

Performance Audit  
AB 900 / SB 1022 James A. Musick  
Facility Project  
County of Orange, California

AB 900 / SB 1022 James A. Musick Facility Project  
County of Orange, California  
Table of Contents

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Independent Auditor's Report on Performance ..... 1

    Purpose ..... 1

    Authority ..... 2

    Objectives of the Audit ..... 3

    Scope of the Audit..... 3

    Methodology..... 4

    Audit Results ..... 5

Findings, Recommendations and Views of Responsible Officials ..... 6

Exhibits

    Exhibit A – State Funding Budget vs Actual ..... 7

    Exhibit B – Summary of County Match Requirements ..... 8

## Independent Auditor's Report on Performance

To the California Board of State and Community Corrections,  
The County of Orange Board of Supervisors,  
and Management of the County of Orange  
Santa Ana, California

We were engaged to conduct a performance audit of the County of Orange's (County) compliance with the requirements described in the November 25, 2013 Audit Guide (Guide), published by the Board of State and Community Corrections (BSCC) in connection to the design, construction and expansion of the James A. Musick Facility (Project).

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Purpose

On May 3, 2007, the Governor signed AB 900 (Chapter 7, Statutes of 2007), also known as the Public Safety and Offender Rehabilitation Services Act of 2007, which was intended to address California's prison overcrowding. AB 900 emphasizes expanding rehabilitative programs and measuring outcomes through performance goals to reduce the high rate of recidivism among adult offenders, and appropriates \$50 million from the general fund for additional rehabilitative programming activities.

In addition to enhanced programmatic resources, AB 900 also authorizes the construction of infill beds, secure reentry facilities, local jail beds, and health care facilities, and allows the California Department of Corrections and Rehabilitation to transfer inmates to out-of-state correctional facilities for up to four years. AB 900 authorizes over \$6.1 billion in lease-revenue bonds to build 16,000 infill beds, 16,000 reentry facility beds, and 8,000 health care beds, and authorizes \$1.2 billion in lease-revenue bonds to add 13,000 county jail beds. AB 900 also appropriates \$300 million from the general fund to make infrastructure improvements at state prisons. To ensure best practices are used and cost containments are in place, the Governor established the Facilities Construction Strike Team to help implement the construction requirements of AB 900.

On January 20, 2016, the County of Orange Board of Supervisors authorized the County Executive Officer to execute the Board of State and Community Corrections Jail Construction Agreement for the Orange County AB 900 Jail Financing Program. Total eligible project costs through June 30, 2025, were \$235,636,814, including the State's AB 900 share of \$100,000,000.

On June 27, 2012, the Adult Local Criminal Justice Facilities Construction Program became law (also known and referred to as SB 1022). Up to \$500 million was authorized in lease revenue bond financing for the acquisition, design, and construction of adult local criminal justice facilities.

On November 1, 2019, the County of Orange Board of Supervisors authorized the County Executive Officer to execute the Board of State and Community Corrections Jail Construction Agreement for the Orange County SB 1022 Adult Local Criminal Justice Facility Construction Financing Program. Total eligible project costs through June 30, 2025, were \$123,808,968, including the State's SB 1022 share of \$80,000,000.

The overall project budget has been modified due to an expanded scope of the project and other reasons. The AB 900 budget was modified, effective December 16, 2020, to adjust the State's share between budgeted categories. The State's total AB 900 share was unchanged. Also, effective December 16, 2020, the SB 1022 budget was modified to increase the project's total budget. The State's total SB 1022 share was unchanged.

### **Authority**

Pursuant to the BSCC Agreement, Section 4(C) and Titles 15, Section 1770, Audits (for local adult detention facilities) and 1870 Audits (for local juvenile facilities) within 90 days of completion of the construction project, the County must obtain and submit a final audit to the BSCC.

The audit shall consist of all state financing as well as all County contributions, and determine the following:

That the State financing and county's contribution (cash/hard and/or in-kind/soft match funds) were expended in accordance with applicable laws, regulations, and BSCC Agreement and Project Delivery and Construction Agreement Requirements:

- A. That the State financed project are within approved scope and budgeted costs;
- B. That the State financed projects are in compliance with applicable laws, regulations, and established criteria; and
- C. That the State financed projects achieved their intended outcome(s).

