

SOLANO COUNTY

Audit Report

ROAD FUND

July 1, 2006, through June 30, 2007



JOHN CHIANG
California State Controller

January 2009



JOHN CHIANG
California State Controller

January 30, 2009

The Honorable John F. Silva
Chairman, Board of Supervisors
Solano County
675 Texas Road, Suite 6500
Fairfield, CA 94533

Dear Mr. Silva:

The State Controller's Office (SCO) audited Solano County's Road Fund for the period of July 1, 2006, through June 30, 2007. We also reviewed road-purpose revenues, expenditures, and changes in fund balances for the period of July 1, 2001, through June 30, 2006. The results of this review are included in our audit report.

The county accounted for and expended Road Fund moneys in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and the SCO's *Accounting Standards and Procedures for Counties* manual, except for our adjustment of \$9,685. We made the adjustment because the county did not fully resolve a prior audit finding involving non-road-related expenditures.

The county accounted for and expended fiscal year (FY) 2001-02 through FY 2006-07 Transportation Equity Act of the 21st Century Matching and Exchange moneys in compliance with Article XIX of the California Constitution and Streets and Highways Code section 182.6.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk:vb:sr

cc: The Honorable Simona Padilla-Scholtens, CPA
Auditor-Controller
Solano County
Birgitta Corsello, Director of Resource Management
Solano County
Grace Kong, Chief
Local Program Accounting Branch
Department of Transportation

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	3
Follow-Up on Prior Audit Findings	3
Views of Responsible Officials	3
Restricted Use	4
Schedule 1—Reconciliation of Road Fund Balance	5
Schedule 2—Reconciliation of TEA-21 Balance	6
Finding and Recommendation	7
Attachment—County’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited Solano County's Road Fund for the period of July 1, 2006, through June 30, 2007. We also reviewed road-purpose revenues, expenditures, and changes in fund balances for the period of July 1, 2001, through June 30, 2006. This review was limited to performing inquiries and analytical procedures to ensure that (1) highway users tax apportionments and road-purpose revenues were properly accounted for and recorded in the Road Fund; (2) expenditure patterns were consistent with the period audited; and (3) unexpended fund balances were carried forward properly.

Our audit and review disclosed that the county accounted for and expended Road Fund moneys in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and the SCO's *Accounting Standards and Procedures for Counties* manual, except for our adjustment of \$9,685.

In addition, we audited Transportation Equity Act of the 21st Century (TEA-21) Matching and Exchange moneys for fiscal year (FY) 2001-02 through FY 2006-07 at the request of the California Department of Transportation (Caltrans). The TEA-21-funded projects have been verified to be for road-related purposes and are eligible expenditures. The TEA-21 moneys received by the county were accounted for and expended in compliance with Article XIX of the California Constitution.

Background

We conducted an audit of the county's Road Fund in accordance with Government Code section 12410. The Road Fund was established by the county boards of supervisors in 1935, in accordance with Streets and Highways Code section 1622, for all amounts paid to the county out of moneys derived from the highway users tax fund. A portion of the Federal Forest Reserve revenue received by the county is also required to be deposited into the Road Fund (Government Code section 29484). In addition, the county board of supervisors may authorize the deposit of other sources of revenue into the Road Fund. Once moneys are deposited into the Road Fund, it is restricted to expenditures made in compliance with Article XIX of the California Constitution and Streets and Highways Code Sections 2101 and 2150.

The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 created a federal program designed to increase flexibility in federal funding for transportation purposes by shifting the funding responsibility to state and local agencies. The TEA-21 is a continuation of this program. The funds are restricted to expenditures made in compliance with Article XIX of the California Constitution. Caltrans requested that we audit these expenditures to ensure the county's compliance.

**Objectives, Scope,
and Methodology**

The objectives of our audit of the Road Fund and TEA-21 Matching and Exchange moneys were to determine whether:

- Highway users tax apportionments and TEA-21 Matching and Exchange moneys received by the county were accounted for in the Road Fund, a special revenue fund;
- Expenditures were made exclusively for authorized purposes or safeguarded for future expenditure;
- Reimbursements of prior Road Fund expenditures were identified and properly credited to the Road Fund;
- Non-road-related expenditures were reimbursed in a timely manner;
- The Road Fund cost accounting is in conformance with the SCO's *Accounting Standards and Procedures for Counties* manual, Chapter 9, Appendix A; and
- Expenditures for indirect overhead support service costs were within the limits formally approved in the Countywide Cost Allocation Plan.

Our audit objectives were derived from the requirements of Article XIX of the California Constitution, the Streets and Highways Code, the Government Code, and the SCO's *Accounting Standards and Procedures for Counties* manual. To meet the objectives, we:

- Gained a basic understanding of the management controls that would have an effect on the reliability of the accounting records of the Road Fund, by interviewing key personnel and testing the operating effectiveness of the controls;
- Verified whether all highway users tax apportionments and TEA-21 Matching and Exchange moneys received were properly accounted for in the Road Fund, by reconciling the county's records to the State Controller's and Caltrans' payment records;
- Analyzed the system used to allocate interest and determined whether the interest revenue allocated to the Road Fund was fair and equitable, by interviewing key personnel and testing a sample of interest calculations;
- Verified that unauthorized borrowing of Road Fund cash had not occurred, by interviewing key personnel and examining the Road Fund cash account entries; and
- Determined, through testing, whether Road Fund expenditures were in compliance with Article XIX of the California Constitution and with the Streets and Highways Code, and whether indirect cost allocation plan charges to the Road Fund were within the limits approved by the SCO's Division of Accounting and Reporting, County Cost Plan Unit.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

We did not audit the county's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, we examined transactions on a test basis to determine whether they complied with applicable laws and regulations and were properly supported by accounting records. We considered the county's internal controls only to the extent necessary to plan the audit.

Conclusion

Our audit and review disclosed that Solano County accounted for and expended Road Fund moneys in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and the SCO's *Accounting Standards and Procedures for Counties* manual, except for the item shown in Schedule 1 and described in the Finding and Recommendation section of this report. The finding requires an adjustment of \$9,685 to the county's accounting records.

We verified that the TEA-21-funded projects were for road-related purposes and are eligible expenditures. The TEA-21 moneys received by the county were accounted for and expended in compliance with Article XIX of the California Constitution and the Streets and Highways Code.

Follow-up on Prior Audit Findings

Findings noted in our prior audit report, issued on August 15, 2002, have been satisfactorily resolved by the county, except for Finding 1—Non-road-related expenditures for the county's Animal Care Services (see the Finding and Recommendation section of this report).

Views of Responsible Officials

We issued a draft audit report on November 7, 2008. Birgitta Corsello, Director of Resource Management, responded by letter dated December 1, 2008. The county agrees with the audit results and provided documentation on resolution of the finding.

Restricted Use

This report is solely for the information and use of county management, the county board of supervisors, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

January 30, 2009

**Schedule 1—
Reconciliation of Road Fund Balance
July 1, 2006, through June 30, 2007**

	<u>Amount</u>
Beginning fund balance per county	\$ 4,524,737
Revenues	<u>18,266,128</u>
Total funds available	22,790,865
Expenditures	<u>(17,098,836)</u>
Ending fund balance per county	5,692,029
SCO adjustment:	
Finding—Unresolved prior audit finding	<u>9,685</u>
Ending fund balance per audit	<u>\$ 5,701,714</u>

**Schedule 2—
Reconciliation of TEA-21 Balance
July 1, 2001, through June 30, 2007**

	Amount
Beginning balance per county	\$ 1,079,324
Revenues:	
TEA-21 Matching and Exchange funds	628,260
Total funds available	1,707,584
Expenditures:	
Maintenance	(1,707,584)
Ending balance per county	—
SCO adjustment	—
Ending balance per audit	\$ —

NOTE: The TEA-21 moneys have been accounted for and expended within the Road Fund.

Finding and Recommendation

**FINDING—
Unresolved prior audit
finding: Non-road-
related expenditures
for Animal Care
Services**

The county did not fully resolve a prior audit finding. The county did not reimburse the Road Fund the \$23,958 for non-road-related expenditures for Animal Care Services. Animal Care Services made an agreement with the Resource Management Department (including Public Works, which is responsible for the Road Fund) to apply future billings to the Road Fund for removal of dead animals. Our audit disclosed that Animal Care Services billed the Road Fund for dead-animal removal from February 2002 to December 2005, for a total of \$14,273, leaving an outstanding balance of \$9,685.

Recommendation

The county must reimburse the Road Fund \$9,685 for non-road-related expenditures incurred during the prior audit. The county should also establish procedures to ensure timely resolution of audit findings.

