



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

February 2009 Report 2008-604



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Elaine M. Howle
State Auditor
Doug Cordiner
Chief Deputy

CALIFORNIA STATE AUDITOR

Bureau of State Audits

555 Capitol Mall, Suite 300

Sacramento, CA 95814

916.445.0255

916.327.0019 fax

www.bsa.ca.gov

February 26, 2009

2008-604

The Governor of California
President Pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This letter report presents a review conducted by the Bureau of State Audits (bureau) concerning the State's efforts to manage the risks associated with maintaining and improving the State's infrastructure. This review follows up on the discussion of these risks in our May 2007 report titled *High Risk: The California State Auditor's Initial Assessment of High-Risk Issues the State and Select State Agencies Face* (2006-601).

In January 2006 the governor and legislative leaders initiated the first phase of a strategic growth plan to address California's critical infrastructure needs over the next 20 years. The January 2007 update to the plan indicated that California needs over \$500 billion in infrastructure investment to meet the needs of a growing population over that time span. In the November 2006 general election, the voters approved \$42.7 billion in bonds to partially fund the State's plan to rebuild California's infrastructure.

The bureau's May 2007 report, in part, outlines the risks facing the State in using the bond proceeds to effectively and efficiently maintain and improve the State's infrastructure. To determine the current status of the risks associated with the infrastructure bonds, we examined the commitment of bond funds to infrastructure projects and any related expenditures made thus far. In addition, we obtained an understanding of the progress made by the Department of Finance (Finance) in implementing the governor's January 2007 Executive Order S-02-07 (executive order) intended to provide accountability for the expenditure of the bond proceeds. We also selected six state departments charged with administering certain programs funded by the bonds (administering agencies) and obtained an understanding of their role in ensuring accountability for infrastructure bond expenditures as prescribed in the executive order and the management controls they have designed to implement their respective bond accountability plans.

During our review, we found that the administering agencies have committed about \$25 billion of the \$42.7 billion authorized by the voters to specific infrastructure projects and that the agencies have actually spent about \$7.3 billion. We also found that the governor's executive order provides a framework for accountability for the expenditure of the bond proceeds that, if followed, should provide reasonable assurance that the administering agencies spend the proceeds effectively, efficiently, and as intended by the voter-approved ballot measures. Finance has not yet started conducting audits of completed projects as required by the governor's executive order. However, according to Finance, this is because few, if any, of the funded projects

are yet complete, and thus implementation of this phase is not immediately required. Finance plans to begin performing audits in fiscal year 2009–10.

In addition, the executive order requires that Finance establish a Web site to provide public access to information on how bond proceeds are spent, including, for each program, a plan from the administering agency, approved by Finance, describing how the agency will ensure accountability for the bond funds it receives for the program. However, when we reviewed Finance's bond accountability Web site on December 12, 2008, we found that it did not contain Finance-approved accountability plans for nine of the 105 infrastructure programs listed on the Web site. The plans for four of these programs have since been approved and added to the Web site and Finance indicated that the accountability plans for the other five programs are still being developed. Under the executive order, administering agencies are prohibited from spending bond proceeds for a program until Finance has determined that the program's accountability plan is adequate. Although Finance has not given final approval to the accountability plans for these five programs, it noted that control mechanisms are in place for three of the programs and that the administering agencies for the other two programs have not approved or funded any projects.

Although the executive order requires that the administering agencies update their project descriptions and expenditures on the bond accountability Web site at least semiannually, not all administering agencies do so. For example, we found that the Department of Water Resources (Water Resources) has not updated the Web site to include 21 projects, totaling about \$456 million, that were funded under Proposition 1E, and 11 projects, totaling \$79 million, that were funded under Proposition 84. According to Water Resources, it plans to develop the project information necessary to update the bond accountability Web site by late February 2009.

Finally, our review of the controls established by six of the administering agencies over the awarding and use of the bond proceeds for certain programs revealed that the agencies have designed requirements and processes that, if followed, appear adequate to provide reasonable assurance that infrastructure bond proceeds are awarded to eligible entities for eligible projects and that those entities use the bond proceeds appropriately for approved infrastructure projects.

Background

In January 2006 the governor and legislative leaders launched a 20-year plan, the *California Strategic Growth Plan* (strategic growth plan), to rebuild California’s infrastructure. The State’s infrastructure covers a myriad of assets, including roads, bridges, levees, housing, schools, government buildings, prisons, parks, and health facilities. Much of the State’s infrastructure was constructed in the 1950s and 1960s. According to the governor’s office, the State’s infrastructure is showing its age and is under increasing strain due to the State’s economic activity and population. The State’s highways and ports often do not effectively move the current volume of people and goods, and, as of June 30, 2007, 12,900 miles of the State’s roadways were in fair or poor condition. According to the strategic growth plan, by investing and leveraging more than \$500 billion in the State’s infrastructure over the next 20 years, California can maintain vibrant economic growth, improve the environment, and ensure a high quality of life for future generations. The strategic growth plan identified several critical infrastructure needs, including kindergarten through 12th grade schools, higher education systems, water supply and management systems, and transportation systems. Table 1 presents the estimated funding requirements for the programs identified in the strategic growth plan through 2016.

Table 1
Strategic Growth Plan Financing Needs Through 2016
(In Billions)

PROGRAM	ESTIMATED FUNDING NEEDS
Education—higher education	\$22.5
Education—K through 12 th grade	29.1
Flood control/water supply	52.7
High-speed rail	10.0
Housing	2.9
Judicial	4.9
Other natural resources	3.0
Other public service infrastructure	4.8
Public safety	8.0
Transportation	100.7
Total	\$238.6

Source: *California Strategic Growth Plan*, January 2008.

**November 2006 Infrastructure Bonds and
Associated Expenditures as of June 30, 2008
(In Thousands)**

Proposition 1B: Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	\$2,895,115
Proposition 1C: Housing and Emergency Shelter Trust Fund Act of 2006	\$992,827
Proposition 1D: Kindergarten—University Public Education Facilities Bond Act of 2006	\$2,689,160
Proposition 1E: Disaster Preparedness and Flood Prevention Bond Act of 2006	\$265,352
Proposition 84: Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	\$479,670

Sources: November 2006 general election propositions and Department of Finance.

In November 2006 California voters approved five propositions authorizing a series of bonds, totaling \$42.7 billion, to begin addressing the State's infrastructure needs. Each proposition had its own purpose and categories of infrastructure projects to be funded. The text box shows the infrastructure bonds approved by voters in November 2006 and the associated expenditures as of June 30, 2008, as provided by Finance. Details regarding the administering agencies and the amounts authorized and committed to specific programs are presented in Appendix A.

Acknowledging the need for accountability in the expenditure of voter-approved bonds for rehabilitating California's infrastructure, the governor, in January 2007, issued an executive order, which laid a framework for bond accountability. The executive order states that administering agencies are accountable for ensuring that bond proceeds are spent efficiently, effectively, and in the best interests of the people of the State of California. It seeks to provide this

accountability by requiring each administering agency to establish a three-part accountability structure for any bond proceeds it receives.

In May 2007 the bureau issued its first report on areas that present a high risk to the State, *High Risk: The California State Auditor's Initial Assessment of High-Risk Issues the State and Select State Agencies Face*. The California Government Code, Section 8546.5, authorizes the bureau to establish an audit program to identify state agencies that are at high risk for potential waste, fraud, abuse, and mismanagement or that have major challenges associated with their economy, efficiency, or effectiveness. The law also authorizes the bureau to audit any state agency that it identifies as a high risk and to issue related audit reports. Our May 2007 report serves as an initial list of high-risk areas the bureau identified. These areas may be the subject of audits we perform in the future.

One of the areas identified as high risk in the 2007 report concerned the use of the bonds approved to maintain and improve the State's infrastructure. The report identified the need to ensure that the State properly prioritizes its infrastructure projects, selects and executes the projects most likely to meet existing and future needs, ensures that the use of bond funds follows the voters' intent, and determines that bond funds are used effectively and efficiently.

To follow up on the steps the State has taken to mitigate the risks associated with the infrastructure bonds identified in our first report, we reviewed relevant laws, Web sites, and internal control documentation provided by Finance and selected administering agencies. To obtain the current status of the infrastructure bonds in terms of the amount of funds committed and expended, we gathered related information from Finance, Water Resources, and the bond accountability Web site established by Finance to provide public access to information on how the infrastructure bond proceeds are used¹. To obtain a better understanding of Finance's role in implementing the executive order, and of the current status of its implementation, we interviewed Finance management staff and reviewed the bond accountability Web site. We also selected seven bond programs administered primarily by six administering agencies listed in the text box based on the large amount of infrastructure bond funds they are authorized to administer, interviewed their management staff, and reviewed documentation they provided to obtain an understanding of their bond accountability plans and the management controls they designed to comply with the executive order.

