

1. INCORRECT REDUCTION CLAIM TITLE

City of Lakewood, Municipal Storm Water & Urban Runoff

Discharge Program

2. CLAIMANT INFORMATION

City of Lakewood

Name of Local Agency or School District

Mr. Jose Gomez

Claimant Contact

Finance Director

Title

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3. CLAIMANT REPRESENTATIVE INFORMATION

Claimant designates the following person to act as its sole representative in this incorrect reduction claim. All correspondence and communications regarding this claim shall be forwarded to this representative. Any change in representation must be authorized by the claimant in writing, and sent to the Commission on State Mandates.

Annette S. Chinn

Claimant Representative Name

President

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IRC #:

20-0304-I-07

4. IDENTIFICATION OF STATUTES OR EXECUTIVE ORDERS

Please specify the subject statute or executive order that claimant alleges is not being fully reimbursed pursuant to the adopted parameters and guidelines.

Municipal Storm Water & Urban Runoff Discharges Prog. (Los Angeles Regional Water Quality Control Board, Order No.02-182, Permit CAS004001, Part 4FSc3)

5. AMOUNT OF INCORRECT REDUCTION

Please specify the fiscal year and amount of reduction. More than one fiscal year may be claimed.

Fiscal Year	Amount of Reduction	Fiscal Year	Amount of Reduction
2002-03	\$ 52,572	2008-09	\$ 112,893
2003-04	\$ 52,572	2009-10	\$ 81,089
2004-05	\$ 68,343	2010-11	\$ 81,328
2005-06	\$ 93,619	2011-12	\$ 85,514
2006-07	\$ 68,343	2012-13	\$ 43,714
2007-08	\$ 68,343		
TOTAL:			\$ 808,329

this claim.

Yes, this claim is being filed with the intent to consolidate on behalf of other claimants.

Sections 7 through 11 are attached as follows:

7. Written Detailed

Narrative:

pages 3 to 17

8. Documentary Evidence and Declarations:

Exhibit A-G.

9. Claiming Instructions:

Exhibit H

10. Final State Audit Report or Other Written Notice of Adjustment:

Exhibit 1.

11. Reimbursement Claims:

Exhibit 2.

SECTION 7

Written Detailed Narrative

Section 7: Written Detailed Narrative

The State issued first time claiming instructions for the newly approved Municipal Storm Water and Urban Runoff Discharges program (Los Angeles Regional Water Quality Control Board Order No. 01-182, Permit CAS004001, Part 4F5c3) in May, 2011. The mandated required 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."

The City of Lakewood submitted timely claims for reimbursement for the eligible fiscal years of FY 2002-03 through FY 2010-11 in September, 2011. (Attached in Exhibit 2) Over the following two years, the City submitted its annual claim for this program for Fiscal 2011-12 and FY 2012-13 costs in accordance with the State Controller's Office claiming instructions.

The State Controller's Office (SCO) began the audit in May, 2016 and issued its final report on November 27, 2017.

The City does not dispute:

- The disallowance of the \$4,114 reduction due to receipt of a Federal Grant to pay for purchase of a trash receptacle in FY 2008-09.
- The reduction of eligible trash receptacles from 237 units claimed to 230 units allowed by the SCO for Fiscal Years 2009-10 through 2012-13.
- And the City agrees that only half of fiscal year costs for FY 2012-13 should have been claimed, as the stormwater permit expired on December 27, 2012 .

The City has two items of dispute regarding the Audit findings.

FINDING 1: Ongoing Maintenance Costs - Frequency of Receptacle Maintenance

The City provided the SCO auditor with multiple forms of documentation including emails from 2011 between maintenance staff and management which stated that receptacles were emptied on the first and last day of the week, the signed statements from city staff attesting to the validity of the maintenance schedule, and a field survey/study completed for the auditor to show trash collection routes to support the number of trash collections/pickup frequency. (see Exhibits C and D).

SCO auditor however did not accept these forms of documentation and instead asked for " ...source documents maintained during the audit period, such as policy and procedure manuals regarding trash activities, duty statements of the employees performing weekly trash

collection activities, and/or trash collection route maps. As the documentation provided was not contemporaneous and was not created during the audit period, we found that the city did not provide sufficient source documentation to support two weekly trash collection activities, totaling 104 annual collections."

SCO instead allowed the minimum of once weekly trash receptacle maintenance explaining that, " ... during audit fieldwork, we physically observed a number of the trash receptacles located throughout the city and confirmed that the city is currently performing trash collection activities."

1) The Parameters and Guidelines and Claiming Instructions

Claiming Instructions for this program were released in May, 2011 (see Exhibit H) and initially covered the FY 2002-03 through FY 2010-11 period. The instructions specified two distinct claiming methods - one related to "one-time costs" under Section IV. A, related to purchase and installation of receptacles", and another for "on-going maintenance costs."

- Under Section IV. A. one-time costs related to purchase and installation of receptacles are to be claimed using the "Actual Cost Method" which requires, "cost must be supported by source documentation "and under "Salaries and Benefits" it is required that costs are identified by "each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed."
- Under Section IV.B. - ongoing activities related to maintaining receptacles and pads, costs are reimbursed under a "reasonable reimbursement methodology" (RRM). Here "actual costs" are defined as those costs actually incurred to implement the mandated activities. The section further states, actual costs must be **traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual costs were incurred for the event or activity in question.** Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts."

"VI. CLAIM PREPARATION AND SUBMISSION OF THE REASONABLE REIMBURSEMENT METHODOLOGY FOR THE ACTIVITIES IDENTIFIED IN SECTION IV.B

Direct and Indirect Costs

The Commission is adopting a reasonable reimbursement methodology to reimburse eligible local agencies for all direct and indirect costs for the on-going activities identified in section IV.B of these parameters and guidelines to maintain trash receptacles. (Gov. Code, §§ 17557, subd. (b) & 17518.) The RRM is in lieu of filing detailed documentation of actual costs... each trash collection or 'pickup' is multiplied by the annual number of trash collections..."

Further instructions state in "VII. RECORDS RETENTION, SECTION B", "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."

2) 2011 emails between staff constitute an eligible form of contemporaneous documentation

The City contends that the emails provided to the auditor showing conversations between line and supervisory staff in 2011 which specified transit trash receptacles were emptied on the first and last day of the week (see Exhibits C and D) was an acceptable form of documentation.

SCO states a source document is "a document created at or near the same time the actual costs were incurred for the event or activity in question." (Pages 13-14, Audit Report). The SCO continues, "the audit period began in 2002" and "the 2011 email document was not created at or near that date."

First, the SCO fails to mention that the mandate was still active at the time of the 2011 email communications and secondly, that 2011 was the first-time claiming instructions were released for this program. Initial claiming instructions specified that claims for fiscal year 2010-2011 were due on February 15, 2012, thus the actual schedule was known and being contemporaneously performed at the time of the emails. In addition to denying FY 2002-03 through FY 2009-10 twice weekly pickups, the SCO also denied the City its actual costs for FY 2010-11, 2011-12 and 2012-13 - a time frame where the twice weekly pickups were actively being performed and the 2011 would have been "created at or near the same time actual costs were incurred".

Federal Government Accounting Standards manual (GAO Governmental Auditing Standards manual attached in Exhibit G) Section 3.92 on Page 52, states, "Source documents include those providing evidence that transactions have occurred..." Section 5.28 on page 88 states, "Documentation of policies and procedures, as well as compliance with those policies and procedures, may be either electronic or manual. For example, large audit organizations may use electronic databases to document matters Smaller organizations may use more informal methods in the documentation of their systems of quality control, such as manual notes, checklists, and forms."

Claiming instructions broadly define a contemporaneous document as one that shows that:

the costs were actually incurred to implement the mandated activities
they were traceable, and
were produced "at or near the same time that the actual costs were incurred".

Claiming Instructions were released on May 31, 2011 and the Reasonable Reimbursement Methodology language only states, "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." There is no description or list of type of documents in the instructions. Nor is there mention of any of the detailed and specific documents that SCO was requiring during the audit to prove collection frequency.

They City believes that documentation provided satisfied the requirements of the Claiming Instructions, Parameters and Guidelines, and the Federal GAO Audit Guidelines. The additional types of documents the SCO was requiring as a condition to receive full reimbursement (Policy and Procedure manuals regarding exact trash collection activities and schedules, Duty Statements for employees performing weekly trash collection activities which show exactly when and how often each individual receptacle is serviced, and/or GPS trash collection route maps City employees followed when collecting the transit stop trash receptacles to prove cleaning schedules) were not enumerated, nor required, in the claiming instructions and exceed Claiming Instruction guidelines and Federal GAO Audit standards. Requiring them as a condition to receive full reimbursement would be arbitrary and capricious.

3) The documentation/records requested by the SCO to support maintenance frequency are not types of records commonly maintained by local agencies.

SCO's detailed and specific documentation requirements directly contradict the stated purpose of the RRM, which was to provide a simplified method in lieu of filing detailed documentation of actual costs.

The State Controller's Office could have included a list of the types of documentation they thought would be necessary during the development of the Parameters and Guidelines and the Claiming Instructions (and again when they reissued the instructions in 2015); yet, they did not do so.

The City explained that the types of document requested by the SCO were not maintained by the City. While the City had job descriptions (showing that trash collection/maintenance was among their job duties) and time sheets for maintenance employees (showing hours worked per week), these reports did not specify the exact location and frequency each trash pickup was performed by employee.

During the audit, City staff contacted several neighboring cities who had been audited and our consultant (Cost Recovery Systems) reviewed (in May, 2017) the other published audits for this program on the SCO website. The result was that NONE of the other cities that performed their own trash receptacle maintenance in-house were able to provide type types of documentation the SCO was requesting in order to support a pickup frequency that exceeded once per month.

When City staff asked the SCO to provide names of cities or examples of documentation which other jurisdictions were able to provide them that were acceptable in supporting more than once weekly pickups, the SCO declined to respond and stated in their Audit Report, "It is not the SCO's responsibility to provide the City of Lakewood with examples of documentation that neighboring cities maintained for the mandate program."

It is our belief that the SCO declined to respond because there were no examples to provide as there were no agencies that did their own waste collection internally that were able to satisfy SCO documentation requirements.

Of those 32 audits examined, not a single agency that performed their own trash maintenance function was able to obtain reimbursement in excess of one time per week. Only agencies that had contracts with outside waste service provider were able to obtain reimbursement in excess

of one pickup per week because the frequency and location of trash collections were specified in the written agreements. This statistic contradict SCO's assertion that the types of documentation they were requesting to support costs were "commonly maintained by cities".

The State Mandate became operative in 2002. Neither the Parameters and Guidelines adopted in May, 2011 nor the revised instructions released in July, 2015 listed the specific, non-standard types of documentation requested by the State Controller during the audit. Further this cost component was to be claimed using a simplified Reasonable Reimbursement Methodology. Late 2011 was the first-time local agencies were even notified this would be a reimbursable program.

Because there was no advanced notification or listing of the specific types of documentation the SCO would be requiring as a condition to obtain reimbursement, it was unreasonable and unrealistic to expect agencies to have those very specific, and non-typical, types of documents the SCO was requiring as proof of maintenance frequency prior to instruction release in 2011. To demand very specific types of reports over ten years after the program was already in effect and without advanced notice is unfair and denies local agencies of actual, constitutionally required reimbursement of mandated costs.

Since no city which performed the trash maintenance/collection service with city staff was able to obtain reimbursement in excess of one-weekly pickup; it is our belief that the type of "proof" the SCO asked for from agencies was excessive, unreasonable, constituted "underground rulemaking", which resulted in an unfair reduction of allowable reimbursement.

It is not local agency's fault that it took over a decade to have claiming instructions released, then that those claiming instructions did not include a list of types of documentation that would be required by the SCO to support their costs, and finally that they would be notified of these types of detailed, non-standard forms of documentation during an audit 15 years after the fact.

4) The SCO request for new material retroactively violates Due Process

Although the Parameters and Guidelines are regulatory in nature, due process requires that a claimant have reasonable notice of any law that affects their substantive rights and liabilities.¹

¹ *In re Cindy B.* (1987) 192 Cal.App.3d 771, 783-784; *Clovis Unified School Dist. v. Chiang* (2010) 188 Cal.App.4th 794, 804-805.

Thus, if provisions in parameters and guidelines affect substantive rights or liabilities of the parties that change the legal consequences of past events, then the application of those provisions may be considered unlawfully retroactive under due process principles.² Provisions that impose new, additional, or different liabilities based on past conduct are unlawfully retroactive.³

Neither the Parameters and Guidelines adopted in May, 2011 nor the revised instructions released in July, 2015 listed the specific, non-standard types of documentation requested by the State Controller during the audit. Further, this cost component was to be claimed using a simplified Reasonable Reimbursement Methodology.

In the *Clovis Unified School Dist. v. Chiang* case, the court addressed the Controller's use of the Contemporaneous Source Documentation Rule (CSDR) in audits before the rule was included in the parameters and guidelines, finding that the rule constituted an underground regulation. The court recognized that "it is now physically impossible to comply with the CSDR's requirement of contemporaneousness..."⁴ The Controller, however, requested that the court take judicial notice that the Commission adopted the contemporaneous source document rule by later amending the parameters and guidelines. The court denied the request and did not apply the CSDR, since the issue concerned the use of the rule in earlier years, when no notice was provided to the claimant. The court stated:

We deny this request for judicial notice. This is because the central issue in the present appeal concerns the Controller's policy of using the CSDR during the 1998 to 2003 fiscal years, when the CSDR was an underground regulation. This issue is not resolved by the Commission's subsequent incorporation of the CSDR into its Intradistrict Attendance and Collective Bargaining Programs' P & G's. (Emphasis in original.)⁵

Therefore, the SCO request for these specific forms of documentation as a condition for receipt of full reimbursement, particularly for the fiscal years 2002-2003 through 2010-11 when agencies did not even know these costs would be reimbursable, is incorrect.

² *Department of Health Services v. Fontes* (1985) 169 Cal.App.3d 301, 304-305; *Tapia v. Superior Court* (1991) 53 Cal.3d 282; 287-292; *Murphy v. City of Alameda* (1993) 11 Cal.App.4th 906, 911-912.

³ *City of Modesto v. National Med, Inc.* (2005) 128 Cal.App.4th 518, 527.

⁴ *Clovis Unified School Dist. v. Chiang* (2010) 188 Cal.App.4th 794, 804-805.

⁵ *Clovis Unified School Dist. v. Chiang* (2010) 188 Cal.App.4th 794, 809, fn. 5.

5) Twice-weekly Trash receptacle maintenance frequency claimed was reasonable.

Claiming Instructions under the RRM specify that frequency of trash pick-ups are limited to no more than three times per week. Thus, the City's request (of twice weekly) is well within "reasonable" standards established under the instructions and supported by actual documentation.

The City of Lakewood, located only 23 miles from Los Angeles, has a population of approximately 80,000 residents. Lakewood has one of the largest retail malls in the region with over 2 million square feet of retail space. "The Lakewood Center is ranked among the largest retail shopping malls by gross leasable area in the United States."
(<https://www.malls.com/us/malls/lakewood-center.html>)

Retail land uses generate high pedestrian and transit traffic, which in turn generates more waste at receptacles that required more frequent cleaning. City Recreation and Community Services staff maintained and cleaned receptacles twice weekly.

The City's twice weekly maintenance of transit trash receptacles was reasonable and allowable under the Parameters and Guidelines Reasonable reimbursement methodology which limit pickups to no more than 3 time per week.

For the foregoing reasons the City requests restoration of annual number of trash collection frequency of twice weekly as claimed.

FINDING 2: Unreported Offsetting Revenues

The SCO concludes in its audit that the City should have deducted \$73,940 from the claims as offsetting revenues because they used \$69,826 from Los Angeles County Proposition A funds and \$4,114,16 from a Federal Grant to pay for the purchase of mandated transit trash receptacles. The City agrees that \$4,114,16 received from the Federal Grant to pay for the purchase of trash receptacles should have been deducted from amounts claimed. However, disputes that the \$69,826 from Proposition A funding should have had to be offset/deducted from the claims.

1) The SCO's offset of a local sales and use tax against the City's claims is unconstitutional.

Article XIII B, section 6(a) of the California Constitution provides in pertinent part:

Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse that local government for the cost of the program or increased level of service

As the California Supreme Court set forth in *County of Fresno v. State of California* (1991) 53 Cal.3d 482, article XIII B, section 6 was added to the Constitution through the adoption of Proposition 4, an initiative measure. Article XIII B places limitations on the ability of both state and local governments to appropriate funds for expenditures. *Id.* at 486.

Article XIII B was a complement to article XIII A, which was added to the Constitution through adoption of Proposition 13 the year before. *Id.* "Articles XIII A and XIII B work in tandem, together restricting California governments' power both to levy and to spend [taxes] for public purposes." *Id.*, quoting *City of Sacramento v. State of California* (1990) 50 Cal.3d 51, 59, n. 1.

As the Supreme Court further set forth in *County of Fresno*, article XIII B, section 6 is meant to protect taxes received by local governments. "Specifically, it was designed to protect the tax revenues of local governments from state mandates that would require expenditure of such revenues." *Id.* at 487. In *County of Fresno*, the Supreme Court upheld the facial constitutionality of Government Code § 17556(d), which directs the Commission on State Mandates to find the absence of costs mandated by the state where a local agency or school district has the authority to levy service charges, fees or assessments sufficient to pay for the mandated program or increased level of service. The Supreme Court held that Government Code § 17556(d) was constitutional because article XIII B, section 6 requires reimbursement only for those expenses that are funded from taxes. *County of Fresno*, 53 Cal.3d at 487.

Here, the SCO disallowed \$69,826 of the City's claim on the grounds that the City had used funds from Proposition A, a local sales and use tax. The SCO based its reasoning on the grounds that the Proposition A tax is a supplementary sales tax whose use is restricted. (Final Audit Report, page 15).

The SCO's offset was unconstitutional. Article XIII B, section 6 requires the State to provide a subvention of fund whenever a state agency mandates a new program or higher level of service. The Supreme Court in *County of Fresno* made clear that this section is designed "to protect the tax revenues of local governments from state mandates that would require expenditure of such revenues." 53 Cal.3d at 487.

Article XIII B, section 6 does not distinguish between general and "restricted" taxes. Neither did the Supreme Court in deciding County of Fresno. No case has ever made that distinction. The SCO is seeking to write into article XIII B, section 6 a limitation that does not exist.

There is good reason why no such distinction exists. There is no difference between a city using local sales tax monies to install trash receptacles, receiving a subvention of funds, and then using those funds for other general purposes, and using Proposition A local sales tax revenues to install trash receptacles, receiving a subvention of funds, and then using those funds for other public transit purposes. In both cases the State has mandated the expenditure of funds for a program the State believes should be implemented in lieu of other programs the City may believe should have priority.

The intent of Article XIII B, section 6 is to protect local agencies' tax revenues from state mandates that would require expenditure of such revenues. This purpose is present whether a city spends unrestricted tax revenue or restricted tax revenue. The State is still requiring the expenditure of local tax revenue for programs that the State deems necessary, shifting the financial responsibility for those programs onto local agencies, and precluding their use of those funds for the city's priorities.

In Finding 2 of its Final Audit, the SCO has added a new requirement that is not founded on the Constitution. The SCO's offset of sale and use tax revenue from Proposition A is unconstitutional and should be disallowed by the Commission.

2) The Commission adhered to the purpose and intent of Article 111B. Section 6 when it adopted Parameters and Guidelines; SCO, did not.

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 statute 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.

In adopting Section VIII, the Commission acted consistent with the purpose and intent of article XIII B, section 6. Section VIII provides that offsetting revenue from the same program shall be deducted, as required by Government Code § 17556(e). Government Code sections 17556(e) and 17570 3.(d)(I)(D) define funding sources as those "additional revenues specifically intended to fund the costs of the state mandate" ... and those "dedicated...for the program".

Section VIII also provides that "reimbursement for this mandate received from any federal, state, or non-local source shall be identified and deducted from this claim." As set forth above, section 6 was included in article XIII Bin recognition that article XIII A severely restricted the taxing powers of local governments, and was intended to preclude the state from shifting financial responsibility for carrying out governmental functions onto local agencies that were ill equipped to handle the task. County of Fresno, 53 Cal. 3d at 487.

The City did not experience any revenue in the same program as a result of the same statutes of executive orders found to contain the mandate. Nor did it receive any reimbursement specifically intended for or dedicated for this mandate, therefore it was not required to offset costs with those funds. The funding sources cited by the SCO were general in nature and the City did not have to use them for this specific purpose.

The Commission, in adopting Section VIII of the Ps and Gs, was consistent with this purpose and intent; it did not require that funds from local sales and use tax revenue, unrestricted or restricted, should also be deducted. To do so would have been to shift the operational and financial responsibility for implementation of a state-mandated governmental program and reduce the local sales tax revenue that would otherwise have been available to a city.

In contrast, the SCO's rationale in offsetting the use of Proposition A local sales and use tax revenue is inconsistent with the purpose and intent of article XIII B, section 6. Under the SCO's approach, the State could mandate a program, shift the financial burden of that program on to a local agency, and require the local agency to use its funds for the State's mandated program instead of other priorities, simply because the local sales tax used for that purpose was restricted in some way. That result is not consistent with either the purpose or intent of article XIII B, section 6, the protection of local tax revenue.

3) Proposition A funds are not a federal, state, or non-local source within the meaning of the Parameters and Guidelines.

