

CITY OF IMPERIAL

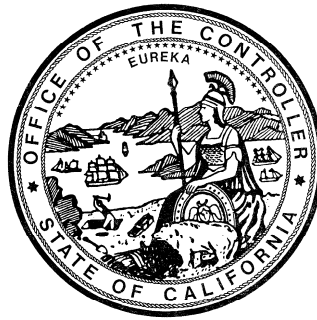
Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

July 1, 2004, through June 30, 2005

TRAFFIC CONGESTION RELIEF FUND

July 1, 2001, through June 30, 2005



JOHN CHIANG
California State Controller

April 2008



JOHN CHIANG
California State Controller

April 23, 2008

Geoff Dale, Mayor
City of Imperial
420 South Imperial Avenue
Imperial, CA 92251

Dear Mr. Dale:

The State Controller's Office audited the City of Imperial's Special Gas Tax Street Improvement Fund for the period of July 1, 2004, through June 30, 2005. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2001, through June 30, 2005.

Our audit disclosed that the city understated the fund balance in the Traffic Congestion Relief Fund (TCRF) in fiscal year (FY) 2004-05 because it did not expend \$4,400 of the FY 2002-03 TCRF allocations within the required time period. Additionally, the city overstated the fund balance in the Traffic Congestion Relief Fund by \$5,856 as of June 30, 2005. This overstatement occurred because the city did not meet the TCRF expenditure requirement for FY 2002-03.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Laura Gutierrez
Administrative Services Director
City of Imperial

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Audit Report

Summary

The State Controller's Office (SCO) audited the City of Imperial's Special Gas Tax Street Improvement Fund for the period of July 1, 2004, through June 30, 2005. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2001, through June 30, 2005.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with requirements, and that no adjustments to the fund are required. Our audit disclosed that the city understated the fund balance in the Traffic Congestion Relief Fund (TCRF) in fiscal year (FY) 2004-05 because it did not expend \$4,400 of the FY 2002-03 TCRF allocations within the required time period. Additionally, the city overstated the fund balance in the Traffic Congestion Relief Fund by \$5,856 as of June 30, 2005. This overstatement occurred because the city did not meet the TCRF expenditure requirement for FY 2002-03.

Background

The State apportions funds monthly from the highway users tax account in the transportation tax fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes are derived from state taxes on the sale of motor vehicle fuels. In accordance with Streets and Highways Code section 2101 and Article XIX of the California Constitution, a city must deposit all apportionments of highway users taxes in its Special Gas Tax Street Improvement Fund. A city must expend gas tax funds only for street-related purposes. We conducted our audit of the city's Special Gas Tax Street Improvement Fund under the authority of Government Code section 12410.

Chapter 91, Statutes of 2000 (Assembly Bill 2928), as amended by Chapter 656, Statutes of 2000 (Senate Bill 1662), established a Traffic Congestion Relief Fund in the State Treasury for allocating funds quarterly to cities and counties for street or road maintenance, reconstruction, and storm damage repair. Cities must deposit funds received into the city account designated for the receipt of state funds allocated for transportation purposes. The city recorded its TCRF allocations in the Traffic Congestion Relief Fund. We conducted our audit of the city's TCRF allocations under the authority of Streets and Highways Code sections 2182 and 2182.1.

Objective, Scope, and Methodology

Our audit objective was to determine whether the city accounted for and expended the Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Special Gas Tax Street Improvement Fund;

- Properly deposited TCRF allocations into an account designated for the receipt of State funds allocated for transportation purposes;
- Expended funds exclusively for authorized street-related purposes; and
- Made available unexpended funds for future expenditures.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the city's financial statements. We limited our audit scope to planning and performing the audit procedures necessary to obtain reasonable assurance that the city accounted for and expended the Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Fund in accordance with the requirements of the Streets and Highways Code. Accordingly, we examined transactions, on a test basis, to determine whether the city expended funds for street purposes. We considered the city's internal controls only to the extent necessary to plan the audit.

Conclusion

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code for the period of July 1, 2004, through June 30, 2005. Our audit also disclosed that the city accounted for and expended its Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code for the period of July 1, 2001, through June 30, 2005, except as noted in Schedule 1 and described in the Findings and Recommendations section of this report. The findings require that the city reimburse \$4,400 to the Traffic Congestion Relief Fund for failing to expend its TCRF allocations within the required time period, and return \$5,856 to the SCO for failing to meet the expenditure requirement.

