



Budget and Audit Committee Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2018-01747

January 29, 2019

Consent Item 03

Title: Fiscal Year 2017/18 Measure U Sales Tax Performance Audit

Location: Citywide

Recommendation: Pass a Motion accepting and forwarding to City Council the Fiscal Year 2017/18 Measure U Sales Tax Performance Audit.

Contact: Osvaldo Lopez, Accounting Manager, (916) 808-4740; Dawn Holm, Director, (916) 808-5574, Department of Finance

Presenter: None

Attachments:

1-Description/Analysis

2-FY2017/18 Measure U Performance Audit

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 2017/18.

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

Economic Impacts: None.

Environmental Considerations:

California Environmental Quality Act (CEQA): This recommendation does not constitute a project as it involves only organizational or administrative activities 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. It is therefore exempt from the California Environmental Quality Act according to CEQA guidelines Section 15378(b)(4) and (b)(5).

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: As recommended by the Measure U Oversight Committee it is in the best interest of the City to complete a performance audit to ensure that Measure U funds are spent in accordance with the purposes outlined in the original ballot measure. 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, 2017 TO JUNE 30, 2018

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

**TABLE OF CONTENTS
PERIOD OF JULY 1, 2017 TO JUNE 30, 2018**

Independent Auditors' Report on Performance	1
Objectives of the Audit	2
Background Information	2
Scope of the Audit	2
Procedures Performed	2
Results of Procedures Performed	3
Conclusion	6
Schedule of Findings and Questioned Costs	7



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

To the Mayor, Members of the City Council,
and the Measure U Citizen's Oversight Committee
City of 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, 2017 to June 30, 2018.

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, 2017 to June 30, 2018.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
December 20, 2018

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

PERIOD OF JULY 1, 2017 TO JUNE 30, 2018

OBJECTIVES OF THE AUDIT

The objectives of our performance audit were to document that sales tax revenues related to Measure U were deposited in the Measure U Fund and accompanied by supporting documentation from the California Department of Tax and Fee Administration; 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, 2017 to June 30, 2018. 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, 2018, 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, 2017 to June 30, 2018. 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 California Department of Tax and Fee Administration.
- 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, 2017 TO JUNE 30, 2018

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 90 of the 117 budgeted projects. The City received Measure U revenues of \$46.664 million and incurred expenditures on a budgetary basis of \$57.063 million and on a GAAP basis of \$55.173 million during the period ended June 30, 2018 for the Measure U projects as shown in Table 1 (table shown in thousands).

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

PERIOD OF JULY 1, 2017 TO JUNE 30, 2018

Table 1

(amounts in thousands)

