ascertain whether overpayments or underpayments occurred.

Scope

The scope of this examination was limited to the functions and responsibilities of the Municipal Program, as defined by the LAC FCDC Chapter Sections 16.05C, 16.12A, and 18.06, as well as its compliance with the general requirements as defined in Section 16.05A. We performed a direct examination on financial records and operations relating to or arising from the implementation of the Los Angeles County Unincorporated Municipal Program, as referred to in LAC FCDC Chapters 16 and 18, for FYs ended June 30, 2021 through June 30, 2023.

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
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INDEPENDENT ACCOUNTANT'S REPORT

Mr. Mark Pestrella
Director of the Los Angeles
County Department of Public Works

We have directly examined the Los Angeles County Department of Public Works' ("DPW") Safe, Clean Water ("SCW") implementation of the Los Angeles County Unincorporated Area Municipal Program financial records and operations for fiscal years (FYs) ended June 30, 2021 through June 30, 2023. Los Angeles County Flood Control District ("District") management is responsible for overseeing the development and implementation of the SCW Program overall, including the Municipal Program, while DPW management is responsible for administering SCW funds received by the County and oversees the development and implementation of County projects funded through the Municipal program. Our responsibility is to obtain reasonable assurance by measuring or evaluating the Los Angeles County Unincorporated Municipal Program financial records and operations for the FYs ended June 30, 2021 through June 30, 2023 against Chapters 16 and 18 of the Los Angeles County Flood Control District Code ("LAC FCDC") and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we obtain reasonable assurance by measuring or evaluating the Los Angeles County Unincorporated Municipal Program financial records and operations for the FYs ended June 30, 2021 through June 30, 2023 against Chapters 16 and 18 of the LAC FCDC and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the financial records and operations for the FYs ended June 30, 2021 through June 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the Los Angeles County Unincorporated Municipal Program financial records and operations were not in accordance with Chapters 16 and 18 of the LAC FCDC in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District and DPW, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, the Municipal Program financial records and operations related to the Los Angeles County Unincorporated Area for the FYs ended June 30, 2021 through June 30, 2023 were in accordance with Chapters 16 and 18 of the LAC FCDC, in all material respects.

Mr. Mark Pestrella
Director of the Los Angeles
County Department of Public Works

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the subject matter; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the subject matter is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the subject matter or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Restriction on Use

This report is intended solely for the information and use of the County of Los Angeles, Auditor-Controller, District, and DPW, and is not intended to be and should not be used by anyone other than these specified parties.

Davis Farr LLP

Irvine, California
June 26, 2024

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Methodology

Our approach to accomplishing the overall examination objectives began with obtaining and inspecting the following documents, to the extent they existed and were applicable to the examination of the Los Angeles County Unincorporated Municipal Program.

1. LAC FCDC Chapters 16 and 18 for the applicable requirements to our examination and the SCW Program.
2. MS4 Permit.
3. Annual Progress/Expenditure Reports containing information described in LAC FCDC Chapter Section 18.06.D.2.
4. Public informational materials containing up-to-date information on the Municipality's actual and budgeted use of revenues from the SCW Program.
5. Vector minimization plan.
6. Transfer Agreement between the District and Los Angeles County Unincorporated Area.
7. Amendments to the Ordinance.
8. Financial accounts, miscellaneous documents, and records of expenditures for the Examination Period.
9. Worksheets or other internal reporting material produced by DPW or the party to be examined.

After inspecting the available noted documents we implemented the following examination procedures on the Los Angeles County Unincorporated Municipal Program.

1. Conducted inquiries and walk-throughs with DPW staff.
2. Reviewed Annual Progress/Expenditure Reports for the Unincorporated Area Municipal Program.
3. Examined itemized actual expenditures funded by monies received per the SCW Program for the Unincorporated Area Municipal Program including any eligible or ineligible expenditures.
4. Assessed the Unincorporated Area Municipality's implementation of the SCW Program, as required by Chapters 16 and 18 of the LAC FCDC.
5. Assessed whether Lapsed Funds procedures apply, as defined in LAC FCDC Chapter Section 16.11 and Municipal Program Transfer Agreement Section B-20.

Procedures and Results

Procedures and Results on Supporting Objectives

Based on our examination procedures performed on the financial records and operations relating to or arising from the implementation of the Los Angeles County Unincorporated Area Municipal Program for the FYs ended June 30, 2021 through June 30, 2023, we have determined the following stated objectives results.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

a. Accuracy of the Expenditures Compared to the Accounting Records
We selected a sample of 39 expenditures for a total of $7,998,054 tested, or 46 percent of total expenditures, for the FYs ended June 30, 2021 through June 30, 2023. The documentation supporting each sample selected was consistent with the general ledger detail. No exceptions were noted.

b. Expenditures were in Compliance with LAC FCDC Chapters 16 and 18
We selected a sample of 39 expenditures for a total of $7,998,054 tested, or 46 percent of total expenditures, for the FYs ended June 30, 2021 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

c. The Required Work and Services were Completed and Performed
The scope of this examination was limited to the functions and responsibilities of the Municipal Program, as defined by the LAC FCDC Chapter Sections 16.05C, 16.12A, and 18.06, as well as its compliance with the general requirements as defined in Section 16.05A. See the *Procedures and Results on Compliance with LAC FCDC* section of this report for details.

d. Adequacy of DPW's Accounting Records
We selected a sample of 39 expenditures for a total of $7,998,054 tested, or 46 percent of total expenditures, for the FYs ended June 30, 2021 through June 30, 2023. There were no unsupported nor insufficiently supported samples. All samples selected were sufficiently supported. No exceptions were noted.

e. Audit Reports were Filed within 30 Days of Receipt
There were no federal, State, or other audits performed during the FYs ended June 30, 2021 through June 30, 2023. No exceptions were noted.

f. Occurrence of Overpayments or Underpayments
There were no overpayments or underpayments identified during the FYs ended June 30, 2021 through June 30, 2023. No exceptions were noted.

Procedures and Results on Compliance with LAC FCDC

The scope of this examination was limited to the functions and responsibilities of the Los Angeles County Unincorporated Area Municipal Program, as defined by the LAC FCDC Chapter Sections 16.05C, 16.12A, and 18.06, as well as its compliance with the general requirements as defined in Section 16.05A. The following represents the examination results related to our evaluation of the DPW's compliance with the noted criteria for FYs years ended June 30, 2021 through June 30, 2023.

LAC FCDC Chapter Section 16.05A Program Elements: General Requirements

Transfer Agreements
We obtained the Unincorporated Area Transfer Agreement and inspected it to ensure that the content met SCW Program Requirements. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Eligible and Ineligible Expenditures
We selected a sample of 39 expenditures for a total of $7,998,054 tested, or 46 percent of total expenditures, for the FYs ended June 30, 2021 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

LAC FCDC Chapter Section 16.05C: Municipal Program

Progress/Expenditure Reports
We obtained the Los Angeles County Unincorporated Municipal Area Annual Reports for the FYs ended June 30, 2021 through June 30, 2023. We inspected each to ensure progress/expenditure reports were prepared that contain a detail program-level summary of expenditures, as well as a description of water quality benefits, water supply benefits, nature-based solutions, and community investment benefits. No exceptions were noted.

SCW Program Fund Transfer, Reporting, and Audit Requirements
Program Fund Transfer: We obtained the Transfer Agreement and inspected it to ensure that the content met SCW Program Requirements. Further, we noted that funds were transferred to the Unincorporated Municipality's Capital Projects tested after the Transfer Agreement was executed. No exceptions were noted.

Reporting: We obtained the Los Angeles County Unincorporated Municipal Area Annual Reports for the FYs ended June 30, 2021 through June 30, 2023. We inspected them to ensure the following were included in the report:

a. A summary of the expenditures and Water Quality, Water Supply, and Community Investment Benefits realized through use of SCW Program funds;
b. The amount of SCW Program funds expended;
c. Documentation that the SCW Program funds were used for eligible expenditures;
d. A description of work accomplished during the reporting period;
e. The milestones or deliverables completed/submitted during the reporting period;
f. The work anticipated to be accomplished during the next reporting period;
g. Photo documentation, as appropriate;
h. Additional information as required by the District; and
i. A description of stakeholder-engagement activities during the reporting period, as appropriate.

Per our inspection of the reports, no exceptions were noted.

Audit Requirements: There were no federal, State, or other audits performed during the FYs ended June 30, 2021 through June 30, 2023. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Engagement with Stakeholders
We inspected the Measure W Safe Clean Water Program Overview to ensure a plan was executed to engage with Stakeholders in the planning process for the use of funds during the planning and implementation of projects and programs. No exceptions were noted.

We selected a sample of Watershed Area Steering Committee (WASC) meetings and inspected the Agendas and Meeting Minutes, as well as other meeting documents available for the selected meetings, to ensure there was stakeholder engagement in the planning process for the use of Municipal Program funds during the planning and implementation of Projects and Programs. No exceptions were noted.

Prioritization and Development of Projects
Obtained the MS4 permit and inspected it.

We obtained the Stormwater Investment Plans (SIP) for the Los Angeles County Unincorporated Area Municipal Program projects examined. We inspected them to ensure MS4 Compliance. No exceptions were noted.

We obtained the feasibility studies for the Los Angeles County Unincorporated Area projects tested and inspected them to ensure an emphasis on MS4 compliance. No exceptions were noted.

LAC FCDC Chapter Section 16.12A: Reporting Requirements

Reporting Requirements
We obtained the Los Angeles County Unincorporated Municipal Area Annual Reports for the FYs ended June 30, 2021 through June 30, 2023. We inspected them to ensure the following were included in the report:

a. A summary of the expenditures and Water Quality, Water Supply, and Community Investment Benefits realized through use of SCW Program funds;
b. The amount of SCW Program funds expended;
c. Documentation that the SCW Program funds were used for eligible expenditures;
d. A description of work accomplished during the reporting period;
e. The milestones or deliverables completed/submitted during the reporting period;
f. The work anticipated to be accomplished during the next reporting period;
g. Photo documentation, as appropriate;
h. Additional information as required by the District; and
i. A description of stakeholder-engagement activities during the reporting period, as appropriate.

Per our inspection of the reports, no exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

LAC FCDC Chapter Section 18.06: Municipal Program Implementation

Implementation Functions:

1. *Compliance with MS4 Permit*
   Obtained the MS4 permit and inspected it.

   We obtained the SIP for the Los Angeles County Unincorporated Area Municipal Program projects examined. We inspected them to ensure MS4 Compliance. No exceptions were noted.

   We obtained the feasibility studies for the Los Angeles County Unincorporated Area projects tested and inspected them to ensure an emphasis on MS4 compliance. No exceptions were noted.

2. *Annual Plan SCW Programs Funds*
   We obtained the Los Angeles County Unincorporated Area Municipal Program Annual Plan for the FYs ended June 30, 2021 through June 30, 2023. We inspected them to ensure expenditure plans were prepared in advance of the fiscal year for how SCW Program Funds would be used. No exceptions were noted.

