

CITY OF LA PUENTE

Audit Report

SPECIAL GAS TAX STREET FUND

July 1, 2019, through June 30, 2020



BETTY T. YEE
California State Controller

November 2021



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California State Controller

November 23, 2021

Bob Lindsey, City Manager
City of La Puente
15900 E. Main Street
La Puente, CA 91744

Dear Mr. Lindsey:

The State Controller's Office audited the City of La Puente's Special Gas Tax Street Fund to determine whether the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements for the period of July 1, 2019, through June 30, 2020.

Our audit found that the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements, and that no adjustment to the fund is required.

If you have any questions, please contact Efren Lose, Chief, Local Government Audits Bureau, by telephone at (916) 324-7226.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/as

cc: The Honorable Charlie Klinakis, Mayor
City of La Puente
Troy Grunklee, Director of Administrative Services
City of La Puente

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Audit Report

Summary

The State Controller's Office (SCO) audited the City of La Puente's Special Gas Tax Street Fund to determine whether the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements for the period of July 1, 2019, through June 30, 2020.

Our audit found that the city accounted for and expended its Special Gas Tax Street Fund in compliance with requirements, and that no adjustment to the fund is required.

Background

The State apportions funds monthly from the Highway Users Tax Account (HUTA) in the Transportation Tax Fund to cities¹ 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, cities must establish individual Special Gas Tax Street Funds for the deposit of their HUTA fund apportionments. Furthermore, in accordance with Article XIX of the California Constitution and Streets and Highways Code, cities must expend their HUTA fund apportionments only for street-related purposes.

Audit Authority

We conducted our audit of the city's Special Gas Tax Street Fund under the authority of Government Code 12410.

Objective, Scope, and Methodology

Our audit objective was to determine whether the city accounted for and expended its Special Gas Tax Street Fund in compliance with Article XIX of the California Constitution and Streets and Highways Code.

The audit period was July 1, 2019, through June 30, 2020.

To achieve our objective, we completed the following tasks:

- We gained an understanding of internal controls that are significant to the audit objective by interviewing key personnel, completing an internal control questionnaire, and reviewing the city's organization chart.
- We assessed the reliability of computer-processed data by reviewing existing information about the data and the system that produced it; by interviewing city officials knowledgeable about the data; and by judgmentally tracing a non-statistical sample of data to source documents. We determined that the data was sufficiently reliable for the purposes of achieving our audit objective.
- We conducted a risk assessment to determine the nature, timing, and extent of substantive testing.

¹Includes towns.

- We performed analytical procedures to identify and explain the existence of unusual or unexpected account balances.
- We verified the accuracy of fund balances by performing a fund balance reconciliation for the period of July 1, 2014, through June 30, 2019, and by recalculating the trial balance for the period of July 1, 2019, through June 30, 2020.
- We verified that the components of and changes to fund balances were properly computed, described, classified, and disclosed by scheduling and analyzing the Special Gas Tax Street Fund account balances.
- We reconciled the fund revenue recorded in the city ledger to the balance reported in the SCO's apportionment schedule for fiscal year 2019-20 to determine whether HUTA apportionments received by the city were completely accounted for.
- We reviewed city accruals and adjustments for validity and eligibility.
- We analyzed the system used to allocate interest and determined whether the interest revenue allocated to the Special Gas Tax Street Fund was fair and equitable, by interviewing key personnel and recalculating all interest allocations for the audit period.
- We reviewed the fund cash and receivables accounts for unauthorized borrowing to determine whether unexpended HUTA funds were available for future street-related expenditures and protected from impairment.
- We verified that the expenditures incurred during the audit period were supported by proper documentation and eligible in accordance with the applicable criteria, by testing all expenditure transactions that were equal to or greater than the significant item amount (calculated based on materiality threshold), and judgmentally selecting non-statistical samples of other transactions for the following categories:
 - Services and Supplies – We tested \$337,825 of \$722,877.
 - Labor – We tested \$32,591 of \$208,697.
 - Indirect – We tested \$834 of \$5,004.

For the selected samples, errors found, if any, were not projected to the intended (total) population.

We did not audit the city's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the city accounted for and expended its Special Gas Tax Street Fund in accordance with the criteria.

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 objective. We believe that the evidence obtained provides a

reasonable basis for our findings and conclusions based on our audit objective.

Conclusion

Our audit found that the City of La Puente accounted for and expended its Special Gas Tax Street Fund in compliance with Article XIX of the California Constitution and Streets and Highways Code for the period of July 1, 2019, through June 30, 2020.

Follow-up on Prior Audit Findings

The city satisfactorily resolved the findings noted in our prior audit report for the period of July 1, 2007, through June 30, 2014, issued on April 18, 2016.

Views of Responsible Officials

We discussed the audit results with city representatives during an exit conference on August 30, 2021. Troy Grunklee, Director of Administrative Services, agreed with the audit results. Mr. Grunklee further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

Restricted Use

This audit report is solely for the information and use of the City of La Puente 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

November 23, 2021

**Schedule—
Reconciliation of Fund Balance
July 1, 2019, through June 30, 2020**

	Special Gas Tax Street Fund ¹
Beginning fund balance per city	\$ 33,740
Revenues	929,455
Total funds available	963,195
Expenditures	(935,768)
Ending fund balance per city	\$ 27,427
Ending fund balance per audit	\$ 27,427

¹Cities receive apportionments from the State HUTA, pursuant to Streets and Highways Code sections 2103, 2105, 2106, 2107, and 2107.5. The basis of the apportionments varies, but the money may be used for any street-related 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. Cities must establish individual Special Gas Tax Street Funds for the deposit of their HUTA fund apportionments.

**State Controller's Office
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