

CITY OF SIGNAL HILL

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, 2013



BETTY T. YEE
California State Controller

June 2018



BETTY T. YEE
California State Controller

June 25, 2018

Tina L. Hansen, Mayor
City of Signal Hill
2175 Cherry Avenue
Signal Hill, CA 90755

Dear Mayor Hansen:

The State Controller's Office (SCO) audited the costs claimed by the City of Signal Hill for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2002, through June 30, 2013.

The city claimed \$233,135 for the mandated program. Our audit found that \$33,403 is allowable and \$199,732 is unallowable because the city overstated the annual number of transit-stop trash collections and did not offset the Proposition A Local Return funds used to pay for the mandated activities. The State made no payments to the city. Following the issuance of this report, the SCO's Local Government Programs and Services Division will notify the city of the adjustments via a system-generated letter for each fiscal year in the audit period.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: Scott Williams, Finance Director
Finance Department
City of Signal Hill
Angelina Garcia, Accounting Manager
Finance Department
City of Signal Hill
Chris Hill, Principal Program Budget Analyst
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Signal Hill for the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2002, through June 30, 2013.

The city claimed \$233,135 for the mandated program. Our audit found that \$33,403 is allowable and \$199,732 is unallowable because the city overstated the annual number of transit-stop trash collections and did not offset the Proposition A Local Return funds used to pay for the mandated activities. The State made no payments to the city.

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 (TMDL) 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. As such, the Municipal Storm Water and Urban Runoff Discharges program is no longer a mandate.

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.

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.

The audit period was from July 1, 2002, through June 30, 2013.

To achieve our audit objective, we:

- Reviewed the annual mandated cost claims filed by the city for the audit period and verified that the material cost components of each claim are the annual number of trash collections and unit cost rates, and determined whether there were any errors or unusual or unexpected variances from year to year. We also reviewed the claimed activities to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key city staff, and discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used;
- Researched the city's location within the Los Angeles River Watershed and gained an understanding of the trash TMDL effective date to determine the city's eligibility;
- 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;
- Requested source documentation to support the calculation of the annual number of trash collections claimed for each fiscal year in the audit period. Re-calculated the annual number of trash collections for each fiscal year in the audit period based on documentation provided (see Finding 1); and
- Requested expenditure reports for all fiscal years in the audit period to determine whether costs claimed were funded by another source. Traced the ongoing maintenance costs claimed to source documents for FY 2007-08 through FY 2012-13, as these were the only years for which the city was able to provide documentation (see Finding 2).

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. 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.

We limited our review of the city's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the city's financial statements.

Conclusion

Our audit found instances of noncompliance with the requirements outlined in the Objective, Scope, and Methodology section. These instances are quantified in the accompanying Schedule (Summary of Program Costs) and described in the Findings and Recommendations

section of this report.

For the audit period, the City of Signal Hill claimed \$233,135 for costs of the legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program. Our audit found that \$33,403 is allowable and \$199,732 is unallowable. The State made no payments to the city.

Following the issuance of this report, the SCO's Local Government Programs and Services Division will notify the city of the adjustments via a system-generated letter for each fiscal year in the audit period.

Follow-up on Prior Audit Findings

We have not previously conducted an audit of the city's legislatively mandated Municipal Storm Water and Urban Runoff Discharges Program.