Six Agencies That Administer the Seven Infrastructure Bond Programs We Selected for Review

- California Transportation Commission
- Department of Transportation
- State Allocation Board
- California State University
- University of California
- Department of Water Resources

Source: November 2006 general election infrastructure propositions.

The Governor's Executive Order Is Intended to Provide Accountability for the Expenditure of Infrastructure Bond Proceeds

The executive order the governor issued in January 2007 laid a framework for bond accountability. The order requires state agencies to establish a three-part accountability plan for each program receiving bond proceeds and to submit the plans to Finance by March 1, 2007, for review of the reasonableness of the plan and consistency with the requirements of the executive order. Additionally, the executive order generally prohibits any administering agency from spending infrastructure bond proceeds for a program until Finance has determined the program's bond accountability plan is adequate. The text box on the following page shows the components of an accountability plan.

The requirements of the executive order, if followed, should provide reasonable assurance that administering agencies will be accountable for ensuring that bond proceeds are spent efficiently,

¹ The Department of Finance's bond accountability Web site can be accessed at www.bondaccountability.ca.gov.

Components of the Accountability Plans Required by the Governor's Executive Order

Front-end accountability: Each administering agency shall follow criteria and processes to govern the expenditure of bond funds and the outcomes that the expenditures are intended to achieve.

In-progress accountability: Each administering agency shall document the ongoing actions it will take to ensure that the projects or other activities funded by the bond proceeds are staying within their approved scope and cost.

Follow-up accountability: All expenditures of bond funds are subject to audit to determine whether the expenditures were made according to the established front-end criteria and processes, were consistent with all legal requirements, and achieved their intended outcomes.

Source: Governor's Executive Order S-02-07.

effectively, in the best interests of the people of the State of California, and in a manner consistent with the provisions in the respective bond act as well as all applicable state and federal laws. The first component of an accountability plan, known as front-end accountability, requires each agency to establish criteria and processes that will govern the expenditure of bond funds and the outcomes that such expenditures are intended to achieve. The criteria and outcomes must be defined or derived from the requirements of state or federal law, applicable regulations, a strategic plan for implementing the mission of the administering agency or of the program funded by the bond proceeds, the relevant capital outlay program, and performance standards or other outcome measures. All expenditures of bond proceeds must be consistent with these criteria and processes. Finally, each administering agency must prepare a list that will be made available to the public of all projects or other activities to be funded by bond proceeds.

The second component of the accountability structure involves in-progress accountability. This component requires each administering agency to document the ongoing actions it will take to ensure that the projects or other activities funded by bond proceeds are staying within the scope and cost that were identified when the administering agency made the decision to fund the project or activity. For example, the Department of General Services' Office of Public School Construction (OPSC) administers bond proceeds awarded to local school districts by the State Allocation Board (Allocation Board) for constructing or modernizing K-12 school facilities. Under the in-progress monitoring component of OPSC's accountability plan, school districts must request funding for an approved grant within 18 months of the grant's apportionment or the entire grant will be rescinded and the funding will not be provided for the approved project. Additionally, school districts must provide OPSC annual reports of expenditures to demonstrate that they are spending the funds in accordance with project approvals. School districts must also demonstrate substantial progress in accomplishing the construction work.

The executive order requires each administering agency to report to Finance semiannually on the status of its in-progress monitoring actions to ensure that the projects and activities funded by bond proceeds are being performed in a timely manner and are achieving the intended purposes. These reports are to include expenditure information if a project has begun.

The last component of the accountability structure is follow-up accountability. In addition to ongoing monitoring to determine whether projects remain within the identified scope of activities and costs, the executive order states that all expenditures of bond funds are subject to audit to determine whether they were made according to the established front-end criteria and processes, were consistent with all legal requirements, and achieved the intended outcomes. As such, these audits are conducted after projects are completed. The executive order requires that administering agencies contract with Finance to perform these audits or obtain approval from Finance for alternative audit arrangements.

Finally, the executive order requires Finance to create a Web site containing information on how infrastructure bond proceeds are being used, so that the public can readily access this information. The bond accountability Web site is to include the three-part accountability plan for the programs of each administering agency; a list of all projects, programs, or other authorized activities funded under the provisions of each general obligation bond act; and the amounts expended for each project. In addition, Finance is required to include on this Web site the actions administering agencies are taking to ensure that projects remain within the approved scope and cost and the results of completed projects or activities funded by infrastructure bond proceeds. The administering agencies are required to provide Finance with the information necessary to support this Web site.

Implementation of the Executive Order Is a Work in Progress

Finance and the administering agencies have made progress toward implementing bond accountability, however, work remains to achieve the goals of the executive order. For example, in accordance with the executive order, Finance reviews and approves the three-part accountability plans the administering agencies submit, thus allowing these agencies to expend bond funds. However, as of December 12, 2008, the administering agencies had not submitted, and Finance had not approved, accountability plans for nine of the 105 programs on Finance's Web site. Additionally, Finance has not yet begun conducting audits of completed projects as required by the follow-up accountability component of the executive order. According to Finance, it plans to conduct follow-up accountability audits of administering agencies beginning in fiscal year 2009-10. Further, not all administering agencies promptly post information regarding projects funded by the infrastructure bonds, as required by the executive order and Finance.

Finance has developed a checklist for reviewing the accountability plans the administering agencies submit to ensure that the plans meet the requirements of the executive order. The checklist has three main sections and incorporates the various requirements imposed by the executive order. For example, the section on front-end accountability addresses criteria, performance standards, and outcome measures, as well as compliance and reporting. The section on in-progress accountability addresses the administering agency's monitoring and reporting efforts. The section on follow-up accountability covers the administering agency's internal audit procedures and its process for conducting external audits. After Finance approves a plan, it posts the plan on the bond accountability Web site.

The executive order prohibits administering agencies from spending bond proceeds until Finance has approved the program's accountability plan or, under certain circumstances for established programs, has extended the deadline. However, as of December 12, 2008, Finance had not approved accountability plans or granted extensions for nine of the 105 programs that were listed on the Web site. Finance stated that four of the nine plans were formally approved subsequent to our December 12th review. In fact, the Web site listed the four as being approved as of February 9, 2009. Finance also indicated that the administering agencies for three of the remaining five programs have posted guidelines to the Web site that address in detail criteria for determining a proposed project's eligibility for funding as well as the reporting and monitoring efforts associated with a project. According to Finance, the agencies for the remaining two programs are currently developing their accountability plans; however, these agencies have not approved or funded any projects.

We asked Finance why bond funds were expended for seven of the nine programs when they did not have approved accountability plans. Finance stated that the seven programs had control mechanisms in place that would be found in a formally written accountability plan, such as guidelines for awarding grants of bond funds, and it indicated that, although formal plans were not posted to the bond accountability Web site before bond funds were expended, Finance believes the agencies that administer the programs had addressed bond fund accountability. We reviewed the management controls established for one of these programs by the Department of Transportation (Transportation), which is responsible for the projects funded by Proposition 1B under the Public Transportation Modernization, Improvement, and Service Enhancement Account, and found that Transportation has designed adequate controls to provide accountability. In fact, by February 9, 2009, the Finance-approved accountability plan for the program had been posted to the Web site. Table 2 shows the various

administering agencies for each of the bonds California voters approved in November 2006, the number of programs each agency is responsible for, and how many of those programs had approved accountability plans as of December 12, 2008.

Table 2
Status of Bond Accountability Plans for November 2006 Infrastructure Bonds as of December 12, 2008

PROPOSITION	ADMINISTERING AGENCIES (TOTAL OF 30*)	TOTAL PROGRAMS EACH AGENCY ADMINISTERS	PROGRAMS WITH THREE-PART ACCOUNTABILITY PLANS		
			APPROVED	NOT YET APPROVED	
1B—Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	Air Resources Board	2	2	-	
	California Transportation Commission (commission)	9	4	5 [†]	
	Department of Finance (Finance)	1	-	1 [†]	
	Department of Transportation (Transportation)	2	-	2 [†]	
	Governor's Office of Homeland Security	2	2	-	
1C—Housing and Emergency Shelter Trust Fund Act of 2006	California Housing Finance Agency	1	1	-	
	California Pollution Control Financing Authority	1	-	1	
	Housing and Community Development	12	12	-	
1D—Kindergarten—University Public Education Facilities Bond Act of 2006	California Community Colleges and its Board of Governors	1	1	-	
	California State University	1	1	-	
	State Allocation Board	7	7	-	
	University of California	1	1	-	
1E—Disaster Preparedness and Flood Prevention Bond Act of 2006	Department of Water Resources (Water Resources)	8	8	-	
84—Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006	Baldwin Hills Conservancy	1	1	-	
	California Conservation Corps	1	1	-	
	California Department of Forestry and Fire Protection	1	1	-	
	California State Parks	3	3	-	
	California Tahoe Conservancy	1	1	-	
	Coachella Valley Mountains Conservancy	1	1	-	
	Department of Conservation	1	1	-	
	Department of Fish and Game	5	5	-	
	Department of Public Health	4	4	-	
	Water Resources	15	15	-	
	San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	2	2	-	
	San Joaquin River Conservancy	1	1	-	
	Santa Monica Mountains Conservancy	2	2	-	
	Secretary for Resources	2	2	-	
	Sierra Nevada Conservancy	1	1	-	
	State Coastal Conservancy	6	6	-	
	State Water Resources Control Board	4	4	-	
	Wildlife Conservation Board	6	6	-	
	Totals		105	96	9

Source: Finance's bond accountability Web site.

