

CITY OF HAWAIIAN GARDENS

Reissued Audit Report

MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES PROGRAM

Los Angeles Regional Water Quality Control Board,
Order No. 01-182, Permit CAS004001, Part 4F5c3

July 1, 2002, through June 30, 2012



BETTY T. YEE
California State Controller

November 2022



BETTY T. YEE
California State Controller

November 21, 2022

The Honorable Luis Roa, Mayor
City of Hawaiian Gardens
21815 Pioneer Boulevard
Hawaiian Gardens, CA 90716

Dear Mayor Roa:

The State Controller's Office audited the costs claimed by the City of Hawaiian Gardens for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2002, through June 30, 2012.

This reissued report supersedes our previous report, dated August 9, 2018, which identified a finding of \$84,749 because the city overstated the number of weekly transit-stop trash collections. On September 23, 2022, the Commission on State Mandates issued a decision in response to an Incorrect Reduction Claim filed by the city for this program. In its decision, the Commission remanded the claims to the State Controller's Office to verify the costs claimed under the Reasonable Reimbursement Methodology and to reinstate those costs deemed eligible for reimbursement. In compliance with the Commission's decision, we have reinstated \$84,749 in ongoing maintenance costs for the audit period. As a result, allowable costs increased by \$84,749, from \$84,754 to \$169,503.

The city claimed \$169,503 for costs of the mandated program. Our audit found that the entire amount claimed is allowable. The State paid the city \$84,754. The State will pay \$84,749, contingent upon available appropriations.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

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Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Hawaiian Gardens for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2002, through June 30, 2012.

The city claimed \$169,503 for costs of the mandated program. Our audit found that the entire amount claimed is allowable. The State paid the city \$84,754. The State will pay \$84,749, contingent upon available appropriations.

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 (GC) 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 permit issued by the Board is adopted. On November 8, 2012, the Board adopted a new National Pollutant Discharge Elimination System permit, Order No. R4-2012-0175, which became effective on December 28, 2012. As such, the reimbursement period for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program ended on December 27, 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 GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the city's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general audit authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.¹

The audit period was from July 1, 2002, through June 30, 2012.

To achieve our audit objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the city for the audit period and identified that the material cost components of each claim are the unit cost rate, the number of transit-stop trash receptacles, and the annual number of trash collections. We determined whether there were any unusual or unexpected variances from year to year, and whether the claims adhered to the SCO's claiming instructions and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key city staff members, and discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used.
- We researched the city's location within the San Gabriel Watershed to determine the city's eligibility.
- We traced the unit cost rate claimed for each fiscal year in the audit period to the SCO's claiming instructions to ensure proper application of the rate.
- We traced to source documentation all of the transit-stop trash receptacles claimed for each fiscal year in the audit period.
- We requested source documents to support the 104 annual trash collections claimed for each fiscal year in the audit period.
- We traced the mandated costs claimed to employee payroll reports and the Comprehensive Annual Financial Report for fiscal year (FY) 2003-04 through FY 2011-12 to determine whether costs claimed were funded by another source.

We did not audit the city's financial statements.

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.

¹ Unreasonable and/or excessive costs include ineligible costs that are not identified in the program's parameters and guidelines as reimbursable costs.

Conclusion

As a result of performing the audit procedures, we found no instances of noncompliance with the requirements described in our audit objective.

For the audit period, the City of Hawaiian Gardens claimed \$169,503 for costs of the mandated program. Our audit found that the entire amount claimed is allowable. The State paid the city \$84,754. The State will pay \$84,749, contingent upon available appropriations.

**Views of
Responsible
Officials**

This report is a reissuance of the August 9, 2018 audit report. We informed city officials of the revisions to this report via email on October 25, 2022.

**Reason for
Reissuance**

On September 23, 2022, the Commission issued a decision in response to the city's incorrect reduction claim. In its decision, the Commission remanded the claims to the SCO to verify the costs claimed under the Reasonable Reimbursement Methodology and to reinstate those costs deemed eligible for reimbursement. In compliance with the Commission's decision, we have reinstated \$84,749 in ongoing maintenance costs for the audit period. As a result, allowable costs increased by \$84,749, from \$84,754 to \$169,503.

Restricted Use

This report is solely for the information and use of the City of Hawaiian Gardens, the California Department of Finance, 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 and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

November 21, 2022

**Revised Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2002, through June 30, 2003</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,823</u>	16,823	<u>\$ -</u>
Less amount paid by the State ¹		<u>(8,412)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 8,411</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,823</u>	16,823	<u>\$ -</u>
Less amount paid by the State ¹		<u>(8,412)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 8,411</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,823</u>	16,823	<u>\$ -</u>
Less amount paid by the State ¹		<u>(8,412)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 8,411</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2005, through June 30, 2006</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,823</u>	16,823	<u>\$ -</u>
Less amount paid by the State ¹		<u>(8,412)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 8,411</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,823</u>	16,823	<u>\$ -</u>
Less amount paid by the State ¹		<u>(8,412)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 8,411</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,823</u>	16,823	<u>\$ -</u>
Less amount paid by the State ¹		<u>(8,412)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 8,411</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Ongoing activities:			
Unit cost rate	\$ 6.74	\$ 6.74	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,823</u>	16,823	<u>\$ -</u>
Less amount paid by the State ¹		<u>(8,412)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 8,411</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2009, through June 30, 2010</u>			
Ongoing activities:			
Unit cost rate	\$ 6.78	\$ 6.78	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,923</u>	16,923	<u>\$ -</u>
Less amount paid by the State ¹		(8,461)	
Allowable costs claimed in excess of amount paid		<u>\$ 8,462</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Ongoing activities:			
Unit cost rate	\$ 6.80	\$ 6.80	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 16,973</u>	16,973	<u>\$ -</u>
Less amount paid by the State ¹		(8,486)	
Allowable costs claimed in excess of amount paid		<u>\$ 8,487</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Ongoing activities:			
Unit cost rate	\$ 7.15	\$ 7.15	
Number of transit-stop trash receptacles	× 24	× 24	
Annual number of trash pickups	× 104	× 104	
Total program costs	<u>\$ 17,846</u>	17,846	<u>\$ -</u>
Less amount paid by the State ¹		(8,923)	
Allowable costs claimed in excess of amount paid		<u>\$ 8,923</u>	
<u>Summary: July 1, 2002, through June 30, 2012</u>			
Total program costs	<u>\$ 169,503</u>	\$ 169,503	<u>\$ -</u>
Less amount paid by the State ¹		(84,754)	
Allowable costs claimed in excess of amount paid		<u>\$ 84,749</u>	

¹ Payment amount current as of October 25, 2022.

**State Controller's Office
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