Views of Responsible Officials

We discussed our audit results with the city's representatives during an exit conference conducted on March 13, 2018. Scott Williams, Finance Director, and Angelina Garcia, Accounting Manager, accepted the audit results. Mr. Williams declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of City of Signal Hill, 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.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 25, 2018

Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Ongoing activities:				
August 28, 2002, through June 30, 2003:				
Unit cost rate	\$ 6.74	\$ 6.74	\$ 6.74	
Annual number of trash collections ²	3,172	1,376	(1,796)	
Total ongoing costs	21,379	9,274	(12,105)	Finding 1
Less offsetting revenues and reimbursements	-	(3,188)	(3,188)	Finding 2
Total program costs	<u>\$ 21,379</u>	6,086	<u>\$ (15,293)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 6,086</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74	\$ 6.74	
Annual number of trash collections ²	3,172	1,664	(1,508)	
Total ongoing costs	21,379	11,215	(10,164)	Finding 1
Less offsetting revenues and reimbursements	-	(3,855)	(3,855)	Finding 2
Total program costs	<u>\$ 21,379</u>	7,360	<u>\$ (14,019)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 7,360</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74	\$ 6.74	
Annual number of trash collections ²	3,172	1,769	(1,403)	
Total ongoing costs	21,379	11,923	(9,456)	Finding 1
Less offsetting revenues and reimbursements	-	(11,215)	(11,215)	Finding 2
Total program costs	<u>\$ 21,379</u>	708	<u>\$ (20,671)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 708</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74	\$ 6.74	
Annual number of trash collections ²	3,172	1,664	(1,508)	
Total ongoing costs	21,379	11,215	(10,164)	Finding 1
Less offsetting revenues and reimbursements	-	(11,215)	(11,215)	Finding 2
Total program costs	<u>\$ 21,379</u>	-	<u>\$ (21,379)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ -</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74	\$ 6.74	
Annual number of trash collections ²	3,172	1,664	(1,508)	
Total ongoing costs	21,379	11,215	(10,164)	Finding 1
Less offsetting revenues and reimbursements	-	(11,215)	(11,215)	Finding 2
Total program costs	<u>\$ 21,379</u>	-	<u>\$ (21,379)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ -</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74	\$ 6.74	
Annual number of trash collections ²	3,172	1,664	(1,508)	
Total ongoing costs	21,379	11,215	(10,164)	Finding 1
Less offsetting revenues and reimbursements	-	(11,215)	(11,215)	Finding 2
Total program costs	<u>\$ 21,379</u>	-	<u>\$ (21,379)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ -</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74	\$ 6.74	
Annual number of trash collections ²	3,172	1,664	(1,508)	
Total ongoing costs	21,379	11,215	(10,164)	Finding 1
Less offsetting revenues and reimbursements	-	(11,215)	(11,215)	Finding 2
Total program costs	<u>\$ 21,379</u>	-	<u>\$ (21,379)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ -</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Ongoing activities:				
Unit cost rate	\$ 6.78	\$ 6.78	\$ 6.78	
Annual number of trash collections ²	3,172	1,772	(1,400)	
Total ongoing costs	21,506	12,014	(9,492)	Finding 1
Less offsetting revenues and reimbursements	-	-	-	
Total program costs	<u>\$ 21,506</u>	12,014	<u>\$ (9,492)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 12,014</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Ongoing activities:				
Unit cost rate	\$ 6.80	\$ 6.80	\$ 6.80	
Annual number of trash collections ²	3,380	2,600	(780)	
Total ongoing costs	22,984	17,680	(5,304)	Finding 1
Less offsetting revenues and reimbursements	-	(10,445)	(10,445)	Finding 2
Total program costs	<u>\$ 22,984</u>	7,235	<u>\$ (15,749)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 7,235</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Ongoing activities:				
Unit cost rate	\$ 7.15	\$ 7.15	\$ 7.15	
Annual number of trash collections ²	3,380	2,600	(780)	
Total ongoing costs	24,167	18,590	(5,577)	Finding 1
Less offsetting revenues and reimbursements	-	(18,590)	(18,590)	Finding 2
Total program costs	<u>\$ 24,167</u>	-	<u>\$ (24,167)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ -</u>		
<u>July 1, 2012, through June 30, 2013</u>				
Ongoing activities:				
July 1, 2012, through December 27, 2012:				
Unit cost rate	\$ 7.31	\$ 7.31	\$ 7.31	
Annual number of trash collections ²	2,028	1,300	(728)	
Total ongoing costs	14,825	9,503	(5,322)	Finding 1
Less offsetting revenues and reimbursements	-	(9,503)	(9,503)	Finding 2
Total program costs	<u>\$ 14,825</u>	-	<u>\$ (14,825)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ -</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2002, through June 30, 2013</u>				
Ongoing costs	\$ 233,135	\$ 135,059	\$ (98,076)	Finding 1
Less offsetting revenues and reimbursements	-	(101,656)	(101,656)	Finding 2
Total program costs	<u>\$ 233,135</u>	33,403	<u>\$ (199,732)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 33,403</u>		