Follow-Up on Prior Audit Findings

Our prior audit report, issued on February 19, 1997, disclosed no findings.

Views of Responsible Official

We issued a draft audit report on August 29, 2007, to Laura Gutierrez, Administrative Services Director/Finance Officer. We have not received a response from the city. Additionally, Ms. Gutierrez has not returned any of our telephone calls and voice messages.

Restricted Use

This report is intended for the information and use of city management 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
Chief, Division of Audits

April 23, 2008

**Schedule 1—
Reconciliation of Fund Balance
July 1, 2004, through June 30, 2005**

	Special Gas Tax Street Improvement Fund ¹	Traffic Congestion Relief Fund ²
Beginning fund balance per city	\$ 9,533	\$ 5,819
Revenues	<u>171,258</u>	<u>37</u>
Total funds available	180,791	5,856
Expenditures	<u>(66,000)</u>	<u>(4,400)</u>
Ending fund balance per city	<u>114,791</u>	<u>1,456</u>
Timing adjustment:		
Accrual of June 2005 highway users tax apportionment (Governmental Accounting Standards Board Statement No. 34)	<u>16,684</u>	<u>—</u>
SCO adjustments: ³		
Finding 1—Failure to expend TCRF allocations	—	4,400
Finding 2—TCRF expenditure requirement not met	<u>—</u>	<u>(5,856)</u>
Total SCO adjustments	<u>16,684</u>	<u>(1,456)</u>
Ending fund balance per audit	<u>\$ 131,475</u>	<u>\$ —</u>

¹ The city receives apportionments from the state highway users tax account, pursuant to Streets and Highways Code sections 2105, 2106, 2107, and 2107.5. The basis of the apportionments for Sections 2105, 2106, and 2107 varies, but the money may be used for any street purpose. Streets and Highways Code section 2107.5 apportionments are restricted 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.

² Chapter 91, Statutes of 2000 (Assembly Bill 2928), as amended by Chapter 656, Statutes of 2000 (Senate Bill 1662), established the State Traffic Congestion Relief Fund (TCRF), which allocates funds to cities and counties for street or road maintenance and reconstruction. The TCRF allocations were recorded in the Traffic Congestion Relief Fund.

³ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Failure to expend TCRF
allocations within the
required time period**

The city incurred \$4,400 in Traffic Congestion Relief Fund (TCRF) expenditures during fiscal year (FY) 2004-05. These were apportionments from FY 2002-03 carried over to FY 2004-05. According to Streets and Highways Code section 2182.1(g), these funds should have been expended within the fiscal year following the fiscal year in which the allocations were made—no later than June 30, 2004. Therefore, the city did not expend these expenditures within the applicable time period.

Streets and Highways Code section 2182.1(g) states:

The allocation made under Section 2182 shall be expended no later than the end of the fiscal year following the fiscal year in which the allocation was made, and any funds not expended within that period shall be returned to the Controller and shall be reallocated to the other cities and counties pursuant to the allocation formulas set forth in Section 2182.

Recommendation

The city must reimburse the Traffic Congestion Relief Fund in the amount of \$4,400 for its failure to expend the allocations within the required time period.

City's Response

The city did not respond to our draft audit report.

**FINDING 2—
TCRF expenditure
requirement not met**

The city did not expend its FY 2002-03 TCRF allocations in a timely manner as required by the Streets and Highways Code section 2182.1(g). In addition to the \$4,400 disclosed in Finding 1, the city did not expend an additional \$1,456. The total amount that was not in compliance is \$5,856.

Streets and Highways Code section 2182.1(g) states:

The allocation made under Section 2182 shall be expended no later than the end of the fiscal year following the fiscal year in which the allocation was made, and any funds not expended within that period shall be returned to the Controller and shall be reallocated to the other cities and counties pursuant to the allocation formulas set forth in Section 2182.

Recommendation

The city should return \$5,856 of TCRF allocations that was not expended within the required time period to the State Controller's Office, Attn: Bill Byall, P.O. Box 942850, Sacramento, CA 94250.

Additionally, the city should review its TCRF expenditure levels to ensure compliance with program requirements.

City's Response

The city did not respond to our draft audit report.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>