



Joint Legislative Audit Committee
Office of the Auditor General



FINANCIAL AUDIT REPORT
STATE DEPARTMENT OF ALCOHOL AND
DRUG PROGRAMS
YEAR ENDED JUNE 30, 1979

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-509**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

509

FINANCIAL AUDIT REPORT
STATE DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

509

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits
the Auditor General's financial audit report of the State
Department of Alcohol and Drug Programs, year ended June 30,
1979.

The auditors are Curt Davis, CPA; Michael Dendorfer, CPA;
Laurine Bohamera; and M. Osman Sanneh.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the State Department of Alcohol and Drug Programs. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The State Department of Alcohol and Drug Abuse was established by Chapter 1252 of the Statutes of 1977 to direct and coordinate the State's effort to prevent or minimize the effects of alcohol misuse, narcotic addiction, and drug abuse. (On January 1, 1980, the name of the department was changed to the State Department of Alcohol and Drug Programs.) The department assists county and local programs in the planning, development, implementation, coordination, and funding of local alcohol and drug prevention programs as well as treatment and rehabilitation programs.

The programs of the department are primarily supported by appropriations from the General Fund and from federal grants.

AUDITOR'S OPINION

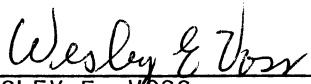
To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the General Fund and the General Fixed Assets Account Group of the State Department of Alcohol and Drug Programs as of June 30, 1979 and the related statement of revenues, expenditures, and changes in fund equity for the year then ended. Except as disclosed in the following paragraph, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The department did not maintain sufficient detailed records to support the balance of the General Fixed Assets Account Group stated at \$68,928 as of June 30, 1979. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the department's General Fixed Assets Account Group as of June 30, 1979.

In our opinion, except as stated in the preceding paragraph, the aforementioned financial statements present fairly the financial position of the State Department of Alcohol and Drug Programs as of June 30, 1979 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying supplemental information is not necessary for a fair presentation of the financial statements but is presented as additional analytical data. The supplemental information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. YOSS
Assistant Auditor General

Date: September 26, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Laurine Bohamera
M. Osman Sanneh

STATE DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1979

<u>ASSETS</u>	<u>Governmental Fund Type</u>	<u>Account Group</u>
	<u>General Fund</u>	<u>General Fixed Assets</u>
Cash	\$ 401,287	\$ --
Receivables	179,152	--
Allowance for uncollectible receivables (Note 2)	(86,373)	--
Due from the Federal Government (Note 3)	21,740,978	--
Expense advances to employees	25,302	--
Equipment	--	68,928
Total Assets	<u>\$ 22,260,346</u>	<u>\$68,928</u>
 <u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>		
Liabilities:		
Accounts payable	\$ 24,428,633	\$ --
Encumbrances Outstanding (Note 4)	<u>29,245,669</u>	<u>--</u>
Fund Equity:		
Investment in General Fixed Assets	--	68,928
Clearing account with the State Controller	<u>(31,413,956)</u>	<u>--</u>
Total Fund Equity	<u>(31,413,956)</u>	<u>--</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 22,260,346</u>	<u>\$68,928</u>

The notes to the financial statements are an integral part of this statement.

STATE DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Intergovernmental revenues	<u>\$ 25,756,952</u>
Expenditures:	
Local assistance	73,605,169
Personal services	3,751,267
Operating expenses and equipment	1,437,775
Special projects	1,301,810
Research center	122,880
Miscellaneous adjustments (Note 5)	4,332,588
Reimbursements	<u>(476,574)</u>
Total Expenditures	<u>84,074,915</u>
Excess of Expenditures over Revenues	(58,317,963)
Other Financing Sources:	
Appropriations (Note 6)	<u>41,694,362</u>
Excess of Expenditures over Revenues and Other Financing Sources	(16,623,601)
Fund Equity - July 1	<u>(14,790,355)</u>
Fund Equity - June 30	<u><u>\$(31,413,956)</u></u>

The notes to the financial statements are an integral part of this statement.

STATE DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and the results of operations of the State Department of Alcohol and Drug Programs. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The State Department of Alcohol and Drug Program accounts for only its portion of the General Fund. The State Controller maintains the central accounts for all state funds and annually publishes consolidated fund statements.

GOVERNMENTAL FUND TYPE

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The department uses the General Fund to account for all financial resources not accounted for in another fund.

The General Fund is maintained on the modified accrual basis of accounting. These are some of its significant elements:

Income

Throughout the fiscal year all income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as

expenditures, including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the department are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the department and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The department's share of retirement contributions for the year totaled \$487,996.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when benefits are used rather than when they are earned.

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for equipment. Assets purchased are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. Assets are valued at cost or at fair market value, if cost cannot be determined. Detailed records were not maintained to support the balance of equipment stated at \$68,928.

2. ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES

This account represents the amount of final audit assessments levied against local nonprofit organizations participating in alcohol and drug programs. The Attorney General has determined that these receivables are uncollectible. The State Board of Control will be petitioned for relief from accountability.

3. DUE FROM THE FEDERAL GOVERNMENT

This account reflects the Federal Government's share of alcohol and drug program expenditures unpaid as of June 30, 1979.

4. ENCUMBRANCES OUTSTANDING

Encumbrances outstanding include valid commitments against budget appropriations for which no goods or services had been received by June 30, 1979.

5. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

6. APPROPRIATIONS

Funds provided from appropriations consist of cash disbursed by the State Controller from the department's appropriations for the year ended June 30, 1979 and liquidation of expenditures accrued against appropriations for prior periods.

7. CONTINGENCIES

The department is responsible for auditing the local grantees to determine whether they have complied with state or federal grant requirements. The department makes audit assessments against local grantees that have not complied with the grant requirements. Presently, the department's contingent receivables for outstanding audit assessments total \$1,917,527. If the department fails to collect these audit assessments, it must reimburse the Federal Government in accordance with the Code of Federal Regulations, Title 45, Part 74.

SUPPLEMENTAL INFORMATION

The following statement is not considered necessary for a fair presentation of the department's financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles but is presented as additional analytical data. The supplemental information has been subjected to the audit procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

On the following financial statement, the amounts shown as budget expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

STATE DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

COMPARISON OF BUDGETED EXPENDITURES
WITH ACTUAL EXPENDITURES
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures:			
Local assistance	\$75,109,470	\$73,605,169	\$1,504,301
Personal services	4,386,643	3,751,267	635,376
Operating expenses and equipment	2,030,154	1,437,775	592,379
Special projects	1,710,561	1,301,810	408,751
Research center	1,031,228	122,880	908,348
Miscellaneous adjustments	6,208,725	4,332,588	1,876,137
Reimbursements	<u>(376,730)</u>	<u>(476,574)</u>	<u>99,844</u>
Total Expenditures	<u>\$90,100,051</u>	<u>\$84,074,915</u>	<u>\$6,025,136</u>

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps