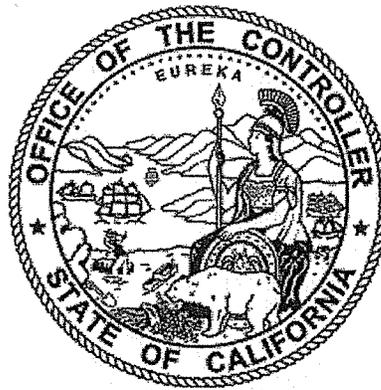


# EL DORADO COUNTY

Audit Report

## ROAD FUND

*July 1, 2009, through June 30, 2016*



**BETTY T. YEE**  
California State Controller

June 2017



**BETTY T. YEE**  
California State Controller

June 28, 2017

The Honorable Shiva Frentzen, Chair  
Board of Supervisors  
El Dorado County  
330 Fair Lane  
Placerville, CA 95667

Dear Ms. Frentzen:

The State Controller's Office (SCO) audited El Dorado County's Road Fund for the period of July 1, 2009, through June 30, 2016.

The county accounted for and expended its 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 Efren Loste, Chief, Local Government Audits Bureau, by telephone at (916) 324-7226.

Sincerely,

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

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/rg

cc: The Honorable Joe Harn, Auditor-Controller  
El Dorado County  
Brad Lower, Interim Director of Transportation  
El Dorado County

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# Audit Report

## Summary

The State Controller's Office (SCO) audited El Dorado County's Road Fund for the period of July 1, 2009, through June 30, 2016 (fiscal year [FY] 2009-10 through FY 2015-16).

Our audit found that the county accounted for and expended its 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 apportioned to the county out of money from the Highway Users Tax Account (HUTA) in the Transportation Tax Fund. The highway users tax derives from state taxes on the sale of motor vehicle fuels. A portion of the Federal Forest Reserve revenue received by the county also is 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 is 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

Our audit objectives were to determine whether:

- HUTA 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.

We audited the county's Road Fund for the period of July 1, 2009, through June 30, 2016.

To meet the objectives, we:

- Gained a limited understanding of internal controls that would have an effect on the reliability of the accounting records of the Road Fund, by interviewing key personnel, completing the internal control questionnaire, reviewing the county's organization chart, noting the controls over various transactions through narratives and/or flowcharts, testing the operating effectiveness of these controls, and assessing the reliability of computer-processed data;
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing;
- Performed analytical procedures to determine and explain the existence of unusual or unexpected account balances;
- Analyzed the cost accounting system to determine proper project costing and the use of clearing accounts for labor, equipment, shop overhead, general overhead and inventory;
- Reviewed county accruals and adjustments for validity and eligibility;
- Verified whether all HUTA apportionments received by the county were properly accounted for in the Road Fund, by reconciling the county's records to the SCO'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 recalculating a haphazard sample of interest allocations;
- Verified that unauthorized borrowing of Road Fund cash did not occur by interviewing key personnel and examining the cash account entries for the audit period;
- Verified whether the expenditures incurred during the audit period were supported by proper documentation and eligible in accordance with the applicable criteria by testing 100% of the expenditure transactions equal to or greater than the significant item amount (calculated based on materiality threshold). We tested, reviewed, and recalculated \$10,397,269 of \$30,532,266 in total services and supplies expenditures (for the selected samples, errors found will not be projected to the intended population).
- Selected and tested 100% of reimbursable non-road reimbursable transactions during the audit period to verify that all amounts were reimbursed to the Road Fund in a timely manner; and
- Analyzed the Countywide Cost Allocation Plan charges to the Road Fund by individual fiscal year.

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 the county accounted for and expended its Road Fund in accordance with the requirements of Article XIX of the California

Constitution and the Streets and Highways Code. We considered the county's internal controls 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**

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 for the period of July 1, 2009, through June 30, 2016.

**Follow-up on Prior Audit Findings**

The county has satisfactorily resolved the findings noted in our prior audit report issued on July 3, 2013.

**Views of Responsible Officials**

We discussed the audit results with county representatives during an exit conference on May 25, 2017. Ruth Young, Chief Financial Officer, agreed with the audit results. Ms. Young 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 El Dorado County 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.



JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

June 28, 2017

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**Schedule 1—  
Reconciliation of Road Fund Balance<sup>1</sup>  
July 1, 2015, through June 30, 2016**

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	<u>Amount</u>
Beginning fund balance per county	\$ 15,343,662
Revenues	<u>51,456,811</u>
Total funds available	66,800,473
Expenditures	<u>(55,857,722)</u>
Ending fund balance per county	<u>10,942,751</u>
Ending fund balance per audit	<u>\$ 10,942,751</u>

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<sup>1</sup>The audit period was July 1, 2009, through June 30, 2016; however, this schedule includes only the period of July 1, 2015, through June 30, 2016.