



**BETTY T. YEE**  
**California State Controller**

September 7, 2016

Anita Agramonte, Director of Finance  
Finance Department  
City of Covina  
125 East College Street  
Covina, CA 91723

Dear Ms. Agramonte:

The State Controller's Office performed a desk review of costs claimed by the City of Covina 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, 2003, through June 30, 2013. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to reviewing the city's contract with its waste hauler.

The city claimed \$1,057,432 for the mandated program. Our review found that \$3,871 is allowable and \$1,053,561 is unallowable. The costs are unallowable because the city claimed reimbursement for collection services the waste hauler provided free of charge to the city, 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 \$3,871, contingent upon available appropriations.

We informed Siobhan Foster, Director of Public Works, and Alan Sands, Senior Accountant, of the review finding at our meeting on July 19, 2016. On August 22, 2016, Mr. Sands responded via email that the city is in agreement with the finding.

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/rg

Attachments

RE: S17-MCC-9001

cc: Siobhan Foster, Director of Public Works  
Public Works Department, City of Covina  
Sharon Gallant, Environmental Services and Transportation Manager  
Public Works Department, City of Covina  
Alan Sands, Senior Accountant  
Finance Department, City of Covina  
Michele Saint, Management Analyst Trainee  
Environmental Services, Public Works Department, City of Covina  
Mary Halterman, Principal Program Budget Analyst  
Local Government Unit, California Department of Finance  
Danielle Brandon, Staff Finance Budget Analyst  
Local Government 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, 2003, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ (6.74)
Annual number of trash collections	× 11,856	× -	× (11,856)
Total program costs	<u>\$ 79,909</u>	-	<u>\$ (79,909)</u>
Less: amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ (6.74)
Annual number of trash collections	× 12,896	× -	× (12,896)
Total program costs	<u>\$ 86,919</u>	-	<u>\$ (86,919)</u>
Less: amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ (6.74)
Annual number of trash collections	× 12,896	× -	× (12,896)
Total program costs	<u>\$ 86,919</u>	-	<u>\$ (86,919)</u>
Less: amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ (6.74)
Annual number of trash collections	× 12,480	× -	× (12,480)
Total program costs	<u>\$ 84,115</u>	-	<u>\$ (84,115)</u>
Less: amount paid by the State		-	
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 <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>			
One-time activities:			
Salaries	\$ 479	\$ 479	\$ -
Benefits	+ 103	+ 103	+ -
Indirect costs	+ 47	+ 47	+ -
Total one-time costs	<u>629</u>	<u>629</u>	<u>-</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	6.74	-	(6.74)
Annual number of trash collections	× 19,344	× -	× (19,344)
Total ongoing costs	<u>130,379</u>	<u>-</u>	<u>(130,379)</u>
Total program costs	<u>\$ 131,008</u>	<u>629</u>	<u>\$ (130,379)</u>
Less: amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 629</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ (6.74)
Annual number of trash collections	× 19,188	× -	× (19,188)
Total program costs	<u>\$ 129,327</u>	<u>-</u>	<u>\$ (129,327)</u>
Less: amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2009, through June 30, 2010</u>			
One-time activities:			
Salaries	\$ 445	\$ 445	\$ -
Benefits	+ 111	+ 111	+ -
Indirect costs	+ 45	+ 45	+ -
Total one-time costs	<u>601</u>	<u>601</u>	<u>-</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	6.78	-	(6.78)
Annual number of trash collections	× 15,912	× -	× (15,912)
Total ongoing costs	<u>107,883</u>	<u>-</u>	<u>(107,883)</u>
Total program costs	<u>\$ 108,484</u>	<u>601</u>	<u>\$ (107,883)</u>
Less: amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 601</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2010, through June 30, 2011</u>			
One-time activities:			
Salaries	\$ 491	\$ 491	\$ -
Benefits	+ 123	+ 123	+ -
Indirect costs	+ 49	+ 49	+ -
Total one-time costs	<u>663</u>	<u>663</u>	<u>-</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	6.80	-	(6.80)
Annual number of trash collections	× 16,536	× -	× (16,536)
Total ongoing costs	<u>112,445</u>	<u>-</u>	<u>(112,445)</u>
Total program costs	<u>\$ 113,108</u>	<u>663</u>	<u>\$ (112,445)</u>
Less: amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 663</u>	
<u>July 1, 2011, through June 30, 2012</u>			
One-time activities:			
Salaries	\$ 47	\$ 47	\$ -
Indirect costs	+ 5	+ 5	+ -
Total one-time costs	<u>52</u>	<u>52</u>	<u>-</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	7.15	-	(7.15)
Annual number of trash collections	× 16,692	× -	× (16,692)
Total ongoing costs	<u>119,348</u>	<u>-</u>	<u>(119,348)</u>
Total program costs	<u>\$ 119,400</u>	<u>52</u>	<u>\$ (119,348)</u>
Less: amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 52</u>	
<u>July 1, 2012, through June 30, 2013</u>			
One-time activities:			
Salaries	\$ 741	\$ 741	\$ -
Benefits	+ 161	+ 161	+ -
Indirect costs	+ 1,024	+ 1,024	+ -
Total one-time costs	<u>1,926</u>	<u>1,926</u>	<u>-</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	7.31	-	(7.31)
Annual number of trash collections	× 15,912	× -	× (15,912)
Total ongoing costs	<u>116,317</u>	<u>-</u>	<u>(116,317)</u>
Total program costs	<u>\$ 118,243</u>	<u>1,926</u>	<u>\$ (116,317)</u>
Less: amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,926</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2003, through June 30, 2013</u>			
Total one-time costs	\$ 3,871	\$ 3,871	\$ -
Total ongoing costs	<u>1,053,561</u>	<u>-</u>	<u>(1,053,561)</u>
Total program costs	<u>\$ 1,057,432</u>	3,871	<u>\$ (1,053,561)</u>
Less: amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,871</u>	

