



BETTY T. YEE
California State Controller

January 4, 2016

Vilko Domic, Director of Finance
City of Commerce
2535 Commerce Way
Commerce, CA 90040

Dear Mr. Domic:

The State Controller's Office performed a desk review of costs claimed by the City of Commerce for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program (Los Angeles Regional Water Quality Control Board, Order No. 01-182, Permit CAS004001, Part 4F5c3) for the period of July 1, 2008, through June 30, 2014. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to verifying the city's eligibility for reimbursement.

The city claimed \$233,003 for the mandated program. Our review found that \$7,764 is allowable and \$225,239 is unallowable. The costs are unallowable because the city is not eligible to claim reimbursement after September 22, 2008, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the city. The State will pay \$7,764, contingent upon available appropriations.

We informed you of the review finding via email on December 11, 2015. We did not receive a response from the city.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). The IRC must be filed within three years following the date of this report. You may obtain IRC information at the Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

Attachments

RE: S16-MCC-9006

cc: Evelyn Suess, Principal Program Budget Analyst
Mandates Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2008, through June 30, 2014

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Ongoing activities:			
<i>July 1, 2008, through September 22, 2008:</i>			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ -
Number of transit receptacles	× 96	× 96	× -
Annual number of trash pickups	× 12	× 12	× -
Subtotal, July 1, 2008, through September 22, 2008	<u>7,764</u>	<u>7,764</u>	<u>-</u>
<i>September 23, 2008, through June 30, 2009:</i>			
Reasonable reimbursement methodology factor	6.74	6.74	6.74
Number of transit receptacles	× 96	× -	× (96)
Annual number of trash pickups	× 40	× 40	× 40
Subtotal, September 23, 2008, through June 30, 2009	<u>25,882</u>	<u>-</u>	<u>(25,882)</u>
Total program costs	<u>\$ 33,646</u>	7,764	<u>\$ (25,882)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,764</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.78	\$ 6.78	\$ 6.78
Number of transit receptacles	× 96	× -	× (96)
Annual number of trash pickups	× 52	× 52	× 52
Total program costs	<u>\$ 33,846</u>	<u>-</u>	<u>\$ (33,846)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.80	\$ 6.80	\$ 6.80
Number of transit receptacles	× 96	× -	× (96)
Annual number of trash pickups	× 52	× 52	× 52
Total program costs	<u>\$ 33,946</u>	<u>-</u>	<u>\$ (33,946)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2011, through June 30, 2012</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 7.15	\$ 7.15	\$ 7.15
Number of transit receptacles	× 96	× -	× (96)
Number of trash pickups	× 52	× 52	× 52
Total program costs	<u>\$ 35,693</u>	-	<u>\$ (35,693)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 7.31	\$ 7.31	\$ 7.31
Number of transit receptacles	× 96	× -	× (96)
Annual number of trash pickups	× 52	× 52	× 52
Total program costs	<u>\$ 36,492</u>	-	<u>\$ (36,492)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2013, through June 30, 2014</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 7.32	\$ 7.32	\$ 7.32
Number of transit receptacles	× 156	× -	× (156)
Annual number of trash pickups	× 52	× 52	× 52
Total program costs	<u>\$ 59,380</u>	-	<u>\$ (59,380)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>Summary: July 1, 2008, through June 30, 2014</u>			
Total program costs	<u>\$ 233,003</u>	\$ 7,764	<u>\$ (225,239)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,764</u>	

¹ See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2008, through June 30, 2014

BACKGROUND—

The Los Angeles Regional Water Quality Control Board adopted a 2001 storm water permit (Permit CAS004001) that requires local jurisdictions to:

Place trash receptacles at all transit stops within its jurisdiction that have shelters no later than August 1, 2002, and at all other transit stops within its jurisdiction no later than February 3, 2003. All trash receptacles shall be maintained as necessary.

On July 31, 2009, the Commission on State Mandates (Commission) determined that part 4F5c3 of the permit imposes a state mandate reimbursable under Government Code section 17561 and adopted the Statement of Decision. The Commission further clarified that each local agency subject to the permit and not subject to a trash total maximum daily load (TMDL) is entitled to reimbursement.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on March 24, 2011. In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

FINDING— Ineligible claimant

For fiscal year (FY) 2008-09 through FY 2013-14, the city claimed reimbursement of \$233,003 for costs of the Municipal Storm Water and Urban Runoff Discharges Program. We found that \$7,764 is allowable and \$225,239 is unallowable. The costs are unallowable because the city is not eligible to claim reimbursement after September 22, 2008.

The City of Commerce is located entirely within the Los Angeles River Watershed and is subject to the trash TMDL requirements, which became effective on September 23, 2008. As such, the city does not maintain transit stops located in areas not covered by the Los Angeles River Trash TMDL requirement.

The parameters and guidelines (Section II. Eligible Claimants) state:

Beginning September 23, 2008, the following local agency permittees that are subject to the Los Angeles River trash TMDL are eligible to claim reimbursement for the mandated activities only to the extent they have transit stops located in areas not covered by the Los Angeles River trash TMDL requirements:

Alhambra, Arcadia, Bell, Bell Gardens, Bradbury, Burbank, Calabasas, Carson, Commerce, Compton, Cudahy, Downey, Duarte, El Monte, Glendale, Hidden Hills, Huntington Park, Irwindale, La Canada Flintridge, Los Angeles (City), Los Angeles County, Lynwood, Maywood, Monrovia, Montebello,

Monterey Park, Paramount, Pasadena, Pico Rivera, Rosemead, San Fernando, San Gabriel, San Marino, Santa Clarita, Sierra Madre, Signal Hill, Simi Valley, South El Monte, South Gate, South Pasadena, Temple City, and Vernon.

Recommendation

We recommend that the city ensure that it file reimbursement claims only for mandated programs for which it is an eligible claimant.