

# **CITY OF WEST HOLLYWOOD**

Audit Report

## **SPECIAL GAS TAX STREET IMPROVEMENT FUND**

*July 1, 2006, through June 30, 2007*

## **TRAFFIC CONGESTION RELIEF FUND ALLOCATIONS**

*July 1, 2001, through June 30, 2007*



**JOHN CHIANG**  
California State Controller

June 2008



**JOHN CHIANG**  
**California State Controller**

June 13, 2008

The Honorable Jeffrey Prang  
Mayor of the City of West Hollywood  
8300 Santa Monica Boulevard  
West Hollywood, CA 90069

Dear Mayor Prang:

The State Controller's Office audited the City of West Hollywood's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2007. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Miscellaneous Grants Fund for the period of July 1, 2001, through June 30, 2007.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and TCRF allocations recorded in the Miscellaneous Grants Fund in compliance with requirements, and that no adjustment to the funds is required. However, we identified a procedural finding.

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: Gina Schuchard, Accounting Service Manager  
City of West Hollywood  
Anil Gandhi, Finance Director  
City of West Hollywood

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# Audit Report

## Summary

The State Controller's Office audited the City of West Hollywood's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2007. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Miscellaneous Grants Fund for the period of July 1, 2001, through June 30, 2007.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and TCRF allocations recorded in the Miscellaneous Grants Fund in compliance with requirements, and that no adjustment to the funds is required. However, we identified a procedural finding. The city did not record the TCRF allocations in a local account that is designated for street purposes as required by Streets and Highway Code section 2182.2(b).

## 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 derive from state taxes on the sale of motor vehicle fuels. In accordance with Article XIX of the California Constitution and Streets and Highways Code section 2101, 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.

Government Code section 14556.5 created 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 Miscellaneous Grants Fund. We conducted our audit of the city's TCRF allocations under the authority of Revenue and Taxation Code section 7104.

## 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 allocations recorded in the Miscellaneous Grants 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 TCRF allocations in accordance with the requirements of the Streets and Highways Code and Revenue and Taxation Code section 7104. 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 of West Hollywood 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.

Our audit also disclosed that the city accounted for and expended its TCRF allocations recorded in the Miscellaneous Grants Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104 for the period of July 1, 2006, through June 30, 2007, except for a procedural finding described in the Finding and Recommendation section of this report.

## **Follow-Up on Prior Audit Findings**

Our prior audit report, issued on July 31, 2002, disclosed no findings.

## **Views of Responsible Official**

We discussed the audit results with city representatives during an exit conference on April 9, 2008. Anil Gandhi, Finance Director, agreed with the audit results. Mr. Gandhi further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

## **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

June 13, 2008

**Schedule 1—  
Reconciliation of Fund Balance  
July 1, 2006, through June 30, 2007**

	Special Gas Tax Street Improvement Fund <sup>1</sup>	Traffic Congestion Relief Fund Allocation <sup>2</sup>
Beginning fund balance per city	\$ 610,209	\$ 121,953
Revenues	<u>709,036</u>	<u>325,501</u>
Total funds available	1,319,245	447,454
Expenditures	<u>(988,464)</u>	<u>(169,578)</u>
Ending fund balance per city	330,781	277,876
SCO adjustment	<u>—</u>	<u>—</u>
Ending fund balance per audit	<u><u>\$ 330,781</u></u>	<u><u>\$ 277,876</u></u>

<sup>1</sup> 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 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.

<sup>2</sup> Government Code section 14556.5 created a Traffic Congestion Relief Fund (TCRF) in the State Treasury for allocating funds quarterly to cities and counties for street and road maintenance, reconstruction, and storm damage repair. The TCRF allocations were recorded in the Miscellaneous Grants Fund. The audit period was July 1, 2001, through June 30, 2007.

# Finding and Recommendation

**FINDING—  
TCRF not recorded in  
a proper account**

The city recorded the Traffic Congestion Relief Fund (TCRF) allocations in a Miscellaneous Grants Fund. Streets and Highways Code section 2182.2(b) states that funds received under this section shall be deposited into a local account that is designated for the receipt of state funds allocated for transportation purposes.

Recommendation

We recommend the city record the TCRF allocations either in a separate fund or in a transportation fund designated for street purposes only.

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