



Transmitted via e-mail

April 17, 2012

Mr. Scott Jones, Sheriff
Sacramento County Sheriff's Department
711 G Street
Sacramento, CA 95814

Dear Mr. Jones:

Final Report—Sacramento County Sheriff's Department Compliance Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its fiscal compliance audit of the Boating Safety and Enforcement Financial Aid Program for the period July 1, 2010 through June 30, 2011.

The enclosed report is for your information and use. The Sacramento County Sheriff's Department's response to the report finding and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of the Sacramento County Sheriff's Department. If you have any questions, please contact Susan Botkin, Manager, or Alexis Calleance, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Lucia C. Becerra, Acting Director, California Department of Boating and Waterways
Ms. Marcia Carlock, Operations Division Chief, California Department of Boating and Waterways
Ms. Corrina Dugger, Associate Boating Administrator, California Department of Boating and Waterways
Ms. Denise Peterson, Boating Law Enforcement Manager, California Department of Boating and Waterways
Mr. Sam Church, Chief of Fiscal Services, Sacramento County Sheriff's Department
Ms. Lona Deaton, Senior Accounting Manager, Sacramento County Sheriff's Department
Ms. Jennifer Griffin, Senior Accountant, Sacramento County Sheriff's Department

Audit Report

Boating Safety Enforcement Program Sacramento County Sheriff's Department July 1, 2010 through June 30, 2011



Source: Sacramento County Sheriff's Department

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Susan M. Botkin, CGFM
Manager

Alexis Calleance
Supervisor

Staff
Alan Garrett
Alexandria Tu

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND¹

The Department of Boating and Waterways' (DBW) mission is to provide safe and convenient public access to California's waterways, and leadership in promoting the public's right to safe, enjoyable, and environmentally sound recreational boating. DBW fulfills its mission through enforcement of the Boating Safety and Enforcement (BS&E) Financial Aid Program.

The purpose of the BS&E program is to provide state financial aid via grants to local government agencies whose waterways have a high usage by transient boaters and an insufficient tax base to fully support a boating safety and enforcement program. The program is intended to augment existing local resources for BS&E activities and is not intended to fully fund all BS&E programs.

Pursuant to California Code of Regulations, Title 14, section 6593.10, DBW is responsible for ensuring accountability of the funds used for the BS&E program.

SCOPE

DBW requested the Department of Finance, Office of State Audits and Evaluations, to audit agencies receiving BS&E funding to ensure fiscal compliance with state laws and regulations.

The audit's objective was to determine whether Sacramento County's (County) grant expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

Also included in the scope was a review of the Marine Law Enforcement Annual, Annual Activity, and Inventory Reports submitted to DBW. A review of these reports was performed to ensure all program requirements were met. These County reports were submitted timely to DBW and addressed all program requirements.

County management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the efficiency and effectiveness of the program.

The audit period was July 1, 2010 through June 30, 2011.

¹ Source: Department of Boating and Waterways.

METHODOLOGY

To determine whether County expenditures were in compliance with applicable laws and regulations, we performed the following:

- Conducted interviews of key personnel.
- Obtained an understanding of internal controls related to program expenditures.
- Reviewed relevant supporting documents for expenditures.
- Selected a sample of expenditures to determine if costs were allowable, program related, and supported by accounting records.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with key staff. The audit was conducted from September 2011 through March 2012.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Except as noted below, Sacramento County’s expenditures were in compliance with applicable laws, regulations, and the grant requirements. The Schedule of Claimed and Questioned Costs is presented below.

Schedule of Claimed and Questioned Costs

Category	Claimed	Questioned
Program Costs		
Personnel	\$ 749,415	\$ 103,337
Operations Maintenance and Equipment	83,228	0
Total Direct Program Costs	832,643	103,337
Administrative Costs	0	0
Subtotal	832,643	103,337
<i>Less: County Boat Tax Revenue Received</i>	314,296	0
Claimed Program Costs	\$ 518,347	\$ 103,337
State Financial Aid Allocation	406,236	
Unreimbursed Program Costs	\$ 112,111	

Observation: Questioned Personnel Expenditures

During fiscal year 2010-11 retirement bond debt expenditures of \$103,337 were claimed for reimbursement. California Code of Regulations, Title 14, section 6593.8, allows for normal reimbursement of personnel related expenditures; however, the code does not allow for bond debt payments.

Recommendations:

- A. The County should work with DBW to determine an appropriate method of repayment of the questioned costs.
- B. The County should implement policies and procedures to ensure only eligible expenditures are claimed for reimbursement.



