

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

FORMER MATHER AIR FORCE BASE ECONOMIC DEVELOPMENT CONVEYANCE AGREEMENT COMPLIANCE

**COUNTY EXECUTIVE'S OFFICE –
THE OFFICE OF ECONOMIC DEVELOPMENT**



Audit Committee Submittal Date: 11/16/2018

SUMMARY

Background

In the effort to serve public interest by facilitating the reutilization or redevelopment of Mather in a beneficial manner, or of otherwise revitalizing the impacted communities and the economies of those communities, the Economic Development Conveyance Agreement was made and entered into, as of April 26, 2013 by, and between the United States of America, Air Force and the Sacramento County Executive's Office – The Office of Economic Development (the Office). As part of the Agreement, the Office is subject to the completion of the annual audit and the delivery of the audited financial statements for each fiscal year during the Agreement term.

Audit Objective

To confirm County Executive's Office – The Office of Economic Development is in compliance with Former Mather Air Force Base Economic Development Conveyance Agreement for the Fiscal Year ended June 30, 2018.

Summary

We noted an issue related to the timing of expenditure reporting and internal controls over financial reporting of activities related to the Mather EDC Agreement.



County of Sacramento

October 24, 2018

Mr. Troy Givans, Director
County Executive's Office -- The Office of Economic Development
County of Sacramento
700 H Street, Suite 6750
Sacramento, CA 95814

Dear Mr. Givans:

We have performed the procedures enumerated below, which were requested and were agreed to by you, to the Former Mather Air Force Base Economic Development Conveyance Agreement (Mather EDC) for the period of July 1, 2016 through June 30, 2017. 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, 2016 through June 30, 2017 and identified compliance requirements for the Agreement.

Finding: We did not note any exceptions as a result of our procedures.

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

Finding: We did not note any exceptions as a result of our procedures.

3. We tested reported revenues and expenditures for compliance with the terms and conditions of the Agreement for the period specified above.

Finding: We did not note any exceptions as a result of our procedures.

Mr. Troy Givans, Director
County Executive's Office – The Office of Economic Development
October 24, 2018

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit, examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on the Office's financial statements or schedules, internal control, compliance, or results of our agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. 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 County of Sacramento and the U.S. Air Force and does not extend to any other contract or program administered by the Office.

This report is intended solely for the use by the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, the Sacramento County Executive's Office – The Office of Economic Development 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

Attachment I, *Statement of Agreement Revenues and Expenditures*
Attachment II, *Current Status of Prior Finding and Recommendation*

County of Sacramento
County Executive's Office -
The Office of Economic Development
Former Mather Air Force Base Economic Development Conveyance Agreement
(Mather EDC)
Agreed-Upon Procedures
Statement of Agreement Revenues and Expenditures
For the Period July 1, 2016 through June 30, 2017

Agreement Revenues and Expenditures

	<u>Reported by Office</u>	<u>Reviewed</u>	<u>Variance</u>
Revenues	\$ 51,705	51,705	0
Expenditures	(228,339)	(228,339)	0
Interest Revenues/ (Expenditures)	(1,550)	(1,550)	0
Net Revenues/ (Deficits)	<u>\$ (178,184)</u>	<u>(178,184)</u>	<u>0</u>

**County of Sacramento
County Executive's Office -
The Office of Economic Development
Former Mather Air Force Base Economic Development Conveyance Agreement
(Mather EDC)
Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2016 through June 30, 2017**

**CURRENT STATUS OF PRIOR REVIEW FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016, REPORT DATED
AUGUST 23, 2018**

1. Prior Fiscal Period Program Expenditures

Prior Finding

According to the EDC Revenue Sharing Agreement, Section 1, Net Shared Revenue "Calculation Period" means the period of time that precedes each Calculation Date (fiscal year end) used to compare the Eligible Revenues to the Allowable Expenses. As such, only revenues and expenses incurred within applicable fiscal year should be reported in the Statement of Agreement Revenues and Expenditures.

Based on our review, the Office of Economic Development (the Office) did not accrue revenues and expenditures within proper fiscal period and included in the Statement of Agreement Revenues and Expenditures, revenues and expenditures for activities that did not occur in the reporting period under review, in the amount of \$4,200 for Parking lease revenues and \$297 for Division Overhead (\$234) and Electricity expenditures (\$63), respectively. As a result, the Office is noncompliant with the Mather EDC Revenue Sharing Agreement by inaccurately reporting revenues and expenditures in the Statement of Agreement Revenues and Expenditures.

Prior Recommendation

We recommend the Office establish and implement internal control policies and procedures to properly accrue revenues and expenditures within applicable fiscal period to ensure accurate reporting of its revenues and expenditures in the Statement of Agreement Revenues and Expenditures.

Prior Management Response

The Office of Economic Development (Office) is in agreement that that \$4,200 in Parking lease revenue and \$63 in Electricity and \$234 of Division Overhead expenditures were not accrued within the Fiscal Year 2015-16. The credit and debits were posted in the County's financial accounting system in July 2015 because: the Office received the payment for the month of June 2015 parking in July 2015; the Office paid the electric bill for June/July 2015 in July 2015; and the Division Overhead allocation associated with staff labor in connection with the EDC property for January through June 2015 was assessed in July 2015.

The Office will take into consideration of the recommendation that the Office accrue revenues and expenditures related to activities that occur in the fiscal year that is being reported. The

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Office uses its best efforts to process receipt of revenues and invoice payments when possible so that activity and associated expenditures and revenues occur in the same reporting period. Due to the variability of payments received, variability of amounts charged and timing of receipt of invoices, and processing times for issuing warrants to service providers this is not always possible.

Current Status of Prior Finding

The Office properly accrued revenues and expenditures during current period under review.