

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

## INTERNAL AUDIT REPORT

### THE OFFICE OF ECONOMIC DEVELOPMENT FORMER MATHER AIR FORCE BASE ECONOMIC DEVELOPMENT CONVEYANCE AGREEMENT COMPLIANCE

#### PERFORMANCE AUDIT

FISCAL YEAR ENDED JUNE 30, 2022



Audit Committee Submittal Date: 10/20/2022

## SUMMARY

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### Background

The United States Air Force and Sacramento County entered into an Economic Development Conveyance (EDC) Agreement on April 26, 2013 for the transfer of a portion of the former Mather Air Force Base property. The County is required to submit to the United States Air Force audited annual financial statements during the Agreement term. The Office of Economic Development (Economic Development) manages the Agreement and is responsible for providing documentation for the financial statements.

### Audit Objective

To verify Economic Development's schedule of Agreement Revenues and Expenditures is in compliance with Former Mather Air Force Base Economic Development Conveyance Agreement for the fiscal year ended June 30, 2022.

### Summary

Based on our audit, Economic Development's schedule of Agreement Revenues and Expenditures complied with the Mather EDC Agreement except for an issue related to revenues and expenditures reporting.



## County of Sacramento

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September 28, 2022

Troy Givans, Director  
The Office of Economic Development  
County of Sacramento  
700 H Street, Suite 6750  
Sacramento, CA 95814

We have audited the Schedule of Agreement Revenues and Expenditures of the County of Sacramento, the Office of Economic Development (Economic Development) related to the Former Mather Air Force Base Economic Development Conveyance Agreement (Mather EDC Agreement) for the fiscal year ended June 30, 2022.

Our audit was conducted to verify Economic Development's compliance with the Mather EDC Agreement regarding the Schedule of Agreement Revenues and Expenditures for the fiscal year ended June 30, 2022 and Economic Development has adequate internal controls to ensure accurate reporting of the financial schedule of the Mather EDC Agreement.

Management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with the Mather EDC Agreement.

The scope of our audit included revenues and expenditures of Mather EDC for the fiscal year ended June 30, 2022.

The audit methodology utilized to conduct this performance audit included:

**Internal Control Review:**

- We reviewed and evaluated internal controls over Economic Development's Mather EDC Agreement revenues and expenditures.

**Document Review:**

- We reviewed the Mather EDC Agreement applicable to the fiscal year ended June 30, 2022 to identify compliance requirements.

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- We reviewed leases and contracts related to the Mather EDC Agreement for proper recording and purpose consistent with contract terms.

Testing:

- We reviewed the Mather EDC Agreement revenues and traced all receipts to the Sacramento County Treasury Deposit.
- We reviewed the Mather EDC Agreement revenues and expenditures for completeness, reasonableness and the use of proper accounting method.
- We selected and tested items totaling \$48,313 of revenues, which is 77% of reported revenue. We used an analytic to compare current revenue with the historical average revenue over the last five years. We haphazardly selected and tested items totaling \$116,972 of expenditures, which is 74% of total reported allowable expenditures. See ATT 1 - *Schedule of Agreement Revenues and Expenditures*.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* except for paragraph 3.56 regarding our independence as described in the following paragraph. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In connection with this audit, there are certain disclosures that are necessary pursuant to *Generally Accepted Government Auditing Standards*.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Generally Accepted Government Auditing Standards'* independence standards. Specifically, auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts or funds that are held in the County Treasury, the staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including the approval or posting of financial transactions, which would therefore enable the reader of this report to rely on the information contained herein.

Based on our audit, Economic Development's Schedule of Agreement Revenues and Expenditures complied with the Mather EDC Agreement except for an issue related to



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including American Rescue Plan Act (ARPA) revenue and expenditures for the fiscal year ended June 30, 2022. Economic Development included ineligible ARPA revenue and unallowable expenditures in the schedule. However, we noted that the effect of including ARPA revenue and expenditures is net zero and did not impact the net deficit amount reported. See Finding #1 at ATT 2 - *Current Finding and Recommendation*.

Economic Development's management response to the recommendation identified during our audit is described in ATT 2 - *Current Finding and Recommendation*. We did not perform procedures to validate Economic Development's management response to the recommendation and, accordingly, we do not express opinion on the response to the recommendation.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Executives, Sacramento County Audit Committee, Economic Development's management, and United States of America Air Force, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA  
Chief of Audits

Enclosures:

ATT 1 - *Schedule of Agreement Revenues and Expenditures*  
ATT 2 - *Current Finding and Recommendation*

County of Sacramento  
The Office of Economic Development  
Former Mather Air Force Base Economic Development Conveyance Agreement  
(Mather EDC)  
Performance Audit  
Schedule of Agreement Revenues and Expenditures  
For the Fiscal Year Ended June 30, 2022