The Proposition A program is funded by a one-half-cent sales and use tax approved by Los Angeles County voters in 1980 to provide monies for public transit activities. It is a local tax imposed on local citizens base on the sale of tangible personal property at every retailer in the County and upon the storage, use or other consumption in the County of tangible personal property purchased from any retailer for storage, use or other consumption in the County. Proposition A, set forth in the Los Angeles County Metropolitan Transportation Authority Administrative Code, sections 3-05-020 and 3-05-030. (attached in Exhibit A)

Proposition A ordinance provides that twenty-five percent of the sales tax revenue will be returned to local jurisdictions for local public transit purposes. These funds are generally referred to as "Local Return" (LR) program funds. Transit purposes are broadly defined and include a long list of different types of eligible projects and services.

Proposition A is not a "source other than taxes." Proposition A is a local tax, generated from sales tax imposed on local citizens; therefore, not a "federal, state or non-local" source that required to be deducted from the City's claims. It is a local tax whose diversion to pay the State-imposed trash receptacle mandate is as much a constraint on the funds available to the City as would have been the use of other, general funds.

By not providing reimbursement, this limits the funds the City has for transportation projects just as if the State had refused to reimburse City general funds used for this purpose

4) The City did not receive any reimbursement specifically intended for or dedicated for this mandate. Proposition A funds did not have to be expended for the Mandate Program.

The SCO seeks to justify its action on the grounds that, because the City was authorized to use Proposition A funds to install and maintain trash receptacles, the City did not have to rely on general funds to pay for these activities. The SCO also argued (Final Audit at page 18) that a "special, supplementary sales tax" is different for purposes of article XIII B, section 6 from an unrestricted sales tax.

As set forth above, however, neither article XIII B, section 6 nor the Ps and Gs make these distinctions. The SCO is seeking to write in requirements that are not present in either the constitution or the Ps and Gs that the SCO is bound to apply. The implementation of such requirements would result the City being mandated to expend local tax revenue on the State mandated trash receptacle obligations rather than on other transit programs of the City's choice. This is precisely what article XIII B, section 6 is meant to prevent.

Under guidelines adopted by the Metropolitan Transportation Authority the, funds could have been used for various transportation related City priorities such as street improvements, congestion management programs and supplementing local transit programs. Proposition A funds could have been used to fund other city priorities instead of purchasing and maintaining additional trash receptacles at transit locations had it not been mandated by the state. In addition, the city could have traded Proposition A funds to other cities and received General Fund dollars in return.

5) The City has the ability to pay back Proposition A funds if State Mandate reimbursement payments are received and then to use those funds for true city priorities, and not those mandated by the state.

It was entirely proper for the City to use Proposition A fund sales and use tax revenue to initially fund the installation of the trash receptacles. (Exhibit B, Local Return Guidelines at 7) The City could use these funds for the trash receptacles and then, should the City obtain a subvention of funds, use the funds for other transit projects.

As discussed above, the Local Return Guidelines provide that "Local Return funds may be used to advance a project which will subsequently be reimbursed by federal, state or local grant funding, or private funds, if the project itself is eligible under the Local Return Guidelines."

The City's use of Proposition A local tax funds pending receipt of subvention, is no different than use of other local tax funds pending receipt of subvention. The City has to expend funds for the mandated program, wait for reimbursement, and then after receiving reimbursement use the funds for other purposes. Here that would be other transit purposes that are a priority of the City. Contrary to the SCO's argument, the Local Return Guidelines do not preclude such use.

The guidelines specifically recognize the ability and intent to use the funds to advance projects pending the potential receipt of funds from another source, as long as the received funds are returned to the appropriate Local Return account and used for eligible transit purposes. As set forth in the Local Return Guidelines' Audit section, identifying areas that must be verified during an audit, the audit must require that "Where funds expended are reimbursable by other grants or fund sources, verification that the reimbursement is credited to the Local Return account upon receipt of reimbursement."¹¹ (Exhibit B, Local Return Guidelines, Section V.A, at 34 (emphasis added).

There would be no need for reference to verification that reimbursement from other sources is credited to the Local Return account if it was not anticipated that a city could receive reimbursement from such other sources. Thus, reimbursement not only from grant funds but also other "fund sources" was anticipated. The fact that the reimbursement is from a source other than a grant is not relevant.

Finally, being able to use Proposition A pending reimbursement is also consistent with the people's intent in adopting article XIII B, section 6. Government Code § 17556(d), as implemented by the Ps and Gs, excludes "expenses that are recoverable from sources other than taxes." County of Fresno, 53 Cal.3d at 487 (emphasis added).

To find differently would be contrary to article XIII, section 6, of the California Constitution. That section was adopted to protect local government's tax revenues. There would be no reduction of the City's claim if the City had used other sales tax revenue to pay for the installation and maintenance of the trash receptacles. Proposition A funds are no different. They are also derived from a one-half cent sales tax, no different from any other sales tax.

6) It would be arbitrary and capricious to find that the Parameters and Guidelines retroactively prohibited an advancement of Proposition A funds in a way that was lawful when those funds were advanced.

There is another reason why the SCO's reduction is erroneous. The SCO's application of the Ps and Gs also represents an unlawful retroactive application of those guidelines. The City commenced the advancement of Proposition A funds on or around FY 2005-06. As discussed above, at the time the City advanced the Proposition funds for the maintenance of the trash receptacles, the Proposition guidelines specifically provided that the City could advance these funds and then return them to this Proposition A account when the expenditures were reimbursed. The Parameters and Guidelines, on the other hand, were not adopted until March 24, 2011. It would be arbitrary and capricious to find that the Parameters and Guidelines retroactively prohibited an advancement of Proposition A funds in a way that was lawful when those funds were advanced.

In this regard, as a general rule a regulation will not be given a retroactive effect unless it merely clarifies existing law. *People ex rel. Deukmejian v. CHE, Inc.* (1983) 150 Cal.App.3d 123, 135. Retroactivity is not favored in the law. *Aktar v. Anderson* (1957) 58 Cal.A pp.4th 1166, 1179. Regulations that "substantially change the legal effect of past events" cannot be applied retroactively. *Santa Clarita Organization for Planning and the Environment v. Abercrombie* (2015) 240 Cal.A pp.4th 300, 315 n. 5.

That rule applies here. At the time the City advanced its Proposition A funds to use for the maintenance of the trash receptacles, it was operating under the understanding, consistent with Proposition A Guidelines, that the City could advance those funds and then return them to the Proposition A account for other use once the City obtained a subvention of funds from the state.

To retroactively apply the Parameters and Guidelines, adopted in 2011, to preclude a subvention, i.e., to now find that the City did not use its Proposition A fund as an advance only, substantially changes the legal effect of these past events. Such an application is arbitrary, capricious, and unlawful.

Local Return Guidelines recognize that Proposition A funds may be used pending reimbursement from other sources. There was nothing that precluded the City from using those funds and then repaying the Local Return account should reimbursement become available. There is nothing in Proposition A or the guidelines that indicate differently.

The SCO's offset of Proposition A funds against the expenses the City had incurred, if allowed, would be an unlawful retroactive application of the Ps and Gs.

For the foregoing reasons, the City requests restoration of to Proposition A funds reductions made by the SCO under "Offsetting Revenues and Reimbursements".

SECTION 8

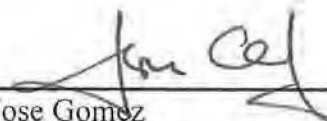
Documentary Evidence and Declarations

DECLARATION OF JOSE GOMEZ

I, Jose Gomez, do hereby declare as follows:

1. I am the Director of Finance & Administrative Services for the City of Lakewood and have serviced in this capacity since January 2018. As a part of my duties, I am responsible for overseeing the finances of the City, including the funding of activities and programs. Prior to my appointment to this position Ms. Diane Perkin served in this capacity and had the same duties and responsibilities.
2. I have personal knowledge of the matters set forth herein, and if called as a witness to testify, could and would testify competently thereto.
3. As a part of my duties as the Director, I am responsible through my staff for the preparation and submission of State Mandated Claims for reimbursement and associated documents. This responsibility includes recovery of the costs the City incurred in complying with the obligation to place and maintain trash receptacles at transit stops imposed by the Los Angeles Regional Water Quality Board in Order No. 01-182 (The "Stormwater Program")
4. Where the City used Proposition A funds to pay for the trash receptacle program, those funds were not available for other Proposition A eligible projects, including projects that would have otherwise been City priorities.
5. If funds are received by the City for these Municipal Storm Water and Urban Runoff Discharges Program claims for reimbursement, the City would be able to return the Proposition A funds to the Proposition A Local Return account and use those funds for other Proposition A projects that reflect City priorities.
6. Attached as Exhibit 2 to the Incorrect Reduction Claim is a true and correct copy of the Municipal Storm Water and Urban Runoff Discharges Program Claims submitted to the State Controller's Office for reimbursement.
7. Attached as Exhibit 1 to the Incorrect Reduction Claim is a true and correct copy of the Final Audit Report of the Municipal Storm Water and Urban Runoff Discharges Program.
8. I have examined the information and costs presented in this Incorrect Reduction Claim filed by the City and believe them to be true and correct.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct that that this declaration was executed on October 15, 2020 in Lakewood, California.



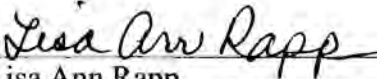
Jose Gomez
Director of Finance & Administrative Services
City of Lakewood

DECLARATION OF LISA ANN RAPP

I, Lisa Ann Rapp, do hereby declare as follows:

- 1) I am the Director of Public Works for the City of Lakewood. I have been employed by the City in this capacity since May 1996.
- 2) I have personal knowledge of the matters set forth herein, and if called as a witness to testify, could and would testify competently thereto.
- 3) As part of my duties, I am, and have been directly involved and have personal knowledge of the City's Storm Water and Transit Trash receptacle program mandated by California Regional Water Quality Board for the Los Angeles Region issued Order Number 01-182 in connection with the National Pollution Discharge Elimination System (NPDES) Permit CAS004001, process, and activities which were required by (referred to as the Municipal Storm Water program). I was directly involved in both the audit and the preparation of the City's Municipal Storm Water and Urban Runoff Discharges claims.
- 4) The cost submitted complied with the State Mandate requirements established by the California Regional Water Quality Board for the Los Angeles Region issued order number 01-182 in connection with Municipal Storm Water Program.
- 5) The City used Proposition A funds to pay for the transit trash receptacles program as mandated by the State Permit. However, if the city had not required to do so by the State mandate, the City could have used that money for other purposes, such as building more shelters and benches, or even trading the Proposition A funds to another city for General Funds.
- 6) If funds are received from the State for these Municipal Storm Water claims, the City would be able to repay the Proposition A funds and use that revenue for true City priorities and projects.
- 7) Attached hereto as Exhibit A is a copy of Proposition A, adopted by the electorate.
- 8) Attached hereto as Exhibit B is a copy of the Proposition A and Proposition C Local Return Guidelines. This copy was downloaded on September 23, 2020 from the Metropolitan Transportation website, http://media.metro.net/images/lr_guide.pdf

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on September 29, 2020 in Lakewood, California.



Lisa Ann Rapp
Director of Public Works
City of Lakewood

DECLARATION OF KONYA VIVANTI

I, Konya Vivanti, do hereby declare as follows:

- 1) I am the Environmental Program Manager in the Public Works Department for the City of Lakewood. I have been employed by the City in this capacity since September 2006.
- 2) I have personal knowledge of the matters set forth herein, and if called as a witness to testify, could and would testify competently thereto.
- 3) As part of my duties, I am, and have been directly involved and have personal knowledge of the City's Storm Water and Transit Trash receptacle program mandated by California Regional Water Quality Board for the Los Angeles Region issued Order Number 01-182 in connection with the National Pollution Discharge Elimination System (NPDES) Permit CAS004001, process, and activities which were required by (referred to as the Municipal Storm Water program).
- 4) I was directly involved in both the audit and the preparation of the Municipal Storm Water and Urban Runoff Discharges claims. I was able to locate copies of 2011 emails between myself and Phillip Lopez, Park Superintendent and Kerry Musgrove, then Environmental Resources Supervisor to ascertain the city's twice weekly maintenance schedule. This information was obtained in 2011 to prepare the City's State Mandate Claims for State reimbursement and was provided to the State Controller's Office during the audit of these claims. A true and correct copy of this email is attached to this Incorrect Reduction Claim in Exhibit C.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on September 29, 2020 in Lakewood, California.



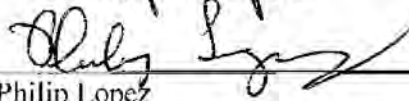
Konya Vivanti
Environmental Program Manager
Public Works Department
City of Lakewood

DECLARATION OF PHILIP LOPEZ

I, Philip Lopez, do hereby declare as follows:

- 1) I am the Parks Superintendent for the City of Lakewood and I have been employed by the City in this capacity since October 4, 2010.
- 2) I have personal knowledge of the matters set forth herein, and if called as a witness to testify, could and would testify competently thereto.
- 3) As the Parks Superintendent, I am the direct supervisor of staff who clean and maintain city trash receptacles, including bus stop receptacles. Transit trash receptacles were maintained by city staff at a minimum of twice weekly since FY 2002-03.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on October 15, 2020 in Lakewood, California.

Philip Lopez


Philip Lopez
Parks Superintendent
Recreation and Community Services Department
City of Lakewood

DECLARATION OF ANNETTE S. CHINN

I, Annette S. Chinn, do hereby declare as follows:

- 1) I am a consultant of Cost Recovery Systems, Inc. and representative to the City of Lakewood in this Incorrect Reduction Claim. I have been involved in the preparation of the City of Lakewood's Claims for State Reimbursement since 2000, including the preparation of the Municipal Storm Water and Urban Runoff Discharges Program claims imposed by the Los Angeles Regional Water Quality Board in Order No. 01-182 (The "Storm Water Program/Claims").
- 2) I have personal knowledge of the facts stated in this Declaration and if called as a witness, I could and would testify to the statements made herein.
- 3) Attached hereto as Exhibit D are true and correct copies of the emails and attachments I received from Ms. Diane Perkin, the City of Lakewood's Finance Director at the time. They included the 2011 email conversations between city staff provided to the State Controller's Office to show twice weekly maintenance schedule and the following attachments:
 - a) the "City of Lakewood Memorandum" dated May 24, 2017 from Lisa Listzinger, by then Director of Recreation and Community Services, certifying the pickup schedule between FY 2002-03 through May 24, 2017 was twice weekly.
 - b) the "Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record" study conducted by city staff, dated July 4, 2017 and signed and certified by Philip Lopez, Park Superintendent.
 - c) a file entitled 2009 Federal grant info.pdf comprised of four pages.
- 4) Attached hereto as Exhibit E is a true and correct letter from the Office of the California State Controller to the Commission on State Mandates ("Commission" dated July 23, 2010 regarding "Revised Proposed Parameters and Guidelines and Reasonable Reimbursement Methodology" which I downloaded from the Commission website: <https://www.csm.ca.gov/matters/03-TC-04/doc19.pdf> on September 22, 2020.
- 5) Attached hereto as Exhibit F is a true and correct letter from the Office of the California State Controller to the Commission on State Mandates ("Commission" dated February 18, 2011 regarding "Draft Staff Analysis, Proposed Parameters and Guidelines, Schedule for Comments, and Hearing Date" which I downloaded from the Commission website <https://www.csm.ca.gov/matters/03-TC-04/doc28.pdf> on September 22, 2020.
- 6) Attached hereto as Exhibit G is a true and correct copy of the GAO, Comptroller General of the United States, July 2018, Government Auditing Standards which I downloaded from: <https://www.gao.gov/assets/700/693136.pdf> on September 22, 2020.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on September 24, 2020 in El Dorado Hills, California.



Annette S. Chinn
President
Cost Recovery Systems, Inc.

EXHIBIT A

LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY
ADMINISTRATIVE CODE

Title 3

Finance

Chapter 3-05

**An Ordinance Establishing A Retail Transactions
And Use Tax in the County of Los Angeles
For Public Transit Purposes**

(Preliminary Note: The ordinance set forth in Chapter 3-05 was originally enacted as Los Angeles County Transportation Commission Ordinance No. 16 and was adopted by a vote of the electorate as Proposition A in November 1980. It is incorporated here as enacted in 1980, except that, for convenience and consistency, its section headings and numbering have been revised to conform to the style of this Code. While the provisions of this ordinance may be cited by the section headings and numbering used herein, the official ordinance remains that enacted by the electorate in 1980. The inclusion of this ordinance in this Code is not a reenactment or an amendment of the original ordinance, and its inclusion in this Code does not in any way amend its provisions or alter its application.)

A retail Transactions and Use Tax is hereby imposed in the County of Los Angeles as follows:

3-05-010 Definitions. The following words, whenever used in this Ordinance, shall have the meanings set forth below:

- A. “Commission” means the Los Angeles County Transportation Commission.
- B. “County” means the incorporated and unincorporated territory of the County of Los Angeles.
- C. “Transaction” or “Transactions” have the same meaning, respectively, as the words “Sale” or “Sales”; and the word “Transactor” has the same meaning as “Seller”, as “Sale” or “Sales” and “Seller” are used in Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code.

3-05-020 Imposition of Retail Transactions Tax. There is hereby imposed a tax for the privilege of selling tangible personal property at retail upon every retailer in the County at a rate of one-half of 1% of the gross receipts of the retailer from the sale of all tangible personal property sold by him at retail in the County.

3-05-030 Imposition of Use Tax. There is hereby imposed a complementary tax upon the storage, use or other consumption in the County of tangible personal property purchased from any retailer for storage, use or other consumption in the County. Such tax shall be at a rate of one-half of 1% of the sales price of the property whose storage, use or other consumption is subject to the tax.

3-05-040 Application of Sales and Use Tax Provisions of Revenue and Taxation Code.

A. The provisions contained in Part 1 of Division 2 of the Revenue and Taxation code (Sales and Use Taxes, commencing with Section 6001), insofar as they relate to sales or use taxes and are not inconsistent with Part 1.6 of Division 2 of the Revenue and taxation Code (transactions and Use Taxes, commencing with Section 7251), shall apply and be part of this Ordinance, being incorporated by reference herein, except that:

1. The commission, as the taxing agency, shall be substituted for that of the State;
2. An additional transactor's permit shall not be required if a seller's permit has been or is issued to the transactor under Section 6067 of the Revenue and Taxation Code; and
3. The word "County" shall be substituted for the word "State" in the phrase, "Retailer engaged in business in this State" in Section 6203 of the Revenue and Taxation Code and in the definition of that phrase.

B. A retailer engaged in business in the County shall not be required to collect use tax from the purchase of tangible personal property unless the retailer ships or delivers the property into the County or participates within the County in making the sale of the property,

including, but not limited to soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the County or through any representative, agent, canvasser, solicitor, or subsidiary or person in the County under authority of the retailer.

C. All amendments subsequent to January 1, 1970, to the above cited Sales and Use Taxes provisions relating to sales or use taxes and not consistent with this Ordinance shall automatically become a part of this Ordinance; provided, however, that no such amendment shall operate as to affect the rate of tax imposed by the Commission.

3-05-050 Use of Revenues Received from Imposition of the Transactions and Use Tax.

The revenues received by the Commission from the imposition of the transactions and use tax shall be used for public transit purposes, as follows:

A. Definitions:

1. “System” or “Rail rapid transit system” means all land and other improvements and equipment necessary to provide an operable, exclusive right-of-way, or guideway, for rail transit.

2. “Local transit” means eligible transit, paratransit, and Transportation Systems Management improvements which benefit one jurisdiction.

B. Purpose of Tax. This tax is being imposed to improve and expand existing public transit Countywide, including reduction of transit fares, to construct and operate a rail rapid transit system hereinafter described, and to more effectively use State and Federal funds, benefit assessments, and fares.

C. Use of Revenues. Revenues will be allocated as follows:

1. For the first three (3) years from the operative date of this Ordinance:

a. Twenty-five (25) percent, calculated on an annual basis, to local jurisdictions for local transit, based on their relative percentage share of the population of the County of Los Angeles.

b. To the Southern California Rapid Transit District ("District"), or any other existing or successor entity in the District receiving funds under the Mills-Alquist-Deddeh Act, such sums as are necessary to accomplish the following purposes;

- (1) Establishment of a basic cash fare of fifty (50) cents.
- (2) Establishment of an unlimited use transfer charge of ten (10) cents.
- (3) Establishment of a charge for a basic monthly transit pass of \$20.00.
- (4) Establishment of a charge for a monthly transit pass for the elderly, handicapped and students of \$4.00.
- (5) Establishment of a basic cash fare for the elderly, handicapped and students of twenty (20) cents.
- (6) Establishment of a comparable fare structure for express or premium bus service.

c. The remainder to the Commission for construction and operation of the System.

2. Thereafter:

a. Twenty-five (25) percent, calculated on an annual basis, to local jurisdictions for local transit, based on their relative percentage share of the population of the County of Los Angeles.

b. Thirty-five (35) percent, calculated on an annual basis, to the commission for construction and operation of the System.

c. The remainder shall be allocated to the Commission for public transit purposes.

3. Scope of Use. Revenues can be used for capital or operating expenses.

D. Commission Policy.

1. Relative to the Local Transit Component:

a. Allocation of funds to local jurisdictions shall be subject to the following conditions:

(1) Submission to the Commission of a description of intended use of the funds, in order to establish legal eligibility. Such use shall not duplicate or compete with existing transit service.

