

# **CITY OF CULVER CITY**

Audit Report

## **GAS TAX FUND AND TRAFFIC CONGESTION RELIEF FUNDS**

*July 1, 2003, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

April 2007



**JOHN CHIANG**  
**California State Controller**

April 30, 2007

Robert Tompkins  
Accounting Manager  
City of Culver City  
9770 Culver Boulevard  
Culver City, CA 90232-0507

Dear Mr. Tompkins:

The State Controller's Office audited the City of Culver City's Gas Tax Fund and Traffic Congestion Relief Fund (TCRF) allocations recorded in the Grants/Capital Fund for the period of July 1, 2003, through June 30, 2004.

The city accounted for and expended its Gas Tax Fund and TCRF allocations recorded in the Grants/Capital Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code*, except for our adjustment to the Gas Tax Fund. Our audit disclosed that the city understated the balance in the Gas Tax Fund by \$56,508 as of June 30, 2004. This understatement occurred because the city recorded the January 30, 2004, Highway Users Tax apportionment payment in its General Fund.

If you have any questions, please contact Paul R. Criss, Chief, Financial-Related Audits Bureau, at (916) 322-4941.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb:ams:jj

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the City of Culver City's Gas Tax Fund and Traffic Congestion Relief Fund (TCRF) allocations recorded in the Grants/Capital Fund for the period July 1, 2003, through June 30, 2004. We also audited the TCRF allocations recorded in the Grants/Capital Fund for the period of July 1, 2000, through June 30, 2003. The last day of fieldwork was September 12, 2006.

Our audit disclosed that the city understated the balance in the Gas Tax Fund by \$56,508 as of June 30, 2004. This understatement occurred because the city recorded the January 30, 2004, Highway Users Tax apportionment payment in its General Fund.

## Background

The State apportions funds monthly from the highway users tax account in the transportation tax fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes are derived from state taxes on the sale of motor vehicle fuels. In accordance with *Streets and Highways Code* Section 2101 and Article XIX of the California Constitution, a city must deposit all apportionments of highway users taxes in its Gas Tax Fund (also known as the Special Gas Tax Street Improvement Fund). A city must expend gas tax funds only for street-related purposes. We conducted our audit of the city's Gas Tax Fund under the authority of *Government Code* Section 12410.

Chapter 91, Statutes of 2000 (Assembly Bill 2928), as amended by Chapter 656, Statutes of 2000 (Senate Bill 1662), established a Traffic Congestion Relief Fund in the State Treasury for allocating funds quarterly to cities and counties for street or road maintenance, reconstruction, and storm damage repair. Cities must deposit funds received into the city account designated for the receipt of state funds allocated for transportation purposes. The city recorded the TCRF allocations in the Grants/Capital Fund. We conducted our audit of the city's TCRF allocations under the authority of *Streets and Highways Code* Sections 2182 and 2182.1.

## Objective, Scope, and Methodology

Our audit objective was to determine whether the city accounted for and expended the Gas Tax Fund and the TCRF allocations recorded in the Grants/Capital Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code*. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Gas Tax Fund;
- Expended funds exclusively for authorized street-related purposes; and
- Made available unexpended funds for future expenditures.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the city's financial statements. We limited our audit scope to planning and performing the audit procedures necessary to obtain reasonable assurance that the city accounted for and expended the Gas Tax Fund and the TCRF recorded in the Grants/Capital Fund in accordance with the requirements of the *Streets and Highways Code*. Accordingly, we examined transactions, on a test basis, to determine whether the city expended funds for street purposes. We considered the city's internal controls only to the extent necessary to plan the audit.

## **Conclusion**

Our audit disclosed that the city accounted for and expended its Gas Tax Fund and TCRF allocations recorded in the Grants/Capital Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code* for the period of July 1, 2003, through June 30, 2004, except as noted in Schedule 1 and described in the Finding and Recommendation section of this report. The finding required an adjustment of \$56,508 to the city's accounting records.

Our audit also disclosed that the city accounted for and expended its TCRF allocations recorded in the Grants/Capital Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code* for the period of July 1, 2000, through June 30, 2003.

## **Follow-Up on Prior Audit Findings**

Our prior audit report disclosed no findings.

## **Views of Responsible Official**

At an exit conference on September 12, 2006, we discussed the audit results with Cynthia Hart, Accounting Manager. The city agreed with the recommendation in our draft report, issued February 9, 2007, and implemented procedures to correct the finding, as noted in the attached response.

