

BOARD OF SUPERVISORS

2016 FEB -9 A 10:41

# STANISLAUS COUNTY

Audit Report

## ROAD FUND

*July 1, 2010, through June 30, 2013*



**BETTY T. YEE**  
California State Controller

February 2016



**BETTY T. YEE**  
California State Controller

February 5, 2016

Terry Withrow, Chair  
Board of Supervisors  
Stanislaus County  
1010 10<sup>th</sup> Street, Suite 6500  
Modesto, CA 95354

Dear Mr. Withrow:

The State Controller's Office (SCO) audited Stanislaus County's Road Fund for the period of July 1, 2010, through June 30, 2013.

The county accounted for and expended Road Fund money in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and the SCO's Accounting Standards and Procedures for Counties manual.

If you have any questions, please contact Mike Spalj, Chief, Local Government Audits Bureau, at (916) 324-6984.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey V. Brownfield".

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/rg

cc: Lauren Klein, Auditor-Controller  
Stanislaus County  
Matt Machado, Public Works Director  
Stanislaus County

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# Audit Report

## Summary

The State Controller's Office (SCO) audited Stanislaus County's Road Fund for the period of July 1, 2010, through June 30, 2013.

Our audit found that the county accounted for and expended Road Fund money in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and the SCO's Accounting Standards and Procedures for Counties manual.

## Background

We conducted an audit of the county's Road Fund in accordance with Government Code section 12410. The Road Fund was established by the county boards of supervisors in 1935, in accordance with Streets and Highways Code section 1622, for all amounts paid to the county out of money derived from the highway users tax fund. A portion of the Federal Forest Reserve revenue received by the county is also required to be deposited into the Road Fund (Government Code section 29484). In addition, the county board of supervisors may authorize the deposit of other sources of revenue into the Road Fund. Once money are deposited into the Road Fund, it is restricted to expenditures made in compliance with Article XIX of the California Constitution and Streets and Highways Code Sections 2101 and 2150.

## Objectives, Scope, and Methodology

The objectives of our audit of the Road Fund were to determine whether:

- Highway users tax apportionments received by the county were accounted for in the Road Fund, a special revenue fund;
- Expenditures were made exclusively for authorized purposes or safeguarded for future expenditure;
- Reimbursements of prior Road Fund expenditures were identified and properly credited to the Road Fund;
- Non-road-related expenditures were reimbursed in a timely manner;
- The Road Fund cost accounting is in conformance with the SCO's Accounting Standards and Procedures for Counties manual, Chapter 9, Appendix A; and
- Expenditures for indirect overhead support service costs were within the limits formally approved in the Countywide Cost Allocation Plan.

Our audit objectives were derived from the requirements of Article XIX of the California Constitution, the Streets and Highways Code, the Government Code, and the SCO's Accounting Standards and Procedures for Counties manual. To meet the objectives, we:

- Gained a basic understanding of the management controls that would have an effect on the reliability of the accounting records of the Road Fund, by interviewing key personnel and testing the operating effectiveness of the controls;

- Verified whether all highway users tax apportionments received were properly accounted for in the Road Fund, by reconciling the county's records to the State Controller's payment records;
- Analyzed the system used to allocate interest and determined whether the interest revenue allocated to the Road Fund was fair and equitable, by interviewing key personnel and testing a sample of interest calculations;
- Verified that unauthorized borrowing of Road Fund cash had not occurred, by interviewing key personnel and examining the Road Fund cash account entries; and
- Determined, through testing, whether Road Fund expenditures were in compliance with Article XIX of the California Constitution and with the Streets and Highways Code, and whether indirect cost allocation plan charges to the Road Fund were within the limits approved by the SCO's Division of Accounting and Reporting, County Cost Plan Unit.

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.

We did not audit the county's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, we examined transactions on a test basis to determine whether they complied with applicable laws and regulations and were properly supported by accounting records. We considered the county's internal controls only to the extent necessary to plan the audit.

## **Conclusion**

Our audit found that the county accounted for and expended Road Fund money in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and the SCO's Accounting Standards and Procedures for Counties manual.

## **Follow-up on Prior Audit Findings**

Findings noted in our prior audit report, issued on February 21, 2013, have been satisfactorily resolved by the county.

## **Views of Responsible Officials**

We discussed the audit results with county representatives during an exit conference on November 19, 2015. Kathy Johnson, Assistant Director, Public Works; and Julie Serrano, Road Accountant, agreed with the audit results. Ms. Johnson and Ms. Serrano further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

**Restricted Use**

This report is solely for the information and use of Stanislaus County, the Stanislaus County Board of Supervisors, 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 report, which is a matter of public record.

A handwritten signature in black ink, reading "Jeffrey V. Brownfield". The signature is written in a cursive style with a large, prominent "J" and "B".

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

February 5, 2016

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**Schedule 1—  
Reconciliation of Road Fund Balance  
July 1, 2012, through June 30, 2013**

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	<u>Amount</u>
Beginning fund balance per county	\$ 19,620,808
Revenues	<u>36,507,619</u>
Total funds available	56,128,427
Expenditures	<u>(39,241,361)</u>
Ending fund balance per audit	<u>\$ 16,887,066</u>

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