

Town of Paradise Financial Management System Audit



Audit Report

October 2018

PREPARED BY:

California Department of Transportation
Independent Office of Audits and Investigations – MS 2
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SUMMARY, SCOPE, METHODOLOGY, BACKGROUND, AND CONCLUSION

SUMMARY

The Independent Office of Audits and Investigations (IOAI), California Department of Transportation (Caltrans), audited the Town of Paradise's (Town) Financial and Management System (FMS). We found that the Town's accounting system is capable of accumulating and segregating reasonable and allowable costs that can be allocated to projects.

SCOPE

The audit included testing transactions reimbursed from Active Transportation Program project numbers ATPL-5425(029) and ATPL-5425(030) and project names "Pearson Rd SR25 Connectivity Project" and "Maxwell Drive SR2S Project," respectively. Our audit period was July 1, 2016, through May 15, 2018.

We conducted our audit of the Town's FMS to determine if the FMS complies with the requirements in the Master Agreement (Agreement) between the Town and Caltrans and applicable laws and regulations. Specifically, we accessed the Town's FMS to determine if it is capable of accumulating, and segregating reasonable, allocable, and allowable project costs. We did not test whether the project costs are allowable.

The audit was comprised of transaction testing of reimbursed project costs to evaluate compliance with Title 2 Code of Federal Regulations (CFR) Part 200 and requirements stipulated in the Town's Agreement with Caltrans. The audit was limited to financial and compliance activities. Our field work was completed on September 13, 2018. Transactions occurring subsequent to this date were not tested and, accordingly, our conclusion does not include costs or credits arising after this date.

The Town is responsible for the design and maintenance of their FMS. Because of inherent limitations in any FMS, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the FMS to future periods are subject to the risk that the FMS may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

METHODOLOGY

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. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the Town. Therefore, we did not audit and are not expressing an opinion on the Town's financial statements.

The audit of the Town's FMS included interviews of Town staff, review of prior audit reports, review of costs claimed, and obtaining an understanding of the Town's FMS. The audit was comprised of transaction testing of costs to evaluate compliance requirements stipulated in the Town's Agreement with Caltrans.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and the records selected. An audit also includes assessing the accounting principles used and significant estimates made by the Town, as well as evaluating the overall presentation of costs claimed.

BACKGROUND

Caltrans has a legal and fiduciary responsibility to ensure that all state and federal funds passed through Caltrans are expended in compliance with state and federal laws, regulations, and Agreements. IOAI performs audits to ensure Caltrans is meeting its legal and fiduciary responsibilities and that state and federal funds are properly expended by local government agencies.

CONCLUSION

Based on our audit, we determined the Town's FMS is capable of accumulating and segregating reasonable, allocable, and allowable project costs.

This report is a matter of public record and will be placed on Caltrans' webpage, which can be viewed at www.dot.ca.gov/audits/INC.html.

If you have questions, please contact Luisa Ruvalcaba, Audit Manager, at (916) 323-7888.

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October 8, 2018