¹ See the Findings and Recommendations section.

² The annual number of trash collections is the number of city-wide transit stop trash receptacles multiplied by the number of times each receptacle was picked up during one year.

³ Payment amount current as of May 18, 2018.

Findings and Recommendations

FINDING 1— Overstated ongoing maintenance costs

The city claimed \$233,135 for ongoing maintenance of the transit-stop trash receptacles for the audit period. We found that \$135,059 is allowable and \$98,076 is unallowable. The costs are unallowable because the city overstated the annual number of trash collections for each fiscal year in the audit period.

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

The following table summarizes the audit adjustment calculation by fiscal year:

Fiscal Year	Annual No. of Trash Collections ¹			Unit	Audit
	Claimed	Allowable	Difference	Cost Rate	Adjustment
2002-03	3,172	1,376	(1,796)	\$ 6.74	\$ (12,105)
2003-04	3,172	1,664	(1,508)	6.74	(10,164)
2004-05	3,172	1,769	(1,403)	6.74	(9,456)
2005-06	3,172	1,664	(1,508)	6.74	(10,164)
2006-07	3,172	1,664	(1,508)	6.74	(10,164)
2007-08	3,172	1,664	(1,508)	6.74	(10,164)
2008-09	3,172	1,664	(1,508)	6.74	(10,164)
2009-10	3,172	1,772	(1,400)	6.78	(9,492)
2010-11	3,380	2,600	(780)	6.80	(5,304)
2011-12	3,380	2,600	(780)	7.15	(5,577)
2012-13	2,028	1,300	(728)	7.31	(5,322)
Total	34,164	19,737	(14,427)		\$ (98,076)

¹ The annual number of trash collections is the number of city-wide transit stop trash receptacles multiplied by the number of times each receptacle was picked up during one year.

The city misinterpreted the program's parameters and guidelines requirement that it retain documentation to support its calculation of the annual number of trash collections. Section VII. (Records Retention) of the parameters and guidelines state:

Local agencies must retain documentation which supports the reimbursement of the maintenance costs identified in Section IV.B of these parameters and guidelines during the period subject to audit, including documentation showing the number of trash receptacles in the jurisdiction and the number of trash collections or pickups.

During audit fieldwork, we reviewed the city's agreements with Eller Media Company, Conservation Corps of Long Beach (CCLB), and Shelter Clean Services, Inc. (Shelter Clean) and re-calculated the total number of transit-stop trash collections to be 19,737, as follows:

Fiscal Year	Eller Media Company	CCLB	Shelter Clean	Total No. of Trash Collections
2002-03	903	473	-	1,376
2003-04	1,092	572	-	1,664
2004-05	105	1,664	-	1,769
2005-06	-	1,664	-	1,664
2006-07	-	1,664	-	1,664
2007-08	-	1,664	-	1,664
2008-09	-	1,664	-	1,664
2009-10	-	1,664	108	1,772
2010-11	-	1,664	936	2,600
2011-12	-	1,664	936	2,600
2012-13	-	832	468	1,300
Total	<u>2,100</u>	<u>15,189</u>	<u>2,448</u>	<u>19,737</u>

