

CITY OF INGLEWOOD

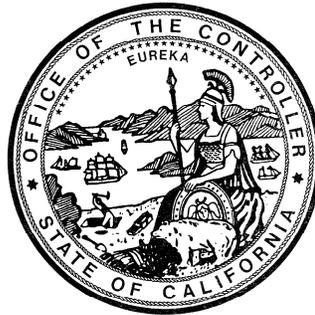
Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

October 1, 2005, through September 30, 2006

TRAFFIC CONGESTION RELIEF FUND ALLOCATIONS

October 1, 2000, through September 30, 2006



JOHN CHIANG
California State Controller

August 2008



JOHN CHIANG
California State Controller

August 8, 2008

The Honorable Roosevelt Dorn
Mayor of the City of Inglewood
One Manchester Boulevard
Inglewood, CA 90301

Dear Mayor Dorn:

The State Controller's Office audited the City of Inglewood's Special Gas Tax Street Improvement Fund for the period of October 1, 2005, through September 30, 2006. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Special Gas Tax Street Improvement Fund for the period of October 1, 2000, through September 30, 2006.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with requirements. Our audit also disclosed that the city accounted for and expended its TCRF allocations in compliance with requirements.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Sidney Porter
Finance Director
City of Inglewood

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Audit Report

Summary

The State Controller's Office audited the City of Inglewood's Special Gas Tax Street Improvement Fund for the period of October 1, 2006, through September 30, 2007. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Special Gas Tax Street Improvement Fund for the period of October 1, 2000, through September 30, 2006.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and TCRF allocations recorded in the Special Gas Tax Street Improvement Fund in compliance with requirements, and that no adjustment to the fund is required.

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 derive from state taxes on the sale of motor vehicle fuels. In accordance with Article XIX of the California Constitution and Streets and Highways Code section 2101, a city must deposit all apportionments of highway users taxes in its 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 Special Gas Tax Street Improvement Fund under the authority of Government Code section 12410.

Government Code section 14556.5 created 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 its TCRF allocations in the Special Gas Tax Street Improvement Fund. We conducted our audit of the city's TCRF allocations under the authority of Revenue and Taxation Code section 7104.

Objective, Scope, and Methodology

Our audit objective was to determine whether the city accounted for and expended the Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Special Gas Tax Street Improvement 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 Special Gas Tax Street Improvement Fund in accordance with the requirements of the Streets and Highways Code and Revenue and Taxation Code section 7104. 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 of Inglewood accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code for the period of October 1, 2005, through September 30, 2006.

Our audit also disclosed that the city accounted for and expended its TCRF allocations recorded in the Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104 for the period of October 1, 2000, through September 30, 2006.

Follow-Up on Prior Audit Findings

Our prior audit report, issued on December 30, 1998, disclosed no findings.

Views of Responsible Official

We issued a draft audit report on April 18, 2008. Sidney A. Porter, Finance Director, responded by letter dated April 30, 2008, acknowledging the audit results and providing explanations.

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

August 8, 2008

**Schedule 1—
Reconciliation of Fund Balance
October 1, 2005, through September 30, 2006**

	Special Gas Tax Street Improvement Fund		
	Highway Users Tax Allocation ¹	TCRF Allocation ²	Totals
Beginning fund balance per city	\$ 525,553	\$ —	\$ 525,553
Revenues	<u>2,012,176</u>	<u>1,419,108</u>	<u>3,431,284</u>
Total funds available	2,537,729	1,419,108	3,956,837
Expenditures	<u>(2,013,854)</u>	<u>—</u>	<u>(2,013,854)</u>
Ending fund balance per city	<u>523,875</u>	<u>1,419,108</u>	<u>1,942,983</u>
SCO adjustments: ³			
Finding 1—TCRF expenditure requirement not met	—	—	—
Finding 2—Ineligible TCRF expenditures	<u>(57,278)</u>	<u>—</u>	<u>(57,278)</u>
Total SCO adjustment	<u>(57,278)</u>	<u>—</u>	<u>(57,278)</u>
Ending fund balance per audit	<u>\$ 466,597</u>	<u>\$ 1,419,108</u>	<u>\$ 1,885,705</u>

¹ 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 restricts apportionments 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.