3. *SCW Program Report and Audit Requirements*
   There were no federal, State, or other audits performed during the FYs ended June 30, 2021 through June 30, 2023. No exceptions were noted.

4. *Eligible Infrastructure Program Projects*
   Obtained emails and SCW Program presentation slides provided to Infrastructure Program Project Applicants and inspected them to ensure that as part of the Municipal Program planning process, there was consideration for Municipal-level requests for Projects from eligible Infrastructure Program Project Applicants. No exceptions were noted.

5. *Publicly Available Annual Reporting of Actual and Budgeted Use of Revenues*
   We obtained the Annual Reports for the Los Angeles County Unincorporated Area Municipal Program for the FYs ended June 30, 2021 through June 30, 2023. We inspected them to ensure the use of SCW Program funding was documented. The reports were obtained from the Safe Clean Water website, available to the general public. No exceptions were noted.

6. *Operate in Accordance with Best Practices for Government Agencies*
   During the period of scope, there were no matters that came to our attention to indicate the Municipal Program was not operating in accordance with government best practices. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

7. *Accountability for Funds, Receipts, and Disbursements*
   We obtained the Annual Reports for the Los Angeles County Unincorporated Area Municipal Program for the FYs ended June 30, 2021 through June 30, 2023. We inspected them to ensure the use of SCW Program funding was documented. No exceptions were noted.

   We selected a sample of 39 expenditures for a total of $7,998,054 tested, or 46 percent of total expenditures, for the FYs ended June 30, 2021 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

8. *Engage Stakeholders*
   We inspected the Measure W SCW Program Overview to ensure a plan was executed to engage with Stakeholders in the planning process for the use of funds during the planning and implementation of projects and programs. No exceptions were noted.

   We selected a sample of WASC meetings and inspected the Agendas and Meeting Minutes, as well as other meeting documents available for the selected meetings, to ensure there was stakeholder engagement in the planning process for the use of Municipal Program funds during the planning and implementation of Projects and Programs. No exceptions were noted.

9. *Transfer Agreement*
   We obtained the Transfer Agreement and inspected it to ensure that the content met SCW Program Requirements. No exceptions were noted.

10. *Vector Minimization Plan*
    We obtained the feasibility studies for the Unincorporated Area Municipal projects tested and inspected them to ensure the vector minimization plan addressed vector considerations for the design, operation, and maintenance of each project. No exceptions were noted.

<u>Maintenance of Effort</u>
We obtained the Annual Reports for the Los Angeles County Unincorporated Area Municipal Program for the FYs ended June 30, 2021 through June 30, 2023. We inspected the reports to ensure the projects examined were implemented on or after November 6, 2018 and, at least 70 percent of the funds were on eligible expenses related to Projects. No exceptions were noted.

For the FYs ended June 30, 2021 through June 30, 2023, there were no expenditures related to the continuation of Programs implemented or the maintenance of Projects implemented prior to November 6, 2018. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Municipal Program Annual Progress / Expenditure Reports

Annual Report

We obtained the Annual Report for the Los Angeles County Unincorporated Area Municipal Program for the FYs ended June 30, 2021 through June 30, 2023. We inspected the reports to ensure the following items were included:

a. A summary of the expenditures and Water Quality, Water Supply, and Community Investment Benefits realized through use of SCW Program funds;
b. The amount of SCW Program funds expended;
c. Documentation that the SCW Program funds were used for eligible expenditures;
d. A description of work accomplished during the reporting period;
e. The milestones or deliverables completed/submitted during the reporting period;
f. The work anticipated to be accomplished during the next reporting period;
g. Photo documentation, as appropriate;
h. Additional information as required by the District; and
i. A description of stakeholder-engagement activities during the reporting period, as appropriate.

Per our inspection of the reports, no exceptions were noted.

District Review of Annual Report

The District reviews annual reports prepared by the Los Angeles County Unincorporated Area Municipal Program. No exceptions were noted.

Regional Oversight Committee (ROC) Review of Annual Report

We inspected the ROC meeting agenda, minutes, and related attachments for the December 7, 2023 meeting and noted a review of the Los Angeles County Unincorporated Area Municipal Program annual reports for the FYs ended June 30, 2021 and June 30, 2022. The Annual Report for FY ended June 30, 2023 was submitted on December 28, 2023 and as of the date of this report had not been reviewed by the ROC. No exceptions were noted.

Conclusions

The main objective of our examination was to obtain reasonable assurance by measuring or evaluating the financial records and operations relating to or arising from the implementation and administration of the Los Angeles County Unincorporated Municipal Program, to enable us to express an opinion on the Los Angeles County Unincorporated Municipal Program's adherence to Chapters 16 and 18 of the LAC FCDC.

We conclude that based on the performance of our examination procedures applicable to the FYs ended June 30, 2021 through June 30, 2023, we did not identify any findings. Overall, we consider the Los Angeles County Unincorporated Municipal Program to be in accordance with LAC FCDC Chapters 16 and 18, in all material respects.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

Municipal Program

For the Fiscal Years Ended June 30, 2021 through June 30, 2023

Findings & Recommendations

As a result of our examination procedures, we did not identify any financial or compliance findings applicable to the financial records and operations relating to or arising from the implementation of the Los Angeles County Unincorporated Municipal Program for the projects tested for the FYs ended June 30, 2021 through June 30, 2023.

COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS

Examination Report on the Safe, Clean Water Program

Regional Program

For the Fiscal Years Ended
June 30, 2019 through June 30, 2023

Statement on Standards for Attestation Engagements No. 21
Direct Examination Engagements

Table of Contents

Executive Summary 1

Summary of Findings 1

Schedule of Examined Expenditures 1

Background 3

Objectives 5

Scope 5

Independent Accountant's Report 6

Methodology 8

Procedures and Results 8

Procedures and Results on Supporting Objectives 8

Procedures and Results on Compliance with LAC FCDC 11

Conclusions 18

Finding and Recommendations 18

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

Executive Summary

The County of Los Angeles Department of Public Works ("DPW") through the Auditor-Controller ("A-C") engaged Davis Farr LLP ("Davis Farr") to perform a direct examination on the Franklin D. Roosevelt Park Regional Stormwater Capture Project ("FDR Park Project"), East Los Angeles Sustainable Median Stormwater Capture Project ("ELA Median Project"), and Ladera Park Stormwater Improvements Project ("Ladera Park Project") against Chapters 16 and 18 of the Los Angeles County Flood Control District Code ("LAC FCDC").

As the program manager for the County's Unincorporated Area Stormwater Program, the DPW has taken the lead in administering Safe, Clean Water (SCW) funds received by the County and oversees the development and implementation of County projects funded through the Municipal and Regional programs. As such, the DPW assisted Davis Farr in the performance of the examination which focused on the financial and compliance responsibilities associated with the financial records and operations of the above-mentioned Regional Program projects as defined by the LAC FCDC for the fiscal years (FYs) ended June 30, 2019 through June 30, 2023.

Our examination procedures were performed in accordance with the Statement on Standards for Attestation Engagements Direct Examination Engagement (SSAE) No. 21, AT-C section 105 and 206, and Generally Accepted Auditing Standards (GAAS), and Generally Accepted Government Auditing Standards (GAGAS) as applicable.

Summary of Findings

As a result of our examination procedures, we did not identify any financial or compliance findings applicable to the functions and responsibilities of the Regional Program related to the FDR Park Project, ELA Median Project, and the Ladera Park Project for the FYs ended June 30, 2019 through June 30, 2023.

Schedule of Examined Expenditures

Summarized in the following tables are the SCW project expenditures of the Regional Program subject to our examination for the FYs ended June 30, 2019 through June 30, 2023. The FDR Park Project, ELA Median Project, and the Ladera Park Project expenditures were derived from the DPW detailed general ledgers by fund. The expenditures reported in the Quarterly and Annual Reports were limited to the SCW Program allocation funds. As part of our expenditure testing, we did not identify any unallowable expenditures. See the *Procedures and Results* section of this report for details.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

FDR Park Project

Fiscal Year	SCW Project Expenditures
2018-2019	$6,682,082
2019-2020	$2,321,776
2020-2021	$44,856
2021-2022	$164,440
2022-2023	$43,473
Total Project Expenditures	$9,256,627
SCW Revenue Allocation	$4,000,000

ELA Median Project

Fiscal Year	SCW Project Expenditures
2018-2019	$800,450
2019-2020	$334,626
2020-2021	$23,248,238
2021-2022	$1,206,253
2022-2023	$513,679
Total Project Expenditures	$26,103,246
SCW Revenue Allocation	$7,000,000

Ladera Park Project

Fiscal Year	SCW Project Expenditures
2018-2019	$585,168
2019-2020	$1,067,541
2020-2021	$545,762
2021-2022	$290,415
2022-2023	$368,065
Total Project Expenditures	$2,856,951
SCW Revenue Allocation	$2,000,000

Total for all Projects

Fiscal Year	SCW Project Expenditures
2018-2019	$8,067,700
2019-2020	$3,723,943
2020-2021	$23,838,856
2021-2022	$1,661,108
2022-2023	$925,217
Total Project Expenditures	$38,216,824
SCW Revenue Allocation	$13,000,000

Note: Project expenditures exceeding the SCW special tax revenue allocation were funded through other non-SCW funding sources.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

Background

The DPW is one of the largest municipal public works agencies in the United States, providing vital 21st century infrastructure and essential services to more than 10 million people across a 4,000-square-mile regional service area. As part of its responsibility for Countywide water resource management, DPW constructs, operates, and maintains a regional system of flood control and water conservation facilities on behalf of the District.

The District was established in 1915 and encompasses approximately 2,758 square miles within the County of Los Angeles. Employees of DPW serve as staff for the District. The District is separate from DPW and funds of each entity remain in separate accounts. DPW pays the District for the use of District equipment, materials and property used for County purposes. The District is empowered to carry out the objectives of the Los Angeles County Flood Control Act of 1915, California Water Code, Appendix, Chapter 28 (the "Act"). The objectives are to provide for the control and conservation of flood, storm, and other wastewater, and to protect the harbors, waterways, public highways, and property within the District from damage such as flood or storm waters. These powers are exercised by the County Board of Supervisors ("Board"), which acts as the governing body of the District. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining when to issue bonds authorized by the voters of the District.

On July 17, 2018, the Board approved a resolution calling for and giving notice of an election on a measure to impose a special tax upon parcels located within the District, to fund projects and programs to increase stormwater capture and reduce stormwater and urban runoff pollution. During the November 6, 2018 election, more than two-thirds of voters approved Measure W, which required the Board to adopt an ordinance to establish and implement the SCW Program.

