

CITY OF CARSON

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, 2011



BETTY T. YEE
California State Controller

August 2016



BETTY T. YEE
California State Controller

August 8, 2016

The Honorable Albert Robles, Mayor
City of Carson
701 East Carson Street
Carson, CA 90745

Dear Mayor Robles:

The State Controller's Office audited the costs claimed by the City of Carson 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, 2011.

The city claimed \$909,690 for the mandated program. Our audit found that none of the costs claimed are allowable because the city overstated ongoing costs and did not offset the restricted revenues used to fund the mandated activities. 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: Kathryn Downs, CPA, Director of Finance
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Carson 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, 2011.

The city claimed \$909,690 for the mandated program. Our audit found that none of the costs claimed are allowable because the city overstated ongoing costs and did not offset the restricted revenues used to fund 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 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 permit issued by the Board is adopted. On November 8, 2012, the Board adopted a new permit, Order No. R4-2012-0175, which became effective on December 28, 2012.

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 SCO 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, 2011.

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 claim preparation process to determine what information was used, who obtained it, and how it was obtained.
- 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 Dominguez Channel Watershed and gained an understanding of the Machado Lake trash TMDL effective date.
- Researched the city's location within the Los Angeles River Watershed and gained an understanding of the trash TMDL effective date.
- Reviewed the documentation provided to support the number of transit stops containing trash receptacles. Corroborated the supporting documentation with physical inspections of a number of current transit stops.
- Interviewed city staff to gain an understanding of the waste hauler's process in performing weekly transit stop trash collections.
- Determined whether the city realized any revenue from the statutes that created the mandated program or reimbursements from any federal, state, or non-local source.

Conclusion

Our audit found instances of noncompliance with program requirements. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, the City of Carson claimed \$909,690 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 July 15, 2016. On July 18, 2016, Kathryn Downs, Director of Finance, responded by email to state:

The City's Directors of Finance and Public Works have reviewed the Audit Report for the Municipal Storm Water and Urban Runoff Discharges Program July 1, 2002 through June 30, 2011. Management agrees with the findings of the report; which result in no adjustments, as the State made no payments to the City.

Restricted Use

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

August 8, 2016

Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Ongoing activities:				
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 210	× 210		
Annual number of trash collections	× 44	× 44		
Total ongoing costs	62,277	62,277	\$ -	
Less offsetting revenues and reimbursements	-	(62,277)	(62,277)	Finding 2
Total program costs	<u>\$ 62,277</u>	-	<u>\$ (62,277)</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	× 210	× 210		
Annual number of trash collections	× 52	× 52		
Total ongoing costs	73,600	73,600	\$ -	
Less offsetting revenues and reimbursements	-	(73,600)	(73,600)	Finding 2
Total program costs	<u>\$ 73,600</u>	-	<u>\$ (73,600)</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	× 210	× 210		
Annual number of trash collections	× 52	× 52		
Total ongoing costs	73,600	73,600	\$ -	
Less offsetting revenues and reimbursements	-	(73,600)	(73,600)	
Total program costs	<u>\$ 73,600</u>	-	<u>\$ (73,600)</u>	Finding 2
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	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Ongoing activities:				
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 210	× 210		
Annual number of trash collections	× 52	× 52		
Total ongoing costs	73,600	73,600	\$ -	
Less offsetting revenues and reimbursements	-	(73,600)	(73,600)	Finding 2
Total program costs	<u>\$ 73,600</u>	-	<u>\$ (73,600)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Ongoing activities:				
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 198	× 198		
Annual number of trash collections	× 52	× 52		
Total ongoing costs	69,395	69,395	\$ -	
Less offsetting revenues and reimbursements	-	(69,395)	(69,395)	Finding 2
Total program costs	<u>\$ 69,395</u>	-	<u>\$ (69,395)</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:				
July 1, 2007, through March 5, 2008:				
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 198	× 198		
Annual number of trash collections	× 74	× 37		
Total, July 1, 2007, through March 5, 2008	98,754	49,377	\$ (49,377)	
March 6, 2008, through June 30, 2008:				
Reasonable reimbursement methodology factor	6.74	6.74		
Number of transit receptacles	× 198	× 178		
Annual number of trash collections	× 30	× 15		
Total, March 6, 2008, through June 30, 2008	40,036	17,996	(22,040)	
Total ongoing costs	138,790	67,373	(71,417)	Finding 1
Less offsetting revenues and reimbursements	-	(67,373)	(67,373)	Finding 2
Total program costs	<u>\$ 138,790</u>	-	<u>\$ (138,790)</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	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Ongoing activities:				
July 1, 2008, through September 22, 2008:				
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 198	× 178		
Annual number of trash collections	× 26	× 13		
Total, July 1, 2008, through September 22, 2008	<u>34,697</u>	<u>15,596</u>	\$ (19,101)	
September 23, 2008, through June 30, 2009:				
Reasonable reimbursement methodology factor	6.74	6.74		
Number of transit receptacles	× 198	× 177		
Annual number of trash collections	× 78	× 39		
Total, September 23, 2008, through June 30, 2009	<u>104,093</u>	<u>46,526</u>	(57,567)	
Total ongoing costs	138,790	62,122	(76,668)	Finding 1
Less offsetting revenues and reimbursements	<u>-</u>	<u>(62,122)</u>	<u>(62,122)</u>	Finding 2
Total program costs	<u>\$ 138,790</u>	-	<u>\$ (138,790)</u>	
Less amount paid by the State		<u>-</u>		
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				
	× 198	× 177		
Annual number of trash collections				
	× 104	× 52		
Total ongoing costs	139,613	62,403	\$ (77,210)	Finding 1
Less offsetting revenues and reimbursements	<u>-</u>	<u>(62,403)</u>	<u>(62,403)</u>	Finding 2
Total program costs	<u>\$ 139,613</u>	-	<u>\$ (139,613)</u>	
Less amount paid by the State		<u>-</u>		
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				
	× 198	× 177		
Annual number of trash collections				
	× 104	× 52		
Total ongoing costs	140,025	62,587	\$ (77,438)	Finding 1
Less offsetting revenues and reimbursements	<u>-</u>	<u>(62,587)</u>	<u>(62,587)</u>	Finding 2
Total program costs	<u>\$ 140,025</u>	-	<u>\$ (140,025)</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	Reference ¹
<u>Summary: July 1, 2002, through June 30, 2011</u>				
Total ongoing costs	\$ 909,690	\$ 606,957	\$ (302,733)	
Less offsetting revenues and reimbursements	-	(606,957)	(606,957)	
Total program costs	<u>\$ 909,690</u>	-	<u>\$ (909,690)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated ongoing maintenance costs

