Meeting Date: **2/9/2016**

Report Type: Consent

Report ID: 2016-00104

City of SACRAMENTO 12

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Fiscal Year 2014/15 Measure U Sales Tax Performance Audit Report

Location: Citywide

Recommendation: Receive and file.

Contact: Russell Robertson, Accounting Manager, (916) 808-1712; Leyne Milstein, Director of Finance, (916) 808-8491, Department of Finance

Presenter: None

Department: Finance

Division: Finance

Dept ID: 06001011

Attachments:

1-Description/Analysis

2-City of Sacramento Performance Audit Report 2015

City Attorney Review

Approved as to Form
Steve Itagaki
2/2/2016 3:14:49 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 1/28/2016 8:33:52 AM

Description/Analysis

Issue Detail: The Measure U Sales Tax Performance Audit has 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. As recommended by the Measure U Oversight Committee, the City engaged its independent public accounting firm to conduct a performance audit for Fiscal Year 2014/15.

Policy Considerations: This report is consistent with the City's fiscal transparency and accountability principles.

Economic Impacts: None.

Environmental Considerations: Not applicable.

> **California Environmental Quality Act (CEQA):** This action is not a project that is subject to CEQA because it is an administrative activity that will not result in direct or indirect physical changes in the environment, and it relates to government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (CEQA Guidelines § 15378(a), (b)(2), (b)(4) and (b)(5).)

Sustainability: Not applicable.

Commission/Committee Action: The Measure U Sales Tax Performance Audit was presented to the Budget and Audit Committee on February 2, 2016. The Committee approved a Motion to forward the audit to the City Council for review. The performance audit report will be forwarded to the Measure U Oversight Committee for review at the March 2, 2016 committee meeting.

Rationale for Recommendation: It is in the best interest of the City to receive and file the Measure U Sales Tax Performance Audit because the public accounting firm of Vavrinek, Trine, Day and Co., LLP, has conducted the performance audit and has rendered its unmodified opinion that the City expended Measure U funds in accordance with the Measure U ballot measure.

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, 2014 TO JUNE 30, 2015

CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT

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PERIOD OF JULY 1, 2014 TO JUNE 30, 2015

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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 (City), Measure U Sales Tax funds for the period of July 1, 2014 to June 30, 2015.

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, 2014 to June 30, 2015.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 24, 2015

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CITY OF SACRAMENTO
MEASURE U SALES TAX
PERFORMANCE AUDIT

PERIOD OF JULY 1, 2014 TO JUNE 30, 2015

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 protect 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, 2014 to June 30, 2015. 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, 2015, 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, 2014 to June 30, 2015. 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 on a sample basis. We performed the following procedures:

1) We compared 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.

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-eight (28) of the thirty (30) budgeted projects. The City received revenues of $43.945 million and incurred expenditures of $28.233 million during the period ended June 30, 2015 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	$ 31,824	$ 41,509	$ 43,720	$ 2,211	$ -	$ 43,720
Interest, rents and concessions	-	-	225	225	-	225
Total revenues	$ 31,824	$ 41,509	$ 43,945	$ 2,436	$ -	$ 43,945
Expenditures:						
Current:						
Police:						
COPS Hiring Program Retention FY09 (CHRP) and FY11 (CHP)	$ 4,862	$ 4,862	$ 4,788	$ 74	-	$ 4,788
COPS Hiring Program (CHP) March and Retention FY13	557	557	510	47		510
Field and Operations	5,180	5,180	4,189	991	-	4,189
Investigations	556	556	610	(54)	-	610
Forensics	512	512	587	(75)	-	587
Communications	317	317	273	44	-	273
Crime Analysis	96	96	95	1	-	95
Fire:						
SAFER Grant Buyback	2,803	2,803	-	2,803	-	-
Brown Out Restorations	7,044	7,044	9,562	(2,518)	-	9,562
Recruit Academy	360	360	463	(103)	-	463
Medic Units / SRFEC JPA	657	657	-	657	-	-
Fire Prevention	140	140	142	(2)	-	142
Technology	437	437	245	192	-	245
Fiscal Support	169	169	186	(17)	-	186
Human Resources	94	94	94	-	-	94
General Services:						
Animal Control Officer	227	227	102	125	-	102
Parks and recreation:						
Aquatics	1,564	1,732	1,576	156	(28)	1,548
Park Maintenance	1,642	1,642	1,493	149	(3)	1,490
Community Centers	832	832	879	(47)	(102)	777
Teen Services	293	311	366	(55)	(52)	314
Gang Prevention	100	100	66	34	-	66
Senior Programs	194	194	189	5	(29)	160
Park Safety	-	124	110	14	-	110
Library:						
Restoration to Maintenance of Effort	506	506	506	-	-	506
Capital outlay:						
Parks and Recreation:						
Cabrillo Pool Renovation	-	80	75	5	(28)	47
Park Improvements (PKG A&B)	736	736	638	98	-	638
Radio Replacement - Police	-	450	450	-	-	450
Radio Replacement - Fire	-	271	271	-	-	271
Radio Replacement - DGS Animals	-	7	7	-	-	7
Radio Replacement - Park Safety	-	3	3	-	-	3
Total expenditures	$ 29,878	$ 30,999	$ 28,475	$ 2,524	$ (242)	$ 28,233

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, 2014 to June 30, 2015. 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PERIOD OF JULY 1, 2014 TO JUNE 30, 2015

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None reported.