

TEHAMA COUNTY

Audit Report

ROAD FUND

July 1, 2009, through June 30, 2013



BETTY T. YEE
California State Controller

June 2016



BETTY T. YEE
California State Controller

June 13, 2016

The Honorable Bob Williams, Chair
Board of Supervisors
Tehama County
727 Oak Street
Red Bluff, CA 96080

Dear Mr. Williams:

The State Controller's Office (SCO) audited Tehama County's Road Fund for the period of July 1, 2009, 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 \$64,764. We made the adjustment because the county Road Fund incurred costs related to cattle guard construction and maintenance.

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

Attachment

cc: LeRoy Anderson, Auditor-Controller
Tehama County
Gary Antone, Director of Public Works
Tehama County

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Audit Report

Summary

The State Controller's Office (SCO) audited Tehama County's Road Fund for the period of July 1, 2009, through June 30, 2013.

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 \$64,764 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 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 Finding and Recommendation section of this report. The finding requires an adjustment of \$64,764 to the county's accounting records.

Follow-up on Prior Audit Findings

Findings noted in our prior audit report, issued on January 8, 2013, have been resolved satisfactorily by the county.

**Views of
Responsible
Officials**

We issued a draft audit report on January 28, 2016. Gary B. Antone, Director of Public Works, responded by letter on April 22, 2016, agreeing with audit results. The county's response is included as an attachment in this final audit report.

Restricted Use

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

June 13, 2016

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

	Amount
Beginning fund balance per county	\$ 7,259,886
Revenues	12,959,084
Total funds available	20,218,970
Expenditures	(15,518,833)
Ending fund balance per county	4,700,137
SCO adjustment: ²	
Finding—Cattle guard expenditures	64,764
Ending fund balance per audit	\$ 4,764,901

¹ The audit period was July 1, 2009, through June 30, 2013; however, this schedule includes only the period of July 1, 2012, through June 30, 2013.

² See the Finding and Recommendation section.

Finding and Recommendation

FINDING— Ineligible cattle guard expenditures

During the audit period, the county charged the Road Fund \$64,764 for the construction and maintenance costs of cattle guards. Construction and maintenance of cattle guards is not considered an eligible charge to the Road Fund.

Streets and Highways Code section 2101 states:

The board of supervisors may construct, install and maintain cattle guards on or adjacent to the county highways. The cost of constructing, installing, and maintaining such cattle guards may be paid from the general county fund.

The board of supervisors may, under such restrictions, plans and specifications as it may deem proper, permit any property owner to construct, install or maintain at his own expense, cattle guards on or adjacent to any county highway. The construction and maintenance of such cattle guards shall be under the direction and supervision of the board of supervisors, and they may require such bond as they deem proper as a condition of the granting of permission to erect such cattle guard.

Recommendation

The county should reimburse the Road Fund \$64,764, from another funding source, for the cattle guard expenditures incurred by the Road Fund. In addition, the county should establish procedures to ensure that future cattle guard expenditures are either charged to the General Fund or reimbursed in a timely manner.

County's Response

The county concurred with our finding. The county's response is included as an attachment.

**Attachment—
Tehama County's Response to
Draft Audit Report**



COUNTY OF TEHAMA
DEPARTMENT OF PUBLIC WORKS
9380 San Benito Avenue
Gerber, CA 96035-9701
(530) 385-1462
(530) 385-1189 Fax

Road Commissioner
Surveyor
Engineer
Public Transit
Flood Control & Water
Conservation District
Sanitation District No. 1

April 22, 2016

R-16-023

State Controller's Office, Division of Audits
Mike Spalj, Local Government Audits Bureau
P.O. Box 942850
Sacramento, CA 94250-5874

RE: January 28, 2016 Road Fund Audit Letter regarding the period of July 1, 2009 -
June 30, 2013; Cattle Guard expenditures

Dear Mr. Spalj:

In response to your letter of January 28, 2016 regarding an appropriate funding source for cattle guard expenditures, during the period of July 1, 2009 - June 30, 2013, in the amount of \$64,764.69, the issue is now resolved.

The Tehama County Board of Supervisors took action on April 21, 2016, in accordance with Streets and Highway Code § 985, to transfer funds in the amount of \$64,764.69 from the County General Fund to the Road Fund to cover the cost of the cattle guard expenditures noted.

Enclosed is a copy of the Tehama County Board of Supervisor minute order that verifies the Board's action on this matter.

Respectfully,

A handwritten signature in black ink, appearing to read "G. Antone".

Gary B. Antone, P.E., P.L.S.
Director of Public Works

Encl. (1) Minute Order

cc: LeRoy Anderson, Tehama County Auditor
Ellen Janowitz, Accountant

MINUTE ORDER
BOARD OF SUPERVISORS
COUNTY OF TEHAMA, STATE OF CALIFORNIA

R E G U L A R A G E N D A

25. PUBLIC WORKS DEPARTMENT

- a) TRANSFER OF FUNDS: GENERAL FUND, B-47 - From Operating Transfer In to Contingency, \$64,764.69; and From Contingency to Contributions to Road, \$64,764.69.

County Counsel Arthur Wylene clarified the funding source as it is not from General Fund.

Director Gary Antone discussed the condition of the cattle guards in Tehama County.

Following additional comments;

RESULT: **APPROVED [UNANIMOUS]**
MOVER: Dennis Garton, Supervisor - District 3
SECONDER: Burt Bundy, Supervisor - District 5
AYES: Garton, Chamblin, Williams, Bundy, Carlson

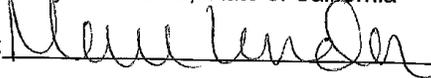
STATE OF CALIFORNIA)
) ss
COUNTY OF TEHAMA)

I, JENNIFER VISE, County Clerk and ex-officio Clerk of the Board of Supervisors of the County of Tehama, State of California, hereby certify the above and foregoing to be a full, true and correct copy of an order adopted by said Board of Supervisors on the 19th day of April, 2016.

DATED: April 21, 2016

JENNIFER A. VISE, County Clerk and
Ex-officio Clerk of the Board of Supervisors
of the County of Tehama, State of California

Deputy:



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

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