

CITY OF LA PUENTE

Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

July 1, 2006, through June 30, 2007

TRAFFIC CONGESTION RELIEF FUND

July 1, 2000, through June 30, 2007



JOHN CHIANG
California State Controller

September 2008



JOHN CHIANG
California State Controller

September 10, 2008

The Honorable Louis R. Perez
Mayor of the City of La Puente
15900 E. Main Street
La Puente, CA 91744

Dear Mayor Perez:

The State Controller's Office audited the City of La Puente's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2007. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2000, through June 30, 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, except for our adjustment to the Traffic Congestion Relief Fund. Our audit disclosed that the city understated the fund balance by \$5,400 as of June 30, 2007. The city understated the fund balance because it expended the funds on left-turn signals, a non-eligible use of these funds.

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: Young Kim, Finance Director
City of La Puente

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Audit Report

Summary

The State Controller's Office audited the City of La Puente's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2007. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2000, through June 30, 2007.

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 Traffic Congestion Relief Fund in compliance with requirements, except for our adjustment to the fund. The city understated the fund balance by \$5,400 as of June 30, 2007. The city understated the fund balance because it expended the funds on left-turn signals, a non-eligible use of these funds.

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 (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 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 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. 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 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 La Puente 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, 2006, through June 30, 2007.

Our audit also disclosed that the city accounted for an expended its Traffic Congestion Relief 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 July 1, 2000, through June 30, 2007, except as noted in Schedule 1 and described in the Finding and Recommendation section of this report. The finding required an adjustment of \$5,400 to the city's accounting records.

Follow-Up on Prior Audit Findings

Our prior audit report, issued on July 31, 2001, disclosed no findings.

Views of Responsible Official

We issued a draft audit report on June 13, 2008. Young Kim, Finance Director, responded by letter dated July 25, 2008, agreeing with the audit results. 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

September 10, 2008

**Schedule 1—
Reconciliation of Fund Balance
July 1, 2006, through June 30, 2007**

	Special Gas Tax Street Improvement Fund ¹	Traffic Congestion Relief Fund ²
Beginning fund balance per city	\$ 121,792	\$ 149,253
Revenues	<u>782,875</u>	<u>335,917</u>
Total funds available	904,667	485,170
Expenditures	<u>(852,760)</u>	<u>(192,405)</u>
Ending fund balance per city	51,907	292,765
SCO adjustment: ³		
Finding—Ineligible expenditures	<u>—</u>	<u>5,400</u>
Ending fund balance per audit	<u><u>\$ 51,907</u></u>	<u><u>\$ 298,165</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 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 Traffic Congestion Relief Fund #35. The audit period was July 1, 2000, through June 30, 2007.

³ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Ineligible expenditures**

The city spent Traffic Congestion Relief Fund allocations totaling \$5,400 on left-turn signals during fiscal year 2006-07. Left-turn signals are not eligible expenditures under Revenue and Taxation Code section 7104.

Recommendation

The city should reimburse the Traffic Congestion Relief Fund \$5,400 for the ineligible left-turn signal expenditures.

City's Response

The City does concur that Traffic Congestion Relief funds spent on left-turn signals were non-eligible. The City will transfer \$5,400 from the General Fund to the Traffic Congestion Relief Fund in Fiscal Year 2007-08.

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



City of La Puente

10000 Main Street, La Puente, CA 91744 Telephone: (626) 855-1506 Fax: (626) 855-1506 www.cityofla Puente.org

July 25th, 2008,

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

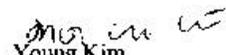
Dear Mr. Mar,

This is in response to your letter dated June 13th, 2008 in regards to the audit of our City's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2007. The audit was also performed for the Traffic Congestion Relief Fund for the same period.

The City does concur that Traffic Congestion Relief funds spent on left-turn signals were non-eligible. The City will transfer \$5,400 from the General Fund to the Traffic Congestion Relief Fund in Fiscal Year 2007-08.

If you have further questions, please contact me at (626) 855-1506.

Sincerely,


Young Kim
Finance Director

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

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

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