(2) The Commission may impose regulations to ensure the timely use of local transit funds.

(3) Recipients shall account annually to the Commission on the use of such funds.

b. Local jurisdictions are encouraged to use available funds for improved transit service.

2. Relative to the System Component:

a. The Commission will determine the System to be constructed and operated.

b. The System will be constructed as expeditiously as possible. In carrying out this policy, the Commission shall use the following guidelines:

(1) Emphasis shall be placed on the use of funds for construction of the System.

(2) Use of existing rights-of-way will be emphasized.

c. The System will be constructed and operated in substantial conformity with the map attached hereto as Exhibit "A". The areas proposed to be served are, at least, the following:

San Fernando Valley

West Los Angeles

South Central Los Angeles/Long Beach

South Bay/Harbor

Century Freeway Corridor

Santa Ana Free Corridor

San Gabriel Valley

3-05-060 Exclusion of Tax Imposed Under Bradley-Burns Uniform Local Sales and

Use Tax Law. The amount subject to tax under this Ordinance shall not include the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county, pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, or the amount of any State-administered transactions or use tax.

3-05-050 Exemption from Retail Transactions Tax.

A. There are exempted from the tax imposed by this Ordinance the gross receipts from the sale of tangible personal property to operators of waterborne vessels to be used or consumed principally outside the County in which the sale is made and directly and exclusively in the carriage of persons or property in such vessels for commercial purposes.

B. There are exempted from the tax imposed under this Ordinance the gross receipts from the sale of tangible personal property to the operators of aircraft to be used or consumed principally outside the County in which the sale is made, and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

C. Sales of property to be used outside the County which are shipped to a point outside the County pursuant to the contract of sale, by delivery to such point by the retailer or his agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are exempt from the tax imposed under this Ordinance.

D. For purposes of this Section, “delivery” of vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle code, the

aircraft license in compliance with Section 21411 of the Public Utilities Code and undocumented vessels registered under Article 2 (commencing with Section 680) of Chapter 5 of Division 3 of the Harbors and Navigation code shall be satisfied by registration to an out-of-County address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his principal place of residence.

E. “Delivery” of commercial vehicle shall be satisfied by registration to a place of business out of County, and a declaration under penalty of perjury signed by the buyer that the vehicle will be operated from that address.

F. The sale of tangible personal property is exempt from tax, if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this Ordinance. A lease of tangible personal property which is a continuing sale of such property is exempt from tax for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this Ordinance. For purposes of this Section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

3-05-070 Exemptions from Use Tax.

A. The storage, use or other consumption of tangible personal property, the gross receipts from the sale of which have been subject to a transaction tax under any State administered transactions and use taxes ordinances, shall be exempt from the tax imposed under this Ordinance.

B. The storage, use or other consumption of tangible personal property purchased by operators of waterborne vessels and used or consumed by such operators directly and exclusively in the carriage of persons or property in such vessels for commercial taxes is exempt from the use tax.

C. In addition to the exemption provided in Section 6366 and 6366.1 of the Revenue and Taxation Code, the storage, use, or other consumption of tangible personal property purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, United States, or any foreign government, is exempt from the use tax.

D. The storage, use, or other consumption in the County of tangible personal property is exempt from the use tax imposed under this Ordinance if purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of the Ordinance. The possession of, or the exercise of any right or power over, tangible personal property under a lease which is a continuing purchase of such property is exempt from tax for any period of time for which a lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this Ordinance. For the purposes of this Section, storage, use or other consumption, or possession, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

3-05-080 Place of Consummation of Retail Transaction. For the purpose of a retail transaction tax imposed by this Ordinance, all retail transactions are consummated at the place of business of the retailer, unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-State destination or to a common carrier for delivery to an out-of-State destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the State sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State, or has more than one place of business, the place or places at which the retail sales are consummated for the

purpose of the transactions tax imposed by this Ordinance shall be determined under rules and regulations to be prescribed and adopted by the State Board of Equalization.

3-05-100 Deduction of Local Transactions Taxes on Sales of Motor Fuel.

A. The Controller shall deduct local transactions taxes on sales of motor vehicle fuel which are subject to tax and refund pursuant to Part 2 (commencing with Section 7301) of this division, unless the claimant establishes to the satisfaction of the Controller that the claimant has paid local sales tax reimbursement for a use tax measured by the sale price of the fuel to him.

B. If the claimant establishes to the satisfaction of the Controller that he has paid transactions tax reimbursement or Commission use tax measured by the sale price of the fuel to him, including the amount of the tax imposed by said Part 2, the Controller shall repay to the claimant the amount of transactions tax reimbursement or use tax paid with respect to the amount of the motor vehicle license tax refunded. If the buyer receives a refund under this Section, no refund shall be made to the seller.

3-05-110 Adoption and Enactment of Ordinance. This Ordinance is hereby adopted by the Commission and shall be enacted upon authorization of the electors voting in favor thereof at the special election called for November 4, 1980, to vote on the measure.

3-05-120 Operative Date. This Retail Transactions and Use Tax Ordinance shall be operative the first day of the first calendar quarter commencing not less than 180 days after the adoption of said Ordinance.

3-05-130 Effective Date. The effective date of this Ordinance shall be August 20, 1980.

EXHIBIT B

GUIDELINES

Proposition A and Proposition C LOCAL RETURN



Metro

Metro Board Approved
FY 2006-07

**PROPOSITION A AND PROPOSITION C
DISTRIBUTION**

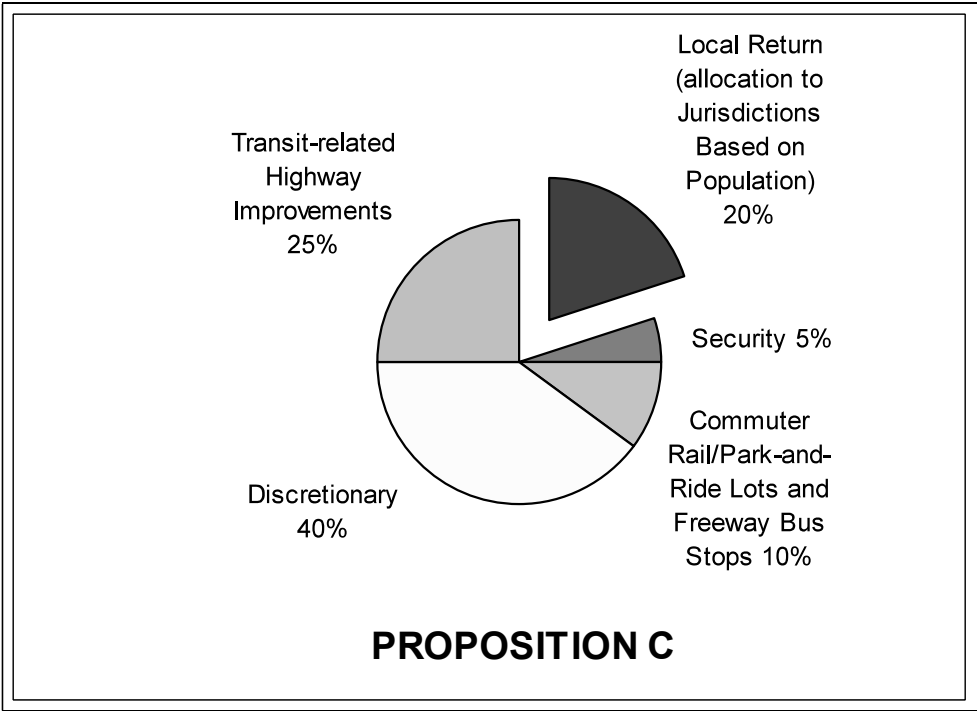
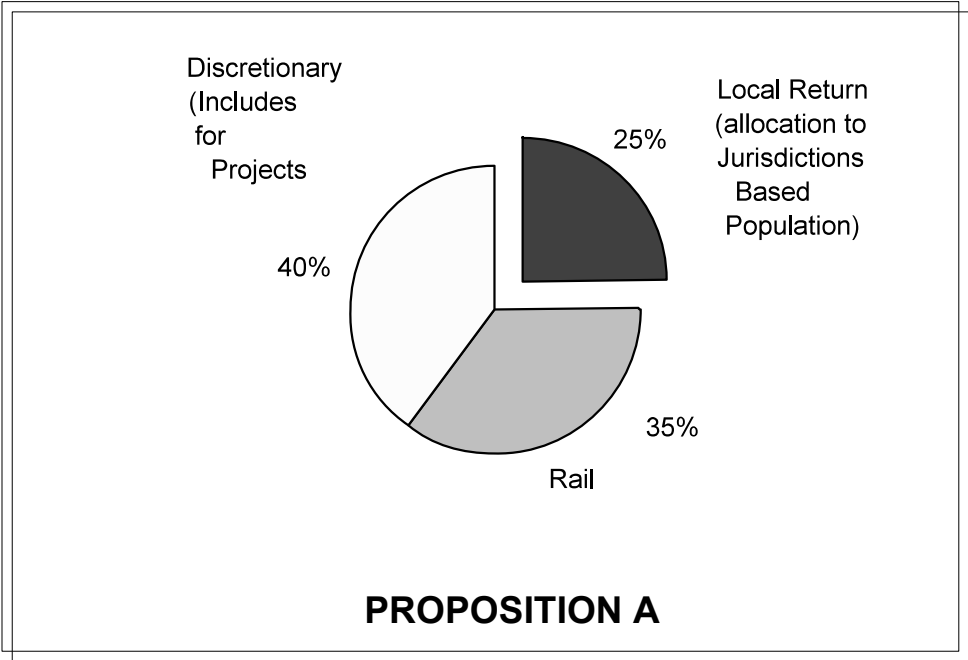


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I. PROGRAM SUMMARY

A. INTRODUCTION

The Proposition A and Proposition C Programs are funded by two 1/2 cent sales tax measures approved by Los Angeles County voters to finance a Transit Development Program. The Proposition A tax measure was approved in 1980 and the Proposition C tax measure was approved in 1990. Collection of the taxes began on July 1, 1982, and April 1, 1991, respectively.

Twenty-five percent of the Proposition A tax and twenty percent of the Proposition C tax is designated for the Local Return (LR) Program funds to be used by cities and the County (Jurisdictions) in developing and/or improving public transit, paratransit, and the related transportation infrastructure.

LR funds are allocated and distributed monthly to Jurisdictions on a "per capita" basis by the Los Angeles County Metropolitan Transportation Authority (Metro).

1. PROPOSITION A LOCAL RETURN FUNDS

The Proposition A Ordinance requires that LR funds be used exclusively to benefit public transit. Expenditures related to fixed route and paratransit services, Transportation Demand Management, Transportation Systems Management and fare subsidy programs that exclusively benefit transit are all eligible uses of Proposition A LR funds. Proposition A LR funds may also be traded to other Jurisdictions in exchange for general or other funds.

2. PROPOSITION C LOCAL RETURN FUNDS

The Proposition C Ordinance directs that the LR funds also be used to benefit public transit, as described above, but provides an expanded list of eligible project expenditures including, Congestion Management Programs, bikeways and bike lanes, street improvements supporting public transit service, and Pavement Management System projects. Proposition C funds cannot be traded.

The tables in Appendix I, page 36, summarize the Proposition A and Proposition C LR Programs and the respective eligible project expenditures.

B. GENERAL PROVISIONS CONCERNING PROPOSITION A AND PROPOSITION C LOCAL RETURN EXPENDITURES

Jurisdictions are required to use LR funds for developing and/or improving public transit service. As a general rule, an expenditure that is eligible for funding under one or more existing state or federal transit funding programs would also be an eligible LR fund expenditure provided that the project does not duplicate an existing regional or municipal transit service, project or program.

Allocation of LR funds to and expenditure by Jurisdictions shall be subject to the following conditions:

1. **TIMELY USE OF FUNDS**

Metro will enforce regulations to insure the timely use of LR funds. Under the Proposition A and Proposition C Ordinances, Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds. For example, a Jurisdiction receiving funds during FY 2005-06 must expend those funds, and any interest or other income earned from Proposition A and/or Proposition C projects, by June 30, 2009.

2. **AUDIT OF PROPOSITION A AND PROPOSITION C FUNDS**

Jurisdictions shall annually account, through a fiscal and compliance audit, to Metro on the use of LR funds. The Audit Section, (Section V, page 33), details Project Expenditure Criteria, Allowable Costs, Audit Deliverables, and Administrative Accounting Procedures.

3. **INELIGIBLE USE OF FUNDS**

If LR funds have been expended prior to Metro approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse their Proposition A or C LR account, including interest and/or earned income, as indicated in the Audit Section (page 33).

Stand alone projects, such as, lighting, landscaping, traffic signals, storm drains, or Transportation Planning projects unrelated to an eligible project, are not eligible.

4. **STANDARD ASSURANCES**

If a new Jurisdiction is formed within Los Angeles County, Metro will require that a Standard Assurances and Understanding agreement be submitted prior to participation in the LR Program. A sample Standard Assurance and Understanding Agreement form is included as Appendix II (see page 37).

C. **PROPOSITION A AND PROPOSITION C FORMS AND SUBMITTAL REQUIREMENTS**

To maintain eligibility and meet LR Program compliance requirements, Jurisdictions shall submit a Project Description (Form A) as required, an Annual Project Update (Form B) and Annual Expenditure Report (Form C). Form submittal information is detailed in the Administrative Process section, page 21. Sample forms along with instructions for their completion are included as Appendix VIII (page 49). An electronic version is available on the website @www.Metro.net (under Projects/Programs; Local Return Program).

Project Description Form (Form A)

Jurisdictions shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects.

Annual Project Update (Form B)

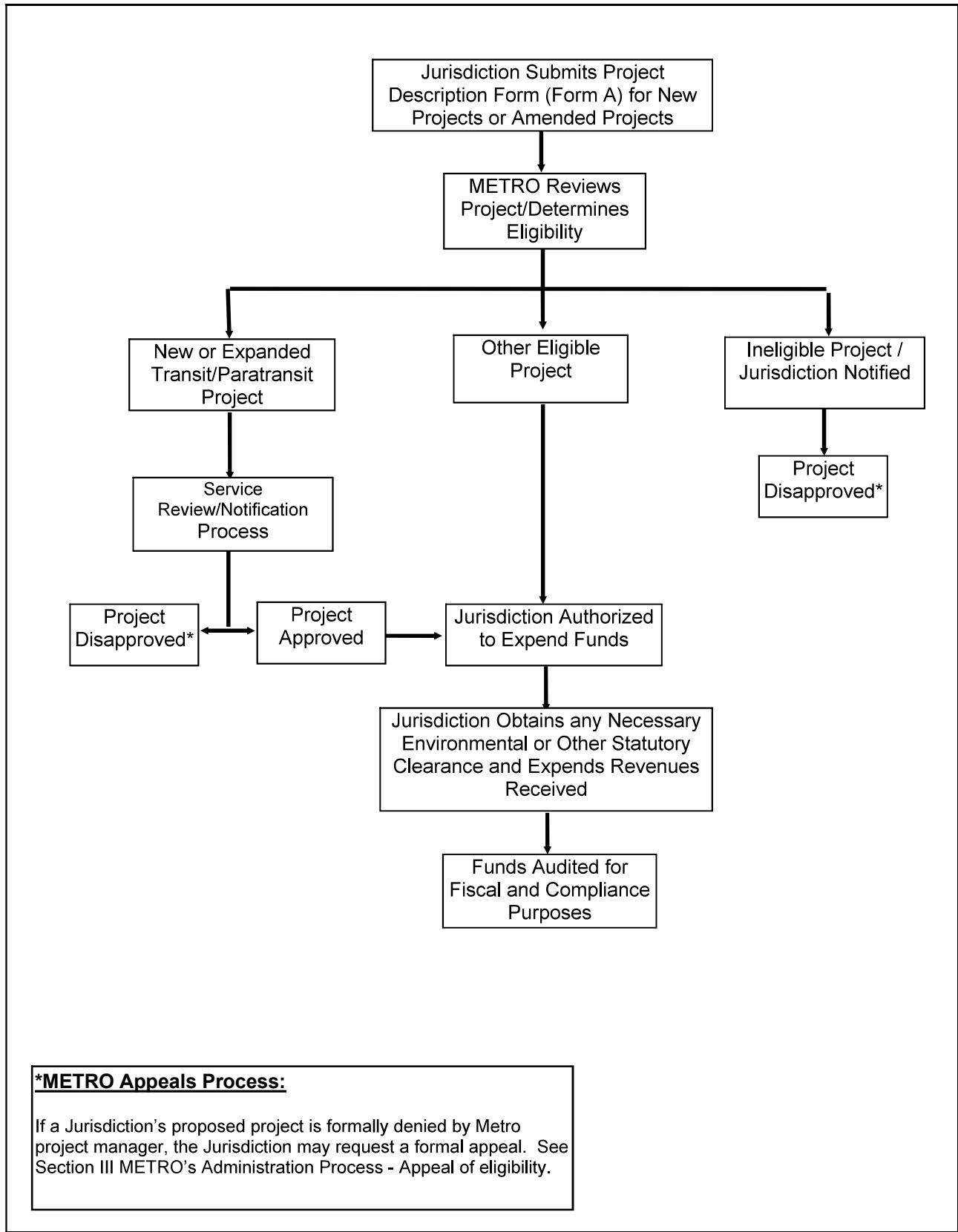
Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year.

Annual Expenditure Report (Form C)

On or before October 15th of each fiscal year, the Jurisdictions shall submit an Annual Expenditure Report to provide an update on previous year LR fund receipts and expenditures.

The following provides a summary of form use and due dates:

<u>FORM</u>	<u>DETERMINATION</u>	<u>DUE DATE</u>
Project Description Form - Form A	New and amended projects	Any time during the year
Annual Project Update - Form B	All on-going and/or capital (carryover) projects	August 1 st of each year
Annual Expenditure Report - Form C	Report expenditures	October 15 th of each year



***METRO Appeals Process:**

If a Jurisdiction's proposed project is formally denied by Metro project manager, the Jurisdiction may request a formal appeal. See Section III METRO's Administration Process - Appeal of eligibility.

II. PROJECT ELIGIBILITY

The Proposition A and Proposition C Ordinances specify that LR funds are to be used for “public transit purposes” as defined by the following: “A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance”.

For simplification and user ease, project categories that share common eligibility requirements and/or project code designations are defined and listed as either Proposition A and Proposition C Eligible, Proposition A Exclusive, or Proposition C Exclusive. Local Return can be used as a match to grant programs such as the Metro Call for Projects, the Safe Routes to School, and the Hazard Elimination and Safety programs, so long as the projects are LR eligible. Note: The following project eligibility criteria provide for general guidance only and are not the sole determinant for project approval. The authority to determine the eligibility of an expenditure rests solely with Metro. Jurisdictions may appeal projects deemed ineligible as described in Section III, Metro’s Administrative Process, page 23.

A. ELIGIBLE USES OF PROPOSITION A AND PROPOSITION C

1. PUBLIC TRANSIT SERVICES - OPERATING (Codes 110,120, 130 & 140)

New or expanded Transit or Paratransit services are subject to review under the Service Coordination Process (SCP) as detailed in Section III, page 24. The process will, in part, determine the proposed service’s compatibility with the existing regional bus transit system provided by Metro and services provided by the municipal transit operators. Metro may request that modification be made to proposed services that duplicate or compete with existing services. Proposed services must also meet the criteria outlined under Non-exclusive School Service and Specialized Transit discussed on the following page. Note that Emergency Medical Transportation is not an eligible use of LR funds.

Examples of Fixed Route, Paratransit, and Recreational Transit Service projects follow:

1.1 FIXED ROUTE SERVICE (Project Code 110)

- New fixed route or Flexible Destination bus service
- Extension or augmentation of an existing bus route(s)
- Contracting with a transit operator or private provider for commuter bus service
- Contracting with a transit in an adjacent county to provide transit within Los Angeles County
- Operating subsidy to existing municipal or regional bus operator
- Service enhancements related to Bus/rail Interface
- ADA improvements to fixed route operations
- Shuttle service between activity centers

1.2 PARATRANSIT SERVICE (Project Codes 120 & 130)

- Expansion/ coordination of existing paratransit service
- Subsidized, shared-ride taxi service for disadvantaged residents
- Taxi coupon programs used to provide intermittent or temporary capacity to support paratransit systems for senior and disabled patrons
- New paratransit service
- General public paratransit service
- ADA-related improvements to paratransit operations

Non-Exclusive School Service

Fixed-route bus services or Demand-responsive services available to the general public, which also provide school trips, are eligible for LR funding. Exclusive school bus services are not eligible. **Projects must meet the following conditions:**

- The bus Vehicles utilized cannot be marked "School Bus" or feature graphics that in any way indicate they are not available to the general public. Yellow paint schemes should not be for the specific purpose of meeting the vehicle code definition of a school bus
- The bus Head Sign is to display its route designation by street intersection, geographic area, or other landmark/destination description and cannot denote "School Trip" or "Special." In cases where the service includes an alternate rush-hour trip to provide service by a school location, the dashboard sign is to indicate the line termination without indicating the school name
- Timetables for such services will be made available to the general public, shall provide the given schedule and route but must not be labeled "school service"
- Drivers must be instructed that such service is available to the general public and board and alight all passengers as required at designated stops
- The same fare payment options must be made available to all users
- The overall transportation service provided in the Jurisdiction must not be for school service hours only

Specialized Public Transit

Metro will approve special-user group service or social service transit where it can be incorporated into the existing local transit or paratransit program. Jurisdictions must demonstrate that existing services cannot be modified to meet the identified user need. Projects must meet the following conditions:

- The special user group identified does not discriminate on the basis of race, religion, sex, disability or ethnicity
- Service shall be available to all members of the general public having that specialized need and not be restricted to a specific group or program
- Service shall be advertised to the general public
- Metro may require, as a condition of approval, inter-jurisdictional project coordination and consolidation
- LR funds may only be used for the transportation component of the special user group program, i.e., direct, clearly identifiable and auditable

transportation costs, excluding salaries for specialized escorts or other program aides

- The designated vehicle(s) used must be made available for coordination with other paratransit programs if space permits

1.3 RECREATIONAL TRANSIT SERVICE (Project Code 140)

Jurisdictions shall submit a listing of Recreational Transit Services no later than October 15 after the fiscal year. Recreational Transit Service projects must meet the following conditions:

- Travel within the area of Los Angeles, Orange and Ventura Counties, and portions of Kern, Riverside and San Bernardino Counties (see map Appendix VII, page 48) are eligible expenditures. Trip segments to areas shown on the proportionately eligible areas of the map must be funded through other sources. Trips to locations not within either the eligible or proportionately eligible area are not eligible.
- Trips may be limited to certain general age groups (e.g., children under 18, senior citizens, persons with disabilities), however, trips must be made available to all individuals within that designated group.
- Special events or destinations (e.g., city parks, concerts, special events) may be served, however, all members of the general public including individuals with disabilities must be allowed to use, the service.
- LR funds may not be used to pay the salaries of recreation leaders or escorts involved in recreational transit projects.
- All recreational transit trips must be advertised to the public, such as through newspapers, flyers, posters, and/or websites.