Eller Media Company

On August 4, 1999, the city entered into a five-year agreement with Eller Media Company for ongoing maintenance of 21 bus shelters. The agreement applies to our audit period from August 28, 2002, through August 4, 2004. As such, we determined that 2,100 transit-stop trash collections, totaling \$14,154, are allowable, as follows:

Fiscal Year	No. of Transit-stop Trash Receptacles	No. of Annual Collections	Total No. of Trash Collections	Unit Cost Rate	Amount Allowable
2002-03	21	43 ¹	903	\$ 6.74	\$ 6,086
2003-04	21	52	1,092	6.74	7,360
2004-05	21	5 ²	105	6.74	708
Total			<u>2,100</u>		<u>\$ 14,154</u>

¹ The reimbursement period for FY 2002-03 is 43 weeks from August 28, 2002, through June 20, 2003.

² The agreement with Eller Media Company ended on August 4, 2004. Therefore, reimbursement for FY 2004-05 is for only five weeks, from July 1, 2004, through August 4, 2004.

Conservation Corps of Long Beach

The city had several agreements with CCLB for cleaning and maintenance of bus stops during the audit period. We reviewed the Project Approval Forms and determined that 15,189 transit-stop trash collections, totaling \$103,695, are allowable, as follows:

Fiscal Year	Transit-stop Trash Receptacles	No. of Annual Collections	Total No. of Trash Collections	Unit Cost Rate	Amount Allowable
2002-03	11	43 ¹	473	\$ 6.74	\$ 3,188
2003-04	11	52	572	6.74	3,855
2004-05	32	52	1,664	6.74	11,215
2005-06	32	52	1,664	6.74	11,215
2006-07	32	52	1,664	6.74	11,215
2007-08	32	52	1,664	6.74	11,215
2008-09	32	52	1,664	6.74	11,215
2009-10	32	52	1,664	6.78	11,282
2010-11	32	52	1,664	6.80	11,315
2011-12	32	52	1,664	7.15	11,898
2012-13	32	26 ²	832	7.31	6,082
Total			15,189		\$ 103,695

¹ The reimbursement period for FY 2002-03 is 43 weeks, from August 28, 2002, through June 20, 2003.

² The reimbursement period for FY 2012-13 is 26 weeks, from July 1, 2012, through December 27, 2012, due to the adoption of a new NPDES permit.

On March 13, 2002, the city entered into an agreement with CCLB for the cleaning and maintenance of 41 bus stops, once a week. To support the ongoing maintenance costs incurred, the city provided the Project Approval Form, which included a bus stop location list showing that only 11 of the 41 bus stops had trash receptacles.

FY 2004-05 through FY 2007-08

On July 1, 2004, the city entered into an agreement with CCLB for the cleaning and maintenance of 61 bus stops, once a week. To support the ongoing maintenance costs incurred, the city provided the Project Approval Form, which did not include a bus stop location list like the Project Approval Form mentioned previously. In addition, the city did not provide documentation to indicate that it purchased and installed trash receptacles at the bus stops that previously did not have them.

Therefore, in the absence of a bus stop location list indicating the number of bus stops with trash receptacles, we determined that CCLB maintained 32 transit-stop trash receptacles, as follows:

- 11 receptacles previously maintained by CCLB in FY 2002-03 and FY 2003-04; and
- 21 receptacles previously maintained by Eller Media Company (agreement ended August 4, 2004).

FY 2008-09 through 2012-13

The city is located within the Los Angeles River Watershed and is subject to the trash TMDL requirements, which became effective on September 23, 2008. Section II. (Eligible Claimants) of the parameters and guidelines states that transit-stop trash receptacles located within the trash TMDL are not eligible for reimbursement, as follows:

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:

... Signal Hill ...

During audit fieldwork, the city provided a map of the Long Beach Transit bus stop locations; however, we were unable to identify which transit-stop trash receptacles are located in the Los Angeles River Watershed. In an email to its consultant, dated September 26, 2013, the city states that 47.54% of the city's 61 bus stops are located in the Los Angeles River Watershed; therefore, 52.46% of the transit trash receptacles (or 32 transit receptacles) are not located in the Los Angeles River Watershed and are, therefore, eligible.

