



BETTY T. YEE
California State Controller

September 29, 2016

Ryan Carey, Budget Manager
City of Cerritos
18125 Bloomfield Avenue
Cerritos, CA 90703

Dear Mr. Carey:

The State Controller's Office performed a desk review of costs claimed by the City of Cerritos 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, 2012. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to verifying the number of bus stop trash receptacles maintained by the city.

The city claimed \$483,793 for the mandated program. Our review found that \$423,081 is allowable and \$60,712 is unallowable. The costs are unallowable because the city overstated the number of trash receptacles it maintained, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the city. The State will pay \$423,081, contingent upon available appropriations.

We informed Edwin Malonzo, Acting Accounting Supervisor, of the review finding during a telephone conference call on September 8, 2016. Mr. Malonzo expressed his agreement with the finding.

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 Audit

JVB/rg

Attachments

RE: S17-MCC-9002

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cc: Edwin Malonzo, Acting Accounting Supervisor
City of Cerritos
Mary Halterman, Principal Program Budget Analyst
Local Government Unit, California Department of Finance
Danielle Brandon, Staff Finance Budget Analyst
Local Government Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2002, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ (6.74)
Number of trash receptacles	× 137	× 83	× (54)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,016</u>	29,090	<u>\$ (18,926)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 29,090</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ (6.74)
Number of trash receptacles	× 137	× 83	× (54)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,016</u>	29,090	<u>\$ (18,926)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 29,090</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ (6.74)
Number of trash receptacles	× 137	× 83	× (54)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,016</u>	29,090	<u>\$ (18,926)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 29,090</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ (6.74)
Number of trash receptacles	× 137	× 136	× (1)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,016</u>	47,665	<u>\$ (351)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,665</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ (6.74)
Number of trash receptacles	× 137	× 136	× (1)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,016</u>	47,665	<u>\$ (351)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,665</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ (6.74)
Number of trash receptacles	× 137	× 136	× (1)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,016</u>	47,665	<u>\$ (351)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,665</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.74	\$ 6.74	\$ (6.74)
Number of trash receptacles	× 137	× 136	× (1)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,016</u>	47,665	<u>\$ (351)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,665</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.78	\$ 6.78	\$ (6.78)
Number of trash receptacles	× 137	× 136	× (1)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,301</u>	47,948	<u>\$ (353)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,948</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 6.80	\$ 6.80	\$ (6.80)
Number of trash receptacles	× 137	× 134	× (3)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 48,443</u>	47,382	<u>\$ (1,061)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 47,382</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Ongoing activities:			
Reasonable reimbursement methodology factor	\$ 7.15	\$ 7.15	\$ (7.15)
Number of trash receptacles	× 137	× 134	× (3)
Annual number of trash collections	× 52	× 52	× (52)
Total program costs	<u>\$ 50,937</u>	49,821	<u>\$ (1,116)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 49,821</u>	
<u>Summary: July 1, 2002, through June 30, 2012</u>			
Total program costs	<u>\$ 483,793</u>	\$ 423,081	<u>\$ (60,712)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 423,081</u>	

¹ See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2002, through June 30, 2012

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 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 (NPDES) permit issued by the Board is adopted. On November 8, 2012, the Board adopted a new NPDES 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 State Controller's Office issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

FINDING—

Overstated number of trash receptacles

The city claimed \$483,793 for the ongoing maintenance of the transit stop trash receptacles for the review period. We found that \$423,081 is allowable and \$60,712 is unallowable. The costs are unallowable because the city overstated the number of trash receptacles it maintained.

The city claimed reimbursement for 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, thereafter, 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.

The city claimed reimbursement for the maintenance of 137 trash receptacles for each fiscal year in the review period. To support the amounts claimed, the city provided a Street Furniture Implementation Plan approved by city council on March 7, 2005. The plan included a survey of

the amenities present at each bus stop prior to the plan's implementation, which was 83 bus stop trash receptacles. The plan also stated that the city would have 136 bus stop trash receptacles upon completion of the project in FY 2005-06. In addition, the city provided a geographical map of the transit stop locations, dated December 11, 2009, showing a total of 134 bus stops located within the city jurisdiction. As such, we found that the city overstated the number of trash receptacles it maintained for each fiscal year in the review period.

The following table summarizes the number of trash receptacles claimed and allowable, and the audit adjustment calculation:

Fiscal Year	No. of Trash Receptacles Claimed	No. of Trash Receptacles Allowable	Audit Adjustment			
			Unallowable No. of Trash Receptacles	Annual No. of Trash Collections	RRM	Total
2002-03	137	83	(54)	52	\$ 6.74	\$(18,926)
2003-04	137	83	(54)	52	6.74	(18,926)
2004-05	137	83	(54)	52	6.74	(18,926)
2005-06	137	136	(1)	52	6.74	(351)
2006-07	137	136	(1)	52	6.74	(351)
2007-08	137	136	(1)	52	6.74	(351)
2008-09	137	136	(1)	52	6.74	(351)
2009-10	137	136	(1)	52	6.78	(353)
2010-11	137	134	(3)	52	6.80	(1,061)
2011-12	137	134	(3)	52	7.15	(1,116)
Total	1,370	1,197	(173)			\$(60,712)

The parameters and guidelines, section VII. Records Retention, state:

Local agencies must retain documentation which supports the reimbursement of the maintenance costs identified in Section IV.B. of these parameters and guidelines during the period subject to audit, including documentation showing the number of trash receptacles in the jurisdiction and the number of trash collections or pickups.

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.