



FACT SHEET

Date: **May 19, 2011**

Report: **2010-117**

The California State Auditor released the following report today:

General Obligation Bonds

The Departments of Water Resources and Finance Should Do More to Improve Their Oversight of Bond Expenditures

BACKGROUND

General obligation bonds—long-term borrowing approved by voters—make up roughly 75 percent of the State's total debt. Funds from such bonds also support the Department of Water Resources' (Water Resources) annual budget—9 percent of its proposed budget is planned to come from bond funds. From July 2005 through June 2010, Water Resources spent funds from the sale of 13 different general obligation bonds. The various acts authorizing general obligation bonds generally require Water Resources to receive the Legislature's approval before it can spend funds. Further, its responsibilities—such as awarding bond funds to projects or monitoring projects' ongoing progress—vary depending on the bond act. Under the direction of the Department of Finance (Finance), state agencies provide the public with information on the projects and activities funded by proceeds from Strategic Growth Plan bonds per the former governor's January 2007 executive order.

KEY FINDINGS

Our review of Water Resources' and Finance's oversight of general obligation bond funds revealed the following:

- Although Water Resources generally demonstrated effective oversight, it needs to improve in monitoring the ongoing execution of projects and obtaining project completion reports.
 - For two of the 10 projects we reviewed, Water Resources did not perform or could not demonstrate that it performed any on-site inspections during construction of the projects.
 - Even though one project was completed nearly three years ago, Water Resources had not received final reports.
 - For one project, quarterly progress reports were missing, late, or incomplete.
- Water Resources did not comply with applicable transparency and accountability requirements for bond spending.
 - Of the eight projects we reviewed for which the bond acts required certain information to be posted on a public Web site, all lacked a documented review process to ensure that the information provided was complete and accurate.
 - For five projects, Water Resources either did not provide any information to the public or posted inaccurate information.
- Although established nearly four years ago, Finance's Bond Accountability Web site provides little value to the public—it does not provide information about the amounts spent on bond projects that would inform as to the projects' progress.
- Finance provides limited guidance to agencies and has not performed any audits of how Water Resources has spent bond funds approved by voters in November 2006.

KEY RECOMMENDATIONS

To ensure that bond funds continue to be used for intended purposes, we recommend that Water Resources strengthen its monitoring of project deliverables by reviewing the policies and practices of its various divisions to ensure that they promptly obtain complete progress reports. Other recommendations are geared towards providing the public with accurate and complete information by having Water Resources develop and consistently use a documented review process for posting information to the Web site. Further, we recommend that Finance enhance the Bond Accountability Web site by developing an information tracking and review process of all information posted on the Web site, and either conduct or assure audits are conducted of certain bond expenditures.

