

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

PERFORMANCE AUDIT

FISCAL YEAR ENDED JUNE 30, 2021



Audit Committee Submittal Date: 10/14/2021

SUMMARY

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, 2021.

Summary

Based on our audit, Economic Development's schedule of Agreement Revenues and Expenditures complied with the Mather EDC Agreement.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

September 30, 2021

Mr. 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, 2021.

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 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.

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, 2021 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, 2021.

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 expenses.

Mr. Troy Givans, Director
The Office of Economic Development
September 30, 2021

Document Review:

- We reviewed the Mather EDC Agreement applicable to the fiscal year ended June 30, 2021 to identify compliance requirements.
- 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 \$48,269 of revenues, which is 73% 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 \$262,694 of expenditures, which is 85% of total reported allowable expenditures. See Attachment I, *Schedule of Agreement Revenues and Expenditures*.

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.


Mr. Troy Givans, Director
The Office of Economic Development
September 30, 2021

Based on our audit, Economic Development's Schedule of Agreement Revenues and Expenditures complied with the Mather EDC Agreement.

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: Ross McCarthy, CPA 
Senior Audit Manager

Enclosures:

Attachment I, *Schedule of Agreement Revenues and Expenditures*

Attachment II, *Current Status of Prior 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, 2021

	<u>Amount Reported</u>	<u>Amount Audited</u>	<u>Variance</u>
Revenues			
Ground Leases - Other	\$ 48,269	48,269	
Recreation Services	18,224	18,224	
Insurance Proceeds	462	462	
Total Revenues	<u>66,955</u>	<u>66,955</u>	
Operating Expenditures			
Property Insurance	3,558	3,558	
Building Maintenance Services	27,612	27,612	
Land Improvement Maintenance Services	57,500	57,500	
Permit Charges	324	324	
Accounting and Audit Services	28,149	28,149	
Other Support Services	26,895	26,895	
Real Estate Services	4,556	4,556	
Tax/License/Assessment	756	756	
Personnel Services	147,111	147,111	
Allowances	1,187	1,187	
Utilities	12,054	12,054	
Total Operating Expenditures	<u>309,703</u>	<u>309,703</u>	
Interest Expenditures	<u>4,153</u>	<u>4,153</u>	
Net Revenues/(Deficits)	<u>\$ (246,901)</u>	<u>(246,901)</u>	

**County of Sacramento
The Office of Economic Development
Former Mather Air Force Base Economic Development Conveyance Agreement
(Mather EDC)
Performance Audit
Current Status of Prior Finding and Recommendation
For the Fiscal Year Ended June 30, 2021**

CURRENT STATUS OF PRIOR REVIEW FINDING AND RECOMMENDATION FOR THE PERIOD JULY 1, 2020 THROUGH JUNE 30, 2021, REPORT DATED SEPTEMBER 30, 2021

1. Inaccurate Expenditure Reporting and Inadequate Internal Control Policies and Procedures

Prior Recommendation

We recommend Economic Development ensure internal controls are in place regarding timely monitoring of allowable expenditures. Internal controls should be designed to prevent, detect, or correct errors in a timely manner. Economic Development should review Mather EDC expenditures with Regional Parks throughout the year to identify allowable expenditures for reporting under audit in a timely and efficient manner.

Current Status of Prior Audit Recommendation

It appears that our prior recommendation has been implemented.