The city claimed \$909,690 for the ongoing maintenance of transit stop trash receptacles for the audit period. We found that \$606,957 is allowable and \$302,733 is unallowable. The costs are unallowable because the city overstated the number of trash receptacles and the number of annual trash collections.

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

Overstated number of trash receptacles

For the period of July 1, 2008, through June 30, 2011, the city claimed reimbursement for the ongoing maintenance of 198 trash receptacles. We found that the city overstated the number of transit stop trash receptacles, as follows:

- Machado Lake trash TMDL – Effective March 6, 2008, the Machado Lake became a trash TMDL. As such, the city is no longer eligible to claim reimbursement for the ongoing maintenance of 20 trash receptacles located within this trash TMDL. Therefore, the amount claimed, totaling \$46,310 is unallowable.
- Los Angeles River Watershed trash TMDL – Effective September 23, 2008, the Los Angeles River Watershed became a trash TMDL. As such, the city is no longer eligible to claim reimbursement for the ongoing maintenance of one trash receptacle located within this TMDL. Therefore, the amount claimed, totaling \$1,938, is unallowable.

The parameters and guidelines, section II. Eligible Claimants, state:

Local agency permittees identified in the Los Angeles Regional Water Quality Control Board Order No. 01-182, Permit CAS004001 that are *not* subject to a trash TMDL are eligible to claim reimbursement for the mandated activities.

Overstated number of annual trash collections

For the period of July 1, 2007, through June 30, 2011, the city claimed reimbursement for two weekly trash collections, totaling 104 annual collections. We found that one weekly collection, totaling 52 annual collections, is allowable, resulting in an audit adjustment of \$254,485.

During audit fieldwork, the city provided us with a city-wide map highlighting the trash collection days by area. The map documented that trash was collected once a week throughout the city. In addition, the information identified on this map was corroborated by staff in the Department of Public Works, who confirmed that trash was collected throughout the city only once per week.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012, with the adoption of a new permit.

**FINDING 2—
Unreported offsetting
revenues and
reimbursements**

The city did not offset any revenues or reimbursements on its claim forms for the audit period. We found that the city should have offset \$606,957 in restricted funding used to pay for the ongoing maintenance of transit stop trash receptacles during the audit period.

As specified in Finding 1, we found that \$606,957 for the ongoing maintenance of transit stop trash receptacles is allowable. The ongoing maintenance costs are recorded in the Proposition A Local Return Fund, a Special Revenue Fund Type. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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 Proposition A tax is designated for the Local Return Program to be used by cities in developing and/or improving public transit and related transportation infrastructure. Local return funds are distributed monthly to cities based on a per capita basis.

The Proposition A Local Return Guidelines, section II. Project Eligibility, identify 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

We confirmed that there were no General Fund transfers into the Proposition A Local Return Fund during the audit period. 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 general funds to pay for the mandated activities.

The parameters and guidelines, section VIII. Offsetting Revenues and Reimbursements, state:

Any offsetting revenue the claimant experiences in the same program as a result of the same statues 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.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012, with the adoption of a new permit.

**State Controller's Office
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