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

Amenities shall be integral to the bus stop. Improvements must be located within 25 feet of the bus stop signpost, or have one edge or end within that area. At high volume stops, where more than one bus typically uses the stop at a time, improvements must be placed at the immediate locations where buses normally stop.

Curb cuts may be located on or adjacent to street segments (blocks) with bus stops.

Conditions:

Jurisdictions shall coordinate bus stop improvements (excluding curb cuts) with effected Transit Operators. A letter of coordination must be submitted with the Project Description Form. Jurisdictions that propose replacing privately owned benches or shelters must notify the Operator before requesting City Council project approval. The Operator shall have seven (7) days to respond to the notification before the Jurisdiction takes further action.

3. PUBLIC TRANSIT - CAPITAL (Project Codes 180, 190 & 200)

Public Transit Capital projects will be approved only for the percentage of vehicle or equipment use, as determined by Metro staff, exclusive to public transit service.

A list of sample Public Transit Capital projects follows:

- a. Vehicles/parts purchases and repairs
 - Transit vehicles for passenger service
 - Mechanical parts and supplies for buses or vans
 - Non-revenue support vehicles, such as supervisor's cars, service trucks
 - ADA-related improvements to vehicles
 - Retrofits or additions to buses or vans, such as lifts, fare boxes, or radios
 - Security equipment, for example, cameras on buses
- b. Equipment
 - New or modified transit maintenance facilities
 - Maintenance equipment for new or existing transit or paratransit operations
 - Office equipment and furnishings for new and existing transit and paratransit operations

NOTE: Jurisdictions shall reimburse their LR Account, in the amount of the current appraised value or purchase price from resale, for Public Transit Capital projects no longer used for public transit purposes.

4. TRANSPORTATION SYSTEMS MANAGEMENT (TSM) (Project Code 210)

TSM projects are relatively low-cost, non-capacity-enhancing traffic control measures that serve to improve vehicular (bus and car) flow and/or increase safety within an existing right-of-way. Proposals must include an element demonstrating the project's benefit to public transit. **A list of sample TSM projects follows:**

- Reserved bus lanes (no physical separation) on surface arterials
- Contra-flow bus lanes (reversible lanes during peak travel periods)
- Ramp meter by-pass (regulated access with bus/carpool unrestricted entry)
- Traffic signal priority for buses (to allow approaching transit vehicles to extend green phase or change traffic signal from red to green)
- Preferential turning lanes for buses
- Other traffic signal improvements that facilitate bus movement

If a Local Return funded project is or has an Intelligent Transportation System (ITS) component, it must be consistent with the Regional ITS Architecture. ITS projects must comply with the Countywide ITS Policy and Procedures adopted by

the Metro Board including the submittal of a completed, signed self-certification form. Please go to <http://RIITS.net/RegITSDocs.html> and choose “Los Angeles Countywide ITS Policy and Procedures Document” or see Appendix VI (page 45) for information on Countywide ITS Policy and Procedures, and the self-certification form.

5. TRANSIT SECURITY (Project Codes 220 & 230)

Transit Security projects may include Transit Safety, Security Operations and Safety Education Programs, provided that they demonstrate a direct benefit to public transit service and do not supplant general law enforcement programs.

A list of sample Transit Security Programs follows:

- Local police deployment for direct and specific transit security
- Private security (state licensed) deployment for transit security
- Contracted police services for direct and specific transit security
- Capital improvements for transit security
- Innovative and/or advanced technology transit security
- Community-based policing activities in direct support of transit security
- Security awareness, graffiti prevention, Safety education and/or crime prevention programs
- Transit security at commuter rail stations and park and ride facilities

NOTE: Jurisdictions are encouraged to participate in existing local and regional transit security efforts, which should be coordinated through Metro.

6. FARE SUBSIDY (Project Codes 240 & 250)

Fare Subsidy programs provide residents within Jurisdictions a discount fare incentive for using public transit. The method, amount of subsidy and user group(s) shall be determined by Jurisdictions. **A list of sample Fare Subsidy Programs follows:**

A list of sample Fare Subsidy Programs follows:

- User-side subsidies (buy down of passes, tickets, or coupons) for the general public or segments of the general public (i.e., elderly, individuals with disabilities, or low-income residents)
- Subsidy of bus/rail passes, tickets or tokens for transit riders-

7. TRANSPORTATION PLANNING (Project Code 270)

Planning, coordination, engineering and design costs incurred toward the implementation of eligible LR projects are eligible when the following conditions are met:

- The projects being planned (designed, coordinated, etc.) are LR eligible.
- Coordination includes: local jurisdictions’ start up costs or dues for Councils of Governments (COG’s) and Transportation Management Associations (TMA’s); advocacy; and funding for Joint Powers Authorities (JPA’s) by local jurisdictions or (COG’s).
- If some of a COG’s, TMA’s or JPA’s projects or activities are LR eligible and some are not, partial payment of dues must be made, in proportion to the organization’s budget for LR eligible projects.

- Proposition A must be used to plan for Proposition A eligible projects.
Proposition C must be used to plan for Proposition C eligible projects.

8. TRANSIT MARKETING (Project Code 280)

Transit Marketing projects may include:

- Transit user guides, maps, brochures
- Transit information Kiosks
- Transit information/pass sales centers
- New rider subsidy programs

9. PARK-AND-RIDE LOTS (Project Code 290)

Park-and-Ride Lot projects must be coordinated with Metro and appropriate affected transit operator(s). Additional justification including, for example, surveys or studies that provide a basis for determining the project's level of public transit use and related funding, may be requested prior to project evaluation.

Park-n-Ride Lot projects shall:

- be located adjacent to (no greater than 0.25 mile away from) a fixed route service bus stop, HOV lanes and/or rail stations.
- be located on unimproved land unless a specific Metro waiver is granted.
- have received environmental clearance by the Jurisdiction prior to Metro approval for construction funds
- require a letter from the affected transit operator(s) to the Jurisdiction and Metro, as reasonable assurance, that park-and-ride lot users will be assured of continued access to services.
- be used primarily by transit/rideshare patrons during commute hours.
- have appropriate exclusive-use signage posted and enforced.
- be open for general parking during non-transit use time, e.g., evenings and weekends, provided that transit user demands are not adversely impacted. All revenues, (for example, parking, advertising or related revenue) generated during the non-transit use time must be returned to the Jurisdictions' LR Account in the same proportion as the original LR investment in the facility. In the event that the facility ceases operation, the Jurisdiction shall be required to repay its LR Account as determined by the audit, see page 33.

10. TRANSIT FACILITIES/TRANSPORTATION ENHANCEMENTS (TE) (Project Codes 300 & 310)

Examples of Transit Facility projects include:

- Bus-only transit malls or stations
- Transit/paratransit accessible Transfer Centers that feature, for example, shelters, telephones, information displays/centers, and other related amenities)
- Eligible as match to TE grants.
- Eligible projects may include building rehabilitation and restoration for transit-related purposes.
- Project itself must be LR eligible.

Conditions:

Jurisdictions shall submit a project budget and scope of work that specifies the proposed facility's public transit and, if applicable, joint development. Additional documentation may be required to determine project eligibility and level of funding.

If the facility ceases to be used for public transit purposes, LR funds used toward land purchase for a facility must be returned at the original purchase price or present appraised value, whichever is greater, to the Jurisdiction's LR Account. Repayment of facility expenditures shall be based on the schedule outlined on page 31.

Prior to land and/or facility purchases, Jurisdictions shall provide the following:

- Documentation of the financial resources for facility implementation, operation and maintenance
- Assurance(s) from the affected transit carrier(s) to provide facility service
- Land appraisal
- Assurance that the Jurisdiction will proceed with the project per the implementation schedule outlined in the application
- Environmental clearance in conformance with, wherever applicable, all local, state and federal requirements. Jurisdictions preparing an Environmental Impact Report (EIR) must coordinate with Metro Regional Transportation Planning and Development Department.

11. METRO RAIL CAPITAL (Project Codes 320)

Metro Rail Capital projects may include, for example, Metro Red, Blue, Green, or Gold Line or Mid-City Exposition Light Rail Transit station or line improvements, local match toward Metro Rail Capital projects, Metro Art or related Metro Rail enhancements.

12. RIGHT-OF-WAY IMPROVEMENTS (Project Code 350)

Right-of-Way Improvements or land purchases must be coordinated through Metro to ensure consistency with adopted regional corridors, priorities or preferred alignments. Right-of-Way Improvement project proposals must also demonstrate direct, quantifiable, environmental and/or economic benefit to given LR-eligible projects.

13. COMMUTER RAIL (Project Codes 360 & 370)

Rail (commuter system and station enhancement) projects must be consistent with Metro's existing and planned program of rail projects. Eligible project may include match to TE grants for building rehabilitation and restoration for transit-related purposes. Project itself must be LR eligible. **Examples of Rail projects include:**

- Signal upgrades at rail crossings
- Signage and marketing materials to promote increased commuter rail ridership
- Landscaping, lighting, fencing and environmental enhancements at or along commuter rail facilities

- System safety
- Safety education programs
- Commuter rail station operating, maintenance, insurance, or other station-related costs
- Commuter rail station capital costs

14. CAPITAL RESERVE (Project Code 380)

A Capital Reserve project provides Jurisdictions the opportunity to accumulate LR funds (over and above the year of allocation and three year expenditure requirement see page 30, Timely Use of Funds) to finance a large project. Projects are limited to construction of bus facilities, bus purchases, transit centers, park-and-ride lots, construction of major street improvements or rail projects along Metro's planned and adopted rail corridors.

A Capital Reserve project constitutes a long-term financial and planning commitment. For specific information on the Capital Reserve approval process, see Section III, Metro's Administration Process, page 26.

15. DIRECT ADMINISTRATION (Project Code 480)

Direct Administration is defined as those fully burdened costs which are directly associated with administering Local Return program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs.

Direct Administration project conditions:

- All costs shall be associated with developing, maintaining, monitoring, coordinating, reporting and budgeting specific LR project(s)
- Expenditures must be reasonable and appropriate to the activities undertaken by the locality
- The administrative expenditures for any year shall not exceed 20 percent of the total LR annual expenditures, based on year-end expenditures, and will be subject to an audit finding if the figure exceeds 20%;
- The annual expenditure figure will be reduced by fund trades to other cities and/or funds set aside for reserves; conversely, the annual expenditure figure will be increased by expenditure of reserves or LR funds received in fund exchanges;
- Jurisdictions are required to report all administrative charges to Direct Administration in order to verify compliance of 20% administration cap.

16. OTHER (Project Code 500)

Projects that do not fit under any of the project codes, but are for public transit purposes, may be included in the "other" category. Note that "public transit purposes" are defined as follows: "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance".

B. EXCLUSIVE USES OF PROPOSITION A FUNDS

Projects listed below are eligible for Proposition A LR funding only. Jurisdictions must certify that all project conditions will be met and include all supporting documents with submittal of the Form A. Stand alone amenities such as traffic signals, landscaping and storm drains are ineligible. Note: The following project eligibility criteria provide general guidance only and are not the sole determinant for project approval. The authority to determine the eligibility of an expenditure rests solely with Metro. Jurisdictions may appeal projects deemed ineligible as described in Section III, page 23.

1. SIGNAL SYNCHRONIZATION (Project Code 400)

Signal Synchronization projects must meet the following eligibility conditions:

- Bus priority must be included as an element of the project
- The project arterial must be used by a minimum of ten transit buses, counted bi-directionally, per hour, or five buses hourly in each direction
- Projects may be implemented only on major arterials
- Documentation of coordination with affected public transit operators is required for approval (e.g., correspondence between the Jurisdiction and the transit operator with written concurrence between the transit operator and Metro)
- Local return funds shall not be used to alter system/signal timing that was implemented under a traffic forum project/grant unless coordinated with all affected jurisdictions in the corridor.

If a Local Return funded project is or has an Intelligent Transportation System (ITS) component, it must be consistent with the Regional ITS Architecture. ITS projects must comply with the Countywide ITS Policy and Procedures adopted by the Metro Board including the submittal of a completed, signed self-certification form. Please go to <http://RIITS.net/RegITSDocs.html> and choose “Los Angeles Countywide ITS Policy and Procedures Document” or see Appendix VI (page 45) for information on Countywide ITS Policy and Procedures, and the self-certification form.

2. FUND EXCHANGE (Project Code 405)

Proposition A funds may be given, loaned, or exchanged by Jurisdictions provided that the following conditions are met:

- Participants are responsible for insuring that the traded funds will be utilized for public transit purposes
- The exchange of funds should not result in a net loss of revenues available for public transit in Los Angeles County (i.e., trade of Proposition A funds for farebox or other transit revenues)
- Traded Proposition A LR funds retain their original date of allocation and lapse date. Jurisdictions submitting Fund Exchange projects shall note the year of allocation on their Form A so that the fund lapse policy may be monitored.

In addition, Jurisdictions shall provide the following detail in submitting Fund Exchange projects for approval:

- Source of funds to be exchanged
- Fund amounts to be exchanged
- Period of exchange
- Assurance that the end use of Proposition A LR funds will be for eligible transit uses
- Provision for circumstances should source of funds (one or both) become unavailable during the exchange period.
- Certification by participating Jurisdictions (e.g. City Council action)

A sample Fund Exchange Agreement is included in Appendix V page 43.

NOTE: Jurisdictions participating as the “seller” in a Proposition A Fund Exchange projects will, for two years from the date of transaction, be subject to disqualification or reduced project application scores in the Transportation Improvement Program (TIP) Call for Projects.

3. TRANSPORTATION DEMAND MANAGEMENT (Project Code 410)

Transportation Demand Management (TDM) projects are defined as strategies/actions intended to influence the manner in which people commute, resulting in a decrease in the number of vehicle trips made and vehicle miles traveled during peak travel periods.

TDM projects funded by Proposition A require a public transit element and will be evaluated on their projected impact on reduction of single-occupancy vehicle trips, corresponding vehicle miles traveled, and potential to increase transit use.

A list of sample TDM projects follows:

- Formation and operation of vanpool and/or vanpool incentive programs, including ride matching programs (must be made available to all employers and/or residents within the Jurisdiction boundaries)
- Community-based shuttles for employees as long as such services complement existing transit service
- Parking Management incentive programs, such as, parking cash outs or parking pricing strategies
- Employer or citizen ride-matching programs and subsidies
- Formation or ongoing operation of a Transportation Management Association to administer and market local TDM programs (provided that the 20 administrative cost stipulated for Proposition A and Proposition C is not exceeded)
- Transit and TDM-related activities required by the Congestion Management Program (CMP) including: preparation of TDM ordinances; administration and implementation of transit or TDM-related projects pursuant to CMP deficiency plans; and monitoring of transit standards by transit operators
- Funding Transportation Management Organization's (TMO) insurance costs or individual employer's vanpool programs under the umbrella vehicle insurance policy of the Jurisdiction

- Providing matching funds for LR eligible Safe Routes to School projects.

Jurisdictions are encouraged to adopt monitoring and evaluation performance standards for funding TDM projects. Jurisdictions are encouraged to utilize regionally adopted standards, and demonstrate, for example, how AQMD trip reduction targets are addressed through the TDM measure.

In conformity with regional, state and federal air quality objectives, Metro encourages use of alternative-fuel vehicles (e.g. LNG, CNG, Methanol) for any TDM-related shuttle, vanpool or paratransit vehicles.

If a Local Return funded project is or has an Intelligent Transportation System (ITS) component, it must be consistent with the Regional ITS Architecture. ITS projects must comply with the Countywide ITS Policy and Procedures adopted by the Metro Board including the submittal of a completed, signed self-certification form. Please go to <http://RIITS.net/RegITSDocs.html> and choose “Los Angeles Countywide ITS Policy and Procedures Document” or see Appendix VI (page 45) for information on Countywide ITS Policy and Procedures, and the self-certification form.

C. **EXCLUSIVE USES OF PROPOSITION C FUNDS**

Projects listed below are eligible for Proposition C LR funding only. Jurisdictions must certify that all project conditions will be met and include all supporting documents with submittal of the Form A. Jurisdictions are encouraged to use LR funds for improved public transit services and for multi-jurisdictional cooperation of arterial traffic signal control operations. Agency costs for operating a centralized traffic signal system, including those costs linked to a local agency’s participation in the countywide Information Exchange Network (IEN), are now eligible for reimbursement. Stand alone amenities such as landscaping and storm drains are ineligible. Note: The following project eligibility criteria provide for general guidance only and are not the sole determinant for project approval. The authority to determine the eligibility of an expenditure rests solely with Metro. Jurisdictions may appeal projects deemed ineligible as described in Section III, page 23.

1. **SIGNAL SYNCHRONIZATION & TRAFFIC MANAGEMENT (Project Code 400)**

Synchronized Signalization projects must meet the following conditions:

- Projects shall be implemented only on major arterials.
- Operation costs associated with centralized traffic signal control systems, including updating traffic signal coordination timing and costs associated with multi-jurisdictional or inter-community systems, (such as the IEN or ATSAC/ATCS) or with transit signal priority systems, are eligible. Costs may include: lease lines for communication; software licenses and maintenance; hardware maintenance, maintenance and repair of hardware, vehicle detection devices and interconnect lines; warranties; and upgrades and enhancements for software or hardware. Cities shall coordinate the signal timing or systems with other affected jurisdictions.

- The major arterial targeted for implementation must have full-sized transit buses operating on regularly scheduled fixed routes.
- Documentation of coordination with affected public transit operators is required for approval (e.g., correspondence between the Jurisdiction and the transit operator with written concurrence from the transit operator to Metro)
- Local return funds shall not be used to alter system/signal timing that was implemented under a traffic forum project/grant unless coordinated with all affected jurisdictions in the corridor.

Installation or modification of traffic signals which are not part of a larger transit project are not eligible, except as detailed in this section. Maintenance and replacement of traffic signals are not eligible.

Traffic signal projects will be reviewed and considered on a case by case basis to evaluate the transit benefit of the project. The following information may be requested and evaluated, depending on the type of traffic signal project:

- Number of transit boardings at the affected transit stop or station
- Transit patrons as a proportion of pedestrian volume
- Transit vehicles as a proportion of vehicle flow
- Letter from affected transit operator requesting and justifying traffic signal installation or modification
- Proximity of proposed signal to transit stop or station
- The affected transit stop(s) must be served by transit with 15 minute or greater frequency to be eligible.
- Proximity to adjacent controlled intersection

Based on the review, all or a proportion of the project costs may be eligible for Local Return funds.

If a Local Return funded project is or has an Intelligent Transportation System (ITS) component, it must be consistent with the Regional ITS Architecture. ITS projects must comply with the Countywide ITS Policy and Procedures adopted by the Metro Board including the submittal of a completed, signed self-certification form. Please go to <http://RIITS.net/RegITSDocs.html> and choose “Los Angeles Countywide ITS Policy and Procedures Document” or see Appendix VI (page 45) for information on Countywide ITS Policy and Procedures, and the self-certification form.

2. TRANSPORTATION DEMAND MANAGEMENT (Project Code 410)

Transportation Demand Management (TDM) projects are defined as strategies/actions intended to influence the manner in which people commute, resulting in a decrease in the number of vehicle trips made and vehicle miles traveled during peak travel periods.

TDM projects funded by Proposition C will be evaluated on their proposed impact on reduction of single-occupancy vehicle trips and corresponding vehicle miles traveled.