We identified 32 bus stops with trash receptacles that were previously maintained by CCLB. Absent documentation to support otherwise, we concluded that the bus stops with trash receptacles maintained by CCLB are located outside of the Los Angeles River Watershed and are, therefore, allowable.

Shelter Clean Services, Inc.

On May 18, 2010, the city entered into an agreement with Shelter Clean to maintain 18 bus shelters with trash receptacles. These 18 bus shelters were already maintained by CCLB, but required additional maintenance due to increased pedestrian traffic and public transit usage. We determined that 2,448 transit-stop trash collections, totaling \$17,210, are allowable, as follows:

Fiscal Year	No. of Transit-stop Trash Receptacles	No. of Annual Collections	Total No. of Trash Collections	Unit Cost Rate	Amount Allowable
2009-10	18	6 ¹	108	\$ 6.78	\$ 732
2010-11	18	52	936	6.80	6,365
2011-12	18	52	936	7.15	6,692
2012-13	18	26 ²	468	7.31	3,421
Total			<u>2,448</u>		<u>\$ 17,210</u>

¹ The agreement with Shelter Clean began on May 18, 2010. Therefore, the reimbursement period for FY 2009-10 is for only six weeks, from May 18, 2010, through June 30, 2010.

² The reimbursement period for FY 2012-13 is 26 weeks from July 1, 2012, through December 27, 2012, due to the adoption of a new NPDES permit.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012, with the adoption of a new NPDES permit. When claiming reimbursement for other mandated programs, we recommend that the city ensure that claimed costs include only actual costs that are supported by source documentation.

**FINDING 2—
Unreported offsetting
revenues**

The city did not report any offsetting revenues on its claims forms for the audit period. We found that the city should have offset \$101,656 in Proposition A Local Return funds that were used to pay for the ongoing maintenance of the transit-stop trash receptacles.

The following table summarizes the unreported Proposition A Local Return offset amount by fiscal year:

Fiscal Year	CCLB				Shelter Clean				Unreported Proposition A Local Return Offset
	No. of Transit-stop Trash Receptacles	No. of Annual Collections	Unit Cost Rate	Amount Offset	No. of Transit-stop Trash Receptacles	No. of Annual Collections	Unit Cost Rate	Amount Offset	
2002-03	11	43	\$ 6.74	\$ (3,188)	-	-	\$ -	\$ -	\$ (3,188)
2003-04	11	52	6.74	(3,855)	-	-	-	-	(3,855)
2004-05	32	52	6.74	(11,215)	-	-	-	-	(11,215)
2005-06	32	52	6.74	(11,215)	-	-	-	-	(11,215)
2006-07	32	52	6.74	(11,215)	-	-	-	-	(11,215)
2007-08	32	52	6.74	(11,215)	-	-	-	-	(11,215)
2008-09	32	52	6.74	(11,215)	-	-	-	-	(11,215)
2009-10	-	- ¹	-	-	-	-	-	-	-
2010-11	32	48 ²	6.80	(10,445)	-	-	-	-	(10,445)
2011-12	32	52	7.15	(11,898)	18	52	7.15	(6,692)	(18,590)
2012-13	32	26	7.31	(6,082)	18	26	7.31	(3,421)	(9,503)
Total				<u>\$ (91,543)</u>				<u>\$ (10,113)</u>	<u>\$ (101,656)</u>

¹ For FY 2009-10, the ongoing maintenance costs incurred by CCLB were paid for with general funds.

² For FY 2010-11, the ongoing maintenance costs incurred by CCLB in July 2010 were paid for with general funds.

