



**BETTY T. YEE**  
California State Controller

April 25, 2016

Christa Buhagiar, Finance Director  
Finance Department, City of West Covina  
1444 West Garvey Avenue South, Room 308  
West Covina, CA 91790

Dear Ms. Buhagiar:

The State Controller's Office performed a desk review of costs claimed by the City of West 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, 2002, 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 \$1,057,746 for the mandated program. Our review found that none of the costs claimed are allowable because the city claimed reimbursement for costs not incurred, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the city.

We informed Nicole Lugotoff, Accounting Manager, and Michelle Mansour, Management Analyst, of the review finding at our meeting on March 15, 2016. Ms. Lugotoff and Ms. Mansour agreed with the finding.

This final letter report contains an adjustment to costs previously claimed by the city. If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless as to whether this report is subsequently supplemented, superseded or otherwise amended. You may obtain IRC information on the Commission's website at [www.csm.ca.gov/forms/IRCForm.pdf](http://www.csm.ca.gov/forms/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/rg

Attachments

RE: S16-MCC-9026

cc: Nicole Lugotoff, Accounting Manager  
Finance Department, City of West Covina  
Michelle Mansour, Management Analyst  
Public Works Department, City of West Covina  
Mary Halterman, 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, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Total program costs	\$ 94,980	\$ -	\$ (94,980)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2003, through June 30, 2004</u>			
Total program costs	\$ 94,980	\$ -	\$ (94,980)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2004, through June 30, 2005</u>			
Total program costs	\$ 94,980	\$ -	\$ (94,980)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2005, through June 30, 2006</u>			
Total program costs	\$ 94,980	\$ -	\$ (94,980)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2006, through June 30, 2007</u>			
Total program costs	\$ 94,980	\$ -	\$ (94,980)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2007, through June 30, 2008</u>			
Total program costs	\$ 94,980	\$ -	\$ (94,980)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2008, through June 30, 2009</u>			
Total program costs	\$ 94,980	\$ -	\$ (94,980)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2009, through June 30, 2010</u>			
Total program costs	\$ 95,544	\$ -	\$ (95,544)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	

## 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>			
Total program costs	\$ 95,826	\$ -	\$ (95,826)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2011, through June 30, 2012</u>			
Total program costs	\$ 100,758	\$ -	\$ (100,758)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>July 1, 2012, through June 30, 2013</u>			
Total program costs	\$ 100,758	\$ -	\$ (100,758)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	
<u>Summary: July 1, 2002, through June 30, 2013</u>			
Total program costs	\$ 1,057,746	\$ -	\$ (1,057,746)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	

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

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## Attachment 2— Review Results July 1, 2002, through June 30, 2013

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**BACKGROUND—**

The California Regional Water Quality Control Board, Los Angeles Region (LARWQCB), 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 LARWQCB is adopted. On November 8, 2012, the LARWQCB adopted a new 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—  
Costs not incurred**

The city claimed \$1,057,746 in costs for the Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2002, through June 30, 2013. We found that none of the costs claimed are allowable because the city claimed reimbursement for costs not incurred.

On June 2, 1999, the city entered into an agreement with Arakelian Enterprise, Inc., DBA Athens Services (Contractor), for the collection of solid waste, recyclables, yard waste, and other compostables. The agreement was extended with amended and restated agreements through November 1, 2037.

Section 5.5 of the agreement states:

*At no cost to the City, Contractor shall collect and dispose of all solid waste, recyclables, yard waste and compostables generated at premises owned and/or operated by the City, including all City parks, or as otherwise designated by the City. Contractor shall make collections from cans Monday through Friday or on Saturdays following non-working holidays at the frequency set out in Exhibit "B" [emphasis added].*

As set forth in Exhibit B, "Bus Shelter Baskets" are included in the list of free service bins/barrels.

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.

Based on the agreement provisions referenced above, the city did not incur any increased costs for the Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2002, through June 30, 2013.

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.