

CITY OF IRWINDALE

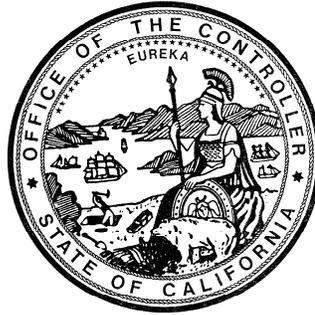
Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

July 1, 2005, through June 30, 2006

TRAFFIC CONGESTION RELIEF FUND ALLOCATIONS

July 1, 2000, through June 30, 2006



JOHN CHIANG
California State Controller

October 2007



JOHN CHIANG
California State Controller

October 31, 2007

Abraham De Dios
Director of Finance
City of Irwindale
5050 North Irwindale Avenue
Irwindale, CA 91706

Dear Mr. De Dios:

The State Controller's Office audited the City of Irwindale'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 allocations recorded in the General 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 (TCRF) allocations recorded in the General Fund in compliance with requirements, and that no adjustments to the funds are required; however, we identified a procedural finding relating to the accounting of TCRF transactions.

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

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Audit Report

Summary

The State Controller's Office (SCO) audited the City of Irwindale'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 allocations recorded in the General Fund for the period of July 1, 2000, through June 30, 2006. The last day of fieldwork was July 3, 2007.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund (TCRF) allocations recorded in the General Fund in compliance with requirements, and that no adjustments to the funds are required; however, we identified a procedural finding relating to the accounting of TCRF transactions.

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 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.

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 Traffic Congestion Relief Fund allocations in the General Fund. We conducted our audit of the city's Traffic Congestion Relief Fund 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 allocations recorded in the General Fund in compliance with Article XIX of the California Constitution, Streets and Highways Code, and Revenue and Taxation 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 allocations recorded in the General Fund in accordance with Article XIX of the California Constitution, Streets and Highways Code, and Revenue and Taxation 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 allocations recorded in the General Fund in compliance with Article XIX of the California Constitution, Streets and Highways Code, and Revenue and Taxation Code for the period of July 1, 2000, through June 30, 2006, except as described in the Finding and Recommendation section of this report.

Views of Responsible Official

We issued a draft audit report on August 31, 2007. Maxine Nunez, Financial Management Assistant, responded by telephone on October 4, 2007, agreeing with the audit results.

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 Allocation ²
Beginning fund balance per city	\$ —	\$ —
Revenues	<u>32,581</u>	<u>6,765</u>
Total funds available	32,581	6,765
Expenditures	<u>(32,581)</u>	<u>(6,765)</u>
Ending fund balance per city	—	—
SCO adjustment	<u>—</u>	<u>—</u>
Ending fund balance per audit	<u><u>\$ —</u></u>	<u><u>\$ —</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 in the State Treasury for allocating funds quarterly to cities and counties for street and road maintenance, reconstruction, and storm damage repair. The Traffic Congestion Relief Fund allocations were recorded in the General Fund. The audit period for the TCRF allocations was July 1, 2000, through June 30, 2006.

Finding and Recommendation

**FINDING—
Traffic Congestion
Relief Fund allocations
accounted for in a
non-transportation fund**

The city has been recording Traffic Congestion Relief Fund allocations and expenditures in the city’s General Fund, a non-transportation fund.

Pursuant to the Streets and Highways Code section 2182(b)(1), “. . . funds received under this section shall be deposited as follows in order to avoid the commingling of those funds with other local funds: (1) In the case of a city, into the city account that is designated for the receipt of state funds allocated for transportation purposes.”

Recommendation

The city should establish and record Traffic Congestion Relief Fund activities (allocations and expenditures) in an account that is designated for the receipt of state funds allocated for transportation purposes.

City’s Response

The city agrees with the finding and will comply.

SCO’s Comments

We agree with the city’s resolution.

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>