* Because Water Resources administers programs authorized by two propositions, it is included twice on the table.

† Subsequent to December 12, 2008, Finance approved the accountability plan for the one program it administers, two program plans administered by Transportation, and one program plan administered by the commission.

Finance Is Currently Developing Procedures for Conducting Required Audits After Projects Are Complete

As previously stated, the third section of each accountability plan addresses follow-up accountability and requires administering agencies to contract with Finance for audits of the use of bond proceeds upon project completion, or to obtain Finance's approval for alternative audit arrangements. These audits are to ensure that such expenditures conform with front-end criteria, and are consistent with legal requirements, and achieve the intended outcomes. According to officials at Finance, as of January 2009, little of this audit work had been done because few, if any, projects had been completed. However, Finance is currently developing audit procedures and it plans to begin conducting audits in fiscal year 2009–10.

Some of the bond programs include requirements that other departments audit the projects for efficiency and to ensure that bond proceeds were used for intended purposes. For example, the Department of General Services' OPSC is responsible for auditing completed projects funded by the Allocation Board. In these cases, the follow-up accountability sections of the programs' accountability plans state that another department is required to do an audit. Officials at Finance indicated that before performing a follow-up audit they would check to see if another department is required to perform an expenditure audit, to ensure that there is no duplication of effort. Finance also stated that it plans to provide a link to all issued audit reports on the bond accountability Web site.

Some Agencies Are Not Posting Timely Updates to the Bond Accountability Web Site

As required by the executive order, Finance has established a bond accountability Web site intended to provide public access to information on how proceeds from the State's general obligation and lease revenue bonds, including the infrastructure bonds, have been spent. According to Finance, the administering agencies are responsible for updating the project information on the Web site, and Finance expects the agencies to do so at least semiannually, by June 30 and January 1 of each year.

We found that the bond accountability Web site does not list all of the programs or projects funded by the infrastructure bonds, as required by the executive order. When searching the Web site for the bond funds committed to the programs authorized by the propositions, we noted that Water Resources posted overall commitments of bond proceeds but did not break the commitments down by program for 10 of the programs authorized

by Propositions 1E and 84. Further, we noted that the Department of Fish and Game did not list separately the amounts committed for three programs. Moreover, the Web site does not list all of the projects funded by the bond proceeds and does not provide all of the related information required by the executive order, such as a description of the projects and the amounts expended for each. For example, Water Resources provided us a list of 21 projects, totaling about \$456 million, that were funded by Proposition 1E, and 11 projects, totaling \$79 million, that were funded by Proposition 84 that it has not posted to Finance's Web site. According to Water Resources, it has designed a process to update project information on the bond accountability Web site and anticipates that all projects currently funded by Propositions 1E and 84 will be posted to the Web site at least within one month after funds are awarded, but not less than quarterly.

However, according to Water Resources, posting project information did not happen for the 32 projects just mentioned because its priorities had been to post accountability plans on the Web site. According to Water Resources, a large number of new programs proposed for the state budget and a change in planned programs resulting from the suspension of some activity authorized by the bonds has caused its current emphasis on accountability plans. Water Resources further stated that due to the reduction in authorized activity and expected budget shortfall, some projects included on planning documents may not occur on the timeline originally proposed, and that other projects may not be on the Web site due to the time taken for its internal review process. Water Resources anticipates developing the project information necessary to update Finance's Web site by late February 2009. Without timely updates, the Web site cannot provide the public access to the State's use of bond proceeds as the executive order requires.

Finance stated that it is not practical for it to monitor the Web site on an ongoing basis to ensure that agencies update it as required. However, Finance indicated that it intends to review the administering agencies' compliance with all of the requirements of the executive order, including the requirement to update the Web site, during the audits it is currently planning to conduct each year beginning in fiscal year 2009-10. As part of any future audits we may conduct, we will consider evaluating the quality of information on the Web site and the extent to which agencies are updating the information as Finance expects and the executive order requires.

All Six Administering Agencies We Reviewed Have Developed Requirements and Processes to Implement Their Bond Accountability Plans

We selected six administering agencies, based on the large amount of bond funds allocated to their respective programs, and reviewed the requirements and processes they have designed to provide accountability for their bond program funds. The programs covered by the accountability plans we reviewed make up about 42 percent of the \$42.7 billion in bonds the voters approved in the November 2006 general election. For instance, for Proposition 1E, we selected the activities authorized by the Public Resources Code, Section 5096.821. Because this section comprises four program areas, we sampled one, the State-Federal Flood Control System Modification Program, for our detailed review of Water Resources' program policies and guidelines. Finance has approved accountability plans for the seven programs, and all of the agencies have selected projects to fund. Table 3 shows the administering agencies and the programs we selected for review, as well as the amounts of infrastructure bond funds authorized and committed for the programs as of December 12, 2008. Appendix A contains similar information regarding all of the programs included in the bond measures the voters approved in November 2006.

Table 3
Selected Programs and Funding Commitments as of December 12, 2008, Related to the Infrastructure Bonds Approved in the November 2006 General Election
(in Thousands)

PROPOSITION	ADMINISTERING AGENCY	PROGRAM DESCRIPTION	AMOUNT OF BONDS AUTHORIZED	AMOUNT COMMITTED TO PROGRAM
1B—Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006	California Transportation Commission	Corridor mobility improvement	\$4,500,000	\$4,489,707
	Department of Transportation	Public transportation modernization, improvement, and service enhancement	3,600,000	530,000
1D—Kindergarten—University Public Education Facilities Bond Act of 2006	State Allocation Board	Kindergarten through 12 th grade school facilities program—new construction	1,900,000	982,368
		Kindergarten through 12 th grade school facilities program—modernization projects	3,300,000	1,115,676
	University of California	Construction, renovation, or acquisition of university facilities	890,000	841,743
	California State University	Construction, renovation, or acquisition of state university facilities	690,000	607,762
1E—Disaster Preparedness and Flood Prevention Bond Act of 2006	Department of Water Resources	Critical erosion repairs, levee evaluations and repairs, state-federal flood control system modification program	3,000,000	1,158,387

Sources: November 2006 general election propositions and Department of Finance bond accountability Web site.

We found that the six administering agencies have designed management controls that, if followed, are adequate to ensure that bond funds are properly awarded to projects. The agencies have also developed methods for prioritizing projects for funding and for ensuring that funds are properly expended and projects are periodically monitored. In addition to meeting the requirements imposed by the executive order, many of the programs we reviewed must meet other legal requirements when using bond proceeds. In these cases, the administering agencies have created additional guidelines to ensure that the bond funds are used appropriately. Appendix B provides more detailed information on the program requirements for the six administering agencies, as well as some of the more critical management controls they have designed to implement their respective accountability plans.

State law also requires all agencies that administer general obligation bonds approved by California voters on or after January 1, 2004, to provide annual reports to Finance and the Legislature. The annual reports are to include key information, such as geographical location, amount of funds allocated, and status updates, for all projects that have been funded or that are required or authorized to receive funds. Although we did not include the administering agencies' processes to comply with this requirement in Appendix B, during our discussions with agency officials and our review of program requirements, we found that the agencies have designed procedures to ensure compliance with this reporting requirement.

We prepared this report under the authority vested in the California State Auditor by Section 8546.5 of the California Government Code.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: February 26, 2009

Staff: Steven A. Cummins, CPA, Audit Principal
Norm Calloway, CPA
Joe Jones, CPA, CIA
Rosa Reyes

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

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Appendix A

AUTHORIZATIONS AND COMMITMENTS FOR NOVEMBER 2006 INFRASTRUCTURE BONDS

Table A shows key financial information for each of the infrastructure bond measures approved by California voters in the November 2006 general election. A large portion of the bond funds has been committed for the various programs. We used committed amounts for the programs funded by Propositions 1B, 1C, and 1D, based on information from Department of Finance's bond accountability Web site as of December 12, 2008. However, because the Department of Water Resources did not post its update regarding Proposition 84 to the bond accountability Web site until January 22, 2009, we used information as of that date for commitments of those bonds. In addition, the committed amounts we obtained from the Web site for all the propositions may include appropriations from prior and current fiscal years, as well as proposed appropriations for future years. Further, the current bond accountability Web site may contain more programs than are included in our table because administering agencies periodically post updates to the Web site.

Table A
Key Program and Financial Information for the Infrastructure Bond Measures Approved by California Voters in the November 2006 General Election

ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
Proposition 1B: The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006					
California Transportation Commission	Corridor Mobility Improvement Account	Improvements to the state highway system, or major access routes to the state highway system, by expanding capacity, enhancing operations, or otherwise improving travel times in high-congestion travel corridors.	\$4,500,000	\$4,489,707	\$10,293
	Route 99 Corridor Account	Safety, operational enhancements, rehabilitation, or capacity improvements to the State Route 99 Corridor, which traverses approximately 400 miles of the central valley of the State.	1,000,000	995,542	4,458
	Trade Corridors Improvement Fund	Activities can include highway capacity improvements along corridors with a high volume of freight movement and freight rail system improvements to enhance the ability to move goods from seaports, land ports of entry, and airports to warehousing and distribution centers.	2,000,000	2,000,000	0
	State Transportation Improvement Program Augmentation	Activities include capital projects to improve state highways, local roads, public transit, pedestrian and bicycle facilities, and soundwalls.	2,000,000	2,000,000	0
	State Highway Operations and Protection Program	Activities can include pavement rehabilitation, traffic detection, and ramp metering projects to improve state highways.	500,000	500,000	0

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ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
	Traffic Light Synchronization or Other Technology-Based Improvements	Traffic light synchronization projects or other technology-based improvements to improve safety, operations, and the effective capacity of local streets and roads.	\$250,000	\$250,000	\$0
	State-Local Partnership Program Account	Funds available for allocation by the California Transportation Commission over a five-year period to eligible transportation projects as designated by the Legislature and nominated by an applicant transportation agency.	1,000,000	0	1,000,000
	Local Bridge Seismic Retrofit Account	Funds for the 11.5 percent required match for federal Highway Bridge Replacement and Repair funds available to the State for seismic work on local bridges, ramps, and overpasses.	125,000	125,000	0
	Highway-Railroad Crossing Safety Account	High-priority grade separation and railroad crossing safety improvements.	250,000	250,000	0
Department of Transportation	Intercity Rail Improvement	Intercity rail improvements and procurement of additional intercity railcars and locomotives.	400,000	400,000	0
	Public Transportation Modernization, Improvement, and Service Enhancement Account	Provide funds to commuter or rail operators, bus operators, and other transit operators to update, improve, or expand transit service.	3,600,000	530,000	3,070,000
Department of Finance (Finance)	Local Streets and Roads Improvement, Congestion Relief, and Traffic Safety	Provide funds to a city, county, or city and county, to improve transportation facilities that will reduce local traffic congestion and further deterioration, improve traffic flows, or increase traffic safety.	2,000,000	890,723	1,109,277
Air Resources Board	Goods Movement Emission Reduction Program	Reduce air pollution emissions and health risks from freight movement along California's trade corridors by offering financial incentives to equipment owners to upgrade to cleaner technologies.	1,000,000	250,000	750,000
	School Bus Retrofit and Replacement Account	School bus retrofit and replacement to reduce air pollution and children's exposure to diesel exhaust.	200,000	191,000	9,000
Office of Homeland Security	Port, Harbor, and Ferry Terminal Security Account	Prepare for, prevent, respond to, and recover from natural and intentional disasters.	100,000	40,000	60,000
	Transit System Safety, Security, and Disaster Response Account	Fund capital projects that provide increased protection against safety and security threats and increase the capacity to respond to disasters.	1,000,000	100,000	900,000
Totals			\$19,925,000	\$13,011,972	\$6,913,028

Proposition 1C: Housing and Emergency Shelter Trust Fund Act of 2006

Housing and Community Development	CalHome	Enable low- and very-low income households to become or remain homeowners through deferred or forgivable loans.	290,000	63,846	226,154
	Building Equity and Growth in Neighborhoods Program	Grants for deferred-payment second mortgage loans to qualified buyers of new homes.	125,000	28,873	96,127
	CalHome Self-Help Housing Program	Assistance for low- and moderate-income families to build their homes with their own labor.	10,000	857	9,143
	Affordable Housing Innovation Programs	Grants or loans to fund the creation of pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing.	100,000	0	100,000
	Multifamily Housing Program	Deferred payment loans to assist with new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households and homeless youths.	345,000	195,240	149,760
	Multifamily Housing —Supportive		195,000	44,780	150,220
	Homeless Youth Housing		50,000	6,414	43,586

ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
	Joe Serna, Jr. Farmworker Housing Grant Program	Grants and loans to assist with the development or rehabilitation of various types of housing projects for agricultural worker households with a priority for lower-income households.	\$135,000	\$42,945	\$92,055
	Emergency Housing Assistance Program Capital Development	Provides reduced-cost financing for capital development activities for emergency shelters, transitional housing, and safe havens that provide shelter and supportive services for homeless individuals and families.	50,000	0	50,000
	Infill Infrastructure Grant Program	Infrastructure grants for critical infrastructure projects that will measurably increase the supply of infill housing produced as a direct result of the State's investment, prioritize efficient land use and development patterns, and ensure a reasonable geographic distribution of infrastructure resources throughout the State.	790,000	340,000	450,000
	Transit-Oriented Development Implementation Program	Loans and grants for developing or facilitating higher density housing and mixed-use developments within 1/4 mile of transit stations that will increase public ridership.	300,000	145,000	155,000
	Housing—Related Parks Program	Grants to local governments to create or improve housing-related parks in urban, suburban, and rural areas.	200,000	0	200,000
California Pollution Control Financing Authority	CALReUSE Remediation Program	Grants and loans for brownfield cleanup that produces residential and mixed used development in California's infill areas to create housing opportunities for working families.	60,000	0	60,000
California Housing Finance Authority	California Homebuyers Downpayment Assistance Program	Downpayment assistance for first-time homebuyers who meet specified low- and moderate-income limits.	200,000	51,488	148,512
See Program Description	Administrative Costs	Estimated costs to provide support to the bond programs that are expended from bond proceeds over the entire life of the bonds.	0	134,038	(134,038)
See Program Description	Statewide Costs	Estimated costs charged by agencies other than the administering department, such as the State Treasurer's Office and State Controller's Office, over the entire life of the bonds.	0	57,000	(57,000)
Totals			\$2,850,000	\$1,110,481	\$1,739,519

Proposition 1D: Kindergarten—University Public Education Facilities Bond Act of 2006

Kindergarten Through 12th Grade Facilities Program					
State Allocation Board	New Construction	Provides state funds on a 50/50 state and local sharing basis for design, construction, testing, inspection, furniture, and equipment, and other costs closely related to the actual construction of school buildings.	1,900,000	982,368	917,632
	Modernization Projects	Provides state funds on a 60/40 state and local sharing basis for improvements to educationally enhance school facilities at least 20 years old, such as air conditioning, plumbing, lighting, and electrical systems. Site acquisition may not be included.	3,300,000	1,115,676	2,184,324
	Career Technical Education	Construction of new facilities or reconfiguration of existing facilities for career technical education (vocational) purposes.	500,000	205,343	294,657

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ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
	High-Performance Schools	Construction of new and modernization of existing schools when designs and materials promote the efficient use of energy and water, the maximum use of natural lighting, and indoor air quality, the use of recycled materials, and materials that emit a minimum of toxic substances, and the use of acoustics conducive to teaching and learning.	\$100,000	\$10,917	\$89,083
	Overcrowding Relief	Funds necessary to relieve severely overcrowded school sites through the removal of portable classrooms. Districts must replace these classrooms with permanent classrooms or construct new schools.	1,000,000	39,954	960,046
	Charter Schools	To provide charter schools with funding for new construction projects and rehabilitation of district-owned existing facilities that are at least 15 years old.	500,000	462,590	37,410
	Joint Use	For school districts partnered with a local entity to build or reconfigure a multipurpose room, gymnasium, child care facility, library, or teacher education facility.	29,000	29,000	0
State Allocation Board	Administrative Costs	Estimated costs to provide support to the bond programs that are expended from bond proceeds over the entire life of the bonds.	0	357	(357)
See Program Description	Statewide Costs	Estimated costs charged by agencies other than the administering department, such as the State Treasurer's Office and State Controller's Office, over the entire life of the bonds.	0	7,817	(7,817)
University of California	University of California Facilities Program	Funds to construct and renovate facilities to address seismic and life-safety needs, and renewal for existing facilities. A portion is earmarked for telemedicine and providing facilities and state of the art equipment to expand medical education programs.	890,000	841,743	48,257
California State University	California State University Facilities Program	Funds to construct and renovate facilities to meet the demands of its growing population and to address seismic and life safety needs and renewal for existing facilities.	690,000	607,762	82,238
California Community Colleges and its Board of Governors	California Community Colleges Facilities Program	Funds for construction on existing campuses including buildings and acquiring related fixtures, the renovation and reconstruction of facilities, site acquisition, and equipping facilities.	1,507,000	1,289,369	217,631
California Community Colleges and its Board of Governors	Administrative costs	Estimated costs to provide support to the bond programs that are expended from bond proceeds over the entire life of the bonds.	0	9,608	(9,608)
See Program Description	Statewide costs for administering bond funds for higher education programs	Estimated costs charged by agencies other than the administering department, such as the State Treasurer's Office and State Controller's Office, over the entire life of the bonds.	0	45,940	(45,940)
Totals			\$10,416,000	\$5,648,444	\$4,767,556

