

SUMMARY OF PROCEDURES, FINDINGS,  
AND RECOMMENDATIONS RELATED TO THE  
2024 STATEMENT OF CHARGES

Independent Audit Association

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To the Representatives of the Independent Audit Association:

We have completed our engagement to perform procedures at the California Department of Water Resources (DWR) on behalf of the State Water Contractors Independent Audit Association (IAA) and its member agencies in areas designated as primary procedures by the IAA. Our engagement was performed in accordance with our Statement of Work (SOW) dated June 7, 2023, and our procedures were limited to those described in that SOW.

Our findings and recommendations resulting from our procedures are provided in the memoranda, summaries, and schedules included in the Summary of Procedures, Findings, and Recommendations Related to the 2024 Statement of Charges (Report). The procedures were performed based on information obtained principally by inquiries of officials and other personnel of the DWR and inspection of certain accounting related records and reports of the DWR. The specific sources of the various components of the information are indicated in the accompanying memoranda, summaries, and schedules. The information included in the Report, including the memoranda, summaries, and schedules, are solely those we received in response to our inquiries or obtained from documents furnished to us. Our work has been limited in scope and time, and we stress that more detailed procedures may reveal findings and recommendations that this engagement has not.

Except for ascertaining that certain information in tabulations and reports, received from the DWR, agreed with the accounting records (as specifically identified in the accompanying memoranda, summaries, and schedules), we were not requested to and did not perform procedures to evaluate the reliability or completeness of the information obtained. The procedures do not constitute an audit, a review or other form of assurance in accordance with any generally accepted auditing, review or other assurance standards, and accordingly we do not express any form of assurance. While the information obtained is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes.

#### Restrictions on the use of our work product

Consistent with our SOW, this Report is intended solely for the information and use of the IAA and is not intended to be and should not be used by anyone other than the IAA. Except where compelled by legal process (of which the IAA will immediately notify EY and tender to EY, if it so elects, the defense thereof), the IAA may not circulate, quote, disclose or distribute, the Report or any portion, abstract or summary thereof, or make any reference thereto or to EY in connection therewith, to any third party without obtaining the prior written consent of EY. To the extent the IAA is permitted to disclose the written Report as set forth herein, it shall disclose the Report only in the original, complete, and unaltered form provided by EY, with all restrictive legends and other agreements intact.

The IAA shall, among other responsibilities with respect to the Report, (i) make all management decisions and perform all management functions, including applying independent business judgment to the Report, making implementation decisions and determining further courses of action in connection with the Report; (ii) assign a competent employee within senior management to make all management decisions with respect to the Report, oversee the Report and evaluate the adequacy and results; and (iii) accept responsibility for the implementation of the results or recommendations contained in the Report.

The ratings in our Report do not represent a conclusion on the assessment of the findings and recommendations resulting from our procedures. Rating definitions are as defined in our SOW dated June 7, 2023.

*Ernst & Young LLP*

February 9, 2024

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## SECTION 1

### EXECUTIVE SUMMARY OF PROCEDURES

The procedures were developed to consider the risks outlined in the areas of focus specified in the Statement of Work, dated June 7, 2023, which was signed by all participating State Water Contractors (Contractors). Procedures were focused on items designated as primary procedures by the Independent Audit Association (IAA). As a part of these procedures, regular meetings were held with the IAA to discuss progress and any updates or changes to the scope of work. Procedures were performed related to the following areas:

- Alpha Allocation Cycles (AAC)
- System Power Costs – Variable Transportation (PWR)
- Delta Water Charge (DWC)
- Statement of Charges (SOC)
- Transportation Minimum and Capital Direct and Indirect Analysis (TMC)
- Debt Service Procedures (DBT)

While we perform our procedures covering all Contractors that are part of the IAA, we further focus these procedures on selected Contractors each year. The selection process is approved by the IAA and includes a rotation of Contractors. Below are the Contractors that were selected in the current year:

- Antelope Valley-East Kern Water Agency
- Kern County Water Agency (KCWA)
- Napa County Flood Control (FC) and Water Conservation District (WCD)
- San Gabriel Valley Municipal Water District (MWD)
- San Luis Obispo FC & WCD
- Santa Clara Valley Water District

The current year procedures are performed on the 2024 SOC with a fiscal year end of June 30, 2023, which includes December 31, 2022 actual costs with projections thereafter. The procedures reference various periods that are defined, as follows:

- 2022 – Calendar year actual costs
- 2023 – Fiscal year ended June 30, 2023
- 2024 SOC – Includes actual costs through December 31, 2022 with projections thereafter

#### Findings and Recommendations

This section contains the findings and recommendations that resulted from the procedures performed related to the 2024 SOC. Findings specifically relate to observations with a dollar impact to the Contractors. Recommendations are process improvements identified for the Department of Water Resources (the “Department” or “DWR”), through current year procedures for which no dollar impact to the Contractors was determined. Throughout this report, the State Water Project Analysis Office (SWPAO) or the Division of Fiscal Services are also referred to as the Department. The findings and recommendations are highlighted in summary tables. The following is a summary of the findings and recommendations included in Section 2 of this report.

## Findings:

### Alpha Allocation Cycles

- Finding AUD-000620: The statewide FAD890 alpha cost centers did not allocate costs to the East Branch Extension (EBX) and Coastal Branch (CB) R33A (Devil's Den Pumping Plant) reaches. This resulted in a reallocation of costs among the Contractors of \$191 related to 2111FAD890 and \$8,404 related to 2154FAD890. The Department should continue to correct the remaining alpha cost centers that are not allocating to the EBX and CB-R33A. The Department should also close off the Internal Orders (IOs) and Work Breakdown Structures (WBSs) to eliminate the costs charged to these alpha allocation cycles in the future.
- Finding AUD-000621: California Department of Tax and Fee Administration invoices for annual water rights fees from 2015 to 2022 included billing errors charged to M-FAC001 alpha allocation cycle. This resulted in an overstatement of costs to the Contractors of \$800. The Department should book adjustments to correct the billing errors.
- Finding AUD-000622: Stantec Consulting Services Incorporation invoices related to claims 1417740 and 1423474 were double billed to statewide alpha allocation cycle M-GAC001. This resulted in an overstatement of costs to the Contractors of \$80,119. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
- Finding AUD-000623: Capstone Fire and Safety Management Rural Metro Incorporation invoice related to claim 1431358 includes costs related to Cedar Springs Dam (CA-R24) and Devil Canyon Power Plant (CA-R26A), but had costs incorrectly charged to the Mojave Division through the C-FDH907 (CA-R18A to CA-R24) alpha allocation cycle. In addition, these costs had already been posted to Cedar Springs Dam (CA-R24) and Devil Canyon Power Plant (CA-R26A). This results in a double bill of the invoice. This resulted in an overstatement of costs to the Contractors of \$1,998. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.

- Finding AUD-000624: Johnson Controls Fire Protection LP invoice related to claim 1400458 was double billed to the San Luis Field Division through the M-FFJ907 (CA-R3 to CA-R7) alpha allocation cycle. This resulted in an overstatement of costs to the Contractors of \$32,420. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
- Finding AUD-000608: JVSWP2109049 in the amount of \$636,249 was double recorded when performing the reallocation between alpha cost center 2103FAD890 (DWC) to cost center 2133300000 (DWC). This resulted in an overstatement of costs to the Contractors of \$636,249. The Department should reverse the double recorded balance related to JVSWP2109049.

#### System Power Costs – Variable Transmission

- Finding AUD-000627: The M-PAT401 Plant Allocation Factors (PAFs) calculated in the 2022 Preliminary Allocation of Power Costs (PALPOC) were not updated within Cost Allocation and Billing (CAB). This resulted in a reallocation of costs among the Contractors of \$2,708,556. The Department should update the 2022 M-PAT401 PAF in CAB to allocate the station service credits properly.

#### Delta Water Charge

- Finding AUD-000628: The Commercial Paper (CP) interest was included in the DWC calculation. CP interest should not impact the Delta Water Rate. This resulted in an overstatement of costs to the Contractors of \$10,698,567. The Department should adjust the DWC calculation to exclude CP interest related to Oroville Emergency Response and Recovery.

#### Statement of Charges

- Finding AUD-000630: The Coastal reallocation included allocations to the County of Butte, the Future Contractor – San Joaquin, the Plumas County FC and WCD, and the City of Yuba in the calculation, but these costs were being allocated to the Santa Barbara County FC and WCD and the San Luis Obispo County FC and WCD in the SOC in the years 2000 to 2022. This resulted in an overstatement of costs of \$5,354 and \$269 to Santa Barbara FC and WCD and San Luis Obispo County FC and WCD, respectively, and an understatement of \$783, \$3,189, \$83, and \$1,568 to County of Butte, Future Contractor – San Joaquin, Plumas County FC and WCD, and the City of Yuba, respectively. The Department should allocate the costs to match the Coastal reallocation calculation.

## Transportation Minimum and Capital Direct and Indirect Analysis

- Finding AUD-000635: Capstone Fire and Safety Management Rural Metro Incorporation invoices related to claims 1432577 and 1442334 were double billed to CA-R30 and CA-R22B. This resulted in an overstatement of costs to the Contractors of \$8,343 in 2022 charged to CA-R30, \$2,130 in 2022 charged to CA-R22B, and \$2,130 in 2023 charged to CA-R22B. The total overstatement to the Contractors was \$12,603. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
- Finding AUD-000636: Capstone Fire and Safety Management Rural Metro Incorporation invoice related to claim 1427314 was double billed to CA-R24. This resulted in an overstatement of costs to the Contractors of \$5,772. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
- Finding AUD-000637: Capstone Fire and Safety Management Rural Metro Incorporation invoices related to claim 1431358 were double or triple billed to CA-R18A, CA-R22B, CA-R23, CA-R29H, and CA-R30. This resulted in an overstatement of costs to the Contractors of \$31,635. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
- Finding AUD-000638: Stantec Consulting Services Incorporation invoice related to claim 1415007 was double billed to CA-R30. This resulted in an overstatement of costs to the Contractors of \$72,956. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
- Finding AUD-000639: Voith Hydro, Inc. invoices were inappropriately billed to the Oroville Dam and Powerplant as credit memos issued related to the invoices were not pushed down to the Contractors. This resulted in an overstatement of costs to the Contractors of \$115,965 in 2015 and \$131,685 in 2016. The total overstatement to the Contractors was \$247,650. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect erroneous postings in the PR5 system to ensure the Contractors are not billed improperly for a respective purchase. The erroneous postings originated in the PR5 system.

- Finding AUD-000640: Voith Hydro, Inc. invoices related to claims 1317204, 1316640, and 1394240 were double billed to the Oroville Dam and Powerplant. This resulted in an overstatement of costs to the Contractors of \$57,982 in 2015 and \$15,023 in 2020. The total overstatement to the Contractors was \$73,005. The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.

#### Debt Service Procedures

- Cost/Debt Reconciliation Project Matter AUD-000643: Suspended costs were included in the Delta Facilities Program costs. Suspended costs should not be included in the cost/debt reconciliation project. In addition, there were costs incorrectly labeled as suspended costs that represent actual allocated costs. There were suspended costs in the amount of \$87 related to Delta Facilities Program and costs in the amount of \$207,503 labeled incorrectly as suspended costs. The Department should remove all suspended costs from the cost/debt reconciliation project and re-label any costs that are incorrectly described as being suspended costs.
- Cost/Debt Reconciliation Project Matter AUD-000644: The cost/debt reconciliation spreadsheet includes unreconciled differences between the total bond amounts and capital costs. The bond amount is greater than the capital costs in the amount of \$376,882 relating to Oroville Dam Spillway Recovery and Restoration and \$25,006 relating to Oroville Dam Spillway Response. The Department should reconcile these differences included in the cost/debt reconciliation spreadsheet. If the Department decides to not reconcile these differences, we recommend they document their position in writing and provide to the Contractors for their approval/comments.
- Cost/Debt Reconciliation Project Matter AUD-000645: Cost adjustments to exclude outstanding CP from the cost/debt reconciliation project were not applied to the correct projects and were not applied in the correct amount. The adjustments related to outstanding CP should be applied to the projects which had an outstanding CP balance within the 2014 file to properly remove the impact of any outstanding CP. This resulted in an increase in costs of \$901,998 and \$1,792 to Arroyo Pasajero Program and South Bay Aqueduct (SBA) Enlargement, respectively and a decrease in costs of \$530,543 and \$371,455 relating to Facilities Reconstruction and Improvement Project and Tehachapi East Afterbay, respectively. The Department should update the adjustments related to outstanding CP within the cost/debt reconciliation project to apply them in the correct amount and to the appropriate projects.
- Cost/Debt Reconciliation Project Matter AUD-000646: The cost/debt reconciliation spreadsheet related to series BB Prefund debt by project was not updated to match the support file related to this bond provided by the Division of Fiscal Services. This resulted in an overstatement of debt relating to Delta Facilities Program of \$10,276,747 and Federal Energy Regulatory Commission (FERC) Relicensing P2100 of \$68. Additionally, this resulted in an understatement of debt relating to Facilities Reconstruction and Improvement Project of \$10,276,647, FERC Relicensing P2426 of \$68, and Thermalito Power Plant Clean-Up & Reconstruction of \$100. The Department should adjust the debt amounts by project to properly reflect the correct allocation by project for Series BB Prefund debt.

- Finding AUD-000647: When processing the annual SOC, the Department used the latest Water System Revenue Bonds (WSRB) file. The Department used Series A-BA for the 2021 SOC and Series A-BA for the 2020 SOC. If there was a new WSRB Series issuance, it would affect a future SOC in the amounts required to be collected. The Department does not currently true-up for the WSRB Surcharge by going back and adjusting for refunding of WSRB issuances on past SOC's. This resulted in an overstatement of WSRB Surcharge among the Contractors of \$10,506,424 plus an interest impact for the 2020 SOC year. Interest impact using the project interest rate is \$2,061,093 and interest impact using the surplus money investment fund (SMIF) is \$435,482. This resulted in an overstatement of WSRB Surcharge among the Contractors of \$9,711,545 plus an interest impact for the 2021 SOC year. Interest impact using the project interest rate is \$1,396,413 and interest impact using the SMIF is \$73,967. Actual interest impact to be determined at a later date. The Department should true-up the WSRB Surcharge by going back and adjusting for refunding of WSRB issuances on past SOC's.
- Finding AUD-000648: EBX direct billed debt service charged to San Bernardino Valley MWD and San Gorgonio Pass Water Agency was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the EBX project. This resulted in an overstatement of debt service charges of \$5,103,125 from 1999 to 2024 plus an interest impact. Interest impact using the project interest rate is \$1,529,742 and interest impact using the SMIF is \$857,594. Actual interest impact to be determined at a later date. The Department should update the 2025 SOC to reflect the benefits of the refinanced debt service to San Bernardino MWD and San Gorgonio Pass Water Agency.
- Finding AUD-000649: SBA Enlargement direct billed debt service charged to Alameda County FC and WCD, Zone 7 was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the SBA Enlargement. This resulted in an overstatement of debt service charges of \$18,033,799 from 2004 to 2024 plus an interest impact. Interest impact using the project interest rate is \$9,757,730 and interest impact using the SMIF is \$1,400,296. Actual interest impact to be determined at a later date. The Department should update the 2025 SOC to reflect the benefits of the refinanced debt service to Alameda County FC and WCD, Zone 7.

## Recommendations:

### Alpha Allocation Cycles

- Recommendation AUD-000625: The Department did not consistently document the methodology of determining the allocated percentages on the Fund Center Functional Area Establishment Form DWR 1121p when creating a new functional area. In addition, the Department did not attach the underlying calculation of the newly created alpha allocation cycle as supporting documentation to the form. The Department should fill out each section of the Fund Center and Functional Area Establishment Form DWR 1121p in enough detail to explain the rationale and calculation for each alpha allocation cycle created. The Department should also attach the underlying calculation for the newly created alpha allocation cycle as supporting documentation to the form. In addition, the Department should use existing alpha allocations cycles when possible rather than creating a new alpha allocation cycle.
- Recommendation AUD-000626: Alpha allocation cycles determined to have incorrect allocations are not disabled by the Department at the headquarters level resulting in recurring errors in the SOC. For example, the statewide FAD890 alpha cost centers still had costs present each year after it was previously determined that these alpha cost centers should no longer have costs charged to them. The Department should develop processes and procedures to disable functional areas in a timely manner at the headquarters level when determined costs should no longer be charged to those functional areas.

### System Power Costs – Variable Transportation

- As a result of our procedures for System Power Costs – Variable Transportation, we identified no recommendations in the current year.

### Delta Water Charge

- As a result of our procedures for the DWC, we identified no recommendations in the current year.

### Statement of Charges

- Recommendation AUD-000629: Within Bulletin 132-23 Table B-1, *Factors for Distributing Reach Capital Costs among Contractors*, the SBA-R1 to SBA-R7 factors allocated to South Bay Contractors were pulling the incorrect factors from CAB. The 1952 to 2014 factors were used instead of the 2015 to 2035 factors. The Department should update Table B-1 to include the correct factors. There was no impact as the factors used in SOC calculations were based on the 2015 to 2035 factors being used; however, Table B-1 should be updated to match what is used in the allocation to the Contractors.
- Recommendation AUD-000631: The Relinquished Capacity credit for KCWA and Dudley Ridge Water District (DRWD) was based on data from Bulletin 132-91 Table B-1 and has not been updated since the initial calculation. Per the Monterey Amendment, the calculation of the Relinquished Capacity credit to Agricultural (Ag) Contractors was to be updated every five years if a Contractor requests it. While this is allowed per the Monterey Amendment, we recommend that KCWA and DRWD review and determine if an update is desired every five years.

- Recommendation AUD-000632: Certain invoices selected for testing lacked the necessary documentation to determine where costs should be charged. Accordingly, we were unable to assess whether the costs were charged to the proper cost object based on the supporting documentation. The Department should include enough supporting documentation on invoices to determine the purpose of each individual invoice in order to determine if costs are being charged to the correct cost objects.
- Recommendation AUD-000633: Policies regarding the various administrative decisions made during the SOC preparation process were not formally documented. We recommend that the Department develop policies for the various components of the SOC calculations that document the rationale and conclusions of such administrative decisions. This would include a policy approved by members of management of DWR. These written policies should be held in a consolidated folder/binder/shared drive for Department employees, Contractors, and consultants.
- Recommendation AUD-000634: Within Attachment 4E of the 2023 SOC, the calculated component and payments received for year prior to the bill year included bond cover amounts. Within Attachment 4E of the 2024 SOC, the year prior to the bill year no longer includes bond cover amounts. This change to the attachment was not explained in a footnote. Due to this the 2022 calendar year calculated component and payment received is not comparable to the prior year SOC. The Department should include a footnote on attachments when changes are made to the presentation for comparability purposes. We additionally recommend that bond cover be excluded from all calendar years on Attachment 4E as bond cover is refunded.

#### Transportation Minimum and Capital Direct and Indirect Analysis

- Recommendation AUD-000641: Through our invoice testing, we observed double postings within the PR5 system that interfaces with CAB which results in overcharges to the Contractors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
- Recommendation AUD-000642: Construction project costs are billed monthly that includes a retention balance that is paid at the end of the project by the Department. The Contractors are billed the full amount of the contract (including retentions) monthly. The Department should develop a formal policy in writing over the billing of retentions to the Contractors.

## Debt Service Procedures

- Recommendation AUD-000650: Related to the completion of the cost/debt reconciliation project, there will be decisions made during the pricing report development, recalculation of the WSRB surcharge calculation from 1988 to present, direct debt service reconciliations, rate management credit 51(e) recalculation, debt service reserve fund recalculation, protest item resolutions, and payments/refunds to/from the Contractors. For example, the WSRB surcharge calculation will be recalculated from 1988 to present based on the data finalized as part of the cost/debt reconciliation project and it is important that all the steps and decisions made up to the final output (impact by Contractor) are properly documented. We recommend the Department work with the Contractors to ensure proper documentation is developed regarding the steps taken to resolve the allocation of costs and debt as a result of certain protest items.

The following table shows the estimated impact for each Contractor for all findings in the current year report (table does not include findings found in prior years):

Table 1 – Summary of All Findings by Contractor

Contractor	Overstatement of Charges	Understatement of Charges	Increase/ (Decrease) in Charges
Alameda County Water District	\$ (330,780)	\$ –	\$ (330,780)
Alameda County FC and WCD, Zone 7	(28,485,546)	–	(28,485,546)
Antelope Valley-East Kern Water Agency	(1,131,387)	–	(1,131,387)
County of Butte	(148,711)	783	(147,928)
Coachella Valley Water District	(1,090,375)	14,373	(1,076,002)
Crestline-Lake Arrowhead Water Agency	(58,088)	–	(58,088)
Desert Water Agency	(488,157)	712	(487,445)
DRWD	(279,633)	–	(279,633)
Empire West Side Irrigation District	(17,294)	–	(17,294)
Future Contractor – San Joaquin	(454)	3,189	2,735
KCWA	(6,694,915)	–	(6,694,915)
County of Kings	(53,870)	–	(53,870)
Littlerock Creek Irrigation District	(18,175)	–	(18,175)
Metropolitan Water District of Southern CA	(18,914,171)	25,074	(18,889,097)
Mojave Water Agency	(759,380)	–	(759,380)
Napa County FC and WCD	(321,479)	–	(321,479)
Oak Flat Water District	(32,650)	–	(32,650)
Palmdale Water District	(159,081)	–	(159,081)
Plumas County FC and WCD	(16,830)	83	(16,747)
San Bernardino Valley MWD	(4,704,824)	15,687	(4,689,137)
San Gabriel Valley MWD	(298,713)	5,510	(293,203)
San Geronio Pass Water Agency	(3,217,351)	1,017	(3,216,334)
San Luis Obispo County FC and WCD	(217,976)	–	(217,976)
Santa Barbara County FC and WCD	(1,025,109)	–	(1,025,109)
Santa Clara Valley Water District	(869,080)	–	(869,080)
Santa Clarita Valley Water Agency	(849,701)	–	(849,701)
Solano County Water Agency	(430,124)	–	(430,124)
Tulare Lake Basin Water Storage District (WSD)	(566,330)	–	(566,330)
Ventura County Watershed Protection District	(176,993)	–	(176,993)
City of Yuba	(51,917)	1,568	(50,349)
Total	\$ (71,409,094)	\$ 67,996	\$ (71,341,098)
Findings not quantified by Contractor	(8,595)	8,595	–
Grand Total	\$ (71,417,689)	\$ 76,591	\$ (71,341,098)

## SECTION 2

### DETAILED DISCUSSION OF PROCEDURES

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#### Findings and Recommendations Summary Tables

Throughout the report, summary tables are categorized as findings or recommendations. Findings specifically relate to observations with a dollar impact to the Contractors. Recommendations are process improvements observed for the Department, specifically identified through current year procedures for which no dollar impact to the Contractors was determined.

The findings and recommendations summary tables throughout the report identify the risk of future occurrence. This risk rating provides the IAA with a meaningful measurement of the likelihood of similar findings in subsequent years if the finding is not addressed or corrected. The IAA has requested that we use the following risk rating definitions:

- High – it is highly likely (or probable) that the error or process failure will be repeated.
- Medium – it is more likely than not that the error or process failure will be repeated.
- Low – it is possible that the error or process failure will be repeated.

## Internal Control Impact Framework

The internal control categories presented in the findings and recommendations summary tables detail the root cause of the finding or recommendation. We have summarized all findings and recommendations into internal control categories, which are presented in the Internal Control Impact Framework. This framework that has been developed by the IAA is as follows:

### 1. Control Activities:

- a. Internal Controls on Reconciliations, Approvals, Assets, Segregation of Duties – Findings in this category are the result of errant internal control measures or practices. This includes approvals, verifications, reconciliations, and segregation of duties.
- b. Internal Controls on Data Environment for Data Integrity – Findings in this category are the result of errant data control measures or practices. This includes practices that result in altered, damaged, or errant data included in calculations or reporting.

### 2. Control Environment:

- a. Policy: Determination of Beneficiary – Findings in this category are the result of no policy or lack of compliance with policy regarding full reimbursement of cost and having a defined beneficiary prior to providing service.
- b. Policy: Determination of Cost Categorization – Findings in this category are the result of no policy or lack of compliance with policy regarding controls and approvals of cost classification/codification prior to posting into a system of record.
- c. Policy: Accounting Standards for Consistency – Findings in this category are the result of the DWR adopting an accounting principle, method or practice and not consistently following the principle, method or practice in future accounting periods.
- d. Policy: Accounting Standards for Timeliness – Findings in this category are the result of the DWR not following the accounting principle of timeliness or the need for accounting information to be presented to the users in time to fulfill their decision-making needs.
- e. Procedures: No Procedures – Findings in this category are the result of the DWR not having established standardized processes or procedures.
- f. Procedures: Errant Procedures – Findings in this category are the result of the DWR having errant standardized processes or procedures creating a weakness in internal control processes.
- g. Procedures: Procedures not Being Followed – Findings in this category are the result of the DWR staff not following standardized processes or procedures creating a weakness in internal control processes.

## Alpha Allocation Cycles

### *Procedures Performed*

We performed the following procedures to assess the alpha allocation cycles used for 2022<sup>1</sup> costs:

- Assessed new alpha allocation cycles created or modified in the current year by the Department.
- Reperformed the F-series alpha allocation cycles update performed by SWPAO for selected 2022 actual costs and selected 2023 future estimated costs and assessed whether the percentages for alpha allocation cycles were updated.
- Reperformed the S-series alpha allocation cycles update performed by SWPAO for 2022 actual costs and selected 2023 future estimated costs and assessed whether the percentages for alpha allocation cycles were updated.
- Downloaded all cost centers from the Department's Accounting Software (SAP) module, CAB, assessed which cost centers represent cost centers allocated based on alpha allocation cycles, pulled the costs for each alpha cost center for 2022, and assessed all alpha cost centers with the largest total annual costs.
- Created an alpha allocation cycle matrix to display the percentage allocated to each reach for all alpha allocation cycles with the largest total annual costs in 2022, and any new alpha allocation cycles created in 2022 to display the percentage allocated to each reach.
- Assessed the largest IO or WBS within each alpha cost center assessed, and selected an invoice to support the nature of activities being performed.
- Assessed whether costs within alpha cost centers were indirect or direct. Costs being allocated through an alpha allocation cycle should be indirect costs. If costs can be associated to a specific reach, they should be allocated directly to that reach.
- Assessed whether costs within alpha cost centers are reimbursable costs (i.e., not recreation).
- Assessed whether reaches to which costs are being allocated within the alpha cost centers are based on the project and costs identified (i.e., are the appropriate reaches paying for the project).

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<sup>1</sup> 2022 costs are the actual costs used for the 2024 SOC.

## *Findings and Recommendations*

Alpha allocation cycles are used to distribute costs across multiple reaches. Costs that are allocated based on an alpha allocation cycle undergo several processes and allocations prior to being included in a Contractor's SOC billing component. This process can be separated into three steps:

1. Costs are posted to IOs or WBSs. Each IO or WBS is mapped to a functional area in the SAP module, PR5, which becomes a cost center in CAB (i.e., cost centers can have multiple related IOs and WBS numbers). If that cost center is an alpha cost center, this would indicate that these costs are allocated based on alpha allocation cycle percentages to various reaches (i.e., reaches that receive costs will be determined by basis and area of distribution). Refer to Figure 1 below.
2. An alpha cost center is then allocated to a project purpose cost center. Depending on the reach feature (e.g., aqueduct, pumping plant, reservoir, dam), costs are separated by transportation, conservation, recreation, FC, or another project purpose. Some reaches do not have a recreation purpose and are allocated 100% to water supply (transportation and conservation) and are recovered from the Contractors. Likewise, some reaches do not have a water supply project purpose component and, therefore, are allocated 100% to recreation. Refer to Figure 2 below.
3. The State Water Project (SWP) reimbursable project purpose cost centers are then allocated to Contractors through the SOC. These costs generally are distributed among Contractors based on their Proportional Use of Facilities Factors (PUFF) outlined in Bulletin 132-23, Tables B-1, *Factors for Distributing Reach Capital Costs Among Contractors* and B-2, *Factors for Distributing Reach Minimum Operations, Maintenance, Power, and Replacements (OMP&R) Costs Among Contractors*, for capital and minimum costs, respectively. Additionally, if costs have been allocated to Delta or other conservation reaches or features, a portion of costs allocated based on an alpha allocation cycle will be included in the DWC and therefore allocated based on a Contractor's proportionate maximum contractual Table A amount. Refer to Figure 3 below.

**Figure 1**

\* Amount of costs and allocations do not represent actual data. Data was created solely for illustration purposes.

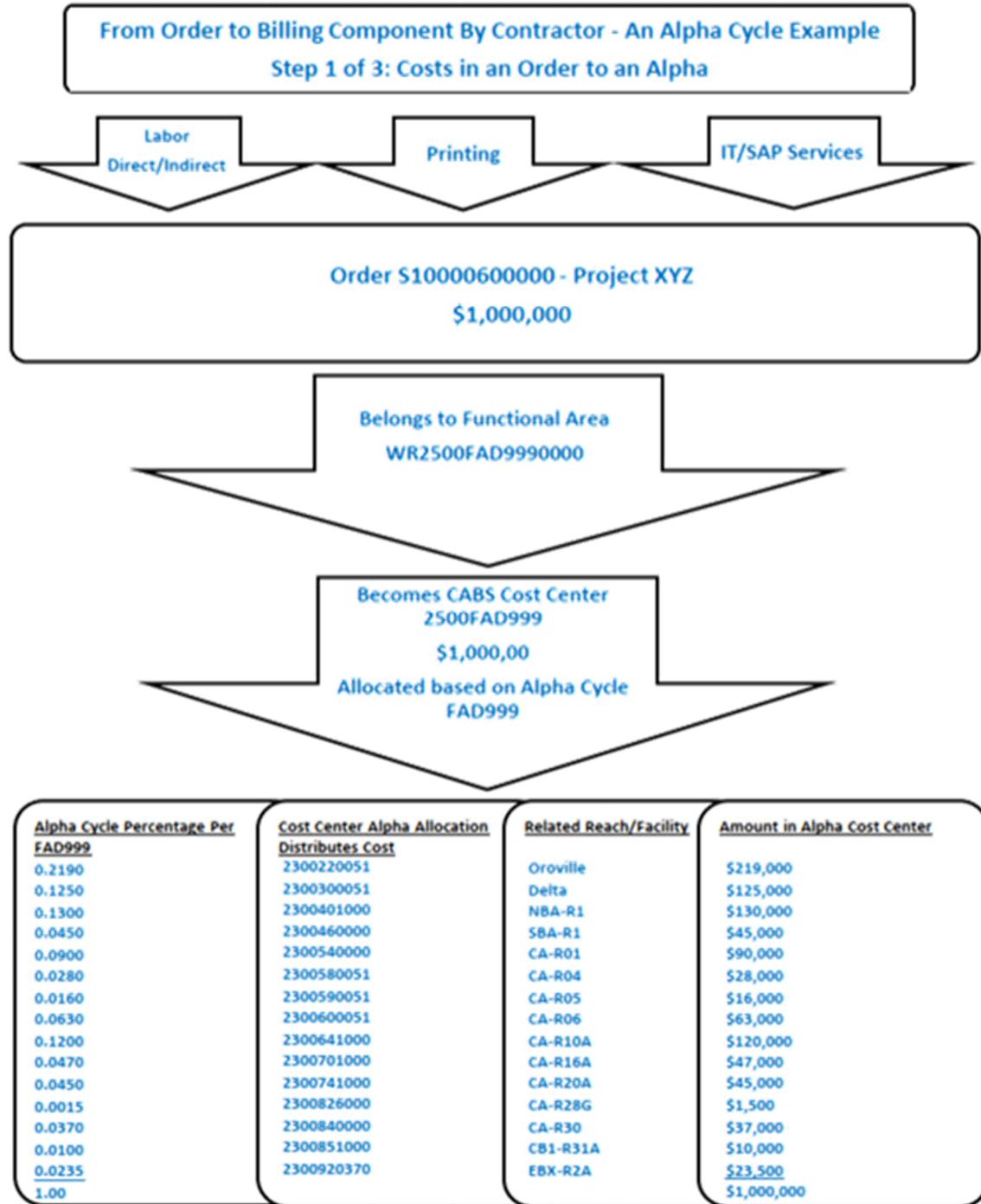


Figure 2

\* Amount of costs and allocations do not represent actual data. Data was created solely for illustration purposes.