A list of sample TDM projects follows:

- Formation and operation of vanpool and/or vanpool incentive programs, including ride matching programs (must be made available to all employers and/or residents within the Jurisdiction boundaries)
- Community-based shuttles for employees as long as such services complement existing transit service
- Parking Management incentive programs, such as, parking cash outs or parking pricing strategies
- Employer or citizen ride-matching programs and subsidies
- Formation or ongoing operation of a Transportation Management Association to administer and market local TDM programs (provided that the 20% administrative cost stipulated for Proposition A and Proposition C is not exceeded)
- Transit and TDM-related activities required by the Congestion Management Program (CMP) including: preparation of TDM ordinances; administration and implementation of transit or TDM-related projects pursuant to CMP deficiency plans; and monitoring of transit standards by transit operators
- Funding Transportation Management Organization's (TMO) insurance costs or individual employer's vanpool programs under the umbrella vehicle insurance policy of the Jurisdiction
- Providing matching funds for LR eligible Safe Routes to School projects.

Jurisdictions are encouraged to adopt monitoring and evaluation performance standards for funding TDM projects. Jurisdictions are encouraged to utilize regionally adopted standards, and demonstrate, for example, how AQMD trip reduction targets are addressed through the TDM measure.

In conformity with regional, state and federal air quality objectives, Metro encourages use of alternative-fuel vehicles (e.g. LNG, CNG, Methanol) for any TDM-related shuttle, vanpool or paratransit vehicles.

If a Local Return funded project is or has an Intelligent Transportation System (ITS) component, it must be consistent with the Regional ITS Architecture. ITS projects must comply with the Countywide ITS Policy and Procedures adopted by the Metro Board including the submittal of a completed, signed self-certification form. Please go to <http://RIITS.net/RegITSDocs.html> and choose "Los Angeles Countywide ITS Policy and Procedures Document" or see Appendix VI (page 45) for information on Countywide ITS Policy and Procedures, and the self-certification form.

3. CONGESTION MANAGEMENT PROGRAM (CMP) (Project Code 420)

The following provides a list of sample CMP projects:

- Land use analysis as required by CMP
- Computer modeling as required to support CMP land use analysis
- Administration, monitoring and implementation of transit- or TDM-related projects as part of deficiency plans
- Monitoring of transit standards by transit operators

4. BIKEWAYS AND BIKE LANES (Project Code 430)

Bikeway projects include bikeway construction and maintenance, signage, information/safety programs, and bicycle parking, and must meet the following conditions:

- Shall be linked to employment or educational sites
- Shall be used for commuting or utilitarian trips
- Jurisdictions must have submitted a PMS Self Certification (see page 20, and Appendix III on page 39).

5. STREET IMPROVEMENT AND MAINTENANCE (Codes 440, 450 & 460)

Proposition C Local Return funds are to be used for the maintenance and improvements to street and highways used as public transit thoroughfares. Street Improvement and Maintenance Projects Capacity enhancements include repair and maintenance projects with a direct benefit to transit. **Projects must meet the following conditions and reporting requirements:**

A. CONDITIONS:

Public Transit Benefit

Projects must demonstrate a public transit benefit or be performed on streets “heavily used by public transit,” where such streets carry regularly-scheduled, fixed-route public transit service, and where service has operated for a minimum of one (1) year and there are no foreseeable plans to discontinue such service.

If there are no fixed-route systems within a Jurisdiction, or if all the streets supporting fixed-route systems are already in a satisfactory condition as documented by the required Pavement Management System (PMS), a Jurisdiction may use LR funds for street improvements and maintenance and repair on streets within their community on which they can demonstrate that public paratransit trips, that have been in service for a minimum of one year, concentrate.

The method of demonstrating heavy-use by paratransit vehicles is to document trip pick-up and drop-off locations, including street-routing, for a consecutive three month time period. The data will be used in making a determination on which street segments have heavy-use by this form of transit.

Pavement Management System (PMS)

If Proposition C LR funds are to be used for street improvement or maintenance, a jurisdiction must have a PMS in place, and use it. (See PMS code 470 for self certification requirements, page 20).

Maintenance of Effort (MOE) Requirement

The goal of the Proposition C LR Program is to improve transportation conditions, including the roadways upon which public transit operates. When used to improve roadways, the additional funds provided to local jurisdictions through the Proposition C LR Program are intended to supplement existing local revenues being used for road improvement purposes. Cities and counties shall maintain their existing commitment of local, discretionary funds for street and

highway maintenance, rehabilitation, reconstruction, and storm damage repair in order to remain eligible for Proposition C LR funds to be expended for streets and roads.

Metro will accept the State Controller's finding of a Jurisdiction's compliance with the California Streets and Highways Code as sufficient to demonstrate the required Maintenance of Effort during any fiscal year in which Proposition C LR funds are expended for streets and roads.

B. REPORTING REQUIREMENTS

Street maintenance, rehabilitation or reconstruction projects should be submitted individually. Jurisdictions shall submit a Project Description Form listing all new project street segments prior to undertaking each street maintenance or improvement project. Jurisdictions will be advised as to any eligible and ineligible street segments within 30 days of project submittal.

The projects must be reflected on subsequent Annual Project Update (Form B) submittals and Annual Expenditure Reports (Form C) until the project is completed or deleted from the work program. Once deleted, a segment must be re-submitted for approval if a new street maintenance project on the segment is subsequently planned.

Eligible Street Improvement and Maintenance Projects

1. Exclusive Bus Lane Street Widening

Such projects are for exclusive bus lanes (physically separated) on surface arterials.

2. Capacity Enhancement

Capacity Enhancement projects are level-of-service and/or capacity improvements capital projects. These projects must include a public transit element that is comprised of transit vehicles on streets that are "heavily used by transit." Examples of these projects include street widening or restriping to add additional lanes.

3. Street Repair and Maintenance

Eligible Street Repair and Maintenance projects are limited to pavement maintenance, slurry seals, and chip seals, pavement rehabilitation and roadway reconstruction. Required curb, gutter, and catch basin repair (storm drains) on streets "heavily used by transit" that are part of a rehabilitation or reconstruction project are eligible. Betterments are not eligible for LR funding.

4. Safety

Street improvement projects to increase safety are eligible, but must have a direct and clearly demonstrable benefit to both safety and transit. At Metro's discretion, a project may be approved on a down-scoped demonstration basis. The local jurisdiction would be required to conduct a before and after evaluation prior to Metro approval of the full project scope.

5. Americans with Disabilities Act Related Street Improvements

In compliance with the Americans with Disabilities Act (ADA), the provision of curb cuts or passenger boarding/alighting concrete pads at or adjacent to bus stops and other accessible improvements on roadways “heavily used by transit” is an eligible use of Proposition C LR funds. Such modifications must meet ADA and California Title 24 specifications.

7. **PAVEMENT MANAGEMENT SYSTEM (PMS)** **(Project Code 470)**

Sample Pavement Management System projects include:

- Cost to purchase, upgrade or replace a Pavement Management System.
- The ongoing cost of maintaining a PMS equal to the proportion of a Jurisdiction’s eligible street mileage to total street mileage; or 50% of the PMS maintenance cost, whichever is greater.

Note: Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems when proposing "Street Repair and Maintenance" or “Bikeway” projects (see Appendix III, page 39). The requirement for a PMS is consistent with Streets & Highways Code Section 2108.1.

PMS must include the following:

- Inventory of existing pavements including, as a minimum, arterial and collector routes, reviewed and updated triennially;
- Inventory of existing Class I bikeways, reviewed and updated triennially;
- Assessment of pavement condition including, as a minimum, arterial and collector routes, reviewed and updated triennially;
- Identification of all pavement sections needing rehabilitation/replacement; and
- Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current and following triennial period(s)

Self-certifications (included in Appendix III) executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.

III. METRO'S ADMINISTRATIVE PROCESS

A. REPORTING REQUIREMENTS FOR JURISDICTIONS

STANDARD ASSURANCES

In the event that a new Jurisdiction is formed within Los Angeles County, Metro will require that a Standard Assurances and Understanding agreement be submitted prior to participation in the LR Program. A sample Standard Assurance and Understanding agreement form is included as Appendix II, see page 37.

PROPOSITION A AND PROPOSITION C FORMS

To maintain legal eligibility and meet LR Program compliance requirements, Jurisdictions shall submit to Metro a Project Description Form as required, an Annual Project Update and Annual Expenditure Report. A Project Description Form, Annual Project Update and Annual Expenditure Report (Forms A, B and C along with instructions) are included in Appendix VIII, starting on page 49.

PROJECT DESCRIPTION FORM (FORM A)

A new project that meets the eligibility criteria listed in Section II, Project Eligibility, must be submitted to Metro on Project Description Form (Form A) prior to the expenditure of funds. Metro will review the project to determine if it meets the statutory eligibility requirement and notify Jurisdictions of the project's LR funding eligibility. If a Jurisdiction expends Proposition A or Proposition C LR funds for a project prior to Metro approval, the Jurisdiction will be required to reimburse its LR Account. Additionally, approvals cannot be retroactive.

A Project Description Form (Form A) may be submitted any time during the fiscal year. Metro will review and accept or return the report for changes. All projects must be identified with their own unique sequence and project code, e.g. 01-200, and the form must be filled out completely. Once a Jurisdiction decides to proceed on a new or revised project, the Jurisdiction should comply with the following process before expending any funds:

STEP 1 - Form Submittal

A Project Description Form (Form A) shall be submitted whenever a Jurisdiction proposes a 1) a new project; 2) a new route; 3) a 25 percent or more (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service); 4) a 25 percent or greater change in an approved LR project budget or scope, or 5) a service change that duplicates/overlays an existing transit service equal to or greater than .75 miles.

A change is defined as any modification to route, budget, service area, stops, frequency, fare or clientele for the project as originally approved or subsequently approved by Metro.

NOTE: a.) All new transit or paratransit service projects, existing services with a change of 25% or more (increase or decrease), or cancellation of services, are subject to review under the Service Coordination Process (as described on page 24).

- b.) If transit service is canceled, Jurisdictions should notify Metro in writing, secure review by the Service Review Process, and inform the public.

STEP 2

Metro staff will review Form A to determine if the project is eligible for LR expenditure.

STEP 3

After it is determined that the project is eligible, Metro staff will notify Jurisdictions in writing authorizing the expenditure of the LR funds. This will be done within thirty days of receipt of Form A. However, if additional information/justification for the project is required, it may take longer for the approval.

STEP 4

Form A will be used as the basis for a Jurisdiction's annual compliance audit required under the LR Program. Records should be maintained as stated in Audit Section V, page 33.

ANNUAL PROJECT UPDATE (FORM B)

Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide Metro with an update of *all* approved, on-going and carryover LR projects. Jurisdictions will be informed in writing of approval for project continuance. Metro will review the report and accept or return the report for changes. Staff review will consist of verification that the status of the projects listed corresponds to the originally approved projects. All projects should have their own identifying code, e.g. 01-200.

Projects for service operations whose anticipated start-up date is in the middle of the fiscal year, should be budgeted for services through the end of the fiscal year only. After the first year of service operations, project updates should be submitted annually, by August 1 of the new fiscal year.

ANNUAL EXPENDITURE REPORT (FORM C)

On or before October 15 of each fiscal year, Jurisdictions shall submit an Annual Expenditure Report (Form C) to notify Metro of previous year LR fund receipts and expenditures. Metro will review the report and approve or return for changes.

For Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.

Jurisdictions are required to call out administration charges to Direct Administration (Project Code 480) in order to verify compliance of 20% cap on administration costs.

The following provides a summary of form use and due dates:

<u>FORM</u>	<u>DETERMINATION</u>	<u>DUE DATE</u>
Project Description Form - Form A	New and amended projects	Any time during the year
Annual Project Update - Form B	All on-going and/or capital (carryover) projects	August 1 st of each year
Annual Expenditure Report - Form C	Report expenditures	October 15 th of each year

B. APPEAL OF ELIGIBILITY

Jurisdictions submitting a project, which has been classified by Metro staff as ineligible, may appeal the determination. An appeal should be submitted in writing to the Chief Planning Officer of Countywide Planning & Development. The project will then be reviewed for eligibility.

Should the project be denied eligibility status by the Chief Planning Officer, a final appeal may be submitted in writing to the Chief Executive Officer. The project will then come before the Metro Board for final determination of eligibility.

The appeal process is administered as a Board Public Hearing by the Board Secretary's office at the regularly scheduled Planning and Programming meetings. The Board has the authority to act on the transcript of the Hearing or to conduct its own hearing. The Metro Board decision is final.

Once the determination is final (either by an administrative determination that is not appealed within the 10-day statute of limitations, or as a result of the appeal process), Metro staff will send a notice of final determination of project eligibility to the Jurisdiction with conditions described or attached.

C. GOVERNING BODY AUTHORIZATION

While Metro does not require Jurisdictions to file a governing body authorization when submitting LR Forms (e.g., a city resolution or minute order), it is the responsibility of the Jurisdiction to keep these documents on file for audit purposes.

D. ENVIRONMENTAL REVIEW RESPONSIBILITY

Jurisdictions are the lead agencies for the projects with which they propose to implement using LR funds. Therefore, those agencies are responsible for preparing the necessary state and/or federal environmental documentation, and must comply with all applicable provisions of the California Environmental Quality Act, or if federal funds are involved, the National Environmental Policy Act.

E. PROJECT DESCRIPTION FORMS AND THE PROPOSITION A AND PROPOSITION C 40% DISCRETIONARY PROGRAM

If a Jurisdiction submits a project description for operating assistance for an included transit operator, the amount of operating assistance applied for will be considered as an operating subsidy in the fiscal year specified in Forms A or B. The full LR operating assistance amount shown in Form A or B will be considered when determining the eligible Proposition A or C Discretionary grant amount in accordance with the Proposition A and Proposition C 40% Discretionary Program Guidelines. Any changes must be approved prior to the close of the specific fiscal year. No changes will be approved after November 1 of the following fiscal year (e.g., changes in FY 2006-2007 projects must be received by Metro prior to November 1, 2007 to allow adequate time for staff review).

In addition, depreciation is not an eligible operating expense for which LR funds can be allocated, committed, encumbered, or claimed.

F. ANNUAL PROJECT UPDATE SUBMITTALS BY RECIPIENTS OF METRO FORMULA FUNDS

Jurisdictions with municipal bus operations receiving Metro formula funds (e.g. TDA Article 4, FTA Section 5307 and State Transit Assistance funds) should submit projects with the regular Transportation Improvement Program (TIP) and TIP-amendment cycle to facilitate processing and coordination. Other Jurisdictions may submit Project Description Forms at any time. LR projects and revenue may be shown in the Los Angeles County TIP for information purposes.

G. OTHER RESPONSIBILITIES OF JURISDICTIONS

It is the responsibility of Jurisdictions to ensure that all applicable federal, state and local requirements are met with regard to public health and safety, affirmative action, fair labor practices, transit accessibility to disabled persons, etc. Metro has no responsibilities in these areas with regard to local transit projects carried out by Jurisdictions receiving Proposition A or C revenues.

H. AMERICANS WITH DISABILITIES ACT MAINTENANCE OF EFFORT (MOE)

Metro will continue to monitor the operations of LR funded paratransit services to ensure that ADA paratransit-eligible riders continue to receive non-discriminatory transportation service on local paratransit systems pursuant to ADA and TDA. If Metro determines that ADA paratransit-eligible individuals are disproportionately being denied service, Metro will work with the LR funded agency to resolve the issue, up to and including a Maintenance of Effort.

Jurisdictions that currently provide paratransit service are required to continue to provide either ADA-eligible individual transportation service, or fund transportation trips that are completely within their jurisdictional boundaries, when requested. This obligation may not exceed 20 percent of the total LR allocation to the jurisdiction. If no requests for service within the jurisdiction are received, there will be no obligation to provide service or funding.

To better determine the accessibility of pathways to and from bus stops in Los Angeles County, all jurisdictions and the County of Los Angeles are requested to submit their projects on the Project Description Form (Form A) indicating what accessible features are being updated. Examples include curb cuts, installation or repair of pedestrian walkways, bus pads, and/or removal of sidewalk barriers (telephone poles, light poles, and other barriers). This form shall be submitted as required under these Guidelines.

I. SERVICE COORDINATION PROCESS

If a Jurisdiction is proposing to use LR funds for a new or expanded paratransit or transit service project, it is required to comply with the following Service Coordination Process:

The Service Coordination Process has four principal steps: Early Consultation by the proposing Jurisdiction with Metro Operations, and Contract Departments as the service is being developed at a local level; Proposition A or Proposition C LR eligibility review; service coordination administrative review; Metro Board Appeal Process to review the administrative determination, if requested. The following instructions should assist Jurisdictions in completing the service coordination review process:

Under the Proposition A and Proposition C Ordinances, transit services provided by Jurisdictions with LR funds should not duplicate existing transit or paratransit services.

The Proposition A and Proposition C LR Guidelines require Jurisdictions to follow the service coordination process under the following conditions: when a new service is proposed or when current service is modified by expanding service by 25 percent (increase or decrease) in route miles, revenue vehicle miles, service areas, stops, frequency or fare; when a proposed new route or change duplicates an existing route for 0.75 miles or more; or if a service is canceled.

1. **Implementing A Proposed New or Modified Transit or Paratransit Service**

When implementing a new or modified transit service or paratransit service project Jurisdictions should comply with the following process:

- a. Prior to Submittal of the Project Description Form -- Metro encourages Jurisdictions to work closely with Programming and Policy Analysis staff and Metro's Operations Unit (Sector General Managers and Deputy Executive Officer of Service Development) when a service project is being developed, in order to avoid or reduce service duplication impacts.
- b. Submitting a Project Description Form -- Similar to other LR projects, Jurisdictions are required to submit a Form A describing the new or modified service.
- c. Letter of Conditional Approval Will Be Sent to Jurisdictions -- After Metro Operations staffs have reviewed Form A, a letter of conditional approval is sent to Jurisdictions, subject to Metro Service Development Team review. This letter is then forwarded with a recommendation to the **Service Development Team**, to potentially affected Jurisdictions and transit operators, with the Form A and any route maps, service schedules and fare information provided by the proposing Jurisdiction.
- d. Role of Service Development Team – Metro Service Development Team is an executive level committee that is chaired by Metro Chief Executive Officer (CEO). This committee reviews key issues concerning agency transportation and planning projects. The Service Development Team will use the following criteria for evaluating the impacts of new or expanded services funded:
 - Potential for passenger and revenue diversion from the existing transit services, resulting from service duplication, to the proposed new or expanded service
 - Operational considerations such as available street capacity, bus zone curb space, street configuration and traffic congestion
 - Type of service and/or markets served by the new service, compared to existing services in the area
 - Early coordination and project development with existing service providers and Jurisdictions (efforts beyond the minimum 60 days)Metro will encourage fare coordination and connectivity with other interfacing transit operators.
- e. Letter of Final Approval or Disapproval -- Based on the evaluation criteria, the Service Development Team will either grant approval or deny a Jurisdiction's request. The Committee will notify the Jurisdiction of the outcome.
- f. Board Appeal Process -- If the project is disapproved, the Jurisdiction may file an appeal. See Appeal of Eligibility, page 23.

2. **Seasonal or Emergency Temporary Service**

Seasonal service lasting less than 60 days will be administratively reviewed and considered for approval without Metro Board review, unless an Metro Board action is specifically requested. In the event of an emergency, staff reserves the right to temporarily waive the service coordination requirements. Any projects begun under emergency waiver conditions must undergo the New Service Coordination review process within 60 days after the emergency has ended, in order to continue to be eligible for expenditure of LR funds. Seasonal or emergency services are not considered ongoing projects. Equipment purchased during the emergency waiver period will not be subject to prior approval. Emergency service may continue during the subsequent New Service Review process.

3. **Contracting With Other Service Providers**

Jurisdictions may use their LR funds to contract with other public or private service providers for new or improved transit services, subject to non-duplication/competition requirements.

J. **CAPITAL RESERVE PROCESS - APPROVAL PROCEDURE**

Jurisdictions who wish to establish a Capital Reserve fund with LR revenues should note that establishing a Capital Reserve fund constitutes a long term financial and planning commitment. The approval procedure is as follows:

- a. The Project Description **Form (Form A)**, submitted by the Jurisdiction, must be reviewed by Metro staff and approved by Metro Board;
- b. If the project is approved, the Jurisdiction is required to:
 - Enter into a Capital Reserve Agreement (see sample in Appendix IV, page 40) with Metro to reserve funds
 - Establish a separate account, or a sub-account, for Capital Reserve funds. Any interest accrued on the Capital Reserve Account would remain in said account
 - Include the Capital Reserve amount and the current project status in their Project Annual Update (Form B) and on the Annual Expenditures Report (Form C, including any expenditures or interest accrued.
- c. Conditions of the Capital Reserve Agreement:
 - The annual audit will include a detailed audit of the jurisdiction's capital reserve account.
 - Every three (3) years, Metro must evaluate the Capital Reserve Account as it pertains to the status of the project; and the projected amount of funds available.
 - If the funds are expended for projects other than the originally-approved capital project, the jurisdiction must pay the funds back to Metro.
 - If the capital project is not completed within the time specified under the terms of the Capital Reserve Agreement, its funds will be subject to lapse. However, if the project is delayed, Jurisdictions should request in writing to Metro approval to extend the life of the reserve. Such projects will be reviewed on a case-by-case basis.
 - For rail projects, if it is decided by Metro that the Rail corridor is no longer a high priority, the agreement will be terminated and the Jurisdiction must:
 1. Dissolve the Capital Reserve fund and return the accumulated funds, including any interest earned, to the Jurisdiction's LR fund; and

2. Reprogram the funds, within the next three (3) years from the Agreement termination date (see Appendix IV for Sample Agreement, page 40). While the Jurisdiction is not required to expend all of the funds within these three years, Metro reserves the right to impose a reasonable limit on the period of expenditure for reprogrammed funds.
 - If there is action by Metro to suspend a rail project, the Jurisdiction may continue to hold onto the reserve until such time the project is reinstated as active or terminated.
 - If, at any time a Jurisdiction, independent of any Metro action, desires to reprogram all or part of the funds in the Capital Reserve Account, the Jurisdiction must indicate the proposed use of the accumulated funds to be reprogrammed, and receive Metro approval.
 - If, at any time either party decides to terminate the Capital Reserve Project, a letter shall be submitted giving 30 days notice of the termination.
 - If the Capital Reserve Project is terminated, the Timely Use of Funds period on the lapsing date of the reserved funds will be reviewed and determined by the audit.
- d. Metro approval for reprogramming funds will be based on the following:
- If after exhausting all LR funds, additional funds are necessary to meet critical immediate or pending transit needs
 - If the reprogramming request is approved, the agreement between Metro and the Jurisdiction will be either terminated or amended accordingly
 - If the reprogramming request is disapproved, the Jurisdiction would be required to continue the capital reserve account as stipulated or apply to draw the fund down for another Metro approved capital-related project.

