

# **SACRAMENTO COUNTY**

Audit Report

## **LOCAL OVERSIGHT PROGRAM**

Contract Nos. 14-406-550-1 and D15-08-005

*July 1, 2014, through June 30, 2016*



**BETTY T. YEE**  
California State Controller

April 2019



**BETTY T. YEE**  
California State Controller

April 2, 2019

Cristina Mayorga-Ochoa, Manager  
Division of Financial Assistance  
State Water Resources Control Board  
1001 I Street, 17<sup>th</sup> 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. 14-406-550-1 and D15-08-005 for the period of July 1, 2014, through June 30, 2016.

The county claimed and was reimbursed \$1,383,557 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: Cindy Davis, Contract Analyst (via email)  
State Water Resources Control Board  
Marie Woodin, Interim Director  
Sacramento County Environmental Management Department  
Tim McPherson, CPA, Senior Accounting Manager  
Sacramento County Environmental Management Department  
Patrick Kennedy, 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. 14-406-550-1 and D15-08-005 between the county and the State Water Resources Control Board (SWRCB) for the period of July 1, 2014, through June 30, 2016. Our audit was conducted in Mather, California.

The county claimed and was reimbursed \$1,383,557 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 the SCO authority 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, 2014, through June 30, 2016.

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 \$588,613 in total indirect costs claimed was 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 for one quarter of each fiscal year for the following expenditures:
  - Personnel Services – We tested \$63,129 of \$732,471: \$24,971 from periods two and three in the third quarter of fiscal year (FY) 2014-15; and \$38,158 from periods two and three in the third quarter of FY 2015-16.
  - Services and Supplies – We tested \$16,487 of \$62,473: \$8,164 from the third quarter of FY 2014-15; and \$8,323 from the third quarter of FY 2015-16.

We found no errors in the selected samples.

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 \$1,383,557 in costs claimed by Sacramento County for the SWRCB LOP under Contract Nos. 14-406-550-1 and D15-08-005 for the period of July 1, 2014, through June 30, 2016, 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, 2011, through June 30, 2014, issued on March 14, 2016, disclosed no findings.

## **Views of Responsible Officials**

We discussed our audit results with the county's representative during an exit conference on February 26, 2019. Tim McPherson, CPA, Senior Accounting Manager, Sacramento County Environmental Management Department, agreed with the audit results. Mr. McPherson 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

April 2, 2019

**Schedule—**  
**Summary of Program Costs**  
**July 1, 2014, through June 30, 2016**

	Costs Claimed	Withheld by State Water Resources Control Board	Net Costs Reimbursed	Allowable per Audit	Audit Adjustments
Program Management Costs:					
Personnel Services	\$ 187,229	\$ -	\$ 187,229	\$ 187,229	\$ -
Indirect Costs	150,457	-	150,457	150,457	-
Total Program Management Costs	337,686	-	337,686	337,686	-
Site Specific Costs:					
Personnel Services	545,242	-	545,242	545,242	-
Indirect Costs	438,156	-	438,156	438,156	-
Total Site Specific Costs	983,398	-	983,398	983,398	-
Services and Supplies Costs	62,473	-	62,473	62,473	-
Total Program Costs	\$ 1,383,557	\$ -	\$ 1,383,557	\$ 1,383,557	\$ -

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