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**DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**

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April 4, 2008

Doug Nowka, Human Services Director  
El Dorado County  
Department of Community Services  
937 Spring Street  
Placerville, California 95667

Dear Mr. Nowka:

**SUBJECT: Audit Transmittal Report TR 07-057 (FYE 6/30/06)**

The Department of Community Services and Development (CSD) has performed a desk review of an audit report submitted to this office by the State Controller, which is identified as follows:

Auditor: Bartig, Basler & Ray, LLP, CPAs

Audit Period: 7/1/05 to 6/30/06

Contract Numbers: 05B-5312, 05C-1562, 05F-4610, 05P-6113,  
06B-5358, 06C-1608, and 06F-4710

Report Date: 11/03/06 Date Received: 4/25/07

The State Controller's Office (SCO) reviews the audit report to ensure that applicable standards have been met and to resolve outstanding matters as to format, required statements, and items which appear to cut across multiple programs or funding sources.

The review by this department covers the statements as they pertain to CSD contracts. The assignment of the TR number, shown as the subject, enters the report into our follow-up system to ensure that all audit discrepancies are resolved.

Based on our review, we have the following comments and/or recommendations:

**EXCESS REVENUE**

During our review of your Close-Out Report and the subject audit report, we noted that your agency has reached an unexpended balance of earned excess revenue in the amount of **\$215,968 (\$349,875 at 6/30/07)**. As stated in prior Audit Transmittal Reports, the intent of the fixed-fee payment basis for the LIHEAP weatherization program wasn't to allow agencies to accumulate a reserve of unexpended revenue.

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As specified in CSD's June 20, 1991 memorandum to all LIHEAP contractors, the excess revenues shall be:

- a) Added to the funds committed to the project and be used to further eligible program objectives;
- b) Used to finance the non-Federal share of the project when approved by the Federal sponsoring agency; or,
- c) Deducted from the total project costs in determining the net costs on which the Federal share of costs will be based.

Your agency has assured CSD that any previously unexpended excess revenue will be utilized to expand eligible program objectives or other eligible purposes as described above. CSD is advising your agency to contact the CSD program representative within 30 days for devising a plan, and submitting it for approval to expend this excess revenue. The plan should include a timeline for expending the funds and a budget projecting how the funds will be utilized.

**Recommendation:**

1. Within 30 days, please have your agency contact the CSD program representative to devise an acceptable plan for expending the balance of the LIHEAP weatherization funds (Excess Revenue) carried forward. The plan should include a timeline for completion and a budget projecting how the funds will be used. The completion date for expending the excess revenue should be no later than 12/31/08.

**CONTRACT NUMBERS 05B-5312, 05C-1562, and 05F-4610**

The terms of these contracts were covered in the audited period. Since there were no audit exceptions, we consider these contracts closed.

**CONTRACT NUMBERS 05P-6113, 06B-5358, 06C-1608, and 06F-4710**

The terms of these contracts extend beyond the audit reporting period. Please ensure these contracts are included in the next Single Agency-Wide Audit; and, revenues and expenditures are identified by contract numbers, components, and Federal Catalog numbers (if applicable).

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Our review did not disclose any findings requiring corrective action. Therefore, the audit has been closed. If the agency has any questions or requires additional information, please contact me at (916) 341-4259.

Sincerely,



LANCE BRANDON, CFS, ISO  
Management Auditor  
Audit Service Unit

cc: Rusty Dupray, Chair, Board of Supervisors  
Bartig, Basler & Ray, LLP, CPAs  
Reneé F. Webster-Hawkins, CSD General Counsel  
CSD Field Operations Manager – Energy  
CSD Field Operations Manager – CSBG