K. FUND EXCHANGE

Only Proposition A funds may be exchanged or traded. Refer to page 13 for conditions.

L. LOANING LR FUNDS BETWEEN JURISDICTIONS (FOR PROPOSITION A ONLY)

In order to meet short-term project needs while preserving longer-term reserves or to avoid loss of funds due to the timely-use provisions, the Jurisdictions may arrange a mutually acceptable temporary transfer or loan from one Jurisdiction to another. These loans are to be made on terms to be negotiated between the involved parties. The participating Jurisdictions are held mutually responsible for ensuring that the end use of Proposition A is for statutorily-allowed purposes. The timely use provision as indicated on page 30 will apply to loaning of such funds. Metro must be notified of the amount, terms and period of such arrangements within thirty days of such arrangements.

Note: Metro reserves the right to temporarily reallocate funds. Any temporary reallocation would be subject to full review by the Planning and Programming Committee and approved by Metro Board.

M. GIVING PROPOSITION C LR FUNDS TO ANOTHER JURISDICTION

Since the Proposition C Ordinance does not allow trades or exchanges of these funds, a Jurisdiction can give its Proposition C funds to another Jurisdiction for the implementation of a mutual project. However, the Jurisdiction giving the funds away cannot accept an exchange or gift of any kind in return. Jurisdictions involved in giving funds should obtain Metro approval and keep official agreements on file.

N. REIMBURSEMENT

LR funds may be advanced for other grant funds as long as the project itself is eligible under LR Guidelines. The grant funds must be reimbursed to the LR fund.

IV. FINANCE SECTION

A. METRO'S METHOD OF APPORTIONMENT

The Proposition A Ordinance specifies that twenty-five percent (25%) of all Proposition A revenues, while the Proposition C Ordinance specifies that twenty percent (20%) of all Proposition C revenues, are to be allocated to Jurisdictions for local transit on a "per capita" basis. The annual estimate of Proposition A and Proposition C revenues will be derived by Metro staff based on projections by the State Board of Equalization.

After administrative costs of the Proposition A and Proposition C Programs are deducted, apportionments are made to all Jurisdiction within Los Angeles County, currently 88 cities and the County of Los Angeles (for unincorporated areas), on the basis of population. These population shares are based on the projected populations derived from annual estimates made by the California State Department of Finance.

B. METRO'S FUND DISBURSEMENT

The Proposition A and Proposition C funds are disbursed by Metro on a monthly basis. The disbursements to an individual Jurisdiction will equal that Jurisdiction's population-based share of actual net receipts for the month.

C. ACCOUNTING FOR PROPOSITION A AND PROPOSITION C REVENUES AND EXPENDITURES BY JURISDICTIONS

1. ESTABLISHING A SEPARATE ACCOUNT

Jurisdictions which do not use the State Controller's Uniform System of Accounts and Records must establish a separate Proposition A and Proposition C Local Transit Assistance Account and deposit all Proposition A and Proposition C LR revenues, interest earnings received, and other income earned from Proposition A and Proposition C LR in that account.

In accordance with the State Controller's instructions, Jurisdictions which use the Controller's Uniform System do not need to establish a separate Proposition A and Proposition C Local Transit Assistance Account but will list all Proposition A and Proposition C revenues (including interest) and expenditures as special line items in the Uniform System. In any case, all Jurisdictions will be required to account for and identify all Proposition A and Proposition C receipts, interest, and expenditures. This will enable financial and compliance audits to be conducted in an organized and timely fashion. Sufficient unrestricted cash or cash equivalent must be available at all times to meet the needs of general Jurisdiction operations without impairment of the Proposition A and Proposition C Local Transit Assistance Accounts.

2. EXCEPTIONS FOR RECIPIENTS OF TDA ARTICLE 4 FUNDS

A separate account or fund is not mandatory when Proposition A and Proposition C LR funds are accounted for in an enterprise fund and are exclusively used as transit operating subsidies as long as the Jurisdiction/operator is able to maintain accounting records. These records should allow for the preparation of financial statements, which present assets, liabilities, revenues, expenditures (if any) and transfers out. While it is necessary that Proposition A and Proposition C Program recipients be able to demonstrate that they have complied with applicable guidelines in expending Proposition A and Proposition C funds as operating subsidies, it is not necessary that such expenditures be separately identifiable for audit purposes.

3. POOLING OF FUNDS

Metro will allow Jurisdictions to pool Proposition A and Proposition C LR funds in order to obtain maximum return on investments. Such investment earnings must be reported and expended consistent with these guidelines. As in fund exchanges or transfers, Jurisdictions involved in such arrangements should keep adequate records of such transactions in order to allow for subsequent audits.

4. INTEREST AND OTHER EARNED INCOME

Jurisdictions are entitled to retain any and all interest revenues, which they may earn on their Proposition A, and Proposition C revenues. Other income earned from Proposition A and Proposition C projects such as fare revenues, revenue from advertising, etc., may also be retained by Jurisdictions in their LR accounts. Such earnings must be reported and expended consistent with these guidelines. Jurisdictions must maintain accurate records for the amount of interest earned each year. Interest must be allocated to the Local Transit Assistance Account on an annual basis, and reported as part of the annual audit.

5. PROJECT REVENUE

The Jurisdictions need only report project-generated revenues, such as fares, when such revenues are retained and recorded by the Jurisdiction. Revenues should be reported on the accrual basis.

6. INTER-FUND TRANSFERS

On an accrual basis of accounting, Jurisdictions should make note of the following: expenditures for an approved project, which are made from a fund other than the Proposition A or Proposition C LR fund and will be reimbursed by Proposition A and Proposition C LR funds, should be included in the Annual Expenditure Report to Metro in the period such expenditures are made and not in the period in which the disbursing fund is reimbursed for such expenditures.

7. UNEXPENDED PROJECT FUNDS

All unexpended project funds remaining upon completion of an approved project must be re-programmed.

8. ONGOING OPERATING PROJECTS

Continuing administration, transit or paratransit projects, are ongoing projects. Such projects which have unexpended funds at the year end (excluding any outstanding liabilities) may not carry fund balances into the next fiscal year. Ongoing projects must be resubmitted on an annual basis (see Annual Project Update on page 22).

9. CARRYOVER CAPITAL PROJECTS

All other types of projects not cited above which 1) are not completed within the applied fiscal year and 2) have unexpended funds (i.e., fund balance), may be carried into the next fiscal year without resubmitting a project description. However, until completed, such projects must continue to be reported in the Annual Project Update and Annual Expenditure Report (Forms B and C).

10. REIMBURSEMENT

Local Return funds may be used to advance a project which will subsequently be reimbursed by federal, state, or local grant funding, or private funds, if the project itself is eligible under LR Guidelines. **The reimbursement must be returned to the appropriate Proposition A or Proposition C LR fund.**

D. NON-SUBSTITUTION OF FUNDS

1. Proposition A and Proposition C revenues should only be used to maintain and/or improve public transit services. They may not be used to substitute for property tax revenues, which are currently funding existing programs. If the Jurisdiction is unable to segregate property tax from other general fund revenues which cannot be so distinguished, substitution of Proposition A and Proposition C funds for general funds is also prohibited.
2. Jurisdictions which currently receive federal and/or state transit-assistance funds may use Proposition A and Proposition C revenues to replace or supplement any other state, federal, or local transit funds, as long as there is no relation to the property tax (as noted above).
3. Metro Staff reserves the right to bring project proposals involving the substitution of funds before Metro Board.

E. TIMELY USE OF FUNDS

1. PROPOSITION A AND PROPOSITION C FUNDS

Under the Proposition A and Proposition C Ordinances, Jurisdictions have three years to expend LR funds. Funds must be expended within three years of the last day of the fiscal year in which funds were originally allocated. Therefore, by method of calculation, each Jurisdiction has the Fiscal Year of allocation plus three years to expend Proposition A and/or Proposition C funds. For example, a Jurisdiction receiving funds during FY 2004-05 must expend those funds, and any interest or other income earned from Proposition A and Proposition C projects, by June 30, 2008.

Proposition A and Proposition C disbursements, interest income and other income earned from LR projects, such as fare revenues or revenues from advertising which are not expended within the allocated time will be returned to Metro for reallocation to Jurisdictions for discretionary programs of county-wide significance.

2. DETERMINING COMPLIANCE WITH TIMELY USE PROVISION

In applying the timely use provision, Metro will use a "First-In-First-Out" (FIFO) accounting principle, to afford Jurisdictions maximum time to expend funds. For example, City A had a fund balance of \$1,000,000 as of June 30, 2004. In order to avoid lapsing LR funds, City A must expend a total of \$1,000,000 or more from its LR funds during Fiscal Years 2004-05, 2005-06 and 2006-07. This calculation will be done individually for Proposition A and Proposition C funds.

3. EXTENSION OF TIMELY USE PROVISION

Metro will allow Jurisdictions to reserve funds for multi-year capital projects. A specific project must be identified under the Capital Reserve Process. See Capital Reserve Process, page 26.

F. RELATIONSHIP TO TDA ENTRY AND FORMULA DISTRIBUTION

Provision of transit services with LR funds will not qualify Jurisdictions for Transit Development Act (TDA) funding programs. In addition, mileage will not be counted in Metro's subsidy allocation formula for TDA operators.

G. NATIONAL TRANSIT DATABASE (NTD)

Locally funded transit systems are encouraged to report NTD data, either directly to the Federal Transit Administration (FTA), or through Metro's consolidated NTD report. Examples of locally funded transit systems include community based fixed route circulators, community shuttles, Metrolink feeder services and other rail station and neighborhood shuttles (Code 110). Also included are locally funded paratransit, dial-a-ride and demand response services, including taxi voucher and specialized transportation programs (Codes 120, 130).

Benefits of increased NTD reporting include additional Federal Section 5307 capital funds for the LA County region, and improved data collection for regional transportation planning purposes. At this time, NTD reporting is voluntary for locally funded operators. The Proposition A Incentive Guidelines, as adopted by Metro Board, provide a mechanism to reimburse voluntary reporters dollar-for-dollar for additional funds generated to the LA County region, subject to funds availability.

H. REPAYMENT OF FUNDS FOR FIXED ASSETS PURCHASES

If a facility ceases to be used for public transit use as originally stated in the project description, all Proposition A and Proposition C funds expended for the project must be returned to the Proposition A and Proposition C LR accounts.

General guidelines for repayment are as follows:

Land: Repayment of purchase price or appraised value, whichever is greater.

Facilities: 100% repayment of Proposition A and Proposition C LR funds if discontinuation of public transit use occurs between 0-5 years.

75% if discontinuation occurs in more than 5 years but less than 10 years.

50% if discontinuation occurs in more than 10 years but less than 15 years.

25% if discontinuation occurs in more than 15 years.

Repayment must be made no later than five years after the decision is made to cease utilizing the project as a public transit facility. Payback may be made in one lump sum or on an annual equal payment schedule over a five-year period.

Vehicles: Jurisdictions that cease to utilize vehicles for "public transit" purposes before their useful life, will be required to repay the funds into their Proposition A and Proposition C LR accounts in proportion to the useful life remaining. Federal standards for useful life will apply.

Repayment will be made in the same fiscal year as the vehicles ceased to be used for "public transit" purposes.

V. AUDIT SECTION

A financial and compliance audit will be conducted annually as part of Metro’s Consolidated Audit Program to verify adherence to the Proposition A and Proposition C guidelines. Audits will be performed in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that the audit is planned and performed to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The audit shall include examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. The audit shall also include review of internal control procedures, assessing the accounting principles used, as well as evaluation of the overall basic financial presentation.

It is the jurisdictions’ responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines. Jurisdictions are required to retain Local Return records for at least three years following the year of allocation and be able to provide trial balances, financial statements, worksheets and other documentation required by the auditor. Jurisdictions are advised that they can be held accountable for excess audit costs arising from poor cooperation and inaccurate accounting records that would cause delays in the completion of the required audits.

A. FINANCIAL AND COMPLIANCE PROVISIONS

The Proposition A and Proposition C Local Return Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:

Audit Area	Penalty for Non-Compliance
Verification that jurisdictions which do not use the State Controller’s Uniform System of Accounts and Records has established a Separate Proposition A and Proposition C Local Transit Assistance Account for local return purposes.	Suspension of disbursements.
Verification of revenues received including allocations, project generated revenues, interest income.	Audit exception.
Verification that funds were expended with Metro’s approval and have not been substituted for property tax.	Jurisdiction will be required to reimburse its Local Return account for the amount expended prior to or without approval.
Verification that the funds are expended within three years from the last day of the fiscal year in which funds were originally allocated or received. (see “E” page 30).	Lapsed funds will be returned to Metro for reallocation to jurisdictions for discretionary programs of countywide significance.

<p>Verification that <u>administrative expenditures</u> (project code 480) did not exceed over 20% of the total annual LR expenditures.</p> <p>Verification that projects with greater than 25% change from the approved project budget has been amended by submitting amended Project Description Form (Form A).</p> <p>Verification that the Annual Project Update (Form B) was submitted on or before August 1st following the end of fiscal year.</p> <p>Verification that the Annual Expenditure Report (Form C) was submitted on or before October 15th following the end of fiscal year.</p> <p>Where expenditures include Street Maintenance or Improvement projects (project codes 430, 440 or 450), verification that Pavement Management System (PMS) is in place and being used.</p> <p>Where funds expended are reimbursable by other grants or fund sources, verification that the reimbursement is credited to the Local Return account upon receipt of reimbursement.</p> <p>Where Proposition A funds were given, loaned or exchanged by one jurisdiction to another, verification that the receiving jurisdiction has credited its Local Return Accounts with the funds received.</p> <p>Where funds expended were for Intelligent Transportation Systems (ITS) projects or projects with ITS elements, verification that a Self Certification has been completed and submitted to Metro.</p> <p>Verification that jurisdictions have a LR Assurances and Understandings form on file.</p>	<p>Jurisdictions will be required to reimburse their Local Return account for the amount over the 20% cap.</p> <p>Audit exception.</p> <p>Audit exception.</p> <p>Audit Exception.</p> <p>Any Local Returned funds spent must be returned to the Local Return Funds.</p> <p>Audit exception and reimbursement received must be returned to the Local Return Funds.</p> <p>Audit exception and reimbursement of affected funds to the Proposition A LR account.</p> <p>Audit exception.</p> <p>Audit exception.</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>Where a capital reserve has been established, verification that a Capital Reserve Agreement is in effect, a separate account for the capital reserve is established, and current status is reported in the Annual Project Update (Form B).</p>	<p>Audit exception.</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------

B. AUDIT DELIVERABLES

The auditor shall submit to the Jurisdictions and to Metro a Comprehensive Annual Report of Proposition A and Proposition C Local Return Funds no later than March 31st following the end of fiscal year. The report must contain at the minimum, the following:

- Audited Financial Statements – Balance Sheet, Statement of Revenues and Expenditures and Changes in Fund Balances.
- Compliance Report, Summary of Exceptions, if any, and ensuing recommendations.
- Supplemental Schedules – Capital Reserves, if any; Schedule of Detailed Project Expenditures; and Capital Assets.

C. SUSPENSION OR REVOCATION

Jurisdictions are expected to take corrective action in response to the Local Return financial and compliance audit. Notwithstanding the provisions of these guidelines, Metro reserves the right to suspend or revoke allocation to jurisdictions that may be found to be in gross violation of these guidelines, or repeatedly committing violations, or refusing to take corrective measures.

APPENDIX I

**PROPOSITION A AND PROPOSITION C LOCAL RETURN PROGRAM
SUMMARY OF PROPOSITION A AND PROPOSITION C USES**

PROJECT TYPE	PROPOSITION A	PROPOSITION C
Streets and Roads Expenditures	<ul style="list-style-type: none"> Allowed exclusively for Bus Lanes and Curb Cuts at corners located or adjacent to Bus Stops 	<ul style="list-style-type: none"> Allowed only on streets that carry regularly scheduled, Fixed-Route Public Transit Services and on streets that carry public Paratransit trips (see conditions outlined in eligibility section of the Guidelines)
Signal Synchronization	<ul style="list-style-type: none"> Allowed if performed to predominantly benefit Transit. Bus Priority must be included as part of the project. The street must have a minimum of five (5) full-sized transit buses in each direction per hour 	<ul style="list-style-type: none"> Allowed on streets that are heavily-used by Public Transit The street must have full-sized transit buses operating on a regularly scheduled fixed-route (no minimum number of buses) Operating costs such as software and hardware maintenance are allowed
Bikeways and Bike Lanes	<ul style="list-style-type: none"> Not allowed 	<ul style="list-style-type: none"> Commuter bikeways Shall be linked to employment sites.
Congestion Management Activities	<ul style="list-style-type: none"> Not allowed 	<p>Most elements allowed, such as:</p> <ul style="list-style-type: none"> Preparation of TDM Ordinances and Deficiency Plans. Land Use Analysis required by CMP Monitoring of Transit Standards by transit operators
Pavement Management System	<ul style="list-style-type: none"> Not allowed 	<p>Some elements allowed, such as:</p> <ul style="list-style-type: none"> One-time development costs of a Pavement Management System. The ongoing costs of maintaining the Pavement Management System (see Guidelines for conditions)
Trading or Exchanging of Funds	<ul style="list-style-type: none"> Allowed if the traded funds are used for Public Transit purposes 	<ul style="list-style-type: none"> Not allowed

**ASSURANCES AND UNDERSTANDINGS REGARDING
RECEIPT AND USE OF PROPOSITION A and PROPOSITION C FUNDS**

The undersigned, in conjunction with the receipt of funds derived from the one-half cent sales tax imposed by Ordinance No. 16 (Proposition A) and the one-half cent sales tax imposed by the Proposition C Ordinance of the Los Angeles County Metropolitan Transportation Authority (Metro), and as required by Metro's Local Return Program Guidelines, hereby provides the following assurances and understandings.

A. The undersigned hereby assures Metro:

1. That the Proposition A and Proposition C funds will not be substituted for property tax funds which are currently funding existing public transportation programs;
2. That Proposition A and Proposition C funds will be used for public transit purposes as defined in Metro's Local Return Program Guidelines;
3. That the undersigned will submit to Metro a description of the use of funds:
 - a. For service expansion or new service: at least 60 days before encumbrance of funds;
 - b. For other projects: at least 30 days before encumbrance of funds;
 - c. Annually, by August 1st of each year, an update of previously approved projects;
 - d. Annually, by October 15th of each year, an update of the prior year's expenditures;
4. Any proposed use of funds will not duplicate or compete with any existing publicly-funded transit or paratransit service;
5. That Proposition A and Proposition C funds will be expended by the date that is three years from the last day of the fiscal year in which funds were originally allocated;
6. Unless otherwise required by Metro, an audit certified by a Certified Public Accountant, will be conducted by Metro within 180 days of the close of the fiscal year;
7. That the description of the intended use of the funds, as submitted to Metro, is an accurate depiction of the project to be implemented;
8. That a 25 percent change in project scope or financing for those projects defined in the Guidelines will be submitted to Metro at least 60 days before that change in scope is implemented;
9. That all projects proposed for Proposition A and Proposition C funding will meet the legal requirements of the Proposition A and Proposition C Ordinances and Metro's Local Return Program Guidelines criteria.

B. The undersigned further understands and agrees:

1. That Metro will require the undersigned to return any Proposition A and Proposition C funds and may impose interest penalties on any expenditure found to be illegal or improper under the terms of the Proposition A and Proposition C Ordinance or the Metro's Local Return Program Guidelines;
2. That the undersigned will, for projects to be funded in part or in whole with Proposition A and/or Proposition C funds, comply with all applicable federal, state, and local laws and regulations, including without limitation: American With Disabilities Act (ADA), CEQA and NEPA, affirmative action, transit accessibility and public health and safety requirements and fair labor practices;
3. That the undersigned will either utilize the State Controller's Uniform System of Accounts and Records to accommodate uses and disbursements of Proposition A and Proposition C funds or will establish a separate Proposition A and Proposition C Local Transit Assistance accounting system which will allow financial and compliance audits of Proposition A and Proposition C funds transactions and expenditures to be conducted;
4. That any Proposition A and Proposition C funds not expended within the year of receipt of funds plus three years thereafter will be returned to Metro upon request therefrom.

