

# **SISKIYOU 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 18, 2016

The Honorable Grace Bennett, Chair  
Board of Supervisors  
Siskiyou County  
1312 Fairlane Road  
Yreka, CA 96097

Dear Ms. Bennet:

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

The county accounted for and expended 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 \$110,577. We made the adjustments because the county incurred ineligible Cattle Guard Maintenance expenditures of \$109,269, and unreimbursed non-road expenditures of \$1,308. Subsequently, the county reimbursed the Road Fund for Cattle Guard Maintenance expenditures and unreimbursed non-road expenditures.

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/lis

cc: Jennie Ebejer, Auditor-Controller  
Siskiyou County  
Scott Waite, Director of Public Works  
Siskiyou County

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# Audit Report

## Summary

The State Controller's Office (SCO) audited Siskiyou 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 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 \$110,577. The county agreed with the findings and adjusted the Road Fund accordingly.

## 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 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 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 and expended 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 items shown in Schedule 1 and described in the Findings and Recommendations section of this report. The findings require an adjustment of \$110,577 to the county's accounting records. The county agreed with the findings and adjusted the Road Fund accordingly.

**Follow-up on Prior  
Audit Findings**

Findings noted in our prior audit report, issued on April 22, 2009, have been satisfactorily resolved by the county.

**Views of  
Responsible  
Officials**

At an exit conference on September 4, 2014, we discussed the audit results with Scott Waite, Director of Public Works; Jennie Ebejer, Auditor-Controller; and Laurie Gripp, Public Works Fiscal Officer. At the exit conference, we stated that the final report would incorporate the views of responsible officials. As a follow-up, we conducted a supplemental telephone conference with Jill Tafoya, current Public Works Fiscal Officer, on January 28, 2016. Ms. Tafoya agreed with the findings. Ms. Tafoya further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

**Restricted Use**

This report is solely for the information and use of Siskiyou 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 18, 2016

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

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	<u>Amount</u>
Beginning fund balance per county	\$ 14,274,161
Revenues	<u>7,431,395</u>
Total funds available	21,705,556
Expenditures	<u>(9,348,579)</u>
Ending fund balance per county	<u>12,356,977</u>
SCO adjustments:	
Finding 1—Cattle Guard Maintenance expenditures	109,269
Finding 2—Unreimbursed non road expenditures	<u>1,308</u>
Total SCO audit adjustments	<u>110,577</u>
Ending fund balance per audit	<u><u>\$ 12,467,554</u></u>

# Findings and Recommendations

**FINDING 1—  
Ineligible expenditure**

The Road Fund paid \$109,269 for Activity No. 0001-0079 (Cattle Guard Maintenance) during fiscal year (FY) 2007-08 through FY 2011-12. Cattle Guard Maintenance is not a road-related expenditure.

Streets and Highways Code section 2101 states:

All money 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 county agreed with the finding and provided Journal Entry No. J1505265, dated October 28, 2014, to reimburse the Road Fund.

Recommendation

In the future, the county should ensure that only expenditures considered road or road-related are paid by the Road Fund.

**FINDING 2—  
Unreimbursed non-  
road expenditures**

At the end of fieldwork, the county did not reimburse the Road Fund for non-road-related work performed for various other county departments that totaled \$1,308.

Streets and Highways Code section 2101 states:

All money 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 county agreed with the finding and confirmed on February 29, 2016, that the county has reimbursed the Road Fund for the non-road-related expenditures.

Recommendation

The county should establish procedures to ensure that future outstanding on-road billings are collected in a timely manner.

**State Controller's Office  
Division of Audits  
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**<http://www.sco.ca.gov>**