

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
August 22, 2017  
“Communications Received and Filed” Item

To: Board of Supervisors

From: Department of Finance

Subject: Department Of Community Development - Economic Development And  
Marketing - Former Mather Air Force Base - Economic Development  
Conveyance Agreement - For The Period July 1, 2014 Through June 30, 2015

Supervisorial  
District(s): All

Contact: Ben Lamera, Director of Finance, 874-7450

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**RECOMMENDATION**

Receive and file the attached Agreed-Upon Procedures Report, *Department of Community Development - Economic Development and Marketing - Former Mather Air Force Base - Economic Development Conveyance Agreement (Mather EDC) - For the Period July 1, 2014 through June 30, 2015.*

Respectively submitted,

**Ben Lamera**  
Director of Finance

Attachment

ATT 1 - Economic Development and Development Conveyance Agreement – (Mather EDC)  
Report – For the Period July 1, 2014 through June 30, 2015



**COUNTY OF SACRAMENTO**  
**DEPARTMENT OF FINANCE**  
**AUDITOR - CONTROLLER**

**Department of Community Development  
Economic Development and Marketing**

**Former Mather Air Force Base  
Economic Development Conveyance Agreement  
Dated April 26, 2013**

**Agreed-Upon Procedures Report**

**For the Period July 1, 2014 through June 30, 2015**

**Department of Finance**

Ben Lamera  
Director



**Auditor-Controller Division**

Joyce Renison  
Assistant Auditor-Controller

**County of Sacramento**

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July 18, 2017

Mr. Troy Givans, Director  
Department of Community Development - Economic Development and Marketing  
County of Sacramento  
700 H Street, Suite 6750  
Sacramento, CA 95814

Dear Mr. Givans:

We have performed the procedures enumerated below, to the Former Mather Air Force Base Economic Development Conveyance Agreement (Mather EDC), dated April 26, 2013, for the period of July 1, 2014 through June 30, 2015. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings were as follows:

1. We reviewed the Former Mather Air Force Base Economic Development Conveyance Agreement applicable to the period July 1, 2014 through June 30, 2015 for compliance.

Finding: No exceptions were noted as a result of our procedures.

2. We reviewed the Mather EDC accounting systems as they relate to the accounting for the control over contract revenues and expenditures.

Finding: Economic Development and Marketing did not correct the previous report finding relating to allocation percentages used to report Mather EDC activities. See Attachment II: *Current Status of Prior Finding and Recommendation*.

Mr. Troy Givans, Director  
Department of Community Development - Economic Development and Marketing  
July 18, 2017

3. We reviewed reported revenues and expenditures for compliance with the terms and conditions of the above agreement for the period.

Finding: Revenues and expenditures reported for the Mather EDC agreement are not fully supported with documented and approved allocation percentages. In addition, reported expenditures for Mather EDC includes costs for activities that did not occur in the current fiscal period under review. See Attachment I: *Statement of Agreement Revenues and Expenditures*. Also see Attachment II: *Current Status of Prior Finding and Recommendation* and Attachment III: *Current Finding and Recommendation*.

Because the above procedures do not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that an adjustment was required. Had we performed additional procedures or had we made an examination in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to the contract between the Sacramento County and the U.S. Air Force and does not extend to any other contract or program administered by Sacramento County Department of Economic Development and Marketing.

This report is intended solely for the use by the Sacramento County Department of Community Development - Economic Development and Marketing and the U.S. Air Force, and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE



By: Alan A. Matré, CPA  
Chief of Audits

**COUNTY OF SACRAMENTO  
DEPARTMENT OF COMMUNITY DEVELOPMENT -  
ECONOMIC DEVELOPMENT AND MARKETING  
FORMER AIR FORCE BASE ECONOMIC DEVELOPMENT  
CONVEYANCE AGREEMENT – APRIL 26, 2013 (MATHER EDC)  
AGREED-UPON PROCEDURES REVIEW  
STATEMENT OF AGREEMENT REVENUES AND EXPENDITURES  
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015**

**AGREEMENT REVENUES AND EXPENDITURES**

	Reported by Department <sup>1</sup>	Reviewed	Variance <sup>2</sup>
Revenues	\$ 112,119	112,119	
Expenditures	( 177,309)	( 160,864)	(16,445)
Net	<u>\$ ( 65,190)</u>	<u>( 48,745)</u>	<u>(16,445)</u>

<sup>1</sup> Economic Development and Marketing reported revenues and expenditures based on allocated percentages that are unsubstantiated and have not been formally approved by the U.S. Air Force. See Attachment II, *Current Status of Prior Finding and Recommendation*.

