

ASB is aware that GASB No. 34 has substantially changed the definition and requirements for funds to be classified as a trust fund within the County's financial statement reporting and presentation processes. Based on GASB No. 34, SACPA monies would be properly reported in a special revenue fund for those counties that are implementing GASB No. 34.

Due to the complexities of GASB No. 34, ASB will not consider it an audit finding for those counties that have established a special revenue fund to account for SACPA operations in order to comply with the implementation requirements of GASB No. 34.

B. REPORTING INTEREST ON THE FINANCIAL STATUS REPORT

Counties need to report interest earned on their Financial Status Report (FSR). ADP will contact counties if they need to amend their 2001 FSR.

C. CONTRACTS WITH TREATMENT PROVIDERS

Title 9, (CCR), Section 9530(o) requires counties to include SACPA regulatory requirements in all treatment provider contracts. To assist counties with ensuring that their contracts comply with SACPA regulations, ASB recommends that the following regulation sections be specifically referenced in the contract boilerplate.

Section	Title 9, SACPA Requirements
9530(f)	With the exception of specific requirements included in (g), (h), and (i) of Section 9530, determination of allowable and allocable costs under the Act shall be made utilizing the guidelines contained in the Act and in cost principles published by the Federal Office of Management and Budget (OMB). The county shall follow OMB Circular A-87, "Cost Principles of State, Local and Indian Tribal Governments". Public and Private contractors shall follow OMB Circular A-122, "Cost Principles for Non-Profit Organizations".
9530(k)(2)	The county shall monitor and document activities to ensure that funds are not used to supplant funds from any existing fund source or mechanism currently used to provide drug treatment services in the county.
9532(b)(1)	Drug treatment programs in which clients are placed shall assess fees toward the cost of treatment based on their determination of a client's ability to pay in accordance with Section 11991.5 of the Health and Safety Code. Such fees shall be deducted from the drug treatment program's cost of providing services in accordance with Health and Safety Code Section 11987.9.

Section	Title 9, SACPA Requirements (continued)
9535(e)	The county shall retain all records documenting use of funds for a period of five years from the end of the fiscal year or until completion of the Department's annual audit and resolution of any resulting audit issues if the audit is not resolved within 5 years.
9545(a)	Counties shall annually audit any public or private contractors with whom they have agreements and who expend \$300,000 or more in funds to ensure compliance with the provisions of the Act, the requirements of this Chapter, and the county terms and conditions under which the funds were awarded. Counties may, at their discretion, conduct such audits, contract for the performance of such audits, or require the public or private contractors to obtain such audits.
9545(b)	The audit shall be conducted in accordance with generally accepted government auditing standards as described in "Government Auditing Standards (1994 Revision)", published for the United States General Accounting Office by the Comptroller General of the United States.
9545(d)	The written audit report shall establish whether the contractor expended funds in accordance with the provisions of the Act, the requirements of this Chapter, and the county terms and conditions under which the funds were awarded.
9545(e)	When a county audit finds that a public or private contractor has misspent funds (Section 9530), the county shall demand repayment from the contractor in the amount of such audit findings and shall deposit the recovered funds into the county's trust fund. Such recovery of funds shall be reported to the Department on the Annual Financial Status Report Substance Abuse and Crime Prevention Act of 2000" (Form 10096, New 10/01), and the specific amount recovered shall be identified in the "Comments/Remarks" line on the same report. The county shall maintain an audit trail to identify the specific audit periods for which recoveries are reported.
9545(g)	Notwithstanding subsection (a) of Section 9545, any public or private contractor who is required to obtain a single audit pursuant to OMB Circular A-133 and who receives funding under the Act, shall ensure that the single audit addresses compliance with the requirements of the Act. The county may rely on the single audit as fulfilling its responsibilities in Section 9545(a).
9545(h)	Audit work papers supporting the report shall be retained for a period of five years from the issuance of the audit report and the county shall make such work papers available to the Department upon request.

D. VEHICLE PURCHASE

Counties cannot expense the entire cost of vehicles in the year of purchase. Title 9, CCR, Section 9530(g)(3), states: "Expenditures of \$5,000 or more may be recovered only through straight line depreciation over the class life of the property, as specified in the 'Table of Class Lives and Recovery Periods' in the federal Internal Revenue Service (IRS) Publication 946, 'How to Depreciate Property', which is available from any Office of the IRS." The publication is also available on the IRS' website: www.irs.gov. An example of the appropriate methodology to use in recovering such expenses is provided below:

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Assume that a county purchased a vehicle for \$20,000 on July 1, 2001. The vehicle would have to be purchased with county general fund monies. The depreciation expense would be charged against the SACPA Trust Fund using the straight-line depreciation method over a five-year period. The county is then reimbursed for one-fifth of the purchase price each year from the SACPA Trust Fund.

As with issue B, if a county has inadvertently expensed an asset purchase that was for \$5,000 or more, then the county will need to amend their Financial Status Report.

If you have questions regarding any of these issues, please contact Gary Bellamy, Audit Manager, at (916) 322-4834 or Michael Chmielewski, Assistant Audit Manager, at (916) 324-4038.

Sincerely,

[Original Signed By]

ANN HORN
Deputy Director
Division of Administration

bcc: All Executive Staff
OCJC Chron
Statewide Advisory Group & Interested Parties (e-mail)

mc:sd/rmg

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