**Step 2 of 3:**  
**Alpha Cost Centers Allocated to Billing Component (Cost Center Group) Based on Project Purpose Allocation**

From Figure 1						
Alpha Cost Center	Amt in Alpha CC	Project Purpose	Reach	Project Purpose Cost Center	Project Purpose Defined	Amt in PP CC
2300220051	\$ 219,000	21.00%	Oroville	M220051112	Conservation	\$ 45,990
		78.50%		M220051122	Conservation	171,915
		0.50%		M220051142	Recreation	1,095
2300300051	125,000	86.00%	Delta	M300051112	Conservation	107,500
		10.70%		M300051114	Conservation	13,375
		3.30%		M300051142	Recreation	4,125
2300401000	130,000	100.00%	NBA-R1	M401000212	Transportation	130,000
2300460000	45,000	100.00%	SBA-R1	M460000213	Transportation	45,000
2300540000	90,000	29.98%	CA-R1	M540000112	Conservation	26,982
		1.02%		M540000142	Recreation	918
		66.72%		M540000212	Transportation	60,048
		2.28%		M540000242	Recreation	2,052
2300580051	28,000	96.90%	CA-R4	M580051210	Transportation	27,132
		3.10%		M580051242	Recreation	868
2300590051	16,000	96.90%	CA-R5	M590051212	Transportation	15,504
		3.10%		M590051242	Recreation	496
2300600051	63,000	96.90%	CA-R6	M600051212	Transportation	61,047
		3.10%		M600051242	Recreation	1,953
2300641000	120,000	96.90%	CA-R10A	M641000212	Transportation	116,280
		3.10%		M641000242	Recreation	3,720
2300701000	47,000	96.90%	CA-R16A	M701000212	Transportation	45,543
		3.10%		M701000242	Recreation	1,457
2300741000	45,000	96.90%	CA-R20A	M741000212	Transportation	43,605
		3.10%		M741000242	Recreation	1,395
2300826000	1,500	96.90%	CA-R28G	M826000212	Transportation	1,453
		3.10%		M826000242	Recreation	47
2300840000	37,000	96.90%	CA-R30	M840000212	Transportation	35,853
		3.10%		M840000242	Recreation	1,147
2300851000	10,000	100.00%	CB1-R31A	M851000213	Transportation	10,000
2300920370	23,500	100.00%	EBX	M920370213	Transportation	23,500
<b>Total</b>	<b>\$ 1,000,000</b>					<b>\$ 1,000,000</b>

Recreation not included in Statement of Charges	\$ 19,273
Costs included in Statement of Charges	\$ 980,727
	<b>\$ 1,000,000</b>

**Figure 3**

\* Amount of costs and allocations do not represent actual data. Data was created solely for illustration purposes.

Step 3 of 3: Reimbursable Project Purpose Cost Centers Allocated to Contractors Based on Bulletin 132 Table B2 for 2010 Cost Year  
(Example Using Mojave Water Agency PUFF)

From Figure 2		Mojave B-2 PUFF or Included in Delta Water Rate		Mojave Transportation Charges		Conservation Charge for All Contractors	
Project Purpose Cost Center	Amnt in PP CC						
M220051112	\$ 45,990	Delta Water Rate		\$ -		\$ 45,990	
M220051122	171,915	Delta Water Rate		-		171,915	
M300051112	107,500	Delta Water Rate		-		107,500	
M300051114	13,375	Delta Water Rate		-		13,375	
M401000212	130,000	0		-		-	
M460000213	45,000	0		-		-	
M540000112	26,979	Delta Water Rate		-		26,979	
M540000212	60,051	0.0202694		1,217		-	
M580051210	27,132	0.021247		576		-	
M590051212	15,504	0.02124715		329		-	
M600051212	61,047	0.02124733		1,297		-	
M641000212	116,280	0.01994731		2,319		-	
M701000212	45,543	0.02777508		1,265		-	
M741000212	43,605	0.04945751		2,157		-	
M826000212	1,454	0		-		-	
M840000212	35,853	0		-		-	
M851000213	10,000	0		-		-	
M920370213	23,500	0		-		-	
<b>Total</b>	<b>\$ 980,728</b>			<b>\$ 9,161</b>		<b>\$ 365,759</b>	

Description	Amount	Tag
Conservation Charges for Order	\$ 365,759	
FV of Conservation Charge in 2012 SOC	\$ 400,260	A
PV of Future Water Deliveries' 2012 SOC (AF)	59,826,818	B
Delta Water Unit Rate for Order S10060000000	\$ 0.01	C=A/B
Mojave Table A Entitlement (AF)	82,800	D
Mojave Conservation Charge for Order S10060000000 in 2012 Statement of Charge*	\$ 554	E=C*D
Mojave Transportation Charge for Order S10060000000	\$ 9,161	F
<b>Mojave Total Charges for Order S10060000000 in 2012 SOC</b>	<b>\$ 9,715</b>	<b>G=E+F</b>

\* As cost included in the Delta Water Rate are amortized at the project interest rate over remaining future water deliveries, the amount shown does not capture what Mojave would pay in total charges related to this fictitious order. The total conservation charges Mojave would pay related to this order, excluding interest would be approx. \$7,258 based on proportionate share of Table A entitlement.

We determined that there were 2,818 cost centers in CAB, of which 458 were identified as alpha cost centers. Included in these 458 alpha cost centers were 233 different alpha allocation cycles. This means there are 233 ways costs can be allocated to different reaches, based on different percentages. However, we observed from our procedures of the 2022 activity that only 208 alpha allocation cycles were used.

Alpha allocation cycles are defined by an alpha indicator (e.g., FAD, MAD, AAB) and a three-digit numeric (e.g., 908, 057, 080). The alpha indicator should indicate how these costs are to be allocated. Historical definitions of alpha indicators were provided by the Department, as follows:

- The first letter of the alpha allocation cycle represents the basis of the allocation used (e.g., Operations and Maintenance (O&M) Direct Labor, Salaries and Wages, and Plant Capacity).
- The second letter of the alpha allocation cycle represents the area of distribution (e.g., statewide, field divisions, and special projects).
- The last letter of the alpha allocation cycle provides further detail of the area of distribution (e.g., statewide beginning with Oroville and Field Division – Oroville Field Division).

The following tables represent examples for both statewide alpha allocation cycles and field division alpha allocation cycles:

Table AAC.1 – Statewide Alpha Allocation Cycles – Examples

Alpha Allocation Cycles	Basis	Distribution	Area of Distribution
SAA	Salaries and Wages	Statewide	Beginning with Upper Feather
FAD	O&M Direct Labor	Statewide	Beginning with Oroville
MAD	Plant Capacity	Statewide	Beginning with Oroville
MAF	Plant Capacity	Statewide	Beginning with North Bay

Table AAC.2 – Field Division Alpha Allocation Cycles – Examples

Alpha Allocation Cycles	Basis	Distribution	Area of Distribution
FFA	O&M Direct Labor	Field Division	Oroville
FFE	O&M Direct Labor	Field Division	Delta
FFJ	O&M Direct Labor	Field Division	San Luis
FFN	O&M Direct Labor	Field Division	San Joaquin

Alpha allocation cycles with the same basis and same area of distribution should allocate to the same reaches using the same percentages. However, these definitions are not being properly applied, because inconsistencies were identified in the allocation methodology. The following matrix was prepared to describe alpha allocation cycle indicators as defined above and implemented appropriately:

Table AAC.3 – Alpha Allocation Cycles with Defined Meanings

Alpha Allocation Cycles Description	Same Reaches	Same Percentage Allocated to Reaches	Different Reaches	Different Percentages Allocated to Reaches
Using the Same Basis and Same Area of Distribution	X	X		
Using the Same Basis and Different Area of Distribution			X	X
Using a Different Basis and Same Area of Distribution	X			X
Using a Different Basis and Different Area of Distribution			X	X

As a result, the Department is currently in the process of standardizing and updating the alpha allocation cycles. This process is intended to be completed, as follows:

- Recalculate the basis of allocation for all direct labor-related alpha allocation cycles (F-series) for 2007–2022 and salaries and wages-related (S-series) alpha allocation cycles for 2007–2022. This process updated the alpha allocation cycle percentages with actual data for each related year (i.e., the reaches to which alpha allocation cycles allocate costs were not changed; however, the percentages attributable to each reach were updated to reflect actual costs of the basis used), since many of these had not been updated for several years. All alpha allocation cycles with a basis of minimum O&M direct labor (F-series alpha allocation cycles) and salaries and wages (S-series alpha allocation cycles) were updated. This process has been completed and is represented in the 2024 SOC.
- Analyze the validity of remaining alpha allocation cycles. This process is intended to analyze the reaches that are allocated costs in order to determine if the allocation is appropriate based on the costs incurred. The process for completing this process will include an analysis of the costs within the alpha cost centers, and discussions with project managers and Department personnel charging time to these alpha cost centers. The Department has instructed project managers not to charge costs to any alpha allocation cycles that are found to be inappropriate. The Department is in process of correcting the historical costs charged to these inappropriate alpha allocation cycles.

As of the 2024 SOC, there was a transition from UCABS (the legacy billing system) to CAB (new billing system). CAB is an SAP module with enhanced capabilities which reduce the burden of many manual calculations previously impacting various billing components. The F-series and S-series alpha allocation cycle percentages are now calculated within CAB; however, there are manual aspects of the steps such as identifying which functional areas to include in the calculation of direct labor charges to be used when creating the alpha allocation cycle percentages.

The process for updating the F-series alpha allocation cycles was performed by the Department, as follows:

1. The cost centers (prior year cost centers and any created in 2022) were maintained within CAB by SWPAO.
2. When maintaining the listing of Cost Centers within CAB, Cost Centers that contain cost element 770000100 – Direct Labor were categorized into “Yes” or “No” categories. The “Yes” cost centers consisted of annual facilities O&M, SWP dam safety program, certain Delta cost centers, Santa Ana division – EBX, and other miscellaneous cost centers. The “No” cost centers consisted of alpha allocation cycles, capital, certain Delta cost centers, extraordinary O&M projects, replacements, O&M property management, turnouts, federal annual facilities O&M, and other miscellaneous cost centers. Cost Centers categorized as “Yes” are denoted with an F-series Process Identification Number (ID) within CAB and utilized within the F-series update.
3. The total direct labor charges were pulled from SAP for all of the “Yes” cost centers as part of the work step in CAB.
4. The 2022 alpha allocation cycles were updated as part of a work step in CAB with the current dollars using the same reaches established in the prior years.
5. The 2023 alpha allocation cycles were updated as part of a work step in CAB by taking a three-year average of 2020, 2021, and 2022 direct labor charges using the same reaches established in the prior year.
6. The new alpha allocation cycles were calculated and updated within SAP.

We reperformed the process for 2022 and 2023 for selected alpha allocation cycles (FAD908, FFJ900, and FFR928) and did not identify any differences between SWPAO's schedule and our calculation. Tables AAC.4, AAC.5, AAC.6, AAC.7, AAC.8 and AAC.9 show our recalculation of the alpha allocation cycles for FAD908, FFJ900, and FFR928 for 2022 and 2023, respectively, compared to SWPAO's calculated alpha allocation cycles, as follows:

Table AAC.4 – 2022 FAD908 Alpha Allocation Cycle Recalculation

Alphanumeric	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FAD908	Oroville Area	\$ 7,038,049	9.74%	9.74%	–
M-FAD908	Oroville Area	3,428,791	4.75%	4.75%	–
M-FAD908	NBA-R1	428,953	0.59%	0.59%	–
M-FAD908	NBA-R2	94,838	0.13%	0.13%	–
M-FAD908	NBA-R3A	105,534	0.15%	0.15%	–
M-FAD908	NBA-R3B	97,436	0.13%	0.13%	–
M-FAD908	SBA-R1	1,356,395	1.88%	1.88%	–
M-FAD908	SBA-R2	326,000	0.45%	0.45%	–
M-FAD908	SBA-R4	166,600	0.23%	0.23%	–
M-FAD908	SBA-R5	533,517	0.74%	0.74%	–
M-FAD908	SBA-R6	22,003	0.03%	0.03%	–
M-FAD908	SBA-R7	40,841	0.06%	0.06%	–
M-FAD908	SBA-R8	34,842	0.05%	0.05%	–
M-FAD908	SBA-R9	57,907	0.08%	0.08%	–
M-FAD908	CA-R1	6,750,867	9.34%	9.34%	–
M-FAD908	CA-R2A	547,238	0.76%	0.76%	–
M-FAD908	CA-R2B	638,840	0.88%	0.88%	–
M-FAD908	CA-R3A	2,842,689	3.93%	3.93%	–
M-FAD908	CA-R3	552,767	0.77%	0.77%	–
M-FAD908	CA-R4	2,402,791	3.33%	3.33%	–
M-FAD908	CA-R5	722,041	1.00%	1.00%	–
M-FAD908	CA-R6	339,233	0.47%	0.47%	–
M-FAD908	CA-R7	922,244	1.28%	1.28%	–
M-FAD908	CA-R8C	3,026	0.00%	0.00%	–
M-FAD908	CA-R8D	259,055	0.36%	0.36%	–
M-FAD908	CA-R9	258,164	0.36%	0.36%	–
M-FAD908	CA-R10A	368,573	0.51%	0.51%	–
M-FAD908	CA-R11B	77,295	0.11%	0.11%	–
M-FAD908	CA-R12D	89,928	0.12%	0.12%	–
M-FAD908	CA-R12E	272,466	0.38%	0.38%	–
M-FAD908	CA-R13B	192,792	0.27%	0.27%	–
M-FAD908	CA-R14A	3,606,089	4.99%	4.99%	–
M-FAD908	CA-R14B	341,118	0.47%	0.47%	–
M-FAD908	CA-R14C	43,497	0.06%	0.06%	–
M-FAD908	CA-R15A	2,818,162	3.90%	3.90%	–
M-FAD908	CA-R16A	2,730,835	3.78%	3.78%	–

Table AAC.4 – 2022 FAD908 Alpha Allocation Cycle Recalculation (continued)

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FAD908	CA-R17E	\$ 4,061,513	5.62%	5.62%	–
M-FAD908	CA-R17F	58,255	0.08%	0.08%	–
M-FAD908	CA-R18A	1,321,122	1.83%	1.83%	–
M-FAD908	CA-R19	532,613	0.74%	0.74%	–
M-FAD908	CA-R20A	358,700	0.50%	0.50%	–
M-FAD908	CA-R20B	209,406	0.29%	0.29%	–
M-FAD908	CA-R21	164,335	0.23%	0.23%	–
M-FAD908	CA-R22A	107,923	0.15%	0.15%	–
M-FAD908	CA-R22B	4,977,593	6.89%	6.89%	–
M-FAD908	CA-R23	2,187,211	3.03%	3.03%	–
M-FAD908	CA-R24	875,826	1.21%	1.21%	–
M-FAD908	CA-R25	89,719	0.12%	0.12%	–
M-FAD908	CA-R26A	3,649,232	5.05%	5.05%	–
M-FAD908	CA-R28G	252,630	0.35%	0.35%	–
M-FAD908	CA-R28H	342,621	0.47%	0.47%	–
M-FAD908	CA-R28J	975,420	1.35%	1.35%	–
M-FAD908	CA-R29A	2,528,336	3.49%	3.49%	–
M-FAD908	CA-R29F	247,232	0.34%	0.34%	–
M-FAD908	CA-R29G	1,549,725	2.14%	2.14%	–
M-FAD908	CA-R29H	1,106,252	1.53%	1.53%	–
M-FAD908	CA-R29J	210,796	0.29%	0.29%	–
M-FAD908	CA-R30	1,321,971	1.83%	1.83%	–
M-FAD908	CB1-R31A	1,568,895	2.17%	2.17%	–
M-FAD908	CB2-R33A	1,761,506	2.44%	2.44%	–
M-FAD908	EBX-R1	1,398	0.00%	0.00%	–
M-FAD908	EBX-R2A	1,871	0.00%	0.00%	–
M-FAD908	EBX-R2B	125,523	0.17%	0.17%	–
M-FAD908	EBX-R2C	9,649	0.01%	0.01%	–
M-FAD908	EBX-R2D	12,682	0.02%	0.02%	–
M-FAD908	EBX-R2E	301,031	0.42%	0.42%	–
M-FAD908	EBX-R3A	257,360	0.36%	0.36%	–
M-FAD908	EBX-R3C	41,060	0.06%	0.06%	–
M-FAD908	EBX-R4A	6,254	0.01%	0.01%	–
M-FAD908	EBX-R4B	172,608	0.24%	0.24%	–
M-FAD908	EBX-R3B	354,978	0.49%	0.49%	–
M-FAD908	EBX-R3E	–	0.00%	0.00%	–
Total		\$ 72,254,662	100.00%	100.00%	

Table AAC.5 – 2022 FFJ900 Alpha Allocation Cycle Recalculation

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FFJ900	CA-R3A	\$ 2,842,689	36.53%	36.53%	–
M-FFJ900	CA-R3	552,767	7.10%	7.10%	–
M-FFJ900	CA-R4	2,402,791	30.88%	30.88%	–
M-FFJ900	CA-R5	722,041	9.28%	9.28%	–
M-FFJ900	CA-R6	339,233	4.36%	4.36%	–
M-FFJ900	CA-R7	922,244	11.85%	11.85%	–
Total		\$ 7,781,765	100.00%	100.00%	

Table AAC.6 – 2022 FFR928 Alpha Allocation Cycle Recalculation

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FFR928	Oroville Area	\$ 58,255	0.24%	0.24%	–
M-FFR928	Oroville Area	1,321,122	5.43%	5.43%	–
M-FFR928	NBA-R1	532,613	2.19%	2.19%	–
M-FFR928	NBA-R2	358,700	1.47%	1.47%	–
M-FFR928	NBA-R3A	209,406	0.86%	0.86%	–
M-FFR928	NBA-R3B	164,335	0.67%	0.67%	–
M-FFR928	SBA-R1	107,923	0.44%	0.44%	–
M-FFR928	SBA-R2	4,977,593	20.44%	20.44%	–
M-FFR928	SBA-R4	2,187,211	8.98%	8.98%	–
M-FFR928	SBA-R5	875,826	3.60%	3.60%	–
M-FFR928	SBA-R6	89,720	0.36%	0.36%	–
M-FFR928	SBA-R7	3,649,232	14.98%	14.98%	–
M-FFR928	SBA-R8	252,630	1.03%	1.03%	–
M-FFR928	SBA-R9	342,621	1.40%	1.40%	–
M-FFR928	CA-R1	975,420	4.01%	4.01%	–
M-FFR928	CA-R2A	2,528,336	10.38%	10.38%	–
M-FFR928	CA-R2B	247,232	1.02%	1.02%	–
M-FFR928	CA-R8C	1,549,725	6.36%	6.36%	–
M-FFR928	CA-R8D	1,106,252	4.54%	4.54%	–
M-FFR928	CA-R9	210,796	0.87%	0.87%	–
M-FFR928	CA-R10A	1,321,971	5.43%	5.43%	–
M-FFR928	CA-R11B	1,398	0.01%	0.01%	–
M-FFR928	CA-R12D	1,871	0.01%	0.01%	–
M-FFR928	CA-R12E	125,523	0.52%	0.52%	–
M-FFR928	CA-R13B	9,649	0.04%	0.04%	–
M-FFR928	CA-R14A	12,682	0.05%	0.05%	–
M-FFR928	CA-R14B	301,031	1.24%	1.24%	–
M-FFR928	CA-R14C	257,360	1.06%	1.06%	–
M-FFR928	CA-R15A	41,060	0.17%	0.17%	–

Table AAC.6 – 2022 FFR928 Alpha Allocation Cycle Recalculation (continued)

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FFR928	CA-R16A	\$ 6,254	0.03%	0.03%	–
M-FFR928	CA-R17E	172,608	0.71%	0.71%	–
M-FFR928	CA-R17F	354,978	1.46%	1.46%	–
M-FFR928	CA-R18A	–	0.00%	0.00%	–
Total		\$ 24,351,333	100.00%	100.00%	

Table AAC.7 – 2023 FAD908 Alpha Allocation Cycle Recalculation

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FAD908	Oroville Area	\$ 6,064,334	8.96%	8.96%	–
M-FAD908	Oroville Area	3,010,376	4.45%	4.45%	–
M-FAD908	NBA-R1	403,269	0.60%	0.60%	–
M-FAD908	NBA-R2	98,446	0.15%	0.15%	–
M-FAD908	NBA-R3A	94,730	0.14%	0.14%	–
M-FAD908	NBA-R3B	200,135	0.30%	0.30%	–
M-FAD908	SBA-R1	1,339,038	1.98%	1.98%	–
M-FAD908	SBA-R2	277,993	0.41%	0.41%	–
M-FAD908	SBA-R4	182,823	0.27%	0.27%	–
M-FAD908	SBA-R5	511,845	0.76%	0.76%	–
M-FAD908	SBA-R6	14,436	0.02%	0.02%	–
M-FAD908	SBA-R7	29,695	0.04%	0.04%	–
M-FAD908	SBA-R8	21,449	0.03%	0.03%	–
M-FAD908	SBA-R9	101,460	0.15%	0.15%	–
M-FAD908	CA-R1	6,481,993	9.57%	9.57%	–
M-FAD908	CA-R2A	435,453	0.64%	0.64%	–
M-FAD908	CA-R2B	491,368	0.73%	0.73%	–
M-FAD908	CA-R3A	2,762,289	4.08%	4.08%	–
M-FAD908	CA-R3	524,669	0.77%	0.77%	–
M-FAD908	CA-R4	2,575,244	3.80%	3.80%	–
M-FAD908	CA-R5	649,199	0.96%	0.96%	–
M-FAD908	CA-R6	271,183	0.40%	0.40%	–
M-FAD908	CA-R7	781,973	1.15%	1.15%	–
M-FAD908	CA-R8C	14,072	0.02%	0.02%	–
M-FAD908	CA-R8D	394,165	0.58%	0.58%	–
M-FAD908	CA-R9	223,222	0.33%	0.33%	–
M-FAD908	CA-R10A	355,201	0.52%	0.52%	–
M-FAD908	CA-R11B	137,100	0.20%	0.20%	–
M-FAD908	CA-R12D	89,555	0.13%	0.13%	–
M-FAD908	CA-R12E	196,052	0.29%	0.29%	–
M-FAD908	CA-R13B	159,119	0.23%	0.23%	–
M-FAD908	CA-R14A	3,167,498	4.68%	4.68%	–

Table AAC.7 – 2023 FAD908 Alpha Allocation Cycle Recalculation (continued)

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FAD908	CA-R14B	\$ 197,321	0.29%	0.29%	–
M-FAD908	CA-R14C	74,112	0.11%	0.11%	–
M-FAD908	CA-R15A	2,459,500	3.63%	3.63%	–
M-FAD908	CA-R16A	2,966,473	4.38%	4.38%	–
M-FAD908	CA-R17E	4,694,762	6.93%	6.93%	–
M-FAD908	CA-R17F	106,367	0.16%	0.16%	–
M-FAD908	CA-R18A	1,249,352	1.84%	1.84%	–
M-FAD908	CA-R19	384,829	0.57%	0.57%	–
M-FAD908	CA-R20A	268,135	0.40%	0.40%	–
M-FAD908	CA-R20B	224,284	0.33%	0.33%	–
M-FAD908	CA-R21	147,182	0.22%	0.22%	–
M-FAD908	CA-R22A	109,108	0.16%	0.16%	–
M-FAD908	CA-R22B	4,014,186	5.93%	5.93%	–
M-FAD908	CA-R23	2,069,494	3.06%	3.06%	–
M-FAD908	CA-R24	643,967	0.95%	0.95%	–
M-FAD908	CA-R25	84,886	0.13%	0.13%	–
M-FAD908	CA-R26A	3,351,413	4.95%	4.95%	–
M-FAD908	CA-R28G	260,266	0.38%	0.38%	–
M-FAD908	CA-R28H	263,701	0.39%	0.39%	–
M-FAD908	CA-R28J	708,869	1.05%	1.05%	–
M-FAD908	CA-R29A	2,394,278	3.54%	3.54%	–
M-FAD908	CA-R29F	225,960	0.33%	0.33%	–
M-FAD908	CA-R29G	1,708,232	2.52%	2.52%	–
M-FAD908	CA-R29H	931,807	1.38%	1.38%	–
M-FAD908	CA-R29J	191,570	0.28%	0.28%	–
M-FAD908	CA-R30	1,078,704	1.59%	1.59%	–
M-FAD908	CB1-R31A	1,694,084	2.50%	2.50%	–
M-FAD908	CB2-R33A	1,923,585	2.84%	2.84%	–
M-FAD908	EBX-R1	794	0.00%	0.00%	–
M-FAD908	EBX-R2A	4,296	0.01%	0.01%	–
M-FAD908	EBX-R2B	118,396	0.17%	0.17%	–
M-FAD908	EBX-R2C	5,180	0.01%	0.01%	–
M-FAD908	EBX-R2D	5,277	0.01%	0.01%	–
M-FAD908	EBX-R2E	357,362	0.53%	0.53%	–
M-FAD908	EBX-R3A	227,602	0.34%	0.34%	–
M-FAD908	EBX-R3C	27,959	0.04%	0.04%	–
M-FAD908	EBX-R4A	8,624	0.01%	0.01%	–
M-FAD908	EBX-R4B	183,760	0.27%	0.27%	–
M-FAD908	EBX-R3B	289,916	0.43%	0.43%	–
M-FAD908	EBX-R3E	736	0.00%	0.00%	–
Total		\$ 67,715,713	100.00%	100.00%	

Table AAC.8 – 2023 FFJ900 Alpha Allocation Cycle Recalculation

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FFJ900	CA-R3A	\$ 2,762,289	36.52%	36.52%	–
M-FFJ900	CA-R3	524,669	6.94%	6.94%	–
M-FFJ900	CA-R4	2,575,244	34.04%	34.04%	–
M-FFJ900	CA-R5	649,199	8.58%	8.58%	–
M-FFJ900	CA-R6	271,183	3.58%	3.58%	–
M-FFJ900	CA-R7	781,973	10.34%	10.34%	–
Total		\$ 7,564,557	100.00%	100.00%	

Table AAC.9 – 2023 FFR928 Alpha Allocation Cycle Recalculation

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FFR928	CA-R17F	\$ 106,367	0.49%	0.49%	–
M-FFR928	CA-R18A	1,249,352	5.77%	5.77%	–
M-FFR928	CA-R19	384,829	1.78%	1.78%	–
M-FFR928	CA-R20A	268,135	1.24%	1.24%	–
M-FFR928	CA-R20B	224,284	1.04%	1.04%	–
M-FFR928	CA-R21	147,182	0.68%	0.68%	–
M-FFR928	CA-R22A	109,108	0.50%	0.50%	–
M-FFR928	CA-R22B	4,014,186	18.54%	18.54%	–
M-FFR928	CA-R23	2,069,494	9.56%	9.56%	–
M-FFR928	CA-R24	643,967	2.97%	2.97%	–
M-FFR928	CA-R25	84,886	0.39%	0.39%	–
M-FFR928	CA-R26A	3,351,413	15.48%	15.48%	–
M-FFR928	CA-R28G	260,266	1.20%	1.20%	–
M-FFR928	CA-R28H	263,701	1.22%	1.22%	–
M-FFR928	CA-R28J	708,869	3.27%	3.27%	–
M-FFR928	CA-R29A	2,394,278	11.06%	11.06%	–
M-FFR928	CA-R29F	225,960	1.04%	1.04%	–
M-FFR928	CA-R29G	1,708,232	7.89%	7.89%	–
M-FFR928	CA-R29H	931,807	4.30%	4.30%	–
M-FFR928	CA-R29J	191,570	0.88%	0.88%	–
M-FFR928	CA-R30	1,078,704	4.98%	4.98%	–
M-FFR928	EBX-R1	794	0.00%	0.00%	–
M-FFR928	EBX-R2A	4,296	0.02%	0.02%	–
M-FFR928	EBX-R2B	118,396	0.55%	0.55%	–
M-FFR928	EBX-R2C	5,180	0.02%	0.02%	–
M-FFR928	EBX-R2D	5,277	0.02%	0.02%	–
M-FFR928	EBX-R2E	357,362	1.65%	1.65%	–
M-FFR928	EBX-R3A	227,602	1.06%	1.06%	–
M-FFR928	EBX-R3C	27,959	0.14%	0.14%	–

Table AAC.9 – 2023 FFR928 Alpha Allocation Cycle Recalculation (continued)

Alpha Allocation Cycle	Reach	Direct Labor	EY Alpha	SWPAO Alpha	Difference
M-FFR928	EBX-R4A	\$ 8,624	0.05%	0.05%	–
M-FFR928	EBX-R4B	183,760	0.86%	0.86%	–
M-FFR928	EBX-R3B	289,916	1.35%	1.35%	–
M-FFR928	EBX-R3E	736	0.00%	0.00%	–
Total		\$ 21,646,492	100.00%	100.00%	

Based on our procedures of the process (i.e., the “Yes” and “No” cost centers), we observed that there are general assumptions that should be used to identify the cost centers to use in the analysis, which are as follows:

1. “Yes” Cost Centers:

- 2300 Cost Centers (Annual Facilities O&M)
- 2310 Cost Centers (Santa Ana Division – EBX)
- 2340 Cost Centers (SWP Dam Safety Program)

2. “No” Cost Centers:

- 2200 Cost Centers (Capital)
- 2301 or 2341 Cost Centers (Extraordinary O&M)
- 2500 Cost Centers (Turnouts)
- Cost Centers Ending in 388 (Replacements)
- Alpha Cost Centers (Indirect Costs)
- Cost Centers Ending in 071 (Recreation)
- Cost Centers allocating to reach 290 (Suspended Costs)

There were also cost centers that did not fall under these general assumptions that required more in-depth research by SWPAO, as follows:

- Inquiries of Mike Cunnagin, former Chief of O&M Program Control Branch (made in prior years when Mike served in this position); Pedro Villalobos, former Chief of Project Cost Branch (made in prior years when Pedro served in this position); Avery Estrada (made in prior years when Avery served in this position), and Erik Goodman, SWP Project Cost Chief.
- Analysis of the description and dollars for each cost center in SAP.

We performed procedures over the cost centers included and excluded in the analysis. We observed that the general assumptions were implemented based on the cost center descriptions within SAP. We also analyzed the costs charged to the cost centers that required more in-depth research, but were unable to determine whether these costs were appropriate. This would require in-depth knowledge of all of the projects charged to these cost centers.

Finding AUD-000620	
Finding:	The statewide FAD890 alpha cost centers did not allocate costs to the EBX and CB-R33A (Devil's Den Pumping Plant) reaches.
Dollar Amount:	2111FAD890 – \$191      2154FAD890 – \$8,404
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Accounting Standards for Consistency
Contractors Affected:	All Contractors
Recommendation:	The Department should continue to correct the remaining alpha cost centers that are not allocating to the EBX and CB-R33A. The Department should also close off the IOs and WBSs to eliminate the costs charged to these alpha allocation cycles in the future.
Department Response:	The Department's program control personnel are implementing procedures to educate personnel to not charge costs to these alpha cost centers going forward. The Department is in the process of correcting the historical costs charged to these inappropriate alpha allocation cycles.

We examined the costs included in FAD890, observing these costs represent non-specific costs to be allocated statewide, and therefore should be allocated using the same basis and distribution as FAD908, which allocates to the EBX and CB-R33A. We observed that FAD908 was not implemented in SAP until 2002. Given the nature of the costs included in FAD890 alpha cost centers, exclusion of the EBX and CB-R33A does not appear justified on a go-forward basis.

The process for updating the S-series alpha allocation cycles was performed by the Department, as follows:

1. All salaries and wages cost centers (prior year cost centers and any created in 2022) with cost elements 7700000100 (Direct Labor), 7700000120 (Line Management), and 7700000130 (General Management) were maintained within CAB and denoted with an S-series Process ID.
2. The total salaries and wages were pulled from SAP for all of the salaries and wages cost centers as part of the work step in CAB.
3. All numeric reaches were included in the calculation (except delta habitat conservation and conveyance program, bay delta conservation plan (BDCP), North Bay Aqueduct (NBA) alternative intake, administration, reach 215 (upper feather river), suspended costs, Los Banos Grandes, Reid Gardner, San Joaquin drain, and turnouts), as these projects are in various stages of development.
4. All capital and field division alpha cost centers were included in the calculation. The alpha costs included were allocated to each reach, based on the allocation percentages for that alpha cost center.
5. The numeric costs for each reach were combined with the alpha costs.
6. The alpha allocation cycle percentages were then calculated as part of a work step in CAB by taking the reach total over the total salaries and wages for all reaches to arrive at the allocation percentages.
7. Each alpha allocation cycle was updated with the current dollars using the same reaches established in prior years as part of a CAB work step.
  - a. The 2022 alpha allocation cycles were updated with 2022 dollars using the same reaches established in the prior years.
  - b. The 2023 alpha allocation cycles were updated by taking a three-year average of 2020, 2021, and 2022 salaries and wages using the same reaches established in the prior year.
8. The new alpha allocation cycles were calculated and updated within CAB.