Scott R. Jones
Sheriff

March 21, 2012

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

RE: SACRAMENTO COUNTY SHERIFF'S DEPARTMENT COMPLIANCE
AUDIT – BOATING & SAFETY ENFORCEMENT JULY 1, 2010 – JUNE 30,
2011.

Dear Mr. Botelho:

In reviewing the draft audit reports, questioned personnel expenditures were identified in the amount of \$103,337.

Observation: Questioned Personnel Expenditures

During fiscal year 2010-11 retirement bond debt expenditures of \$103,337 were claimed for reimbursement. California Code of Regulations, Title 14, Section 6593.8, allows for normal reimbursement of personnel related expenditures; however, the code does not allow for bond debt payments.

Management's Response

The Sacramento County Sheriff's Department (SSD) disagrees with the auditor's comments on questioned personnel expenditures. The California Code of Regulations, Title 14, Section 6593.8 allows for personnel costs of boating safety and enforcement officers, including, but not limited to, salaries, wages, overtime and holiday pay, on-call pay, workers' compensation premiums, retirement contributions, uniform allowances, insurance, payments made under the Federal Insurance Contributions Act, and any other employee benefit approved by the department.

Sacramento County Employees' Retirement System (SCERS) is a multiple-employer public employee retirement system. SCERS assets were primarily used for the payment of benefits to members and their beneficiaries, for the payment of contribution withdrawals to non retired employees, and for the cost of administering the retirement system. At June 30, 2010, total membership in SCERS consisted of 13,340 active, 8,346 retired, and 2,740 deferred members.

The State Controller's Office has communicated the following to the County's Department of Finance regarding refinancing of pension obligation bonds: "If the aggregate cost of the refinanced POBs is less costly than the POBs they replace, the refinanced POBs would be an allowable and allocable cost for federal/state reimbursement. Conversely if the aggregate cost of refinancing the POBs is more costly than the POBs they replace, the excess cost would not be allowable and claimable." This interpretation is consistent with the 1994 policy statement issued by the Office of Management and Budgets (OMB) which determined that the interest on bonds issued to fund unfunded pension liabilities was an allowable cost under OMB Circular A-87.

1995/2003 POB DEBT are pension obligation bonds during 1995-2003. Sacramento County Employees Retirement System (SCERS) actuaries identified unfunded accrued liability (UAAL). The proceeds from these bonds were utilized to pay off the unfunded pension liability the county owed SCERS. All county employees (past, present, and future) are deriving a retirement benefit from the pay off of these liabilities.

2004 POB DEBT SVC are pension obligation bonds sold in 2004. Sacramento County Employees Retirement System (SCERS) actuaries identified unfunded accrued liability (UAAL). The proceeds from these bonds were utilized to pay off the unfunded pension liability the county owed SCERS. All county employees (past, present, and future) are deriving a retirement benefit from the pay off of these liabilities.

Therefore the \$103,337 retirement bond debt expenditures were a part of retirement costs for current employees. The current employee POB Debt calculation was a percentage of the current employee retirement costs. The retirement bond debt expenditures are allowable and allocable costs.

If you have any questions or concerns regarding this or other related matters, please contact Lona Deaton, Senior Accounting Manager, at (916) 874-2451 or ld Eaton@sacsheriff.com.

Very truly yours,

SCOTT R. JONES, SHERIFF

Original Signed by Lona Deaton

Lona Deaton
Senior Accounting Manager

LD:ld

cc: Marcia Carlock, Operations Division Chief, CDBW
Corrina Dugger, Associate Boating Administrator, CDBW
Scott Maberry, Sergeant, SSD

EVALUATION OF RESPONSE

We reviewed the Sacramento County Sheriff's Department's (County) March 21, 2012 response and provide the following evaluation:

Observation: Questioned Personnel Expenditures

The County states the \$103,337 retirement bond debt expenditures for current employees should be allowable per communication from the State Controller's Office to the County's Department of Finance, which is stated to be consistent with the 1994 policy statement issued by the Office of Management and Budget (OMB) Circular A-87.

Although there may be instances when refinancing of pension obligations are allowed, there is no context to suggest the retirement bond debts are allowable for reimbursement for the Boating Safety and Enforcement Financial Aid Program. Further, the OMB Circular guidance is applicable to federally funded programs. The Boating Safety and Enforcement Financial Aid Program is funded by state funds, specifically the Harbors and Watercraft Revolving Fund. These funds are subject to the Harbors and Navigation Code, not OMB Circular guidance. Therefore, we continue to reference criteria within California Code of Regulations, Title 14, section 6593.8 wherein it is stated personnel costs are allowed for normal reimbursement of personnel related expenditures. The finding remains as reported.