IN WITNESS WHEREOF the undersigned has executed this "Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Funds" this ____ day of _____, 20__ by its duly authorized officer:

CITY OF _____

BY _____

(Title)

DATE _____

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY (METRO)
PAVEMENT MANAGEMENT SYSTEM CERTIFICATION
PROPOSITION C

The City of _____ certifies that it has a Pavement Management System (PMS) in conformance with the criteria stipulated by the Proposition C Local Return Guidelines (identical to the criteria adopted by the Joint City/County/State Cooperation Committee, pursuant to Section 2108.1 of the Streets and Highways Code).

The system was developed by _____ and contains, as a minimum, the following elements:

- * Inventory of arterial and collector routes (including all routes eligible for Proposition C funds), reviewed and updated triennially. The last inventory update was completed _____, 20__.
- * Inventory of existing Class I bikeways, reviewed and updated triennially.
- * Assessment (evaluation) of pavement condition for all routes in the system, updated triennially. The last review of pavement conditions was completed _____, 20__.
- * Identification of all sections of pavement needing rehabilitation or replacement.
- * Determination of budget needs for rehabilitation or replacement of deficient sections of pavement for current triennial period, and for following triennial period.

If PMS was developed in-house, briefly describe it on an attached sheet.

FROM:

AGENCY _____ DATE _____

(Please Print Name)

(Please Print Name)

(Title)

CAPITAL RESERVE AGREEMENT

This Capital Reserve Agreement (this "Agreement") is entered into as of _____, by and between the Los Angeles County Metropolitan Transportation Authority ("Metro") and the City of _____ (the "City").

RECITALS:

A. The City receives Proposition [A] [C] local return funds (the "Local Return Funds") from Metro.

B. Pursuant to the Proposition A and Proposition C Local Return Guidelines, which are incorporated herein by reference, the City has three years, beginning the last day of the Fiscal Year in which funds were originally allocated, to expend the Local Return Funds. By method of calculation, each jurisdiction has three years plus the Fiscal Year of allocation to expend the Local Return funds. This is period is identified in the Guidelines as Timely Use of Funds.

C. As of Fiscal Year _____, the City desires to commit and accumulate its Local Return Funds beyond the Timely Use of Funds period in order to construct and/or purchase _____ as more particularly described in City's project description attached hereto as Exhibit A (the "Project").

D. The Metro Board at its _____ board meeting approved the City's establishment of a capital reserve fund for the Project.

NOW, THEREFORE, the parties hereby desire to agree to the following terms and conditions:

AGREEMENT

1. The City acknowledges that establishing a capital reserve fund for the Project constitutes a long term financial and planning commitment.
2. The City shall establish a separate interest bearing account or sub-account to be designated as the Capital Reserve Account. Commencing with Fiscal Year _____, the City shall deposit \$_____ of its Local Return Funds into the Capital Reserve Account. For future Fiscal Years, the City shall deposit the amount specified in its Project Annual Update submitted to Metro for that fiscal year, provided, however, if the City fails to submit its Project Annual Update, the City shall deposit its Local Return Funds in an amount equal to the amount deposited into the Capital Reserve Account for the immediately preceding fiscal year.

3. All interest accruing on the Capital Reserve Account shall remain in such account.
4. The City shall complete the Project by _____.
5. The City shall comply with all terms and conditions for the Capital Reserve Account as provided in the Proposition A and Proposition C Local Return Guidelines, including, without limitation, the following:
 - A. Each fiscal year, submitting the following items:
 - (i) an updated Project Description Form (Form A); and
 - (ii) an Annual Project Update (Form B), including the amount to be reserved and the current project status;
 - B. Every three years commencing with the Commencement Date of this Agreement, Metro will evaluate the Capital Reserve Account, the status of the Project and the projected amount of available funds. Based on this evaluation, Metro may require the City to take certain actions including, without limitation, terminating the Capital Reserve Account.
 - C. If the City uses the Local Return Funds in the Capital Reserve Account for a project different from the Project described above, the City shall return an amount equal to the improperly used funds to the Proposition A or Proposition C Central Account held by Metro. If the City fails to return the amount within 30 days from the date Metro notifies City that it must return the funds, the City hereby authorizes Metro to offset future Local Return allocations to the City in an amount equal to the improperly used funds.
 - D. If the City fails to complete the Project as specified by the date in paragraph 4 above, the Local Return Funds in the Capital Reserve Account may be subject to lapse unless otherwise agreed to in writing by the parties.
 - E. If the Project is a rail project, Metro may decide that the rail corridor is no longer a high priority. Metro can then terminate this Agreement and the City shall:
 - (i) close the Capital Reserve Account and return the outstanding balance of the Capital Reserve Account, including accrued interest (the "Returned Funds"), to the City's local return account; and
 - (ii) reprogram the Returned Funds to be used within three years from the termination date of this Agreement. Any funds remaining after such three-year period shall lapse.
 - F. If the City, independent of Metro action, desires to reprogram all or part of the funds in the Capital Reserve Account, the City must prior to such reprogramming, receive Metro's written approval. The City shall provide Metro with notice of its desire to reprogram the funds in the Capital Reserve Account and indicate the proposed use

of the funds to be reprogrammed and the effect of such reprogramming on the Project. Metro approval may be based on, among other things, whether after exhausting all Local Return funds, additional funds are necessary to meet the City's critical immediate or pending transit needs. If Metro approves reprogramming the funds, this Agreement shall be amended or terminated as appropriate. If Metro does not approve reprogramming the funds, the City must continue the Capital Reserve Account as provided herein or draw the funds down for Metro approved capital related project.

6. This Agreement shall commence on _____. This Agreement shall continue until such time as terminated by either party with a 30 day written notice under the conditions set forth in the Proposition A and Proposition C Local Return Guidelines.

IN WITNESS WHEREOF, the parties have executed this Capital Reserve Agreement by their duly authorized representatives as of the date above.

City of _____

Los Angeles County Metropolitan
Transportation Authority

By: _____

By: _____

Name: _____

Name: _____

Its: _____

Its: _____

Approved as to form:

Approved as to form:

Name: _____

Raymond G. Fortner, Jr.
County Counsel

Its: _____

By: _____
Deputy

SAMPLE FUND EXCHANGE AGREEMENT**(PROPOSITION A LOCAL RETURN ONLY)**

This Fund Exchange Agreement is made and entered into this _____ day of _____, 20__, by and between the City of Surf City, California and the City of Mountain Valley, California with respect to the following facts:

- A. The City of Mountain Valley proposes to provide Dial-A-Ride services to its elderly and individuals with disabilities. Approximately 20% of the City population is unable to use the available fixed route service due to frailty or handicap. No door-to-door public transit services are available in the City of Mountain Valley. Adequate Proposition A Local Return funding for such a service is not available given the limited amount of the City of Mountain Valley's Local Return allocation and the needs of other priority transit projects in the City.
- B. City of Surf City, has uncommitted funding authority for its Fiscal Year 2000-01 allocation of Proposition A Local Return funds which could be made available to the City of Mountain Valley to assist in providing the services discussed in Paragraph A of this Agreement.
- C. City of Mountain Valley is willing to exchange its general funds in the amount indicated in Section 1 below in exchange for City of Surf City's uncommitted Proposition A Local Return funds.
- D. City of Surf City is willing to exchange its uncommitted Proposition A Local Return funding in the amount indicated in Section 1 below to City of Mountain Valley, for the purpose identified in Paragraph A above, for City of Mountain Valley's general funds.

Now, therefore, in consideration of the mutual benefits to be derived by the parties and of the premises herein contained, it is mutually agreed as follows:

1. Exchange. City of Surf City shall transfer \$100,000 of its Fiscal Year 20__-20__ Proposition A Local Return Funds to City of Mountain Valley. In return, City of Mountain Valley shall transfer \$50,000 of its General Funds to City of Surf City.
2. Consideration. City of Surf City shall transfer the Proposition A Local Return funds to City of Mountain Valley in twelve equal installments due the first day of each month (or in one lump sum payment). City of Mountain Valley shall transfer its general funds to City of Surf City in twelve equal installments due the first of each month (or in one lump sum payment).

The first installment shall be due and payable upon approval by the Los Angeles County Metropolitan Transportation Authority ("Metro") of City of Mountain Valley's project description Form (Form A) covering the services discussed in Paragraph A above.

3. Term. This Agreement is effective on the date above written and for such time as is necessary for both parties to complete their mutual obligations under this Agreement.

4. Termination. Termination of this Agreement may be made by either party before the date of approval of the project description covering the funds in question by the Metro so long as written notice of intent to terminate is given to the other party at least five (5) days prior to the termination date.

5. Notices. Notices shall be given pursuant to this agreement by personal service on the party to be notified, or by written notice upon such party deposited in the custody of the United States Postal Service addressed as follows:

- a. City Manager
City of Surf City
101 Main Street
Surf City, CA 90000
- b. City Manager
City of Mountain Valley
401 Valley Boulevard
Mountain Valley, CA 90000

6. Assurances

- A. City of Mountain Valley shall use the assigned Proposition A Local Return funds only for the purpose of providing the services discussed in Paragraph A of this Agreement and within the time limits specified in Metro's Proposition A Local Return Program Guidelines.
- B. Concurrently with the execution of this Agreement City of Mountain Valley shall provide Metro with the Standard Assurances and Understandings Regarding Receipt and Use of Proposition A Funds specified in the Guidelines regarding the use of the assigned Proposition A Local Return funds.

7. This Agreement constitutes the entire understanding between the parties, with respect to the subject matter herein. This Agreement shall not be amended nor any provisions or breach hereof waived, except in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Fund Exchange Agreement to be executed by their respective officers, duly authorized, on the day and year above written.

CITY OF _____

CITY OF _____

BY _____

BY _____

ATTEST:

City Clerk
Approved as to Form:

City Clerk
Approved as to Form:

LOS ANGELES COUNTYWIDE
INTELLIGENT TRANSPORTATION SYSTEMS (ITS)

POLICIES AND PROCEDURES

Policy Summary

Federal regulations (23 CFR Parts 655 and 940 Intelligent Transportation System (ITS) Architecture and Standards; Final Rule) now require ITS projects funded with the Highway Trust Fund to conform to the National ITS Architecture and Standards; be guided by a regional architecture with geographic boundaries defined by stakeholder needs; and use systems engineering analysis on a scale commensurate with the project scope. It is Metro's Policy to abide by the Federal ITS regulations and requirements for those agencies seeking federal funding programmed by Metro for projects subject to this rule. For consistency and to maximize benefits, Los Angeles Countywide ITS Policy and Procedures is also applied to projects with state and local funding sources programmed and administered by the Metro.

Procedures Summary

To ensure compliance with the ITS Policy, all ITS project sponsor agencies including Metro internal departments are required to complete the Los Angeles County Regional ITS Architecture Consistency Certification Form (Attachment B) and to self certify that their project's ITS elements in whole or in part are consistent with the Los Angeles County Regional ITS Architecture.

Attached is the RIITS self-certification form. This form must be completed and submitted to Metro for each Local Return funded ITS project or project which includes an ITS element. To learn more about RIITS, please visit www.riits.net. For a complete copy of the Los Angeles Countywide ITS Policy and Procedures, you may go directly to <http://RIITS.net/RegITSDocs.html> and choose "Los Angeles Countywide ITS Policy and Procedures Document."

LOS ANGELES COUNTY REGIONAL ITS ARCHITECTURE CONSISTENCY

SELF-CERTIFICATION FORM

This form should be completed and executed for all ITS projects or projects with ITS elements except routine maintenance and operations, traffic signal controller replacement, purchase of bus or rolling stock, expansion or enhancement of an existing operating system. The form should be sent to Metro Countywide Planning and Development (CP&D) for any planned ITS projects or proposed funding involving Local, State or Federal funds programmed or administered through the Metro at the time of submittal of project application.

1. Name of Sponsoring Agency: _____

2. Contact Name: _____

3. Contact Phone: _____

4. Contact Email: _____

5. Project Description:

6. Identify the ITS elements being implemented and the relevant National Architecture User Services(s), see Attachment A.

7. Outline of the concept of operations for the project:

8. Identify participating agencies roles and responsibilities:

By signing and self-certifying this form, the agency commits itself to follow the ITS requirements listed below during project design and implementation. Please be advised that your project may be subject to further review and documentation by FHWA or FTA during project design and implementation phases:

- Perform a lifecycle analysis for the ITS project elements and incorporate these costs into the Operations and Maintenance plan as part of the system engineering process,
- Maintain and operate the system according to the recommendations of the Operations and Maintenance plan upon project completion,
- Use the systems engineering process and document the system engineering steps, and
- Use the Los Angeles County Regional ITS Architecture interface standards if required and conform to the regional configuration management process.

Signature:

Agency Representative

Date _____

Please return the original Project Self Certification Form to Metro Department of CP&D, Attention, Ms. Carol Inge, Deputy Executive Officer, Los Angeles County Metropolitan Transportation Authority, One Gateway Plaza, MS 99-22-1, Los Angeles, CA 90012-2952

ELIGIBLE RECREATION TRANSIT SERVICE AREA



--- Recreational transit area eligible for full Proposition A & C funding

□ Recreational transit area available for Proposition A & C funding on a proportional share basis

LOCAL RETURN FORMS

Summary:

Project Code: All projects must have Project Codes (see column on right). This code is critical in Form submittal as it is used in the LR database system.

Sequence Number: Sequence Numbers distinguish between the different projects being implemented. Indicate the sequence number of the project that is the order of submittal for the project (i.e., oldest approved to most recent approval).

Form A should be submitted whenever a Jurisdiction is requesting the approval of a new project or if there is a budget or scope change of more than 25 percent in an ongoing transit or paratransit project (as defined in the Proposition A and Proposition C Guidelines).

Form B requires Jurisdictions to give an update of already approved, ongoing and carryover Prop A and Prop C LR projects. Since new projects require additional information, please include all new projects on Form A only. (Note: Jurisdictions are required to call out all administration charges to Direct Administration in order to verify compliance of 20 percent maximum limit).

Form C requires Jurisdictions to report the annual expenditures for both Prop A and Prop C LR for the previous fiscal year. (Note: Jurisdictions are also required to submit an accounting of recreational transit trips, destinations and costs, if applicable).

PROJECT CODES

PROP A AND PROP C LR JOINT CODES:

- 110 Fixed Route Service
- 120 Paratransit Service - General Public Dial-a-Ride
- 130 Paratransit Service - Elderly & Disabled (E&D)
- 140 Recreational Transit Service (incl. special event)
- 150 Bus Stop Improvement (BSI) Program
- 160 Bus Stop Improvement - Capital
- 170 Bus Stop Improvement - Maintenance
- 180 Capital - Vehicle & Misc. Equipment (fare box)
- 190 Capital - Vehicle Modification Program
- 200 Capital - Vehicle Purchase Program
- 210 Transportation Systems Management (TSM)
- 220 Transit Security - On-Board & Bus Stop
- 230 Transit Security - Station/Park-and-Ride Lot
- 240 Fare Subsidy (Taxi)
- 250 Fare Subsidy (User-Side Subsidy)
- 270 Transportation Planning
(Prop A eligible and Prop C eligible)
- 280 Transit Marketing
- 290 Park-and-Ride Lot Program
- 300 Transit Facility Transportation Enhancements
- 310 Transit Centers Program
- 320 Metro Rail Capital
- 350 Right-of-Way Improvements
- 360 Commuter Rail (Operations)
- 370 Commuter Rail (Capital)
- 380 Capital Reserve
- 390 Rail Transit Enhancements
- 480 Direct Administration
- 500 Other (Specify)

Exclusive Uses of Prop A LR Funds:

- 400 Signal Synchronization
- 405 Fund Exchange
- 410 Transportation Demand Management


Exclusive Uses of Prop C LR Funds:

- 400 Signal Synchronization & Traffic Management
- 410 Transportation Demand Management
- 420 Congestion Management Program (CMP)
- 430 Bikeways & Bike Lanes
- 440 Street Repair and Maintenance (e.g., slurry seal)
- 450 Street Improvement Projects (e.g., widenings)
- 460 Street TSM Projects (e.g., signalization)
- 470 Pavement Management Systems (PMS)

Form A - Project Description Form

(This form may be submitted any time during the fiscal year)

--Instructions--

 Metro		LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY Proposition A and Proposition C Local Return Program		
Form A PROJECT DESCRIPTION FORM (Required for all new and amended projects)				
Local Jurisdiction		Fiscal Year		
<input type="text"/>		<input type="text"/>		
Contact Person	Telephone No.	Extension	E-Mail Address	
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Project Title				
<input type="text"/>				
Project Code:	<input type="text"/>	Category:		
Sequence Number:	<input type="text"/>	Type:	<input type="checkbox"/> Capital <input type="checkbox"/> New <input type="checkbox"/> Operating <input type="checkbox"/> Revised	
		Est Start Date:	<input type="text"/>	
		Est Compl Date:	<input type="text"/>	
Project Description and Justification				
<input type="text"/>				
Project Revenues				
Fund Source(s)	Proposition A Amount	Proposition C Amount	Other Amount	Total
Local Return				-
Fare Revenues				-
Other (Specify)				-
Total Project Revenues	-	-	-	-
Accessibility Features (For Bus Stop Improvement Projects only)				
<input type="checkbox"/> Curb Cut <input type="checkbox"/> Bus Pad <input type="checkbox"/> Installation Sidewalk <input type="checkbox"/> Removal of sidewalk Barrier				
<input type="checkbox"/> For Bikeways and Pedestrian Improvements, Street Repair and Maintenance or Street Improvement projects (project codes 430, 440 or 450), please check to indicate a Pavement Management System (PMS) Self Certification Form (See Appendix III) has been submitted to Metro.				
<input type="checkbox"/> For Intelligent Transportation Systems (ITS) projects, or projects which include an ITS element, please check box to indicate a Self Certification Form (See Appendix VI) has been completed and submitted to Metro.				
<input type="text"/>		<input type="text"/>		<input type="text"/>
Authorized Signature		Title		Date

Click [here](#) to access form.

Form A - Project Description Form

(This form may be submitted any time during the fiscal year)

--Instructions--

Summary:

Form A should be submitted whenever a Jurisdiction is requesting the approval of a new project or if there is a budget or scope change of more than 25 percent in an ongoing transit or paratransit project (as defined in the Prop A and Prop C Guidelines).

Key Terms:

- **Local Jurisdiction:** Indicate your City or Agency.
- **Fiscal Year:** Indicate the fiscal year (July 1 - June 30th) for which Prop A or Prop C LR funds will be used.
- **Project Description and Justification:** Provide a brief project description (include any necessary details) to help Metro staff determine project scope and eligibility.
- **Project Revenues:** Under the appropriate fund sources, indicate the revenues expected to fund the project.
- **Accessibility Features:** Check box applicable for Bus Stop Improvement Projects only.
- **Street Maintenance, Improvement or bikeway projects:** Check the box to indicate that a Pavement Management System (PMS) is in place and being used (see Appendix III).
- **Intelligent Transportation Systems projects:** Please check the box if this project is or has an ITS project element to indicate that an ITS self-certification (see Appendix VI) for has been submitted to Metro.
- **Authorized Signature:** Form A may be printed, signed and dated by authorized Local Jurisdiction, and sent to Metro by mail or fax, or e-mailed as described in Step 5.

Excel Operations:

Step 1 – Confirm computer is set to run macros

Open Microsoft Excel application

From the menu, select:

- Tools
- Macros
- Security
- Set it at Medium
- Press OK

Close Excel application

Step 2 Open Form A

Visit Metro's Web Site at www.metro.net

- Go to Projects/Programs
- Click on Local Return
- Click on Form A to open

Click yes to open the document containing Macros

Step 3 – Enter Form A Information

Once Form A is opened,

- Select correct agency (click on small arrow to scroll agency names)
- Enter contact name, telephone number, and e-mail address
- Enter project information on Form A

Step 4 – Save document under MY DOCUMENTS

Once information is entered on Form A, save document in My Documents

- Save Document as Form A City of

Step 5 – Forward Form A to Metro

Open Outlook (or other e-mail browser)

On e-mail include:

- Contact information including name, title, telephone number, and jurisdiction
- Brief description of the e-mail (transmittal)
- Attach Form A to the e-mail message


Important Changes

- All forms require that the entire value of project be entered, no longer will values be stated in \$ thousands.
- DO NOT alter forms. If for any reason there is a difference in Project Code, Sequence Number, or Project Title, contact Metro to resolve any discrepancies.
- Enter value for every project. If project is finalized, enter COMPLETE. DO NOT enter a dollar value.

Form B – Annual Project Update Form

(This form must be submitted by August 1st of each year)

--Instructions--

 Metro	LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY Proposition A and Proposition C Local Return Program								
	Form B ANNUAL PROJECT UPDATE FORM (Must be submitted by August 1st of each year)								
<input type="button" value="Print Preview"/>		Local Jurisdiction			Fiscal Year				
		Contact Person			Telephone No.		E-Mail Address		
Project Code	Sequence Number	Project Title	Project Status ¹	Funding sources				Total Project Budget	
				Proposition A Local Return	Proposition C Local Return	Est. Project Revenue	Funding Sources		
								-	
								-	
								-	
								-	
								-	
								-	
								-	
								-	
								-	
								-	
								-	
*Project Status: OG=On going operating projects; CO=Carryover capital projects.			Total	-	-	-	-	-	

Click [here](#) to access form.