We reperformed the process for 2022 and 2023 for selected alpha allocation cycles (M-SAA903, M-SAA904, M-SAA913, M-SAA923, M-SAA943, and M-SFJ913), and did not identify any differences between SWPAO's schedule and our calculation. Tables AAC.10 and AAC.11 below display our recalculation of the alpha factors for M-SAA903 for 2022 and 2023 compared to SWPAO's calculated alpha factors:

Table AAC.10 – 2022 SAA903 Alpha Allocation Cycle Recalculation

Alpha Allocation Cycle	Reach	Salaries and Wages	EY Alpha	SWPAO Alpha	Difference
M-SAA903	Upper Feather Area	\$ 837,880	0.28%	0.28%	–
M-SAA903	Upper Feather Area	842,209	0.28%	0.28%	–
M-SAA903	Oroville Area	4,225,122	1.34%	1.34%	–
M-SAA903	Oroville Area	28,033,125	8.88%	8.88%	–
M-SAA903	Oroville Area	11,560,688	3.66%	3.66%	–
M-SAA903	Suspended Costs	494,574	0.16%	0.16%	–
M-SAA903	Yolo Bypass	8,408,228	2.66%	2.66%	–
M-SAA903	Delta Facilities	42,467,657	13.45%	13.45%	–
M-SAA903	Suisun Marsh	4,534,659	1.44%	1.44%	–
M-SAA903	NBA-R1	2,068,051	0.66%	0.66%	–
M-SAA903	NBA-R2	386,683	0.12%	0.12%	–
M-SAA903	NBA-R3A	620,184	0.20%	0.20%	–
M-SAA903	NBA-R3B	722,797	0.23%	0.23%	–
M-SAA903	SBA-R1	7,300,588	2.31%	2.31%	–
M-SAA903	SBA-R2	1,255,032	0.40%	0.40%	–
M-SAA903	SBA-R4	672,314	0.21%	0.21%	–
M-SAA903	SBA-R5	2,091,945	0.66%	0.66%	–
M-SAA903	SBA-R6	82,930	0.03%	0.03%	–
M-SAA903	SBA-R7	150,135	0.05%	0.05%	–
M-SAA903	SBA-R8	129,956	0.04%	0.04%	–
M-SAA903	SBA-R9	209,966	0.07%	0.07%	–
M-SAA903	CA-R1	26,345,256	8.34%	8.34%	–
M-SAA903	CA-R2A	3,294,411	1.04%	1.04%	–
M-SAA903	CA-R2B	2,734,900	0.87%	0.87%	–
M-SAA903	CA-R3A	17,722,209	5.61%	5.61%	–
M-SAA903	CA-R3	1,904,152	0.60%	0.60%	–
M-SAA903	CA-R4	12,441,440	3.94%	3.94%	–
M-SAA903	CA-R5	4,928,787	1.56%	1.56%	–
M-SAA903	CA-R6	1,281,780	0.41%	0.41%	–
M-SAA903	CA-R7	4,775,853	1.51%	1.51%	–
M-SAA903	CA-R8C	79,236	0.03%	0.03%	–
M-SAA903	CA-R8D	1,014,460	0.32%	0.32%	–
M-SAA903	CA-R9	892,705	0.28%	0.28%	–
M-SAA903	CA-R10A	1,222,752	0.39%	0.39%	–
M-SAA903	CA-R11B	383,260	0.12%	0.12%	–
M-SAA903	CA-R12D	910,479	0.29%	0.29%	–
M-SAA903	CA-R12E	867,504	0.27%	0.27%	–
M-SAA903	CA-R13B	675,257	0.21%	0.21%	–
M-SAA903	CA-R14A	9,576,865	3.03%	3.03%	–
M-SAA903	CA-R14B	852,837	0.27%	0.27%	–

Table AAC.10 – 2022 SAA903 Alpha Allocation Cycle Recalculation (continued)

Alpha Allocation Cycle	Reach	Salaries and Wages	EY Alpha	SWPAO Alpha	Difference
M-SAA903	CA-R14C	\$ 128,503	0.04%	0.04%	–
M-SAA903	CA-R15A	7,389,387	2.34%	2.34%	–
M-SAA903	CA-R16A	8,724,825	2.76%	2.76%	–
M-SAA903	CA-R17E	12,240,178	3.88%	3.88%	–
M-SAA903	CA-R17F	162,545	0.05%	0.05%	–
M-SAA903	CA-R18A	3,118,678	0.99%	0.99%	–
M-SAA903	CA-R19	1,236,201	0.39%	0.39%	–
M-SAA903	CA-R20A	846,977	0.27%	0.27%	–
M-SAA903	CA-R20B	611,193	0.19%	0.19%	–
M-SAA903	CA-R21	402,798	0.13%	0.13%	–
M-SAA903	CA-R22A	260,479	0.08%	0.08%	–
M-SAA903	CA-R22B	12,347,026	3.91%	3.91%	–
M-SAA903	CA-R23	5,058,942	1.60%	1.60%	–
M-SAA903	CA-R24	2,976,720	0.94%	0.94%	–
M-SAA903	CA-R25	241,015	0.08%	0.08%	–
M-SAA903	CA-R26A	10,563,558	3.35%	3.35%	–
M-SAA903	CA-R28G	654,524	0.21%	0.21%	–
M-SAA903	CA-R28H	894,583	0.28%	0.28%	–
M-SAA903	CA-R28J	6,663,686	2.11%	2.11%	–
M-SAA903	CA-R29A	6,195,668	1.96%	1.96%	–
M-SAA903	CA-R29F	623,901	0.20%	0.20%	–
M-SAA903	CA-R29G	4,200,422	1.33%	1.33%	–
M-SAA903	CA-R29H	3,513,172	1.11%	1.11%	–
M-SAA903	CA-R29J	519,042	0.16%	0.16%	–
M-SAA903	CA-R30	4,491,287	1.42%	1.42%	–
M-SAA903	CB1-R31A	4,102,077	1.30%	1.30%	–
M-SAA903	CB2-R33A	5,754,722	1.82%	1.82%	–
M-SAA903	EBX-R1	2,642	0.00%	0.00%	–
M-SAA903	EBX-R2A	3,676	0.00%	0.00%	–
M-SAA903	EBX-R2B	292,567	0.09%	0.09%	–
M-SAA903	EBX-R2C	19,667	0.01%	0.01%	–
M-SAA903	EBX-R2D	24,988	0.01%	0.01%	–
M-SAA903	EBX-R2E	605,751	0.19%	0.19%	–
M-SAA903	EBX-R3A	571,437	0.18%	0.18%	–
M-SAA903	EBX-R3C	82,834	0.03%	0.03%	–
M-SAA903	EBX-R4A	13,002	0.00%	0.00%	–
M-SAA903	EBX-R4B	384,623	0.12%	0.12%	–
M-SAA903	EBX-R3B	784,082	0.25%	0.25%	–
Total		\$ 315,706,244	100.00%	100.00%	

Table AAC.11 – 2023 SAA903 Alpha Allocation Cycle Recalculation

Alpha Allocation Cycle	Reach	Salaries and Wages	EY Alpha	SWPAO Alpha	Difference
M-SAA903	Upper Feather Area	\$ 758,247	0.25%	0.25%	–
M-SAA903	Upper Feather Area	1,348,344	0.45%	0.45%	–
M-SAA903	Oroville Area	3,549,321	1.19%	1.19%	–
M-SAA903	Oroville Area	29,503,889	9.88%	9.88%	–
M-SAA903	Oroville Area	10,747,062	3.60%	3.60%	–
M-SAA903	Lower Feather River	215,819	0.07%	0.07%	–
M-SAA903	Yolo Bypass	7,243,851	2.43%	2.43%	–
M-SAA903	Delta Facilities	39,228,040	13.13%	13.13%	–
M-SAA903	Suisun Marsh	4,411,220	1.48%	1.48%	–
M-SAA903	NBA-R1	1910292	0.64%	0.64%	–
M-SAA903	NBA-R2	386,062	0.13%	0.13%	–
M-SAA903	NBA-R3A	566,470	0.19%	0.19%	–
M-SAA903	NBA-R3B	952,515	0.32%	0.32%	–
M-SAA903	SBA-R1	6,511,167	2.18%	2.18%	–
M-SAA903	SBA-R2	1,048,505	0.35%	0.35%	–
M-SAA903	SBA-R4	662,483	0.22%	0.22%	–
M-SAA903	SBA-R5	1,831,348	0.61%	0.61%	–
M-SAA903	SBA-R6	54,928	0.02%	0.02%	–
M-SAA903	SBA-R7	107,557	0.04%	0.04%	–
M-SAA903	SBA-R8	82,713	0.03%	0.03%	–
M-SAA903	SBA-R9	350,381	0.12%	0.12%	–
M-SAA903	CA-R1	24,749,115	8.29%	8.29%	–
M-SAA903	CA-R2A	2,166,257	0.73%	0.73%	–
M-SAA903	CA-R2B	2,466,435	0.83%	0.83%	–
M-SAA903	CA-R3A	16,258,165	5.44%	5.44%	–
M-SAA903	CA-R3	1,753,438	0.59%	0.59%	–
M-SAA903	CA-R4	12,212,928	4.09%	4.09%	–
M-SAA903	CA-R5	4,894,772	1.64%	1.64%	–
M-SAA903	CA-R6	1,041,732	0.35%	0.35%	–
M-SAA903	CA-R7	4,563,082	1.53%	1.53%	–
M-SAA903	CA-R8C	64,941	0.02%	0.02%	–
M-SAA903	CA-R8D	1,310,190	0.44%	0.44%	–
M-SAA903	CA-R9	795,277	0.27%	0.27%	–
M-SAA903	CA-R10A	1,354,590	0.45%	0.45%	–
M-SAA903	CA-R11B	548,404	0.18%	0.18%	–
M-SAA903	CA-R12D	759,135	0.25%	0.25%	–
M-SAA903	CA-R12E	633,796	0.21%	0.21%	–
M-SAA903	CA-R13B	591,918	0.20%	0.20%	–
M-SAA903	CA-R14A	8,043,186	2.69%	2.69%	–
M-SAA903	CA-R14B	510,214	0.17%	0.17%	–

Table AAC.11 – 2023 SAA903 Alpha Allocation Cycle Recalculation (continued)

Alpha Allocation Cycle	Reach	Salaries and Wages	EY Alpha	SWPAO Alpha	Difference
M-SAA903	CA-R14C	\$ 184,100	0.06%	0.06%	–
M-SAA903	CA-R15A	5,907,112	1.98%	1.98%	–
M-SAA903	CA-R16A	7,959,169	2.66%	2.66%	–
M-SAA903	CA-R17E	12,988,054	4.35%	4.35%	–
M-SAA903	CA-R17F	475,468	0.16%	0.16%	–
M-SAA903	CA-R18A	3,104,220	1.04%	1.04%	–
M-SAA903	CA-R19	955,192	0.32%	0.32%	–
M-SAA903	CA-R20A	671,697	0.22%	0.22%	–
M-SAA903	CA-R20B	675,558	0.23%	0.23%	–
M-SAA903	CA-R21	386,432	0.13%	0.13%	–
M-SAA903	CA-R22A	290,199	0.10%	0.10%	–
M-SAA903	CA-R22B	10,297,215	3.45%	3.45%	–
M-SAA903	CA-R23	5,217,418	1.75%	1.75%	–
M-SAA903	CA-R24	2,755,968	0.92%	0.92%	–
M-SAA903	CA-R25	215,902	0.07%	0.07%	–
M-SAA903	CA-R26A	9,422,831	3.15%	3.15%	–
M-SAA903	CA-R28G	657,050	0.22%	0.22%	–
M-SAA903	CA-R28H	667,863	0.22%	0.22%	–
M-SAA903	CA-R28J	7,216,506	2.42%	2.42%	–
M-SAA903	CA-R29A	5,906,608	1.97%	1.97%	–
M-SAA903	CA-R29F	569,398	0.19%	0.19%	–
M-SAA903	CA-R29G	4,642,625	1.55%	1.55%	–
M-SAA903	CA-R29H	3,272,018	1.10%	1.10%	–
M-SAA903	CA-R29J	466,305	0.16%	0.16%	–
M-SAA903	CA-R30	4,813,467	1.61%	1.61%	–
M-SAA903	CB1-R31A	4,636,495	1.55%	1.55%	–
M-SAA903	CB2-R33A	5,212,464	1.75%	1.75%	–
M-SAA903	EBX-R1	1,514	0.00%	0.00%	–
M-SAA903	EBX-R2A	9,224	0.00%	0.00%	–
M-SAA903	EBX-R2B	274,454	0.09%	0.09%	–
M-SAA903	EBX-R2C	10,687	0.00%	0.00%	–
M-SAA903	EBX-R2D	18,004	0.01%	0.01%	–
M-SAA903	EBX-R2E	783,725	0.26%	0.26%	–
M-SAA903	EBX-R3A	496,219	0.17%	0.17%	–
M-SAA903	EBX-R3B	55,685	0.02%	0.02%	–
M-SAA903	EBX-R4A	18,865	0.01%	0.01%	–
M-SAA903	EBX-R4B	457,106	0.15%	0.15%	–
M-SAA903	EBX-R3B	789,484	0.26%	0.26%	–
M-SAA903	EBX-R3E	231	0.00%	0.00%	–
Total		\$ 298,670,321	100.00%	100.00%	

We assessed alpha cost centers, which included populating a matrix of alpha cost centers and displaying the percentages allocated to each reach in order to identify possible anomalies. As a result of performing this procedure, we observed that all alpha allocation cycles totaled 100%.

Additionally, for alpha cost centers, we assessed the largest IO or WBS within each alpha cost center and selected the largest invoice to assess the nature of the charges. Table AAC.12 below displays the alpha cost centers assessed:

Table AAC.12 – Selected Alpha Cost Centers with 2022 Costs

Alpha Cost Center	Alpha Cost Center Name	Alpha Cost Center Description	Amount
2270AFJ906	CAP SLFD Fire Safety	CAPITALIZED O&M – San Luis FD	\$ 970,261
2270AFJ908	CAPITALIZED O&M SLFD	OM Center Trans Repl	826,975
2290AFR901	CAPITALIZED O&M-SFD	CAP SFD GEN CCSM	493,704
1101FAC947	QualityAssuranceProg	Quality Assurance Prog – RFFAC	1,978,818
2101FAC001	WATER RIGHT ACT-SWP	Statewide-ConserOnly	2,290,328
1121FAD908	Site Assm't Prog-SWP	Environmental Site Assessment	542,219
1131FAD908	CWP Statewide Plan	Strategic Water Planning	1,660,109
2121FAD908	Envir.Assess/Rev	ENVIRONMENTAL COMPLIANCE AND RE	2,164,166
2200FAD111	SWP Com Sys Upg-CA	Cap O&M-SWP Communicat Sys Upg	782,915
2210FAD908	CAP Exclude Oro&Dlta	Capital – Exclude Oroville &De	5,114,928
2229FAD900	Capitalized O&M SWP	SWP Maint Mgmt DA&A	813,651
2300FAD908	NERC-WECC Comp & Sec	NERC-WECC CIP & Sec	2,278,354
2301FAD908	O&M Projectwide Dist	O&M Projectwide Distribution	3,810,612
2310FAD908	SWP Ops Control Cent	FOM-SWP Operations Control Cen	22,017,578
2310FAD909	SWP Operations FOM	SWP Operations FOM	10,604,074
2311FAD908	SWP Pro Rata Charges	State Wtr Project Pro Rata Cha	3,307,550
2320FAD908	FOM-R/W PropMgmtProj	R/W Property Management – Gene	1,061,704
2325FAD908	DOE SWP Statewide	DOE costs that benefit all SWP	10,466,238
2330FAD908	O&M Projectwide Dist	O&M Projectwide Distribution	8,998,082
2340FAD908	FOM-DTS COM SupPort	RF FAD908 W/A 7223 – FOM DTS C	8,694,993
2350FAD908	SWP OP Planning Prg	SWP Operation Planning Program	974,584
2350FAD909	SWP-Wide State Only	SWP OPERATIONS PLANNING	4,889,515
2351FAD908	SWP Ops Planning Ext	SWP Ops Planning Ext	1,550,766
2380FAD908	Aquatic Spec Mgmt	Aquatic Nuisance Species Surve	1,062,222
2310FBX001	E.Branch Extension	EBX – Project Wide	646,208
2300FDA907	Upper Feather – Gen	FOM Upper Feather Division – G	1,266,549
2300FDD907	N San Joaquin – Gen	FOM – North San Joaquin Divisi	2,214,178
2312FDD907	R/W PropMgmt NoSJDiv	R/W Property Mgmt North San Jo	205,352
2300FDE907	San Luis Div – Gen	FOM – San Luis Division Genera	341,825
2300FDF907	So San Joaquin Div	FOM – South San Joaquin Divisi	5,262,547
2314FDF907	R/W PropMgmt SoSJDiv	R/W Property Mgmt South San Jo	989,595
2300FDG907	Tehachapi Div – Gen	FOM – Tehachapi Division Gener	1,095,946
2300FDH907	Mojave Division-Gen	FOM – Mojave Division – Genera	3,434,173
2315FDH907	R/W PropMgmt-Mojave	R/W Property Mgmt – Mojave Div	536,819

Table AAC.12 – Selected Alpha Cost Centers with 2022 Costs (continued)

Alpha Cost Center	Alpha Cost Center Name	Alpha Cost Center Description	Amount
2300FDJ907	Santa Ana Div – Gen	FOM – Santa Ana Division Gener	\$ 2,563,482
2315FDJ907	R/W PropMgmtSantaAna	R/W Property Mgmt – Santa Ana	1,649,765
2300FDK907	West Branch Div-Gen	FOM – West Branch Division Gen	4,593,950
2300FDL907	CB – Gen	FOM – CB General	1,299,316
2200FDP100	SWP Com Sys Upg-NBA	Cap O&M-SWP Communicat Sys Upg	19,936
2300FDP907	North Bay Aqued-Gen	FOM – NBA – Gen	924,522
2200FDQ100	SWP Com Sys Upg-SBA	Cap O&M-SWP Communicat Sys Upg	13,078
2300FDQ907	South Bay Aqued-Gen	FOM – SBA – Gen	2,008,184
2300FFA005	Oroville FD-General	FOM – Oroville Field Division	12,547,947
2300FFE907	Delta FD General	FOM – Delta Field Division – G	17,939,827
2312FFE908	Property Mgmt – DFD	PROPERTY MANAGEMENT-DFD	850,464
2321FFE907	SWP Seismic Program	DFD Area	312,607
2300FFJ907	San Luis FD General	FOM – San Luis Field Division	18,470,237
2300FFN907	San Joaquin FD – Gen	FOM – San Joaquin Field Divisi	10,777,553
2300FFN958	SJFD-Lost Hill Subct	FOM San Joaquin FD Lost Hill S	1,226,184
2300FFR928	Southern FD – ACC	FOM-Southern FD Area Control C	2,123,662
2300FFR947	SoFD Pearblossom Sub	FOM-Southern FD Pearblossom Su	390,534
2310FFR928	Southern FD – Gen	FOM – SFD	13,092,532
2315FFR928	Property Mgmt – SFD	PROPERTY MANAGEMENT-SFD	289,260
2030FWF020	P2426 Lic Comp Mgmt	Ferc Area: P2426 License Compl	1,612,967
2202FWF001	P2426 Relicensing	P2426 Relicensing	2,198,244
2340GAC001	Projectwide Activity	SWP Dam Safety Program-Projwid	3,953,946
2341GAC001	Dam Safety EXT O&M	Projectwide Activity EXT	513,819
2100MAD056	Staf Lbr Comp Pmp LB	Comp. & Regulatory	1,795,596
2105MAD055	Staff/labor-SW-Power	Power Planning	4,396,237
2300MAD057	HEP Training Prog	HEP Training Program – General	1,687,418
2500MAD055	SW Labr Pwr Contracs	POWER CONTRACTS MANAGEMENT	755,190
2500MAD056	PROJ REPAYMT&FIN AN	Statewide – PP&PGP	2,412,710
2500MAD057	SW Trans Lbr Capacit	Transmission Planning and Cont	1,506,482
2510MAD055	SW Trans Lbr Lod Bsd	Transmission Planning and Cont	1,118,254
2300MFA010	Oroville Pwr Fac-Gen	FOM – Oroville Power Facilitie	4,092,705
2300MFA030	O&M OroPwr RFMFA030	Alpha Reach-Oroville Power	2,312,727
2283RAD910	Kern CAAQ Subsidence	3CAAQ Subsidence SGF	6,645
1110SAA913	SW Fiscal Pro Rata P	SWP Pro Rata Charges Pg 10	741,656
2110SAA903	SW GHG MGMT Labor	GHG Management	2,078,384
2120SAA903	SW Labor for WEE Br	Water and Energy Eff	2,784,878
2201SAA903	StWide – FMEP Stage3	SWP FME Prj Stage 3	12,660,757
2202SAA903	PPM/RM Upgrades	PPM/RM Lic & Upgrade	523,634
2202SAA933	Prop Mgmt – GIS Prj	Property Management – GIS	594,537
2300SAA913	SW Fiscal Pro Rata P	SWP State Pro Rata Charges Pg	36,341,123
2343SAA903	PAO/SWP Support Svcs	PAO-Visitor Services	337,921

Table AAC.12 – Selected Alpha Cost Centers with 2022 Costs (continued)

Alpha Cost Center	Alpha Cost Center Name	Alpha Cost Center Description	Amount
2350SAA903	SWP-RiskMgmt-Exec	SWP Infrastructure Risk Manage	\$ 2,770,982
2370SAA903	Exec SWP Strat Plan	Exec SWP Strat Plan	780,923
2500SAA903	ProjRepymt&Fin.Analy	RF SAA903 W/A7901 Proj.Repymt&	4,381,517
2500SAA923	Wtr TrsfFacilitation	RFSA923 W/A 7907 Wtr Transfer	4,072,094
2501SAA923	SWP Prjwide Prg Cntl	SWP Project & Program Control	2,890,680
2502SAA923	WtrContractsNego&Adm	RFSA923 W/A 7902 WtrContrcNeg	3,011,720
2503SAA903	SWP Program Mgmt	LTWS Contract Extension	357,023
2503SAA913	Enterprise Acct Brch	Statewide-Fiscal EAB	2,978,091
2503SAA923	Statewide-FinRpBrnch	Financial Reporting and Analys	27,593,049
2504SAA923	WtrDelivery&Turnout	Water Delivery & Turnout	2,846,217
2530SAA923	SWP Spec Proj & B132	StateWide-SpPrj&B132	2,879,007
		Total	\$ 343,427,711

We selected a sample of 75 invoices that were charged to the Contractors through an alpha allocation cycle in 2022 and assessed the following attributes:

1. We assessed whether they were classified as direct or indirect (through an alpha allocation cycle) to reach.
2. For invoices charged to multiple reaches, we assessed whether they were allocated to a statewide or field division alpha allocation cycle.
3. We assessed whether the invoice amount charged to PR5 reconciled to CAB.
4. We assessed whether the invoice was recovered through the transportation minimum or capital component.
5. We assessed whether the invoice appeared to be allocated to the reaches, based upon the invoice description and where the work performed pertains to.

Finding AUD-000621	
Finding:	California Department of Tax and Fee Administration invoices for annual water rights fees from 2015 to 2022 included billing errors charged to M-FAC001 alpha allocation cycle.
Dollar Amount:	\$800
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should book adjustments to correct the billing errors.
Department Response:	The Department will book adjustments to correct the billing errors.

When performing our procedures over invoice testing, we observed an \$800 Water Right fee incorrectly charged to the M-FAC001 alpha allocation cycle from 2015 to 2022. The Department should correct the billing error by reversing this charge as it is an overstatement to the Contractors.

Table AAC.13 – Impact of Finding AUD-000621

Contractor	Decrease in Charges
Alameda County Water District	\$ 8
Alameda County FC and WCD, Zone 7	15
Antelope Valley-East Kern Water Agency	27
Santa Clarita Valley Water Agency	17
Coachella Valley Water District	25
Crestline-Lake Arrowhead Water Agency	1
Desert Water Agency	10
DRWD	8
Empire West Side Irrigation District	1

Table AAC.13 – Impact of Finding AUD-000621 (continued)

Contractor	Decrease in Charges
KCWA – AG	\$ 156
KCWA – M&I	25
County of Kings	2
Mojave Water Agency	16
Metropolitan Water District of Southern CA	351
Napa County FC and WCD	5
Oak Flat Water District	1
Palmdale Water District	4
Santa Clara Valley Water District	18
San Bernardino Valley MWD	19
San Gabriel Valley MWD	5
San Geronio Pass Water Agency	3
San Luis Obispo County FC and WCD	5
Santa Barbara County FC and WCD	8
Solano County Water Agency	9
Tulare Lake Basin WSD	16
Ventura County Watershed Protection District	4
City of Yuba	2
County of Butte	5
Recreation	34
Total	\$ 800

Finding AUD-000622	
Finding:	Stantec Consulting Services Incorporation invoices related to claims 1417740 and 1423474 were double billed to statewide alpha allocation cycle M-GAC001.
Dollar Amount:	\$80,119
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed various Stantec Consulting Services claims in amount of \$80,119. These double billings were charged to alpha allocation cycle M-GAC001. The Department should reverse these charges. Additionally, the Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase.

Table AAC.14 – Impact of Finding AUD-000622

Contractor	Decrease in Charges
Alameda County Water District	\$ 569
Alameda County FC and WCD, Zone 7	1,485
Antelope Valley-East Kern Water Agency	1,155
Santa Clarita Valley Water Agency	1,469
Coachella Valley Water District	2,321
Crestline-Lake Arrowhead Water Agency	97
Desert Water Agency	670
DRWD	353
Empire West Side Irrigation District	25
Future San Joaquin	16
KCWA – AG	7,204
KCWA – M&I	1,042
County of Kings	76
Littlerock Creek Irrigation District	18
Mojave Water Agency	722
Metropolitan Water District of Southern CA	34,870
Napa County FC and WCD	193
Oak Flat Water District	40
Palmdale Water District	167
Plumas County FC and WCD	17
Santa Clara Valley Water District	1,385
San Bernardino Valley MWD	3,386
San Gabriel Valley MWD	437
San Geronio Pass Water Agency	1,217
San Luis Obispo County FC and WCD	195
Santa Barbara County FC and WCD	356
Solano County Water Agency	317
Tulare Lake Basin WSD	729
Ventura County Watershed Protection District	323
City of Yuba	62
County of Butte	177
Federal Non-Billable	5,734
Flood Control	1,593
Recreation	11,699
Total	\$ 80,119

Finding AUD-000623	
Finding:	Capstone Fire and Safety Management Rural Metro Incorporation invoice related to claim 1431358 includes costs related to Cedar Springs Dam (CA-R24) and Devil Canyon Power Plant (CA-R26A), but had costs incorrectly charged to the Mojave Division through the C-FDH907 (CA-R18A to CA-R24) alpha allocation cycle. In addition, these costs had already been posted to Cedar Springs Dam (CA-R24) and Devil Canyon Power Plant (CA-R26A). This results in a double bill of the invoice.
Dollar Amount:	\$1,998
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Littlerock Creek Irrigation District, Mojave Water Agency, Palmdale Water District, San Bernardino Valley MWD, San Gabriel Valley MWD, San Gorgonio Pass Water Agency, and Metropolitan Water District of Southern California
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed claim 1431358 in amount of \$1,998. This double billing was charged to alpha allocation cycle M-FDH907 despite already being posted direct to reach. The Department should reverse this charge from M-FDH907.

Table AAC.15 – Impact of Finding AUD-000623

Contractor	Decrease in Charges
Antelope Valley-East Kern Water Agency	\$ 51
Coachella Valley Water District	46
Crestline-Lake Arrowhead Water Agency	15
Desert Water Agency	75
Littlerock Creek Irrigation District	1
Mojave Water Agency	90
Metropolitan Water District of Southern CA	1,315
Palmdale Water District	10
San Bernardino Valley MWD	257
San Gabriel Valley MWD	68
San Gorgonio Pass Water Agency	42
Recreation	28
Total	\$ 1,998

Finding AUD-000624	
Finding:	Johnson Controls Fire Protection LP invoice related to claim 1400458 was double billed to the San Luis Field Division through the M-FFJ907 (CA-R3 to CA-R7) alpha allocation cycle.
Dollar Amount:	\$32,420
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed claim 1400458 in amount of \$32,420. This double billing was charged to alpha allocation cycle M-FFJ907. The Department should reverse this charge.

Table AAC.16 – Impact of Finding AUD-000624

Contractor	Decrease in Charges
Alameda County Water District	\$ 72
Alameda County FC and WCD, Zone 7	243
Antelope Valley-East Kern Water Agency	642
Santa Clarita Valley Water Agency	483
Coachella Valley Water District	648
Crestline-Lake Arrowhead Water Agency	27
Desert Water Agency	257
DRWD	241
Empire West Side Irrigation District	16
Future San Joaquin	32
KCWA – AG	4,864
KCWA – M&I	575
County of Kings	47
Littlerock Creek Irrigation District	10
Mojave Water Agency	435
Metropolitan Water District of Southern CA	8,505
Napa County FC and WCD	63
Oak Flat Water District	10

Table AAC.16 – Impact of Finding AUD-000624 (continued)

Contractor	Decrease in Charges
Palmdale Water District	\$ 94
Plumas County FC and WCD	5
Santa Clara Valley Water District	172
San Bernardino Valley MWD	472
San Gabriel Valley MWD	131
San Geronio Pass Water Agency	80
San Luis Obispo County FC and WCD	110
Santa Barbara County FC and WCD	201
Solano County Water Agency	100
Tulare Lake Basin WSD	475
Ventura County Watershed Protection District	88
City of Yuba	17
County of Butte	47
Federal Non-Billable	12,936
Recreation	322
Total	\$ 32,420

Finding AUD-000608	
Finding:	JVSWP2109049 in the amount of \$636,249 was double recorded when performing the reallocation between alpha cost center 2103FAD890 (DWC) to cost center 2133300000 (DWC).
Dollar Amount:	\$636,249
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	All Contractors
Recommendation:	The Department should reverse the double recorded balance related to JVSWP2109049.
Department Response:	The Department will book an adjustment to correct the error.

When assessing the reallocation between alpha cost center 2103FAD890 (DWC) to cost center 2133300000 (DWC), we observed the Department double recorded the journal entry while moving these costs resulting in an overstatement of costs to all Contractors. This resulted in an overstatement of costs to the Contractors in the amount of \$636,249.

Table AAC.17 – Impact of Finding AUD-000608

Contractor	Total by Contractor
Alameda County Water District	\$ 6,403
Alameda County FC and WCD, Zone 7	12,291
Antelope Valley-East Kern Water Agency	22,085
Santa Clarita Valley Water Agency	14,516
Coachella Valley Water District	21,095
Crestline-Lake Arrowhead Water Agency	884
Desert Water Agency	8,501
DRWD	6,305
Empire West Side Irrigation District	457
KCWA – AG	129,319
KCWA – M&I	20,523
County of Kings	1,419
Littlerock Creek Irrigation District	351
Mojave Water Agency	13,692
Metropolitan Water District of Southern CA	291,458
Napa County FC and WCD	4,426
Oak Flat Water District	869
Palmdale Water District	3,248
Plumas County FC and WCD	412
Santa Clara Valley Water District	15,248
San Bernardino Valley MWD	15,644
San Gabriel Valley MWD	4,391
San Geronio Pass Water Agency	2,638
San Luis Obispo County FC and WCD	3,812
Santa Barbara County FC and WCD	6,936
Solano County Water Agency	7,282
Tulare Lake Basin WSD	13,337
Ventura County Watershed Protection District	3,050
City of Yuba	1,464
County of Butte	4,193
Total	\$ 636,249

Recommendation AUD-000625	
Background:	The Department did not consistently document the methodology of determining the allocated percentages on the Fund Center Functional Area Establishment Form DWR 1121p when creating a new functional area. In addition, the Department did not attach the underlying calculation of the newly created alpha allocation cycle as supporting documentation to the form.
Internal Control Matter:	Procedures: Procedures not Being Followed
Contractors Affected:	All Contractors
Recommendation:	The Department should fill out each section of the Fund Center and Functional Area Establishment Form DWR 1121p in enough detail to explain the rationale and calculation for each alpha allocation cycle created. The Department should also attach the underlying calculation for the newly created alpha allocation cycle as supporting documentation to the form. In addition, the Department should use existing alpha allocations cycles when possible rather than creating a new alpha allocation cycle.

During our procedures to assess the new or changed alpha allocation cycles during the current year, we obtain the DWR 1121p Fund Center Functional Area Establishment Form and support (including the rationale and any related calculations) for the alpha allocation cycles. We inspect the DWR 1121p forms to determine the rationale and details of the alpha allocation cycle. During this procedure, it was observed that the Department does not consistently document the methodology of determining the allocated percentages on the fund center and functional area establishment form DWR 1121p when creating a new functional area. Specifically, when "other (specify below)" is checked for area of distribution and features, there should be an explanation in the box below, explaining the rationale and calculation for the new functional area being created. In addition, it was observed that the Department did not attach the underlying calculation of the newly created alpha allocation cycle as supporting documentation to the form. The Department should attach the calculation to support the information in the form. In addition, the Department should use existing alpha allocation cycles when possible rather than creating a new alpha allocation cycle.

Recommendation AUD-000626	
Background:	Alpha allocation cycles determined to have incorrect allocations are not disabled by the Department at the headquarters level resulting in recurring errors in the SOC. For example, the statewide FAD890 alpha cost centers still had costs present each year after it was previously determined that these alpha cost centers should no longer have costs charged to them.
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	All Contractors
Recommendation:	The Department should develop processes and procedures to disable functional areas in a timely manner at the headquarters level when determined costs should no longer be charged to those functional areas.

During our procedures to assess alpha allocation cycles, we observed that the statewide alpha allocation cycle of FAD890, which had previously been identified as incorrectly allocating costs, had costs allocated through it. The Department is aware that this alpha allocation cycle incorrectly allocates costs and should not be used. This is a result of the Department leaving orders which allocate through this alpha allocation cycle active and available to be charged. We recommend the Department develop processes and procedures to disable functional areas in a timely manner at the headquarters level when determined costs should no longer be charged to those functional areas. This would prevent the need for the Department to retroactively correct costs which are incorrectly allocated through alpha allocation cycles that the Department knows are incorrect.

## System Power Costs – Variable Transportation

### *Procedures Performed*

We performed detailed procedures for the 2022 calendar year power costs and revenues within the transportation variable cost component:

- Obtained the schedule of power costs and revenues compiled at the Joint Operations Center for the 2022 calendar year, and used for informational purposes in conjunction with our procedures of power costs and power revenues.
- Recalculated the Power Allocation Table (PAT) factors in CAB with the use of the 2022 PALPOC.
- Vouched power costs and power sales from CAB and assessed the classification of costs.
- Recalculated the 2022 power costs and power sales included in CAB at the reach level.
- Recalculated the breakout of direct-to-plant transmission, transportation, conservation, and station service charges included in CAB and the 2022 PALPOC.
- Reconciled CAB to Bulletin 132-23, Table B-3, *Power Cost and Credits, Transmission Costs and Annual Replacement Deposits for Each Aqueduct Pumping and Power Recovery Plant*.
- Recalculated the Value of Recovery Generation (VORG) credits reported in the 2022 PALPOC, and compared the amounts to the VORG postings in CAB.
- Recalculated the amounts billed for the Transportation Variable Cost Component in 2022 for the Contractors selected by the IAA.