<sup>2</sup> Variance represents expenditures reported by Economic Development and Marketing that are for activities not occurring within the reporting period. See Attachment III, *Current Finding and Recommendation*.

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CONVEYANCE AGREEMENT – APRIL 26, 2013 (MATHER EDC)  
AGREED-UPON PROCEDURES REVIEW  
CURRENT STATUS OF PRIOR FINDING AND RECOMMENDATION  
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015**

**CURRENT STATUS OF PRIOR REVIEW FINDING FOR THE PERIOD APRIL 26, 2013  
THROUGH JUNE 30, 2014, REPORT DATED APRIL 11, 2016**

**Expenditure Allocations**

Prior Finding

The Department of Community Development - Economic Development and Marketing (the Department) used various percentage allocations when recording and reporting revenue and expenditures benefiting the EDC property. Upon review of these percentage allocations, there was no documentation to support these various allocations. The percentages that were used were between 20% and 100% of the various revenue and expenditure types and categories. Even though the Department was consistent in applying these percentages, we could not determine if they were reasonable allocation of the revenue and expenditures to the EDC property.

Prior Recommendation

We recommend the Department base any allocations on percentages that are documented and maintained by the Department. We further recommend that these allocations be accepted and approved in the Economic Development Conveyance Agreement language.

Prior Management Response

The Department concurs with the recommendation that allocations be based on percentages that are documented and maintained by the Department. The Department in connection with this financial review has already provided a summary matrix to the Department of Finance. The summary matrix included allocation percentage figures where costs incurred by the Department were shared costs and Management determined that the allocation of a proportionate share of the overall cost item is appropriate. The summary matrix was also provided to local US Air Force management. Since this was the first financial review associated with the EDC properties the allocation percentages are new percentages. These allocation percentages will be used in documenting expenses going forward. When Management determines that an allocation percentage requires adjustment to ensure expenses or revenues are correctly assigned to the EDC properties they will be adjusted as determined by Management in coordination with the US Air Force.

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THROUGH JUNE 30, 2014, REPORT DATED APRIL 11, 2016  
(Continued)**

Prior Management Response (continued)

The Department disagrees with the recommendation that allocations be accepted and approved in the EDC language. Activities including, but not limited to, planning, engineering, environmental permitting, construction, property management, leasing and sales associated with the economic redevelopment of the EDC properties are dynamic. Further, the redevelopment of these properties is being coordinated and undertaken with redevelopment of other properties providing for coordinated development sharing of costs. It was not possible to identify all possible revenue and expenditure items and allocation percentages in advance undertaking the redevelopment of this property. This is the purpose in part for the EDC agreement and the partnering of the Department and Air Force for the transition of property formerly used for military purposes to civilian purposes. The Department and Air Force mutually agreed to the EDC language which provided structure for transition of the property from Air Force to the Department and gives the Department the ability to reinvest proceeds received from the redevelopment furthering the goals of this community and the Air Force.

Current Status of Prior Review Finding

The Department did not take corrective action in order to resolve the prior review finding for unsubstantiated revenue and expenditure allocation percentages. Estimates and calculations used by management to calculate and report Mather EDC activities should be: logical, reasonable, supported, and consistent with GAAP. In addition, allocation percentages associated with the land conveyances should be approved by the U.S. Air Force. Reported revenues and expenditures for Mather EDC should continue to be identified as questioned costs until such allocation percentages and underlining methodologies are developed, supported, and approved by the U.S. Air Force. We reiterate our prior review recommendation and recommend the Department document and fully support allocation percentages and obtain U.S. Air Force approval for the allocation percentages used for reporting Mather EDC activities.

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THROUGH JUNE 30, 2014, REPORT DATED APRIL 11, 2016  
(Continued)**

Current Management Response

The follow response was provided by Economic Development and Marketing management.