<sup>1</sup> See Attachment 2, Review Results.

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## Attachment 2— Review Results July 1, 2003, through June 30, 2013

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**BACKGROUND—**

The California Regional Water Quality Control Board, Los Angeles Region (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 is entitled to reimbursement.

The Commission also determined that the period of reimbursement for the mandated activities begins July 1, 2002, and continues until a new National Pollutant Discharge Elimination System (NPDES) permit issued by the Board is adopted. On November 8, 2012, the Board adopted a new NPDES permit, Order No. R4-2012-0175, which became effective on December 28, 2012.

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—  
Cost not incurred**

The city claimed \$1,053,561 in ongoing maintenance costs for the Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2003, through June 30, 2013. We found that none of the costs claimed are allowable because the city claimed reimbursement for collection services the waste hauler provided free of charge to the city.

The city claimed reimbursement for ongoing maintenance costs using the Commission-adopted reasonable reimbursement methodology (RRM). Under the RRM, the unit cost (which is \$6.74 during the period of July 1, 2002, through June 30, 2009, and is, thereafter, adjusted annually by the implicit price deflator) is multiplied by the number of city-wide transit stop trash receptacles and by the number of annual trash collections.

On July 17, 2001, the city entered into an Agreement with Arakelian Enterprise, Inc., dba Athens Services (Contractor), which grants the Contractor an exclusive franchise for residential and commercial refuse, green waste, and recyclables collections in the City of Covina.

The franchise agreement, Article 5.00. Collection at City Facilities, states:

5.01. Services Provided

- (a) CONTRACTOR shall provide *free of charge* collection services for all Refuse (Residential, Commercial and Industrial as defined herein) for all CITY facilities (including by way of example, but not limited to, City Hall, City Yard, Parks, Police and Fire Building, Library, Recycle Center, Joslyn Center, Girl Scout House and *CITY street receptacles*) and shall provide necessary bins as required, free of charge, in accordance with a collection schedule to be determined by the CITY's City Manager or his designee. (Emphasis added).

Based on this agreement provision, the city did not incur any increased costs for the Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2003, through June 30, 2013.

The parameters and guidelines, Section IV. Reimbursable Activities, state:

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Recommendation

No recommendation is applicable for this finding as the period of reimbursement expired on December 27, 2012, with the adoption of a new permit.