Proposition 1E: Disaster Preparedness and Flood Prevention Bond Act of 2006

Department of Water Resources	Critical Erosion Repairs Program	Repair to erosion sites that pose the most serious threat to the State's flood control system.	*	*	*
	Levee Evaluations Program	Evaluate levees with regard to geotechnical risk factors, assist with the U.S. Army Corps of Engineers certification efforts, and provide consistent formats for data.	*	*	*

ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
	Levee Repairs Program	Making repairs and addressing deficiencies identified and prioritized in the Levee Evaluations Program.	*	*	*
	State-Federal Flood Control System Modification Program	Funds for the evaluation, repair, or replacement of levees, weirs, bypasses, and facilities of the State Plan of Flood Control (plan) including repairing erosion sites, improving or adding facilities to the plan, and reducing the risk of levee failure.	*	*	*
Total Sec. 5096.821 State Plan of Flood Control			\$3,000,000	\$1,158,319	\$1,841,681
Department of Water Resources	Floodplain Evaluation and Delineation Program	Activities can include projects to protect the State's infrastructure and against loss of life and flood damages caused by flood events through regulatory and structural solutions.	*	*	*
	Floodway Corridor Program	Acquiring rights-of-way for flood corridors, construction of levees for corridors and bypasses, conservation of agricultural land and wildlife habitat, relocating or flood-proofing structures, and mapping flood hazard areas.	*	*	*
Total Sec. 5096.825 Flood Protection Corridors and Bypasses			\$290,000	\$62,812	\$227,188
Department of Water Resources	Flood Control Project Subventions Program	Funds for projects that manage stormwater runoff to reduce flood damage, are not part of the State Plan of Flood Control, and have a nonstate cost share of 50 percent or more.	500,000	106	499,894
	Integrated Regional Water Management Stormwater/Flood Management Program	Improve water supply reliability and improve and protect water quality.	300,000	150,000	150,000
See Program Description	Statewide costs	Estimated costs charged by agencies other than the administering department, such as the State Treasurer's Office and State Controller's Office, over the entire life of the bonds.	0	143,150	(143,150)
Totals			\$4,090,000	\$1,514,387	\$2,575,613
Proposition 84: Safe Drinking Water, Water Quality and Supply, Flood Control, Rivers and Coastal Protection Bond Act of 2006					
Department of Public Health	Emergency Safe Drinking Water Supply Program	Funding for emergency and urgent actions to ensure that safe drinking water supplies are available to all Californians.	10,000	9,050	950
	Small Community Infrastructure Improvements Program	Infrastructure improvements and related actions to meet safe drinking water standards for small communities.	180,000	161,553	18,447
	Safe Drinking State Revolving Fund Program	Provide the state share needed to access federal capitalization grants to assist communities in providing safe drinking water under the Safe Drinking Water State Revolving Fund Program.	50,000	0	50,000
	Prevent or Reduce Groundwater Contamination—Loans and Grants Program	Prevent or reduce contamination of groundwater that serves as a source of drinking water.	60,000	61,234	(1,234) [†]
State Water Resources Control Board	State Water Pollution Control State Revolving Fund Program	Activities include construction of publicly owned wastewater treatment facilities, local sewers, sewer interceptors, and water reclamation facilities.	80,000	78,183	1,817
	Agricultural Water Quality Grants Program	Reduction of pollutants from agricultural operations into surface waters.	15,000	14,505	495
Department of Water Resources	Integrated Regional Water Management: Stormwater/Flood Management Program	Improve water supply reliability and improve and protect water quality.	1,000,000	203,275	796,725

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ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
	Delta Water Quality Program	Reduce discharges of salt and pollutants, improve Delta water quality, and relocate drinking water intakes within the Delta.	\$130,000	\$90,000	\$40,000
Total Ch. 2 Safe Drinking Water and Water Quality Projects			\$1,525,000	\$617,800	\$907,200
Department of Water Resources	Floodplain Evaluation and Delineation Program	Protect against loss of life, flood damages, and emergency costs for both existing and future developments caused by future flood events.	30,000	30,000	0
	State-Federal Flood Control System Modification Program	Activities include inspection and evaluation of the integrity of existing flood control project facilities and improvement, construction, modification and relocation of flood control levees, weirs, or bypasses.	266,000	266,000	0
	California Flood Plan (CFP)	Development of the CFP; the State's first strategic plan and vision for flood management improvements on a statewide level.	9,000	9,000	0
	Flood Protection Corridor Program	Flood risk reduction projects in floodplains using primarily nonstructural flood management methods. In addition, all projects must include wildlife habitat conservation or agricultural land conservation.	40,000	38,600	1,400
	Delta Levees System Integrity Program	Funding for local reclamation districts in the Sacramento San Joaquin Delta to maintain and improve levees.	275,000	232,412	42,588
	Flood Control Project Subventions Program	Financial assistance to local agencies cooperating in the construction of federal flood control projects.	180,000	173,700	6,300
Total Ch. 3 Flood Control			\$800,000	\$749,712	\$50,288
Department of Water Resources	California Water Plan	Bond funds will be used to update the California Water Plan that provides a framework for water managers, legislators, and the public to consider options and make decisions regarding California's water future.	*	*	*
	Climate Change (AB 32) Program	Conduct detailed evaluations of projected climate change impacts on the State's water supply and flood control systems and identify potential system redesign alternatives that would improve adaptability and public benefits.	*	*	*
	Surface Storage Program	Evaluation of surface storage projects identified in the CALFED Bay-Delta Program Record of Decision (August 28, 2000).	*	*	*
	Delta Vision Program	Development of a long-term Delta plan as an element of statewide water planning.	*	*	*
Total Ch. 4 Statewide Water Planning and Design			\$65,000	\$40,110	\$24,890
Department of Fish and Game	Bay-Delta Ecosystem Restoration Program (CALFED)	A 30-year effort to restore native fishes and habitats within the CALFED Bay-Delta area.	115,000	156,592 [‡]	23,408 [‡]
	CALFED Natural Communities Conservation Program	Landscape level, community-based conservation of native species and their habitats that will be integrated with other programs addressing the restoration needs of the Bay-Delta region.	20,000	‡	‡
	Coastal Salmon and Steelhead Fishery Restoration Program	Restore anadromous salmonid habitat with the goal of ensuring the survival and protection of Coho salmon, Steelhead trout, Chinook salmon, and Cutthroat trout in coastal watersheds of California.	45,000	‡	‡
	Lower Colorado River Multi-Species Habitat Conservation Plan Program	Creation of over 8,100 acres of riparian, marsh, and backwater habitat for the species covered by the program, and includes plans for the rearing and stocking of over 1.2 million fish to augment populations of endangered fish.	7,000	6,755	245

ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
Department of Water Resources	Salton Sea Restoration Fund Program	Activities to restore, conserve, and protect the Salton Sea and its wildlife species.	\$47,000	\$29,346	\$17,654
	Public Access Program	Development, rehabilitation, acquisition, and restoration costs related to providing public access to recreation, fish, and wildlife resources.	54,000	30,984	23,016
	Colorado River Quantification Settlement Agreement	Funding for the All American Canal Lining and Coachella Canal Lining Projects to reduce water use due to seepage.	36,000	34,740	1,260
	Urban Streams Restoration Program	Reduce damages from flooding and erosion, restore environmental values, and promote community stewardship of urban streams.	18,000	17,300	700
Secretary for Resources	California River Parkways Program	Acquire, restore, protect, or develop river parkways.	72,000	63,093	8,907
	San Joaquin River Settlement	Expansion of channel capacity, identifying and making levee improvements, and making modifications to provide fish passage through or around certain structures in the river channel.	100,000	54,603	45,397
San Joaquin River Conservancy	San Joaquin River Parkway Program	Land acquisition, habitat enhancement, public access, and recreation projects.	36,000	30,946	5,054
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	Los Angeles and San Gabriel Rivers Watersheds Program	Provide open space, low impact recreational and educational uses, water conservation, watershed improvements, wildlife and habitat restoration and protection, and watershed improvements.	36,000	30,481	5,519
Santa Monica Mountains Conservancy	Upper Los Angeles River Watershed Protection Program	Protection and restoration of rivers, lakes, and streams; protection of beaches, bays, and coastal waters and watershed; promote access to coastal resources.	36,000	30,406	5,594
Coachella Valley Mountains Conservancy	Coachella Valley Mountains Conservancy Open Space Protection Program	Acquire and hold, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.	36,000	23,286	12,714
State Coastal Conservancy	Santa Ana River Parkway Program	Projects that will expand and improve the Santa Ana River Parkway.	45,000	45,490	(490) [†]
Sierra Nevada Conservancy	Sierra Nevada Conservancy Program	Protection and restoration of rivers, lakes, and streams, their watersheds and associated land, water, and other natural resources.	54,000	52,110	1,890
California Tahoe Conservancy	Environmental Improvement Program for the Lake Tahoe Basin	Acquisition and improvement of land for the purposes of preserving and restoring the natural environment, providing public access and recreation opportunities, and preserving wildlife habitat.	36,000	34,740	1,260
California Conservation Corps	Conservation Corps Programs	Resource conservation and restoration projects, facilities expansion, development, restortation, and rehabilitation, and for administrative costs.	45,000	27,253	17,747
State Water Resources Control Board	Stormwater Grant Program	Reduction and prevention of stormwater contamination of rivers, lakes, and streams.	90,000	63,606	26,394
Total Ch. 5 Protection of Rivers, Lakes and Streams			\$928,000	\$731,731	\$196,269
Wildlife Conservation Board	Forest Conservation Program	Award grants that promote ecological integrity and economic stability of California's diverse native forests through conservation, preservation, and restortation of productive managed forestlands, forest reserve areas, redwood forests, and other forest types, including the conservation of water resources and natural habitats for native fish, wildlife, and plants found on these lands.	180,000	180,645	(645) [†]

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ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
	Statewide Habitat Program	Protection, restoration, and enhancement of wildlife habitat and the development of wildlife-oriented public access.	\$135,000	\$135,485	\$(485) [†]
	Natural Community Conservation Planning Program	Implement or assist in the establishment of Natural Community Conservation Plans, with an emphasis on acquisition projects.	90,000	61,903	28,097
	Rangeland, Grazing Land and Grassland Protection Program	Protection of California's rangeland, grazing land, and grasslands through the use of conservation easements.	15,000	14,475	525
	Oak Woodland Preservation Program	Projects designed to conserve and restore California's oak woodlands.	15,000	14,475	525
	Agricultural Grants—Ecosystem Restoration and Wildlife Protection Program	Implementation of conservation-based farming practices that benefit habitat and wildlife.	5,000	4,825	175
Department of Conservation	California Farmland Conservancy Program	Activities can include purchase of agricultural conservation easements, fee title acquisition grants, and land improvement and planning grants.	10,000	9,650	350
Total Ch. 6 Forest and Wildlife Conservation			\$450,000	\$421,458	\$28,542
State Coastal Conservancy	Coastal Conservancy Programs	Activities can include land acquisition or restoration for purposes of natural resource protection.	135,000	102,391	32,609
	San Francisco Bay Area Conservancy Program	Activities can include improvement of public access to, within, and around the bay, coast, ridge tops, and urban open spaces. Also, to protect, restore, and enhance natural habitats and connecting corridors, watersheds, scenic areas, and other open-space resources of regional importance.	108,000	68,183	39,817
	Monterey Bay and Watersheds Program	Protection of Monterey Bay and its watersheds.	45,000	31,820	13,180
	San Diego Bay and Watersheds Program	Protect and restore the natural habitat values of San Diego Bay and adjacent watersheds and coastline, and to increase the public's access to and enjoyment of those resources.	27,000	17,160	9,840
	Ocean Protection Council	Activities can include development of scientific data needed to adaptively manage the State's marine resources and reserves and development and implementation of projects to conserve marine wildlife.	90,000	86,850	3,150
State Water Resources Control Board	Clean Beaches Grant Program	Provides funding for projects that restore and protect the water quality and environment of coastal waters, estuaries, bays, near shore waters, and beaches from pollution and toxic contamination.	90,000	62,141	27,859
Santa Monica Mountains Conservancy	Santa Monica Bay and Watersheds Program	Protection and restoration of rivers, lakes, streams, water, and other natural resources and protection of beaches, bays, and coastal waters and watershed.	20,000	18,184	1,816
Baldwin Hills Conservancy	Ballona Creek/Baldwin Hills Watershed Program	Acquisition of open space, protection of wildlife habitat, and provide recreational and educational uses for the public's enjoyment.	10,000	9,650	350
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	Santa Monica Bay and Watersheds Program	Provide for open space, low impact recreational and educational uses, water conservation, watershed improvements, wildlife and habitat restoration and protection, and watershed improvements.	15,000	12,446	2,554
Total Ch. 7 Protection of Beaches, Bays and Coastal Waters			\$540,000	\$408,825	\$131,175
California State Parks	Rebuilding California State Parks Program	Activities can include restoration, rehabilitation, improvement, and expansion of state park system lands and facilities.	400,000	289,924	110,076

ADMINISTERING AGENCY	PROGRAM	PROGRAM DESCRIPTION	AMOUNT AUTHORIZED BY BOND ACT (IN THOUSANDS)	BOND FUNDS COMMITTED (IN THOUSANDS)	BOND FUNDS REMAINING (IN THOUSANDS)
	Nature Education Centers Program	Grants for nature education, research facilities and equipment to nonprofit organizations and public institutions, including natural history museums, aquariums, research facilities, and botanical gardens.	\$100,000	\$96,500	\$3,500
Total Ch. 8 Parks and Nature Education Facilities			\$500,000	\$386,424	\$113,576
California Department of Forestry and Fire Protection	Urban Forestry Program	Activities can include urban greening projects that reduce energy consumption, conserve water, improve air and water quality, and provide other community benefits. Also, development of regional and local land use plans to reduce communities contributions to global warming.	90,000	21,568	68,432
California State Parks	Sustainable Communities Grant Program	Activities can include acquisition and development of new parks and expansion of overused parks that provide park and recreational access to underserved communities.	400,000	200,831	199,169
Resources Agency	Strategic Growth Council Program	Development of regional and local land use plans designed to promote water conservation, reduce auto use and fuel consumption, encourage greater infill and compact development, protect natural resources and agricultural lands, and revitalize urban and community centers.	90,000	220	89,780
Total Ch. 9 Sustainable Communities and Climate Change Reduction			\$580,000	\$222,619	\$357,381
See Program Description	Statewide costs	Estimated costs charged by agencies other than the administering department, such as the State Treasurer's Office and State Controller's Office, over the entire life of the bonds.	0	192,497	(192,497)
Totals			\$5,388,000	\$3,771,176	\$1,616,824

Sources: November 2006 general election propositions and Finance bond accountability Web site.

* Because the Department of Water Resources did not include authorized or committed amounts for all individual programs in the information posted on Finance's Web site, we cannot present that information in this table.

† According to Finance, the commitments for these programs may exceed the authorized bond amounts because the spending authorizations can be appropriated through both budget acts and special legislation. When these cases result in an over-commitment of authorized bond amounts, Finance must introduce a bill to reduce appropriations. In other cases, statewide bond costs may not be properly deducted from amounts available for program costs, also resulting in an over-commitment of the bonds.

‡ Because the Department of Fish and Game did not separately present committed bond funds for these three programs, we included the total amount committed under the first program listed.

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Appendix B

BOND ACCOUNTABILITY REQUIREMENTS AND RELATED MANAGEMENT CONTROLS FOR THE SIX ADMINISTERING AGENCIES WE REVIEWED

For six administering agencies that were each allocated a large amount of the infrastructure bonds approved by voters in the November 2006 general election, Table B contains the bond accountability requirements we determined to be critical to providing reasonable assurance that proceeds from the infrastructure bonds will be used effectively, efficiently, and as intended by the propositions approved by the voters. We selected these accountability requirements from our review of the bond propositions, as well as other governing statutes, and program regulations. We obtained the management controls designed to implement these requirements from interviews with the agency management and a review of their policies and program guidelines for grants of infrastructure bond proceeds. According to the governor’s Executive Order S-02-07 (executive order), all programs are subject to audit to determine whether expenditures made from bond proceeds are made according to agency policy and guidelines and legal criteria, and whether they achieve the intended outcomes. To prevent redundancy in Table B, generally we did not include the audit requirements for completed projects imposed by the executive order. Instead, we discuss these requirements in the body of the report.