Expense Item	Description	2013 EDC	Explanation of percentage allocations
Holland & Knight IO 121510	Legislative Advocacy Services	20%	The Department assigned 20% of the costs of this item based on the Department Managements' determination of the portion of H&K services costs tracked by this Internal Order benefiting the EDC parcels which total 699 acres for H&K's assistance with various Federal Agencies for the holistic redevelopment of the former military facility.
County Counsel IO 121240	Legal Services	75%	The Department assigned 75% of the costs of this item based on the Department Managements' determination of the portion of CC's costs tracked by this Internal Order benefiting the EDC for negotiations with MSLLC for their 590 ac site (EDC Parcel).
Corps of Engineers IO 122788	Environmental Impact Statement (EIS Permit)	75%	The Department assigned 75% of the costs of this item based on the Department Managements' determination of the portion of COE costs tracked by this Internal Order benefiting the EDC as their focus was on the 590 ac site (EDC Parcel).
DERA IO 124342	Environmental Review and Documentation	75%	The Department assigned 75% of the costs of this item based on the Department Managements' determination of the portion of DERA costs tracked by this Internal Order benefiting the EDC for work efforts focused on the 590 ac site (EDC Parcel).
Triple HS Inc IO 122788	Preparation of Wetlands Management Plan	75%	The Department assigned 75% of the costs of this item based on the Department Managements' determination of the portion of Triple HS services costs tracked by this Internal Order for preparation of the Wetland Management Plan that benefited the EDC parcels.
Ind/Dir/OH,6th floor rent for South Mather Reuse IO 122789	Redevelopment of the Southern portion of Mather.	20%	The Department assigned 20% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order benefiting the EDC Parcels.
South Mather Reuse Plan IO 122789	Redevelopment of the Southern portion of Mather.	20%	The Department assigned 20% of the costs of this item based on Department Managements' determination of the portion of costs tracked by this Internal Order benefiting the EDC Parcels.
Mather Regional Park Soccer-Rugby Lease IO 124777	Staff costs (Salary and Benefits, Indirect and Overhead Costs)	100%	The Department assigned 100% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order associated with the Soccer-Rugby Lease to the 89 ac EDC Parcel.
Mather Regional Park Land Imp Maintenance IO 122858	Park Operations, Maintenance and Administration	100%	The Department assigned 100% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order for Regional Parks maintenance benefiting the EDC Parcel.
SMUD Utility bills IO 125086	Electric Bills	100%	The Department assigned 100% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order for SMUD utility bills benefiting the 20 ac EDC Parcel.
County Real Estate IO 18098	Staff costs (Salary and Benefits, Indirect and Overhead Costs)	50%	The Department assigned 50% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order for County Real Estate services benefiting the Community Campus and the facilitation of the EDC Parcel in the Commerce Center.
Property Insurance IO 125086	Property Insurance Premiums	31%	The Department assigned 31% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order benefiting EDC building square footage.
Mather Community Campus IO 125087	Overall management of roughly 40 acres of the Community Campus that is 1/2 EDC and 1/2 PBC	50%	The Department assigned 50% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order benefiting the EDC Parcel from working with the Community Campus and the facilitation of the EDC Parcel in the Commerce Center.
Ind/Dir/OH,6th floor rent for Mather Community Campus IO 125086	Overall management of roughly 40 acres of the Community Campus that is 1/2 EDC and 1/2 PBC	50%	The Department assigned 50% of the costs of this item based on the Department Managements' determination of the portion of costs tracked by this Internal Order benefiting the EDC Parcel from Econ Dev working with the Community Campus and the facilitation of the EDC Parcel in the Commerce Center.



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## **CURRENT FINDING**

### **Prior Fiscal Period Program Expenditures**

#### Finding

The Department claimed \$16,445 in expenditures that were for activities that did not occur for the fiscal period under review. The \$16,445 in prior fiscal period program expenditures is comprised of 5 invoices out of the 37 total individual expenditure charges that were reviewed as part of our testing. Expenditures should be reported in the fiscal year that the associated activities occurred in. The resulting effect is the Department is claiming expenditures that did not occur in the current fiscal period.

#### Recommendation

We recommend the Department only claim expenditures related to activities that occur in the correct fiscal year that is being reported.

#### Management Response

The Department is in agreement that that the \$16,445 of noted expenditures were for activities occurring outside of the July 1, 2014 to June 30, 2015 period of review. These expenditures, payments for professional services and an electricity bill, are for activity that occurred within the Economic Development Conveyance Agreement (EDCA) Reinvestment Period which began April 26, 2013 (the effective date of the EDCA). For three of the five noted expenditures the service provider invoice dates were June 27, 2014, July 8, 2014 and July 21, 2014 respectively. These invoices together with the invoices for the two other noted expenditures were all paid following June 30, 2014.

The Department disagrees with the recommendation that the Department only claim expenditures related to activities that occur in the fiscal year that is being reported. Due to the timing of receipt of invoices and processing times for issuing warrants to service providers this is not always possible. However, the Department will use its best efforts to process invoice payments when possible so that expenditures and associated activities occur in the same reporting period.