

CITY OF MONTEREY PARK

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, 2014



BETTY T. YEE
California State Controller

March 2016



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California State Controller

March 14, 2016

The Honorable Peter Chan, Mayor
City of Monterey Park
320 West Newmark Avenue
Monterey Park, CA 91754

Dear Mayor Chan:

The State Controller's Office audited the costs claimed by the City of Monterey Park 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, 2014.

The city claimed \$1,446,812 for the mandated program. Our audit found that the entire amount is unallowable, because the city claimed reimbursement for costs not incurred and is not eligible to claim reimbursement after September 22, 2008. The State made no payments to the city.

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

cc: Annie Yaung, Controller
City of Monterey Park, Management Services
Amy Ho, Principal Management Analyst
City of Monterey Park, Department of Public Works
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Monterey Park 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, 2014.

The city claimed \$1,446,812 for the mandated program. Our audit found that the entire amount is unallowable, because the city claimed reimbursement for costs not incurred and is not eligible to claim reimbursement after September 22, 2008. The State made no payments to the city.

Background

The Los Angeles Regional Water Quality Control 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 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 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.

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Municipal Storm Water and Urban Runoff Discharges Program for the period of July 1, 2002, through June 30, 2014.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed the annual claims filed with the SCO to identify any mathematical errors and performed analytical procedures to determine any unusual or unexpected variances from year-to-year.
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained.
- Inquired whether the city realized any revenue from the statutes which created the mandated program or reimbursements from any federal, state, or non-local source.
- Assessed whether computer-processed data provided by the city to support claimed costs was complete and accurate and could be relied upon.
- Researched the city's location within the Los Angeles River Watershed and gained an understanding of the trash TMDL effective dates.
- Reviewed the city's contract with its waste hauler to gain an understanding of the costs incurred and then assessed the validity of such costs and their relationship to the mandated program.

Conclusion

Our audit found an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Schedule (Summary of Program Costs) and in the Finding and Recommendation section of this report.

For the audit period, the City of Monterey Park claimed \$1,446,812 for costs of the Municipal Storm Water and Urban Runoff Discharges Program. Our audit found that none of the costs claimed are allowable. The State made no payments to the city.

**Views of
Responsible
Officials**

We issued a draft audit report on February 24, 2016. On February 25, 2016, Annie Yaung, Controller, responded by email to state:

The City concurred with the State's audit finding in regards to the costs claimed to mandated Municipal Storm Water and Urban Runoff Discharges Program. There were several key Public Works' positions who have since retired and the City could not properly pull out the detailed records for the audit.

Restricted Use

This report is solely for the information and use of the City of Monterey Park, 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

March 14, 2016

Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2014

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Number of transit receptacles	× 104	× -	× (104)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 109,350</u>	-	<u>\$ (109,350)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Number of transit receptacles	× 104	× -	× (104)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 109,350</u>	-	<u>\$ (109,350)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Number of transit receptacles	× 104	× -	× (104)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 109,350</u>	-	<u>\$ (109,350)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Number of transit receptacles	× 104	× -	× (104)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 109,350</u>	-	<u>\$ (109,350)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 120,916</u>	-	<u>\$ (120,916)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 120,916</u>	-	<u>\$ (120,916)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ -	\$ 6.74
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 120,916</u>	-	<u>\$ (120,916)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.78	\$ -	\$ 6.78
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 121,633</u>	-	<u>\$ (121,633)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.80	\$ -	\$ 6.80
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total program costs	<u>\$ 121,992</u>	-	<u>\$ (121,992)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2011, through June 30, 2012</u>			
One-time activities:			
Salaries and benefits	\$ 1,637	\$ -	\$ (1,637)
Total one-time activities	<u>1,637</u>	<u>-</u>	<u>(1,637)</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	7.15	-	7.15
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total ongoing activities	<u>128,271</u>	<u>-</u>	<u>(128,271)</u>
Total program costs	<u>\$ 129,908</u>	<u>-</u>	<u>\$ (129,908)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2012, through June 30, 2013</u>			
One-time activities:			
Salaries and benefits	\$ 110	\$ -	\$ (110)
Materials and supplies	+ 10,545	+ -	+ (10,545)
Indirect costs	+ 9	+ -	+ (9)
Total one-time activities	<u>10,664</u>	<u>-</u>	<u>(10,664)</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	7.31	-	7.31
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total ongoing activities	<u>131,141</u>	<u>-</u>	<u>(131,141)</u>
Total program costs	<u>\$ 141,805</u>	<u>-</u>	<u>\$ (141,805)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2013, through June 30, 2014</u>			
One-time activities:			
Salaries and benefits	\$ 5	\$ -	\$ (5)
Total one-time activities	<u>5</u>	<u>-</u>	<u>(5)</u>
Ongoing activities:			
Reasonable reimbursement methodology factor	7.32	-	7.32
Number of transit receptacles	× 115	× -	× (115)
Annual number of trash pickups	× 156	× -	× (156)
Total ongoing activities	<u>131,321</u>	<u>-</u>	<u>(131,321)</u>
Total program costs	<u>\$ 131,326</u>	<u>-</u>	<u>\$ (131,326)</u>
Less amount paid by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>Summary: July 1, 2002, through June 30, 2014</u>			
One-time activities	\$ 12,306	\$ -	\$ (12,306)
Ongoing activities	1,434,506	-	(1,434,506)
Total program costs	\$ 1,446,812	-	\$ (1,446,812)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ -	