### *Findings and Recommendations*

A PALPOC, which is prepared by SWPAO, is a summary of power costs and revenues for each year, including costs assigned to the VORG facilities and energy transmission. Some of the costs included in a PALPOC are estimated and subject to revision. Changes may result from a reconciliation of estimated costs to actual costs, error corrections, allocation adjustments, and costs and/or revenues that the Department was unaware of at the time of the issuance of the PALPOC. Once the costs for a year are finalized, a Final Allocation of Power Costs (FALPOC) is issued. The last FALPOC was issued on May 23, 2017, and related to the 2000 and 2001 calendar years.

Prior to 2009, the Department had used the PALPOC, as well as other manually maintained schedules, to determine variable transportation charges and to allocate those charges to reaches. SWPAO began using variable transportation costs, per the system, to determine variable transportation charges in 2009. As of the 2024 SOC, there was a transition from UCABS (the legacy billing system) to CAB (new billing system). However, SWPAO continues to utilize the PALPOC to determine the allocation of net system power charges between each plant (i.e., no change in the process).

The allocation of system power charges is based on the PAT, which is generated from information summarized in the PALPOC. The summarized information in the PALPOC is determined by taking the power mill rate, which represents net pumping power costs to be recovered through the transportation variable calculated component, divided by total system energy used (adjusted to remove transportation losses). This mill rate is then multiplied by the adjusted energy, used at each reach, to determine the charges to be allocated to that particular facility. These charges represent pumping plant energy costs. A separate calculation is then performed to calculate the transmission variable California Independent System Operator

(CAISO) costs. These costs are determined by taking the monthly energy costs, and applying them to the respective Pacific Gas & Electric and Southern California Edison high and low voltage wheeling access rates (i.e., CAISO high/low voltage rates). Wheeling is the transportation of energy (Megawatt Hour (MWh)) from the electrical grid to an electrical load outside of the grid boundaries. The PAT is then determined by taking the sum of costs by facility (both net pumping power costs and transmission variable CAISO) per the PALPOC, and dividing this by total costs for all facilities. These allocation factors are then input into CAB by the Department. In 2018, the Department began using V-PAT383 to allocate low voltage transmission variable costs. Previously, all transmission variable costs were allocated through V-PAT017. This change was made to more accurately capture costs within CAB.

The following table represents net system power costs (excluding direct-to-plant transmission costs and downstream distribution adjustments) billed to the Contractors for calendar year 2022 through the transportation variable calculated component included in the 2024 SOC:

Table PWR.1 – 2022 Net System Power Costs

System Cost Description	Amount
Power Costs	\$ 291,993,688
Power Sales	(127,788,430)
Delta Fish Agreement and Excess Peaking Capacity	2,515,615
VORG Credits	(20,466,810)
Net System Power Costs per Bulletin 132-23, Table B-3	\$ 146,254,063

We vouched the power costs and power sales from CAB and assessed the classification of costs. We did not observe any differences.

These system power costs were then allocated to variable reaches using the V-PAT017 and the V-PAT383 for 2022. The 2022 PAT factors were based on the 2022 PALPOC as of March 31, 2023. The 2022 variable V-PAT017 factors were as follows:

Table PWR.2 – 2022 V-PAT017

Variable Reach	Pumping Plant Name	Percentage of Net System Power Costs Allocated
NBA-R1	Barker Slough	0.27%
NBA-R3A	Cordelia-Benicia and Cordelia-Vallejo	0.14%
NBA-R3B	Cordelia-Napa	0.23%
SBA-R1	South Bay	3.47%
SBA-R5	Del Valle	0.02%
CA-R1	Banks	6.19%
CA-R3A	Gianelli (San Luis)	1.98% <sup>2</sup>
CA-R4	Dos Amigos	2.25%
CA-R14A	Buena Vista	6.24%
CA-R15A	Teerink	6.32%
CA-R16A	Chrisman	13.85%
CA-R17E	Edmonston	48.92%
CA-R22B	Pearblossom	3.29%
CA-R29A	Oso	4.46%
CB1-R31A	Las Perillas and Badger Hill	0.76%
CB2-R33A	Devil's Den, Bluestone, and Polonio	1.02%
EBX-R2B	Greenspot	0.00%
EBX-R3A	Crafton Hills	0.25%
EBX-R4B	Cherry Valley	0.01%
EBX-R2E	Citrus	0.33%
	Total	100.00%

<sup>2</sup> All costs associated with the Gianelli plant are reclassified to the DWC and, as such, those costs are not billed through the transportation variable calculated component.

In 2018, the Department began allocating low voltage transmission variable costs through V-PAT383. The 2022 variable V-PAT383 factors were as follows:

Table PWR.2a – 2022 V-PAT383

Variable Reach	Pumping Plant Name	Percentage of low voltage Power Costs Allocated
NBA-R1	Barker Slough	10.70%
NBA-R3A	Cordelia-Benicia and Cordelia-Vallejo	5.88%
NBA-R3B	Cordelia-Napa	8.56%
SBA-R5	Del Valle	1.02%
CA-R29A	Oso	4.82%
CB1-R31A	Las Perillas and Badger Hill	30.19%
CB2-R33A	Devil's Den, Bluestone and Polonio	38.83%
	Total	100.00%

Station service costs are charges incidental to the O&M of a pumping plant. As minimum costs, they do not include any pumping charges. Station service costs are calculated for each plant by multiplying the power mill rate (the present worth value of annual charges less generation credits, divided by the present worth value of generation) by station service energy which is determined using energy measurements taken while plant pumps were idle. Station service costs determined as described above are reclassified out of variable power costs. We observed that the M-PAT401 2022 PAFs were not properly updated in CAB. Upon our inquiries to the Department, the 2022 minimum M-PAT401 factors were corrected to agree to the PALPOC as follows:

Table PWR.2b – 2022 M-PAT401

Variable Reach	Pumping Plant Name	Station Service (Minimum)	Percentage of Station Service Allocated
NBA-R1	Barker Slough	\$ 29,855	1.09%
NBA-R3A	Cordelia-Benicia and Cordelia-Vallejo	21,513	0.78%
NBA-R3B	Cordelia-Napa	4,356	0.16%
SBA-R1	South Bay	37,281	1.36%
SBA-R5	Del Valle	9,356	0.34%
CA-R1	Banks	298,034	10.85%
CA-R3A	Gianelli (San Luis)	409,805	14.91%
CA-R4	Dos Amigos	372,525	13.56%
CA-R14A	Buena Vista	148,981	5.42%
CA-R15A	Wheeler Ridge	111,772	4.07%
CA-R16A	Wind Gap	148,981	5.42%
CA-R17E	Edmonston	372,525	13.56%
CA-R19	Alamo	37,387	1.36%
CA-R22B	Pearblossom	186,821	6.80%
CA-R23	Mojave	42,391	1.54%
EBX-R1	Devil Canyon	157,586	5.74%
CA-R29A	Oso	75,236	2.74%

Table PWR.2b – 2022 M-PAT401 (continued)

Variable Reach	Pumping Plant Name	Station Service (Minimum)	Percentage of Station Service Allocated
CA-R29H	Warne	\$ 84,718	3.08%
CB1-R31A	Las Perillas and Badger Hill	74,562	2.71%
CB2-R33A	Devil's Den, Bluestone, and Polonio	28,067	1.02%
EBX-R2B	Greenspot	49,816	1.81%
EBX-R3A	Crafton Hills	17,212	0.63%
EBX-R4B	Cherry Valley	8,364	0.30%
EBX-R2E	Citrus	20,566	0.75%
	Total	\$ 2,747,710	100.00%

Finding AUD-000627	
Finding:	M-PAT401 PAFs calculated in the 2022 PALPOC were not updated within CAB.
Dollar Amount:	\$2,708,556
Type:	Reallocation of costs among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should update the 2022 M-PAT401 PAFs in CAB to allocate the station service credits properly.
Department Response:	The Department updated the 2022 M-PAT401 PAFs in CAB to allocate the station service credits properly.

While performing our procedures related to the PALPOC, we observed that the PAFs for M-PAT401 per the PALPOC did not agree to CAB. To correct this, the Department updated the 2022 M-PAT401 PAFs in CAB to align with what was calculated within the PALPOC. The following table summarizes the changes in allocations related to station service by Contractor:

Table PWR.2c – Impact of Finding AUD-000627

Contractor	Current Allocation	Adjusted Allocation	Total (Decrease)/ Increase in Charges
Alameda County Water District	\$ 15,011	\$ 13,919	\$ (1,092)
Alameda County FC and WCD Zone 7	42,708	39,601	(3,107)
Antelope Valley-East Kern Water Agency	81,268	78,872	(2,396)
Santa Clarita Valley Water Agency	71,347	66,506	(4,841)
Coachella Valley Water District	115,574	129,947	14,373
Crestline-Lake Arrowhead Water Agency	5,010	4,992	(18)
Desert Water Agency	46,773	47,485	712

Table PWR.2c – Impact of Finding AUD-000627 (continued)

Contractor	Current Allocation	Adjusted Allocation	Total (Decrease)/ Increase in Charges
DRWD	\$ 13,549	\$ 12,563	\$ (986)
Empire West Side Irrigation District	924	857	(67)
Future San Joaquin	5,581	5,175	(406)
KCWA – AG	333,422	309,168	(24,254)
KCWA – M&I	37,219	34,512	(2,707)
County of Kings	2,836	2,629	(207)
Littlerock Creek Irrigation District	1,281	1,244	(37)
Mojave Water Agency	70,159	66,313	(3,846)
Metropolitan Water District of Southern CA	1,364,398	1,389,472	25,074
Napa County FC and WCD	18,639	17,283	(1,356)
Oak Flat Water District	1,058	981	(77)
Palmdale Water District	11,820	11,382	(438)
Plumas County FC and WCD	334	310	(24)
Santa Clara Valley Water District	36,038	33,417	(2,621)
San Bernardino Valley MWD	158,926	174,613	15,687
San Gabriel Valley MWD	24,996	30,506	5,510
San Geronio Pass Water Agency	49,189	50,206	1,017
San Luis Obispo County FC and WCD	17,786	16,492	(1,294)
Santa Barbara County FC and WCD	53,997	50,069	(3,928)
Solano County Water Agency	52,925	49,071	(3,854)
Tulare Lake Basin WSD	26,945	24,985	(1,960)
Ventura County Watershed Protection District	13,011	12,142	(869)
City of Yuba	1,188	1,101	(87)
County of Butte	3,402	3,155	(247)
Recreation	31,242	29,588	(1,654)
Total	\$ 2,708,556	\$ 2,708,556	\$ –

The PAT factors, outlined in Table PWR.2, were used to allocate the power costs and power sales included in CAB to the individual reaches. Table PWR.3 below shows the net power costs and revenues for 2022 allocated to each plant, as follows:

Table PWR.3 – Power Costs and Sales by Reach for 2022

Variable Reach	Pumping Plant Name	Power Costs	Power Sales	Net Power Cost (Prior to Downstream Distribution and Other Adjustments)
NBA-R1	Barker Slough	\$ 911,036	\$ (348,057)	\$ 562,979
NBA-R3A	Cord-Benicia and Cord-Vallejo	491,330	(187,196)	304,134
NBA-R3B	Cord-Napa	763,103	(293,493)	469,610
SBA-R1	South Bay	10,304,611	(4,527,708)	5,776,903
SBA-R5	Del Valle	77,691	(28,356)	49,335
CA-R1	Banks	18,377,941	(8,073,635)	10,304,306
CA-R4	Dos Amigos	6,670,203	(2,930,333)	3,739,870
CA-R14A	Buena Vista	18,516,165	(8,134,359)	10,381,806
CA-R15A	Teerink	18,764,550	(8,243,477)	10,521,073
CA-R16A	Chrisman	41,110,135	(18,060,143)	23,049,992
CA-R17E	Edmonston	145,167,722	(63,773,808)	81,393,914
CA-R22B	Pearblossom	9,767,903	(4,291,149)	5,476,754
CA-R29A	Oso	13,285,056	(5,812,745)	7,472,311
CB1-R31A	Las Perillas and Badger Hill	2,587,993	(989,695)	1,598,298
CB2-R33A	Devil's Den	3,447,141	(1,324,995)	2,122,146
EBX-R2B	Greenspot	6,315	(2,774)	3,541
EBX-R3A	Crafton Hills	739,380	(324,818)	414,562
EBX-R4B	Cherry Valley	37,281	(16,378)	20,903
EBX-R2E	Citrus	968,132	(425,311)	542,821
	Total	\$ 291,993,688	\$ (127,788,430)	\$ 164,205,258

CA-R3A	Gianelli	\$ 6,945,715	\$ (2,578,391)	\$ 4,367,324 <sup>3</sup>
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Once transmission costs by plant have been determined, net system power costs, along with several other items, are posted to arrive at costs allocated to each variable reach. Additional items include the following:

1. Delta Fish Loss Charges – Annual variable fish loss charges are only included at Banks Pumping Plant. For calendar year 2022, the variable annual Delta Fish Agreement costs included in Banks Pumping Plant totaled \$3,006,322.
2. VORG Credits – These adjustments represent a reclassification of costs from power-generating facilities to system costs, which are then allocated to all pumping facilities based on the PAT.

<sup>3</sup> All costs associated with the Gianelli plant are reclassified to the DWC and, as such, those costs are not billed through the variable calculated component.

VORG adjustments are a credit to the power generation reaches and result in an increase in costs to the other reaches that are allocated based on the PAT. VORG credits allow the reaches which generate power to receive the cost benefits (i.e., generation reaches have negative variable costs that usually equal the amount of the VORG credit), while the costs of the generation facilities are billed to the entire project, rather than those Contractors south of the generation reaches. Therefore, the VORG adjustments, in total, net to zero, when considering the variable transportation component as a whole. These adjustments are used as a method to reallocate costs to reaches that use energy, rather than to reaches that produce energy. The actual costs associated with generation facilities are billed to the capital and minimum components of the Contractors' SOC.

3. Peaking Capacity Credits – These credits are received at Castaic Pumping Plant for power generation, and totaled \$490,707 in 2022. These credits are part of a fixed schedule of payments related to the Cooperative Development West Branch CA project, under which the Los Angeles Department of Water and Power (LADWP) constructed the power generation facilities at Castaic Pumping Plant. These credits are payable to the DWR by LADWP, and compensate DWR for the peaking capacity forgone by DWR not constructing its own power generation plant.

The net power costs and sales in Table PWR.3, in addition to the adjustments described above, comprise the amounts reported in Bulletin 132-23, Table B-3, *Power Cost and Credits, Transmission Costs and Annual Replacement Deposits for Each Aqueduct Pumping and Power Recovery Plant*. Table B-3 includes all Pumping and Power Recovery Plants. Gianelli is excluded from Table B-3 as it is considered a conservation facility rather than a transportation facility, and all costs associated with Gianelli are reclassified and billed through the DWC. As part of our procedures, we reconciled the data within CAB to Bulletin 132-23, Table B-3, observing no variances. Table PWR.4 on the following page summarizes the reconciliation of amounts included in CAB and compares the total to Bulletin 132-23, Table B-3.

Table PWR.4 – Reconciliation of CAB to Bulletin 132-23, Table B-3 for 2022

Variable Reach	Name of Variable Reach	Net Power Costs and Sales from Table PWR.3 <sup>4</sup>	Delta Fish Agreement and Excess Peaking Capacity	VORG Credits	Total	Bulletin 132-23, Table B-3	Variance
NBA-R1	Barker Slough	\$ 562,979	\$ –	\$ –	\$ 562,979	\$ 562,979	\$ –
NBA-R3A	Cord-Benicia and Cord-Vallejo	304,134	–	–	304,134	304,134	–
NBA-R3B	Cord-Napa	469,610	–	–	469,610	469,610	–
SBA-R1/R5	South Bay/Del Valle	5,826,240	–	–	5,826,240	5,826,240	–
CA-R1	Banks	10,304,306	3,006,322	–	13,310,628	13,310,628	–
CA-R4	Dos Amigos	3,739,870	–	–	3,739,870	3,739,870	–
CA-R14a	Buena Vista	10,381,806	–	–	10,381,806	10,381,806	–
CA-R15a	Teerink	10,521,073	–	–	10,521,073	10,521,073	–
CA-R16a	Chrisman	23,049,992	–	–	23,049,992	23,049,992	–
CA-R17e	Edmonston	81,393,914	–	–	81,393,914	81,393,914	–
CA-R18A	Alamo	–	–	(1,755,595)	(1,755,595)	(1,755,595)	–
CA-R22B	Pearblossom	5,476,754	–	–	5,476,754	5,476,754	–
CA-R23	Mojave	–	–	(1,296,927)	(1,296,927)	(1,296,927)	–
CA-R26A	Devil Canyon	–	–	(2,996,722)	(2,996,722)	(2,996,722)	–
CA-R29A	Oso	7,472,311	–	–	7,472,311	7,472,311	–
CA-R29G	Warne	–	–	(5,462,116)	(5,462,116)	(5,462,116)	–
CA-R29J	Castaic	–	(490,707)	(8,955,450)	(9,446,157)	(9,446,157)	–
CB1-R31A	Las Perillas and Badger Hill	1,598,298	–	–	1,598,298	1,598,298	–
CB2-R33A	Devil's Den	2,122,146	–	–	2,122,146	2,122,146	–
EBX-R2B	Greenspot	3,541	–	–	3,541	3,541	–
EBX-R3A	Crafton Hills	414,562	–	–	414,562	414,562	–
EBX-R4B	Cherry Valley	20,903	–	–	20,903	20,903	–
VEBX-R2E	Citrus	542,821	–	–	542,821	542,821	–
	Total	\$ 164,205,260	\$ 2,515,615	\$ (20,466,810)	\$ 146,254,065	\$ 146,254,065	\$ –

<sup>4</sup> Does not include power costs for Gianelli Pumping Plant as it is a conservation facility.

VORG credits are set at \$25 per MWh for Gianelli Generating Plant, the Warne Power Plant, the Castaic Generating Plant, and the Devil Canyon Power Plant. VORG credits for the Alamo and Mojave Siphon power plants are calculated annually, based on the annual costs of the generation plants. The 2022 mill rates used for the Alamo and Mojave Siphon Power Plants were \$153.63 per MWh and \$189.85 per MWh, respectively. The current-year procedures performed over the VORG calculations included recalculating the VORG credits reported in the 2022 PALPOC. This calculation is based on the mill rates and MWh of the power sales by plant provided by the Department and comparing them to the VORG postings in CAB.

While performing our procedures related to the PALPOC, we observed that \$63,287,782 was added to variable power costs related to the Hyatt-Thermalito facilities. These costs represent the amounts identified by the Department related to the Hyatt-Thermalito facilities that are to be recovered through the transportation variable component, as the Hyatt-Thermalito facilities are variable in nature. These amounts include costs related to debt service, O&M, FERC relicensing, and other miscellaneous minimum costs. Variable power revenues for all pumping and generating facilities, including Hyatt-Thermalito facilities, are captured through CAISO invoices, which are charged directly to the transportation variable component. The following table summarizes the costs related to Hyatt-Thermalito facilities that are recovered through the transportation variable component:

Table PWR.5 – Hyatt-Thermalito Facilities Costs Recovered Through Transportation Variable Component in 2022

Costs	Increase in Variable Power Costs	2022 Credit to DWC	Net Effect
Hyatt-Thermalito Debt Service	\$ 14,650,000		
Hyatt-Thermalito (Refurbishment on units 2, 4, and 6) Debt Service	\$ 1,258,422		
Thermalito Power Plant Clean-Up and Recovery Debt Service	\$ 19,869,682		
FERC P2100	\$ 521,633		
2014 H-T Move	\$ 254,022		
Thermalito Diversion Dam Powerplant Value of Power	\$ 777,458		
Total Capital Costs	\$ 37,331,217	\$ 37,331,217	\$ –
Total Minimum Costs	\$ 25,956,565	\$ 25,956,565	\$ –
Total Capital and Minimum	\$ 63,287,782	\$ 63,287,782	\$ –

## Delta Water Charge

### *Procedures Performed*

We performed the following procedures over the DWC presented in the 2024 SOC:

- Obtained the DWC calculation CAB workflow and assessed which cost centers were being included in the calculation.
- Obtained the Present Value (PV) table from the CAB workflow used in the DWC calculation and recalculated the factors.
- Compared costs in CAB to the amounts used in the Department's calculation included in the SOC for prior-year actual costs. Investigated differences between the costs in CAB and the costs used in the calculation.
- Obtained an understanding of the process of calculating minimum and capital future estimates based on budgets.
- Obtained an understanding of the process of submission of budgets to SWPAO for minimum and capital future estimates.
- Obtained an understanding of incremental costs included in the Delta Facilities Cost Center in the DWC.
- Recalculated the Delta Water Rate based on procedures performed and compared to the rate used in the SOC.
- Assessed the Hyatt-Thermalito facilities credit to the DWC.
- Reconciled the Hyatt-Thermalito credit to the system power cost's adjustment.

### *Findings and Recommendations*

The DWC is a PV calculation of costs, payments, and remaining Table A water to be delivered. This calculation is used to develop a cost per acre feet (AF), applied to each Contractor's Table A for the respective year (collectively, the Delta Water Rate). We obtained the CAB workflow of the DWC calculation from the Department and observed the specific cost centers used in the calculation. The primary cost centers used are related to Oroville, Delta, CA, and San Luis. We used these cost centers to perform our detailed procedures in the current year.

During the 2024 SOC year, the DWC calculation is now calculated for FreezeGo (FZ) and PayGo (PG). FreezeGo pertains to past charges through December 31, 2023 that will be collected through 2035. PayGo pertains to the contract amendment and has a billing transition date of January 1, 2024. The PayGo DWC calculation consists of planned minimum costs for the year. Starting with the 2025 SOC year, there will be a true-up of estimates to actuals for the PayGo DWC calculation.

The current year DWC capital charges included in the 2024 SOC, by facility, were as follows:

Table DWC.1 – FreezeGo Capital Conservation Facility Charges

Facility Conservation Costs from 1952–2023	PV Amount
Oroville Division	\$ 7,709,082,642
Delta Facilities	2,239,445,363
California Aqueduct and San Luis	2,265,892,206
Planning and Pre-operation	343,204,953
Additional Conservation Facilities	26,529,648
Hyatt-Thermalito Credit (Oroville Power)	(4,107,303,530)
Capital Cost Settlements (Credits)	(165,136,960)
Contractor Revenues	(6,821,911,671)
Total PV of Net Costs (a)	\$ 1,489,802,651
PV of Water Deliveries (b)	37,876,349
2024 SOC FZ Capital Delta Water Rate = (a)/(b)	\$ 39.33

Finding AUD-000628	
Finding:	Commercial Paper (CP) interest was included in the DWC calculation. CP interest should not impact the Delta Water Rate.
Dollar Amount:	\$10,698,567 (PV \$12,080,016)
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should adjust the DWC calculation to exclude CP interest related to Oroville Emergency Response and Recovery.
Department Response:	The Department will correct this as part of the 2025 SOC.

When performing procedures over the Capital DWC calculation, we observed that the commercial paper interest related to Oroville Emergency Response and Recovery was included in error. The Department should adjust the DWC calculation to exclude CP interest related to Oroville Emergency Response and Recovery.

Table DWC.1a – FreezeGo Capital Conservation Facility Charges after correcting Finding AUD-000628

Facility Conservation Costs from 1952–2023	PV Amount
Oroville Division	\$ 7,697,002,627
Delta Facilities	2,239,445,363
California Aqueduct and San Luis	2,265,892,206
Planning and Pre-operation	343,204,953
Additional Conservation Facilities	26,529,648
Hyatt-Thermalito Credit (Oroville Power)	(4,107,303,530)
Capital Cost Settlements (Credits)	(165,136,960)
Contractor Revenues	(6,821,911,671)
Total PV of Net Costs (a)	\$ 1,477,722,636
PV of Water Deliveries (b)	37,876,349
2024 SOC FZ Capital Delta Water Rate = (a)/(b)	\$ 39.01

Table DWC.2 – Impact of Finding AUD-000628

Contractor	Decrease in Charges
Alameda County FC and WCD, Zone 7	\$ 233,388
Alameda County Water District	121,588
Antelope Valley-East Kern Water Agency	419,316
County of Butte	79,611
Santa Clarita Valley Water Agency	275,599
Coachella Valley Water District	400,517
Crestline-Lake Arrowhead Water Agency	16,791
Desert Water Agency	161,394
DRWD	119,706
Empire West Side Irrigation District	8,685
KCWA – AG	2,455,296
KCWA – M&I	389,661
County of Kings	26,938
Littlerock Creek Irrigation District	6,658
Metropolitan Water District of Southern CA	5,533,701
Mojave Water Agency	259,967
Napa County FC and WCD	84,026
Oak Flat Water District	16,501
Palmdale Water District	61,662
Plumas County FC and WCD	7,816

Table DWC.2 – Impact of Finding AUD-000628 (continued)

Contractor	Decrease in Charges
San Bernardino Valley MWD	\$ 297,022
San Gabriel Valley MWD	83,375
San Geronio Pass Water Agency	50,083
San Luis Obispo County FC and WCD	72,374
Santa Barbara County FC and WCD	131,680
Santa Clara Valley Water District	289,495
Solano County Water Agency	138,251
Tulare Lake Basin WSD	253,224
Ventura County Watershed Protection District	57,899
City of Yuba	27,792
Total	\$ 12,080,016

The current year DWC minimum charges included in the 2024 SOC, by facility, were as follows:

Table DWC.3 – FreezeGo Minimum Conservation Facility Charges

Facility Conservation Costs from 1952–2023	PV Amount
Oroville Division	\$ 4,082,947,890
Delta Facilities	2,751,098,470
California Aqueduct and San Luis	1,847,529,027
45,000 AF Relinquished Costs	35,602,733
Hyatt-Thermalito Credit (Oroville Power)	(1,660,012,419)
Contractor Revenues	(7,024,089,453)
Total PV of Net Costs (a)	\$ 33,076,248
PV of Water Deliveries (b)	37,876,248
2024 SOC FZ Minimum Delta Water Rate = (a)/(b)	\$ 0.87

Table DWC.4 – PayGo Minimum Conservation Facility Charges

Facility Conservation Costs planned for 2024	Amount
Oroville Division	\$ 95,913,496
Delta Facilities	115,186,056
California Aqueduct and San Luis	34,213,633
45,000 AF Relinquished Costs	1,360,960
Hyatt-Thermalito Credit (Oroville Power)	(32,819,622)
Total Net Costs (a)	\$ 213,854,523
Water Deliveries (b)	4,172,786
2024 SOC PG Minimum Delta Water Rate = (a)/(b)	\$ 51.25

As of the 2024 SOC, there was a transition from UCABS (the legacy billing system) to CAB (new billing system). CAB is an SAP module with enhanced capabilities which reduce the burden of many manual calculations previously impacting various billing components. The DWC calculation is now calculated within CAB with some manual aspects to the process. The manual aspects of the calculation are discussed in the next section.

Included in the DWC calculation were manual and system calculated adjustments that the Department entered into CAB. We investigated these manual adjustments for all historic year costs (1952–2022) impacting the FreezeGo DWC calculation. We observed the following items:

- Additional Conservation Facilities Costs included in the capital and minimum DWC were adjusted for relinquished capacity costs. Relinquished capacity is related to the 45,000 AF relinquished by KCWA and DRWD per the Monterey Amendment. This credit is calculated for years 1996–2035. These charges are reclassified from the minimum transportation components of KCWA – Ag and DRWD, to the DWC, and allocated among all Contractors, based on maximum contractual Table A amounts found in Bulletin 132-23, Table B-4, *Maximum Contractual Table A Amounts*. The relinquished capacity costs are now calculated within CAB.
- Delta Facilities Costs included in the minimum DWC were reduced for years 2007–2012 related to the BDCP costs. The BDCP costs are costs used in the initial planning phases of the Delta Conveyance. These costs are transferred out of the calculation and included in the transportation minimum component. Refer to the SOC subsection for additional details regarding the manual adjustment for the BDCP costs. These manual adjustments are flowing through CAB.
- Delta Facilities Costs included in the minimum DWC were reduced for years 2014, 2016, 2017, 2018, 2019, and 2020 related to water purchase programs (Oakdale Irrigation District, South San Joaquin Irrigation District, and Change of Point of Delivery costs). The water purchase programs had costs that were incurred in 2013, 2016, 2017, 2018, 2019, and 2020, and were subsequently recovered from the Contractors using Table A as a separate line item in the SOC. As such, the revenues, including interest charged, associated with this project are excluded from the DWC calculation. These manual adjustments are flowing through CAB.

- Oroville Costs included in the capital and minimum DWC were adjusted for 2017, 2018, 2019, 2020, 2021, and 2022 as a result of the Oroville spillway project costs. The Department has calculated the actual Federal Emergency Management Agency (FEMA) reimbursable costs for the years 2017–2022 and estimated FEMA reimbursable incident costs for future years to calculate the SWP portion of costs which is used in determining the amount of bonded costs. The Department billed the Contractors for the SWP portion of Recovery and Response costs that are not reimbursable by FEMA (bonded costs). As such, the Department has made manual adjustments to reflect 2017, 2018, 2019, 2020, 2021, and 2022 Oroville Costs. These manual adjustments are flowing through CAB.

Based on our understanding from previous years, and inquiries of the Department in the current year, these adjustments are in line with our understanding of the project.

Using the budgets submitted from the Department managers, the Department allocated costs using the alpha allocation cycles to specific reaches. These alpha allocation cycles are updated annually in CAB. Based on these allocations to each reach by each program, the Department calculated a subtotal by reach. The Department then isolated the reaches that apply to DWC by excluding all reaches that are related to transportation. These totals are added together for each section (O&M, baseline, and extraordinary) to create a total by reach for each year. The Department then multiplied these totals by the Project Purpose Cost Allocation Factors, from Table 2 of the Department's annual Bulletin 132. This created a subtotal minimum cost amount per reach. The Department grouped the reaches appropriately to create totals for each cost center group. This process created the future minimum estimates by cost center group for years 2023–2024. The 2023 estimates are used for the 2024 SOC FreezeGo minimum DWC calculation and the 2024 estimates are used for the 2024 SOC PayGo minimum DWC calculation. Years past 2024 are excluded from the minimum DWC calculation due to the contract extension amendment that has a billing transition date of January 1, 2024. Future cost projections will not be recovered using the same billing methodologies.

The conservation capital future estimates were calculated based on budgets received by SWP divisions for the following capital cost center groups: Oroville, Delta, CA-R1, CA-R2A, CA-R2B, San Luis, and CA-R3. SWPAO receives budgets by reach from each division. These budgets were determined by program managers, and only include capital costs. The costs were summarized by reach, based on the cost center group to which the reach related, resulting in the total future estimate for that cost center group.

The conservation capital future estimates also included the cost center group Oroville power revenues (conservation capital Hyatt-Thermalito credit). Oroville power revenues were estimated separately from the budget process. Conservation capital future estimates were calculated using the annual bond payment for the Hyatt-Thermalito facilities, additional Hyatt refurbishment costs related to debt issuances for capital improvements, Thermalito Power Plant clean-up and recovery costs, Hyatt-Thermalito cost movement, and FERC relicensing recovery, that are to be paid through the transportation variable component.

The 2023 estimates are used for the 2024 SOC FreezeGo capital DWC calculation. Years past 2023 are excluded from the capital DWC calculation due to the contract extension amendment that has a billing transition date of January 1, 2024. Conservation capital costs for calendar year 2024 and forward will not be included within the Statement of Charges until bonds are issued. Future cost projections will not be recovered using the same billing methodologies.

The PV of each cost center group was determined and summed to calculate the Delta Water Rate. This was reflected in Bulletin 132-23, Table B-20A FZ, *Calculation of Delta Water Rates - FREEZE*, Table B-20B FZ, *Delta Water Rates by Facility - FREEZE*, and Table B-20B PG-MIN, *Minimum Delta Water Rates by Facility - PAYGO*. The Delta Water Rate was then multiplied by the Contractor's maximum contractual Table A amounts (i.e., AF). The resulting amount for each Contractor is the DWC, which is reflected in Bulletin 132-23, Table B-21 FZ, *Total Delta Water Charge for Each Contractor - FREEZE*, and Table B-21 PG, *Total Delta Water Charge for Each Contractor - PAYGO*.