## Objectives of the Audit

Our audit was limited to the objectives listed below, including verification of management's compliance with AB 900, SB 1022, and the BSCC Guide, which requires that grant proceeds only be used for the approved project. Management is responsible for the County's compliance with those requirements.

In accordance with the Guide, audit procedures included:

- A. Gaining an understanding of the County's system of internal controls as it relates to the BSCC's construction financing program.
- B. Performing a risk assessment to determine what testing will need to be performed. The test shall be representative of all costs categories in the BSCC Agreement and is to determine whether the charges:
  - Conform to any limitations or exclusions in the award of state financing;
  - Include only eligible costs and did not include ineligible costs or other costs properly chargeable to other programs or accounts;
  - Were properly recorded (i.e., correct amount, date) and supported by source documentation;
  - Reported expenditures were incurred within the appropriate period; and
  - Were approved in advance, if they involved a modification subject to prior approval in accordance with the BSCC Agreement.
- C. Providing the results of the work performed in appropriate written reports;
- D. Identifying any program-related claims by or against the County pending at the time the audit is conducted.

## Scope of the Audit

The scope of our performance audit covered the period starting with the execution of the agreement with the BSCC (AB 900 – January 20, 2016 and SB 1022 – November 1, 2019) through the project completion date (June 30, 2025). The population of expenditures tested included all costs associated with the project. Expenditures incurred subsequent to June 30, 2025, were not reviewed or included within the scope of our audit or in this report.

In planning and performing our performance audit, we obtained an understanding of the County's internal control in order to determine if the internal controls were adequate to help ensure the County complied with the requirements described in the BSCC Guide, in connection with expending AB 900 and SB 1022 proceeds only for eligible costs in accordance with applicable laws, regulations, and BSCC Agreement and Project Delivery and Construction Agreement requirements, but not for the purpose of expressing an opinion of the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Management remains responsible for the proper implementation and operation of an adequate internal control system. Due to the inherent limitations of any internal control structure, errors, or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions or that the degree of compliance with the procedure may deteriorate.

## Methodology

We obtained the general ledger and the project expenditure reports prepared by the County for the project period ended June 30, 2025. We obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the BSCC Agreements. We performed the following procedures:

1. We selected a sample of expenditures using the following criteria for the project period:
  - a. We considered all cost categories.
  - b. We selected all expenditure that were individually significant. Individually significant expenditures were identified based on our assessment of materiality.
  - c. For all items below the individual significant threshold identified in item 1b., we judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes.
2. Our sample included transactions totaling \$135.9 million (\$86.4 million from AB 900 and \$49.5 million from SB 1022), or 76 percent, of the \$180 million total State funding. Refer to Exhibit A for a detailed breakdown of budgeted state funding compared to actual expenditures claimed.
3. We examined the actual invoices and supporting documentation to determine that:
  - a. Expenditures conform to any limitation or exclusions in the award of state financing;
  - b. Include only eligible costs and did not include ineligible costs or other costs properly chargeable to other programs or accounts;
  - c. Were properly recorded (i.e. correct amount, date, etc.) and supported by source documentation;
  - d. Reported expenditures were incurred within the appropriate period; and
  - e. Were approved in advance, if they involved a modification subject to prior approval in accordance with the BSCC Agreements.
4. We tested a sample of 15 (14% of the population) construction contract change orders in the total amount of \$3,239,143. We verified that each change order included documentation of the County's internal controls and adherence to County policy.
5. We obtained procurement documentation for the prime construction contractor noting that the contract was competitively bid and awarded to the lowest responsive bidder. In addition, we noted that the contract included the necessary language as required by Exhibit A Article 3 (Books and records, Access to Books and Records, and Contractor Advisement) of the grant agreements.
6. The grant agreements specify the County must provide a minimum of at least 10 percent of the total eligible costs as any combination of cash (hard) match funds and in-kind (soft) match funds. We verified that the County met the hard and soft match percentage requirements by performing the following:
  - a. We selected a sample of cash match transactions using the criteria described in item #1 above. Our sample included transactions that were funded through a combination of State funds and County funds as well as transactions that were funded by County funds in their entirety. Our sample included transactions totaling \$21.2 million, or 13%, of the total County hard match. We examined the supporting documentation to determine

that cash match funds only included costs approved by the BSCC agreements, which include:

- Items eligible for eligible State costs;
  - Architectural programming and design (by consultants or contractors);
  - Preparation costs for full or focused environmental reports (for activities by consultants and contractors); and
  - Construction management (for activities by consultants or contractors)
- b. We verified that \$19.73 million, reported as In-kind match related to land value and site acquisition, were supported by independent appraisals.

