



CALIFORNIA STATE AUDITOR

Elaine M. Howle, State Auditor

FACT SHEET

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The California State Auditor released the following report today:

High-Risk Update—Maintaining and Improving Infrastructure

State Agencies Have Established Controls That, if Followed, Should Provide Reasonable Assurance That Infrastructure Bond Proceeds Are Used as Intended

BACKGROUND

In a May 2007 report on areas that present high risk to the State, the Bureau of State Audits (bureau) identified, among other issues, the risks in using bond proceeds to maintain and improve the State's infrastructure—in particular, voter-approved propositions authorizing the sale \$42.7 billion of bonds to address the State's infrastructure needs. In January 2007 the governor issued Executive Order S-02-07 (executive order) providing a framework for bond accountability, which includes a requirement that state agencies establish, and submit to the Department of Finance (Finance), a three-part accountability plan for each program they administer that is receiving bond proceeds. Further, the executive order outlined oversight responsibilities for state agencies and Finance, including developing and maintaining a bond accountability Web site (Web site).

KEY REVIEW RESULTS

In our review to follow up on the steps the State has taken to mitigate the risks associated with the \$42.7 billion of infrastructure bonds identified in the bureau's May 2007 report, we noted the following:

- The requirements of the governor's executive order, if followed, should provide reasonable assurance that state agencies ensure bond proceeds are spent in the best interests of the State and consistent with provisions of the bond acts. However, Finance and state agencies have not completed implementing the executive order.
- Although most had submitted accountability plans for each of their programs, state agencies had not submitted, nor had Finance approved, accountability plans for nine of the 105 programs listed on Finance's Web site as of December 2008. According to Finance, it has since approved four of the nine plans.
- Finance has not fully implemented a process to conduct audits of completed projects—however, few projects have been completed. Also, Finance has not monitored the Web site to ensure state agencies update it as required.
- Some agencies are not posting timely updates to the Web site. For example, the Department of Water Resources did not post 32 projects totaling \$535 million funded by voter-approved propositions. Further, the Department of Fish and Game did not list separately the amounts committed for three programs.
- All six state agencies we reviewed have designed management controls that, if followed, are adequate to ensure that bond funds are properly awarded to projects, projects are prioritized, and funds are properly expended and monitored.