## Statement of Charges

### *Procedures Performed*

We performed the following detailed procedures on the 2024 SOC:

- Agreed all amounts on the summary pages to applicable detail pages of the SOC.
- Agreed the sum of the capital and minimum components of the Delta Water Rate (per Invoice 1-T Combined) to Bulletin 132-23, Table B-21 FZ, *Total Delta Water Charge for Each Contractor – FREEZE*, and Table B-21 PG, *Total Delta Water Charge for Each Contractor – PAYGO*.
- Assessed the extension of the capital and minimum DWC by multiplying the respective rates in Table B-20A FZ, *Calculation of Delta Water Rates – FREEZE*, and Table B-20B PG-MIN, *Minimum Delta Water Rates by Facility – PAYGO*, by the annual maximum contractual amounts for the current year in Bulletin 132-23, Table B-4, *Maximum Contractual Table A Amounts*.
- Determined whether the calculation of Bulletin 132-23, Table B-4, *Maximum Contractual Table A Amounts*, multiplied by Bulletin 132-23, Table B-20A FZ, *Calculation of Delta Water Rates – FREEZE*, and Table B-20B PG-MIN, *Minimum Delta Water Rates by Facility – PAYGO*, equal Attachment 3-FZ and 3-PG of the SOC.
- For Attachments 4A-FZ, 4B-FZ, and 4C-FZ, performed the following steps:
  1. Agreed the calculated components and payments received to the prior year SOC.
  2. Assessed the current overpayment or underpayment for each Contractor and subtracted payments received from the calculated component.
  3. Assessed the annual difference capitalized by multiplying the current overpayment or underpayment by the respective PV factor for each Contractor.
  4. Assessed that the adjusted component is the sum of the 2024 calculated component and the total of the annual difference capitalized.
- Agreed the capital costs in Attachment 3-FZ, which are used to calculate the capital components in Attachment 4A-FZ, to CAB for years 2018-2022 and confirmed the capital-calculated components per Attachment 4A-FZ agreed to Bulletin 132-23, Table B-15 FZ, *Capital Cost Component of Transportation Charge for Each Contractor – FREEZE*.
- Agreed the minimum calculated components per Attachment 4B-FZ to CAB for the years 2018-2022 and confirmed the minimum calculated components per Attachment 4B-FZ and 4B-PG agreed to Bulletin 132-23, Table B-16A, *Minimum OMP&R Component of Transportation Charge for Each Contractor*.
- Agreed the variable calculated components per Attachment 4C-FZ to CAB for years 2018-2022, agreed the "Annual Water Quantities Delivered" per Attachment 4C-FZ and 4C-PG to Table B-5B, *Annual Water Quantities Delivered to Each Contractor*, and confirmed the variable calculated component per Attachment 4C-FZ and 4C-PG agreed to Bulletin 132-23, Table B-18, *Variable OMP&R Component of Transportation Charge for Each Contractor*.

- Performed the following steps for Attachment 4D-FZ (amortization of the transportation capital component):
  1. Agreed the capital component amounts with the amounts from the detailed procedures at Attachment 4A-FZ.
  2. Recalculated the unit rate for amortizing the difference by dividing the capital cost component by the remaining water deliveries.
  3. Recalculated the 2024 amortization by multiplying the unit rate calculated above by the 2024 deliveries.
- Performed the following steps for Attachment 4E (adjustments of capital component of East Branch Enlargement (EBE) transportation charges) and Attachment 4F (adjustments of minimum OMP&R cost component of EBE transportation charges) for applicable Contractors:
  1. Agreed the calculated components and payments received to the prior year SOC.
  2. Assessed the “current overpayment or underpayment” for each Contractor and subtracted payments received from the calculated component.
  3. Agreed the calculated component per Attachment 4E and Attachment 4F to Bulletin 132-23, Table B-29, *Capital Cost Component of EBE Facilities Transportation Charge for Each Contractor*, and Table B-30, *Minimum OMP&R Component of EBE Facilities Transportation Charge for Each Contractor*.
  4. Assessed the annual differences capitalized by multiplying the current overpayments or underpayments by the respective compounding Surplus Money Investment Fund rate.
  5. Assessed the adjusted component is the sum of the 2024 calculated component and the total of the annual difference capitalized.
  6. Agreed the adjusted component from Attachment 4E to Invoice 1-3-FZ of the SOC.
  7. Agreed minimum calculated components per Attachment 4F to the most recent year of actuals (2022) with actual data from CAB.
- Agreed the AF, calculated component, and annual difference capitalized from Attachment 5 to the detailed procedures at Attachment 4C-FZ and 4C-PG.
- Agreed the Municipal Water Quality Inspection (MWQI) Program costs included in Attachment 8 to CAB for 2018–2022.
- Agreed the unit charge to the cumulative unit rate per Bulletin 132-23, Table B-17, *Unit Variable OMP&R Component of Transportation Charge*.
- Assessed the BDCP charges added to the Contractors’ minimum components by recalculating the amounts based on Bulletin 132-23, Table B-4, *Maximum Contractual Table A Amounts*, and funding agreements as appropriate.
- Compared the current year SOC Attachments to the prior year SOC Attachments for Attachments 4A-FZ, 4B-FZ, and 4C-FZ. Investigated and obtained support for changes in 2021 and prior years.
- Determined whether manual adjustments had been made to the transportation capital, minimum, and variable costs in CAB to prepare the SOC.

- Assessed the 2022 Coastal reallocation of minimum charges that are manually added to the Contractors' minimum transportation components by recalculating the amounts using the total CB costs by reach in CAB, M-FAD908 alpha allocation cycle, minimum PUFFs in Bulletin 132-23, Table B-2, *Factors for Distributing Reach Minimum OMP&R Costs Among Contractors*, and Table B-4, *Maximum Contractual Table A Amounts*.
- Agreed Bulletin 132-23, Table B-1, *Factors for Distributing Reach Capital Costs Among Contractors*, and Table B-2, *Factors for Distributing Reach Minimum OMP&R Costs Among Contractors* to CAB for 2024.
- Assessed a sample of 64 invoices (29 transportation minimum and 35 transportation capital) that were charged to the Contractors' transportation minimum and transportation capital in 2022 for the following attributes:
  1. We assessed whether they were properly classified as direct or indirect (through an alpha allocation cycle) to reach.
  2. For invoices charged direct to reach, we assessed whether they were properly assigned to the reach.
  3. For invoices charged to multiple reaches, we assessed whether they were allocated to a statewide or field division alpha allocation cycle.
  4. We assessed whether the invoice amount charged in PR5 reconciled to CAB.
  5. We assessed whether the invoice was recovered through the transportation minimum or the capital cost component.

#### *Findings and Recommendations*

As of the 2024 SOC, there was a transition from UCABS (the legacy billing system) to CAB (new billing system). CAB is an SAP module with enhanced capabilities which reduce the burden of many manual calculations previously impacting various billing components. The SOC attachments are now calculated and maintained in CAB. Additionally, several of the manual adjustments are now automated in the system or are manually entered into the system.

We compared the transportation capital component in the 2024 SOC to the 2023 SOC for years 2021 and prior. The capital calculated component within Attachment 4A-FZ of the 2024 SOC agreed to the 2023 SOC within \$100K.

We compared the transportation minimum component in the 2024 SOC to the 2023 SOC for years 2021 and prior. The minimum calculated component within Attachment 4B-FZ of the 2024 SOC was different from the 2023 SOC based on the following: (1) updating previously estimated costs to actuals; (2) costs movements as a result of adjusting for prior findings identified; and (3) downstream cost corrections resulting in a change in the calculated component by year.

We compared the transportation variable component in the 2024 SOC to the 2023 SOC for years 2021 and prior. The variable calculated component within Attachment 4C-FZ of the 2024 SOC was different from the 2023 SOC for the following Contractors and years:

Table SOC.1 – Attachment 4C-FZ

Contractor	Year	2023 SOC Attachment 4C	2024 SOC Attachment 4C	Change Increase/ (Decrease)
Antelope Valley – East Kern Water Agency	2021	\$ 5,773,866	\$ 5,480,637	\$ (293,229)
KCWA – Ag	2021	\$ 10,316,713	\$ 10,062,921	\$ (253,792)

The changes in costs for the Contractors in 2021 primarily relate to changes in the variable component for the most recent years resulting from the update of estimated to actual costs. These updates were related to power revenue, high voltage, and transmission updates.

We agreed the calculated component in Attachment 4A-FZ to Bulletin 132-23, Table B-15 FZ, *Capital Cost Component of Transportation Charge for Each Contractor – FREEZE*. Additionally, we agreed the capital costs included in SOC Attachment 3-FZ used to calculate the capital components in SOC Attachment 4A-FZ, to CAB for 2018-2022. We observed that system calculated adjustments had been made to the transportation capital costs in CAB to determine the transportation capital component displayed on SOC Attachment 4A.

No manual adjustments to the transportation capital calculated outside CAB occurred for Antelope Valley-East Kern Water Agency, as such, the following table shows the reconciliation between the SOC and CAB:

Table SOC.2 – Antelope Valley-East Kern Water Agency

Year	2024 SOC	CAB	Difference
2018	\$ 1,187,353	\$ 1,187,353	\$ –
2019	\$ 1,009,840	\$ 1,009,840	\$ –
2020	\$ 1,366,975	\$ 1,366,975	\$ –
2021	\$ 2,311,347	\$ 2,311,347	\$ –
2022	\$ 1,576,963	\$ 1,576,963	\$ –

The system calculated adjustments to the transportation capital calculated within CAB relate to relinquished capacity for KWCA – Ag, as follows:

Table SOC.3 – KCWA – Ag

Year	2024 SOC	CAB	Difference	Relinquished Capacity	Remaining Difference
2018	\$ 6,213,692	\$ 5,714,694	\$ (498,998)	\$ 498,998	\$ –
2019	\$ 4,819,324	\$ 4,424,970	\$ (394,354)	\$ 394,354	\$ –
2020	\$ 7,427,013	\$ 6,846,957	\$ (580,056)	\$ 580,056	\$ –
2021	\$ 13,112,155	\$ 11,996,221	\$ (1,115,934)	\$ 1,115,934	\$ –
2022	\$ 6,576,451	\$ 5,296,507	\$ (1,279,944)	\$ 1,279,944	\$ –

No manual adjustments to the transportation capital calculated outside CAB occurred for KCWA – M&I, as such, the following table shows the reconciliation between the SOC and CAB:

Table SOC.4 – KCWA – M&I

Year	2024 SOC	CAB	Difference
2018	\$ 594,802	\$ 594,802	\$ –
2019	\$ 483,858	\$ 483,858	\$ –
2020	\$ 739,832	\$ 739,832	\$ –
2021	\$ 1,387,167	\$ 1,387,167	\$ –
2022	\$ 676,652	\$ 676,652	\$ –

No manual adjustments to the transportation capital calculated outside CAB occurred for KCWA – Ag to M&I, as such, the following table shows the reconciliation between the SOC and CAB:

Table SOC.5 – KCWA – Ag to M&I

Year	2024 SOC	CAB	Difference
2018	\$ 89,568	\$ 89,568	\$ –
2019	\$ 72,509	\$ 72,509	\$ –
2020	\$ 109,186	\$ 109,186	\$ –
2021	\$ 207,113	\$ 207,113	\$ –
2022	\$ 93,749	\$ 93,749	\$ –

No manual adjustments to the transportation capital calculated outside CAB occurred for Napa County FC & WCD, as such, the following table shows the reconciliation between the SOC and CAB:

Table SOC.6 – Napa County FC & WCD

Year	2024 SOC	CAB	Difference
2018	\$ 61,814	\$ 61,814	\$ –
2019	\$ 67,300	\$ 67,300	\$ –
2020	\$ 359,841	\$ 359,841	\$ –
2021	\$ 937,638	\$ 937,638	\$ –
2022	\$ 389,325	\$ 389,325	\$ –

No manual adjustments to the transportation capital calculated outside CAB occurred for San Gabriel Valley MWD, as such, the following table shows the reconciliation between the SOC and CAB:

Table SOC.7 – San Gabriel Valley MWD

Year	2024 SOC	CAB	Difference
2018	\$ 436,310	\$ 436,310	\$ –
2019	\$ 472,827	\$ 472,827	\$ –
2020	\$ 942,925	\$ 942,925	\$ –
2021	\$ 1,314,343	\$ 1,314,343	\$ –
2022	\$ 788,646	\$ 788,646	\$ –

No manual adjustments to the transportation capital calculated outside CAB occurred for San Luis Obispo FC & WCD, as such, the following table shows the reconciliation between the SOC and CAB:

Table SOC.8 – San Luis Obispo FC & WCD

Year	2024 SOC	CAB	Difference
2018	\$ 344,231	\$ 344,231	\$ –
2019	\$ 293,031	\$ 293,031	\$ –
2020	\$ 484,567	\$ 484,567	\$ –
2021	\$ 605,026	\$ 605,026	\$ –
2022	\$ 599,499	\$ 599,499	\$ –

No manual adjustments to the transportation capital calculated outside CAB occurred for Santa Clara Valley Water District, as such, the following table shows the reconciliation between the SOC and CAB:

Table SOC.9 – Santa Clara Valley Water District

Year	2024 SOC	CAB	Difference
2018	\$ 1,622,619	\$ 1,622,619	\$ –
2019	\$ 1,384,635	\$ 1,384,635	\$ –
2020	\$ 1,372,576	\$ 1,372,576	\$ –
2021	\$ 3,129,607	\$ 3,129,607	\$ –
2022	\$ 2,926,184	\$ 2,926,184	\$ –

Consistent with prior year observations related to capital transportation costs, we have summarized, for informational purposes, the Tables in Bulletin 132-23 and whether or not they are reflective of permanent transfers:

- Bulletin 132-23, Table B-1, *Factors for Distributing Reach Capital Costs Among Contractors*, is not updated to reflect permanent transfers.
- Bulletin 132-23, Table B-2, *Factors for Distributing Reach Minimum OMP&R Costs Among Contractors*, is updated to reflect permanent transfers.
- Bulletin 132-23, Table B-14, *Capital Costs of Transportation Facilities Allocated to Each Contractor*, is not updated to reflect the effects of permanent water transfers.
- Bulletin 132-23, Table B-15 FZ, *Capital Cost Component of Transportation Charge for Each Contractor – FREEZE*, is updated to reflect the effects of permanent water transfers.

Recommendation AUD-000629	
Background:	Within Bulletin 132-23 Table B-1, <i>Factors for Distributing Reach Capital Costs among Contractors</i> , the SBA-R1 to SBA-R7 factors allocated to South Bay Contractors were pulling the incorrect factors from CAB. The 1952 to 2014 factors were used instead of the 2015 to 2035 factors.
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should update Table B-1 to include the correct factors. There was no impact as the factors used in SOC calculations were based on the 2015 to 2035 factors being used; however, Table B-1 should be updated to match what is used in the allocation to the Contractors.

During our procedures of agreeing Bulletin 132-23 Table B-1, *Factors for Distributing Reach Capital Costs among Contractors*, to CAB, we observed that the factors within Table B-1 for South Bay Contractors were not updated properly. There was no impact on the amounts billed to the Contractors. However, we have issued a recommendation to the Department to ensure that Table B-1 is updated to match the allocation to the Contractors.

We agreed the calculated component in Attachment 4B-FZ and 4B-PG to Bulletin 132-23, Table B-16A, *Minimum OMP&R Component of Transportation Charge for Each Contractor*, for the Contractors selected for SOC procedures. Additionally, we agreed the minimum costs included in SOC Attachment 4B-FZ to CAB for 2018-2022. We observed that manual and automated adjustments had been made to the transportation minimum costs in CAB to determine the transportation minimum component displayed on SOC Attachment 4B-FZ and 4B-PG.

The manual and automated adjustments to minimum costs included in CAB are also compared to the Contractors' minimum transportation components as displayed in Attachment 4B-FZ and 4B-PG. The manual adjustments are calculated outside of CAB and manually entered into CAB. Those adjustments relate to the Coastal reallocation. The automated adjustments are calculated within CAB and relate to relinquished capacity.

The manual and system calculated adjustments to the transportation minimum component within CAB are summarized in the tables below for the Contractors selected for SOC testing, as follows:

Table SOC.10 – Antelope Valley-East Kern Water Agency

Year	2024 SOC Attachment 4B-FZ	CAB	Difference	Coastal Reallocation	Relinquished Capacity	Remaining Difference
2018	\$ 6,423,672	\$ 6,423,672	\$ -	\$ -	\$ -	\$ -
2019	\$ 7,009,377	\$ 7,009,339	\$ (38)	\$ 38	\$ -	\$ -
2020	\$ 6,984,013	\$ 6,983,521	\$ (492)	\$ 492	\$ -	\$ -
2021	\$ 7,412,416	\$ 7,411,147	\$ (1,269)	\$ 1,269	\$ -	\$ -
2022	\$ 8,118,211	\$ 8,118,173	\$ (38)	\$ 38	\$ -	\$ -

Table SOC.11 – KCWA – Ag

Year	2024 SOC Attachment 4B-FZ	CAB	Difference	Coastal Reallocation	Relinquished Capacity	Remaining Difference
2018	\$ 18,496,265	\$ 19,329,842	\$ 833,577	\$ –	\$ (833,577)	\$ –
2019	\$ 20,779,509	\$ 21,757,865	\$ 978,356	\$ 158	\$ (978,514)	\$ –
2020	\$ 22,923,420	\$ 23,980,160	\$ 1,056,740	\$ 2,056	\$ (1,058,796)	\$ –
2021	\$ 22,949,251	\$ 23,994,980	\$ 1,045,729	\$ 5,092	\$ (1,050,821)	\$ –
2022	\$ 26,298,818	\$ 27,554,371	\$ 1,255,553	\$ 157	\$ (1,255,710)	\$ –

Table SOC.12 – KCWA – M&I

Year	2024 SOC Attachment 4B-FZ	CAB	Difference	Coastal Reallocation	Relinquished Capacity	Remaining Difference
2018	\$ 1,766,544	\$ 1,766,544	\$ –	\$ –	\$ –	\$ –
2019	\$ 2,047,824	\$ 2,047,806	\$ (18)	\$ 18	\$ –	\$ –
2020	\$ 2,251,842	\$ 2,251,614	\$ (228)	\$ 228	\$ –	\$ –
2021	\$ 2,231,738	\$ 2,231,168	\$ (570)	\$ 570	\$ –	\$ –
2022	\$ 2,596,855	\$ 2,596,837	\$ (18)	\$ 18	\$ –	\$ –

Table SOC.13 – Napa County FC & WCD

Year	2024 SOC Attachment 4B-FZ	CAB	Difference	Coastal Reallocation	Relinquished Capacity	Remaining Difference
2018	\$ 2,718,795	\$ 2,718,795	\$ –	\$ –	\$ –	\$ –
2019	\$ 2,384,976	\$ 2,384,968	\$ (8)	\$ 8	\$ –	\$ –
2020	\$ 3,258,246	\$ 3,258,096	\$ (150)	\$ 150	\$ –	\$ –
2021	\$ 4,858,891	\$ 4,858,539	\$ (352)	\$ 352	\$ –	\$ –
2022	\$ 3,080,944	\$ 3,080,936	\$ (8)	\$ 8	\$ –	\$ –

Table SOC.14 – San Gabriel Valley MWD

Year	2024 SOC Attachment 4B-FZ	CAB	Difference	Coastal Reallocation	Relinquished Capacity	Remaining Difference
2018	\$ 2,924,561	\$ 2,924,561	\$ –	\$ –	\$ –	\$ –
2019	\$ 2,957,834	\$ 2,957,818	\$ (16)	\$ 16	\$ –	\$ –
2020	\$ 3,228,507	\$ 3,228,299	\$ (208)	\$ 208	\$ –	\$ –
2021	\$ 3,240,410	\$ 3,239,883	\$ (527)	\$ 527	\$ –	\$ –
2022	\$ 3,715,696	\$ 3,715,679	\$ (17)	\$ 17	\$ –	\$ –

Table SOC.15 – San Luis Obispo FC & WCD

Year	2024 SOC Attachment 4B-FZ	CAB	Difference	Coastal Reallocation	Relinquished Capacity	Remaining Difference
2018	\$ 2,395,316	\$ 2,395,316	\$ –	\$ –	\$ –	\$ –
2019	\$ 2,049,602	\$ 2,049,591	\$ (11)	\$ 11	\$ –	\$ –
2020	\$ 2,194,587	\$ 2,194,501	\$ (86)	\$ 30	\$ –	\$ (56)
2021	\$ 2,328,367	\$ 2,327,982	\$ (385)	\$ 381	\$ –	\$ (4)
2022	\$ 2,348,575	\$ 2,348,561	\$ (14)	\$ 18	\$ –	\$ 4

Table SOC.16 – Santa Clara Valley Water District

Year	2024 SOC Attachment 4B-FZ	CAB	Difference	Coastal Reallocation	Relinquished Capacity	Remaining Difference
2018	\$ 10,132,460	\$ 10,132,460	\$ –	\$ –	\$ –	\$ –
2019	\$ 7,357,504	\$ 7,357,471	\$ (33)	\$ 33	\$ –	\$ –
2020	\$ 7,468,004	\$ 7,467,611	\$ (393)	\$ 393	\$ –	\$ –
2021	\$ 8,727,074	\$ 8,725,994	\$ (1,080)	\$ 1,080	\$ –	\$ –
2022	\$ 8,387,055	\$ 8,387,025	\$ (30)	\$ 30	\$ –	\$ –

The following provides a brief description of each manual and system calculated adjustment made to the minimum transportation component shown in Attachment 4B-FZ and 4B-PG of the SOC:

1. Coastal reallocation – From 2000–2022, Santa Barbara County FC and WCD and San Luis Obispo FC and WCD maintained CB R33B, R34, and R35. During this time, no O&M work was performed by DWR. Accordingly, all minimum costs allocated to these reaches were reallocated to other reaches maintained by DWR. The Department reallocated these costs based on the FAD908 alpha allocation cycle. The Department has stated that the current alpha allocation cycle would be used as a temporary solution until the alpha allocation cycles are standardized and updated (refer to the Alpha Allocation Cycles section of this report for further discussion). Once these costs are reallocated to the appropriate reach, they are multiplied by the PUFF stated in Bulletin 132-23, Table B-2, *Factors for Distributing Reach Minimum OMP&R Costs Among Contractors*, for the applicable year and Contractor. Additionally, the total amount that is reallocated to the Contractors is credited to Santa Barbara County FC and WCD and San Luis Obispo County FC and WCD based on the PUFF stated in Bulletin 132-23, Table B-2, *Factors for Distributing Reach Minimum OMP&R Costs Among Contractors*, for the applicable year and Contractor. The conservation reaches that alpha allocation cycle FAD908 allocate to are based on Bulletin 132-23, Table B-4, *Maximum Contractual Table A Amounts*.
2. Relinquished capacity – An automated adjustment for relinquished capacity, which represents the capacity relinquished by KCWA – Ag and DRWD and as part of the Monterey Amendment, is calculated to determine the credit amount for the two agencies’ transportation minimum charges. This credit is calculated for years 1996–2035. These charges are reclassified from the minimum transportation components of KCWA – Ag and DRWD, to the DWC, and allocated among all Contractors based

on maximum contractual Table A amounts found in Bulletin 132-23, Table B-4, *Maximum Contractual Table A Amounts*.

For Attachment 4C-FZ and 4C-PG, we agreed the calculated component to Bulletin 132-23, Table B-18, *Variable OMP&R Component of Transportation Charge for Each Contractor*, and the "Annual Water Quantities Delivered" to Table B-5B, *Annual Water Quantities Delivered to Each Contractor*, for the Contractors selected for SOC procedures, without exception. Additionally, we agreed the variable costs included in SOC Attachment 4C-FZ to CAB for 2018-2022, without exception.

Finding AUD-000630	
Finding:	The Coastal reallocation included allocations to the County of Butte, the Future Contractor – San Joaquin, the Plumas County FC and WCD, and the City of Yuba in the calculation, but these costs were being allocated to the Santa Barbara County FC and WCD and the San Luis Obispo County FC and WCD in the SOC in the years 2000 to 2022.
Dollar Amount:	\$5,354 – Overstatement of Costs to Santa Barbara FC and WCD \$269 – Overstatement of Costs to San Luis Obispo County FC and WCD \$783 – Understatement of Costs to County of Butte \$3,189 – Understatement of Costs to Future Contractor – San Joaquin \$83 – Understatement of Costs to Plumas County FC and WCD \$1,568 – Understatement of Costs to City of Yuba
Type:	Reallocation of cost among the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	City of Yuba, County of Butte, Future Contractor – San Joaquin, Plumas County FC and WCD, San Luis Obispo County FC and WCD, Santa Barbara FC and WCD
Recommendation:	The Department should allocate the costs to match the Coastal reallocation calculation.
Department Response:	The Coastal reallocation is a temporary manual calculation until it is performed in CAB.

During our procedures over the prior year Coastal reallocation charges that were manually added to the Contractor's minimum transportation, we observed that charges were over-allocated to Santa Barbara FC and WCD and San Luis Obispo County FC and WCD. In prior years, the Department made the determination that Santa Barbara FC and WCD and San Luis Obispo County FC and WCD maintained CB R33B, R34, and R35 beginning in 2000 with no maintenance support being provided by Department personnel. Accordingly, all minimum costs allocated to these reaches should be reallocated to the reaches maintained by DWR. We observed that costs were reversed from the County of Butte, Future Contractor-San Joaquin, Plumas County FC and WCD, and the City of Yuba and reallocated to Santa Barbara County FC and WCD and San Luis Obispo County FC and WCD. This reallocation results in Santa Barbara County FC and WCD and San Luis Obispo County FC and WCD being overcharged for the Coastal Reallocation costs.

During our procedures over Attachment 8 of the SOC, we agreed the MWQI Program costs to CAB for 2018-2022, observing no differences.

Recommendation AUD-000631	
Background:	The Relinquished Capacity credit for KCWA and DRWD was based on data from Bulletin 132-91 Table B-1 and has not been updated since the initial calculation. Per the Monterey Amendment, the calculation of the Relinquished Capacity credit to Ag Contractors was to be updated every five years if a Contractor requests it.
Internal Control Matter:	Policy: Accounting Standards for Timeliness
Contractors Affected:	KCWA and DRWD
Recommendation:	While this is allowed per the Monterey Amendment, we recommend that KCWA and DRWD review and determine if an update is desired every five years.

During our procedures over the relinquished capacity credit for KCWA and DRWD, it was observed that the calculation was based on data from Bulletin 132-91, Table B-1, *Factors for Distributing Reach Capital Costs Among Contractors*. The Monterey Amendment states that the relinquished capacity credit for Ag Contractors is to be updated every five years if a Contractor requests it. The Ag Contractors have not requested an update, which has resulted in the Department calculating these costs based on Bulletin 132-91.

We assessed a sample of 64 invoices (29 transportation minimum and 35 transportation capital) that were charged to the Contractor's transportation minimum and transportation capital in 2022 and tested the following attributes:

1. We assessed whether they were classified as direct or indirect (through an alpha allocation cycle) to reach.
2. For invoices charged direct to reach, we assessed whether they were assigned to the appropriate reach.
3. For invoices charged to multiple reaches, we assessed whether they were allocated to a statewide or field division alpha allocation cycle.
4. We assessed whether the invoice amount charged in PR5 reconciled to CAB.
5. We assessed whether the invoice was recovered through the transportation minimum or capital cost component.

Recommendation AUD-000632	
Background:	Certain invoices selected for testing lacked the necessary documentation to determine where costs should be charged. Accordingly, we were unable to assess whether the costs were charged to the proper cost object based on the supporting documentation.
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	All Contractors
Recommendation:	The Department should include enough supporting documentation on invoices to determine the purpose of each individual invoice in order to determine if costs are being charged to the correct cost objects.

We observed various invoices tested did not include enough supporting documentation to determine where the costs should be charged. The Department determined where the costs of goods and services should be charged at the time the request for payment was made. It is the responsibility of the individual making the request for payment to determine that the proper cost object is charged. There was no process to review that requests for payment were being charged to the correct cost object; however, there was a process to approve the request. As the entire purchase request process was performed in SAP, the goods and services should flow through to the cost object indicated by the person who requests the payment. However, as the invoicing process was performed in PR5, there was no supporting documentation to determine why a cost object was selected. Also, there were no controls in place to assess whether the proper cost object was used at the time of requisition.

Recommendation AUD-000633	
Background:	Policies regarding the various administrative decisions made during the SOC preparation process were not formally documented.
Internal Control Matter:	Procedures: No Procedures
Contractors Affected:	All Contractors
Recommendation:	We recommend that the Department develop policies for the various components of the SOC calculations that document the rationale and conclusions of such administrative decisions. This would include a policy approved by members of management of DWR. These written policies should be held in a consolidated folder/binder/shared drive for Department employees, Contractors, and consultants.

The Department prepares the SOC on an annual basis which includes the costs charged to the Contractors which include capital, minimum, variable, and other costs. There were detailed calculations behind each billed amount in the SOC which should be in compliance with the water supply contracts. Each year, there were various administrative decisions (also called "policy decisions") where the Department had to get approval by members of management of DWR on how to allocate specific costs. It was observed that these various administrative decisions (also called "policy decisions") were not formally documented. The Department should develop policies for the various components of the SOC calculations that document the rationale and conclusions of such administrative decisions (also called "policy decisions"). This would include a policy approved by members of management of DWR. These written policies should be held in a consolidated folder/binder/shared drive for Department employees, Contractors, and consultants. This will allow these policies to be clearly documented to support the conclusions within the SOC each year.

Recommendation AUD-000634	
Background:	Within Attachment 4E of the 2023 SOC, the calculated component and payments received for year prior to the bill year included bond cover amounts. Within Attachment 4E of the 2024 SOC, the year prior to the bill year no longer includes bond cover amounts. This change to the attachment was not explained in a footnote. Due to this the 2022 calendar year calculated component and payment received is not comparable to the prior year SOC.
Internal Control Matter:	Policy: Accounting Standards for Consistency
Contractors Affected:	All Contractors
Recommendation:	The Department should include a footnote on attachments when changes are made to the presentation for comparability purposes. We additionally recommend that bond cover be excluded from all calendar years on Attachment 4E as bond cover is refunded.

As part of our SOC procedures, we reviewed Attachment 4E. We observed that in the 2024 SOC, the calculated component and payments received no longer include bond cover amounts for the year prior to the bill year. This change was not documented in a footnote. The Department should disclose presentation changes in footnotes within the attachments for comparability purposes. Additionally, we recommend bond cover amounts be excluded from all calendar years on Attachment 4E as it is refunded.

## Transportation Minimum and Capital Direct and Indirect Analysis

### *Procedures Performed*

We performed the following detailed procedures on the transportation minimum and capital component for selected reaches:

- Identified reaches for testing by reviewing the minimum and capital costs in Bulletin 132-23 and selecting reaches with minimum and capital costs.
- Downloaded all cost centers that allocated to the selected reaches from CAB and fluctuated costs from 2021 to 2022 to determine which cost centers to assess.
- Assessed a sample of IOs with the largest increase in costs and hours charged, from IO groups identified in the fluctuation analysis between 2021 and 2022.
- Assessed selected IOs within each cost center and selected invoices, adjustments, and/or direct labor charges to support the nature of activities being performed.
- Assessed whether costs are being allocated appropriately, considering the project, location, and nature of the costs, and investigated any variances.

### *Findings and Recommendations*

We performed a fluctuation analysis on transportation minimum and capital direct allocation for the selected reaches. A summary of the fluctuation analysis is shown below:

Cost Center	Reach	2021 Costs	2022 Costs	Increase in Costs	Change Description
2301421320	NBA-R3B	\$ 210,776	\$ 283,205	\$ 72,429	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor and capital equipment costs. The direct labor hours causing the increase in costs increased 1,532 hours in 2022. The direct labor and capital equipment costs were related to pump and motor refurbishments at the Cordelia Pumping Plant.
2260460320	SBA-R1	\$ 1,559,795	\$ 3,659,149	\$ 2,099,354	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor, consultant and professional services, and capital equipment costs. The direct labor hours causing the increase in costs increased from 1,483 hours in 2021 to 5,402 hours in 2022. The direct labor costs were related to pump and motor refurbishments at South Bay Pumping Plant Unit 4. The consultant and professional services costs were related to automatic voltage regulator replacements and centralized control system migrations at South Bay Pumping Plant. The capital equipment costs were related to pump refurbishments at South Bay Pumping Plant Unit 7.

Cost Center	Reach	2021 Costs	2022 Costs	Increase in Costs	Change Description
2301460320	SBA-R1	\$ 359,958	\$ 612,601	\$ 252,643	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor costs. The direct labor hours causing the increase in costs increased from 232 hours in 2021 to 2,376 hours in 2022. The direct labor costs were related to manual updates at the South Bay Pumping Plant.
2340460300	SBA-R1	\$ 128,720	\$ 206,448	\$ 77,728	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor and capital equipment costs. The direct labor hours causing the increase in costs increased 566 hours in 2022. The direct labor and capital equipment costs were related to dam safety office work at Dyer Reservoir.
2240540301	CA-R1	\$ 244,228	\$ 853,413	\$ 609,185	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor costs. The direct labor hours causing the increase in costs increased from 1,483 hours in 2021 to 3,589 hours in 2022. The direct labor costs were related to rodent burrow remediations at Clifton Court Forebay.
2300540301	CA-R1	\$ 1,831,928	\$ 2,122,952	\$ 291,024	The increase in costs between 2021 and 2022 primarily relates to increases in miscellaneous office supplies costs. The miscellaneous office supplies costs were related to the summer and fall herbicide applications at Clifton Court Forebay.
2300540320	CA-R1	\$ 4,719,883	\$ 6,597,262	\$ 1,877,379	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor costs. The direct labor hours causing the increase in costs increased 8,845 hours in 2022. The direct labor costs were related to inspections at the Banks Pumping Plant.
2300540390	CA-R1	\$ 3,410,860	\$ 3,515,368	\$ 104,508	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor and capital equipment costs. The direct labor hours causing the increase in costs increased 16,046 hours in 2022. The direct labor costs were related to fish facility operations. The capital equipment costs were related to beam recoating.