Table B
Bond Accountability Requirements and Management Controls for Six Agencies and Seven of the Infrastructure Programs They Administer

ADMINISTERING AGENCY/PROGRAM	ACCOUNTABILITY COMPONENT	PROGRAM REQUIREMENT	MANAGEMENT CONTROL
Department of Transportation (Transportation)/ Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)	Grantee eligibility	<p>The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, and other state laws require:</p> <p>\$3.6 billion for the PTMISEA to be available for appropriation to the State Controller’s Office (State Controller) for allocation to certain regional transportation entities eligible to receive an allocation from the public transportation account under specified statutes.</p> <p>The State Controller is required to create a list of eligible entities, calculate their allocations of program funds according to formulas in statute, and notify the eligible entities of their available allocation.</p>	<p>The State Controller has developed a list of eligible regional transportation entities and the amount of program funds each is eligible to receive for fiscal years 2007–08 and 2008–09, and distributed the listing to the eligible entities.</p> <p>Transportation ensures the entities applying for program funds are included on the list prepared by the State Controller.</p>

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ADMINISTERING AGENCY/PROGRAM	ACCOUNTABILITY COMPONENT	PROGRAM REQUIREMENT	MANAGEMENT CONTROL
	Project eligibility	<p>Eligible projects are those by commuter or urban rail operators, bus operators, waterborne transit operators, and other transit operators in California for transit system rehabilitation, safety, or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement.</p> <p>Requests to Transportation for an allocation for a project must include a description of the project and its benefit, useful life, start and completion dates for environmental clearance, project completion date, and its cost and funding sources.</p> <p>Transportation must review requests to determine if projects meet legal requirements for funding, develops a list of projects that meet requirements, and submits the list to the State Controller.</p>	<p>Transportation has developed program guidelines, applications, and checklists for processing applications for program funds, to ensure project eligibility and that local entities submit required information.</p> <p>Transportation's guidelines require that it ensure the amount awarded does not exceed the amount allocated by the State Controller and submit a list of approved projects to the State Controller.</p>
	Grantee/project monitoring	<p>Funding recipients must provide semiannual reports to Transportation and Finance regarding adherence to the project's timeline, scope, and budget. Project costs that exceed approved budgets require the local agency to plan, with the concurrence of Transportation, to downsize the scope of the project or identify alternative funding.</p> <p>The California Transportation Commission (commission) must provide annually a report to the Legislature on PTMISEA funded projects that includes the location and status of the projects, the amount of funds allocated to each project, the public benefit expected from each project, and a designation of any projects that have been subject to review under financial audit requirements for public transportation operators.</p> <p>Statute requires that financial audits for public transportation operators be expanded to include PTMISEA funds and provide the audit reports to Transportation, which makes the audits available to the State Controller and the Legislature.</p>	<p>Transportation reviews the semiannual reports to determine if projects are on schedule, are within the approved scope and cost, and are achieving intended purposes. If changes are identified, the local entity must submit reasons for those changes and Transportation must approve them.</p> <p>The first group of PTMISEA projects was not adopted until January 31, 2008. At the time of our review, the most recent annual report to the Legislature by the commission was from 2007. As a result, the information was not included in the report.</p> <p>According to Transportation, an independent auditor must conduct these audits and submit a copy of the audit to Transportation, who will review the reports to ensure expenditures are appropriate.</p>
	Post-completion audit	<p>Within six months of project becoming operable, grantees must report to Transportation (which provides this report to Finance) regarding project cost, duration, and outcomes.</p>	<p>Transportation's guidelines allow that the financial audits of public transportation operators can satisfy this reporting requirement if the audits are conducted within six months of the project becoming operable.</p>
California Transportation Commission/ Corridor Mobility Improvement Account (CMIA)	Grantee eligibility	<p>Transportation, regional transportation planning agencies, and county transportation commissions or authorities identify projects for funding and the commission determines which nominated projects will be funded.</p>	<p>The commission's guidelines for the CMIA program specify that projects must be nominated by Transportation and/or regional agencies. The commission approves projects that use program funds using a resolution.</p>

ADMINISTERING AGENCY/PROGRAM	ACCOUNTABILITY COMPONENT	PROGRAM REQUIREMENT	MANAGEMENT CONTROL
	Project eligibility	<p>Projects are for performance improvements on the state highway system, or major access routes to the state highway system on the local road system that relieve congestion by expanding capacity, enhancing operations, or otherwise improving travel times within these high-congestion travel corridors, as documented by Transportation and regional or local transportation planning agencies. Nominated projects must be included in a regional transportation plan.</p> <p>The commission must develop guidelines for the program, including regional programming targets, to ensure projects included in the program can be demonstrated to be high-priority; can commence construction or implementation by December 31, 2012; improves mobility in a high-congestion corridor or connectivity of the state highway system between rural, suburban, or urban areas, or improves the operation or safety of a highway or road segment; and improves access to jobs, housing, markets, or commerce.</p>	<p>The commission adopted guidelines for the program that include regional programming targets and specify that funds will be allocated based on reviews of project applications and supporting documentation submitted by Transportation and regional agencies.</p> <p>The guidelines require that nominations include quantitative and qualitative measures that validate the project's consistency with program objectives. Decision criteria include a cost/benefit analysis, readiness for the project to go to construction, and whether the project benefits match the core intent of the program.</p>
	Grantee/project monitoring	<p>The commission must annually report to the Legislature regarding CMIA projects including project description, location, status, funding received, and how the project is achieving mobility improvements.</p> <p>Funding recipients must provide semiannual reports to the commission and Finance regarding adherence to the project's timeline, scope, and budget. Projects costs that exceed approved budgets require the local agency to plan, with the concurrence of the commission, to downsize the scope of the project or identify alternative funding.</p>	<p>The commission uses a written annual report and includes detailed CMIA project information on the bond accountability Web site to report to the Legislature.</p> <p>Since CMIA projects affect the state highway system Transportation is responsible for monitoring the projects. Transportation performs on-site inspections of the contractor's work and prepares quarterly reports on the progress of the project and submits them to the commission. According to the commission's program guidelines, it is to forward the reports on a semiannual basis to Finance. The purpose of the reports is to ensure the project is being executed in a timely fashion and is within the approved scope and budget. Lastly, changes in scope must be approved by a licensed engineer, Transportation, and the commission.</p>
	Post-completion audit	<p>Within six months of project becoming operable, grantee reports to commission (which provides this report to Finance) regarding project cost, duration, and outcomes.</p>	<p>The six-month reporting requirement is included in the commission's policy for Proposition 1B programs, which is intended to provide guidance to Transportation and regional agencies regarding their responsibilities under the programs.</p>
Department of Water Resources (Water Resources)/ state-federal flood control system modification program	Grantee eligibility	<p>Bond funds are to be awarded to cities, counties, and districts authorized to maintain levees and reclamation districts and levee districts.</p>	<p>Water Resources reviews the application and supporting documentation to ensure the applicant is a local public entity.</p>
	Project eligibility	<p>Water Resources is to provide funds for projects that address evaluation, repair, rehabilitation, reconstruction, or replacement of levees, weirs, bypasses, and facilities of the State Plan of Flood Control by repairing erosion sites and removing sediment from channels or bypasses.</p> <p>Funds are also to be used to improve or add facilities for the State Plan of Flood Control for urban flood prevention.</p>	<p>Water Resources has developed guidelines used to approve applicants.</p> <p>Water Resources, when processing applications for program funds, ensures eligibility requirements are met by using a review checklist.</p> <p>Further, an agreement is entered into between Water Resources and the local entity that specifies eligible project costs and the specific project for which program funds must be used.</p>

