

CALAVERAS COUNTY

Audit Report

ROAD FUND AND ROAD MAINTENANCE AND REHABILITATION PROGRAM

July 1, 2022, through June 30, 2023



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

October 2025



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October 23, 2025

The Honorable Kathy Gomes, Auditor-Controller
Calaveras County
891 Mountain Ranch Road, Building D
San Andreas, CA 95249

Mr. Micah Martin, Public Works Director
Calaveras County
891 Mountain Ranch Road, Building D
San Andreas, CA 95249

Dear Auditor-Controller Gomes and Director Martin:

The State Controller's Office audited Calaveras County's (the county) Road Fund and its Road Maintenance and Rehabilitation Program for the period of July 1, 2022, through June 30, 2023.

The county accounted for and expended its Road Fund money in compliance with Article XIX of the California Constitution, Streets and Highways Code, and the State Controller's Office *Accounting Standards and Procedures for Counties*. Moreover, we found that the county complied with Road Maintenance and Rehabilitation Program maintenance-of-effort requirements.

However, we identified deficiencies in internal control that warrant the attention of management.

If you have any questions regarding this report, please contact Efren Loste, Chief, Local Government Audits Bureau, by telephone at 916-324-7226 or email at eloste@sco.ca.gov. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/am

Ms. Kathy Gomes and Mr. Micah Martin

October 23, 2025

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Copy: The Honorable Martin Huberty, Chair
Calaveras County Board of Supervisors
Kelly Zahniser, Business Administrator
Calaveras County Department of Public Works

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Audit Report

Summary

The State Controller's Office (SCO) audited Calaveras County's (the county) Road Fund and its Road Maintenance and Rehabilitation Program (RMRP) for the period of July 1, 2022, through June 30, 2023.

Our audit found that the county accounted for and expended its Road Fund money in compliance with Article XIX of the California Constitution, Streets and Highways Code, and the SCO's *Accounting Standards and Procedures for Counties*. Moreover, the county complied with RMRP maintenance-of-effort (MOE) requirements.

However, we identified deficiencies in internal control that warrant the attention of management.

Background

Streets and Highways Code (SHC) section 2100 created the Highway Users Tax Account (HUTA) in the Transportation Tax Fund. In accordance with Article XIX of the California Constitution, revenues from gasoline taxes are deposited in the HUTA. The State apportions funds monthly from the HUTA to cities and counties for the construction, maintenance, and operation of local streets and roads. SHC section 1622 requires each county to establish a Road Fund for the deposit of its HUTA apportionments. In addition, Government Code (GC) section 29484 requires counties to deposit a portion of their Federal Forest Reserve revenues in the Road Fund. Each county's board of supervisors may authorize the deposit of revenue from other sources into the Road Fund. Article XIX of the California Constitution and SHC sections 2101 and 2150 provide that counties may expend money in their Road Funds only for road-related purposes.

Senate Bill 1 (Chapter 5, Statutes of 2017), known as the Road Repair and Accountability Act of 2017, created the RMRP to address deferred maintenance on the state highway system and the local street and road systems. RMRP funds are apportioned by formula to eligible cities and counties pursuant to SHC section 2032. Article XIX of the California Constitution and SHC sections 2030 through 2038 provide the requirements for RMRP funding. The county deposits its RMRP funds within its Road Fund.

Audit Authority

We conducted this audit in accordance with GC section 12410, which provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objectives, Scope, and Methodology

Our audit objectives were to determine whether the county:

- Accounted for and expended its Road Fund and RMRP funds in compliance with Article XIX of the California Constitution and Streets and Highways Code;
- Was in compliance with the RMRP MOE requirements; and
- Conformed with Appendix D, “Road Fund Accounting,” of the SCO’s *Accounting Standards and Procedures for Counties* for its cost accounting.

The audit period was July 1, 2022, through June 30, 2023.

To achieve our objectives, we performed the following procedures:

- We obtained an understanding and evaluated the effectiveness of the county’s internal controls that are significant to the audit objective by reviewing policies and procedures, interviewing key personnel, completing an internal control questionnaire, reviewing the county’s organization chart, and inspecting documents and records.
- We assessed the reliability of computer-processed data by reviewing existing information about the data and the system that produced it; by interviewing county officials knowledgeable about the data; and by tracing data to source documents, based on auditor judgement and non-statistical sampling. We determined that the data was sufficiently reliable for the purposes of achieving our audit objectives.
- We conducted a risk assessment to determine the nature, timing, and extent of substantive testing.
- We performed analytical procedures to determine and explain the existence of any unusual or unexpected account balances.
- We verified the accuracy of fund balances by performing a fund balance reconciliation for the period of July 1, 2009, through June 30, 2022, and by recalculating the trial balance for the period of July 1, 2022, through June 30, 2023.
- We verified that the components of and changes to fund balances were properly computed, described, classified, and disclosed by scheduling and analyzing the Road Fund account balances.
- We reconciled the fund revenue recorded in the county’s Road Fund to the balance reported in the SCO’s apportionment schedule for the period of July 1, 2022, through June 30, 2023, to determine whether the county completely accounted for HUTA apportionments that it received.
- We 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 all interest allocations for the audit period.
- We reviewed the fund cash and receivables accounts for unauthorized borrowing to determine whether unexpended road funds were

available for future road-related expenditures and protected from impairment.

- We reviewed the county's Road Fund assets to ensure that the county had properly recorded and identified them.
- We reviewed county accruals and adjustments for validity and eligibility.
- We analyzed the county's cost accounting system to determine whether the county had performed a project cost analysis and properly used clearing accounts for labor, equipment, shop overhead, general overhead, and inventory.
- We selected and tested all non-road reimbursable transactions to verify that all amounts were reimbursed to the Road Fund on time.
- We compared the county's RMRP project list with the list submitted to the California Transportation Commission to ensure that actual RMRP expenditures were for program projects approved by the California Transportation Commission.
- We verified that the county was in compliance with RMRP MOE requirements by recalculating the county's MOE contributions, and judgmentally selecting non-statistical samples of transactions to ensure that the MOE expenditures were road-related, properly supported, and incurred in the proper period.
- We verified that the expenditures incurred during the audit period were supported by proper documentation and eligible in accordance with the applicable criteria by testing all expenditure transactions that were equal to or greater than the significant item amount (calculated based on materiality threshold), and judgmentally selecting non-statistical samples of other transactions in the following categories:
 - Services and supplies – We tested \$5,802,113 of \$7,258,576.
 - Labor – We tested \$9,892 of \$4,478,321.
 - Equipment – We tested \$10,410 of \$1,383,867.

For the selected samples, errors found, if any, were not projected to the intended (total) population.

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 criteria.

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, Streets and Highways Code, and the SCO's *Accounting Standards and Procedures for Counties* for the period of July 1, 2022, through June 30, 2023. Moreover, we found that the county complied with RMRP MOE requirements.

However, we identified deficiencies in internal control that warrant the attention of management. These deficiencies are described in the Finding and Recommendation section of this audit report.

**Follow-up on
Prior Audit
Findings**

The county has satisfactorily resolved the finding noted in our prior audit report for the period of July 1, 2003, through June 30, 2009, issued on December 9, 2011. The implementation status of corrective actions is described in the Appendix.

**Views of
Responsible
Officials**

We discussed our audit results with the county's representatives during an exit conference conducted on June 4, 2025. At the exit conference, the county's representatives agreed with the audit results.

Restricted Use

This report is solely for the information and use of the 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 and is available on the SCO website at www.sco.ca.gov.

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

October 23, 2025

Schedule—

Reconciliation of Road Fund Balance

July 1, 2022, through June 30, 2023

Counties receive apportionments from the State HUTA, pursuant to SHC sections 2103, 2104, 2105, and 2106. The basis of the apportionments varies, but the funds may be used for any road-related purpose. Counties must establish individual Road Funds for the deposit of their HUTA fund apportionments.

Counties also receive RMRP apportionments from the Road Maintenance and Rehabilitation Account of the State Transportation Fund, pursuant to SHC section 2032(h). These funds may be used for basic road maintenance, rehabilitation, and critical safety projects on local streets and roads systems. Furthermore, SHC section 2036 establishes the MOE requirements, which counties must meet annually in order to remain eligible for an allocation or apportionment of funds. The county's required MOE is \$627,182. The county deposits its RMRP funds within its Road Fund.

The following table shows the beginning and ending balances for the county's Road Fund:

Reconciliation of Fund Balance	Road Fund Amount
Beginning fund balance, per county	\$ 6,192,392
Revenues	<u>12,483,025</u>
Total funds available	18,675,417
Less: Expenditures	<u>13,968,532</u>
Ending fund balance, per county	4,706,885
Audit adjustment	<u>-</u>
Ending fund balance, per audit	<u><u>\$ 4,706,885</u></u>

Finding and Recommendation

FINDING— Accounting errors

During our review of various Road Fund transactions recorded in the county's cost and financial accounting systems, we noted erroneous accounting records and processes. Specifically, we noted that the county did not fully reconcile the expenditures recorded in Cost Accounting Management System (CAMS) to the expenditures recorded in Financial Enterprise; used outdated equipment rental rates; did not consistently use the cost centers described in Appendix D of the SCO's *Accounting Standards and Procedures for Counties*; and incorrectly classified some activities.