The adopted ordinance amended the LAC FCDC by adding Chapter 16, establishing the Los Angeles Region, SCW Program and imposing a special parcel tax within the District to provide for increased stormwater and urban runoff capture and reduced stormwater and urban runoff pollution, as authorized by Section 2, subsections 8a-8c of the Act. The District also adapted Chapter 18 of the LAC FCDC to establish additional criteria and procedures related to the implementation of the SCW Program. Chapter 18 describes the various functions the District is responsible for performing as part of the implementation of the SCW Program including administration of the SCW Program, collection of Special Parcel Tax and distribution of funds; administration of credit and tax relief program or incentive programs; review of budgets and conducting independent audits to ensure compliance with requirements of the SCW Program.

As part of the adaptation of Chapters 16 and 18 of the LAC FCDC, the District is responsible for allocating the revenues derived from the special parcel tax as follows:

1. Ten percent (10%) shall be allocated to the District for implementation and administration of Projects and Programs, and for the payment of the costs incurred in connection with the levy and collection of the special parcel tax and the distribution of the funds generated by imposition of the special parcel tax. This allocation will be referred to as the District Program.

2. Forty percent (40%) shall be allocated to municipalities within the District, in the same proportion as the amount of revenues collected within each municipality, to be expended by those cities within the cities' respective jurisdictions and by the County within the unincorporated areas that are within the boundaries of the District, for the implementation, operation and maintenance, and administration of Projects and Programs. This allocation will be referred to as the Municipal Program.

3. Fifty percent (50%) shall be allocated to pay for the implementation, operation and maintenance, and administration of Projects and Programs implemented through the Regional Program, including Projects and Programs identified in approved regional plans such as stormwater resource plans developed in accordance of the Water Code, watershed management programs developed pursuant to waste discharge requirements for municipal separate storm sewer system (MS4) discharges within the coastal watersheds of the County, issued by the Los Angeles Regional Water Quality Control Board, and other regional water management plans. Funds allocated to the Regional Program shall be distributed among the nine (9) Watershed Areas in proportion to the funds generated in each Watershed Area. This allocation will be referred to as the Regional Program.

As the program manager for the County's Unincorporated Area Stormwater Program, the DPW has taken the lead, as the Infrastructure Program Project Developer, in administering SCW funds received by the County and oversees the development and implementation of County projects funded through the Municipal and Regional programs. Infrastructure Program Project Developers are subject to examination upon completion of the Project. The following Regional Program projects have been completed by the County and were subject to the examination:

A. The FDR Park Project diverts eight acre-feet of stormwater and urban runoff per storm event into two infiltration galleries and three infiltration/dry wells. It includes above ground park improvements, including a re-designed soccer field with artificial turf, education garden, drought tolerant landscaping, low-impact-development features, and recreational play areas. The FDR Park Project was completed in June 2020.

B. The ELA Median Project diverts 22 acre-feet of urban and stormwater runoff per storm event into dry wells underneath medians. It includes above ground landscaping, low-impact-development features, passive recreation, and educational signage. The ELA Median Project was completed in December 2021.

C. The Ladera Park Project diverts stormwater and urban runoff into dry wells for infiltration while also incorporating a water treatment system that diverts and treats a portion of the water for landscape irrigation reuse. Above ground park improvements were also implemented, including a demonstration garden, drought-tolerant landscaping, low impact development features, and educational signage. The Ladera Park Project was completed in February 2023.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

Objectives

The primary objectives of our direct examination of the Regional Program were as follows.

A. Obtain reasonable assurance by measuring or evaluating the financial records and operations relating to or arising from the completion of the FDR Park Project, ELA Median Project, and Ladera Park Project against Chapters 16 and 18 of the LAC FCDC.

B. Express an opinion to convey the results of our procedures applied to the Regional Program projects for FYs ended June 30, 2019 through June 30, 2023 in accordance with SSAE No. 21, AT-C section 105 and 206, GAAS, and GAGAS as applicable.

The supporting objectives of our direct examination of the Regional Program were as follows.

a. Determine the accuracy of the expenditures reported in the expenditure reports compared to the accounting records.

b. Determine whether the expenditures were in compliance with Chapters 16 and 18 of the LAC FCDC.

c. Determine whether the required work and services were completed and performed in accordance with Chapters 16 and 18 of the LAC FCDC, and the approved reports for the projects examined.

d. Determine the adequacy of DPW's accounting records to ensure accurate reporting of expenditures.

e. Determine whether DPW filed copies of any audits by federal, State, or by any other auditor or accountant regarding the SCW Program within 30 days of the DPW's receipt.

f. Ascertain whether overpayments or underpayments occurred.

Scope

The scope of this examination was limited to the functions and responsibilities of the Regional Program, as defined by the LAC FCDC Chapter Sections 16.05.D.1, 16.12.B, and 18.07.C and F, as well as its compliance with the general requirements as defined in Section 16.05A. We performed a direct examination on financial records and operations relating to or arising from the Regional Program which encompassed the completion of the FDR Park Project, ELA Median Project, and the Ladera Park Project, as referred to in LAC FCDC Chapters 16 and 18, for the FYs ended June 30, 2019 through June 30, 2023.

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT

Mr. Mark Pestrella
Director of the Los Angeles
County Department of Public Works

We have directly examined the Los Angeles County Department of Public Works' ("DPW") Safe, Clean Water ("SCW") Regional Program financial records and operations related to the completion of the Franklin D. Roosevelt Park Regional Stormwater Capture Project ("FDR Park Project"), East Los Angeles Sustainable Median Stormwater Capture Project ("ELA Median Project"), and the Ladera Park Stormwater Improvements Project ("Ladera Park Project") for fiscal years (FYs) ended June 30, 2019 through June 30, 2023. Los Angeles County Flood Control District ("District") management is responsible for overseeing the development and implementation of the SCW Program overall, including the Regional Program, while DPW management is responsible for administering SCW funds received by the County and oversees the development and implementation of County projects funded through the Municipal and Regional programs. Our responsibility is to obtain reasonable assurance by measuring or evaluating the Regional Program financial records and operations for the FYs ended June 30, 2019 through June 30, 2023 against Chapters 16 and 18 of the Los Angeles County Flood Control District Code ("LAC FCDC") and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we obtain reasonable assurance by measuring or evaluating the Regional Program financial records and operations for the FYs ended June 30, 2019 through June 30, 2023 against Chapters 16 and 18 of the LAC FCDC and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the Regional Program financial records and operations for the FYs ended June 30, 2019 through June 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the Regional Program financial records and operations were not in accordance with Chapters 16 and 18 of the LAC FCDC in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District and DPW, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, the Regional Program financial records and operations related to the completion of the FDR Park Project, the ELA Median Project, and the Ladera Park Project, for

the FYs ended June 30, 2019 through June 30, 2023 were in accordance with LAC FCDC Chapters 16 and 18, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the subject matter; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the subject matter is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the subject matter or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Restriction on Use

This report is intended solely for the information and use of the County of Los Angeles, Auditor-Controller, District, and DPW, and is not intended to be and should not be used by anyone other than these specified parties.

Davis Farr LLP

Irvine, California
April 30, 2024

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

Methodology

Our approach to accomplishing the overall examination objectives began with obtaining and inspecting the following documents, to the extent they existed and were applicable to the examination on the Regional Program for the FDR Park Project, the ELA Median Project, and the Ladera Park Project.

1. LAC FCDC Chapters 16 and 18 for the applicable requirements to our examination and the SCW Program.
2. Quarterly progress and expenditure reports containing information described in LAC FCDC Chapter Section 18.07.F.3.
3. Annual Summary of progress and expenditure reports containing information described in LAC FCDC Chapter Sections 18.07.F.3 and 4.
4. Approved Stormwater Investment Plans for the applicable Watershed Area.
5. Vector minimization Plan.
6. Transfer agreement between the District and Los Angeles County Unincorporated Area.
7. Amendments to the Ordinance.
8. Financial accounts, miscellaneous documents, and records of expenditures for the Projects.
9. Worksheets or other internal reporting material produced by the District or the party to be examined.

After inspecting the available noted documents we implemented the following examination procedures on the Regional Program.

1. Conducted inquiries with DPW staff.
2. Identified the Infrastructure Program Project Developer.
3. Identified the person or entity responsible for the operation, maintenance, and repair of the Project, and the source of funds to pay for these activities.
4. Reviewed Quarterly and Annual Progress and Expenditure Reports.
5. Examined itemized actual expenditures funded by monies received per the SCW Program for the three Regional Projects.
6. Assessed whether Lapsed Funds procedures apply, as defined in the LAC FCDC Chapter Section 16.11 and the Regional Program Transfer Agreement Section B-23.

Procedures and Results

Procedures and Results on Supporting Objectives

Based on our examination procedures, performed on the financial records and operations relating to or arising from the completion of the FDR Park Project, ELA Median Project, and the Ladera Park Project for the FYs ended June 30, 2019 through June 30, 2023, we have determined the following stated objectives results.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

FDR Park Project

The FDR Park Project is a Regional Program Project located in the Upper Los Angeles River Watershed Area, in an unincorporated area.

a. Accuracy of the expenditures reported compared to the accounting records.
We selected a sample of 15 expenditures for a total of $2,920,546 tested, or 32 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. The documentation supporting each sample selected was consistent with the general ledger detail. No exceptions were noted.

b. Expenditures were in compliance with LAC FCDC Chapters 16 and 18.
We selected a sample of 15 expenditures for a total of $2,920,546 tested, or 32 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

c. The Required Work and Services were Completed and Performed
The scope of this examination was limited to the functions and responsibilities of the Regional Program, as defined by the LAC FCDC Chapter Sections 16.05.D.1, 16.12.B, and 18.07.C and F, as well as its compliance with the general requirements as defined in Section 16.05A. See the *Procedures and Results on Compliance with LAC FCDC* section of this report for details.

d. Adequacy of DPW's accounting records.
We selected a sample of 15 expenditures for a total of $2,920,546 tested, or 32 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no unsupported nor insufficiently supported samples. All samples selected were sufficiently supported. No exceptions were noted.

e. Federal, State, or other Audits were Filed within 30 Days of Receipt
There were no federal, State, or other audits performed during the FYs ended June 30, 2019 through June 30, 2023. No exceptions were noted.

f. Occurrence of Overpayments or Underpayments
There were no overpayments or underpayments identified during the FYs ended June 30, 2019 through June 30, 2023. No exceptions were noted.

ELA Median Project

The ELA Median Project is a Regional Program Project located in the Rio Hondo Watershed Area, in an unincorporated area.

a. Accuracy of the expenditures reported compared to the accounting records.
We selected a sample of 15 expenditures for a total of $6,223,463 tested, or 24 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. The documentation supporting each sample selected was consistent with the general ledger detail. No exceptions were noted.

b. Expenditures were in compliance with LAC FCDC Chapters 16 and 18.
We selected a sample of 15 expenditures for a total of $6,223,463 tested, or 24 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

c. The Required Work and Services were Completed and Performed.
The scope of this examination was limited to the functions and responsibilities of the Regional Program, as defined by the LAC FCDC Chapter Sections 16.05.D.1, 16.12.B, and 18.07.C and F, as well as its compliance with the general requirements as defined in Section 16.05A. See the *Procedures and Results on Compliance with LAC FCDC* section of this report for details.

d. Adequacy of DPW's accounting records.
We selected a sample of 15 expenditures for a total of $6,223,463 tested, or 24 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no unsupported nor insufficiently supported samples. All samples selected were sufficiently supported. No exceptions were noted.

e. Federal, State, or other Audits were Filed within 30 Days of Receipt
There were no federal, State, or other audits performed during the FYs ended June 30, 2019 through June 30, 2023. No exceptions were noted.

f. Occurrence of Overpayments or Underpayments
There were no overpayments or underpayments identified during the FYs ended June 30, 2019 through June 30, 2023. No exceptions were noted.