Proposition A is a half-cent sales tax measure approved by Los Angeles County voters in 1980 to finance transit programs. Twenty-five percent of the sales tax revenue is dedicated to the Local Return Program to be used by cities for developing and/or improving public transit and related transportation infrastructure.

Section II. (Project Eligibility) of the Proposition A and Proposition C Local Return Guidelines identifies reimbursement for ongoing trash receptacle maintenance as follows:

- 2. BUS STOP IMPROVEMENTS AND MAINTENANCE (Codes 150, 160, & 170)

Examples of eligible Bus Stop Improvement and Maintenance projects include installation/replacement and/or maintenance of:

- Concrete landings – in street for buses and at sidewalk for passengers

- Bus turn-outs
- Benches
- Shelters
- Trash Receptacles
- Curb cuts
- Concrete or electrical work directly associated with the above items

As the city used Proposition A funds authorized to be used on the mandated activities, it did not have to rely on the use of discretionary funds to pay for the mandated activities. Moreover, when a local agency has raised revenues outside its appropriations limit to cover the cost of mandated activities, funds thus expended are not reimbursable.

Section VIII. (Offsetting Revenues and Reimbursements) of the parameters and guidelines, state:

Any offsetting revenue the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state, or non-local source shall be identified and deducted from this claim.

Conservation Corps of Long Beach

The city used Proposition A Local Return funds, totaling \$91,543, to pay CCLB during the ongoing maintenance costs for the audit period.

FY 2002-03 through FY 2008-09

For FY 2002-03 through FY 2006-07, the city did not provide documentation to support the funding sources used to pay for CCLB's ongoing maintenance of the transit stop trash receptacles. However, we reviewed a memo from the Community Services Supervisor, dated October 19, 2007, requesting that FY 2007-08 contract with CCLB "**continue** to be funded with the use of MTA Prop A Transportation Funds" [*emphasis added*]. Absent documentation to support that the city used general funds to pay CCLB for ongoing maintenance costs for FY 2002-03 through FY 2006-07, we reasonably assumed that the same funding source (Proposition A) was used for the earlier years. Therefore, we offset the entire amount found to be allowable in Finding 1, totaling \$63,118, for FY 2002-03 through FY 2008-09.

FY 2009-10

For FY 2009-10, the city provided CCLB's monthly invoices for cleaning and maintenance of bus stops. The monthly invoices were stamped "Approved for Payment" with a note that Fund 001—which is the General Fund—was used to pay for the services provided. As such, we did not apply an offset.

FY 2010-11 through FY 2012-13

For FY 2010-11 through FY 2012-13, the city provided CCLB's monthly invoices for cleaning and maintenance services of bus stops. The monthly invoices were marked "Approved for Payment" with a note that Fund 006—which is the Proposition A fund—was used to pay for the services provided for every month except July 2010. Therefore, we offset the entire amount found to be allowable in Finding 1 for FY 2010-11 through FY 2012-13, except for the first four weeks of FY 2010-11 (e.g. July 2010), totaling \$28,425.

Shelter Clean Services, Inc.

The city used Proposition A Local Return funds, totaling \$10,113, to pay Shelter Clean Services for ongoing maintenance costs for FY 2011-12 and FY 2012-13.

For FY 2011-12, we reviewed a letter from the Director of Public Works to the Mayor and City Council, dated July 19, 2011, stating that "Public Works will utilize Prop A funds to cover this contract." Therefore, we offset the amount found to be allowable from Finding 1, totaling \$6,692.

For FY 2012-13, we reviewed the Shelter Clean invoices, which were stamped "Approved for Payment" with a note that Fund 006—which is the Proposition A Fund—was used to pay for the services provided. Therefore, we offset the amount found to be allowable in Finding 1, totaling \$3,421.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012, with the adoption of a new NPDES permit. When claiming reimbursement for other mandated programs, we recommend that the city ensure that it offsets all revenues and reimbursements raised outside its appropriation limit that are used to fund mandated activities.

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