

CITY OF HUNTINGTON PARK

Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

July 1, 2006, through June 30, 2007

TRAFFIC CONGESTION RELIEF FUND ALLOCATIONS

July 1, 2000, through June 30, 2007



JOHN CHIANG
California State Controller

November 2008



JOHN CHIANG
California State Controller

November 7, 2008

The Honorable Elba Guerrero
Mayor of the City of Huntington Park
6550 Miles Avenue
Huntington Park, CA 90255

Dear Mayor Guerrero:

The State Controller's Office audited the City of Huntington Park'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 allocations recorded in the Special Gas Tax Street Improvement 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, except that it understated the fund balance by \$178,535 as of June 30, 2007. The city understated the fund balance because it incurred expenditures in excess of available 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/vb

cc: Grace Kong, Chief
Local Program Accounting
Department of Transportation

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Audit Report

Summary

The State Controller's Office audited the City of Huntington Park'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 (TCRF) allocations recorded in the Special Gas Tax Street Improvement 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, except that the city understated the fund balance by \$178,535 as of June 30, 2007. The city understated the fund balance because it incurred expenditures in excess of available 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 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 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 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 Huntington Park 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, except as noted in Schedule 1 and described in the Finding and Recommendation section of this report. The finding required an adjustment of \$178,535 to the city's accounting records.

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 July 1, 2000, through June 30, 2007.

Follow-Up on Prior Audit Findings

Our prior audit report, issued on April 30, 2002, disclosed no findings.

Views of Responsible Official

We issued a draft audit report on September 10, 2008. Elba Padilla, Finance Director/Treasurer, responded by letter dated September 23, 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

November 7, 2008

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

	Special Gas Tax Street Improvement Fund		
	Highway Users Tax Allocation ¹	TCRF Allocation ²	Totals
Beginning fund balance per city	\$ (178,535)	\$ —	\$ (178,535)
Revenues	<u>1,277,931</u>	<u>475,464</u>	<u>1,753,395</u>
Total funds available	1,099,396	475,464	1,574,860
Expenditures	<u>(1,150,256)</u>	<u>(200,000)</u>	<u>(1,350,256)</u>
Ending fund balance per city	(50,860)	275,464	224,604
Timing adjustment:			
Accrual of June 2007 highway users tax apportionment (Governmental Accounting Standards Board Statement No. 34)	109,166	—	109,166
SCO adjustment: ³			
Finding—Expenditures in excess of available funds	<u>178,535</u>	<u>—</u>	<u>178,535</u>
Ending fund balance per audit	<u>\$ 236,841</u>	<u>\$ 275,464</u>	<u>\$ 512,305</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 July 1, 2000, through June 30, 2007.

³ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Expenditures in excess
of available funds**

The city had a \$178,535 negative fund balance as of June 30, 2006. The deficit was a result of the city incurring expenditures in excess of available funds in the Special Gas Tax Street Improvement Fund.

Recommendation

The city should transfer \$178,535 from the General Fund to the Special Gas Tax Street Improvement Fund. The city should also monitor the expenditures of the Special Gas Tax Street Improvement Fund to prevent a future negative fund balance.

City's Response

The City concurs with the finding and will be processing a transfer from our General fund to our Gas Tax fund to cover the incurred expenditures in excess of available funds.

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



City of
HUNTINGTON PARK

6550 MILES AVE. #116, HUNTINGTON PARK CA 90255
Phone • (323) 584-6201 Fax • (323) 588-2657

FINANCE DEPARTMENT
E-mail: epadilla@huntingtonpark.org

September 23, 2008

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

This is in reference to the City of Huntington Park's Special Gas Tax Street Improvement Fund for the period of July 1, 2006 through June 30, 2007.

Finding: Audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement in compliance with requirements, except that it understated the fund balance by \$178,535 as of June 30, 2007. The city understated the fund balance because it incurred expenditures in excess of available funds.

Response: The City concurs with the finding and will be processing a transfer from our General fund to our Gas Tax fund to cover the incurred expenditures in excess of available funds.

If you have any questions, please contact me at (323) 584-6201.

Sincerely,

A handwritten signature in cursive script that reads "Elba Padilla".

Elba Padilla
Finance Director/Treasurer

9/23/2008 9:11 AM

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

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