Ladera Park Project

The Ladera Park Project is a Regional Program Project located in the Central Santa Monica Bay Watershed Area, in an unincorporated area.

a. Accuracy of the expenditures reported compared to the accounting records.
We selected a sample of 13 expenditures for a total of $1,607,139 tested, or 56 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. The documentation supporting each sample selected was consistent with the general ledger detail. No exceptions were noted.

b. Expenditures were in compliance with LAC FCDC Chapters 16 and 18.
We selected a sample of 13 expenditures for a total of $1,607,139 tested, or 56 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

c. The Required Work and Services were Completed and Performed.
The scope of this examination was limited to the functions and responsibilities of the Regional Program, as defined by the LAC FCDC Chapter Sections 16.05.D.1, 16.12.B, and 18.07.C and F, as well as its compliance with the general requirements as defined

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

in Section 16.05A. See the *Procedures and Results on Compliance with LAC FCDC* section of this report for details.

d. Adequacy of DPW's accounting records.
We selected a sample of 13 expenditures for a total of $1,607,139 tested, or 56 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no unsupported nor insufficiently supported samples. All samples selected were sufficiently supported. No exceptions were noted.

e. Federal, State, or other Audits were Filed within 30 Days of Receipt
There were no federal, State, or other audits performed during the FYs ended June 30, 2019 through June 30, 2023. No exceptions were noted.

f. Occurrence of Overpayments or Underpayments
There were no overpayments or underpayments identified during the FYs ended June 30, 2019 through June 30, 2023. No exceptions were noted.

Procedures and Results on Compliance with LAC FCDC

The scope of this examination was limited to the functions and responsibilities of the Regional Program, as defined by the LAC FCDC Chapter Sections 16.05.D.1, 16.12.B, and 18.07.C and F, as well as its compliance with the general requirements as defined in Section 16.05A. The following represents the examination results related to our evaluation of the DPW's compliance with the noted criteria for FYs years ended June 30, 2019 through June 30, 2023.

FDR Park Project

LAC FCDC Chapter Section 16.05A Program Elements: General Requirements

Transfer Agreements
During our examination we obtained the Transfer Agreement and inspected it to ensure that the content met SCW Program Requirements. No exceptions were noted.

Eligible and Ineligible Expenditures
We selected a sample of 15 expenditures for a total of $2,920,546 tested, or 32 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

LAC FCDC Chapter Section 16.05.D.1: Regional Program

Infrastructure Program
We obtained the Stormwater Investment Plans (SIP) for the FYs 2020-2021, 2021-2022, and 2022-2023. We inspected each to ensure the following were included in the report:

a. The funding allocation includes Infrastructure activities, technical resources, and scientific studies.
b. MS4 Compliance.
c. Disadvantaged Communities (DAC) Benefits.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

d. Funds are allocated in proportion to the funds generated by jurisdiction.
e. A spectrum of project types and sizes are implemented.
f. Nature-Based Solutions are prioritized.

The FDR Park Project is an Infrastructure Program Project. Where applicable, the FDR Park Project was in compliance with the Infrastructure Program requirements. No exceptions were noted.

Technical Resources & Scientific Studies Programs
The Technical Resources Program and the Scientific Studies Program are not applicable to the FDR Park Project as it is an Infrastructure Program Project. No exceptions were noted.

LAC FCDC Chapter Section 16.12.B: Reporting Requirements

We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023, as well as the annual reports for FYs 2021-2022 and 2022-2023. We inspected them to ensure that the use of the SCW Program funds were described within. No exceptions were noted.

LAC FCDC Chapter Section 18.07.C: Infrastructure Program Implementation

Identification of the Infrastructure Program Project Developer
We obtained the project Feasibility Study Report and inspected it to ensure the infrastructure program project developer was identified. No exceptions were noted.

Responsibility for the Operation, Maintenance, and Repair of the Project
We obtained the project Feasibility Study Report and inspected it to ensure the person or entity responsible for the operation, maintenance, and repair of the project, and the source of funds to pay for the activities was identified. No exceptions were noted.

Vector Minimization Plan
We obtained the FDR Park Project's vector minimization plans to ensure it was prepared addressing vector considerations, if any. No exceptions were noted.

Scoring Committee
We inspected the listing of the Scoring Committee members to ensure it included at least two subject-matter experts in Water Quality Benefits, at least one expert in Nature-Based Solutions, and at least one expert in Water Supply Benefits. No exceptions were noted.

We obtained the Operating Guidelines for the governance of the Scoring Committee to ensure it included conflict of interest policies, project-scoring criteria, District provided staff support, compensation for members was $100, and that meetings were open to the public. No exceptions were noted.

We obtained the SIP for the Upper Los Angeles River Watershed Area for the FYs ended June 30, 2021 through June 30, 2023. We inspected the SIP to ensure that it included the Scoring Committee evaluation compared to the District threshold. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

LAC FCDC Chapter Section 18.07.F: Progress/Expenditure Reports

Project Developer Quarterly Reports
Los Angeles County was identified as the Project Developer. We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023. We inspected them to ensure that quarterly progress and expenditure reports were prepared. No exceptions were noted.

District Quarterly Reports
The quarterly Technical Resources and Scientific Studies are not applicable to the FDR Park Project as it is an Infrastructure Program Project. No exceptions were noted.

Report Information
We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023. We inspected them to ensure that the progress of the project was documented, as well as expended funds for eligible expenditures, work accomplished during the reporting period, milestones achieved, scheduling concerns, upcoming activities, and modifications as well as photo documentation, as applicable. No exceptions were noted.

We obtained the SIP for the Upper Los Angeles River Watershed Area for the FYs ended June 30, 2021 through June 30, 2023. We inspected the SIP to ensure that it included a summary of outreach activities. No exceptions were noted.

Annual Reports
We obtained the annual reports for the FDR Park Project for the FYs 2021-2022 and 2022-2023 and inspected them to ensure that they included the quarterly progress and expenditures reports for the reporting period as well as descriptions of water quality benefits, water supply benefits, community investment benefits, and goals achieved during the reporting period. No exceptions were noted.

Watershed Area Steering Committees (WASC) Review
We selected a sample of Upper Los Angeles River WASC meetings and inspected the Agendas and Meeting Minutes, as well as other meeting documents available for the selected meetings, to ensure WASC reviewed Infrastructure Program Project reports. No exceptions were noted.

WASC Report to the Regional Oversight Committee (ROC)
We obtained the listing of the ROC review of SIPs recommended by the WASC for the FYs 2020-2021 through 2022-2023 and inspected them to ensure approved WASC reports were forwarded to the ROC. No exceptions were noted.

ELA Median Project

LAC FCDC Chapter Section 16.05A Program Elements: General Requirements

Transfer Agreements
During our examination we obtained the Transfer Agreement and inspected it to ensure that the content met SCW Program Requirements. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

Eligible and Ineligible Expenditures
We selected a sample of 15 expenditures for a total of $6,223,463 tested, or 24 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

LAC FCDC Chapter Section 16.05.D.1: Regional Program

Infrastructure Program
We obtained the SIP for the FYs 2020-2021, 2021-2022, and 2022-2023. We inspected each to ensure the following were included in the report:

a. The funding allocation includes Infrastructure activities, technical resources, and scientific studies.
b. MS4 Compliance.
c. Disadvantaged Communities (DAC) Benefits.
d. Funds are allocated in proportion to the funds generated by jurisdiction.
e. A spectrum of project types and sizes are implemented.
f. Nature-Based Solutions are prioritized.

The ELA Median Project is an Infrastructure Program Project. Where applicable, the ELA Median Project was in compliance with the Infrastructure Program requirements. No exceptions were noted.

Technical Resources & Scientific Studies Programs
The Technical Resources Program and the Scientific Studies Program are not applicable to the FDR Park Project as it is an Infrastructure Program Project. No exceptions were noted.

LAC FCDC Chapter Section 16.12.B: Reporting Requirements

We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023, as well as the annual reports for FYs 2021-2022 and 2022-2023. We inspected them to ensure that the use of the SCW Program funds were described within. No exceptions were noted.

LAC FCDC Chapter Section 18.07.C: Infrastructure Program Implementation

Identification of the Infrastructure Program Project Developer
We obtained the project Feasibility Study Report and inspected it to ensure the infrastructure program project developer was identified. No exceptions were noted.

Responsibility for the Operation, Maintenance, and Repair of the Project
We obtained the project Feasibility Study Report and inspected it to ensure the person or entity responsible for the operation, maintenance, and repair of the project, and the source of funds to pay for the activities was identified. No exceptions were noted.

Vector Minimization Plan
We obtained the ELA Median Project's vector minimization plans to ensure it was prepared addressing vector considerations, if any. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

Scoring Committee
We inspected the listing of the Scoring Committee members to ensure it included at least two subject-matter experts in Water Quality Benefits, at least one expert in Nature-Based Solutions, and at least one expert in Water Supply Benefits. No exceptions were noted.

We obtained the Operating Guidelines for the governance of the Scoring Committee to ensure it included conflict of interest policies, project-scoring criteria, District provided staff support, compensation for members was $100, and that meetings were open to the public. No exceptions were noted.

We obtained the SIP for the Rio Hondo Watershed Area for the FYs ended June 30, 2021 through June 30, 2023. We inspected the SIP to ensure that it included the Scoring Committee evaluation compared to the District threshold. No exceptions were noted.

LAC FCDC Chapter Section 18.07.F: Progress/Expenditure Reports

Project Developer Quarterly Reports
Los Angeles County was identified as the Project Developer. We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023. We inspected them to ensure that quarterly progress and expenditure reports were prepared. No exceptions were noted.

District Quarterly Reports
The quarterly Technical Resources and Scientific Studies are not applicable to the ELA Median Project as it is an Infrastructure Program Project. No exceptions were noted.

Report Information
We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023. We inspected them to ensure that the progress of the project was documented, as well as expended funds for eligible expenditures, work accomplished during the reporting period, milestones achieved, scheduling concerns, upcoming activities, and modifications as well as photo documentation, as applicable. No exceptions were noted.

We obtained the SIP for the Rio Hondo Watershed Area for the FYs ended June 30, 2021 through June 30, 2023. We inspected the SIP to ensure that it included a summary of outreach activities. No exceptions were noted.

