

ALPINE COUNTY

Audit Report

ROAD FUND

July 1, 2007, through June 30, 2015



BETTY T. YEE
California State Controller

September 2016



BETTY T. YEE
California State Controller

September 12, 2016

Katherine Rakow, Chair
Board of Supervisors
Alpine County
P.O. Box 158
Markleeville, CA 96120

Dear Ms. Rakow:

The State Controller's Office (SCO) audited Alpine County's Road Fund for the period of July 1, 2007, through June 30, 2015.

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.

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: Carol McElroy, CAO/Director of Finance
Alpine County
Brian Peters, Community Development Director
Alpine County

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	1
Conclusion	3
Follow-Up on Prior Audit Findings	3
Views of Responsible Officials	3
Restricted Use	3
Schedule 1—Reconciliation of Road Fund Balance	4

Audit Report

Summary

The State Controller's Office (SCO) audited Alpine County's Road Fund for the period of July 1, 2007, through June 30, 2015 (fiscal year [FY] 2007-08 through FY 2014-15).

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.

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 from the Highway Users Tax Account (HUTA) in the Transportation Tax Fund. The highway users taxes derive from state taxes on the sale of motor vehicle fuels. A portion of the Federal Forest Reserve revenue received by the county also is 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

Our audit objectives were to determine whether:

- HUTA 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.

We audited the county's Road Fund for the period of July 1, 2007, through June 30, 2015.

To meet the objectives, we performed the following:

- Gained a limited understanding of internal controls that would have an effect on the reliability of the accounting records of the Road Fund, by interviewing key personnel, completing the internal control questionnaire, reviewing the county's organization chart, noting the controls over various transactions through narratives and/or flowcharts, testing the operating effectiveness of these controls, and assessing the reliability of computer-processed data;
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing;
- Performed analytical procedures to determine and explain the existence of unusual or unexpected account balances;
- Analyzed the cost accounting system to determine proper project costing and the use of clearing accounts for labor, equipment, shop overhead, general overhead and inventory;
- Reviewed county accruals and adjustments for validity and eligibility;
- Verified whether all HUTA apportionments received by the county were properly accounted for in the Road Fund, by reconciling the county's records to the SCO'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 recalculating a haphazard sample of interest allocations;
- Verified that unauthorized borrowing of Road Fund cash did not occur by interviewing key personnel and examining the cash account entries for the audit period;
- Verified whether the expenditures incurred during the audit period were supported by proper documentation and eligible in accordance with the criteria above by testing 100% of the expenditure transactions equal to or greater than the significant item amount (calculated based on materiality threshold), and selecting samples of other transactions for the following categories based on our judgment (for the selected samples, errors found will not be projected to the intended population):
 - Vendor Payments – We tested \$99,973 of \$497,528 in total vendor payments.
 - Labor – We tested \$3,478 of \$307,174 in total labor costs.
- Selected and tested 100% of reimbursable non-road reimbursable transactions during the audit period to verify that all amounts were reimbursed to the Road Fund in a timely manner; and
- Analyzed the A-87 Cost Allocation Plan charges to the Road Fund by individual fiscal year.

We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the county accounted for and expended its Road Fund in accordance with the requirements of Article XIX of the California Constitution and the Streets and Highways Code. We considered the county's internal controls only to the extent necessary to plan the audit.

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.

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.

Follow-up on Prior Audit Findings

Findings noted in our prior audit report, issued on July 29, 2009, have been satisfactorily resolved by the county.

Views of Responsible Officials

We discussed the audit results with county representatives during an exit conference on June 17, 2016. Debbie Burkett, Community Development Manager, agreed with the audit results. Ms. Burkett 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 Alpine 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

September 12, 2016

**Schedule 1—
Reconciliation of Road Fund Balance ¹
July 1, 2014, through June 30, 2015**

	<u>Amount</u>
Beginning fund balance per county	\$ 1,604,419
Revenues	<u>1,051,469</u>
Total funds available	2,655,888
Expenditures	<u>(1,002,994)</u>
Ending fund balance per county	<u>1,652,894</u>
Ending fund balance per audit	<u><u>\$ 1,652,894</u></u>

¹ The audit period was July 1, 2007, through June 30, 2015; however, this schedule includes only the period of July 1, 2014, through June 30, 2015.

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