	Budgeted Amounts		Actual	Variance with	Budget to GAAP Reconciliation	Actual Amounts
	Original	Final	Amounts - Budgetary Basis	Final Budget-Positive (Negative)		
Revenues:						
Taxes	\$ 46,542	\$ 46,542	\$ 46,484	\$ (58)	\$ -	\$ 46,484
Interest, rents and concessions	-	-	180	180	-	180
Total revenues	46,542	46,542	46,664	122	-	46,664
Expenditures:						
Current:						
Police:						
Mission Critical IT	-	560	424	136	(63)	361
Ballistic Door Shields	-	460	198	262	-	198
Property Services/Supplies	-	301	301	-	-	301
Field & Operations	7,901	7,901	7,902	(1)	-	7,902
Body Worn Camera (BWC)	1,201	1,201	1,032	169	-	1,032
Investigations	1,131	1,131	1,124	7	-	1,124
Forensics	608	608	608	-	-	608
Communications	359	359	362	(3)	-	362
Crime Analysis	115	115	113	2	-	113
COPS Hiring Program Match and Retention (CHP & CHRP)	5,483	5,483	5,483	-	-	5,483
FY13 COPS Hiring Program Match & Retention (CHP)	1,214	1,214	1,204	10	-	1,204
Hiring Pipeline	1,000	1,000	986	14	-	986
Public Safety Counter (Kinney Station)	247	247	248	(1)	-	248
Shot Spotter	180	180	87	93	-	87
FY14 COPS Hiring Program Match and Retention (CHP)	1,134	1,134	1,134	-	-	1,134
Police Officers x 15	1,648	1,648	1,493	155	-	1,493
FY15 COPS Hiring Program Match and Retention (CHP)	1,051	1,051	1,051	-	-	1,051
Less Than Lethal Supplies /Equip	-	638	649	(11)	-	649
EVOG Vehicles	-	223	198	25	-	198
Investigations Services/Supplies	-	98	91	7	-	91
Fire:						
SAFER (Staffing for Adequate Fire and Emergency Response) Grant Retention	2,803	2,803	2,961	(158)	(34)	2,927
Fire Company Restorations	9,308	7,032	7,237	(205)	-	7,237
Fire Station 43	-	2,276	2,035	241	-	2,035
Two Medic Units	875	875	894	(19)	-	894
Fire Prevention	152	152	139	13	-	139
Fire PPE Supplies	-	600	600	-	-	600
Parks and recreation:						
Aquatics	2,113	2,153	2,149	4	(365)	1,784
Community Centers	1,494	1,494	1,439	55	(192)	1,247
Park Maintenance (includes Park Ranger)	4,082	3,686	3,863	(177)	(507)	3,356
Senior Programs	371	371	340	31	(3)	337
Teen Services	660	377	337	40	(29)	308
Neighborhood Services (Gang Prevention, Hotspots & Summer at City Hall)	455	412	459	(47)	(76)	383
Park Safety	-	556	500	56	(17)	483
Other Recreation Program /Permitting and Events	313	313	251	62	-	251
Youth Employment	-	283	243	40	-	243
Child Services (Summer Camps)	-	123	86	37	(1)	85
Community Development:						
Animal Care/Spay & Neuter for Shelter Animals	262	262	250	12	-	250
Library Restoration	506	506	506	-	-	506
Capital outlay:						
Fire:						
Fire Station #14	1,171	1,171	217	954	(13)	204
Fire Station #15	868	3,369	3,514	(145)	(9)	3,505
Fire Apparatus Equipment	2,086	2,086	-	2,086	-	-
Fire Station Replacement Program	2,500	-	88	(88)	(88)	-
Parks and Recreation:						
Garcia Bend Bike Trail Study	376	376	21	355	(7)	14
Coloma CC Water Line Rplc	1,351	1,251	43	1,208	(8)	35
Sac River Pkwy Bike Trail Ph1	2,300	2,300	110	2,190	-	110
Citywide Park Tree Assessment	350	350	-	350	-	-
Land Park Ponds	60	60	133	(73)	(1)	132
Multi-Water Site Improvements	18	18	19	(1)	-	19
Johnston Park Irrigation Improvement	-	50	48	2	(1)	47
Land Park Amphitheater Renov	1,000	1,000	93	907	(59)	34
Softball Complex Water Supply	860	860	579	281	(36)	543
Sheppard Gard. Roof, Fence, Ceiling	100	41	194	(153)	-	194
Clunie Pool Roof	77	77	6	71	-	6
Pannell Center HVAC	423	423	77	346	(1)	76

(continued)

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

PERIOD OF JULY 1, 2017 TO JUNE 30, 2018

Table 1 (Continued)
(amounts in thousands)