Annual Reports
We obtained the annual reports for the ELA Median Project for the FYs 2021-2022 and 2022-2023 and inspected them to ensure that they included the quarterly progress and expenditures reports for the reporting period as well as descriptions of water quality benefits, water supply benefits, community investment benefits, and goals achieved during the reporting period. No exceptions were noted.

WASC Review
We selected a sample of Rio Hondo WASC meetings and inspected the Agendas and Meeting Minutes, as well as other meeting documents available for the selected meetings, to ensure WASC reviewed Infrastructure Program Project reports. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

WASC Report to the ROC
We obtained the listing of the ROC review of SIPs recommended by the WASC for the FYs 2020-2021 through 2022-2023 and inspected them to ensure approved WASC reports were forwarded to the ROC. No exceptions were noted.

Ladera Park Project

LAC FCDC Chapter Section 16.05A Program Elements: General Requirements

Transfer Agreements
During our examination we obtained the Transfer Agreement and inspected it to ensure that the content met SCW Program Requirements. No exceptions were noted.

Eligible and Ineligible Expenditures
We selected a sample of 13 expenditures for a total of $2,856,950 tested, or 56 percent of the total expenditures, for the FYs ended June 30, 2019 through June 30, 2023. There were no ineligible expenses identified as a result of our testing. No exceptions were noted.

LAC FCDC Chapter Section 16.05.D.1: Regional Program

Infrastructure Program
We obtained the SIP for the FYs 2020-2021, 2021-2022, and 2022-2023. We inspected each to ensure the following were included in the report:

a. The funding allocation includes Infrastructure activities, technical resources, and scientific studies.
b. MS4 Compliance.
c. Disadvantaged Communities (DAC) Benefits.
d. Funds are allocated in proportion to the funds generated by jurisdiction.
e. A spectrum of project types and sizes are implemented.
f. Nature-Based Solutions are prioritized.

The Ladera Park Project is an Infrastructure Project. Where applicable, the Ladera Park Project was in compliance with the Infrastructure Program requirements. No exceptions were noted.

Technical Resources & Scientific Studies Programs
The Technical Resources Program and the Scientific Studies Program are not applicable to the FDR Park Project as it is an Infrastructure Program Project. No exceptions were noted.

LAC FCDC Chapter Section 16.12.B: Reporting Requirements

We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023, as well as the annual reports for FYs 2021-2022 and 2022-2023. We inspected them to ensure that the use of the SCW Program funds were described within. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe Clean Water Program

Regional Program

For the Fiscal Years Ended June 30, 2019 through June 30, 2023

LAC FCDC Chapter Section 18.07.C: Infrastructure Program Implementation

Identification of the Infrastructure Program Project Developer
We obtained the project Feasibility Study Report and inspected it to ensure the infrastructure program project developer was identified. No exceptions were noted.

Responsibility for the Operation, Maintenance, and Repair of the Project
We obtained the project Feasibility Study Report and inspected it to ensure the person or entity responsible for the operation, maintenance, and repair of the project, and the source of funds to pay for the activities was identified. No exceptions were noted.

Vector Minimization Plan
We obtained the Ladera Park Project's vector minimization plans to ensure it was prepared addressing vector considerations, if any. No exceptions were noted.

Scoring Committee
We inspected the listing of the Scoring Committee members to ensure it included at least two subject-matter experts in Water Quality Benefits, at least one expert in Nature-Based Solutions, and at least one expert in Water Supply Benefits. No exceptions were noted.

We obtained the Operating Guidelines for the governance of the Scoring Committee to ensure it included conflict of interest policies, project-scoring criteria, District provided staff support, compensation for members was $100, and that meetings were open to the public. No exceptions were noted.

We obtained the SIP for the Central Santa Monica Bay Watershed Area for the FYs ended June 30, 2021 through June 30, 2023. We inspected the SIP to ensure that it included the Scoring Committee evaluation compared to the District threshold. No exceptions were noted.

LAC FCDC Chapter Section 18.07.F: Progress/Expenditure Reports

Project Developer Quarterly Reports
Los Angeles County Public Works was identified as the Project Developer. We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023. We inspected them to ensure that quarterly progress and expenditure reports were prepared. No exceptions were noted.

District Quarterly Reports
The quarterly Technical Resources and Scientific Studies are not applicable to the Ladera Park Project as it is an Infrastructure Program Project. No exceptions were noted.

Report Information
We obtained quarterly reports for Quarter 3 FY 2020-2021 through Quarter 4 FY 2022-2023. We inspected them to ensure that the progress of the project was documented, as well as expended funds for eligible expenditures, work accomplished during the reporting period, milestones achieved, scheduling concerns, upcoming activities, and modifications as well as photo documentation, as applicable. No exceptions were noted.

We obtained the SIP for the Central Santa Monica Bay Watershed Area for the FYs ended June 30, 2021 through June 30, 2023. We inspected the SIP to ensure that it included a summary of outreach activities. No exceptions were noted.

Annual Reports
We obtained the annual reports for the ELA Median Project for the FYs 2021-2022 and 2022-2023 and inspected them to ensure that they included the quarterly progress and expenditures reports for the reporting period as well as descriptions of water quality benefits, water supply benefits, community investment benefits, and goals achieved during the reporting period. No exceptions were noted.

WASC Review
We selected a sample of Central Santa Monica Bay WASC meetings and inspected the Agendas and Meeting Minutes, as well as other meeting documents available for the selected meetings, to ensure WASC reviewed Infrastructure Program Project reports. No exceptions were noted.

WASC Report to the ROC
We obtained the listing of the ROC review of SIPs recommended by the WASC for the FYs 2020-2021 through 2022-2023 and inspected them to ensure approved WASC reports were forwarded to the ROC. No exceptions were noted.

Conclusions

The main objective of our examination was to obtain reasonable assurance by measuring or evaluating the financial records and operations relating to or arising from the completion of the FDR Park Project, ELAC Median Project, and Ladera Park Project to enable us to express an opinion on the Regional Program's adherence to Chapters 16 and 18 of the LAC FCDC.

We conclude that based on the performance of our examination procedures applicable to the FYs ended June 30, 2019 through June 30, 2023, we did not identify any findings. Overall, we consider the Regional Program to be in accordance with LAC FCDC Chapters 16 and 18, in all material respects.

Findings and Recommendations

As a result of our examination procedures, we did not identify any financial or compliance findings applicable to the functions and responsibilities of the Regional Program related to the FDR Park Project, ELA Median Project, and the Ladera Park Project for the FYs ended June 30, 2019 through June 30, 2023.

COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC WORKS

Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended
June 30, 2020 through June 30, 2022

Statement on Standards for Attestation Engagements No. 21
Direct Examination Engagements

Table of Contents

Executive Summary 1

Summary of Findings 1

Schedule of Examined Revenues and Expenditures 1

Background 2

Objectives 3

Scope 4

Independent Accountant's Report 5

Methodology 7

Procedures and Results 8

Procedures and Results on Supporting Objectives 8

Procedures and Results on Compliance with LAC FCDC 9

Conclusions 15

Finding and Recommendations 15

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Executive Summary

The County of Los Angeles Department of Public Works ("DPW") through the Auditor-Controller ("A-C") engaged Davis Farr LLP ("Davis Farr") to perform a direct examination on the Los Angeles County Flood Control District's ("District") implementation and administration of the Safe, Clean Water ("SCW") Program against Chapters 16 and 18 of the Los Angeles County Flood Control District Code ("LAC FCDC").

As operated by the DPW, the District is responsible for administering the SCW funds received by Los Angeles County. As such, the DPW assisted Davis Farr in the performance of the examination which focused on the financial and compliance responsibilities associated with the implementation of the SCW District program, including administration; collection of special parcel tax and distribution of funds; administration of credit and tax relief or incentive programs; and review of budgets for the fiscal years (FYs) ended June 30, 2020 through June 30, 2022.

Our examination procedures were performed in accordance with the Statement on Standards for Attestation Engagements Direct Examination Engagement (SSAE) No. 21, AT-C section 105 and 206, and Generally Accepted Auditing Standards (GAAS), and Generally Accepted Government Auditing Standards (GAGAS) as applicable.

Summary of Findings

As a result of our examination procedures, we identified the following findings applicable to the District's implementation and administration of the SCW Program. See the *Findings and Recommendations* section of this report for details.

Finding No. 2022-01: Annual Reports Not Generated.
Finding No. 2022-02: Unimplemented Education Programs.
Finding No. 2022-03: Unimplemented Credit Trading Program.
Finding No. 2022-04: Incorrect Approvals over Special Parcel Tax Appeals.

Schedule of Examined Revenues and Expenditures

Summarized in the table below are the total special parcel tax revenues collected, revenues allocated to the District Program, and SCW Program expenditures subject to our examination for the FYs ended June 30, 2020 through June 30, 2022. As part of our expenditure testing, we did not identify any unallowable expenditures. See the *Procedures and Results* section of this report for details.

Fiscal Year	Total Revenues Collected (1) & (2)	Revenues Allocated to District Program (4)	District Program Expenditures (3)
2019-2020	$276,098,906	$28,572,935	$3,534,770
2020-2021	$278,005,530	$29,449,524	$4,965,730
2021-2022	$280,494,303	$29,979,589	$7,611,650

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Fiscal Year	Total Revenues Collected (1) & (2)	Revenues Allocated to District Program (4)	District Program Expenditures (3)
Total	**$834,598,739**	**$88,002,048**	**$16,112,150**

(1) Total Revenues Collected as reported by the DPW reports for collected revenue only.
(2) Revenues reported by A-C include billed revenue, interest, and adjusting entries.
(3) The District Program Expenditures were derived from the detailed general ledgers by Fund, provided by the DPW since annual reports, detailing the program-level summary of expenditures, were not generated. See *Finding No. 2022-01* in *the Findings and Recommendations* section of this report for details.
(4) Revenues Allocated to District Program above 10% of Total Revenues Collected is due to interest.

Background

The DPW is one of the largest municipal public works agencies in the United States, providing vital 21st century infrastructure and essential services to more than 10 million people across a 4,000-square-mile regional service area. As part of its responsibility for Countywide water resource management, DPW constructs, operates, and maintains a regional system of flood control and water conservation facilities on behalf of the District.

The District was established in 1915 and encompasses approximately 2,758 square miles within the County of Los Angeles. Employees of DPW serve as staff for the District. The District is separate from DPW, and funds of each entity remain in separate accounts. DPW pays the District for the use of District equipment, materials and property used for County purposes. The District is empowered to carry out the objectives of the Los Angeles County Flood Control Act of 1915, California Water Code, Appendix, Chapter 28 (the "Act"). The objectives are to provide for the control and conservation of flood, storm, and other wastewater, and to protect the harbors, waterways, public highways, and property within the District from damage such as flood or storm waters. These powers are exercised by the County Board of Supervisors ("Board"), which acts as the governing body of the District. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining when to issue bonds authorized by the voters of the District.

