

SACRAMENTO COUNTY

Audit Report

LOCAL OVERSIGHT PROGRAM

Contract Nos. D16-08-005 and D17-08-004

July 1, 2016, through June 30, 2018



BETTY T. YEE
California State Controller

March 2020



BETTY T. YEE
California State Controller

March 23, 2020

Cristina Mayorga-Ochoa, Manager
Division of Financial Assistance
State Water Resources Control Board
1001 I Street, 17th Floor
Sacramento, CA 95814

Dear Ms. Mayorga-Ochoa:

The State Controller's Office audited the reimbursement claims filed by Sacramento County for costs of the State Water Resources Control Board's Local Oversight Program (California Health and Safety Code section 25297.1). Our audit pertained to Contract Nos. D16-08-005 and D17-08-004 for the period of July 1, 2016, through June 30, 2018.

The county claimed and was reimbursed \$1,013,167 during the audit period. Our audit found that the entire amount is allowable.

If you have any questions, please contact Efren Lose, Chief, Local Government Audits Bureau, by telephone at (916) 324-7226.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Azita Jackson, Contract Analyst (via email)
State Water Resources Control Board
Marie Woodin, Director
Environmental Management Department
Sacramento County
Tim McPherson, Senior Accounting Manager
Environmental Management Department
Sacramento County
Christopher Hunley, Supervisor
Environmental Management Department
Sacramento County
Phil Serna, Chair
Sacramento County Board of Supervisors
Joyce Renison, Assistant Auditor-Controller
Sacramento County

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Audit Report

Summary

The State Controller's Office (SCO) audited the reimbursement claims filed by Sacramento County for the costs of the Local Oversight Program (LOP) (California Health and Safety Code section 25297.1). Our audit pertained to Contract Nos. D16-08-005 and D17-08-004 between the county and the State Water Resources Control Board (SWRCB) for the period of July 1, 2016, through June 30, 2018. Our audit was conducted in Sacramento, California.

The county claimed and was reimbursed \$1,013,167 during the audit period. Our audit found that the entire amount is allowable.

Background

California Health and Safety Code section 25297.1 authorizes the SWRCB to implement the LOP to provide funding for the clean-up of unauthorized releases of hazardous substances from underground storage tanks. To implement this program, the SWRCB has contracted with local agencies to reimburse the reasonable costs incurred by those local agencies to oversee the clean-up activities of underground storage tanks within their jurisdictions.

A contractual agreement between the SWRCB and the SCO gives authority to the SCO to audit the costs incurred by local agencies implementing the LOP.

Objectives, Scope, and Methodology

Our audit objectives were to determine whether the costs claimed, as presented in the Schedule, were incurred for program purposes, adequately supported, and in compliance with California Health and Safety Code section 25297.1.

The audit period was July 1, 2016, through June 30, 2018.

To achieve our objectives, we:

- Gained a limited understanding of the county's internal control over the claim preparation process and related accounting records by interviewing key personnel, completing an internal control questionnaire, and reviewing the county's organization chart;
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing;
- Reconciled the amounts claimed for each cost component to the corresponding detailed expenditure transaction listing;
- Reviewed the mathematical accuracy of the county's labor rate calculations;
- Verified that the \$429,023 in total indirect costs claimed were allowable by reviewing the county's indirect cost rate calculations, and comparing the claimed indirect cost rate to the allowable contract rate; and

- Verified that the costs claimed were supported by the source documents by selecting a non-statistical block sample of personnel services costs from one quarter of each fiscal year; by testing all claimed costs that were equal to or greater than the significant item amount (calculated based on materiality threshold); and by selecting non-statistical samples of other transactions. We tested the following expenditures:
 - Personnel Services – We tested \$45,341 of \$530,556: \$27,462 from the fourth quarter of fiscal year (FY) 2016-17; and \$17,878 from the fourth quarter of FY 2017-18.
 - Services and Supplies – We tested \$11,066 of \$34,594: \$8,282 from the fourth quarter of FY 2016-17; and \$2,784 from the fourth quarter of FY 2017-18.

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 costs claimed are allowable for reimbursement. We considered the county’s internal control 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

The \$1,013,167 in costs claimed by Sacramento County for the SWRCB LOP under Contract Nos. D16-08-005 and D17-08-004 for the period of July 1, 2016, through June 30, 2018, were incurred for program purposes, adequately supported, and in compliance with applicable State requirements.

Follow-up on Prior Audit Findings

Our prior LOP audit report, for the period of July 1, 2014, through June 30, 2016, issued on April 2, 2019, disclosed no findings.

Views of Responsible Officials

We discussed our audit results with the county’s representative during an exit conference on February 28, 2020. In a letter dated February 28, 2020 (Attachment), Marie Woodin, Director, agreed with the audit results. Ms. Woodin further agreed that a draft audit report was not necessary and that we could issue the audit report as final.

Restricted Use

This audit report is solely for the information and use of Sacramento County, the SWRCB, 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 audit report, which is a matter of public record.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

March 23, 2020

Schedule—
Summary of Program Costs
July 1, 2016, through June 30, 2018

Cost Category	Costs Claimed	Withheld by SWRCB	Net Costs Reimbursed	Allowable Per Audit
Program management costs:				
Personnel services	\$ 91,830	\$ -	\$ 91,830	\$ 91,830
Indirect costs	74,319	-	74,319	74,319
Total program management costs	<u>166,149</u>	<u>-</u>	<u>166,149</u>	<u>166,149</u>
Site-specific costs:				
Personnel services	438,726	-	438,726	438,726
Indirect costs	354,704	-	354,704	354,704
Total site-specific costs	<u>793,430</u>	<u>-</u>	<u>793,430</u>	<u>793,430</u>
Services and supplies costs	<u>53,588</u>	<u>-</u>	<u>53,588</u>	<u>53,588</u>
Total program costs	<u><u>\$ 1,013,167</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,013,167</u></u>	<u><u>\$ 1,013,167</u></u>

**Attachment—
Sacramento County’s
Comments Regarding the Audit Results**

Environmental Management
Department

Marie Woodin, Director



Kevin Kanemasu, Auditor
Division of Audits – Local Government Audits Bureau
State Controller's Office
3301 C Street, Suite 718
Sacramento, CA 95816

February 28, 2020

Re: LOP Audit for FY16/17 and FY17/18 Final Report

Dear Mr. Kanemasu,

Per your conversation with Tim McPherson, Sr. Accounting Manager for EMD, during the LOP Audit exit conference today, I authorize the audit report to be finalized as there are no findings.

Thank you for your time.

Best Regards,

A handwritten signature in cursive script that reads "Marie Woodin".

Marie Woodin
Director

**State Controller's Office
Division of Audits
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Sacramento, CA 94250**

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