

CITY OF MOORPARK

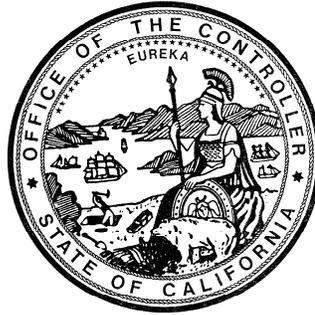
Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

July 1, 2005, through June 30, 2006

TRAFFIC CONGESTION RELIEF FUND

July 1, 2000, through June 30, 2006



JOHN CHIANG
California State Controller

September 2007



JOHN CHIANG
California State Controller

September 14, 2007

Johnny Ea
Finance Director
City of Moorpark
799 Moorpark Avenue
Moorpark, CA 93021

Dear Mr. Ea:

The State Controller's Office audited the City of Moorpark's Special Gas Tax Street Improvement Fund for the period of July 1, 2005, through June 30, 2006. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2000, through June 30, 2006.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, and that no adjustments to the funds are required.

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/jj

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	1
Conclusion	2
Follow-Up on Prior Audit Findings	2
Views of Responsible Official	2
Restricted Use	2
Schedule 1—Reconciliation of Fund Balance	3
Finding and Recommendation	4
Attachment—City’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the City of Moorpark's Special Gas Tax Street Improvement Fund for the period of July 1, 2005, through June 30, 2006. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2000, through June 30, 2006. The last day of fieldwork was April 20, 2007.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, and that no adjustments to the funds are 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 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 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.

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 (TCRF) 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 Traffic Congestion Relief 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 Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief 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 Special Gas Tax Street Improvement Fund;
- Properly deposited TCRF allocations into an account designated for the receipt of State funds allocated for transportation purposes;

- 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 and the Traffic Congestion Relief 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 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 July 1, 2005, through June 30, 2006. Our audit also disclosed that the city accounted for and expended its Traffic Congestion Relief 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, 2006.

Follow-Up on Prior Audit Findings

The city satisfactorily resolved the findings noted in our prior audit report, issued on October 28, 1998.

Views of Responsible Official

We issued a draft audit report on June 27, 2007. Johnny Ea, Finance Director, responded by letter dated July 18, 2007, and by telephone on July 26, 2007, agreeing with the audit results with an explanation. The city's response is included in this final audit report as an attachment.

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, 2005, through June 30, 2006**

	Special Gas Tax Street Improvement Fund ¹	Traffic Congestion Relief Fund ²
Beginning fund balance per city	\$ 543,519	\$ 24,968
Revenues	<u>929,151</u>	<u>162,575</u>
Total funds available	1,472,670	187,543
Expenditures	<u>(1,415,046)</u>	<u>—</u>
Ending fund balance per city	57,624	187,543
SCO adjustment ³	<u>—</u>	<u>—</u>
Ending fund balance per audit	<u><u>\$ 57,624</u></u>	<u><u>\$ 187,543</u></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 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.

² 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. The city recorded its TCRF allocations in the Traffic Congestion Relief Fund. Our audit of the Traffic Congestion Relief Fund was for the period of July 1, 2000, through June 30, 2006.

³ See the Finding and Recommendation section.

Finding and Recommendation

FINDING 1— TCRF expenditure requirements

The city did not meet the Traffic Congestion Relief Fund (TCRF) expenditure requirement for fiscal year 2002-03, as required by Streets and Highways Code section 2182.1(g). This section states that apportionments “Shall be expended not later than the end of the fiscal year in which the allocation was made, and any funds not expended within that period shall be returned to the Controller.”

The unexpended allocations subject to the spending requirement have accumulated to total \$24,968 as of June 30, 2006.

Recommendation

The city should refund the unexpended TCRF allocations to the SCO as required by Streets and Highways Code section 2182.1(g).

City’s Response

The beginning balance of \$24,460 as of July 1, 2004 and the interest in the amount of \$508 apportioned to it during FY 04/05 were due to expenditure posting errors over the FY 02/03 and FY 03/04. The Local Transportation Fund 8A spent \$246,000 and \$1.1 million for street overlay projects during FY 02/03 and FY 03/04, respectively. The \$24,968 unexpended allocations (per audit FINDING 1) should have been appropriately posted to the TCRF in these two fiscal years for street overlay projects. Therefore, we would like to retain the \$24,968 to offset expenditures that ultimately came from the Local Transportation Fund 8A and now request that the audit findings allow for correcting the accounting errors, rather than returning the funds.

The City hereby requests that “FINDING 1 – City did not meet TCRF expenditure requirement for FY 02/03, be amended to recognize the City’s accounting errors and the fact that funds were actually expended. And amend the “Recommendation” to allow for the transfer of funds in an amount of \$24,968 in repayment to the Local Transportation Fund 8A, where the expenditures were incorrectly posted. Procedures have been put in place to ensure that future TCRF monies are appropriately spent per the Streets and Highways Code Section 2182.1(g).

SCO’s Comment

Correction of an accounting error may be made after the error is discovered. The city’s correction of these accounting errors allows the city to be in compliance with Streets and Highways Code section 2182.1(g). The finding is withdrawn.

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



MOORPARK

799 Moorpark Avenue Moorpark, California 93021 (805) 517-6200

July 18, 2007

Mr. Steven Mar
Chief, Local Government Audits Bureau
State Controller's Office, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Mar,

In response to the draft of Audit Report Gas Tax Fund and Traffic Congestion Relief Fund (TCRF), July 1, 2005 through June 30, 2006, I would like to provide additional information and comments.

The beginning balance of \$24,460 as of July 1, 2004 and the interest in the amount of \$508 apportioned to it during FY 04/05 were due to expenditure posting errors over the FY 02/03 and FY 03/04. The Local Transportation Fund 8A spent \$246,000 and \$1.1 million for street overlay projects during FY 02/03 and FY 03/04, respectively. The \$24,968 unexpended allocations (per audit FINDING 1) should have been appropriately posted to the TCRF in these two fiscal years for street overlay projects. Therefore, we would like to retain the \$24,968 to offset expenditures that ultimately came from the Local Transportation Fund 8A and now request that the audit findings allow for correcting the accounting errors, rather than returning the funds.

The City hereby requests that "FINDING 1 – City did not meet TCRF expenditure requirement for FY 02/03, be amended to recognize the City's accounting errors and the fact that funds were actually expended. And amend the "Recommendation" to allow for the transfer of funds in an amount of \$24,968 in repayment to the Local Transportation Fund 8A, where the expenditures were incorrectly posted. Procedures have been put in place to ensure that future TCRF monies are appropriately spent per the Streets and Highways Code Section 2182.1(g).

Please take this information and request into consideration in the preparation of the final audit. If you have any questions or need additional information, do not hesitate to ask. Thank you for your time and attention to this matter.

PATRICK HUNTER
Mayor

KEITH F. MILLHOUSE
Mayor Pro Tem

ROSEANN MIKOS
Councilmember

JANICE S. PARVIN
Councilmember

MARK VAN DAM
Councilmember



Mr. Steven Mar
July 18, 2007
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read 'Johnny Ea', with a horizontal line underneath.

Johnny Ea
Finance Director

Attachments: 1) Certified letter from Jeffrey V. Brownfield, State Controller's Office
2) City of Moorpark Draft Audit Report Gas Tax Fund and Traffic
Congestion Relief Fund

Cc: Steven Kueny, City Manager
Hugh Riley, Assistant City Manager

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

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