On July 17, 2018, the Board approved a resolution calling for and giving notice of an election on a measure to impose a special tax upon parcels located within the District, to fund projects and programs to increase stormwater capture and reduce stormwater and urban runoff pollution. During the November 6, 2018 election, more than two-thirds of voters approved Measure W, which required the Board to adopt an ordinance to establish and implement the SCW Program.

The adopted ordinance amended the LAC FCDC by adding Chapter 16, establishing the Los Angeles Region, SCW Program and imposing a special parcel tax within the District to provide for increased stormwater and urban runoff capture and reduced stormwater and urban runoff pollution, as authorized by Section 2, subsections 8a-8c of the Act. The District also adapted Chapter 18 of the LAC FCDC to establish additional criteria and procedures related to the

implementation of the SCW Program. Chapter 18 describes the various functions the District is responsible for performing as part of the implementation of the SCW Program including administration of the SCW Program, collection of special parcel tax and distribution of funds; administration of credit and tax relief program or incentive programs; review of budgets and conducting independent audits to ensure compliance with requirements of the SCW Program.

As part of the adaptation of Chapters 16 and 18 of the LAC FCDC, the District is responsible for allocating the revenues derived from the special parcel tax as follows:

1. Ten percent (10%) shall be allocated to the District for implementation and administration of Projects and Programs, and for the payment of the costs incurred in connection with the levy and collection of the special parcel tax and the distribution of the funds generated by imposition of the special parcel tax. This allocation will be referred to as the District Program.

2. Forty percent (40%) shall be allocated to municipalities within the District, in the same proportion as the amount of revenues collected within each municipality, to be expended by those cities within the cities' respective jurisdictions and by the County within the unincorporated areas that are within the boundaries of the District, for the implementation, operation and maintenance, and administration of Projects and Programs. This allocation will be referred to as the Municipal Program.

3. Fifty percent (50%) shall be allocated to pay for the implementation, operation and maintenance, and administration of Projects and Programs implemented through the Regional Program, including Projects and Programs identified in approved regional plans such as stormwater resource plans developed in accordance of the Water Code, watershed management programs developed pursuant to waste discharge requirements for municipal separate storm sewer system (MS4) discharges within the coastal watersheds of the County, issued by the Los Angeles Regional Water Quality Control Board, and other regional water management plans. Funds allocated to the Regional Program shall be distributed among the nine (9) Watershed Areas in proportion to the funds generated in each Watershed Area. This allocation will be referred to as the Regional Program.

Objectives

The primary objectives of our direct examination of the District Program were as follows.

A. Obtain reasonable assurance by measuring or evaluating the financial records and operations relating to or arising from the implementation of the District Program, and the District's administration of revenue allocations as dictated by the SCW Program against Chapters 16 and 18 of the LAC FCDC.

B. Express an opinion to convey the results of our procedures applied to the District Program for FYs ended June 30, 2020 through June 30, 2022 in accordance with SSAE No. 21, AT-C section 105 and 206, GAAS, and GAGAS as applicable.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

The supporting objectives of our direct examination of the District Program were as follows.

a. Determine the accuracy of the expenditures reported compared to the accounting records.

b. Determine whether the expenditures were in compliance with Chapters 16 and 18 of the LAC FCDC.

c. Determine whether the special parcel tax was imposed and collected as authorized by Section 2, subsections 8a-8c of the Los Angeles County Flood Control Act, as amended by Assembly Bill 1180.

d. Determine whether the required work and services were completed and performed in accordance with Chapters 16 and 18 of the LAC FCDC.

e. Determine the adequacy of the District's accounting records to ensure accurate reporting of expenditures.

f. Determine whether the District filed copies of any audits by federal, State, or by any other auditor or accountant regarding the SCW Program within 30 days of the District's receipt.

g. Ascertain whether overpayments or underpayments occurred.

Scope

The scope of this examination was limited to the functions and responsibilities of the District Program, as defined by the LAC FCDC Chapter Sections 16.05B, 16.10, 18.05, and 18.10, as well as its compliance with the general requirements as defined in Section 16.05A. We performed a direct examination on financial records and operations relating to or arising from the implementation of the District Program and the administration of any revenue allocations as dictated by the SCW Program, as referred to in LAC FCDC Chapters 16 and 18, for FYs ended June 30, 2020 through June 30, 2022.

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REPORT

Mr. Mark Pestrella
Chief Engineer of the Los Angeles
County Flood Control District

We have directly examined the Los Angeles County Flood Control District's ("District") implementation and administration of the Safe, Clean Water ("SCW") Program ("District Program") for fiscal years (FYs) ended June 30, 2020 through June 30, 2022. The District's management is responsible for the implementation and administration of the District Program. Our responsibility is to obtain reasonable assurance by measuring or evaluating the District Program implementation and administration for the FYs ended June 30, 2020 through June 30, 2022 against Chapters 16 and 18 of the Los Angeles County Flood Control District Code ("LAC FCDC") and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we obtain reasonable assurance by measuring or evaluating the District Program implementation and administration for the FYs ended June 30, 2020 through June 30, 2022 against Chapters 16 and 18 of the LAC FCDC and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of the District Program implementation and administration for the FYs ended June 30, 2020 through June 30, 2022. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the District Program implementation and administration was not in accordance with Chapters 16 and 18 of the LAC FCDC in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, the District Program implementation and administration for the FYs ended June 30, 2020 through June 30, 2022 was in accordance with Chapters 16 and 18 of the LAC FCDC, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the subject matter; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the

views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the subject matter is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the subject matter or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed four findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of responsible officials, are described in the accompanying *Findings and Recommendations* section of this report.

Restriction on Use

This report is intended solely for the information and use of the County of Los Angeles, Auditor-Controller, District, and Department of Public Works, and is not intended to be and should not be used by anyone other than these specified parties.

Davis Farr LLP

Irvine, California
April 30, 2024

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Methodology

Our approach to accomplishing the overall examination objectives began with obtaining and inspecting the following documents, to the extent they existed and were applicable to the examination of the District Program.

1. LAC FCDC Chapters 16 and 18.
2. Expenditure plans.
3. Summary of revenue collected from the special parcel tax.
4. Revenue allocation plans.
5. Revenue forecast report and Stormwater Investment Plans for each Watershed Area.
6. Annual reports prepared by the District that details a program-level summary of expenditures, and a description of Water Quality Benefits, Water Supply Benefits, and Community Investment Benefits realized through use of District Program funds.
7. SCW Program Progress Reports.
8. List of scientific studies funded by the Scientific Studies Program.
9. List of project concepts funded by the Technical Resources Program and associated scopes of work, encumbrances, and invoices.
10. List of Watershed Coordinators funded by the Technical Resources Program and associated scopes of work, encumbrances, and invoices.
11. Chief Engineer documents, if applicable.
    a. Income-based tax reduction program.
    b. Examinations conducted on Projects and Programs using SCW District Program funds.
    c. Public education and community engagement programs implemented and administered throughout the District.
    d. Implementation of local workforce job training Programs.
    e. Development of school's education and curriculum Programs.
    f. Guidelines for the preparation of Feasibility Studies.
    g. Operating guidelines for the performance and conduct of the Scoring Committee.
    h. Adopted operating guidelines for the governance and conduct of the Watershed Area Steering Committee.
    i. Guidelines for the governance and conduct of the Regional Oversight Committee.
    j. Additional or revised implementation procedures and guidelines for the credit program.
12. Transfer Agreements between the District and the Municipalities and Infrastructure Program Project Developers.
13. Progress/Expenditure reports from Municipalities and Infrastructure Program Project Developers, which include details that summarize the expenditures and describe the Water Quality Benefits, Water Supply Benefits, Nature-Based Solutions, and Community Investment Benefits realized through use of Municipal and Regional Program funds.
14. Reports sent to the Board with findings and recommendations related to the annual reports submitted by Municipalities and Infrastructure Program Project Developers.
15. Amendments to the Ordinance.

16. Financial accounts, miscellaneous documents, and records of expenditures for the examination period.
17. Worksheets or other internal reporting material produced by the District or the party to be examined.

After inspecting the available noted documents we implemented the following examination procedures on the District Program.

1. Conducted inquiries and walk-throughs with DPW staff.
2. Verified revenues collected from the special parcel tax.
3. Reviewed expenditures plans and fund allocations.
4. Examined itemized actual expenditures funded by monies received per the SCW Program for the District Program.
5. Assessed the District's implementation and administration of the following SCW Program components, as required by Chapters 16 and 18 of the LAC FCDC.
   a. The District's Credit Program.
   b. Credit Trading Program.
   c. Educational Program.
   d. Administration of the Municipal Program and Regional Program.
   e. Administration of the Technical Resources Program.
   f. Coordination of Watershed Coordinators.
   g. Oversight of the Scientific Studies Program.
6. Identified the Chief Engineer and determined whether the SCW Program requirements were met or completed.

Procedures and Results

Procedures and Results on Supporting Objectives

Based on our examination procedures, performed on the financial records and operations relating to or arising from the implementation of the District Program, and the District's administration of revenue allocations as dictated by the SCW Program for the FYs years ended June 30, 2020 through June 30, 2022, we have determined the following stated objectives results.

a. Accuracy of the Expenditures Compared to the Accounting Records
   We selected a sample of 108 labor and non-labor expense transactions for a total of $3,400,641 or 21 percent of total expenditures and traced the expenditures to the accounting records. The documentation supporting each sample selected was consistent with the general ledger detail. No exceptions were noted.

b. Expenditures were in Compliance with LAC FCDC Chapters 16 and 18
   We selected a sample of 108 labor and non-labor expense transactions for a total of $3,400,641 or 21 percent of total expenditures and tested for compliance. No ineligible expenses were identified as a result of our testing. No exceptions were noted.

c. Special Parcel Tax Imposed and Collected
The special parcel tax was imposed and collected by the Treasurer-Tax Collector's office. The A-C reported annual revenues collected to the Los Angeles County Board of Supervisors as directed by LAC FCDC Chapters 16 and 18. We reconciled the amounts reported by the A-C to the District's records. No exceptions were noted.

d. The Required Work and Services were Completed and Performed
The scope of this examination was limited to functions and responsibilities of the District Program, as defined by the LAC FCDC Chapter Sections 16.05B, 16.10, 18.05, and 18.10, as well as its compliance with the general requirements as defined in Section 16.05A. See the *Procedures and Results on Compliance with LAC FCDC* section of this report for details.

e. Adequacy of the District's Accounting Records
We selected a sample of 108 labor and non-labor expense transactions for a total of $3,400,641 or 21 percent of total expenditures and inspected the adequacy and completeness of the source documents and the District's accounting records. No exceptions were noted.

f. Audit Reports were Filed within 30 Days of Receipt
There were no federal, state, or other audits performed on the SCW Program during the period of scope. No exceptions were noted.

g. Occurrence of Overpayments or Underpayments
No overpayments or underpayments were identified based on the examination procedures performed. No exceptions were noted.