	Amount Reported <sup>(1)</sup>	Amount Audited	Variance <sup>(2)</sup>
<b>Revenues</b>			
Ground Leases - Other	\$ 48,313	48,313	
Recreation Services	13,768	13,768	
American Rescue Plan Act	1,615		1,615
Insurance Proceeds	273	273	
<b>Total Revenues</b>	<u>63,969</u>	<u>62,354</u>	<u>1,615</u>
<b>Operating Expenditures</b>			
Accounting and Audit Services	21,848	21,848	
Appraisal and Title Services	4,200	4,200	
Building Maintenance Services	9,899	9,899	
Equipment Costs	21,229	21,229	
Other Support Services	71,333	71,333	
Permit Charges	327	327	
Personnel Services	139,269	137,654	1,615
Property Insurance	4,869	4,869	
Real Estate Services	4,800	4,800	
Reimbursement - Community Facilities District	(130,682)	(130,682)	
Tax/License/Assessment	825	825	
Uniforms	1,090	1,090	
Utilities	9,625	9,625	
<b>Total Operating Expenditures</b>	<u>158,632</u>	<u>157,017</u>	<u>1,615</u>
<b>Interest Expenditures</b>	<u>4,789</u>	<u>4,789</u>	
<b>Surplus/(Deficits)</b>	<u>\$ (99,452)</u>	<u>(99,452)</u>	

(1) This column represents the Mather EDC revenues and expenditures reported by the Office of Economic Development for the fiscal year 2021-22.

(2) See ATT 2 - *Current Finding and Recommendation* for details of the variances.

**County of Sacramento**  
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**Former Mather Air Force Base Economic Development Conveyance Agreement**  
**(Mather EDC)**  
**Performance Audit**  
**Current Finding and Recommendation**  
**For the Fiscal Year Ended June 30, 2022**

**1. Revenues and Expenditures Reporting**

Condition

At the close of each accounting period, the Office of Economic Development (Economic Development) staff reviews all transactions that posted to its fund center and identifies any eligible revenues and allowable expenditures related to properties managed by Economic Development that are associated with the Mather Economic Development Conveyance (Mather EDC) Agreement. Sacramento County Department of Regional Parks (Regional Parks) also manages portions of the properties listed in the Mather EDC Agreement. Therefore, Economic Development also includes Regional Parks' reported revenues and expenditures for Mather EDC to prepare the Statement of Agreement Revenues and Expenditures as required by the Mather EDC Agreement.

During testing of revenues, we noted that the Regional Parks' portion included \$1,615 of the American Rescue Plan Act (ARPA) funding as revenues. The total amount of \$1,615 included three (3) line items (\$1,500 of essential workers' pay reimbursement, \$93 of Social Security reimbursement, and \$22 of Medicare reimbursement). During testing of expenditures, we noted that the Regional Parks' portion included \$1,615 of Mather EDC's personnel expenditures funded by ARPA fund.

Criteria

According to the Mather EDC Revenue Sharing Agreement, Section 1, "Eligible Revenues" shall not include any proceeds from any grant and "Allowable Expenses" shall not include any expenditures paid with proceeds from any grant. "Grant" means money that the Local Redevelopment Authority "LRA" (Sacramento County) is not obligated to repay, that is received from any source other than Eligible Revenues including, but not limited to, economic development assistance funds or funds from the Department of Defense Office of Economic Adjustment. Revenues and expenditures funded by ARPA are not considered eligible and allowable for Mather EDC.

Effect

Inclusion of ineligible revenues in the amount of \$1,615 and unallowable expenditures in the amount of \$1,615 on the fiscal year 2021-22 Statement of Agreement Revenues and Expenditures prepared by Economic Development. Total revenues were overstated by \$1,615 and total operating expenditures were overstated by \$1,615.



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However, the net effect is \$0. See ATT 1 – *Schedule of Agreement Revenues and Expenditures*. As such, Economic Development is noncompliant with the Mather EDC Revenue Sharing Agreement by inaccurately reporting revenues and expenditures in the Statement of Agreement Revenues and Expenditures.

Recommendation

Economic Development should review Mather EDC revenues and expenditures with Regional Parks to verify that only eligible revenues and allowable expenditures were included in Regional Parks' report. Economic Development should identify any ineligible revenues and unallowable expenditures to ensure accurate reporting of its revenues and expenditures in the Statement of Agreement Revenues and Expenditures.

The Office of Economic Development's Management Response

In preparing the Statement of Agreement Revenues and Expenditures, the Personnel Services portion of the Operating Expenditures mistakenly included \$1,615 for essential worker pay items – personnel salary and associated Social Security and Medicare costs. Also included in the Statement of Agreement Revenues and Expenditures was \$1,615 in revenues/reimbursements funded with American Rescue Plan Act offsetting the Personnel Services costs. In the future, if there are any expenditures and/or revenues associated with the American Rescue Plan Act, the Office of Economic Development will review such expenditures and/or revenues for appropriateness for inclusion or exclusion as appropriate in the Statement of Agreement Revenues and Expenditures.