

CITY OF OXNARD

Audit Report

SPECIAL GAS TAX STREET IMPROVEMENT FUND

July 1, 2005, through June 30, 2006

TRAFFIC CONGESTION RELIEF FUND

July 1, 2000, through June 30, 2006



JOHN CHIANG
California State Controller

July 2008



JOHN CHIANG
California State Controller

July 9, 2008

The Honorable Thomas E. Holden
Mayor of the City of Oxnard
300 West Third Street
Oxnard, CA 93030

Dear Mayor Holden:

The State Controller's Office audited the City of Oxnard's Special Gas Tax Street Improvement Fund for the period of July 1, 2005, through June 30, 2006. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2000, through June 30, 2006.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, except for our adjustment to the Traffic Congestion Relief Fund. Our audit disclosed that the city understated the fund balance in its Traffic Congestion Relief Fund by \$9,045 as of June 30, 2006. The city understated the fund balance because it did not allocate interest to the Traffic Congestion Relief Fund for fiscal year 2005-06.

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: James Cameron, Finance Director
City of Oxnard

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Audit Report

Summary

The State Controller's Office audited the City of Oxnard's Special Gas Tax Street Improvement Fund for the period of July 1, 2005, through June 30, 2006. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2000, through June 30, 2006.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund and Traffic Congestion Relief Fund in compliance with requirements, except for our adjustment to the Traffic Congestion Relief Fund. Our audit disclosed that the city understated the fund balance in its Traffic Congestion Relief Fund by \$9,045 as of June 30, 2006. The city understated the fund balance because it did not allocate interest to the Traffic Congestion Relief Fund for fiscal year 2005-06.

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 (TCRF) 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 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 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 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 Oxnard 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, 2005, through June 30, 2006.

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, the Streets and Highways Code, and Revenue and Taxation Code section 7104 for the period of July 1, 2000, through June 30, 2006, except as noted in Schedule 1 and described in the Finding and Recommendation section of this report. The finding required an adjustment of \$9,045 to the city's accounting records.

Follow-Up on Prior Audit Findings

Our prior audit report, issued on January 12, 1999, disclosed no findings.

Views of Responsible Official

We issued a draft audit report on May 5, 2008. James Cameron, Finance Director, responded by telephone on June 12, 2008, agreeing with the audit results.

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

July 9, 2008

**Schedule 1—
Reconciliation of Fund Balance
July 1, 2005, through June 30, 2006**

	Special Gas Tax Street Improvement Fund ¹	Traffic Congestion Relief Fund ²
Beginning fund balance per city	\$ 710,044	\$ —
Revenues	<u>4,012,020</u>	<u>605,496</u>
Total funds available	4,722,064	605,496
Expenditures	<u>(4,060,194)</u>	<u>—</u>
Ending fund balance per city	661,870	605,496
Timing adjustment:		
Accrual of June 2006 highway users tax apportionment (Governmental Accounting Standards Board Statement No. 34)	315,821	237,891
SCO adjustment: ³		
Finding—Unallocated interest revenue	<u>—</u>	<u>9,045</u>
Ending fund balance per audit	<u>\$ 977,691</u>	<u>\$ 852,432</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 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.

² 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 Traffic Congestion Relief Fund. The audit period was July 1, 2000, through June 30, 2006.

³ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Unallocated interest
revenue**

The city did not credit the Traffic Congestion Relief Fund, a special revenue fund, during fiscal year (FY) 2005-06 for interest revenue earned, totaling \$9,045. Funds invested by the city should receive an equitable share of interest.

Pursuant to the State Controller's Office's Guidelines Relating to Traffic Congestion Relief Funds, section 390, and Streets and Highways Code section 2182.1(g), the city must expend allocations received (and any interest income earned) no later than the end of the fiscal year following the fiscal year in which the allocations were received.

Recommendation

The city should transfer \$9,045 into the Traffic Congestion Relief Fund for interest earned on investments made during FY 2005-06.

**State Controller's Office
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