

Meeting Date: 2/10/2015

Report Type: Consent

Report ID: 2015-00093

Title: Fiscal Year 2013/14 Measure U Sales Tax Performance Audit and Measure U Sales Tax Performance Audit Covering April 1, 2013, to June 30, 2013

Location: Citywide

Recommendation: Receive and file.

Contact: Dennis Kauffman, Operations Manager, (916) 808-5843; Leyne Milstein, Director of Finance, (916) 808-8491, Department of Finance

Presenter: None

Department: Finance

Division: Accounting Division

Dept ID: 06001311

Attachments:

1-Description/Analysis

2-City of Sacramento Performance Audit Report 2014 - Final

3-City of Sacramento Performance Audit Report 2013 - Final

City Attorney Review

Approved as to Form

Gerald Hicks

2/4/2015 8:59:21 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 2/2/2015 2:06:01 PM

Description/Analysis

Issue: As recommended by the Measure U Oversight Committee, the City engaged its independent public accounting firm to conduct performance audits for Fiscal Year 2013/14 and for the period covering April 1, 2013 to June 30, 2013, the first three months of Measure U. The Measure U Sales Tax Performance Audits have been conducted to confirm that the City used Measure U sales tax proceeds in conformance with the provisions listed in the Measure U ballot language.

Policy Considerations: This report is consistent with the City's fiscal transparency and accountability principles and the direction of the Measure U Oversight Committee.

Environmental Considerations: Not applicable.

Sustainability: Not applicable.

Commission/Committee Action: The performance audit reports will be forwarded to the Measure U Oversight Committee for review at the March 4, 2015 committee meeting.

Rationale for Recommendation: It is in the best interest of the City to receive and file the Measure U Sales Tax Performance Audits for the following reasons:

- The performance audits were recommended by the Measure U Oversight Committee in their report to the City Council presented on May 27, 2014.
- The public accounting firm of Vavrinek, Trine, Day and Co., LLP, has conducted the performance audits and has rendered its unmodified opinion that the City expended Measure U funds in accordance with the Measure U ballot language.

Financial Considerations: There are no financial considerations associated with this report.

Local Business Enterprise (LBE): No goods or services are being purchased under this report.

CITY OF SACRAMENTO, CALIFORNIA

**MEASURE U SALES TAX
PERFORMANCE AUDIT**

PERIOD OF JULY 1, 2013 TO JUNE 30, 2014

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT**

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INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

To the Mayor, Members of the City Council,
and the Measure U Citizen's Oversight Committee
City of Sacramento
Sacramento, California

We were engaged to conduct a performance audit of the City of Sacramento, California (the City), Measure U Sales Tax funds for the period of July 1, 2013 to June 30, 2014.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the City's compliance with the performance requirements as referred to in the Measure U ballot measure approved by voters of the City of Sacramento on the November 6, 2012 ballot. Management is responsible for the City's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the City's internal control in order to determine if the internal controls were adequate to help ensure the City's compliance with the requirements of the Measure U Ballot Measure. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

The results of our tests indicated that the City expended Measure U funds only for the specific projects approved by the voters, in accordance with the Measure U ballot measure for the period of July 1, 2013 to June 30, 2014.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 19, 2014

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT**

PERIOD OF JULY 1, 2013 TO JUNE 30, 2014

OBJECTIVES OF THE AUDIT

The objectives of our performance audit were to document that revenues related to Measure U were deposited in the Measure U Fund and accompanied by supporting documentation from the State of California Board of Equalization; to review a list of activities and ensure they are consistent with the Measure U ballot language; to compare expenditures by category to budgets to determine if expenditures were in excess of appropriations; and to select a sample of expenditures and review supporting documentation that funds were expended on specific Measure U activities approved in the City Council's budget. The objectives of our performance audit were not to determine if the City used Measure U revenues in an efficient or effective manner.

BACKGROUND INFORMATION

On November 6, 2012, voters of the City of Sacramento, California approved Measure U to enact a one-half cent sales tax for six years *"To restore and protection essential public safety services, including 9-1-1 response, police officers, gang/youth violence prevention, fire protection/emergency medical response, and other essential services including park maintenance, youth/senior services, and libraries... with independent financial audits and citizen oversight"*.

A five member Measure U Citizen's Oversight Committee was established during the year ended June 30, 2013. The purpose of the committee is to review the City's annual independent auditors report and prepare a report to City council documenting the revenues generated by Measure U, the services and programs funded, and the results of their oversight.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2013 to June 30, 2014. The population of expenditures tested included all account and project codes associated with Measure U. The propriety of expenditures funded through other local funding sources, other than Measure U, were not included in the scope of the audit. Expenditures incurred subsequent to June 30, 2014, were not reviewed or included within the scope of our procedures or in this report.

PROCEDURES PERFORMED

We obtained the Measure U Fund general ledger and project expenditure summary reports and detail prepared by the City for the period of July 1, 2013 to June 30, 2014. For the period, we obtained the actual invoices and other supporting documentation to ensure consistency with the Measure U ballot language and compliance with the City Council's Measure U budget. We performed the following procedures:

- 1) We reviewed the list of activities performed to verify that the list of activities is consistent with the Measure U ballot language.
- 2) We verified that the Measure U revenue was deposited in the Measure U Fund.
- 3) We traced the Measure U revenue deposits to supporting documentation from the State of California Board of Equalization.
- 4) We selected a sample of expenditures in the period and reviewed supporting documentation to ensure the funds were expended on the specific Measure U activities approved in the City Council's budget.

