

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

FOR THE PERIOD JULY 1, 2022 TO
MAY 7, 2023



Audit Committee Submittal Date: 10/19/2023

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 Mather EDC Agreement's audited annual financial statements to the United States Air Force during the Agreement term. The Office of Economic Development (Economic Development) manages the Agreement and is responsible for providing documentation for the financial statements. This is the final year for this agreement between the United States Air Force and Sacramento County. The revenue sharing term ended on May 7, 2023.

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 period July 1, 2022 to May 7, 2023.

Summary

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

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

September 25, 2023

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

Dear Crystal:

We have audited the Schedule of Agreement Revenues and Expenditures of the County of Sacramento (County), the Office of Economic Development (Economic Development) related to the Former Mather Air Force Base Economic Development Conveyance Agreement (Mather EDC Agreement) for the period July 1, 2022 to May 7, 2023.

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 period July 1, 2022 to May 7, 2023 and that Economic Development has adequate internal controls to ensure accurate reporting of the financial schedule of the Mather EDC Agreement.

Economic Development's 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 period from July 1, 2022 to May 7, 2023.

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 period under review 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 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 \$41,439 of revenues, which is 85% 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 \$104,785 of expenditures, which is 59% 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 (GAGAS)* issued by the Comptroller General of the United States of America, 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 *GAGAS*.

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 *GAGAS'* 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.

Crystal Bethke, Director
September 25, 2023

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 County Board of Supervisors, County Executives, County Audit Committee, Economic Development's management, and United States 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,

CHAD RINDE
DIRECTOR OF FINANCE



By: Tae-Young Kang, CPA
Audit Manager

Attachment:

ATT 1 – *Schedule of Agreement Revenues and Expenditures*
ATT 2 – *Current Status of Prior Recommendation*

County of Sacramento
Office of Economic Development
Economic Development Conveyance Agreement
(The Former Mather Air Force Base)
Performance Audit
Schedule of Agreement Revenues and Expenditures

For the Period July 1, 2022 to May 7, 2023

	<u>Amount Reported</u>	<u>Amount Audited</u>	<u>Variance</u>
Revenues			
Ground Leases - Other	\$ 41,439	41,439	
Recreation Services	7,276	7,276	
Total Revenues	<u>48,715</u>	<u>48,715</u>	
Operation Expenditures			
Accounting and Audit Services	33,211	33,211	
Building Maintenance Services	4,712	4,712	
Equipment Costs	20,587	20,587	
Other Support Services	59,782	59,782	
Permit Charges	329	329	
Personnel Services	174,978	174,978	
Property Insurance	5,212	5,212	
Real Estate Services	3,634	3,634	
Reimbursement - Community Facilities District	(128,092)	(128,092)	
Tax/License/Assessment	802	802	
Uniforms	791	791	
Utilities	11,209	11,209	
Total Operating Expenditures	<u>187,155</u>	<u>187,155</u>	
Interest Expenditures	<u>25,179</u>	<u>25,179</u>	
Surplus/(Deficits)	<u>\$ (163,619)</u>	<u>\$ (163,619)</u>	

County of Sacramento
Office of Economic Development
Economic Development Conveyance Agreement
(The Former Mather Air Force)
Performance Audit
Current Status of Prior Recommendation

For the Period July 1, 2022 to May 7, 2023

**From the Prior Report for Fiscal Year Ended June 30, 2022, Dated
September 28, 2022**

1. Revenues and Expenditures Reporting

Prior Recommendation

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

Current Status

It appears that our prior recommendation has been implemented.