¹ See the Finding and Recommendation section.

Finding and Recommendation

FINDING — Unallowable costs

The city claimed \$1,446,812 in costs for the Municipal Storm Water and Urban Runoff Discharges Program. We found that none of the costs claimed are allowable because the city claimed reimbursement for costs not incurred and is not eligible to claim reimbursement after September 22, 2008.

Costs Not Incurred

The City of Monterey Park entered into agreement with Arakelian Enterprise, Inc. (Contractor), for the collection, processing, and disposal of solid waste, recyclables, and yard waste. The contract was specifically designed to meet the diversion requirements of the California Integrated Waste Management Act of 1989. The contract agreement term is for 15 years, from September 1, 2002, through September 1, 2017.

Section 5(e) of the agreement states:

At no cost to the City, the Contractor shall collect and dispose of all Solid Waste, Recyclables, Yard Waste, industrial waste, construction and demolition debris, and other compostable generated at premises owned and/or operated by the City, including, without limitation, all City parks and street trash receptacles (emphasis added).

In addition, section 5(j)(4) of the agreement states:

In providing the services under this Agreement, the Contractor shall at all times, at its sole cost, comply with the National Pollutant Discharge Elimination System's Storm Water Pollution Prevention Plan and all applicable regulations promulgated thereunder, (the "NPDES"), now in force...(emphasis added)

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 audit period.

Ineligible Claimant

The City of Monterey Park is not eligible to claim reimbursement after September 22, 2008. The city is located entirely (100%) within the Los Angeles River Watershed and is subject to the trash total maximum daily load (TMDL), which became effective on September 23, 2008. As such, the city does not maintain transit stops in areas not covered by the Los Angeles River trash TMDL requirements.

The parameters and guidelines (Section II. Eligible Claimants) state:

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:

Alhambra, Arcadia, Bell, Bell Gardens, Bradbury, Burbank, Calabasas, Carson, Commerce, Compton, Cudahy, Downey, Duarte, El Monte, Glendale, Hidden Hills, Huntington Park, Irwindale, La Canada Flintridge, Los Angeles (City), Los Angeles County, Lynwood, Maywood, Monrovia, Montebello, Monterey Park, Paramount, Pasadena, Pico Rivera, Rosemead, San Fernando, San Gabriel, San Marino, Santa Clarita, Sierra Madre, Signal Hill, Simi Valley, South El Monte, South Gate, South Pasadena, Temple City, and Vernon.

Recommendation

We recommend that the city ensure that all costs claimed are increased costs incurred as a result of implementing the mandated program. In addition, we recommend that the city ensure that it file reimbursement claims only for mandated programs for which it is an eligible claimant.

**State Controller's Office
Division of Audits
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