Cost Center	Reach	2021 Costs	2022 Costs	Increase in Costs	Change Description
2301540320	CA-R1	\$ 28,392	\$ 817,021	\$ 788,629	The increase in costs between 2021 and 2022 primarily relates to increases in capital equipment costs. The capital equipment costs were related to transformer overhauls at Banks Pumping Plant.
2220701320	CA-R16A	\$ 678	\$ 547,924	\$ 547,246	The increase in costs between 2021 and 2022 primarily relates to increases in consultant and professional services costs. The consultant and professional services costs were related to line relay replacements at Chrisman Wind Gap Pumping Plant.
2300701310	CA-R16A	\$ 818,720	\$ 1,418,409	\$ 599,689	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor costs. The direct labor hours causing the increase in costs increased 5,952 hours in 2022. The direct labor costs were related to operations work at Chrisman Wind Gap Pumping Plant.
2300701388	CA-R16A	\$ -	\$ 616,068	\$ 616,068	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor and capital equipment costs. The direct labor hours causing the increase in costs increased from 0 hours in 2021 to 3,874 hours in 2022. The direct labor and capital equipment costs were related to poles refurbishments at Chrisman Wind Gap Pumping Plant Unit 3.
2301701388	CA-R16A	\$ -	\$ 615,688	\$ 615,688	The increase in costs between 2021 and 2022 primarily relates to increases in capital equipment costs. The capital equipment costs were related to poles refurbishments at Chrisman Wind Gap Pumping Plant Unit 3.
2300840300	CA-R30	\$ 1,262,331	\$ 1,948,160	\$ 685,829	The increase in costs between 2021 and 2022 primarily relates to increases in direct labor and capital equipment costs. The direct labor hours causing the increase in costs increased from 155 hours in 2021 to 2,179 hours in 2022. The direct labor and capital equipment costs were related to the valve leak at Castaic Dam.
2380840300	CA-R30	\$ 362,495	\$ 616,842	\$ 254,347	The increase in costs between 2021 and 2022 primarily relates to capital equipment. The capital equipment costs were related to boat inspections by the County of Los Angeles, Department of Parks and Recreation at Castaic Dam.

We selected a sample of invoices charged to the selected reaches and assessed for the following attributes:

1. We assessed whether they were classified as direct or indirect (through an alpha allocation cycle) to reach.
2. For invoices charged direct to reach, we assessed how they were assigned to the reach.
3. We assessed whether the invoice amount charged in PR5 reconciled to CAB.
4. We assessed whether the invoice was recovered through the transportation minimum and capital component.

When performing our invoice sampling, we observed that the following invoices were charged twice in error:

Finding AUD-000635	
Finding:	Capstone Fire and Safety Management Rural Metro Incorporation invoices related to claims 1432577 and 1442334 were double billed to CA-R30 and CA-R22B.
Dollar Amount:	Overstatement of \$12,603 in the following years: 2022 – \$8,343 – CA-R30 2022 – \$2,130 – CA-R22B 2023 – \$2,130 – CA-R22B
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	Santa Clarita Valley Water Agency, Metropolitan Water District of Southern California, Ventura County Watershed Protection District, Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Mojave Water Agency, San Bernardino Valley MWD, San Gabriel Valley MWD, and San Gorgonio Pass Water Agency
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed claim 1432577 and 1442334 in the amount of \$12,603. These double billings were charged to CA-R30 and CA-R22B. The Department should reverse these charges.

Table TMC.1 – Impact of Finding AUD-000635

Contractor	Decrease in Charges
Antelope Valley-East Kern Water Agency	\$ 8
Santa Clarita Valley Water Agency	271
Coachella Valley Water District	570
Crestline-Lake Arrowhead Water Agency	30
Desert Water Agency	259
Mojave Water Agency	248
Metropolitan Water District of Southern CA	10,369
San Bernardino Valley MWD	538
San Gabriel Valley MWD	148
San Gorgonio Pass Water Agency	91
Ventura County Watershed Protection District	71
Total	\$ 12,603

Finding AUD-000636	
Finding:	Capstone Fire and Safety Management Rural Metro Incorporation invoice related to claim 1427314 was double billed to CA-R24.
Dollar Amount:	\$5,772
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, San Bernardino Valley MWD, San Gabriel Valley MWD, San Gorgonio Pass Water Agency, and Metropolitan Water District of Southern California
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed claim 1427314 in the amount of \$5,772. This double billing was charged to CA-R24. The Department should reverse this charge.

Table TMC.2 – Impact of Finding AUD-000636

Contractor	Decrease in Charges
Coachella Valley Water District	\$ 154
Crestline-Lake Arrowhead Water Agency	72
Desert Water Agency	110
Metropolitan Water District of Southern CA	3,738
San Bernardino Valley MWD	1,284
San Gabriel Valley MWD	250
San Gorgonio Pass Water Agency	164
Total	\$ 5,772

Finding AUD-000637	
Finding:	Capstone Fire and Safety Management Rural Metro Incorporation invoices related to claim 1431358 were double or triple billed to CA-R18A, CA-R22B, CA-R23, CA-R29H, and CA-R30.
Dollar Amount:	Overstatement of \$31,635 to the following reaches: CA-R18A – \$3,996                      CA-R22B – \$10,212 CA-R23 – \$7,548                      CA-R29H – \$888 CA-R30 – \$8,991
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Littlerock Creek Irrigation District, Mojave Water Agency, Palmdale Water District, San Bernardino Valley MWD, San Gabriel Valley MWD, San Gorgonio Pass Water Agency, Metropolitan Water District of Southern California, Santa Clarita Valley Water Agency, and Ventura County Watershed Protection District
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed or triple billed costs related to claim 1431358 in the amount of \$31,635. These double billed and triple billed costs were charged to CA-R18A, CA-R22B, CA-R23, CA-R29H, and CA-R30. The Department should reverse these charges.

Table TMC.3 – Impact of Finding AUD-000637

Contractor	Decrease in Charges
Antelope Valley-East Kern Water Agency	\$ 570
Santa Clarita Valley Water Agency	322
Coachella Valley Water District	2,755
Crestline-Lake Arrowhead Water Agency	159
Desert Water Agency	990
Littlerock Creek Irrigation District	9
Mojave Water Agency	792
Metropolitan Water District of Southern CA	21,837
Palmdale Water District	66
San Bernardino Valley MWD	2,807
San Gabriel Valley MWD	770
San Geronio Pass Water Agency	473
Ventura County Watershed Protection District	85
Total	\$ 31,635

Finding AUD-000638	
Finding:	Stantec Consulting Services Incorporation invoice related to claim 1415007 was double billed to CA-R30.
Dollar Amount:	\$72,956
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	Santa Clarita Valley Water Agency, Metropolitan Water District of Southern California, and Ventura County Watershed Protection District
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed claim 1415007 in the amount of \$72,956. This double billing was charged to CA-R30. The Department should reverse this charge.

Table TMC.4 – Impact of Finding AUD-000638

Contractor	Decrease in Charges
Santa Clarita Valley Water Agency	\$ 2,371
Metropolitan Water District of Southern CA	69,961
Ventura County Watershed Protection District	624
Total	\$ 72,956

Finding AUD-000639	
Finding:	Voith Hydro, Inc. invoices were inappropriately billed to the Oroville Dam and Powerplant as credit memos issued related to the invoices were not pushed down to the Contractors.
Dollar Amount:	Overstatement of \$247,650 in the following years: 2015 – \$115,965 2016 – \$131,685
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect erroneous postings in the PR5 system to ensure the Contractors are not billed improperly for a respective purchase. The erroneous postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect erroneous postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department inappropriately billed \$247,650 of invoices that had credit memos issued to them. These erroneous billings were charged to the Oroville Dam and Powerplant. The Department should reverse these charges.

Table TMC.5 – Impact of Finding AUD-000639

Contractor	Decrease in Charges
Alameda County Water District	\$ 2,492
Alameda County FC and WCD Zone 7	4,785
Antelope Valley-East Kern Water Agency	8,596
Santa Clarita Valley Water Agency	5,650
Coachella Valley Water District	8,211
Crestline-Lake Arrowhead Water Agency	344

Table TMC.5 – Impact of Finding AUD-000639 (continued)

Contractor	Decrease in Charges
Desert Water Agency	\$ 3,309
DRWD	2,454
Empire West Side Irrigation District	178
KCWA – AG	50,336
KCWA – M&I	7,988
County of Kings	552
Littlerock Creek Irrigation District	137
Mojave Water Agency	5,330
Metropolitan Water District of Southern CA	113,445
Napa County FC and WCD	1,723
Oak Flat Water District	338
Palmdale Water District	1,264
Plumas County FC and WCD	160
Santa Clara Valley Water District	5,935
San Bernardino Valley MWD	6,089
San Gabriel Valley MWD	1,709
San Geronio Pass Water Agency	1,027
San Luis Obispo County FC and WCD	1,484
Santa Barbara County FC and WCD	2,700
Solano County Water Agency	2,834
Tulare Lake Basin WSD	5,191
Ventura County Watershed Protection District	1,187
City of Yuba	570
County of Butte	1,632
Total	\$ 247,650

Finding AUD-000640	
Finding:	Voith Hydro, Inc. invoices related to claims 1317204, 1316640, and 1394240 were double billed to the Oroville Dam and Powerplant.
Dollar Amount:	Overstatement of \$73,005 in the following years: 2015 – \$57,982 2020 – \$15,023
Type:	Overstatement of costs to the Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Internal Controls on Data Environment for Data Integrity
Contractors Affected:	All Contractors
Recommendation:	The Department should book adjustments to correct the errors. The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.
Department Response:	The Department will book an adjustment to correct the errors and is in process of implementing internal controls to prevent and detect double postings within the PR5 system.

When performing our procedures over invoice testing, we observed the Department double billed claims 1317204, 1316640, and 1394240 in the amount of \$73,005. These double billings were charged to the Oroville Dam and Powerplant. The Department should reverse these charges.

Table TMC.6 – Impact of Finding AUD-000640

Contractor	Decrease in Charges
Alameda County Water District	\$ 735
Alameda County FC and WCD Zone 7	1,410
Antelope Valley-East Kern Water Agency	2,534
Santa Clarita Valley Water Agency	1,666
Coachella Valley Water District	2,421
Crestline-Lake Arrowhead Water Agency	101
Desert Water Agency	975
DRWD	723
Empire West Side Irrigation District	52
KCWA – AG	14,838
KCWA – M&I	2,355
County of Kings	163
Littlerock Creek Irrigation District	40
Mojave Water Agency	1,571
Metropolitan Water District of Southern CA	33,443
Napa County FC and WCD	508

Table TMC.6 – Impact of Finding AUD-000640 (continued)

Contractor	Decrease in Charges
Oak Flat Water District	\$ 100
Palmdale Water District	373
Plumas County FC and WCD	47
Santa Clara Valley Water District	1,750
San Bernardino Valley MWD	1,795
San Gabriel Valley MWD	504
San Geronio Pass Water Agency	303
San Luis Obispo County FC and WCD	437
Santa Barbara County FC and WCD	796
Solano County Water Agency	836
Tulare Lake Basin WSD	1,530
Ventura County Watershed Protection District	350
City of Yuba	168
County of Butte	481
Total	\$ 73,005

Recommendation AUD-000641	
Background:	Through our invoice testing, we observed double postings within the PR5 system that interfaces with CAB which results in overcharges to the Contractors.
Internal Control Matter:	Procedures: Procedures not Being Followed
Contractors Affected:	All Contractors
Recommendation:	The Division of Fiscal Services should put in place additional internal controls to prevent and detect double postings in the PR5 system to ensure the Contractors are not billed more than once for a respective purchase. The double postings originated in the PR5 system.

When performing our procedures over invoice testing, we observed double postings within PR5 that are being charged to the Contractors. Per our discussions with the Department, the root cause of these double postings is that multiple goods receipts are being entered into PR5 related to one invoice. For example, O&M and the Contracts Billing Group receive the same Purchase Order and both groups enter it into PR5. This creates a risk of double postings if an invoice and related payment is associated with two (or more) separate goods receipts. We recommend that the Department implement internal controls to prevent and detect double postings within the PR5 system. The Department has communicated that they are in the process of implementing such controls which would consist of a preventative control that would block posting of the same invoice to multiple goods receipts and a control to detect previous double postings. This control would consist of reviewing a report quarterly that lists all goods receipts that are associated with the same invoice.

Recommendation AUD-000642	
Background:	Construction project costs are billed monthly that includes a retention balance that is paid at the end of the project by the Department. The Contractors are billed the full amount of the contract (including retentions) monthly.
Internal Control Matter:	Policy: Determination of Cost Categorization
Contractors Affected:	All Contractors
Recommendation:	The Department should develop a formal policy in writing over the billing of retentions to the Contractors.

When performing our procedures over invoice testing, we observed monthly invoices related to construction project costs typically include a retention balance of about 10% of the monthly invoice. Retentions are applied to the gross invoice amount and reduces the payment due at that time. The Department pays the net invoice amount (excluding the retention balance) monthly. The total retentions balance is due upon completion of the project. However, the gross invoice amount is charged to the Contractors monthly. Due to this being a unique process, we recommend the Department develop a written policy on the process of billing retentions to the Contractors.

We selected a sample of direct labor hours charged to the selected reaches and inquired of the selected employees on the nature of the work performed and location the work pertained to. We then determined if the direct labor costs were properly billed to the reach based on the responses obtained from the selected employees. We observed that all selections that we received responses for appeared to be charged to the reach.

## Debt Service Procedures (DBT)

### *Procedures Performed*

We performed procedures over the Department's WSRB schedule, as follows:

- Obtained the Department's debt service schedule.
- For any bond series assessed in previous years, we agreed the principal and interest (P&I) for each bond series from the prior year's debt service schedule to the current year's debt service schedule.
- For any newly issued bond series we performed the following:
  - Obtained the bond pricing reports.
  - Agreed the P&I from the pricing report to the debt service schedule.
  - Agreed any refunding amounts from the pricing report to any variances identified when assessing bond series issued in previous years.
- Determined whether refinanced bonds were credited to the direct billed debt service schedules to provide the benefits of such refinancing's to the Contractors.
- Determined whether the refinanced bonds were credited to debt service schedules included in the WSRB Surcharge calculation to provide the benefits of such refinancing's to the Contractors.

In the prior year, we performed procedures over the 2014 cost/debt reconciliation file, as follows:

- Determined whether prior year findings were updated in the file.
- Identified and investigated changes between the original 2014 file and the 2014 file provided in the prior year's procedures.
- Determined whether the final allocation of costs for SBA Improvement and Enlargement and East Branch Improvement and Enlargement are included in the cost/debt reconciliation file.

In the prior year, we performed procedures over the 2021 cost/debt reconciliation file, as follows:

- Agreed the capital raw data (capital costs that are included in the cost column of the cost/debt reconciliation) to source data in the system.
- Agreed the amounts allocated for construction purposes for each bond series (new money) per the P&I Tables to the debt data that is included in the debt column of the cost/debt reconciliation.
- Assessed the project classification mapping of the capital raw data.
- Agreed the capital raw data to the Bulletin 132-21 Table B-10, *Capital Costs of Each Aqueduct Reach to be Reimbursed through Capital Cost Component of Transportation Charge*, Table B-13, *Capital and Operating Costs of Project Conservation Facilities to be Reimbursed through Delta Water Charge*, and Table B-26, *Capital Costs of Each Aqueduct Reach to be Reimbursed through the Capital Cost Component of the East Branch Enlargement Transportation Charge Phase 1 and Phase 2*.
- Assessed the mapping and clerical accuracy of the cumulative summary. The cumulative summary reconciles debt for each bond series and project, capital costs associated with the debt, debt reclassifications, and reconciling items for when debt allocated to a project exceeds the costs or vice versa.

- Assessed the reconciling items identified by the third-party consultant. Obtained and agreed the reconciling items to source documents.

In the current year, we performed procedures over the combined 2014 and 2021 cost/debt reconciliation file, as follows:

- Determined the changes in cost, debt, and reconciling items by project from the combined cost debt file provided in December 2022 to the latest file.
- Obtained and agreed the changes to source documents. Assessed the reasonableness of the changes impacting the proposed debt transfer.
- Determined that all prior year Cost/Debt Reconciliation Project Matters were properly presented.

### *Findings and Recommendations*

To fund capital projects such as dams and power plants, DWR issues commercial paper, which is later converted to government bonds. As interest rates have decreased over time, DWR has issued new debt and refunded the older bonds to take advantage of the favorable interest rates. This has resulted in significant savings to the Contractors by reducing the total interest payments required for the outstanding bonds.

The Department bills the Contractors for debt service each year based on the debt service schedules, as follows:

1. Each bond series has a bond pricing report provided by the investment bank that supports the bond interest, principal, and capitalized interest. Bond pricing reports are received from the investment bank by the Division of Fiscal Services and copies are forwarded to SWPAO.
2. SWPAO creates P&I schedules from the bond pricing reports. P&I schedules include a breakdown of the P&I for new and refunded money by project. Capitalized interest is the interest that the issuer estimates will become due and payable on the bonds prior to the receipt of sufficient taxes, special assessments, or other revenues or receipts, from which the interest is to be paid. The applicable amount of capitalized interest as stated in the bond pricing reports is removed when creating the P&I schedules. In addition, recreation cash defeasance is included in the P&I schedules. The recreation cash defeasance is a reduction of the principal for the portion of recreation to be paid by DWR. The recreation percentages were calculated based on the project purpose allocation. Each project purpose has a predetermined recreation percentage as outlined in Bulletin 132-23 Table 2, *Project Purpose Cost Allocation Factors*. The recreation portion for each project purpose is determined by multiplying the original bond amount by the predetermined recreation percentage.
3. The debt service schedules are created from the P&I schedules. The debt service schedules consolidate the interest and principal for all bond series.
4. Amounts included in the SOC are created based on the debt service schedules.

Below is the process flow to create the debt service schedules:

### Debt Service Recovery Process

Bond series pricing reports received from investment bank
P&I schedules created from bond pricing reports
Debt service schedules created from P&I schedules
SOC created from information in the debt service schedules

As of the 2024 SOC, there was a transition from UCABS (the legacy billing system) to CAB (new billing system). For the current year, the process over debt service did not change with the implementation of CAB. The debt service schedules were inputted into the CAB system and we agreed the debt service schedules per the manual spreadsheets to the system.

The following tables document the procedures we performed on all bond series during the current year procedures by agreeing the P&I from the pricing reports to the debt schedule for each bond. The total of bonds included in the SOC agrees to the associated third-party cash flow projections. All bond series showed no variances when comparing the pricing reports to the debt service schedules. Capitalized interest has been excluded from the following tables, as this amount is not included in the debt service schedule as mentioned above.

The following tables document the comparison of the pricing reports to the debt service schedules for the principal amount:

Table DBT.1 – Series BF (Principal)

Year	Pricing Report	Debt Service Schedule	Difference
2024	\$ 7,720,000	\$ 7,720,000	\$ –
2025	8,105,000	8,105,000	–
2026	8,510,000	8,510,000	–
2027	8,935,000	8,935,000	–
2028	9,380,000	9,380,000	–
2029	9,850,000	9,850,000	–
2030	28,795,000	28,795,000	–
2031	29,970,000	29,970,000	–
2032	31,780,000	31,780,000	–
2033	33,380,000	33,380,000	–
2034	35,055,000	35,055,000	–
2035	36,780,000	36,780,000	–
Total	\$ 248,260,000	\$ 248,260,000	\$ –

The following table documents the comparison of the pricing reports to the debt service schedules for the interest amount:

Table DBT.2 – Series BF (Interest)

Year	Pricing Report	Debt Service Schedule	Difference
2022	\$ 1,201,750	\$ 1,201,750	\$ –
2023	6,270,000	6,270,000	–
2024	12,413,000	12,413,000	–
2025	12,027,000	12,027,000	–
2026	11,621,750	11,621,750	–
2027	11,196,250	11,196,250	–
2028	10,749,500	10,749,500	–
2029	10,280,500	10,280,500	–
2030	9,788,000	9,788,000	–
2031	8,348,250	8,348,250	–
2032	6,849,750	6,849,750	–
2033	5,260,750	5,260,750	–
2034	3,591,750	3,591,750	–
2035	1,839,000	1,839,000	–
Total	\$ 111,437,250	\$ 111,437,250	\$ –

As the repayment period and project interest rate for the SWP do not match the debt service payments, the Department has created the WSRB surcharge to account for the difference between the debt service payments due to the bondholders and amounts recovered from the Contractors as part of the transportation capital and conservation capital components.

The WSRB Surcharge calculation will be recalculated for all prior years as the Department has hired a third-party consultant to perform a reconciliation of the bond proceeds to the specific projects for which the proceeds were used. Once the reconciliation project is completed, the Department will be able to properly calculate all prior year WSRB Surcharge calculations which will properly allocate the appropriate debt service to the Contractors as the debt service will be based on the actual capital costs spend for each project. The Department plans to reallocate the WSRB Surcharge for all prior years, once the reconciliation project is complete.

The cost/debt reconciliation project has been in process for approximately ten years. In 2014, the Department recognized that the debt service charges to the Contractors did not equal the capital costs charged to each project. The amount of debt service allocated to a project should only be the amount of capital costs incurred. Any over/under of debt service should be re-allocated to Water Systems to be used for general capital projects that benefit the entire project. The Department consulted a third-party consultant to perform a reconciliation (2014 cost/debt reconciliation file) of capital costs and debt service up to May 31, 2014. In 2021, the third-party consultant performed a second reconciliation (2021 cost/debt reconciliation file) for dates between June 1, 2014 to May 31, 2021. In addition, updates were made to the original 2014 cost/debt reconciliation file after its completion date. We received a new version of the file that combined the 2014 and 2021 cost/debt reconciliation files from the Department during this year's procedures.

The process performed by the third-party consultant on the separate 2014 and 2021 cost/debt reconciliation files included:

1. Capital Cost Data – Data from SAP was downloaded through May 31, 2021. The Department had to decide on a cut-off date for this project based on the fact the project would extend for more than five years. Therefore, no data subsequent to May 31, 2021 was factored into the calculation. In order to validate the data from SAP, the information was reconciled to Bulletin 132-13 and Bulletin 132-21 Table B-10, *Capital Costs of Each Aqueduct Reach to be Reimbursed through Capital Cost Component of Transportation Charge*, Table B-13, *Capital and Operating Costs of Project Conservation Facilities to be Reimbursed through Delta Water Charge*, and Table B-26, *Capital Costs of Each Aqueduct Reach to be Reimbursed through the Capital Cost Component of the East Branch Enlargement Transportation Charge Phase 1 and Phase 2*.
2. Debt Data – Debt data was accumulated for each bond series by year and by project. The debt data was obtained from the Department's bond pricing reports and P&I schedules which are the original source documents for debt data. Only the construction debt was taken from the P&I schedules that represents the capital related debt service. In order to validate the debt data from the bond pricing reports and P&I schedules, the information was reconciled to the WSRB schedules.
3. Cost/Debt Mapping – A summary schedule was created, based on the information accumulated from the capital cost data and debt data as described above. When comparing the cost and debt data, there were specific "judgment calls" and reconciling items made in order to reallocate the debt to the appropriate projects (CB Extension, South Bay Enlargement and Improvement, Tehachapi East Afterbay, EBX, EBE, and WSRB). These judgment calls were primarily determined by Pedro Villalobos, former Chief of Project Cost Branch through discussions with the third-party consultant.

Following the completion of the cost/debt reconciliation project, the next steps will consist of pricing report development, recalculation of the WSRB surcharge calculation from 1988 to present, direct debt service reconciliations, rate management credit 51(e) recalculation, debt service reserve fund recalculation, protest item resolutions, and payments/refunds to/from the Contractors. Once the final cost/debt mapping has been agreed upon by the Contractors, the first step will be adjusting all pricing reports to reflect the final debt to be allocated to each respective project. This part of the process, as well as the remaining steps, will be performed in a future SOC.

The following observations are called cost/debt reconciliation project matters due to the fact that the cost/debt reconciliation project is an ongoing project and updates to the files are made in real time. These matters have been communicated to the Department and the Contractors throughout the life of the project with updates made to the file in real time. These matters can also be classified as findings given they can have a dollar impact to the Contractors. At the time of the procedures, the cost/debt reconciliation project has not been completed.

Cost/Debt Reconciliation Project Matter AUD-000643	
Cost/Debt Reconciliation Project Matter:	Suspended costs were included in the Delta Facilities Program costs. Suspended costs should not be included in the cost/debt reconciliation project. In addition, there were costs incorrectly labeled as suspended costs that represent actual allocated costs.
Dollar Amount:	Delta Facilities Program suspended costs – \$87 Costs labeled incorrect as suspended costs – \$207,503
Type:	Suspended costs included in the cost/debt reconciliation project
Contractors Affected:	All Contractors
Recommendation:	The Department should remove all suspended costs from the cost/debt reconciliation project and re-label any costs that are incorrectly described as being suspended costs.

As part of our review of the cost/debt reconciliation data file, we observed suspended costs in the amount of \$87 for Delta Facilities Program included in the reconciliation and \$207,503 of costs labeled incorrectly as suspended costs. Suspended costs are not charged to the Contractors. By including the suspended costs in the reconciliation, the Department is including costs that were not bonded for and should not be reconciled to issued debt. Therefore, these costs should be excluded from the cost/debt reconciliation. We have communicated this project matter to the Department and have recommended that they remove all suspended costs from the cost/debt reconciliation and re-label costs that are incorrectly classified as suspended costs.

Cost/Debt Reconciliation Project Matter AUD-000644	
Cost/Debt Reconciliation Project Matter:	The cost/debt reconciliation spreadsheet includes unreconciled differences between the total bond amounts and capital costs.
Dollar Amount:	Oroville Dam Spillway Recovery and Restoration – \$376,882 (bond amounts greater than capital costs) Oroville Dam Spillway Response – \$25,006 (bond amounts greater than capital costs)
Type:	Unreconciled difference in the cost/debt reconciliation project
Contractors Affected:	All Contractors
Recommendation:	The Department should reconcile these differences included in the cost/debt reconciliation spreadsheet. If the Department decides to not reconcile these differences, we recommend they document their position in writing and provide to the Contractors for their approval/comments.

The combined cost/debt reconciliation spreadsheet has unreconciled differences between debt issued and capital costs in the amount of \$376,882 for Oroville Dam Spillway Recovery and Restoration and \$25,006 for Oroville Dam Spillway Response. We recommend that the Department reconcile these differences included in the cost/debt reconciliation spreadsheets. The Department has communicated that the differences were deemed immaterial to reconcile. In that case, the Department should provide written documentation over these differences for approval and comment from the Contractors.

Cost/Debt Reconciliation Project Matter AUD-000645	
Cost/Debt Reconciliation Project Matter:	Cost adjustments to exclude outstanding CP from the cost/debt reconciliation project were not applied to the correct projects and were not applied in the correct amount. The adjustments related to outstanding CP should be applied to the projects which had an outstanding CP balance within the 2014 file to properly remove the impact of any outstanding CP.
Dollar Amount:	Arroyo Pasajero Program – \$901,998 increase in costs Facilities Reconstruction and Improvement Project (FRIP) – \$530,543 decrease in costs SBA Enlargement – \$1,792 increase in costs Tehachapi East Afterbay – \$371,455 decrease in costs
Type:	Outstanding CP not properly excluded in the cost/debt reconciliation project
Contractors Affected:	All Contractors
Recommendation:	The Department should update the adjustments related to outstanding CP within the cost/debt reconciliation project to apply them in the correct amount and to the appropriate projects.

As part of our review of the combined cost/debt reconciliation file, we assessed the reasonableness of reconciling items. We observed a new reconciling item related to outstanding CP. In the 2014 cost/debt reconciliation file, a reconciling item related to outstanding CP was added to properly adjust the CP amounts due to the cutoff date of the file. The purpose of the new reconciling item was to net out the previous outstanding CP adjustment as the 2014 and 2021 cost/debt reconciliation files are now combined, and there is no longer a timing difference. However, the adjustments were not applied to the correct projects or in the correct amounts. The Department has updated the adjustments related to outstanding CP within the working file so that there is no net impact of the adjustments to the combined cost/debt reconciliation file.

Cost/Debt Reconciliation Project Matter AUD-000646	
Cost/Debt Reconciliation Project Matter:	The cost/debt reconciliation spreadsheet related to Series BB Prefund debt by project was not updated to match the support file related to this bond provided by Fiscal.
Dollar Amount:	Delta Facilities Program – \$10,276,747 overstatement of debt Facilities Reconstruction and Improvement Project – \$10,276,647 understatement of debt FERC Relicensing P2100 – \$68 overstatement of debt FERC Relicensing P2426 – \$68 understatement of debt Thermalito Power Plant Clean-Up & Reconstruction – \$100 understatement of debt
Type:	Debt amounts by project not properly adjusted for in the cost/debt reconciliation project
Contractors Affected:	All Contractors
Recommendation:	The Department should adjust the debt amounts by project to properly reflect the correct allocation by project for Series BB Prefund debt.

As part of our review of the combined cost/debt reconciliation file, we obtained support for the debt adjustments by project and agreed them to the total change in debt. We observed that the debt adjustment related to the Series BB Prefund did not agree to the support file. As a result, Delta Facilities Program and FERC Relicensing P2100 had an overstatement of debt of \$10,276,747 and \$68, respectively. Facilities Reconstruction and Improvement Project, FERC Relicensing P2426, and Thermalito Power Plant Clean-Up and Reconstruction had an understatement of debt of \$10,276,747, \$68, and \$100, respectively. The Department updated the debt amounts to properly reflect the allocation of Series BB Prefund debt within the working file.

Finding AUD-000647	
Finding:	When processing the annual SOC, the Department used the latest WSRB file. The Department used Series A-BA for the 2021 SOC and Series A-BA for the 2020 SOC. If there was a new WSRB Series issuance, it would affect a future SOC in the amounts required to be collected. The Department does not currently true-up for the WSRB Surcharge by going back and adjusting for refunding of WSRB issuances on past SOC's.
Dollar Amount:	Overstatement of WSRB Surcharge (2020 SOC year) of \$10,506,424 Interest impact using the project interest rate – \$2,061,097 Interest impact using surplus money investment fund (SMIF) – \$435,484 Overstatement of WSRB Surcharge (2021 SOC year) of \$9,711,545 Interest impact using the project interest rate – \$1,396,413 Interest impact using surplus money investment fund (SMIF) – \$73,967 SOC years prior to 2020 not quantified Actual interest impact to be determined at a later date.
Type:	Overstatement of WSRB Surcharge for all Contractors
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	All Contractors
Recommendation:	The Department should true-up the WSRB Surcharge by going back and adjusting for refunding of WSRB issuances on past SOC's.
Department Response:	The Department will adjust the WSRB Surcharge calculation after the finalization of the cost/debt reconciliation project.