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance with Final Budget- Positive (Negative)	Budget to GAAP Reconciliation	Actual Amounts
	Original	Final				
Cabrillo Pool Chemical Roof	17	17	-	17	-	-
McClatchy Pool Repair	39	39	18	21	(15)	3
S. Natomas CC Lot Refresh	-	31	31	-	-	31
Colonial Heights Library Roof	-	200	148	52	-	148
Historic Central Library Roof	-	279	279	-	-	279
McClatchy Library Paint/Windows	-	280	166	114	(3)	163
Camp Sac Electrical Upgrade	-	1,000	13	987	-	13
Hagginwood CC Parking Lot	-	24	24	-	-	24
Del Paso Library Concrete	-	28	28	-	-	28
McKinley Park Pond Renovation	-	41	41	-	-	41
NinoPEKQy/Rio Tierra Dev Wt	-	175	-	175	-	-
Measure U Park Improvements	1,924	110	68	42	(65)	3
MU Park Assessment Study	38	38	21	17	(3)	18
MU McKinley Concrete Imp.	40	-	-	-	17	17
MU Witter/Redtail/Tanz Soccer	30	30	10	20	-	10
MU Del Paso Parking/Picnic Imp	169	324	287	37	(37)	250
MU Mama Marks BB Court Repair	27	27	2	25	(1)	1
MU Fort Natomas Shade Structure	172	172	148	24	-	148
MU Gardenland Pk Security	31	31	-	31	-	-
MU Land Pk Restroom Demo/Replacement	118	142	258	(116)	(103)	155
MU Land Park Walkway Repairs	99	74	2	72	-	2
MU Oak Park Comm Center Imp	158	158	9	149	-	9
MU Airport Leagu Ball Field Rp	68	68	-	68	-	-
MU Granite Skate Pk Safety Rep	180	230	22	208	-	22
MU Oki Park Field Renovations	32	32	12	20	-	12
MU Garcia Bend Restroom Replac	152	152	22	130	(5)	17
MU Garcia Bend Fish Sta Reloca	68	68	2	66	-	2
MU Freeport Pk Playgrnd Renov	180	65	65	-	-	65
MU Phoenix Grn/Jacinto Crk Rep	32	32	-	32	-	-
MU Contingency & Small Project	19	13	-	13	-	-
MU City Cemetery Survey	40	690	65	625	-	65
MU Chorley Pk Piple Replacement	-	140	-	140	-	-
MU Johnston Pk Pipe Replacement	-	80	52	28	-	52
MU Ballfield Improvements	-	300	109	191	(24)	85
MU Miller Park Pile Removal	-	200	9	191	-	9
MU Park Safety Security Camera	-	200	117	83	(30)	87
MU Oak Park CC Crime Prevent	-	100	80	20	(33)	47
MU Independence Field Resurface	-	110	-	110	-	-
MU Sojourner Truth Comm Garden	-	50	-	50	-	-
MU Max Mendoza Field Improvement	-	40	-	40	-	-
MU St Rose of Lima Ice Skate R	-	100	-	100	-	-
MU East Lawn Plygrnd ADA Modification	-	40	-	40	-	-
MU Swainsons Hawk Drought Land	-	70	-	70	-	-
MU Fremont Pk/Concrete/bench	-	-	17	(17)	(17)	-
Parks Sidewalk Repairs	-	290	139	151	-	139
Oki Park Pool Repairs	80	80	-	80	-	-
Citywide Pool Assess/Repair	238	238	6	232	-	6
Citywide Pool Repair-Johnston	-	100	-	100	-	-
Citywide Pool Repair-Mangan	-	105	-	105	-	-
Citywide Pool Repair-McClatchy	-	50	-	50	-	-
Citywide Pool Repair-Tahoe	-	95	-	95	-	-
Citywide Pool Repair-GlennHall	-	105	-	105	-	-
Citywide Pool Repair-Pannell	-	35	-	35	-	-
Citywide Pool Repair-Clunie	-	120	-	120	-	-
Facility Improve-Hart Senior Center	-	250	-	250	-	-
Convention Cultural Services:						
PA1 - Art in Places	5	5	-	5	-	-
PA2 - Art in Places	6	6	-	6	-	-
Public Works:						
City Facility Reinvest Program	3,552	1,118	46	1,072	(46)	-
Facility Assessment	111	111	114	(3)	-	114
Energy Reinvestment Program	1,500	-	48	(48)	(48)	-
Energy Efficient Lighting Retrofit	-	1,500	58	1,442	-	58
Central Lib Water Intrusion	-	450	408	42	33	441
Total expenditures	\$ 69,331	\$ 73,916	\$ 57,063	\$ 16,853	\$ (1,890)	\$ 55,173

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

PERIOD OF JULY 1, 2017 TO JUNE 30, 2018

NOTE TO TABLE

The City Manager submits a proposed budget to the City Council no later than 60 days prior to the commencement of the fiscal year. The City Council holds public hearings, modifies the City Manager's recommendations, and adopts a final budget in June. The budget adoption resolution specifies that budgets will be controlled at the department level (i.e., police, fire, public works, parks and recreation, etc.) by fund.

An annual budget is adopted for the Measure U Fund. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of the commitment.

Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. The City Manager is authorized to administratively amend the budget during the year for transactions up to \$100 without City Council approval. All other appropriation adjustments during the year require City Council approval. Total net budget adjustments of \$4,585 were made during the year ended June 30, 2018. Unencumbered annual budget appropriations lapse at fiscal year-end. The City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority complete these transactions in future years. Multi-year project-length budget appropriations are automatically carried over in the next fiscal year.

CONCLUSION

Based on the procedures performed, the results of our testing indicated, for the items tested, the City has complied with the Measure U ballot language, in all significant respects, for the period of July 1, 2017 to June 30, 2018. 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, 2017 TO JUNE 30, 2018**

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None reported.