

# Memorandum

*Serious drought.  
Help Save Water!*

To: ALICE LEE  
Office Chief  
External Audit - Contracts  
Audits and Investigations

Date: August 17, 2016

File: P1710-0049

ORIGINAL SIGNED BY:

From: RIHUI ZHANG  
Division Chief  
Local Assistance

Subject: **DIVISION CORRECTIVE ACTION PLAN FOR THE CITY OF SANTA MARIA AUDIT REPORT**

This memorandum serves as the Division of Local Assistance (DLA) response for findings described in the State Controller's Office (SCO) American Recovery and Reinvestment Act (ARRA) Audit of the City of Santa Maria (City), which includes the following ARRA Projects: ESPL-5138(033), ESPL-5138(035) and ESPL-5138(041).

The audit concluded that the City's accounting system and internal controls appear adequate to properly capture costs and segregate reasonable, allocable, and allowable project costs as required by Title 2, Code of Federal Regulations, Part 225 and the Caltrans Master Agreement. However, the audit disclosed the following findings:

- Finding 1: City employee's hourly rates were overstated due to incorrect fringe benefit amounts.
- Finding 2: Consultant services and rates were not supported by contracts.
- Finding 3: The employment information reported in the California Recovery Input System for project ESPL-5138(033) was unsupported and overstated.

DLA concurs with the entire Audit findings. DLA will request recovery of \$4,627.80 from the City for Findings 1 and 2 within three months of the date of this memorandum. No action will be taken on Finding 3 since the ARRA reporting period has passed and reporting of employment information is no longer needed.

If you have any questions, please contact Lai Huynh in the Division of Local Assistance at [Lai.Huynh@dot.ca.gov](mailto:Lai.Huynh@dot.ca.gov).

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