The Department bills the Contractors two years in advance for debt service as part of the SOC issued on an annual basis. When bonds were refinanced, the WSRB schedules were adjusted for such refinancing's. However, as the Contractors were billed two years in advance, any interest savings during those two years were not passed on to the Contractors. The Department did not issue a rebill or other form of refund to the Contractors to pass along these savings resulting from the refinanced debt service. During our procedures over debt service related to the Water bonds included in the WSRB surcharge calculation, we calculated the impact of the refinanced debt for the 2021 and 2020 SOC. In 2021, there was an overstatement of total WSRB Surcharge in the amount of \$9,711,545. In 2020, there was an overstatement of total WSRB Surcharge in the amount of \$10,506,424. It should be noted that this overstatement does not reflect interest impact in the amount of \$1,396,413 for the 2021 SOC and \$2,061,097 for the 2020 SOC when using the project interest rate and \$73,967 for the 2021 SOC and \$435,484 for the 2020 SOC when using SMIF. The actual interest impact will be determined at a later date. This would lead to a total overstatement related to the WSRB Surcharge for all Contractors. It should also be noted that this does impact all years prior to the 2020 SOC year and all years subsequent to the 2021 SOC year. We solely calculated the two-year period for reference in this report. The impact by Contractor for 2020 and 2021 is as follows:

Table DBT.3 – SOC Compared to Recalculated Debt Service for 2020 Water Bonds in WSRB Surcharge

Contractor	SOC	Recalculated Debt Service	(Decrease)/Increase in Charges
Alameda County FC and WCD, Zone 7	\$ 346,972	\$ 153,144	\$ (193,828)
Alameda County Water District	156,975	69,285	(87,690)
Antelope Valley-East Kern Water Agency	535,543	236,372	(299,171)
County of Butte	49,473	21,836	(27,637)
Coachella Valley Water District	518,269	228,749	(289,520)
Crestline-Lake Arrowhead Water Agency	31,472	13,891	(17,581)
Desert Water Agency	247,847	109,392	(138,455)
DRWD	117,982	52,074	(65,908)
Empire West Side Irrigation District	6,197	2,736	(3,461)
KCWA – AG	2,521,416	1,112,879	(1,408,537)
KCWA – M&I	319,782	141,142	(178,640)
County of Kings	19,435	8,578	(10,857)
Littlerock Creek Irrigation District	8,675	3,829	(4,846)
The Metropolitan Water District of Southern CA	10,168,517	4,488,087	(5,680,430)
Mojave Water Agency	375,638	165,796	(209,842)
Napa County FC and WCD	181,804	80,243	(101,561)
Oak Flat Water District	11,676	5,154	(6,522)
Palmdale Water District	72,934	32,190	(40,744)
Plumas County FC and WCD	6,630	2,926	(3,704)
San Bernardino Valley MWD	618,674	273,064	(345,610)
San Gabriel Valley MWD	164,626	72,661	(91,965)
San Geronio Pass Water Agency	100,544	44,376	(56,168)
San Luis Obispo County FC and WCD	109,443	48,305	(61,138)
Santa Barbara County FC and WCD	692,021	305,438	(386,583)
Santa Clara Valley Water District	438,260	193,434	(244,826)
Santa Clarita Valley Water Agency	430,917	190,194	(240,723)
Solano County Water Agency	219,443	96,855	(122,588)
Tulare Lake Basin WSD	229,698	101,382	(128,316)
Ventura County Watershed Protection District	89,368	39,443	(49,925)
City of Yuba	17,271	7,623	(9,648)
Total	\$ 18,807,502	\$ 8,301,078	\$ (10,506,424)

Table DBT.4 – Interest Impact using PIR for 2020 Water Bonds

Contractor	(Decrease)/Increase in Charges	Interest Impact using PIR	(Decrease)/Increase in Charges with Interest Impact (PIR)
Alameda County FC and WCD, Zone 7	\$ (193,828)	\$ (38,024)	\$ (231,852)
Alameda County Water District	(87,690)	(17,203)	(104,893)
Antelope Valley-East Kern Water Agency	(299,171)	(58,690)	(357,861)
County of Butte	(27,637)	(5,422)	(33,059)
Coachella Valley Water District	(289,520)	(56,796)	(346,316)
Crestline-Lake Arrowhead Water Agency	(17,581)	(3,449)	(21,030)
Desert Water Agency	(138,455)	(27,161)	(165,616)
DRWD	(65,908)	(12,929)	(78,837)
Empire West Side Irrigation District	(3,461)	(679)	(4,140)
KCWA – AG	(1,408,537)	(276,319)	(1,684,856)
KCWA – M&I	(178,640)	(35,045)	(213,685)
County of Kings	(10,857)	(2,130)	(12,987)
Littlerock Creek Irrigation District	(4,846)	(951)	(5,797)
The Metropolitan Water District of Southern CA	(5,680,430)	(1,114,356)	(6,794,786)
Mojave Water Agency	(209,842)	(41,166)	(251,008)
Napa County FC and WCD	(101,561)	(19,924)	(121,485)
Oak Flat Water District	(6,522)	(1,280)	(7,802)
Palmdale Water District	(40,744)	(7,993)	(48,737)
Plumas County FC and WCD	(3,704)	(727)	(4,431)
San Bernardino Valley MWD	(345,610)	(67,800)	(413,410)
San Gabriel Valley MWD	(91,965)	(18,041)	(110,006)
San Geronio Pass Water Agency	(56,168)	(11,019)	(67,187)
San Luis Obispo County FC and WCD	(61,138)	(11,994)	(73,132)
Santa Barbara County FC and WCD	(386,583)	(75,838)	(462,421)
Santa Clara Valley Water District	(244,826)	(48,029)	(292,855)
Santa Clarita Valley Water Agency	(240,723)	(47,224)	(287,947)
Solano County Water Agency	(122,588)	(24,049)	(146,637)
Tulare Lake Basin WSD	(128,316)	(25,172)	(153,488)
Ventura County Watershed Protection District	(49,925)	(9,794)	(59,719)
City of Yuba	(9,648)	(1,893)	(11,541)
Total	\$ (10,506,424)	\$ (2,061,097)	\$ (12,567,521)

Table DBT.5 – Interest Impact using SMIF for 2020 Water Bonds

Contractor	(Decrease)/Increase in Charges	Interest Impact using SMIF	(Decrease)/Increase in Charges with Interest Impact (SMIF)
Alameda County FC and WCD, Zone 7	\$ (193,828)	\$ (8,034)	\$ (201,862)
Alameda County Water District	(87,690)	(3,635)	(91,325)
Antelope Valley-East Kern Water Agency	(299,171)	(12,400)	(311,571)
County of Butte	(27,637)	(1,146)	(28,783)
Coachella Valley Water District	(289,520)	(12,000)	(301,520)
Crestline-Lake Arrowhead Water Agency	(17,581)	(729)	(18,310)
Desert Water Agency	(138,455)	(5,739)	(144,194)
DRWD	(65,908)	(2,732)	(68,640)
Empire West Side Irrigation District	(3,461)	(143)	(3,604)
KCWA – AG	(1,408,537)	(58,383)	(1,466,920)
KCWA – M&I	(178,640)	(7,404)	(186,044)
County of Kings	(10,857)	(450)	(11,307)
Littlerock Creek Irrigation District	(4,846)	(201)	(5,047)
The Metropolitan Water District of Southern CA	(5,680,430)	(235,449)	(5,915,879)
Mojave Water Agency	(209,842)	(8,698)	(218,540)
Napa County FC and WCD	(101,561)	(4,210)	(105,771)
Oak Flat Water District	(6,522)	(270)	(6,792)
Palmdale Water District	(40,744)	(1,689)	(42,433)
Plumas County FC and WCD	(3,704)	(154)	(3,858)
San Bernardino Valley MWD	(345,610)	(14,325)	(359,935)
San Gabriel Valley MWD	(91,965)	(3,812)	(95,777)
San Geronio Pass Water Agency	(56,168)	(2,328)	(58,496)
San Luis Obispo County FC and WCD	(61,138)	(2,534)	(63,672)
Santa Barbara County FC and WCD	(386,583)	(16,024)	(402,607)
Santa Clara Valley Water District	(244,826)	(10,148)	(254,974)
Santa Clarita Valley Water Agency	(240,723)	(9,978)	(250,701)
Solano County Water Agency	(122,588)	(5,081)	(127,669)
Tulare Lake Basin WSD	(128,316)	(5,319)	(133,635)
Ventura County Watershed Protection District	(49,925)	(2,069)	(51,994)
City of Yuba	(9,648)	(400)	(10,048)
Total	\$ (10,506,424)	\$ (435,484)	\$ (10,941,908)

Table DBT.6 – SOC Compared to Recalculated Debt Service for 2021 Water Bonds in WSRB Surcharge

Contractor	SOC	Recalculated Debt Service	(Decrease)/Increase in Charges
Alameda County FC and WCD, Zone 7	\$ 365,314	\$ 185,699	\$ (179,615)
Alameda County Water District	165,244	83,999	(81,245)
Antelope Valley-East Kern Water Agency	562,166	285,764	(276,402)
County of Butte	52,028	26,447	(25,581)
Coachella Valley Water District	542,876	275,959	(266,917)
Crestline-Lake Arrowhead Water Agency	32,931	16,740	(16,191)
Desert Water Agency	259,600	131,962	(127,638)
DRWD	124,507	63,290	(61,217)
Empire West Side Irrigation District	6,532	3,321	(3,211)
KCWA – AG	2,660,180	1,352,243	(1,307,937)
KCWA – M&I	336,485	171,045	(165,440)
County of Kings	20,413	10,377	(10,036)
Littlerock Creek Irrigation District	9,100	4,626	(4,474)
The Metropolitan Water District of Southern CA	10,662,732	5,420,164	(5,242,568)
Mojave Water Agency	394,161	200,363	(193,798)
Napa County FC and WCD	191,500	97,345	(94,155)
Oak Flat Water District	12,292	6,249	(6,043)
Palmdale Water District	76,495	38,885	(37,610)
Plumas County FC and WCD	6,965	3,540	(3,425)
San Bernardino Valley MWD	647,425	329,103	(318,322)
San Gabriel Valley MWD	172,342	87,607	(84,735)
San Geronio Pass Water Agency	105,240	53,496	(51,744)
San Luis Obispo County FC and WCD	115,339	58,630	(56,709)
Santa Barbara County FC and WCD	730,355	371,260	(359,095)
Santa Clara Valley Water District	461,620	234,654	(226,966)
Santa Clarita Valley Water Agency	452,638	230,089	(222,549)
Solano County Water Agency	231,171	117,510	(113,661)
Tulare Lake Basin WSD	242,510	123,275	(119,235)
Ventura County Watershed Protection District	93,749	47,653	(46,096)
City of Yuba	18,163	9,233	(8,930)
Total	\$ 19,752,073	\$ 10,040,528	\$ (9,711,545)

Table DBT.7 – Interest Impact using PIR for 2021 Water Bonds

Contractor	(Decrease)/Increase in Charges	Interest Impact using PIR	(Decrease)/Increase in Charges with Interest Impact (PIR)
Alameda County FC and WCD, Zone 7	\$ (179,615)	\$ (25,827)	\$ (205,442)
Alameda County Water District	(81,245)	(11,682)	(92,927)
Antelope Valley-East Kern Water Agency	(276,402)	(39,744)	(316,146)
County of Butte	(25,581)	(3,678)	(29,259)
Coachella Valley Water District	(266,917)	(38,380)	(305,297)
Crestline-Lake Arrowhead Water Agency	(16,191)	(2,328)	(18,519)
Desert Water Agency	(127,638)	(18,353)	(145,991)
DRWD	(61,217)	(8,802)	(70,019)
Empire West Side Irrigation District	(3,211)	(462)	(3,673)
KCWA – AG	(1,307,937)	(188,067)	(1,496,004)
KCWA – M&I	(165,440)	(23,788)	(189,228)
County of Kings	(10,036)	(1,443)	(11,479)
Littlerock Creek Irrigation District	(4,474)	(643)	(5,117)
The Metropolitan Water District of Southern CA	(5,242,568)	(753,824)	(5,996,392)
Mojave Water Agency	(193,798)	(27,866)	(221,664)
Napa County FC and WCD	(94,155)	(13,538)	(107,693)
Oak Flat Water District	(6,043)	(869)	(6,912)
Palmdale Water District	(37,610)	(5,408)	(43,018)
Plumas County FC and WCD	(3,425)	(493)	(3,918)
San Bernardino Valley MWD	(318,322)	(45,771)	(364,093)
San Gabriel Valley MWD	(84,735)	(12,184)	(96,919)
San Geronio Pass Water Agency	(51,744)	(7,440)	(59,184)
San Luis Obispo County FC and WCD	(56,709)	(8,154)	(64,863)
Santa Barbara County FC and WCD	(359,095)	(51,634)	(410,729)
Santa Clara Valley Water District	(226,966)	(32,635)	(259,601)
Santa Clarita Valley Water Agency	(222,549)	(32,000)	(254,549)
Solano County Water Agency	(113,661)	(16,343)	(130,004)
Tulare Lake Basin WSD	(119,235)	(17,145)	(136,380)
Ventura County Watershed Protection District	(46,096)	(6,628)	(52,724)
City of Yuba	(8,930)	(1,284)	(10,214)
Total	\$ (9,711,545)	\$ (1,396,413)	\$ (11,107,958)

Table DBT.8 – Interest Impact using SMIF for 2021 Water Bonds

Contractor	(Decrease)/Increase in Charges	Interest Impact using SMIF	(Decrease)/Increase in Charges with Interest Impact SMIF
Alameda County FC and WCD, Zone 7	\$ (179,615)	\$ (1,368)	\$ (180,983)
Alameda County Water District	(81,245)	(619)	(81,864)
Antelope Valley-East Kern Water Agency	(276,402)	(2,105)	(278,507)
County of Butte	(25,581)	(195)	(25,776)
Coachella Valley Water District	(266,917)	(2,033)	(268,950)
Crestline-Lake Arrowhead Water Agency	(16,191)	(123)	(16,314)
Desert Water Agency	(127,638)	(972)	(128,610)
DRWD	(61,217)	(466)	(61,683)
Empire West Side Irrigation District	(3,211)	(24)	(3,235)
KCWA – AG	(1,307,937)	(9,962)	(1,317,899)
KCWA – M&I	(165,440)	(1,260)	(166,700)
County of Kings	(10,036)	(76)	(10,112)
Littlerock Creek Irrigation District	(4,474)	(34)	(4,508)
The Metropolitan Water District of Southern CA	(5,242,568)	(39,931)	(5,282,499)
Mojave Water Agency	(193,798)	(1,476)	(195,274)
Napa County FC and WCD	(94,155)	(717)	(94,872)
Oak Flat Water District	(6,043)	(46)	(6,089)
Palmdale Water District	(37,610)	(286)	(37,896)
Plumas County FC and WCD	(3,425)	(26)	(3,451)
San Bernardino Valley MWD	(318,322)	(2,425)	(320,747)
San Gabriel Valley MWD	(84,735)	(645)	(85,380)
San Geronio Pass Water Agency	(51,744)	(394)	(52,138)
San Luis Obispo County FC and WCD	(56,709)	(432)	(57,141)
Santa Barbara County FC and WCD	(359,095)	(2,735)	(361,830)
Santa Clara Valley Water District	(226,966)	(1,729)	(228,695)
Santa Clarita Valley Water Agency	(222,549)	(1,695)	(224,244)
Solano County Water Agency	(113,661)	(866)	(114,527)
Tulare Lake Basin WSD	(119,235)	(908)	(120,143)
Ventura County Watershed Protection District	(46,096)	(351)	(46,447)
City of Yuba	(8,930)	(68)	(8,998)
Total	\$ (9,711,545)	\$ (73,967)	\$ (9,785,512)

Finding AUD-000648	
Finding:	EBX direct billed debt service charged to San Bernardino Valley MWD and San Gorgonio Pass Water Agency was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the EBX project.
Dollar Amount:	Overstatement of debt service charges of \$5,103,125 from 1999 to 2024 Interest impact using the project interest rate – \$1,529,742 Interest impact using surplus money investment fund (SMIF) – \$857,594 Actual interest impact to be determined at a later date.
Type:	Overstatement of debt service charges to San Bernardino Valley MWD and San Gorgonio Pass Water Agency
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	San Bernardino Valley MWD and San Gorgonio Pass Water Agency
Recommendation:	The Department should update the 2025 SOC to reflect the benefits of the refinanced debt service to San Bernardino MWD and San Gorgonio Pass Water Agency.
Department Response:	The Department plans to develop a process for correcting these costs. Once determined, the process will be communicated to the impacted Contractors before implementation.

We compared the debt service charged in the SOC from 1999 to 2024 with the EBX debt service schedule that reflects the refinanced debt service and observed overstatement of costs to San Bernardino Valley MWD and San Gorgonio Pass Water Agency. The total overstatement is \$5,103,125, excluding bond cover. The interest impact using the project interest rate is \$1,529,742. The interest impact using SMIF is \$857,594. The actual interest impact will be determined at a later date. The impact by year is as follows:

Table DBT.9 – EBX Refinanced Debt Service Compared to SOC

Year	EBX Refinanced Debt Service	SOC	(Decrease)/ Increase in Charges
1999	\$ 293,541	\$ 366,926	\$ (73,385)
2000	3,842,657	3,842,657	–
2001	3,838,769	3,838,769	–
2002	3,984,191	3,840,769	143,422
2003	5,382,657	3,840,794	1,541,863
2004	6,369,717	6,279,432	90,285
2005	6,968,780	7,667,407	(698,627)
2006	7,948,992	8,328,918	(379,926)
2007	8,130,514	8,334,047	(203,533)
2008	6,225,192	6,051,431	173,761
2009	10,110,869	10,765,531	(654,662)
2010	10,582,731	10,803,708	(220,977)
2011	10,627,680	10,716,290	(88,610)
2012	10,189,757	10,685,678	(495,921)
2013	12,892,881	12,535,530	357,351
2014	11,620,085	13,555,242	(1,935,157)
2015	24,413,354	24,415,506	(2,152)
2016	24,173,752	24,420,175	(246,423)
2017	24,396,463	24,420,438	(23,975)
2018	25,963,695	26,693,119	(729,424)
2019	28,752,330	28,482,508	269,822
2020	28,094,049	28,926,661	(832,612)
2021	27,982,620	29,005,698	(1,023,078)
2022	27,299,682	27,370,849	(71,167)
2023	23,884,398	23,884,398	–
2024	26,240,244	26,240,244	–
Total	\$ 380,209,600	\$ 385,312,725	\$ (5,103,125)

Table DBT.10 – EBX Interest Impact using PIR

Year	(Decrease)/ Increase in Charges	Interest Impact using PIR	(Decrease)/Increase in Charges with Interest Impact (PIR)
1999	\$ (73,385)	\$ (151,429)	\$ (224,814)
2000	–	–	–
2001	–	–	–
2002	143,422	240,715	384,137
2003	1,541,863	2,406,955	3,948,818
2004	90,285	130,815	221,100
2005	(698,627)	(937,321)	(1,635,948)
2006	(379,926)	(470,771)	(850,697)
2007	(203,533)	(232,241)	(435,774)
2008	173,761	181,977	355,738
2009	(654,662)	(626,921)	(1,281,583)
2010	(220,977)	(192,669)	(413,646)
2011	(88,610)	(69,994)	(158,604)
2012	(495,921)	(352,861)	(848,782)
2013	357,351	227,479	584,830
2014	(1,935,157)	(1,093,169)	(3,028,326)
2015	(2,152)	(1,068)	(3,220)
2016	(246,423)	(106,167)	(352,590)
2017	(23,975)	(8,827)	(32,802)
2018	(729,424)	(224,847)	(954,271)
2019	269,822	67,714	337,536
2020	(832,612)	(163,337)	(995,949)
2021	(1,023,078)	(147,107)	(1,170,185)
2022	(71,167)	(6,668)	(77,835)
2023	–	–	–
2024	–	–	–
Total	\$ (5,103,125)	\$ (1,529,742)	\$ (6,632,867)

Table DBT.11 – EBX Interest Impact using SMIF

Year	(Decrease)/ Increase in Charges	Interest Impact using SMIF	(Decrease)/Increase in Charges with Interest Impact (SMIF)
1999	\$ (73,385)	\$ (189,641)	\$ (263,026)
2000	–	–	–
2001	–	–	–
2002	143,422	112,054	255,476
2003	1,541,863	668,562	2,210,425
2004	90,285	34,764	125,049
2005	(698,627)	(528,003)	(1,226,630)
2006	(379,926)	(480,820)	(860,746)
2007	(203,533)	(274,390)	(477,923)
2008	173,761	111,466	285,227
2009	(654,662)	(131,119)	(785,781)
2010	(220,977)	(16,551)	(237,528)
2011	(88,610)	(5,153)	(93,763)
2012	(495,921)	(21,234)	(517,155)
2013	357,351	10,132	367,483
2014	(1,935,157)	(45,614)	(1,980,771)
2015	(2,152)	(60)	(2,212)
2016	(246,423)	(11,433)	(257,856)
2017	(23,975)	(1,680)	(25,655)
2018	(729,424)	(73,704)	(803,128)
2019	269,822	28,573	298,395
2020	(832,612)	(34,511)	(867,123)
2021	(1,023,078)	(7,793)	(1,030,871)
2022	(71,167)	(1,439)	(72,606)
2023	–	–	–
2024	–	–	–
Total	\$ (5,103,125)	\$ (857,594)	\$ (5,960,719)

Finding AUD-000649	
Finding:	SBA Enlargement direct billed debt service charged to Alameda County FC and WCD, Zone 7 was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the SBA Enlargement.
Dollar Amount:	Overstatement of debt service charges of \$18,033,799 from 2004 to 2024 Interest impact using the project interest rate – \$9,757,730 Interest impact using surplus money investment fund (SMIF) – \$1,400,296 Actual interest impact to be determined at a later date.
Type:	Overstatement of debt service charges to Alameda County FC and WCD, Zone 7
Risk of Future Occurrence:	High
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	Alameda County FC and WCD, Zone 7
Recommendation:	The Department should update the 2025 SOC to reflect the benefits of the refinanced debt service to Alameda County FC and WCD, Zone 7
Department Response:	The Department plans to develop a process for correcting these costs. Once determined, the process will be communicated to the impacted Contractors before implementation.

We compared the debt service charged in the SOC from 2004 to 2024 with the SBA Enlargement debt service schedule that reflects the refinanced debt service and observed overstatement of costs to Alameda County FC and WCD, Zone 7. The total overstatement is \$18,033,799 excluding bond cover. The interest impact using the project interest rate is \$9,757,730. The interest impact using SMIF is \$1,400,296. The actual interest impact will be determined at a later date. The impact by year is as follows:

Table DBT.12 – SBA Enlargement Refinanced Debt Service Compared to SOC

Year	SBA Enlargement Refinanced Debt Service	SOC	(Decrease)/ Increase in Charges
2004	\$ 14,354	\$ –	\$ 14,354
2005	112,154	248,100	(135,946)
2006	447,806	581,510	(133,704)
2007	817,798	953,794	(135,996)
2008	1,007,484	973,705	33,779
2009	6,122,165	6,867,118	(744,953)
2010	7,884,960	8,847,037	(962,077)
2011	8,638,942	9,696,451	(1,057,509)
2012	10,132,021	11,481,293	(1,349,272)
2013	12,701,822	13,755,662	(1,053,840)
2014	11,371,812	14,704,191	(3,332,379)
2015	14,202,120	15,958,955	(1,756,835)
2016	13,703,001	16,085,246	(2,382,245)
2017	13,437,069	15,340,722	(1,903,653)
2018	13,438,596	15,464,016	(2,025,420)
2019	13,729,311	13,714,477	14,834
2020	13,266,115	13,814,863	(548,748)
2021	13,196,955	13,715,986	(519,031)
2022	13,397,244	13,503,251	(106,007)
2023	13,472,675	13,421,826	50,849
2024	13,465,308	13,465,308	–
Total	\$ 194,559,712	\$ 212,593,511	\$ (18,033,799)

Table DBT.13 – SBA Enlargement Interest Impact using PIR

Year	(Decrease)/ Increase in Charges	Interest Impact using PIR	(Decrease)/Increase in Charges with Interest Impact (PIR)
2004	\$ 14,354	\$ 20,798	\$ 35,152
2005	(135,946)	(182,393)	(318,339)
2006	(133,704)	(165,674)	(299,378)
2007	(135,996)	(155,178)	(291,174)
2008	33,779	35,377	69,156
2009	(744,953)	(713,386)	(1,458,339)
2010	(962,077)	(838,828)	(1,800,905)
2011	(1,057,509)	(835,342)	(1,892,851)
2012	(1,349,272)	(960,043)	(2,309,315)
2013	(1,053,840)	(670,845)	(1,724,685)
2014	(3,332,379)	(1,882,458)	(5,214,837)
2015	(1,756,835)	(872,033)	(2,628,868)
2016	(2,382,245)	(1,026,351)	(3,408,596)
2017	(1,903,653)	(700,870)	(2,604,523)
2018	(2,025,420)	(624,342)	(2,649,762)
2019	14,834	3,723	18,557
2020	(548,748)	(107,650)	(656,398)
2021	(519,031)	(74,631)	(593,662)
2022	(106,007)	(9,933)	(115,940)
2023	50,849	2,329	53,178
2024	-	-	-
Total	\$ (18,033,799)	\$ (9,757,730)	\$ (27,791,529)

Table DBT.14 – SBA Enlargement Interest Impact using SMIF

Year	(Decrease)/ Increase in Charges	Interest Impact using SMIF	(Decrease)/Increase in Charges with Interest Impact (SMIF)
2004	\$ 14,354	\$ 5,527	\$ 19,881
2005	(135,946)	(102,744)	(238,690)
2006	(133,704)	(169,210)	(302,914)
2007	(135,996)	(183,341)	(319,337)
2008	33,779	21,669	55,448
2009	(744,953)	(149,203)	(894,156)
2010	(962,077)	(72,060)	(1,034,137)
2011	(1,057,509)	(61,497)	(1,119,006)
2012	(1,349,272)	(57,773)	(1,407,045)
2013	(1,053,840)	(29,881)	(1,083,721)
2014	(3,332,379)	(78,549)	(3,410,928)
2015	(1,756,835)	(48,696)	(1,805,531)
2016	(2,382,245)	(110,525)	(2,492,770)
2017	(1,903,653)	(133,363)	(2,037,016)
2018	(2,025,420)	(204,656)	(2,230,076)
2019	14,834	1,571	16,405
2020	(548,748)	(22,745)	(571,493)
2021	(519,031)	(3,953)	(522,984)
2022	(106,007)	(2,144)	(108,151)
2023	50,849	1,277	52,126
2024	-	-	-
Total	\$ (18,033,799)	\$ (1,400,296)	\$ (19,434,095)

Recommendation AUD-000650	
Background:	Related to the completion of the cost/debt reconciliation project, there will be decisions made during the pricing report development, recalculation of the WSRB surcharge calculation from 1988 to present, direct debt service reconciliations, rate management credit 51(e) recalculation, debt service reserve fund recalculation, protest item resolutions, and payments/refunds to/from the Contractors. For example, the WSRB surcharge calculation will be recalculated from 1988 to present based on the data finalized as part of the cost/debt reconciliation project and it is important that all the steps and decisions made up to the final output (impact by Contractor) are properly documented.
Internal Control Matter:	Policy: Determination of Beneficiary
Contractors Affected:	All Contractors
Recommendation:	We recommend the Department work with the Contractors to ensure proper documentation is developed regarding the steps taken to resolve the allocation of costs and debt as a result of certain protest items.

As a result of various protest items, the Department and Contractors will make certain decisions to resolve the allocation of debt. For example, the WSRB surcharge calculation will be recalculated from 1988 to present based on the data finalized as part of the cost/debt reconciliation project. The Department should work with the Contractors to ensure all the steps and decisions made to resolve the allocation of debt are properly documented.

The cost/debt reconciliation project involved the analysis of approximately \$4.8 billion in capital costs and related debt service which was a process that took over ten years involving several different departments and several different versions to arrive at the finished product to be used to fix the debt service charged to the Contractors. The Department, along with the assistance with the Contractors, should develop and implement internal controls in order to prevent a similar error from occurring in the future. In doing this, the Department needs to perform a root cause analysis to identify the breakdowns in internal controls that occurred resulting in this error and throughout the process of correcting the error. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Through our review of the cost/debt reconciliation project, we have issued various cost/debt reconciliation project matters. These matters indicate the potential for process improvements. These matters are specific to the cost/debt reconciliation project; however, the related process improvements related to enhanced internal controls can be applicable to future billing and reporting areas impacting the Contractors. Areas of improvement are as follows:

1. Any project, change in the methodology for a billing component, or correction of an error that results in a monetary impact to the Contractors should be supplemented by a white paper that documents the background of the issue, recommended solution to fix the issue, and timeline of completion. This white paper should be approved by members of management of the Department and the Contractors prior to implementation. A standardized white paper template can be developed to assist the Department in meeting the documentation standards of the Contractors.

2. A root cause analysis should be performed by the Department and with the assistance of the Contractors when breakdowns in internal controls occur. This will prevent similar breakdowns from occurring in the future.
3. New policies and procedures should be developed subsequent to any breakdowns in internal controls resulting in a monetary impact to the Contractors. These new policies and procedures will help prevent future internal control breakdowns of similar matters in the future. The new policies and procedures should be approved by members of management of the Department and the Contractors.
4. The Department should designate certain individuals in charge of the above activities and should include a member from Fiscal, SWPAO, and any other applicable department to ensure the proper experienced individuals are involved. In addition, the Contractors can designate a committee in charge of approving the above activities which would be representative of all Contractors.

### SECTION 3

#### UPDATE OF PRIOR YEAR FINDINGS

This section contains an update of prior year findings as described in the 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022 reports to the IAA. A summary of the findings resolved from the prior year report is summarized in the table below:

Prior Year Open Finding Count	Findings Resolved	Current Year Open Findings Count
75	14	61