These accounting errors occurred because the county staff members responsible for entering Road Fund activities in the county's accounting systems lacked sufficient training. As a result, there is an irreconcilable difference of \$2,233 between the county's financial accounting system, Finance Enterprise, and the CAMS. Moreover, these accounting errors resulted in high variances, inaccurate project claim reimbursements, improper revenue reimbursements, and inaccurate reporting in the Annual Road Report.

Lack of proper reconciliation between CAMS and Finance Enterprise

The county's Department of Public Works uses CAMS to record its Road Fund transactions to the cost centers described in Appendix D. The county Auditor-Controller's Office uses Finance Enterprise to record Road Fund revenues, expenditures and other financial accounting entries. With proper accounting, these two systems should reconcile to each other.

We found an unreconciled expenditure difference of \$2,233 between CAMS and Finance Enterprise. During fiscal year (FY) 2022-23, the CAMS-generated Cost Center Ledger Report for budget unit 10200760 (Road Maintenance) showed total expenditures of \$13,024,227, and the Finance Enterprise-generated Budget and Actuals by Budget Class Report reflected total expenditures of \$13,050,067. The Department of Public Works reconciled \$23,607 of the difference, leaving \$2,233 unreconciled at year-end.

Outdated equipment rental rates in CAMS

The county used outdated equipment rental rates in CAMS during FY 2022-23. According to the county, it has used the same rental rates in CAMS for several years mostly because county staff members are not trained on how to update the rental rates. The equipment rental rates should reflect current rate factors to ensure that the county is preparing accurate claims and invoices, and receiving proper reimbursements.

Improper recording of road construction projects in CAMS

During our review of Road Fund projects, we noted that the county had incorrectly recorded some road construction projects in Cost Center

Number 100 (Reimbursable) instead of Cost Center Number 510 (Road Construction). This error could lead to the loss of Road Fund resources. Incorrect project coding can also lead to incorrect accounting and reporting of road project costs. Without correct coding, project cost reports for grant approvals and project reimbursement claims will not be accurate.

Incorrect activity coding in CAMS

During our review of activity codes for the various Road Fund divisions, we noted that the county had applied a 25% overhead rate to administrative and non-productive time activities. In addition, we also noted that some maintenance operating activities did not have an associated overhead rate. Incorrect activity coding can result in improper accounting and reporting of cost centers, thus affecting the county's Annual Road Report.

Improper recording of fuel purchases and usage in CAMS

The county did not properly record fuel purchases and usage in CAMS during FY 2022-23. The county established Cost Center Number 840 (Materials Clearing – Fuel) to account for the purchase and use of this inventory item. However, the Department of Public Works recorded purchases and usage of fuel in Cost Center Number 820 (Equipment Expense/Repair). This recording error resulted in cost variances for equipment clearing and incorrect reporting in the county's Annual Road Report.

Improper recording of Cost Allocation Plan charges in CAMS

Countywide cost allocation plan charges of \$400,727 were recorded in Cost Center Number 810 (Overhead – General) instead of in Cost Center Number 900 (Administration). This recording error resulted in cost variances for the Overhead – General clearing account and incorrect reporting in the county's Annual Road Report.

Recommendation

We recommend that the county implement training for its staff in the proper use of its accounting systems to:

- Ensure that Road Fund expenditures in CAMS agree with Finance Enterprise;
- Update the equipment rental rates in CAMS on a yearly basis;
- Record fuel purchases and usage in the proper CAMS cost centers;
- Establish project and activity codes correctly in CAMS; and
- Record countywide cost allocation plan charges in the correct cost center.

Appendix— Summary of Prior Audit Findings

The following table shows the implementation status of Calaveras County's corrective actions related to the findings contained in our prior audit report dated December 9, 2011.

Prior Audit Finding	Status
Finding 1— Unreimbursed non-road expenditures	Fully implemented
Finding 2— General overhead not consistently applied to projects	Fully implemented
Finding 3— Lack of a separate revenue account for RTPA exchange funds	Fully implemented
Finding 4— Road Fund loan to County Service Area #4 Fund	Fully implemented
Finding 5— Non-compliance with accounting standards and procedures for counties	Fully implemented
Finding 6— High clearing account variances	Fully implemented

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