

# MARIPOSA COUNTY

Audit Report

## ROAD FUND

*July 1, 2007, through June 30, 2013*



**BETTY T. YEE**  
California State Controller

April 2016



**BETTY T. YEE**  
California State Controller

April 26, 2016

The Honorable John Carrier, Chair  
Board of Supervisors  
Mariposa County  
5100 Bullion Street  
Mariposa, CA 95338

Dear Mr. Carrier:

The State Controller's Office (SCO) audited Mariposa County's Road Fund for the period of July 1, 2007, through June 30, 2013.

The county accounted for and expended its Road Fund money 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 adjustments totaling \$16,742. We made the adjustments because the county had unreimbursed non-road expenditures for the current audit period and a prior SCO audit finding (report issued December 2008). In addition, we identified a procedural finding affecting the Road Fund.

If you have any questions, please contact Christopher Lek, Interim Chief, Local Government Audits Bureau, at (916) 284-0120.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/rg

cc: Deborah Isaacs, Auditor Controller  
Mariposa County  
Tony Stobbe, Director of Public Works  
Mariposa County

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# Audit Report

## Summary

The State Controller's Office (SCO) audited Mariposa County's Road Fund for the period of July 1, 2007, through June 30, 2013 (fiscal year (FY) 2007-08 through FY 2012-13).

Our audit found that the county accounted for and expended its Road Fund money 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 adjustments totaling \$16,742, and a procedural finding identified in this report.

## 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 money 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 money 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.

## Objectives, Scope, and Methodology

The objectives of our audit of the Road Fund were to determine whether:

- Highway Users Tax apportionments 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 expenditures;
- 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 received were properly accounted for in the Road Fund, by reconciling the county's records to the State Controller's 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 found that the county accounted for Road Fund money 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 Findings and Recommendations section of this report. The findings require an adjustment of \$16,742 to the county's accounting records.

## **Follow-up on Prior Audit Findings**

Findings noted in our prior audit report, issued on December 31, 2008, have been resolved satisfactorily by the county, except for the lack of designation for equipment replacement account within the Internal Service Fund and remaining unreimbursed non-road expenditures. These findings are further described in the Findings and Recommendations section of this report, in Findings 2 and 3, respectively.

**Views of  
Responsible  
Officials**

We issued a draft audit report on February 9, 2016. Deborah Isaacs, Auditor-Controller, and Tony Stobbe, Director of Public Works, responded by email on March 9, 2016, agreeing with the audit results.

**Restricted Use**

This report is solely for the information and use of Mariposa County 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, CPA  
Chief, Division of Audits

April 26, 2016

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**Schedule 1—  
Reconciliation of Road Fund Balances  
July 1, 2012, through June 30, 2013**

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	<u>Amount</u>
Beginning fund balance per county	\$ 881,079
Revenues	<u>4,204,019</u>
Total funds available	5,085,098
Expenditures	<u>(4,867,667)</u>
Ending fund balance per county	<u>217,431</u>
SCO adjustments:	
Finding 1—Unreimbursed non-road expenditures	1,632
Finding 2—Prior audit – unreimbursed non-road expenditures	<u>15,110</u>
Total SCO audit adjustments	<u>16,742</u>
Ending fund balance per audit	<u><u>\$ 234,173</u></u>

# Findings and Recommendations

**FINDING 1—  
Unreimbursed non-  
road expenditures**

The county did not reimburse the Road Fund \$1,632 for non-road expenditures for FY 2011-12 and FY 2010-11. In addition, the county does not collect non-road reimbursable transactions in a timely manner in some instances.

Street and Highways Code section 2101 states:

All moneys in the Highway Users Tax Account in the Transportation Tax Fund and hereafter received in the account are appropriate for all of the following: (a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes.

Streets and Highways Code section 2150 states:

All amounts paid to each county of the Highway Users Tax Fund shall be deposited in its road fund. The board may deposit in said fund any other money available for roads. All money received by a county from the Highway Users Tax Fund and all money deposited by a county in its road fund shall be expended by the county exclusively for county roads for the purposes specified in Section 2101 or for other public street and highway purposes as provided by law.

The SCO has permitted expenditures of Road Fund money for non-road work as a convenience for counties, provided that the expenditures are billed and reimbursed in a timely manner (30-60 days after completion of the work).

Recommendation

The county should reimburse the Road Fund \$1,632 for expenditures incurred for county departments. In addition, the county should establish procedures to ensure that future non-road billings are prepared and the Road Fund is reimbursed in a timely manner.

County’s Response

In regards to findings 1 and 2, a repayment of \$16,742 will be made from the County General Fund to the Road Fund to reimburse for non-road expenditures.

SCO’s Comment

The county agreed with the finding.

**FINDING 2—  
Prior audit –  
unreimbursed non-  
road expenditures**

The county did not reimburse the Road Fund \$15,110 of prior audit unreimbursed outstanding balances from prior SCO audit Finding No. 3 (report issued December 31, 2008) for non-non-road expenditures road reimbursable expenditures. The uncollected balances totaled \$7,902 for FY 2006-07 and \$7,208 for FY 2003-04.

Street and Highways Code section 2101 states:

All moneys in the Highway Users Tax Account in the Transportation Tax Fund and hereafter received in the account are appropriated for all of the following: (a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes.

Streets and Highways Code section 2150 states:

All amounts paid to each county of the Highway Users Tax Fund shall be deposited in its road fund. The board may deposit in said fund any other money available for roads. All money received by a county from the Highway Users Tax Fund and all money deposited by a county in its road fund shall be expended by the county exclusively for county roads for the purposes specified in Section 2101 or for other public street and highway purposes as provided by law.

The SCO has permitted expenditures of Road Fund money for non-road work as a convenience for counties, provided that the expenditures are billed and reimbursed in a timely manner (30-60 days after completion of the work).

Recommendation

The county should reimburse the Road Fund \$15,110 for prior SCO audit Finding No. 3 for expenditures incurred for county departments and outside parties. In addition, the county should establish procedures to ensure that unresolved audit findings are followed up on and corrected.

County's Response

In regards to findings 1 and 2, a repayment of \$16,742 will be made from the County General Fund to the Road Fund to reimburse for non-road expenditures.

SCO's Comment

The County agreed with the finding.

**FINDING 3—  
Prior audit no  
designation for  
equipment replacement  
account**

The county did not establish a Designation for Equipment Replacement account in the Heavy Equipment Internal Services Fund (ISF) Net Assets. This observation was reported in three prior SCO audits.

Government Code section 25262 and SCO Manual, Chapter 13, section 17, authorize the establishment of an Equipment Replacement Reserve (Designation) based on estimated replacement costs. In general, vehicle replacement charges do not constitute actual expenditures. The replacement charges are allowed only if the Road Fund contributions are retained and identified in a separate equity account (Net Assets) for equipment replacement.

Recommendation

The county should establish a separate Designation for Equipment Replacement account in the Heavy Equipment ISF Net Asset to account for Road Fund accumulated replacement contributions.

County's Response

...The County is in the process of creating a Designated Net Asset cash account specifically for Roads Heavy Equipment.

SCO's Comment

The county agreed with the finding.

**State Controller's Office  
Division of Audits  
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