Control Number	Finding Description	Resolved	Additional Comments/Updates
Finding AUD-000004 Finding AUD-000008 Finding AUD-000033 Finding AUD-000148 Finding AUD-000239 Finding AUD-000267	Statewide alpha cost centers have inconsistent allocation for the SAA and SAE series alpha allocation cycles.	No	The reaches included in the allocation of the SAA series alpha allocation cycle continue to not allocate costs to all reaches that have salaries and wages. The Department no longer uses the SAE alpha allocation cycle, but will need to adjust the prior year allocations to be consistent with the SAA series alpha allocation cycle.
Finding AUD-000007 Finding AUD-000032 Finding AUD-000147 Finding AUD-000237 Finding AUD-000265 Finding AUD-000299 Finding AUD-000345 Finding AUD-000411 Finding AUD-000451 Finding AUD-000507 Finding AUD-000565	Statewide alpha cost centers are not allocating to all reaches for the F-series alpha allocation cycles.	No	The reaches included in the allocation of F-series alpha allocation cycles continue to not allocate costs to all reaches that have direct labor.
Finding AUD-000010 Finding AUD-000034 Finding AUD-000149	Statewide MAD and MAF series alpha allocation cycles are not allocating to all plants.	Yes	Changes were made to the reaches included in the allocation of MAD and MAF series alpha allocation cycles from 2000 to current.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Finding AUD-000031 Finding AUD-000006	Statewide alpha cost centers are not allocating to all reaches for the AAC series alpha allocation cycles.	No	No changes were made to the reaches included in the allocation of AAC series alpha allocation cycles.
Finding AUD-000060	The following alpha cost centers would be more appropriately allocated based on FAD908. The costs relating to the cost objects represent non-specific costs to be allocated statewide and therefore should be using the same basis and distribution as FAD908, which allocates to the EBX and joint project purposes. 1111FAD890 – \$402,240 2111FAD890 – \$1,042,102 2171FAD890 – \$629,617 2310FAD890 – \$400,100 2330FAD890 – \$224,504 2501FAD890 – \$334,428	No	These alpha cost centers continue to be allocated with FAD890 which does not allocate any costs to the EBX.
Finding AUD-000150	Contract No. C51401 (Estimate No. 25) charges were allocated to reaches SBA-R1, SBA-R2, and SBA-R4, but the Subcontractor also performed work on reaches SBA-R5, SBA-R6, SBA-R7, SBA-R8, and SBA-R9. Since these costs were not allocated to the appropriate reaches, they are not being properly recovered from the South Bay Contractors.	No	We observed the contract still only allocated to SBA-R1, SBA-R2, and SBA-R4.
Finding AUD-000157	The PAT317 transmission alpha allocation cycle has not been updated since 2001. This PAT factor is calculated using the maximum energy capacity for each plant, which has likely changed since 2001 due to plant updates and construction of new plants.	Yes	We observed that the costs previously allocated through PAT317 were reallocated direct-to-plant based on where the transmission costs pertained to. Per the Department, the PAT317 cycle will not be used going forward.
Finding AUD-000163	During our procedures of 2013 invoices, we observed that 5 of the 50 invoices assessed were related to the construction of the Southern Field Division (SFD) O&M Headquarters in Pearblossom, California, and the costs related to these invoices were improperly charged directly to Pearblossom Pumping Plant.	No	We observed that the invoices were only being billed to the Pearblossom Pumping Plant (CA-R22B) in SAP and not to the entire SFD O&M (CA-R17F to CA-R30).
Finding AUD-000266	Cost centers 2202590000 and 2202610000 were included in the F-series alpha allocation cycles update which are associated to CA-R05 Panoche Creek and CA-R07 Arroyo Pasajero; however, the two cost centers were created in 2008 and the Department did not include these two cost centers in the F-series alpha allocation cycles update for 2008 – 2014 which results in less costs allocated to CA-R05 and CA-R07 in those respective years.	No	The F-series alpha allocation cycles for 2008 to 2014 were not updated to include these costs centers.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Finding AUD-000274 Finding AUD-000307 Finding AUD-000367 Finding AUD-000429 Finding AUD-000467 Finding AUD-000517 Finding AUD-000576	The Coastal reallocation includes allocations to County of Butte, Future Contractor – San Joaquin, Plumas County FC and WCD, and City of Yuba in the calculation but these costs were being allocated to Santa Barbara County FC and WCD and San Luis Obispo County FC and WCD in the SOC in years 2000 to 2017.	No	The Coastal reallocation continues to allocate these costs to Santa Barbara County FC and WCD and San Luis Obispo County FC and WCD.
Finding AUD-000339	Capital costs included in the cost/debt reconciliation analysis do not agree to Bulletin 132-13, Table B10, <i>Capital Costs of Each Aqueduct Reach to be Reimbursed through Capital Cost Component of Transportation Charge</i> . This results in a reconciling difference of \$9,337.	No	Capital costs included in the cost/debt reconciliation analysis agree to the preliminary cost/debt reconciliation spreadsheet. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Finding AUD-000340	The SBA Improvement and Enlargement project costs were reallocated by the Department subsequent to the cost/debt reconciliation which is as of June 30, 2014. This can cause a difference between SBA Enlargement and SBA Improvement shown in Water Systems. Total costs included \$198,823,604 and \$69,345,499 for SBA Enlargement and SBA Improvement, respectively.	No	SBA Improvement and Enlargement project costs included in the cost/debt reconciliation agree to the preliminary cost/debt reconciliation spreadsheet. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Finding AUD-000342	The Department does not have support to validate the amounts included as reconciling items represented by capital construction costs paid for by cash on hand. Total cash on hand includes EBE of \$30,519,641 and Water Systems of \$111,539,270.	No	The Department does not have support to validate the reconciling items related to capital construction costs paid for by cash on hand. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Finding AUD-000344	CBX direct billed debt service charged to CCWA is overstated as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series Q and W. This results in an overstatement of costs of \$1,574,345 from 1998 to 2018 (amount does not reflect interest credits due to CCWA related to the overstatement).	No	The debt service amounts continue to be overcharged.
Finding AUD-000347	The Department keeps a running list of the direct labor dollars by reach by year which is used for the calculation of the three-year average for the F-series update. The Department does not rerun the dollars in SAP for the previous two years (for the 2019 SOC it would be 2015 and 2016) when creating the F-series allocations.	Yes	With the implementation of CAB, the dollar amounts in SAP are rerun for the previous two years when creating F-series and S-series allocations.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Finding AUD-000356 Finding AUD-000462	The PAT317 transmission alpha allocation cycle does not include EBX plants. This PAT factor is calculated using the maximum energy capacity for each plant. Including EBX plants would result in a reallocation of costs. 2017 reallocation of costs – \$1,729,972.	Yes	We observed that the costs previously allocated through PAT317 were reallocated direct-to-plant based on where the transmission costs pertained to. Per the Department, the PAT317 cycle will not be used going forward.
Finding AUD-000420	Allocation factors per SAP for alpha allocation cycles C-AFE905, C-AFN905, and C-MAD056 do not agree to the allocation factors per Fund Center and Function Area Establishment Form DWR 1121p supporting documents.	Yes	C-MAD056, C-AFE905 and C-AFN905 now agree to the allocation factors per Fund Center and Functional Area Establishment Form DWR 1121p supporting documents.
Finding AUD-000436	The 2018 actual amount used in the calculation of Available Funds for Rate Management Credits for On-Aqueduct Power Facilities Debt Service (Pyramid, Alamo, and Small Hydropower Projects) includes interest payments that did not match the amount per SAP.	No	The available funds for rate management continues to be overstated.
Finding AUD-000455	The Department updated the alpha allocation cycle percentages for C-AFN905 and M-FFR928 within SAP; however, these updated percentages were not used for the S-series update. This impacts the 2019 alpha allocation cycle percentages and the five-year average used to calculate the alpha allocation cycle percentages for the 2021 SOC.	No	The S-series update now uses the updated alpha allocation percentages for C-AFN905 and M-FFR928; however, this finding remains unresolved, as the 2019 alpha allocation percentages are not adjusted.
Finding AUD-000459	Litigation Settlement costs relating to the San Luis Reservoir Recreation Area were allocated to the San Luis Field Division General alpha cost center 2300FFJ907 (check #1373958).	No	This claim continues to have costs incorrectly allocated.
Finding AUD-000461	Low voltage wheeling transmission costs are allocated through V-PAT017 for years prior to 2018. This causes the low voltage wheeling transmission costs to be allocated to pumping plants that do not receive low voltage power.	No	There have been no updates to the allocation of low voltage wheeling transmission costs allocated through V-PAT017 for years prior to 2018.
Finding AUD-000466 Finding AUD-000516	Corrections to SAP data by DWR during May 2020, up to the cutoff date of the SOC of May 12, 2020, were excluded from the Coastal reallocation calculation, specifically to CB-R35.	Yes	The corrections are included in the current year Coastal reallocation.
Finding AUD-000522	Unico Mechanical Corporation invoice related to claim 1401339 was double billed through UCABS direct-to-reach CA-R1.	Yes	This claim is now adjusted.
Finding AUD-000523	Johnson Controls Fire Protection LP invoice related to claims 1400458 and 1402516 includes costs related to the Edmonston Pumping Plant (CA-R17E), but had costs charged to the Chrisman Pumping Plant (CA-R15A).	Yes	This claim is now adjusted.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Finding AUD-000524 Finding AUD-000600	When processing the annual SOC, the Department used the latest WSRB file. The Department used Series A-BC for the 2022 SOC, Series A-BA for the 2021 SOC, and Series A-BA for the 2020 SOC. If there was a new WSRB Series issuance, it would affect a future SOC in the amounts required to be collected. The Department does not currently true-up for the Surcharge by going back and adjusting for refunding of WSRB issuances on past SOCs.	No	The WSRB Surcharge continues to be overcharged by not adjusting for refunding of WSRB issuances on past SOCs.
Finding AUD-000525 Finding AUD-000601	EBX direct billed debt service charged to San Bernardino Valley MWD and San Gorgonio Pass Water Agency was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the EBX project.	No	The debt service amounts continue to be overcharged.
Finding AUD-000526 Finding AUD-000602	SBA Enlargement direct billed debt service charged to Alameda County FC and WCD, Zone 7 was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the SBA Enlargement.	No	The debt service amounts continue to be overcharged.
Finding AUD-000581	The payment received included in Attachment 4E, <i>Capital Cost Component of East Branch Enlargement Transportation Charges</i> included a formula error when calculating the Capital Cost Component due in the SOC.	No	The payment received included in Attachment 4E, <i>Capital Cost Component of East Branch Enlargement Transportation Charges</i> continues to include a formula error when calculating the Capital Cost Component due in the SOC.
Finding AUD-000573	The Variable OMP&R Component Transportation Charge for Water Deliveries during calendar year 2021 was incorrectly calculated due to the incorrect unit variable OMP&R component of transportation charge per table B-17 applied to the water deliveries for each Contractor.	No	The Variable OMP&R Component Transportation Charge for Water Deliveries during calendar year 2021 continues to be incorrect.
Finding AUD-000574	The Hyatt-Thermalito credit to the DWC is incorrectly charged to system power costs for 2020 and 2021.	Yes	The Hyatt-Thermalito credit to the DWC is adjusted for 2020 and 2021.
Finding AUD-000575	Contractor revenues included in the DWC calculation spreadsheet were manually adjusted based on an interface error between the Financial Accounting System (an SAP module) (PR5) and the Utility Cost Allocation and Billing System (an SAP module) (UCABS).	Yes	Contractor revenues included in the DWC calculation are adjusted in CAB.
Cost/Debt Reconciliation Project Matter AUD-000586	Suspended costs were included in the EBX – Phase II costs. Suspended costs should not be included in the cost/debt reconciliation project.	No	Suspended costs in the amount of \$166,677 are now excluded from the project. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Cost/Debt Reconciliation Project Matter AUD-000587	Capital costs included in Table B-10, Capital Costs of Each Aqueduct Reach to be Reimbursed through Capital Cost Component of Transportation Charge, was incorrectly included in FERC Relicensing P2426 vs. Facilities Reconstruction and Improvement Project.	No	Table B-10 capital costs of \$18,905 are now adjusted under FRIP. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Cost/Debt Reconciliation Project Matter AUD-000588	Capital costs included in Table B-10, <i>Capital Costs of Each Aqueduct Reach to be Reimbursed through Capital Cost Component of Transportation Charge</i> , was incorrectly included in FERC Relicensing P2426 vs. Delta Facilities Program.	No	Table B-10 capital costs of \$159,919 are now adjusted under Delta Facilities Program. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Cost/Debt Reconciliation Project Matter AUD-000589	Cap and Trade reductions of costs were excluded from the cost/debt reconciliation project. The Cap and Trade credits should be applied to the cost column within the analysis.	No	Cap and Trade credits of \$19,675,884 are now added to Net Costs and included in the reconciliation. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Cost/Debt Reconciliation Project Matter AUD-000590	The Department does not have support to validate the amounts included as reconciling items represented by capital construction costs paid for by cash on hand.	No	This has not been resolved as no support is available for cash on hand. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Cost/Debt Reconciliation Project Matter AUD-000591	The cost/debt reconciliation 2014 spreadsheet includes an unreconciled difference related to the Coastal Branch Extension (CBX) when comparing to Table B-10, <i>Capital Costs of Each Aqueduct Reach to be Reimbursed through Capital Cost Component of Transportation Charge</i> .	No	This has not been resolved as the Department deemed the difference to be immaterial.
Cost/Debt Reconciliation Project Matter AUD-000592	The cost/debt reconciliation 2014 spreadsheet includes capital costs not mapped to any project when comparing the capital construction costs to debt service.	No	The cost/debt reconciliation project continues to have unreconciled differences.
Cost/Debt Reconciliation Project Matter AUD-000593	The cost/debt reconciliation 2014 spreadsheet included modifications from the original analysis based on "judgement calls" made by the Department. The cause of these changes are identified in an overall change summary in the analysis. However, not all changes are identified from the original analysis.	No	The cost/debt reconciliation project continues to have unreconciled differences.
Cost/Debt Reconciliation Project Matter AUD-000594	The cost/debt reconciliation 2014 spreadsheet included modifications from the original analysis based on "judgement calls" made by the Department. The cause of these changes are identified in an overall change summary in the analysis. However, the process for determining these manual adjustments are not documented.	No	The Department provided documentation on the manual adjustments made to the 2014 file. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Cost/Debt Reconciliation Project Matter AUD-000595	The SBA Improvement and Enlargement project costs were reallocated by the Department subsequent to the cost/debt reconciliation which is as of June 30, 2014. This can cause a difference between SBA Enlargement and SBA Improvement shown in Water Systems.	No	The final allocation of costs between SBA Enlargement and Improvement are now reflected in the reconciliation. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.

Control Number	Finding Description	Resolved	Additional Comments/Updates
Cost/Debt Reconciliation Project Matter AUD-000596	The East Branch Improvement and Enlargement were reallocated as a result of the 2020 Joint Proposal (revised allocation to adjust the split between improvement and enlargement) by the Department subsequent to the cost/debt reconciliation which is as of June 30, 2014. This caused a difference between EBE and East Branch Improvement shown in Water Systems.	No	The final allocation of costs between EBE and Improvement are now reflected in the reconciliation. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Cost/Debt Reconciliation Project Matter AUD-000597	The East Branch Improvement and Enlargement were reallocated as a result of the 2020 Joint Proposal (revised allocation to adjust the split between improvement and enlargement) by the Department subsequent to the cost/debt reconciliation which is as of June 30, 2014. This caused a difference between EBE and East Branch Improvement shown in Water Systems. The debt transfer in the cost/debt reconciliation did not match the final approved reallocation in the final EBE Memo.	No	The final allocation of costs between EBE and Improvement are now reflected in the reconciliation. This finding will stay open until the final cost/debt reconciliation spreadsheet is agreed upon with the Contractors.
Cost/Debt Reconciliation Project Matter AUD-000598	The cost/debt reconciliation 2014 and 2021 spreadsheets include an unreconciled difference between the total bond amounts and capital costs.	No	The cost/debt reconciliation project continues to have unreconciled differences.
Cost/Debt Reconciliation Project Matter AUD-000599	The cost/debt reconciliation 2014 and 2021 spreadsheets have undergone several revisions since the start of the project and has included assistance from various personnel from the Department including a third-party consultant. The Department should create a white paper that documents the entire cost/debt reconciliation project from start to finish which includes detailed explanations of the rationale for each reconciling item (instances when the capital costs do not match the associated debt financing) and any "judgment calls" that were required to be made due to lack of documentation/support.	No	This project matter has not been resolved and is a recommendation for the Department to document the cost/debt reconciliation project from start to finish.
Finding AUD-000603	The 2023 SOC WSRB surcharge calculation includes both water systems debt service and on-aqueduct debt service. The on-aqueduct debt service amounts were excluded in prior year WSRB surcharge calculations. This resulted in an understatement of debt service charges to the Contractors from 1992 to 2022.	No	The WSRB Surcharge continues to be undercharged by including on-aqueduct debt service amounts in prior years.

## SECTION 4

### SUMMARY OF FINDINGS BY CONTRACTOR

This section contains the findings from Section 2 quantified for each Contractor. Refer to Section 2 for a detailed discussion of all findings and recommendations.

#### Findings with Monetary Impact – Quantified by Contractor

##### Alpha Allocation Cycles

- Finding AUD-000621: California Department of Tax and Fee Administration invoices for annual water rights fees from 2015 to 2022 included billing errors charged to M-FAC001 alpha allocation cycle. This resulted in an overstatement of costs to the Contractors of \$800.
- Finding AUD-000622: Stantec Consulting Services Incorporation invoices related to claims 1417740 and 1423474 were double billed to statewide alpha allocation cycle M-GAC001. This resulted in an overstatement of costs to the Contractors of \$80,119.
- Finding AUD-000623: Capstone Fire and Safety Management Rural Metro Incorporation invoice related to claim 1431358 includes costs related to Cedar Springs Dam (CA-R24) and Devil Canyon Power Plant (CA-R26A), but had costs incorrectly charged to the Mojave Division through the C-FDH907 (CA-R18A to CA-R24) alpha allocation cycle. In addition, these costs had already been posted to Cedar Springs Dam (CA-R24) and Devil Canyon Power Plant (CA-R26A). This results in a double bill of the invoice. This resulted in an overstatement of costs to the Contractors of \$1,998.
- Finding AUD-000624: Johnson Controls Fire Protection LP invoice related to claim 1400458 was double billed to the San Luis Field Division through the M-FFJ907 (CA-R3 to CA-R7) alpha allocation cycle. This resulted in an overstatement of costs to the Contractors of \$32,420.
- Finding AUD-000608: JVSWP2109049 in the amount of \$636,249 was double recorded when performing the reallocation between alpha cost center 2103FAD890 (DWC) to cost center 2133300000 (DWC). This resulted in an overstatement of costs to the Contractors of \$636,249.

##### System Power Costs – Variable Transportation

- Finding AUD-000627: The M-PAT401 PAFs calculated in the 2022 PALPOC were not updated within CAB. This resulted in a reallocation of costs among the Contractors of \$2,708,556.

##### Delta Water Charge

- Finding AUD-000628: The CP interest was included in the DWC calculation. CP interest should not impact the Delta Water Rate. This resulted in an overstatement of costs to the Contractors of \$10,698,567.

## Statement of Charges

- Finding AUD-000630: The Coastal reallocation included allocations to the County of Butte, the Future Contractor – San Joaquin, the Plumas County FC and WCD, and the City of Yuba in the calculation, but these costs were being allocated to the Santa Barbara County FC and WCD and the San Luis Obispo County FC and WCD in the SOC in the years 2000 to 2022. This resulted in an overstatement of costs of \$5,354 and \$269 to Santa Barbara FC and WCD and San Luis Obispo County FC and WCD, respectively, and an understatement of \$783, \$3,189, \$83, and \$1,568 to County of Butte, Future Contractor – San Joaquin, Plumas County FC and WCD, and the City of Yuba, respectively.

## Transportation Minimum and Capital Direct and Indirect Analysis

- Finding AUD-000635: Capstone Fire and Safety Management Rural Metro Incorporation invoices related to claims 1432577 and 1442334 were double billed to CA-R30 and CA-R22B. This resulted in an overstatement of costs to the Contractors of \$8,343 in 2022 charged to CA-R30, \$2,130 in 2022 charged to CA-R22B, and \$2,130 in 2023 charged to CA-R22B. The total overstatement to the Contractors was \$12,603.
- Finding AUD-000636: Capstone Fire and Safety Management Rural Metro Incorporation invoice related to claim 1427314 was double billed to CA-R24. This resulted in an overstatement of costs to the Contractors of \$5,772.
- Finding AUD-000637: Capstone Fire and Safety Management Rural Metro Incorporation invoices related to claim 1431358 were double or triple billed to CA-R18A, CA-R22B, CA-R23, CA-R29H, and CA-R30. This resulted in an overstatement of costs to the Contractors of \$31,635.
- Finding AUD-000638: Stantec Consulting Services Incorporation invoice related to claim 1415007 was double billed to CA-R30. This resulted in an overstatement of costs to the Contractors of \$72,956.
- Finding AUD-000639: Voith Hydro, Inc. invoices were inappropriately billed to the Oroville Dam and Powerplant as credit memos issued related to the invoices were not pushed down to the Contractors. This resulted in an overstatement of costs to the Contractors of \$115,965 in 2015 and \$131,685 in 2016. The total overstatement to the Contractors was \$247,650.
- Finding AUD-000640: Voith Hydro, Inc. invoices related to claims 1317204, 1316640, and 1394240 were double billed to the Oroville Dam and Powerplant. This resulted in an overstatement of costs to the Contractors of \$57,982 in 2015 and \$15,023 in 2020. The total overstatement to the Contractors was \$73,005.

## Debt Service Procedures

- Finding AUD-000647: When processing the annual SOC, the Department used the latest WSRB file. The Department used Series A-BA for the 2021 SOC and Series A-BA for the 2020 SOC. If there was a new WSRB Series issuance, it would affect a future SOC in the amounts required to be collected. The Department does not currently true-up for the WSRB Surcharge by going back and adjusting for refunding of WSRB issuances on past SOC's. This resulted in an overstatement of WSRB Surcharge among the Contractors of \$10,506,424 plus an interest impact for the 2020 SOC year. Interest impact using the project interest rate is \$2,061,093 and interest impact using the SMIF is \$435,482. This resulted in an overstatement of WSRB Surcharge among the Contractors of \$9,711,545 plus an interest impact for the 2021 SOC year. Interest impact using the project interest rate is \$1,396,413 and interest impact using the SMIF is \$73,967. Actual interest impact to be determined at a later date.
- Finding AUD-000648: EBX direct billed debt service charged to San Bernardino Valley MWD and San Gorgonio Pass Water Agency was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the EBX project. This resulted in an overstatement of debt service charges of \$5,103,125 from 1999 to 2024 plus an interest impact. Interest impact using the project interest rate is \$1,529,742 and interest impact using the SMIF is \$857,594. Actual interest impact to be determined at a later date.
- Finding AUD-000649: SBA Enlargement direct billed debt service charged to Alameda County FC and WCD, Zone 7 was overstated, as the amount charged in the SOC was not subsequently adjusted to provide the benefits of the refinanced debt service for bond series used for the SBA Enlargement. This resulted in an overstatement of debt service charges of \$18,033,799 from 2004 to 2024 plus an interest impact. Interest impact using the project interest rate is \$9,757,730 and interest impact using the SMIF is \$1,400,296. Actual interest impact to be determined at a later date.

Table 1 – Summary of All Findings Quantified by Contractor

Finding Reference	Alameda County Water District	Alameda County Flood Control and Water Conservation District, Zone 7	Antelope Valley-East Kern Water Agency	County of Butte	Coachella Valley Water District	Crestline-Lake Arrowhead Water Agency	Desert Water Agency	Dudley Ridge Water District	Empire West Side Irrigation District	Future Contractor – San Joaquin
Finding AUD-000621	\$ (8)	\$ (15)	\$ (27)	\$ (5)	\$ (25)	\$ (1)	\$ (10)	\$ (8)	\$ (1)	\$ –
Finding AUD-000622	(569)	(1,485)	(1,155)	(177)	(2,321)	(97)	(670)	(353)	(25)	(16)
Finding AUD-000623	–	–	(51)	–	(46)	(15)	(75)	–	–	–
Finding AUD-000624	(72)	(243)	(642)	(47)	(648)	(27)	(257)	(241)	(16)	(32)
Finding AUD-000608	(6,403)	(12,291)	(22,085)	(4,193)	(21,095)	(884)	(8,501)	(6,305)	(457)	–
Finding AUD-000627	(1,092)	(3,107)	(2,396)	(247)	14,373	(18)	712	(986)	(67)	(406)
Finding AUD-000628	(121,588)	(233,388)	(419,316)	(79,611)	(400,517)	(16,791)	(161,394)	(119,706)	(8,685)	–
Finding AUD-000630	–	–	–	783	–	–	–	–	–	3,189
Finding AUD-000635	–	–	(8)	–	(570)	(30)	(259)	–	–	–
Finding AUD-000636	–	–	–	–	(154)	(72)	(110)	–	–	–
Finding AUD-000637	–	–	(570)	–	(2,755)	(159)	(990)	–	–	–
Finding AUD-000638	–	–	–	–	–	–	–	–	–	–
Finding AUD-000639	(2,492)	(4,785)	(8,596)	(1,632)	(8,211)	(344)	(3,309)	(2,454)	(178)	–
Finding AUD-000640	(735)	(1,410)	(2,534)	(481)	(2,421)	(101)	(975)	(723)	(52)	–
Finding AUD-000647	(197,821)	(437,293)	(674,007)	(62,318)	(651,612)	(39,549)	(311,607)	(148,857)	(7,813)	–
Finding AUD-000648	–	–	–	–	–	–	–	–	–	–
Finding AUD-000649	–	(27,791,529)	–	–	–	–	–	–	–	–
Total	\$ (330,780)	\$ (28,485,546)	\$ (1,131,387)	\$ (147,928)	\$ (1,076,002)	\$ (58,088)	\$ (487,445)	\$ (279,633)	\$ (17,294)	\$ 2,735

Definitions:

(\$) – Overstatement of costs charged to Contractor.

\$ – Understatement of costs charged to Contractor.

Table 1 – Summary of All Findings Quantified by Contractor (continued)

Finding Reference	Kern County Water Agency	County of Kings	Littlerock Creek Irrigation District	Metropolitan Water District of Southern CA	Mojave Water Agency	Napa County Flood Control and Water Conservation District	Oak Flat Water District	Palmdale Water District	Plumas County Flood Control and Water Conservation District	San Bernardino Valley Municipal Water District
Finding AUD-000621	\$ (181)	\$ (2)	\$ –	\$ (351)	\$ (16)	\$ (5)	\$ (1)	\$ (4)	\$ –	\$ (19)
Finding AUD-000622	(8,246)	(76)	(18)	(34,870)	(722)	(193)	(40)	(167)	(17)	(3,386)
Finding AUD-000623	–	–	(1)	(1,315)	(90)	–	–	(10)	–	(257)
Finding AUD-000624	(5,439)	(47)	(10)	(8,505)	(435)	(63)	(10)	(94)	(5)	(472)
Finding AUD-000608	(149,842)	(1,419)	(351)	(291,458)	(13,692)	(4,426)	(869)	(3,248)	(412)	(15,644)
Finding AUD-000627	(26,961)	(207)	(37)	25,074	(3,846)	(1,356)	(77)	(438)	(24)	15,687
Finding AUD-000628	(2,844,957)	(26,938)	(6,658)	(5,533,701)	(259,967)	(84,026)	(16,501)	(61,662)	(7,816)	(297,022)
Finding AUD-000630	–	–	–	–	–	–	–	–	83	–
Finding AUD-000635	–	–	–	(10,369)	(248)	–	–	–	–	(538)
Finding AUD-000636	–	–	–	(3,738)	–	–	–	–	–	(1,284)
Finding AUD-000637	–	–	(9)	(21,837)	(792)	–	–	(66)	–	(2,807)
Finding AUD-000638	–	–	–	(69,961)	–	–	–	–	–	–
Finding AUD-000639	(58,324)	(552)	(137)	(113,445)	(5,330)	(1,723)	(338)	(1,264)	(160)	(6,089)
Finding AUD-000640	(17,193)	(163)	(40)	(33,443)	(1,571)	(508)	(100)	(373)	(47)	(1,795)
Finding AUD-000647	(3,583,772)	(24,466)	(10,914)	(12,791,178)	(472,671)	(229,179)	(14,714)	(91,755)	(8,349)	(777,503)
Finding AUD-000648	–	–	–	–	–	–	–	–	–	(3,598,008)
Finding AUD-000649	–	–	–	–	–	–	–	–	–	–
Total	\$ (6,694,915)	\$ (53,870)	\$ (18,175)	\$ (18,889,097)	\$ (759,380)	\$ (321,479)	\$ (32,650)	\$ (159,081)	\$ (16,747)	\$ (4,689,137)

Definitions:

(\$ ) – Overstatement of costs charged to Contractor.

\$ – Understatement of costs charged to Contractor.

Table 1 – Summary of All Findings Quantified by Contractor (continued)

Finding Reference	San Gabriel Valley Municipal Water District	San Geronio Pass Water Agency	San Luis Obispo County Flood Control and Water Conservation District	Santa Barbara County Flood Control and Water Conservation District	Santa Clara Valley Water District	Santa Clarita Valley Water Agency	Solano County Water Agency	Tulare Lake Basin Water Storage District	Ventura County Watershed Protection District	City of Yuba	Grand Total
Finding AUD-000621	\$ (5)	\$ (3)	\$ (5)	\$ (8)	\$ (18)	\$ (17)	\$ (9)	\$ (16)	\$ (4)	\$ (2)	\$ (766)
Finding AUD-000622	(437)	(1,217)	(195)	(356)	(1,385)	(1,469)	(317)	(729)	(323)	(62)	(61,093)
Finding AUD-000623	(68)	(42)	–	–	–	–	–	–	–	–	(1,970)
Finding AUD-000624	(131)	(80)	(110)	(201)	(172)	(483)	(100)	(475)	(88)	(17)	(19,162)
Finding AUD-000608	(4,391)	(2,638)	(3,812)	(6,936)	(15,248)	(14,516)	(7,282)	(13,337)	(3,050)	(1,464)	(636,249)
Finding AUD-000627	5,510	1,017	(1,294)	(3,928)	(2,621)	(4,841)	(3,854)	(1,960)	(869)	(87)	1,654
Finding AUD-000628	(83,375)	(50,083)	(72,374)	(131,680)	(289,495)	(275,599)	(138,251)	(253,224)	(57,899)	(27,792)	(12,080,016)
Finding AUD-000630	–	–	(269)	(5,354)	–	–	–	–	–	1,568	–
Finding AUD-000635	(148)	(91)	–	–	–	(271)	–	–	(71)	–	(12,603)
Finding AUD-000636	(250)	(164)	–	–	–	–	–	–	–	–	(5,772)
Finding AUD-000637	(770)	(473)	–	–	–	(322)	–	–	(85)	–	(31,635)
Finding AUD-000638	–	–	–	–	–	(2,371)	–	–	(624)	–	(72,956)
Finding AUD-000639	(1,709)	(1,027)	(1,484)	(2,700)	(5,935)	(5,650)	(2,834)	(5,191)	(1,187)	(570)	(247,650)
Finding AUD-000640	(504)	(303)	(437)	(796)	(1,750)	(1,666)	(836)	(1,530)	(350)	(168)	(73,005)
Finding AUD-000647	(206,925)	(126,371)	(137,996)	(873,150)	(552,456)	(542,496)	(276,641)	(289,868)	(112,443)	(21,755)	(23,675,479)
Finding AUD-000648	–	(3,034,859)	–	–	–	–	–	–	–	–	(6,632,867)
Finding AUD-000649	–	–	–	–	–	–	–	–	–	–	(27,791,529)
Total	\$ (293,203)	\$ (3,216,334)	\$ (217,976)	\$ (1,025,109)	\$ (869,080)	\$ (849,701)	\$ (430,124)	\$ (566,330)	\$ (176,993)	\$ (50,349)	\$ (71,341,098)

Definitions:

(\$) – Overstatement of costs charged to Contractor.

\$ – Understatement of costs charged to Contractor.

#### Other Findings with Monetary Impact – Not Quantified by Contractor

- Finding AUD-000620: The statewide FAD890 alpha cost centers did not allocate costs to the EBX and CB R33A (Devil's Den Pumping Plant) reaches. This resulted in a reallocation of costs among the Contractors of \$191 related to 2111FAD890 and \$8,404 related to 2154FAD890.

#### Cost/Debt Reconciliation Project Matters with Monetary Impact – Not Quantified by Contractor

- Cost/Debt Reconciliation Project Matter AUD-000643: Suspended costs were included in the Delta Facilities Program costs. Suspended costs should not be included in the cost/debt reconciliation project. In addition, there were costs incorrectly labeled as suspended costs that represent actual allocated costs. There were suspended costs in the amount of \$87 related to Delta Facilities Program and costs in the amount of \$207,503 labeled incorrectly as suspended costs.
- Cost/Debt Reconciliation Project Matter AUD-000644: The cost/debt reconciliation spreadsheet includes unreconciled differences between the total bond amounts and capital costs. The bond amount is greater than the capital costs in the amount of \$376,882 relating to Oroville Dam Spillway Recovery and Restoration and \$25,006 relating to Oroville Dam Spillway Response.
- Cost/Debt Reconciliation Project Matter AUD-000645: Cost adjustments to exclude outstanding CP from the cost/debt reconciliation project were not applied to the correct projects and were not applied in the correct amount. The adjustments related to outstanding CP should be applied to the projects which had an outstanding CP balance within the 2014 file to properly remove the impact of any outstanding CP. This resulted in an increase in costs of \$901,998 and \$1,792 to Arroyo Pasajero Program and SBA Enlargement, respectively and a decrease in costs of \$530,543 and \$371,455 relating to Facilities Reconstruction and Improvement Project and Tehachapi East Afterbay, respectively.
- Cost/Debt Reconciliation Project Matter AUD-000646: The cost/debt reconciliation spreadsheet related to series BB Prefund debt by project was not updated to match the support file related to this bond provided by the Division of Fiscal Services. This resulted in an overstatement of debt relating to Delta Facilities Program of \$10,276,747 and FERC Relicensing P2100 of \$68. Additionally, this resulted in an understatement of debt relating to Facilities Reconstruction and Improvement Project of \$10,276,647, FERC Relicensing P2426 of \$68, and Thermalito Power Plant Clean-Up & Reconstruction of \$100.

## Recommendations with No Monetary Impact

### Alpha Allocation Cycles

- Recommendation AUD-000625: The Department did not consistently document the methodology of determining the allocated percentages on the Fund Center Functional Area Establishment Form DWR 1121p when creating a new functional area. In addition, the Department did not attach the underlying calculation of the newly created alpha allocation cycle as supporting documentation to the form.
- Recommendation AUD-000626: Alpha allocation cycles determined to have incorrect allocations are not disabled by the Department at the headquarters level resulting in recurring errors in the SOC. For example, the statewide FAD890 alpha cost centers still had costs present each year after it was previously determined that these alpha cost centers should no longer have costs charged to them.

### Statement of Charges

- Recommendation AUD-000629: Within Bulletin 132-23 Table B-1, *Factors for Distributing Reach Capital Costs among Contractors*, the SBA-R1 to SBA-R7 factors allocated to South Bay Contractors were pulling the incorrect factors from CAB. The 1952 to 2014 factors were used instead of the 2015 to 2035 factors.
- Recommendation AUD-000631: The Relinquished Capacity credit for KCWA and DRWD was based on data from Bulletin 132-91 Table B-1 and has not been updated since the initial calculation. Per the Monterey Amendment, the calculation of the Relinquished Capacity credit to Ag Contractors was to be updated every five years if a Contractor requests it.
- Recommendation AUD-000632: Certain invoices selected for testing lacked the necessary documentation to determine where costs should be charged. Accordingly, we were unable to assess whether the costs were charged to the proper cost object based on the supporting documentation.
- Recommendation AUD-000633: Policies regarding the various administrative decisions made during the SOC preparation process were not formally documented.
- Recommendation AUD-000634: Within Attachment 4E of the 2023 SOC, the calculated component and payments received for year prior to the bill year included bond cover amounts. Within Attachment 4E of the 2024 SOC, the year prior to the bill year no longer includes bond cover amounts. This change to the attachment was not explained in a footnote. Due to this the 2022 calendar year calculated component and payment received is not comparable to the prior year SOC.

### Transportation Minimum and Capital Direct and Indirect Analysis

- Recommendation AUD-000641: Through our invoice testing, we observed double postings within the PR5 system that interfaces with CAB which results in overcharges to the Contractors.
- Recommendation AUD-000642: Construction project costs are billed monthly that includes a retention balance that is paid at the end of the project by the Department. The Contractors are billed the full amount of the contract (including retentions) monthly.

## Debt Service Procedures

- Recommendation AUD-000650: Related to the completion of the cost/debt reconciliation project, there will be decisions made during the pricing report development, recalculation of the WSRB surcharge calculation from 1988 to present, direct debt service reconciliations, rate management credit 51(e) recalculation, debt service reserve fund recalculation, protest item resolutions, and payments/refunds to/from the Contractors. For example, the WSRB surcharge calculation will be recalculated from 1988 to present based on the data finalized as part of the cost/debt reconciliation project and it is important that all the steps and decisions made up to the final output (impact by Contractor) are properly documented.

## GLOSSARY

AAC	Alpha Allocation Cycles
AF	Acre-Feet
Ag	Agricultural
BDCP	Bay Delta Conservation Plan
CA	California Aqueduct
CAB	Cost Allocation and Billing (an SAP module)
CAISO	California Independent System Operator
CB	Coastal Branch
CBX	Coastal Branch Extension
Contractor(s)	State Water Contractor(s)
CP	Commercial Paper
DBT	Debt Service Procedures
Department	California Department of Water Resources
DRWD	Dudley Ridge Water District
DWC	Delta Water Charge
DWR	California Department of Water Resources
EBE	East Branch Enlargement
EBX	East Branch Extension
EY	Ernst & Young LLP
FALPOC	Final Allocation of Power Costs
FC	Flood Control
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
FRIP	Facilities Reconstruction and Improvement Project
FZ	FreezeGo
IAA	Independent Audit Association
IO	Internal Order
KCWA	Kern County Water Agency
LADWP	Los Angeles Department of Water and Power
MWh	Megawatt Hour
MWD	Municipal Water District
MWQI	Municipal Water Quality Inspection
M&I	Municipal and Industrial
NBA	North Bay Aqueduct
OAP	Off Aqueduct Power
O&M	Operations and Maintenance
OMP&R	Operations, Maintenance, Power, and Replacements
PAF	Plant Allocation Factor
P&I	Principal and Interest
PALPOC	Preliminary Allocation of Power Costs
PAT	Power Allocation Table
PG	PayGo

## GLOSSARY (continued)

PR5	Financial Accounting System (an SAP module)
PUFF	Proportional Use of Facilities Factors
PV	Present Value
PWR	System Power Costs – Variable Transportation
R	Reach
RAS	Replacement Accounting System
Report	Summary of Procedures, Findings, and Recommendations related to the 2024 SOC
SAP	Department's Accounting Software
SBA	South Bay Aqueduct
SFD	Southern Field Division
SMIF	Surplus Money Investment Fund
SOC	Statement of Charges
SOW	Statement of Work
SWP	State Water Project
SWPAO	State Water Project Analysis Office
TMC	Transportation Minimum and Capital Direct and Indirect Analysis
UCABS	Utility Cost Allocation and Billing System (legacy SAP module)
VORG	Value of Recovery Generation
WBS	Work Breakdown Structure
WCD	Water Conservation District
WSD	Water Storage District
WSRB	Water System Revenue Bonds

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