County's Response

Based on an agreement, Animal Care Services has submitted invoices for the period of January 2006 through October 2008 in the amount of \$8,958.65 to the Road Fund for the removal of dead animals and applied this amount to the outstanding balance. The remaining balance of \$726.74 has been reimbursed to the Road Fund.

SCO's Comment

We concur with the county's response. The county reimbursed \$9,685 to the Road Fund in fiscal year 2008-09 by applying Animal Control Service invoices totaling \$8,958 and crediting \$727 to the Road Fund's Non-Road Services account.

**Attachment—
County’s Response to
Draft Audit Report**



SOLANO COUNTY
Department of Resource Management
Public Works Engineering
675 Texas Street, Suite 5500
Fairfield, CA 94533
www.solanocounty.com

COPY

Telephone No.: (707) 784-6765
Fax No.: (707) 784-2894

Birgitta Corsello, Director
Clifford Covey, Assistant Director

December 1, 2008

Steven Mar, Chief, Local Government Audits Bureau
State Controller's Office
Division of Audits
PO Box 942850
Sacramento, CA 94250-5874

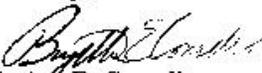
Dear Mr. Steven Mar,

We have reviewed the draft of the audit report prepared by the State Controller's Office for the audit of the Solano County's Road Fund for the period of July 1, 2006 through June 30, 2007 and for the review of road-purpose revenues, expenditures and changes in fund balance for the period of July 1, 2001 through June 30, 2006. Our response is focused on the finding which indicates a prior audit finding is unresolved.

The finding states an unresolved prior audit finding pertaining to a reimbursement for the costs of removing live animals that are loose on county roads results in an outstanding balance due to the Road Fund from the County of \$9,685.39 as of December 31, 2005. Based on an agreement, Animal Care Services has submitted invoices for the period of January 2006 through October 2008 in the amount of \$8,958.65 to the Road Fund for the removal of dead animals and applied this amount to the outstanding balance. The remaining balance of \$726.74 has been reimbursed to the Road Fund. I have included an account ledger, copies of invoices and an ifas report showing the journal entry of the balance due for your review. We trust this response provides a resolution to the finding on the Final Report.

Please contact Katherine Phillips at (707) 784-6065 or kmphillips@solanocounty.com if you have any questions.

Sincerely,


Birgitta E. Corsello
Director

Enclosures

Cc: Simona Padilla-Scholtens
Efren Loste

**DEAD ANIMAL PICKUP BETWEEN
10/1/08 AND 10/30/08**

1. Vacaville County: 12 calls @ 35 min.-----420 minutes

2. Fairfield County: 3 call @ 15 minutes ----- 45 minutes

Total minutes----- 465 minutes

465 min / 60min. hr. = 7.75 hours X \$43.00 per/hr. = \$333.25

10/24/08 Norcal Waste System, Landfill (dead deer) \$15.00
9/4/08 Norcal Waste System, Landfill (dead deer) \$13.00

TOTAL BILL \$361.25

**DEAD ANIMAL PICKUP BETWEEN
9/1/08 AND 9/30/08**

1. Vacaville County: 5 calls @ 35 min.-----175 minutes
 2. Winter County: 2 calls @ 62 min. -----124 minutes
 3. Dixon County: 6 calls @ 48 min.-----124 minutes
 4. Fairfield County: 1 call @ 15 minutes -----15 minutes
-

Total minutes-----602 minutes

602 min / 60min. hr. = 10.00 hours X \$43.00 per/hr. = \$430.00

**DEAD ANIMAL PICKUP BETWEEN
8/1/08 AND 8/31/08**

- 1. Vacaville County: 3 calls @ 35 min.-----105 minutes
 - 2. Rio Vista County: 1 calls @ 80 min. -----80 minutes
 - 3. Vallejo County: 1 calls @ 45 min.-----45 minutes
 - 4. Fairfield County: 7 call @ 15 minutes -----105 minutes
-

Total minutes-----335 minutes

335 min / 60min. hr. = 5.60 hours X \$43.00 per/hr. = \$240.80

Landfill, Norcal waste + \$ 13.00

Total	\$253.80
-------	----------



Solano County General Services

Solano County General Services
 Animal Care Division
 2510 Claybank Road
 Fairfield CA 94533
 Phone (707) 784-1356 Fax (707) 784-1353

DATE: August 7, 2008
 INVOICE #: 2851-0708
 ACCOUNT #: Transportation

Bill To: Department of Transportation
 333 Sunset Avenue
 Suisun, CA 94585

Ship To: N/A

SALESPERSON	P.O. NUMBER	SHIP DATE	SHIP VIA	F.O.B. POINT	TERMS
n/a	n/a	n/a	n/a	n/a	Due Net 30
Number of Calls	LOCATION & TYPE OF CALL SERVICED		Total Hours	Cost	
	2008 ANNUAL PAYMENT, Period: 07/01/08 to 07/31/08				
4	Vacaville County - Removal/Disposal of Dead Domestic		2.35	\$	101.05
1	Fairfield County - Removal/Disposal of Dead Domestic		0.50	\$	21.50
1	Dixon County - Removal/Disposal of Dead Domestic		0.80	\$	34.40
2	Winters County - Removal/Disposal of Dead Domestic		1.05	\$	45.15
1	Vallejo County - Removal/Disposal of Dead Domestic		0.75	\$	32.25
SUBTOTAL HRS			5.45	\$	43.00
TOTAL				\$	234.35

Make all checks payable to County of Solano, GS - Animal Care at the above address
 THANK YOU!

RECEIVED
 Solano County
 Resource Management

AUG 12 2008

AM 7:30 10:11 12:1 2:3 4:5 6 PM



Solano County General Services

Solano County General Services
 Animal Care Division
 2510 Claybank Road
 Fairfield CA 94533
 Phone (707) 784-1356 Fax (707) 784-1353

DATE: August 7, 2008
INVOICE # 2851-0608
ACCOUNT # Transportation

Bill To: Department of Transportation
 333 Sunset Avenue
 Suisun, CA 94585

Ship To: N/A

SALESPERSON	P.O. NUMBER	SHIP DATE	SHIP VIA	F.O.B. POINT	TERMS
n/a	n/a	n/a	n/a	n/a	Due Net 30
Number of Calls	LOCATION & TYPE OF CALL SERVICED		Total Hours	Cost	
	2008 ANNUAL PAYMENT, Period: 05/01/08 to 06/30/08				
4	Vacaville County - Removal/Disposal of Dead Domestic		2.35	\$	101.05
1	Fairfield County - Removal/Disposal of Dead Domestic		0.25	\$	10.75
1	Dixon County - Removal/Disposal of Dead Domestic		0.80	\$	34.40
2	Winters County - Removal/Disposal of Dead Domestic		2.10	\$	90.30
SUBTOTAL HRS			5.50		\$43.00
TOTAL				\$	236.50

Make all checks payable to **County of Solano, GS - Animal Care** at the above address
THANK YOU!

Account Ledger for the Dept. of Transportation

Account: Department of Transportation

Date	Description	Inv#	Amount	Balance County Transportation
Prior Invoices	Amount County Owes Dept of Transportaion	n/a	\$9,685.39	\$9,685.39
6/13/2008	01/06-12/06 Dept of Transport. Owes County	2851-0106-1206	(\$3,688.50)	\$5,996.89
6/13/2008	01/07-12/07 Dept of Transport. Owes County	2851-0107-1207	(\$2,542.00)	\$3,454.89
6/13/2008	01/08-05/08 Dept of Transport. Owes County	2851-0108-0508	(\$1,212.25)	\$2,242.64

SORT ORDER: SUBOBJ within KEY within DEPTMNT

SELECT BUREAU: 3016 ; SUBJECT: 0009673

Dept.	Dept. Description	GR Key	Key Title	Director	St	Trap
3010	TRANSPORTATION DEPARTMENT	GL 3016	OPERATION ROAD SERVICES		A	N

Object	Object Description	Date	Primary Ref.	Transaction Description	Debit	Credit	Balance
0009673	NON-ROAD SVCS -	12/01/08	prior	NON-ROAD SVCS -	0.00	11,181.60	-11,181.60
0009673	NON-ROAD SVCS -	12/01/08	945021	REIMB LIVESTOCK NOV 2008		726.74	-11,908.34
			CR	* Object Code Total *	0.00*	11,908.34*	-11,908.34*
			DR-CR	** KEY TOTAL **	0.00**	11,908.34**	-11,908.34**?
			DR-CR	*** DEPT TOTAL ***	0.00**	11,908.34**	-11,908.34**?

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>