² Government Code section 14556.5 created a Traffic Congestion Relief Fund (TCRF) in the State Treasury for allocating funds quarterly to cities and counties for street and road maintenance, reconstruction, and storm damage repair. The TCRF allocations were recorded in the Special Gas Tax Street Improvement Fund. The audit period was October 1, 2000, through September 30, 2006.

³ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— TCRF expenditure requirement not met

The city did not expend its fiscal year (FY) 2001-02 Traffic Congestion Relief Fund (TCRF) allocations within the fiscal year following the fiscal year in which the allocations were made, as required by Streets and Highways Code section 2182.1(g). The unexpended allocations subject to the spending requirement total \$57,278 as of June 30, 2003. The code states, “. . . funds not expended within that period shall be returned to the Controller. . . .”

Recommendation

The city must refund the unexpended TCRF allocations in the amount of \$57,278, to the State Controller’s Office, Attention: Bill Byall, P.O. Box 942850, Sacramento, CA 94250. Additionally, the city should review its TCRF expenditure levels to ensure compliance with program requirements.

City’s Response

The City expended millions of dollars in street reconstruction during that year. [Due to administrator error] these projects were eligible for TCRF funding, but other funding was recorded instead. One of the largest examples is our Arbor Vitae Street reconstruction project. The local portion of the project far exceeded the \$57,278 but was charged to Proposition C Local Return Funding.

SCO’s Comment

After reviewing the city’s response to our draft audit report, we concluded that the city made an accounting error. Correction of an accounting error may be made after the error is discovered. The city’s correction of the accounting error renders the city in compliance with Streets and Highways code section 2182(g). The finding is reversed.

**FINDING 2—
Ineligible TCRF
expenditures**

The city did not meet its expenditure requirement during FY 2001-02 as noted in Finding 1. Consequently, the expenditure of these funds, totaling \$57,278, was not eligible to be funded with TCRF allocations.

Recommendation

The city must reimburse the TCRF allocations by \$57,278 to eliminate the ineligible expenditures.

City's Response

In FY 2002/03, the City recorded the \$57,278 to be spent on its Street Resurfacing Program. However, the money was spent late based on the required timing by the State of California. As discussed above, we are correcting the expenditure timing problem by replacing the funding for another eligible project. In FY 2002/03, we are replacing the TCRF funds recorded against the Street Resurfacing Program with Gas Tax funds.

SCO's Comment

The city corrected the expenditure funding error by replacing the funding source with gas tax funds. We concur with the city's resolution and have reversed the finding.

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

Inglewood California



FINANCE DEPARTMENT

Telephone (310) 412-5257 / Fax (310) 330-5711

April 30, 2008

Mr. Larry Alexander
California State Controller's Office
600 Corporate Pointe, Suite 1000
Culver City, CA 90230

Dear Mr. Alexander,

This is in response to your draft audit report dated April 2008. As we discussed a couple of weeks ago, your draft audit report indicates that the City of Inglewood did not spend \$57,278 of its FY 2001/02 TCRF allocation on a timely basis (Finding 1). We believe this was an administrative oversight that should have been corrected at that time. The City expended millions of dollars in street reconstruction during that year. These projects were eligible for TCRF funding, but other funding was recorded instead. One of the largest examples is our Arbor Vitae Street reconstruction project. The local portion of the project far exceeded the \$57,278 but was charged to Proposition C Local Return Funding. The City proposes to replace the Proposition C funding with the appropriate TCRF funding which would correct this deficiency. A journal entry to correct this matter is being recorded.

In FY 2002/03, the City recorded the \$57,278 to be spent on its Street Resurfacing Program. However, the money was spent late based on the required timing by the State of California. As discussed above, we are correcting the expenditure timing problem by replacing the funding for another eligible project. In FY 2002/03, we are replacing the TCRF funds recorded against the Street Resurfacing Program with Gas Tax funds.

In conclusion, we believe that by correcting these administrative errors, the matter should be resolved. The final impact of the correct will result in a \$57,278 increase in our Proposition C Local Return Balance and a \$57,278 reduction in our available Gas Tax Fund balance. Attached is a copy of our journal entry which we hope will be sufficient documentation to support that we have properly adjusted the accounting records. If you have any questions or need addition information, please contact me at (310) 412-5634 and I will be happy to clarify anything still pending. Thank you for your assistance on this matter.

Sincerely,

Sidney A. Porter
Finance Director

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

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