

CITY OF OAKLAND

Audit Report

BUSINESS TAX REPORTING REQUIREMENTS PROGRAM

Chapter 1490, Statutes of 1984

July 1, 1998, through June 30, 1999



STEVE WESTLY
California State Controller

August 2003



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California State Controller

August 29, 2003

Ms. Deborah Taylor Johnson
Revenue Manager
Financial Services Agency
City of Oakland
150 Frank H. Ogawa Plaza, Suite 5215
Oakland, CA 94612

Dear Ms. Johnson:

The State Controller's Office has completed an audit of the claim filed by the City of Oakland for costs of the legislatively mandated Business Tax Reporting Requirements Program (Chapter 1490, Statutes of 1984) for the period of July 1, 1998, through June 30, 1999.

The city claimed and was paid \$509,121 (\$510,121 in costs less a \$1,000 penalty for filing late) for the mandated program. Our audit disclosed that the entire amount is allowable.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

WALTER BARNES
Chief Deputy State Controller, Finance

WB:ams

cc: Deborah Edgerly, Director
Financial Services Agency
City of Oakland
Ace Tago
Principal Grants Coordinator
Financial Services Agency
City of Oakland
Calvin Smith, Program Budget Manager
Corrections and General Government
Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claim filed by the City of Oakland for costs of the legislatively mandated Business Tax Reporting Requirements Program (Chapter 1490, Statutes of 1984) for the period of July 1, 1998, through June 30, 1999. The last day of fieldwork was January 24, 2003.

The city claimed and was paid \$509,121 (\$510,121 in costs less a \$1,000 penalty for filing late) for the mandated program. The audit disclosed that the entire amount is allowable.

Background

Chapter 1490, Statutes of 1984, established new business tax reporting requirements for certain cities. Covered cities are required to provide the Franchise Tax Board (FTB) specified information for all businesses subject to the tax in the preceding fiscal year.

The specified information required includes: business name and address, federal tax number or social security account number of the business or its owner, type of business activity, amount of annual business tax, and any other information that FTB requires. The reports must be filed on magnetic media or in other machine-readable form. The reports are to be filed on an annual basis.

On July 14, 1986, the Commission on State Mandates determined that Chapter 1490, Statutes of 1984, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Business Tax Reporting Requirements Program (Chapter 1490, Statutes of 1984) for the period of July 1, 1998, through June 30, 1999.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the city's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the city's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

For the audit period, the City of Oakland claimed and was paid \$509,121 (\$510,121 in costs less a \$1,000 penalty for filing late) for expenditures incurred as a result of the legislatively mandated Business Tax Reporting Requirements Program. The audit disclosed no material instances of noncompliance with the requirements outlined above.

Views of Responsible Official

The audit results were discussed with the city's representative during an exit conference held on January 24, 2003. Deborah Taylor Johnson, Revenue Manager in the Financial Services Agency, agreed with the audit results. Ms. Johnson 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 the City of Oakland, the California Department of Finance, 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
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1998, through June 30, 1999**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
Salaries	\$ 246,793	\$ 246,793	\$ —
Benefits	<u>111,551</u>	<u>111,551</u>	<u>—</u>
Subtotals	358,344	358,344	—
Indirect costs	<u>151,777</u>	<u>151,777</u>	<u>—</u>
Total costs	510,121	510,121	—
Less late filing penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>
Net costs	<u>\$ 509,121</u>	\$ 509,121	<u>\$ —</u>
Less amount paid by the State		<u>(509,121)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

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