

PLUMAS COUNTY

Audit Report

ROAD FUND

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

June 2016



BETTY T. YEE
California State Controller

June 30, 2016

The Honorable Sharon Thrall, Chair
Board of Supervisors
Plumas County
520 Main Street, Room 309
Quincy, CA 95971

Dear Ms. Thrall:

The State Controller's Office (SCO) audited Plumas County's Road Fund for the period of July 1, 2002, 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 adjustment of \$319,473. We made the adjustment because the county did not reimburse the Road Fund for a prior-year audit finding or the current audit period of ineligible membership dues and non-road expenditures. In addition, we identified a procedural finding.

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/as

cc: Roberta Allen, Auditor-Controller
Plumas County
Bob Perreault, Public Works Director
Plumas County

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Audit Report

Summary

The State Controller's Office (SCO) audited Plumas County's Road Fund for the period of July 1, 2002, through June 30, 2013 (fiscal year (FY) 2002-03 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 adjustment of \$319,473. In addition, we identified a procedural finding.

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 item shown in Schedule 1 and described in the Findings and Recommendations section of this report. The findings require an adjustment of \$319,473 to the county's accounting records.

**Follow-up on Prior
Audit Findings**

Findings noted in our prior audit report, issued on March 17, 2004, have not been satisfactorily resolved by the county.

**Views of
Responsible
Officials**

We issued a draft audit report on February 5, 2016. The county did not respond to the draft audit report. We attempted to obtain a response by contacting Damien Frank, Department of Public Works Fiscal Officer, through a telephone call on May 4, 2016, and through an email on May 12, 2016.

Restricted Use

This report is solely for the information and use of Plumas 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

June 30, 2016

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

	<u>Amount</u>
Beginning fund balance per county	\$ 11,728,445
Revenues	<u>5,212,901</u>
Total funds available	16,941,346
Expenditures	<u>(7,358,809)</u>
Ending fund balance per county	<u>9,582,537</u>
SCO adjustment:	
Finding 1—Ineligible expenditures	<u>319,473</u>
Ending fund balance per audit	<u><u>\$ 9,902,010</u></u>

¹ The audit period was July 1, 2002, through June 30, 2013; however, this schedule includes only the period of July 1, 2012, through June 30, 2013.

Findings and Recommendations

FINDING 1— Ineligible non-road expenditures

The SCO's prior audit report issued March 17, 2004, disclosed two findings that Plumas County has not yet resolved. First, from FY 1997-98 through FY 2001-02, the Road Fund paid \$232,608 to the Quincy Library Group (QLG). Second, the county spent \$4,618 of Road Fund money for membership dues for the National Forest Counties and Schools Coalition (NFCSC). We also noted that the county contributed \$47,149 during FY 2002-03 and \$35,098 during FY 2003-04 to the QLG. These expenditures, totaling \$319,473, are not allowable Road Fund expenditures.

Road Fund money can be expended only for roads or road-related purposes as outlined in Streets and Highways Code sections 2101 and 2150. These expenditures are not considered roads or road-related purposes.

Recommendation

The county should reimburse the Road Fund \$319,473 for unallowable expenditures of \$237,226 during FY 1997-98 through FY 2001-02, as disclosed in our prior audit finding, and \$82,247 for FY 2002-03 through FY 2003-04 for expenditures made to QLG and NFCSC.

FINDING 2— Public Works Director salary allocation

The Public Works Director's entire salary was charged to the Road Fund. Based on the organizational chart, job description, and budget worksheet, the Public Works Director is responsible for the departments of Solid Waste, County Surveyor, County Engineering, and Flood Control. As the Public Works Director was responsible for overseeing multiple county departments, the county should have allocated a fair share of the Public Works Director's time spent to oversee these departments.

Recommendation

The county should develop a clear cost allocation plan that is based on monthly time distribution or a cost allocation method that is equitable. Based on that plan, the other Public Works departments should contribute their fair share to compensate the Public Works Director's time spent overseeing these departments.

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