

# **CITY OF CAMARILLO**

Audit Report

## **SPECIAL GAS TAX STREET IMPROVEMENT FUND**

*July 1, 2007, through June 30, 2008*

## **TRAFFIC CONGESTION RELIEF FUND ALLOCATIONS**

*July 1, 2002, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

October 2009



**JOHN CHIANG**  
California State Controller

October 16, 2009

The Honorable Don Waunch  
Mayor of the City of Camarillo  
601 Carman Drive  
Camarillo, CA 93010

Dear Mayor Waunch:

The State Controller's Office audited the City of Camarillo's Special Gas Tax Street Improvement Fund for the period of July 1, 2007, through June 30, 2008. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Capital Improvement Projects Fund for the period of July 1, 2002, through June 30, 2008.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and TCRF allocations recorded in the Capital Improvement Projects Fund in compliance with requirements, and that no adjustment to the funds is required; however, we identified a procedural finding.

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/vb

cc: Ronnie J. Campbell  
Director of Finance  
City of Camarillo

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## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office audited the City of Camarillo's Special Gas Tax Street Improvement Fund for the period of July 1, 2007, through June 30, 2008. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Capital Improvement Projects Fund for the period of July 1, 2002, through June 30, 2008.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and TCRF allocations recorded in the Capital Improvement Projects Fund in compliance with requirements, and that no adjustment to the funds is required; however, we identified a procedural finding.

## 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 Capital Improvement Projects 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 Capital Improvement Projects 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 TCRF allocations recorded in the Capital Improvement Projects 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 Camarillo 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, 2007, through June 30, 2008.

Our audit also disclosed that the city accounted for and expended its TCRF allocations recorded in the Capital Improvement Projects 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, 2002, through June 30, 2008, except as noted in Schedule 1 and described in the Finding and Recommendation section of this report. The finding requires no adjustment to the city's accounting records.

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

Our prior audit report, issued on December 19, 2003, disclosed no findings.

## **Views of Responsible Official**

We issued a draft audit report on June 26, 2009. Ronnie J. Campbell, Director of Finance, responded by letter dated July 23, 2009, requesting that we include the city's response in the final report.

**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

October 16, 2009

**Schedule 1—  
Reconciliation of Fund Balance  
July 1, 2007, through June 30, 2008**

	Special Gas Tax Street Improvement Fund <sup>1</sup>	Traffic Congestion Relief Fund Allocations <sup>2</sup>
Beginning fund balance per city	\$ 748,021	\$ 169,864
Revenues	<u>3,397,913</u>	<u>—</u>
Total funds available	4,145,934	169,864
Expenditures	<u>(2,949,843)</u>	<u>(169,864)</u>
Ending fund balance per city	1,196,091	—
SCO adjustment: <sup>3</sup>		
Finding—Procedural Finding	<u>—</u>	<u>—</u>
Ending fund balance per audit	<u>\$ 1,196,091</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 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.

<sup>2</sup> 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 Capital Improvement Projects Fund. The audit period was July 1, 2002, through June 30, 2008.

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

# Finding and Recommendation

## **FINDING— Procedural finding**

The city records its Traffic Congestion Relief Fund (TCRF) allocations and expenditures in the Capital Improvement Projects Fund, a non-transportation type fund that is not specifically designated for the receipt of state funds allocated for transportation purposes.

Revenue and Taxation Code section 7104(d) states that funds received under this section (Traffic Congestion Relief Funds) 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 transfer the existing TCRF balance from the Capital Improvement Projects Fund into a fund designated for the receipt of state funds for transportation purposes, such as the city's Special Gas Tax Street Improvement Fund.

## City's Response

The City currently accounts for the TCRF allocations in separate accounts specifically designated for transportation purposes within the Capital Improvement Projects Fund. Although we maintain that this accounting treatment adequately prevents the commingling of those funds, we will implement the State Controller's recommendation beginning in FY 2008/09, and record TCRF allocations and expenditures in separate accounts within a separate Fund which is designated for the receipt of state funds allocated for transportation purposes.

## SCO's Comment

The city will implement our recommendation starting with the 2008-09 fiscal year.

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

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# City of Camarillo

601 Carmen Drive • P.O. Box 248 • Camarillo, CA 93011-0248

Department of Finance  
(805) 388-5320  
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July 23, 2009

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

**Subject: City Response to 2008 Gas Tax and TCRF Audit Procedural Finding**

We have reviewed the draft audit report for the City of Camarillo's Special Gas Tax Street Improvement Fund for the period of July 1, 2007, through June 30, 2008, and the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Capital Improvement Projects Fund for the period of July 1, 2002 through June 30, 2008.

The City of Camarillo would like to include the following response in the final report:

**The City currently accounts for the TCRF allocations in separate accounts specifically designated for transportation purposes within the Capital Improvement Projects Fund. Although we maintain that this accounting treatment adequately prevents the commingling of those funds, we will implement the State Controller's recommendation beginning in FY 2008/09, and record TCRF allocations and expenditures in separate accounts within a separate Fund which is designated for the receipt of state funds allocated for transportation purposes.**

We appreciate the opportunity to comment. If you have any questions, please contact Mark Uribe, Assistant Director of Finance, at (805) 388-5358.

Sincerely,

Ronnie Campbell  
Director of Finance

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**State Controller's Office  
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