## **Restricted Use**

This report is intended for the information and use of city management and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Reconciliation of Fund Balance  
July 1, 2003, through June 30, 2004**

	<u>Gas Tax Fund</u> <sup>1</sup>	<u>TCRF Allocations Recorded in the Grants/Capital Fund</u> <sup>2</sup>
Beginning fund balance per city	\$ 1,305,314	\$ 67,469
Revenues	<u>682,200</u>	<u>71,417</u>
Total funds available	1,987,514	138,886
Expenditures	<u>(1,167,326)</u>	<u>(138,886)</u>
Ending fund balance per city	820,188	—
SCO adjustment: <sup>3</sup>		
Finding—Understated Highway Users Tax apportionments	56,508	—
Total SCO adjustments	<u>—</u>	<u>—</u>
Ending fund balance per audit	<u>\$ 876,696</u>	<u>\$ —</u>

<sup>1</sup> The city receives apportionments from the state highway users tax account, pursuant to *Streets and Highways Code* Sections 2105, 2106, 2107, and 2107.5. The basis of the apportionments for Sections 2105, 2106, and 2107 varies, but the money may be used for any street purpose. *Streets and Highways Code* Section 2107.5 apportionments are restricted to administration and engineering expenditures, except for cities with populations of fewer than 10,000 inhabitants. Those cities may use the funds for rights-of-way and for the construction of street systems.

<sup>2</sup> Chapter 91, Statutes of 2000 (Assembly Bill 2928), as amended by Chapter 656, Statutes of 2000 (Senate Bill 1662), established the State Traffic Congestion Relief Fund (TCRF), which allocates funds to cities and counties for street or road maintenance and reconstruction from FY 2000-01 through FY 2005-06. The TCRF was recorded in the Grants/Capital Fund.

<sup>3</sup> See the Finding and Recommendation section.

# Finding and Recommendation

**FINDING—  
Understated Highway  
Users Tax  
apportionment  
payments**

The city recorded the January 30, 2004, Highway Users Tax apportionment payment, in the amount of \$56,508, in its General Fund. *Streets and Highways Code* Section 2113 requires all apportionments of Highway Users Tax moneys to be deposited in the Gas Tax Fund.

The city posted Journal Entry #02-019 increasing the Gas Tax Fund balance and reducing the General Fund balance to properly credit the apportionment payment.

Recommendation

The city should establish new procedures, or more closely monitor existing procedures, to ensure the proper recording of Highway Users Tax apportionments.

City's Response

We agree with the recommendation and have implemented enhanced procedures 'to ensure proper recording of Highway Users Tax apportionments.'

**Attachment—  
City's Response to  
Draft Audit Report**

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CRYSTAL ALEXANDER  
City Treasurer

OFFICE OF THE CITY TREASURER

## CITY OF CULVER CITY

9770 CULVER BOULEVARD, CULVER CITY, CALIFORNIA 90232-0507

(310) 253-5850

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March 15, 2007

Paul R. Criss, Chief  
Financial-Related Audits Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento CA 94250-5874  
Transmitted via email

Re: Finding and Recommendation  
Audit of the City of Culver City's  
Gas Tax Fund and TCRF allocations  
July 1, 2003 through June 30, 2004

Dear Mr. Criss:

In the course of your audit of the City of Culver City's Gas Tax Fund and TCRF allocations for the fiscal year ended June 30, 2004 you had made the following finding and recommendation:

### Finding

The January 2004 Highway Users Tax apportionment payment, in the amount of \$56,508 was recorded in the city's General Fund. *Streets and Highways Code* Section 2113 requires all apportionments of Highway Users Tax moneys to be deposited in the Gas Tax Fund.

The city posted Journal Entry#02-019 increasing Gas Tax Fund and reducing General Fund balances to properly credit the apportionment payment.

### Recommendation

The city should establish new procedures, or more closely monitor existing Procedures, to ensure the proper recording of Highway Users Tax Apportionments.

The City responds as follows:

*Culver City Employees take pride in effectively providing the highest levels of service to enrich the quality of life for the community by building on our tradition of more than seventy-five years of public service, by our present commitment, and by our dedication to meet the challenges of the future.*

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City Response

We agree with the recommendation and have implemented enhanced procedures  
'to ensure proper recording of Highway Users Tax apportionments.

If you should require further information, please do not hesitate to contact me at (310)  
253-5879.

Very Truly Yours,



Cynthia Hart  
Accounting Division Manager

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**