Procedures and Results on Compliance with LAC FCDC

The scope of this examination was limited to the functions and responsibilities of the District Program, as defined by the LAC FCDC Chapter Sections 16.05B, 16.10, 18.05, and 18.10, as well as its compliance with the general requirements as defined in Section 16.05A. The following represents the examination results related to our evaluation of the District's compliance with the noted criteria for FYs years ended June 30, 2020 through June 30, 2022.

LAC FCDC Chapter Section 16.05A Program Elements: General Requirements

Transfer Agreements
During our examination we selected a sample of Municipalities and Infrastructure Program Project Developers and obtained the Transfer Agreements. We inspected the Transfer Agreements to ensure that the content met SCW Program Requirements. No exceptions were noted.

Eligible and Ineligible Expenditures
We selected a sample of 108 labor and non-labor expense transactions for a total of $3,400,641 or 21 percent of total expenditures and tested for allowability and allocability of

the expenditures. No ineligible expenses were identified as a result of our testing. No exceptions were noted.

LAC FCDC Chapter Section 16.05B: District Program

Administration of the SCW Program
The special parcel tax was imposed and collected by the Treasurer-Tax Collector's office. The A-C reported annual revenues collected as directed by LAC FCDC Chapters 16 and 18. We reconciled the amounts reported by the A-C to the District's records. Further, we recalculated the allocation between the District Program, Municipal Program, and Regional Program. No exceptions were noted.

Plan, Implement, and Maintain District Projects
We obtained and inspected the Stormwater Investment Plans ("SIP") for each Watershed Area and project reports for the period of scope to ensure the District was involved in the planning and implementation of District projects. It was noted that the District's projects were in the planning and implementation stage during the period of scope. As such, the District projects were not in the maintenance stage. No exceptions were noted.

Administer the Regional Program
We obtained the SIP for each Watershed Area for the fiscal years ended June 30, 2021 through June 30, 2022. The SIP is a five-year plan, which includes the projects and programs in the Regional Infrastructure Program. We inspected the SIP to ensure that Regional Infrastructure Programs were included in the plan. The SIP for fiscal year ended June 30, 2020 was not available as the Program was being established. No exceptions were noted.

Provide Technical Assistance
The District is required to provide technical assistance for the SCW funded programs, including the hiring and coordination of watershed coordinators. We obtained the Watershed Coordinator Roster and inspected the listing to ensure each Watershed Area was assigned a Watershed Coordinator.

In addition, we obtained the SIP for each Watershed Area for the fiscal years ended June 30, 2021 through June 30, 2022 and inspected the SIPs to ensure that each included applicable technical resources for the projects. The SIP for fiscal year ended June 30, 2020 was not available as Program was being established.

Lastly, we selected a sample of projects funded by the Technical Resource Program and obtained project agreements with the associated scopes of work, encumbrances, and invoices to ensure their existence and activity as it relates to the SCW Program. No exceptions were noted.

Oversee Regional Water Quality Planning and Coordination, Scientific Studies, and Water Quality Modeling
We inspected the Infrastructure Project Progress Reports to ensure Water Quality was included in the Project considerations. In addition, we selected and inspected a sample of project concepts funded by the Scientific Studies program and obtained project agreements

with the associated scopes of work, encumbrances, and invoices to ensure their existence and activity as it relates to the SCW Program. No exceptions were noted.

Education Programs
The SCW Program website is the primary means by which the District provides education about stormwater management to the public. We inspected the SCW Program website to ensure there was information available to the public about the SCW projects and stormwater management. In addition, we noted outreach efforts by the District for various past and upcoming education programs throughout Los Angeles County. No exceptions were noted.

Based on our examination procedures we noted the following items.
1. Local Workforce Job Training program was not yet developed.
2. Schools Education and Curriculum program was not yet developed.

See *Findings No. 2022-02* in the *Findings and Recommendations* section of this report for details.

LAC FCDC Chapter Section 16.10: Credit, Incentive, and Credit Trading Program

Credit Program
We obtained the Credit Program Procedures and Guidelines developed by the Chief Engineer and inspected them to ensure the inclusion of the following items:

1. A standard formula for calculating the specific amount of credit for Water Quality, Water Supply, Community Investment, and Additional Activities credits;
2. Criteria for credit eligibility; and
3. Criteria for the Credit Trading Program.

We noted that the Credit Program Procedures and Guidelines were implemented less than five years. As such, they were not due for an update as of the date of our examination. No exceptions were noted.

We selected a sample of parcels that were approved for the following types of credits or reductions: Low-Income Senior-Owned Parcel Tax Exemptions, General Income-based Tax Reductions, Special Parcel Tax Appeals, and SCW Program Credits. We obtained and inspected the supporting applications, as well as the calculation for the credit or reduction to ensure the applications were approved and credits calculated in accordance with the Credit Program Procedures and Guidelines. No exceptions were noted in the testing over Low-Income Senior-Owned Parcel Tax Exemptions, General Income-based Tax Reductions, and SCW Program Credits. However, there were exceptions noted in the Special Parcel Tax Appeals sample testing. See *Finding No. 2022-04* in the *Findings and Recommendations* section of this report for details.

Credit Trading Program
A Credit Trading Program was still under development as of the date of our examination. See *Finding No. 2022-03* in the *Findings and Recommendations* section of this report for details.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

LAC FCDC Chapter Section 18.05: District Program Implementation

Implementation Functions:

1. *Administration of the SCW Program*
   The special parcel tax was imposed and collected by the Treasurer-Tax Collector's office. The A-C reported annual revenues collected as directed by LAC FCDC Chapters 16 and 18. We reconciled the amounts reported by the A-C to the District's records. Further, we recalculated the allocation between the District Program, Municipal Program, and Regional Program. No exceptions were noted.

2. *Preparation of five-year revenue forecasts for each Watershed Area*
   We obtained and inspected the SIP for each Watershed Area for the fiscal years ended June 30, 2021 through June 30, 2022 to ensure there was a five-year revenue forecast. The SIP for fiscal year ended June 30, 2020 was not available as Program was being established. No exceptions were noted.

3. *Plan, Implement, and Maintain District Projects*
   We obtained and inspected the SIP for each Watershed Area and project reports for the period of scope to ensure the District was involved in the planning and implementation of District projects. It was noted that the District's projects were in the planning and implementation stage during the period of scope. As such, the District projects were not in the maintenance stage. No exceptions were noted.

4. *Administer and Provide Staffing for the Regional Program*
   We obtained and inspected the SIP for each Watershed Area for the fiscal years ended June 30, 2021 through June 30, 2022 to ensure that Regional Infrastructure Programs were included in the plans for administration by the District. The District utilizes DPW staff for administering the Regional Program. No exceptions were noted.

5. *Provide Staffing for the Scoring Committee, Watershed Area Steering Committees, and the Regional Oversight Committee*
   We obtained and inspected the Operating Guidelines for the governance of the Scoring Committee, the Operating Guidelines for the governance of the Watershed Area Steering Committee, and the Operating Guidelines for the governance of the Regional Oversight Committee to ensure the District was involved in the staffing for the aforementioned committees. No exceptions were noted.

6. *Provide for the Coordination of Watershed Coordinators*
   We obtained and inspected the Watershed Coordinator Roster to ensure each Watershed Area was assigned a Watershed Coordinator. No exceptions were noted.

7. *Provide Technical Assistance Teams and Watershed Coordinators*
   The District is required to provide technical assistance for the SCW funded programs, including the hiring and coordination of watershed coordinators. We obtained the Watershed Coordinator Roster and inspected the listing to ensure each Watershed Area was assigned a Watershed Coordinator. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

8. *Coordinate Watershed Area Scientific Studies*
   We selected a sample of project concepts funded by the Scientific Studies program and obtained project agreements with the associated scopes of work, encumbrances, and invoices to ensure their existence and activity as related to the SCW Program. No exceptions were noted.

9. *Engage Stakeholders*
   We obtained the SIP for each Watershed Area for the fiscal years ended June 30, 2021 through June 30, 2022. The SIP is a five-year plan, which includes projects and programs in the Regional Infrastructure Program, as well as Stakeholder input, such as a Summary of Public Comment, Summary of Watershed Area Steering Committee meetings and Discussion. The SIP for fiscal year ended June 30, 2020 was not available as Program was being established. No exceptions were noted.

10. *Operate in Accordance with Government Best Practices*
    During the period of scope, there were no matters that came to our attention to indicate the District Program was not operating in accordance with government best practices. No exceptions were noted.

11. *Conduct Independent Audits*
    According to LAC FCDC Chapter Section 18.05.B.11, the District shall, *"Conduct independent audits to ensure compliance with requirements of the SCW Program"*. According to LAC FCDC Chapter Section 16.07.D, *"the District shall be subject to an independent audit of their use of SCW Program funds not less than once every three (3) years…".* Los Angeles County voters approved Measure W on November 6, 2018. This examination is the first one over the usage of the SCW Program funds. No exceptions were noted.

12. *Planning for the Usage of SCW Program Funds*
    We obtained the SIP for each Watershed Area for the fiscal years ended June 30, 2021 through June 30, 2022. The SIP is a five-year plan, which includes projects and programs in the Regional Infrastructure Program, as well as a five-year revenue forecast. The SIP for fiscal year ended June 30, 2020 was not available as Program was being established. No exceptions were noted.

13. *Preparation of an Annual Report*
    The District did not generate the required fiscal year-end annual reports applicable to the period of scope as required by the LAC FCDC. See *Finding No. 2022-01* in the *Findings and Recommendations* section of this report for details.

14. *Comply with all SCW Program Audit Requirements*
    According to LAC FCDC Chapter Section 18.05.B.14, the District shall, *"Comply with all SCW Program audit requirements"*. According to LAC FCDC Chapter Section 16.07.D, *"the District shall be subject to an independent audit of their use of SCW Program funds not less than once every three (3) years…".* Los Angeles County voters approved Measure W on November 6, 2018. This examination is the first one over the usage of the SCW Program funds. No exceptions were noted.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Implementation and Administration of Educational Programs
The SCW Program website is the primary means by which the District provides education about stormwater management to the public. We inspected the SCW Program website to ensure there was information available to the public about the SCW projects and stormwater management. In addition, we noted outreach efforts by the District for various past and upcoming education programs throughout Los Angeles County. No exceptions were noted.

Based on our examination procedures were noted the following items.
1. Local Workforce Job Training program was not yet developed.
2. Schools Education and Curriculum program was not yet developed.

See *Finding No. 2022-02* in the *Findings and Recommendations* section of this report for details.

LAC FCDC Chapter Section 18.10: Credit Program Implementation

Credit Program
We obtained the Credit Program Procedures and Guidelines developed by the Chief Engineer and inspected them to ensure the inclusion of the following items:

1. A standard formula for calculating the specific amount of credit for Water Quality, Water Supply, Community Investment, and Additional Activities credits;
2. Criteria for credit eligibility; and
3. Criteria for the Credit Trading Program.

We noted that the Credit Program Procedures and Guidelines were implemented less than five years. As such, they were not due for an update as of the date of our examination. No exceptions were noted.

We selected a sample of parcels that were approved for the following types of credits or reductions: Low-Income Senior-Owned Parcel Tax Exemptions, General Income-based Tax Reductions, Special Parcel Tax Appeals, and SCW Program Credits. We obtained and inspected the supporting applications, as well as the calculation for the credit or reduction to ensure the applications were approved and credits calculated in accordance with the Credit Program Procedures and Guidelines. No exceptions were noted in the testing over Low-Income Senior-Owned Parcel Tax Exemptions, General Income-based Tax Reductions, and SCW Program Credits. However, there were exceptions noted in the Special Parcel Tax Appeals sample testing. See *Finding No. 2022-04* in the *Findings and Recommendations* section of this report for details.

Credit Trading Program
A Credit Trading Program was still under development as of the date of our examination. See *Finding No. 2022-03* in the *Findings and Recommendations* section of this report for details.

County of Los Angeles – Department of Public Works Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Conclusions

The main objective of our examination was to obtain reasonable assurance by measuring or evaluating the financial records and operations relating to or arising from the implementation of the District Program, and the District's administration of revenue allocations as dictated by the SCW Program to enable us to express an opinion on the District Program's adherence to Chapters 16 and 18 of the LAC FCDC.

We conclude that based on the performance of our examination procedures applicable to the FYs ended June 30, 2020 through June 30, 2022, we identified four findings which are documented in the *Findings and Recommendations* section of this report. Overall, we consider the findings to be immaterial to the District SCW Program's compliance with LAC FCDC Chapters 16 and 18, in all material respects.

Findings and Recommendations

Finding No. 2022-01: Annual Reports Not Generated

Condition:
The District did not generate the required fiscal year-end annual reports applicable to the period of scope as required by the LAC FCDC.

Criteria:
LAC FCDC Chapter 18.05(B) states, in part *"The District shall perform the following functions as part of the implementation of the District Program…(13) Prepare within six (6) months after the end of the District's fiscal year an annual report that details a Program-level summary of expenditures and a description of Water Quality Benefits, Water Supply Benefits, and Community Investment Benefits realized through the use of District Program Funds."*

Cause:
According to the District, the fiscal year-end annual reports were not generated for the fiscal years within the examination period of scope due to a delay in the build-out of the reporting module for the SCW Program.

Effect:
Due to the absence of annual reports from the District, there is a reporting deficiency of SCW Program expenditures and benefits related to the use of District Program funds.

Recommendation:
We recommend the District develop a corrective action plan and establish a due date for the build-out of the reporting module and communicate the plan to the stakeholders.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Finding No. 2022-01: Annual Reports Not Generated (Continued)

The District's Response:
While the annual report was not available during the examination period, on January 31, 2024, the District provided the Biennial Progress Report, which included the expenditure report. Furthermore, the District indicated they will take proactive measures to address the absence of District Program annual reports for future fiscal years by:

1. Reviewing and revising internal processes to ensure timely generation of required reports by December 31, 2024, and subsequent years.
2. Allocating necessary resources to facilitate the development and implementation of reporting mechanisms.
3. Establishing a clear timeline for the completion of reporting-related tasks.
4. Implementing measures to ensure future compliance with reporting requirements outlined by ordinance.

Accountant's Response:

The finding and recommendation remain as stated.

Finding No. 2022-02: Unimplemented Education Programs

Condition:
The District did not implement all the required programs as dictated by the LAC FCDC. The local workforce job training and school education and curriculum programs have not been developed and implemented.

Criteria:
LAC FCDC Chapter 16.05(B)(6) states, in part *"The District will administer the [education] Programs described…not less than twenty percent (20%) shall be allocated for these Programs over a revolving five (5) year period… (a) Public education Programs; (b) Local workforce job training… (c) Schools education and curriculum Programs."*

LAC FCDC Chapter 18.05(C) states, in part *"The Chief Engineer shall implement and administer the following educational Programs: (a) Public education and community engagement Programs… (b) Local workforce job training…and (c) Schools education and curriculum Programs."*

Cause:
According to the District, the development and the implementation of the local workforce job training and school education and curriculum programs has been delayed due to staffing shortages.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Finding No. 2022-02: Unimplemented Education Programs (Continued)

Effect:
Due to the lack of implemented local workforce job training and the school education and curriculum programs, the District has not met the established conditions of the LAC FCDC. Further, the absence of the required education programs negatively affects the public's knowledge of the SCW Program and harms the Disadvantaged Community (DAC).

Recommendation:
At the time of this examination, the local workforce job training and the school education and curriculum programs were being developed. As such, we recommend the District continue with the development of the programs and establish and communicate a feasible implementation date to all stakeholders.

The District's Response:
According to the Biennial Progress Report, dated January 31, 2024, the District is working on the development of workforce training programs. Additionally, the District has completed a white paper regarding the best practices in stormwater and watershed education.

Furthermore, the District indicated they will take the following steps within 1 year:

1. Develop plans for developing and implementing local workforce training and school education programs, ensuring they align with community needs.
2. Allocate necessary resources, such as staff and funding, to move these programs forward.
3. Set achievable timelines for program development and implementation.
4. Involve community members, schools, and relevant organizations in the planning process to ensure the programs meet their needs.
5. Communicate progress regularly to stakeholders through various channels.

Accountant's Response:

The finding and recommendation remain as stated.

Finding No. 2022-03: Unimplemented Credit Trading Program

Condition:
The District did not establish a credit trading program as dictated by the LAC FCDC. At the time of the examination, the credit trading program had not been developed and implemented.

Criteria:
LAC FCDC Chapter 16.10(A) states "*Credit Program. The District shall implement a credit program consistent with the following provisions and in accordance with the provisions of Section 18.10 of Chapter of this Code.*"

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Finding No. 2022-03: Unimplemented Credit Trading Program (Continued)

LAC FCDC Chapter 16.10(B) states *"Credit trading program. The District shall establish a credit trading program that, at a minimum, would allow Parcel owners to purchase and sell credits to satisfy special parcel tax obligations. The program shall be implemented in accordance with the provisions of Section 18.11 of chapter 18 of this code."*

LAC FCDC Chapter 18.10(A) states, in part "*The credit program described in Section 16.10.A…shall be implemented in accordance with the provisions of this Section. The Chief Engineer shall develop and adopt additional or revised implementation procedures and guidelines for the program (Credit Program Procedures and Guidelines) consistent with the purposes and goals of the SCW Program…*"

LAC FCDC Chapter 18.11(A) states, in part "*The credit trading program…shall be implemented in accordance with procedures and guidelines developed and adopted by the Chief Engineer…consistent with the purposes and goals of the SCW Program…"*

Cause:
According to the District the development of the trading program began in 2020. However, the development and implementation has been delayed due to the program's complexity and strained staffing resources.

Effect:
Due to the Credit Trading Program being under development, not all requirements of the LAC FCDC Chapters 16 and 18 were met. Further, eligible parcel owners were not able to take advantage of this program during the period under examination.

Recommendation:
At the time of this examination, the credit trading program was still under development. As such, we recommend the District continue with the development of the program and establish and communicate a feasible implementation date to all stakeholders.

The District's Response:
According to the Biennial Progress Report, dated January 31, 2024, the District is currently developing the Credit Trading Program. The procedures and guidelines are expected to be finalized in 2024.

Accountant's Response:

The finding and recommendation remain as stated.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Finding No. 2022-04: Incorrect Approvals over Special Parcel Tax Appeals

Condition:
The District uses a public-facing appeals administration online tool to process Special Parcel Tax appeal applications. As part of our testing, we noted the District erroneously approved 114 appeal applications that did not meet the full required criteria for approval.

Criteria:
LAC FCDC Chapter 16.10(A) states "Credit Program. The District shall implement a credit program consistent with the following provisions and in accordance with the provisions of Section 18.10 of Chapter of this Code."

LAC FCDC Chapter 18.10(C)5 states "Applicants shall have the right to appeal a credit determination in accordance with the procedures established in the Credit Program Procedures and Guidelines."

LAC FCDC Chapter 16.08(C) states, in part *"The District shall establish and administer an appeals process to address and correct errors in the levy of the Special Parcel Tax. Parcel owners or any other person or entity subject to the Special Parcel Tax may seek review of the amount of their tax on the following grounds: (1) Mathematical error in the calculation of the tax; or (2) Significant discrepancy between the assessed and the actual Impermeable Area."*

The Safe, Clean Water Program Special Parcel tax Appeal Procedures and Guidelines states within Significant Discrepancies and Eligible Appeals, *"A significant discrepancy between the assessed and actual Impermeable Area of a parcel means there must be (1) an error of ten percent (10%) or more in the Impermeable Area used to calculate the Parcel's Special Parcel Tax, and (2) a difference in the Special Parcel Tax amount of twenty-five dollars ($25) or more. A parcel owner must meet both conditions to be eligible to submit an appeal."*

Cause:
The appeals tool was used by parcel owners to appeal the tax assessment imposed on their parcels by drawing their perceived impermeable area boundaries on top of satellite imagery. The appeals tool used the owner drawn maps along with the District staff's own drawings of the assessed impermeable area boundaries to calculate the differences. District staff then exported the appeals information to an Excel spreadsheet, which utilized imbedded formulas to process logic statements used to apply the applicable criteria, to approve the appeals. However, it was determined an Excel formula contained an error which granted appeal approval when only one criterion was met and not both as required by the criteria noted above.

Effect:
We analyzed the population of appeals for FYs 2020-2021 and 2021-2022 to calculate the overall effect. For FY 2020-2021, out of 314 appeals, 49 were incorrectly approved for a total of $1,041.61. For FY 2021-2022, out of 392 appeals, 65 were incorrectly approved for a total $1,174.94. Of the 392 appeals, 78 were new appeals of which 16 were incorrectly approved for an increase of $133.33 from the previous year.

County of Los Angeles – Department of Public Works
Examination Report on the Safe, Clean Water Program

District Program

For the Fiscal Years Ended June 30, 2020 through June 30, 2022

Finding No. 2022-04: Incorrect Approvals over Special Parcel Tax Appeals (Continued)

Recommendation:
We recommend the District develop a corrective action plan to fix the incorrect formula in the Excel spreadsheet. Further, we recommend the District implement a periodic review of approved and denied appeal applications to ensure the established process is working as intended and the determined outcomes align with set criteria.

The District's Response:
The error has been corrected by fixing the formula in the Excel spreadsheet used to approve or deny appeals. The correction entailed changing the formula from an "OR" to an "AND" logic statement. The correction is effective for the appeals being reviewed in Fiscal Year 2023-2024. Lastly, the District will establish an annual review of approved and denied appeal applications beginning in FY 2024-25 for the previous FY. The first annual review will include FYs 2022-23 and 2023-24.

Accountant's Response:

Accountant validated the correction in the updated Excel spreadsheet provided by the District. The finding remains as stated.