Refer to Exhibit B for a summary of the County's matching requirements.

7. We inquired as to the existence of any program-related claims by or against the County pending at the time this audit was conducted. None were noted.

### **Audit Results**

The results of our tests indicated that, in all significant respects, the County has expended grant proceeds only for eligible costs in accordance with applicable laws, regulations and BSCC Agreement and Project Delivery and Construction Agreement requirements, including the match requirements.

This report is intended solely for the information and use of the California Board of State and Community Corrections, the County of Orange Board of Supervisors, and Management of County of Orange. This report is not intended to be, and should not be, used by anyone other than these specified parties. This limitation is not intended to limit distribution.



Laguna Hills, California  
February 24, 2026

AB 900 / SB 1022 James A. Musick Facility Project  
County of Orange, California  
Findings, Recommendations and Views of Responsible Officials

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None reported.

AB 900 / SB 1022 James A. Musick Facility Project  
County of Orange, California  
Exhibit A – State Funding Budget vs Actual

Budget Line Item	<b>AB900</b>				
	Original Budget	Budget Modifications	Final Budget	Expenditures Claimed	(Over)/Under
Construction	\$ 85,611,000	\$ 5,626,861	\$ 91,237,861	\$ 91,237,861	\$ -
Additional Eligible Costs	4,879,000	(3,900,879)	978,121	978,121	-
Architectural	7,010,000	774,018	7,784,018	7,784,018	-
Construction Management	2,500,000	(2,500,000)	-	-	-
Total costs	<u>\$ 100,000,000</u>	<u>\$ -</u>	<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>	<u>\$ -</u>

Budget Line Item	<b>SB1022</b>				
	Original Budget	Budget Modifications	Final Budget	Expenditures Claimed	(Over)/Under
Construction	\$ 70,374,383	\$ 166,926	\$ 70,541,309	\$ 70,541,309	\$ -
Additional Eligible Costs	2,408,000	(2,408,000)	-	-	-
Architectural	5,022,617	1,798,731	6,821,348	6,821,348	-
Construction Management	2,195,000	442,343	2,637,343	2,637,343	-
Total costs	<u>\$ 80,000,000</u>	<u>\$ -</u>	<u>\$ 80,000,000</u>	<u>\$ 80,000,000</u>	<u>\$ -</u>

**AB 900 / SB 1022 James A. Musick Facility Project**  
**County of Orange, California**  
 Exhibit B – Summary of County Match Requirements

Budget Line Item	<b>AB 900</b>			Total
	State Funded	Cash Match	In-Kind Match	
Construction	\$ 91,237,861	\$ 104,500,517	\$ -	\$ 195,738,378
Additional Eligible Costs	978,121	8,712,582	-	9,690,703
Architectural	7,784,018	4,921,301	-	12,705,319
Site Acquisition	-	-	11,200,000	11,200,000
Construction Management	-	6,145,326	-	6,145,326
CEQA	-	11,863	-	11,863
Due Diligence	-	145,225	-	145,225
<b>Total costs</b>	<b>\$ 100,000,000</b>	<b>\$ 124,436,814</b>	<b>\$ 11,200,000</b>	<b>\$ 235,636,814</b>
		Cash Match	53%	
		In-Kind Match	5%	
		Total County Match	58%	
			Minimum Requirement Match Per AB 900 Agreement	10%

Budget Line Item	<b>SB 1022</b>			Total
	State Funded	Cash Match	In-Kind Match	
Construction	\$ 70,541,309	\$ 31,247,530	\$ -	\$ 101,788,839
Architectural	6,821,348	2,510,546	-	9,331,894
Construction Management	2,637,343	1,474,539	-	4,111,882
State Agency Fees	-	20,353	-	20,353
Needs Assessment	-	26,000	-	26,000
Land Value	-	-	8,530,000	8,530,000
<b>Total costs</b>	<b>\$ 80,000,000</b>	<b>\$ 35,278,968</b>	<b>\$ 8,530,000</b>	<b>\$ 123,808,968</b>
		Cash Match	28%	
		In-Kind Match	7%	
		Total County Match	35%	
			Minimum Requirement Match Per SB 1022 Agreement	10%