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ADMINISTERING AGENCY/PROGRAM	ACCOUNTABILITY COMPONENT	PROGRAM REQUIREMENT	MANAGEMENT CONTROL
	<p>Grantee/project monitoring</p>	<p>Water Resources is to ensure that the infrastructure projects or other permissible activities funded from bond proceeds are staying within the scope and cost that were identified when the decision was made to fund the project or activity, are being executed in a timely fashion, and achieving the intended purposes.</p> <p>The governor must prioritize project selection and design and submit to the Legislature an annual bond expenditure disaster preparedness and flood prevention plan describing the proposed expenditures of bond funds, the amount of matching federal and local funding obtained, and an investment strategy to meet long-term flood protection needs and minimize state taxpayer liabilities from flooding.</p>	<p>An agreement entered into between Water Resources and the local entity includes the approved overall work plan for the project. Changes to this plan require approval by Water Resources. Further, the agreement requires the local entity to submit quarterly work plans and quarterly progress reports to Water Resources. The quarterly work plans must include information on budget, schedule, and work to be performed for the coming quarter. The quarterly progress reports must include information on work completed during the period and construction progress compared to the project's schedule.</p> <p>Water Resources prepared a bond expenditure plan for the 2007–08 fiscal year and has made it available on its Web site. As the program develops, Water Resources plans to prepare future bond expenditure plans.</p>
	<p>Post-completion audit</p>	<p>The Secretary of the Resources Agency must obtain an independent audit of program expenditures to ensure that all moneys are expended in accordance with statute.</p>	<p>According to the Resources Agency, it has contracted with Finance to perform audits of completed programs.</p>
<p>State Allocation Board (Allocation Board)/ Kindergarten through 12th grade school facilities program— new construction and modernization</p>	<p>Grantee eligibility</p>	<p>The Kindergarten–University Public Education Facilities Bond Act of 2006 provides to school districts, county offices of education, and county boards of education \$1.9 billion for new school facility construction and \$3.3 billion for school facility modernization. \$200 million of these amounts available for small high schools and smaller learning communities.</p> <p>New construction funding eligibility is based upon grantee's pupil population density and projected future enrollment and amount of funding is based upon number of unhoused pupils.</p> <p>Grantees eligible for modernization funding for permanent buildings over 25 years old and portable buildings over 20 years old and the amount of funding is based upon number of pupils housed in these buildings.</p>	<p>Grantee eligibility for new construction projects must follow a three-step process. The first step is obtaining the enrollment certification and projection. The second step is to determine the existing capacity of the school district. The last step is the eligibility determination, which determines the amount of unhoused pupils, and represents the school districts eligibility for a new grant.</p> <p>Modernization grantees only have to go through the eligibility determination step.</p>
	<p>Project eligibility</p>	<p>Funds are allocated for new construction of school facilities of eligible school districts including seismic repair, reconstruction, or replacement, design, engineering, utility connections, and acquiring existing buildings.</p> <p>Projects are also eligible for school facility modernization costs for improvements to a school that extends its life or enhance its physical environment, but these costs may not include acquisition and development of real estate or for routine maintenance and repair.</p>	<p>The Allocation Board uses an application process to collect the information necessary to calculate the amount of funding that will be given to a district for a project. It is also used as a certification tool to assure the Allocation Board that the project has obtained the necessary appraisals, Department of Education approval of site, cost estimate for site development and other funding documentation.</p> <p>Funding applications are reviewed by the Office of Public School Construction (OPSC) staff to the Allocation Board, and then put on a state workload list in date-received order.</p>

ADMINISTERING AGENCY/PROGRAM	ACCOUNTABILITY COMPONENT	PROGRAM REQUIREMENT	MANAGEMENT CONTROL
	Grantee/project monitoring	<p>Grantees must submit to the Allocation Board annual expenditure report and a construction progress report 18 months after receiving funding.</p> <p>The Allocation Board may rescind unexpended funding if grantee has not made substantial progress within 18 months of receiving funding and may require repayment of prior funding if grantee did not comply with law regarding fund expenditures.</p>	<p>Final expenditure reports will be reviewed using a risk-based approach to ensure they are correctly filled out and disclose the required information.</p> <p>OPSC is required to review the evidence submitted with the progress report within 60 days of receiving a progress report. If a project is not meeting required timelines, the progress report must include a narrative describing why.</p>
	Post-completion audit	OPSC may audit grantees' final expenditure report within two years of receipt of the report, but if an audit is not commenced within this time the grantee's expenditures are deemed appropriate.	<p>The final expenditure audit will include a verification of costs to ensure they were categorized correctly based on the description or purpose. The audit will also include the verification of any certification made by the district are appropriate.</p> <p>OPSC is allowed two years after completion to perform the final expenditure audit and therefore it has yet to perform an audit on these funds.</p>
University of California (UC)/construction, renovation, or acquisition of university facilities	Grantee eligibility	The Kindergarten-University Public Education Facilities Bond Act of 2006 provides \$200 million for medical education purposes and \$690 million for construction purposes to the UC and the Hastings College of Law.	<p>The Office of the President informs UC campuses of the amount of funding that can be expected over a five-year capital period.</p> <p>Campuses annually update their own five-year capital program based on a practical assessment of facility needs and on the amount of capital funding that is expected.</p> <p>A state funded capital budget composed of individual projects is approved annually by the UC Board of Regents (regents) for inclusion in the annual Budget Act.</p> <p>Hastings College of Law uses its own process for obtaining bond funds. According to UC staff, an appropriation would need to be authorized through a budget action. Hastings College of Law has not had an appropriation for a capital project funded with these bond funds.</p>
	Project eligibility	<p>Funds are to provide capital improvements to expand and enhance medical education programs with an emphasis on telemedicine aimed at developing high-tech approaches to health care.</p> <p>Funds are also to finance construction, the acquisition of certain equipment, and preconstruction on existing or new UC and Hastings College of Law campuses, off-campus centers, and joint use and intersegmental facilities.</p>	<p>The focus of the State Capital Improvement Plan (CIP) is on instruction research including closely related support activities, infrastructure, and utilities.</p> <p>Campus staff analyze their facilities as they relate to enrollment growth, seismic and life safety requirements, infrastructure renewal and program modernization needs to identify serious deficiencies in the amount of space available, or the condition of the existing space.</p>
	Grantee/project monitoring	The governor's Executive Order S-02-07 (executive order) intended to provide accountability to the expenditure of the bond proceeds requests that UC document ongoing actions it will take to ensure that the infrastructure projects or other permissible activities funded from bond proceeds are being executed in a timely fashion and achieving their intended purposes and UC has honored this request.	<p>Projects are formally reviewed by the Office of the President at the completion of the various phases of a project to ensure it adheres to the approved scope and budget.</p> <p>Campuses with state funded projects are also required to submit a report quarterly until the project is complete; the Office of the President reviews the reports, then they are submitted to Finance.</p>

ADMINISTERING AGENCY/PROGRAM	ACCOUNTABILITY COMPONENT	PROGRAM REQUIREMENT	MANAGEMENT CONTROL
	Post-completion audit	The executive order requests that UC have Finance or another entity approved by Finance conduct a post-completion audit of a project.	<p>Once projects are completed, the UC reviews the projects to ensure that bond proceeds are expended for their intended purposes and in a timely manner.</p> <p>The UC regents require the campuses to prepare and submit a close-out financial record for each capital outlay construction project.</p> <p>The audits required have not yet been done because UC projects that have received this funding have not yet been completed.</p>
California State University (CSU)/ construction, renovation, or acquisition of state university facilities	Grantee eligibility	The Kindergarten-University Public Education Facilities Bond Act of 2006 provides \$690 million for construction purposes to CSU.	<p>The CSU board of trustees (board) annually approves categories and criteria used to prioritize the capital outlay program.</p> <p>The categories and criteria include the number of projects a campus is allowed for the budget year as well as for the subsequent planning years.</p> <p>The annual capital outlay program, a prioritized list of projects selected using the categories and criteria document, is approved by the board and transmitted to Finance for review by the Legislature and inclusion in the annual state budget.</p>
	Project eligibility	<p>Funds are available to provide assistance to CSU in meeting its capital outlay financing needs.</p> <p>Proceeds may be used to fund construction, the acquisition of certain equipment, and preconstruction costs on existing or new CSU campuses, off-campus centers, and joint use and intersegmental facilities.</p>	<p>Existing facilities and infrastructure are eligible to receive funding to correct structural, and Health and Safety Code deficiencies. Funding would also be available for modernization and renovation of facilities.</p> <p>The board states it has given health and safety projects, and completion of previously approved projects higher priority.</p>
	Grantee/project monitoring	The executive order requests that CSU document ongoing actions it will take to ensure that the infrastructure projects or other permissible activities funded from bond proceeds are being executed in a timely fashion and achieving their intended purposes and CSU honored this request.	<p>Project funds are committed by phase.</p> <p>Completion of the design phase is determined by means of review of the project scope, design, schedule, and budget by the assistant vice chancellor of Capital Planning Design and Construction (CPDC) and approved by the board.</p> <p>Once construction contracts have been awarded, the project is monitored by campus construction managers and others who make periodic site visits and oversee dispersal of contract payments.</p>
	Post-completion audit	The executive order requests that CSU have Finance or another entity approved by Finance conduct a post-completion audit of a project.	<p>CPDC also conducts a post-project performance review of capital projects over \$400,000, which is intended to incorporate a thorough review of all project records, accounts, documents and procedures to determine if the project was managed and constructed appropriately.</p> <p>In addition, all projects are subject to an independent financial audit process.</p> <p>Since the accountability plan was first described, the chancellor's office has determined that the capital project audit process can be done more efficiently in-house through the Office of the University Auditor.</p>

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press