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT**

PERIOD OF JULY 1, 2013 TO JUNE 30, 2014

PROCEDURES PERFORMED (CONTINUED)

- 5) We compared the expenditures by category to budgets to determine if there were any expenditures in excess of appropriation.

RESULTS OF PROCEDURES PERFORMED

The City utilized Measure U funds for twenty-one (21) of the twenty-three (23) budgeted projects. The City received revenues of \$43.194 million and incurred expenditures of \$18.893 million during the period ended June 30, 2014 for the Measure U projects as shown in the table below (table shown in thousands):

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget- Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts
	Original	Final				
Revenues:						
Taxes	\$ 27,000	\$ 27,000	\$ 43,040	\$ 16,040	\$ -	\$ 43,040
Interest, rents and concessions	-	-	154	154	-	154
Total revenues	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 43,194</u>	<u>\$ 16,194</u>	<u>\$ -</u>	<u>\$ 43,194</u>
Expenditures:						
Current:						
Police:						
COPS Hiring Program Retention FY09 (CHRP) and FY11 (CHP)	\$ 2,734	\$ 2,734	\$ 2,017	\$ 717	\$ -	\$ 2,017
Field and Operations	5,071	6,297	4,069	2,228	(215)	3,854
Investigations	716	716	208	508	-	208
Forensics	300	300	300	-	-	300
Communications	200	200	53	147	-	53
Crime Analysis	100	100	29	71	-	29
Fire:						
SAFER Grant Buyback	1,503	1,503	-	1,503	-	-
Brown Out Restorations	3,858	4,848	6,478	(1,630)	-	6,478
Medic Units / SRFEC JPA	390	357	357	-	-	357
Technology	479	249	87	162	-	87
Fiscal Support	204	142	76	66	-	76
Fire Prevention	165	160	110	50	-	110
Human Resources	100	55	42	13	-	42
Recruit Academy	570	777	628	149	-	628
General Services:						
Animal Control Officer	85	85	-	85	-	-
Parks and recreation:						
Aquatics	1,558	1,558	1,455	103	(127)	1,328
Community Centers	808	808	757	51	-	757
Gang Prevention	50	50	40	10	-	40
Park Maintenance	1,600	1,600	1,603	(3)	-	1,603
Senior Programs	172	172	107	65	-	107
Teen Services	292	292	254	38	-	254
Library: Restoration to Maintenance of Effort						
Restoration to Maintenance of Effort	506	506	506	-	-	506
Capital outlay:						
Parks and Recreation:						
Fountains, picnic tables, irrigation	850	850	114	736	(55)	59
Total expenditures	<u>\$ 22,311</u>	<u>\$ 24,359</u>	<u>\$ 19,290</u>	<u>\$ 5,069</u>	<u>\$ (397)</u>	<u>\$ 18,893</u>

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT**

PERIOD OF JULY 1, 2013 TO JUNE 30, 2014

CONCLUSION

Based on the procedures performed, the results of our testing indicated, for the items tested, the City of Sacramento has complied with the Measure U ballot language, in all significant respects, for the period of July 1, 2013 to June 30, 2014. Our audit does not provide a legal determination on the City's compliance with specific requirements or a determination of whether the City used Measure U revenue in an efficient or effective manner.

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PERIOD OF JULY 1, 2013 TO JUNE 30, 2014**

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None reported.

CITY OF SACRAMENTO, CALIFORNIA

**MEASURE U SALES TAX
PERFORMANCE AUDIT**

PERIOD OF APRIL 1, 2013 TO JUNE 30, 2013

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT**

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Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 19, 2014

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT
PERIOD OF APRIL 1, 2013 TO JUNE 30, 2013**

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**CITY OF SACRAMENTO
MEASURE U SALES TAX
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PERIOD OF APRIL 1, 2013 TO JUNE 30, 2013**

PROCEDURES PERFORMED (CONTINUED)

- 5) We compared the expenditures by category to budgets to determine if there were any expenditures in excess of appropriation.

RESULTS OF PROCEDURES PERFORMED

The City utilized Measure U funds for four (4) projects of the six (6) budgeted projects. The City received revenues of \$4.820 million and incurred expenditures of \$2.188 million during the period of April 1 to June 30, 2013 for the Measure U projects listed in the following table (table shown in thousands):

	<u>Budgeted Amounts</u>				Positive (Negative) % Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	
Revenues:					
Taxes	\$ -	\$ 5,000	\$ 4,820	\$ (180)	-3.7%
Expenditures:					
Current:					
Police: Field and Operations	\$ -	\$ 1,500.00	\$ 274.00	\$ 1,226.00	447.4%
Fire: SAFER Grant Buyback	-	358	-	358	0.0%
Fire: Brown Out Restorations	-	1,410	1,082	328	30.3%
Parks and recreation: Aquatics	-	406	326	80	24.5%
Library: Restoration to Maintenance of Effort	-	506	506	-	0.0%
Capital outlay: Parks and Recreation: Fountains, picnic tables, irrigation	-	600	-	600	0.0%
Total expenditures	<u>\$ -</u>	<u>\$ 4,780</u>	<u>\$ 2,188</u>	<u>\$ 2,592</u>	<u>118.5%</u>

CONCLUSION

Based on the procedures performed, the results of our testing indicated, for the items tested, the City of Sacramento has complied with the Measure U ballot language, in all significant respects, for the period of April 1, 2013 to June 30, 2013. Our audit does not provide a legal determination on the City's compliance with specific requirements or a determination of whether the City used Measure U revenue in an efficient or effective manner.

**CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PERIOD OF APRIL 1, 2013 TO JUNE 30, 2013**

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None reported.