Form B – Annual Project Update Form

(This form must be submitted by August 1st of each year)

--Instructions--

Summary:

Form B requires Jurisdictions to give an update of already approved, ongoing and carryover Prop A and Prop C LR projects. Since new projects require additional information, please include all new projects on Form A only. (Note: Jurisdictions are required to call out all administration charges to Direct Administration in order to verify compliance of 20 percent maximum limit).

Key Terms:

- **Local Jurisdiction:** Indicate your City or Agency.
- **Fiscal Year:** Indicate the fiscal year (July 1 - June 30th) for which Prop A or Prop C LR funds will be used.
- **Project Code:** Enter Project Codes (see column on right). This code is critical in Form submittal as it is used in the LR database system.
- **Sequence Number:** Sequence Numbers distinguish between the different projects being implemented. Indicate the sequence number of the project which is the order of submittal for the project (i.e., oldest approved to most recent approval).
- **Project Title:** Provide Project Title as indicated on the Form A or previous Form B submittal.
- **Project Status:** Check box applicable – Completed, On-going or Carryover.
- **Project Revenues:** Under the appropriate fund sources, indicate the itemized revenues expected to fund the project.
- **Authorized Signature:** Form B may be printed, signed and dated by authorized Local Jurisdiction, and sent to Metro by mail or fax, or e-mailed as described in Step 5.

Excel Operations:

Step 1 – Confirm computer is set to run macros

Open Microsoft Excel application

From the menu, select:

- Tools
- Macros
- Security
- Set it at Medium
- Press OK

Close Excel application

Step 2 Open Form B

Visit Metro's Web Site at www.metro.net

- Go to Projects/Programs
- Click on Local Return
- Click on Form B to open

Click yes to open the document containing Macros

Step 3 – Enter Form B Information

Once Form B is opened,

- Select correct agency (click on small arrow to scroll agency names)
- Enter contact name, telephone number, and e-mail address
- Enter appropriate values for each project

Step 4 – Save document under MY DOCUMENTS

Once the values of each project have been entered, save document into My Documents

- Save Document as Form B City of

Step 5 – Forward Form B to Metro

Open Outlook (or other e-mail browser)

On e-mail include:

- Contact information including name, title, telephone number, and Jurisdiction
- Brief description of the e-mail (transmittal)
- Attach Form B to the e-mail message


Important Changes

- All forms require that the entire value of project be entered, no longer will values be stated in \$ thousands.
- DO NOT alter forms. If for any reason there is a difference in Project Code, Sequence Number, or Project Title, contact Metro to resolve any discrepancies.
- DO NOT add or remove project on Form B, please contact Metro regarding any changes.
- Enter value for every project. If project is finalized, enter COMPLETE. DO NOT enter a dollar value.

Form C – Annual Expenditure Report Form

(This form must be submitted by October 15th of each year)

--Instructions--

 Metro		LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY Proposition A and Proposition C Local Return Program					
		Form C ANNUAL EXPENDITURE REPORT (Must be submitted by October 15th of each year)					
		Local Jurisdiction		Fiscal Year			
		Contact Person		Telephone No.		E-Mail Address	
Project Code	Sequence Number	Project Title	1st Yr Approved	Expenditure		Metro Approved Budget	
				Proposition A Local Return	Proposition C Local Return	Proposition A Local Return	Proposition C Local Return
			Total	-	-	-	-
Fiscal Year 2005 Summary							
Description				Proposition A Local Return	Proposition C Local Return		
Beginning Fund Balance							
Allocations Received							
Fare Revenues							
Interest Income							
Others (Specify):							
Total Revenues				-	-		
Expenditures				-	-		
Fund Balance				-	-		

Click [here](#) to access form.

Form C – Annual Expenditure Report Form

(This form must be submitted by October 15th of each year)

--Instructions--

Summary:

Form C requires Jurisdictions to report the annual expenditures for both Prop A and Prop C LR for the previous fiscal year. (Note: Jurisdictions are also required to submit an accounting of recreational transit trips, destinations and costs, if applicable).

Key Terms:

- **Local Jurisdiction:** Indicate your City or Agency.
- **Fiscal Year:** Indicate the fiscal year (July 1 - June 30th) for which Prop A or Prop C LR funds will be used.
- **Project Title:** Provide Project Title as indicated on the Form A or previous Form B submittal.
- **Project Status:** Check box applicable – Completed, On-going or Carryover.
- **Project Revenues:** Under the appropriate fund sources, indicate the itemized revenues expected to fund the project.
- **Authorized Signature:** Form C may be printed, signed and dated by authorized Local Jurisdiction, and sent to Metro by mail or fax, or e-mailed as described in Step 5.

Excel Operations:

Step 1 – Confirm computer is set to run macros

Open Microsoft Excel application

From the menu, select:

- Tools
- Macros
- Security
- Set it at Medium
- Press OK

Close Excel application

Step 2 Open Form C

Visit Metro's Web Site at www.metro.net

- Go to Projects/Programs
- Click on Local Return
- Click on Form C to open

Click yes to open the document containing Macros

Step 3 – Enter Form C Information

Once Form C is opened,

- Select correct agency (click on small arrow to scroll agency names)
- Enter contact name, telephone number, and e-mail address
- Enter appropriate values for each project

Step 4 – Save document under MY DOCUMENTS

Once the values of each project have been entered, save document into My Documents

- Save Document as Form C City of

Step 5 – Forward Form C to Metro

Open Outlook (or other e-mail server)

On e-mail include:

- Contact information such as name, title, telephone number, and Jurisdiction
- Brief description of the e-mail (transmittal)
- Attach Form C on the e-mail message

Important Change Important Changes

- All forms require that the entire value of project be entered, no longer will values be stated in \$ thousands.
- Enter value for every project. If project is finalized, enter COMPLETE. DO NOT enter a dollar value

**GLOSSARY OF TERMS
USED IN LOCAL RETURN GUIDELINES**

Americans with Disabilities Act (ADA), 1990

A civil rights law passed by Congress in 1990 that makes it illegal to discriminate against people with disabilities in employment, services provided by state and local governments, public and private transportation, public accommodations and telecommunications.

Advanced Traveler Information Systems (ATIS)

ATIS technologies provide travelers and transportation professionals with the information they need to make decisions, from daily individual travel decisions to larger scale decisions that affect the entire system, such as those concerning incident management.

Air Quality Management District (AQMD)

Administrative districts organized in California to control air pollution. Generally, AQMDs and their national parallel encompass multiple jurisdictions and closely follow the definition of Consolidated Metropolitan Statistical Areas and Metropolitan Statistical Areas.

Adaptive Traffic Control Systems (ATCS)

ATCS uses sensors to interpret characteristics of traffic approaching a traffic signal, and using mathematical and predictive algorithms, adapts the signal timing accordingly, optimizing its performance.

Advanced Traffic Management Systems (ATMS)

ATMS technologies apply surveillance and control strategies to improve traffic flow on highways and arterials.

Automatic Vehicle Location (AVL)

The installation of devices on a fleet of vehicles (e.g., buses, trucks, or taxis) to enable the fleet manager to determine the level of congestion in the road network. AVL is also used to enable the fleet to function more efficiently by pinpointing the location of vehicles in real time.

Bicyclists Rights

According to CVC21200 Bicyclists have all the rights and responsibilities of vehicle drivers.

Bikeway Definitions

Class I Bikeway - Off road paved bike path

Exclusive bi-directional path designated for bicycles or as multi-use path shared with pedestrians (if pedestrian path is not adjacent).

Class II Bikeway - On-road striped bike lane

Class III Bikeway - On-road bike route (signage only)

Streets designated as preferred routes through high demand corridors, used to provide continuity to other bicycle facilities (usually II bikeways), or provide routes to transit or other destinations where the streets are too narrow for bike lanes. Usually bike routes have some added preferential bike treatments that offers advantages over alternative routes.

Bus turn-out

A branch from or widening of a road that permits buses to stop, without obstructing traffic, while laying over or while passengers board and alight. It is designed to allow easy reentry of the bus into the traffic stream.

California Streets and Highways Code

This is the legal code regulating the roads and highways of the State of California. The code sets forth the administration and funding of the highway system, the relationship of the state government to the county and local governments in regards to streets and roads, administration of tolls collected by the state, and various acts dealing with streets and highways passed by the state legislature.

Capital Reserve

With Metro Board approval and signed Capital Reserve Agreement, funds may be set aside for Capital projects to provide reserve funds for a period of time over the three year timely use provision.

Carry-over Project

A project that was not completed and which takes two or more year to finish. The construction of a transit center or a citywide bus shelter installation project may be multi-year projects.

Congestion Management Program (CMP)

A state mandated program linked to Proposition 111 (1990) that requires each county to prepare a plan to address traffic congestion on regional streets and freeways. Elements of the CMP include designation of a regional highway system with level of service (LOS) standards, a local trip reduction ordinance, capital improvement program, land use impact analysis, and transit performance standards. If LOS standards are not maintained, deficiency plans must be prepared and implemented.

Changeable Message Signs (CMS)

Electronic road and transit station signs used to display information that can be updated, such as warnings of road incidents, hazardous weather conditions, or estimated arrival times of transit vehicles. Used in ATIS and ATMS. Also called Variable Message Signs (VMS).

Councils of Governments (COG)

Regional planning bodies that exist throughout the United States. A typical council is defined to serve an area of several counties, and they address issues such as regional planning, water use, pollution control, and transportation. The Council membership is drawn from the county, city, and other government bodies within its area.

Commuter Rail

Railroad local and regional passenger train operations between a central city, its suburbs and/or another central city. It may be either locomotive-hauled or self-propelled, and is characterized by multi-trip tickets, specific station-to-station fares, railroad employment practices and usually only one or two stations in the central business district. Also known as "suburban rail."

Curb Cut

A small ramp between the sidewalk and curb that facilitates passage by wheelchairs, strollers, etc. between the sidewalk and street intersection.

Commercial Vehicle Operations (CVO)

ITS program to apply advanced technologies to commercial vehicle operations, including commercial vehicle electronic clearance; automated roadside safety inspection; electronic purchase of credentials;

automated mileage and fuel reporting and auditing; safety status monitoring; communication between drivers, dispatchers, and intermodal transportation providers; and immediate notification of incidents and descriptions of hazardous materials involved.

Demand Responsive

Non-fixed-route service utilizing vans or buses with passengers boarding and alighting at pre-arranged times at any location within the system's service area. Also called "Dial-a-Ride."

Dial-a-Ride

A shared-ride public transportation service for senior citizens age 65 and older, people with disabilities and people who meet American Disabilities Act (ADA) eligibility.

Direct Administration

Those fully burdened salaries and overhead, office supplies and equipment directly associated with administering LR operating and capital projects.

Electronic Payment Systems

Systems that collect payments using an electronic transponder. Payment types include fees for transit fares, taxis, parking, and tolls. Electronic payment systems can also gather real-time transit information on travel demand for better planning and scheduling of services.

Farebox revenue

Money, including fares and transfers, zone and park and ride receipts, paid by transit passengers; also known as "passenger revenue."

Financial and Compliance Audit

The review and examination of the jurisdictions' books and records to verify compliance with existing statutes governing the Local Return Funds. Such review and examination include verification of adherence to the generally accepted accounting principles, review of internal control system and evaluation of compliance with the Local Return Guidelines. The Financial and Compliance Audit shall be conducted by an independent auditor and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States.

Fiscal year

A twelve-month period to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of its operations. This twelve-month period varies from the calendar year. In the California, State Government system, the fiscal year starts July 1 and ends the following June 30. In the Federal system, the fiscal year starts October 1 and ends the following September 30.

Fixed Route

Service provided on a repetitive, fixed-schedule basis along a specific route with vehicles stopping to pick up and deliver passengers to specific locations; each fixed-route trip serves the same origins and destinations, unlike demand responsive and taxicabs.

Flexible Destination

A type of demand-responsive service which takes on passengers according to a fixed route, and drops passengers off at alternative destinations within a defined service area.

Formula Funds

Funds distributed or apportioned to qualifying recipients using formulas which are based on statistics (such as operating performance or route characteristics) and established by law or by funding agency-adopted policies.

Fund Exchange

Funds traded to another Local Jurisdiction or Agency for an agreed amount. Funds returned may be from General, State, Federal funds or other agreed upon method of exchange between the agencies. Eligible under Proposition A only.

Giving

Local Jurisdictions can give Prop C funds to another Jurisdiction for a transit related project as long as Metro approves, and no exchange or gift of any kind is received in return.

Headsign

A destination sign above the front (and sometimes side) window of a bus or train.

Information Exchange Network (IEN)

The Los Angeles County IEN can exchange real-time TCS data from intersections in each of the county's several traffic forums and enables all forums, the county, and partner cities to access the information.

Intelligent Transportation Systems (ITS)

This program is an initiative of the United States Department of Transportation to add information technology to surface transportation infrastructure and vehicles. It aims to manage vehicles, roads, and routes to improve efficiency, safety and reduce vehicle wear, transportation times and fuel costs. ITS Architecture relates to the overarching framework that allows individual ITS services and technologies to work together, share information, and yield synergistic benefits.

Loaning

Local Jurisdictions may arrange a mutually acceptable temporary transfer or loan from one Jurisdiction to another. Refer to Metro's Administrative Process for additional information.

Local Jurisdiction

City or Agency that is the applicant for the project to be funded with Proposition A or Proposition C Local Return (LR).

Maintenance

Maintenance refers to minor work to prevent further deterioration, such as, slurry seal, or pothole repair

Maintenance of Effort

This requirement provides for the continuation of funding commitments by local jurisdictions on roadways used by public transit while supplementing these improvements with Proposition C Local Return funds. Local Return funds cannot be used to replace any pre-existing roadway funding but only to augment what is currently being utilized by local jurisdictions. In the past, local jurisdictions have had to report to the State Controller those funds spent on streets and roads in order to be in compliance with the California Streets and Highways Code.

Metro

The Metropolitan Transportation Authority. Metro staff manages the administration of the program. Metro refers to the administrative staff.

Metro Art

The Metro department responsible for incorporating art enhancements into Metro projects, including rail stations, bus stops, construction sites, streetscapes and other public oriented improvements..

Metro Board

The Metropolitan Transportation Authority has an established member list of Board of Directors and Executives as appointed by the Board. The Metro Board makes decisions on funding allocations, Guidelines, Capital Reserves and possible appeals.

Metro Rail

Rail service operated by the Los Angeles County Metropolitan Transportation Authority (Metro)

Metro Long Range Transportation Plans

In April 2001, the Metro Board adopted the Long Range Transportation Plan. This plan is a 25-year blueprint for transportation planning in Los Angeles County through the year 2025. The Long Range Transportation Plan assesses future population increases projected for the county and what such increases will mean for future mobility needs. The plan recommends what can be done within anticipated revenues, as well as what could be done if additional revenues become available.

Metro Short Range Transportation Plans

The 2003 Short Range Transportation Plan focuses on the phasing of transportation improvements through 2009 that will help put together the pieces of our mobility puzzle. The Plan relies on performance-based modeling to identify the best solution for each mobility challenge. In total, \$19.3 billion is needed to fund this Plan's transportation priorities through 2009. These include the costs of operating the current system and funding new transportation solutions.

National ITS Architecture

A systems framework to guide the planning and deployment of ITS infrastructure. The national ITS architecture is a blueprint for the coordinated development of ITS technologies in the U.S. The architecture defines the functions that must be performed, the subsystems that provide these functions, and the information that must be exchanged to support the defined **User Services**. The National ITS Architecture was released as a final document in June 1996.

National Transit Database (NTD)

A reporting system administered by the Federal Transit Administration (FTA) that uses uniform categories to record mass transportation financial and operating information through a uniform system of accounts on an annual basis.

Paratransit

Auxiliary public transportation available to elderly or disabled passengers or patrons in areas, which are underserved by conventional transit. Paratransit is generally operated using smaller vehicles, with flexible schedules and routes.

Park-and-Ride

An access mode to transit in which patrons drive private vehicles or ride bicycles to a transit station, bus or rail stop or carpool or vanpool waiting area and park their vehicles in the area provided for the

purpose. They then ride the transit system or take the carpool/vanpool to their destinations. (TRB) 2 involve the use of a motorized personal vehicle in conjunction with transit. Park-and-ride facilities include a parking lot or portion of a lot near transit stops, allowing transit users to park their personal vehicles for a short period of time and make convenient transfers to the transit system.

Pavement Condition Index (PCI)

A value for a pavement segment representing its condition. The Pavement Condition Index (PCI) is a numerical rating of the pavement condition that ranges from 0 to 100, with 0 being the worst possible condition and 100 being the best possible condition.

Pavement Management System (PMS)

A systematic process that provides, analyzes, and summarizes pavement information for use in selecting and implementing cost-effective pavement construction, rehabilitation, and maintenance programs and projects. A PMS involves the identification of optimum strategies at various Pavement Condition Index (PCI) levels and maintains pavements at an adequate PCI Threshold (level of serviceability). These include, but are not limited to, systematic procedures for scheduling maintenance and rehabilitation activities based on optimization of benefits and minimization of costs.

Project Code

Project Codes distinguish the type of projects being implemented.

Reconstruction

Activities that extend the serviceable life by at least 10 years, and involve reworking or removal and replacement of all or part of the engineered layers in the pavement structure. Removal and replacement of all asphalt and concrete layers and often the base and sub-base layers, in combination with remediation of the sub-grade and drainage, and possible geometric changes. Due to its high cost, reconstruction is rarely done solely on the basis of pavement condition. Other circumstances such as obsolete geometrics, capacity improvement needs, and/or alignment changes, are often involved in the decision to reconstruct a pavement.

Recreational Transit

City-sponsored trips to recreational or cultural destinations within defined geographic area. Charter buses are frequently used and trips must be advertised to the general public. Service is generally contracted out to a private sector operator.

Rehabilitation

Activities that extend the serviceable life by at least 10 years, and add structural capacity to the pavement.

Reimbursement

LR funds may be advanced for other grant funds as long as the project itself is eligible under LR Guidelines. The grant funds must be reimbursed to the LR fund.

Resurfacing

Activities that extend the serviceable life by at least 10 years and change the surface characteristics of the pavement. Resurfacing generally consists of placing additional asphalt concrete over a structurally sound highway or bridge that needs treatment to extend its useful life.

Revenue Vehicle Miles

The miles a vehicle travels while in revenue service. Vehicle revenue miles exclude travel to and from storage facilities, training operators prior to revenue service, road tests and deadhead travel, as well as school bus and charter services.

Ride matching programs

Programs that provide nearest major intersection-matching services to commuters who wish to establish a car- or van-pool.

Right of Way

Land; a public or private area that allows for passage of people or goods, including, but not limited to, freeways, streets, bicycle paths, alleys, trails and walkways. A public right-of-way is dedicated or deeded to the public entity for use under the control of a public agency.

Regional Integration of Intelligent Transportation Systems (RIITS)

This system supports information exchange between freeway, traffic, transit and emergency service agencies to improve management of the Los Angeles County transportation system.

Ramp Metering Station (RMS)

Traffic-responsive regulation of vehicle entry to a freeway, typically via sensor controlled freeway ramp stoplights.

Sequence Code

Sequence Codes distinguish between the different projects being implemented.

Shuttle

A public or private vehicle that travels back and forth over a particular route, especially a short route or one that provides connections between transportation systems, employment centers, etc.

State Controller

The Controller is the state's chief financial officer and is elected by a vote of the people every four years. The duties of the State Controller are prescribed by the Constitution with additional powers and functions set by statute. The primary function of the State Controller is to provide sound fiscal control over both receipt and disbursement of public funds, to report periodically on the financial operations of both state and local governments and to make certain that money due the state is collected in a fair, equitable and effective manner. The office also enforces collection of delinquent gas, truck and insurance taxes.

Traffic Control Systems (TCS)

Advanced systems that adjust the amount of "green time" for each street and coordinate operation between each signal to maximize traffic flow and minimize delay. Adjustments are based on real-time changes in demand.

Traffic/Transportation/Transit Management Center (TMC)

Traffic/Transportation/Transit Management Center (interchangeable)

Transfer Center

A fixed location where passengers interchange from one route or transit vehicle to another.

Transit revenues

Revenues generated from public transportation (bus, rail or other conveyance for public).

Transportation Demand Management (TDM)

A program designed to maximize the people-moving capability of the transportation system by increasing the number of people in each vehicle or by influencing the time of, or need to, travel. To accomplish these sorts of changes, TDM programs must rely on incentives or disincentives to make the shifts in behavior attractive. The term TDM encompasses both the alternatives to driving alone and the techniques or supporting strategies that encourage the use of these modes.

Transportation Improvement Program (TIP)

A prioritized program of transportation projects to be implemented in appropriate stages over several years (3 to 5 years). The projects are recommended from those in the transportation systems management element and the long-range element of the planning process. This program is required as a condition for a locality to receive federal transit and highway grants.

Transportation Management Associations (TMAs)

An urbanized area with a population more than 200,000 (as determined by the most recent decennial census) or other area when TMA-designation is requested by the Governor and the MPO (or affected local officials), and officially designated by the Federal Highway Administration and the Federal Transit Administration. TMA designation applies to the entire metropolitan planning area(s). (23CFR500).

Transportation Enhancements (TE)

A funding program of the USDOT Federal Highway Administration that offers communities the opportunity to expand transportation choices. Activities such as safe bicycle and pedestrian facilities, scenic routes, beautification, and other investments increase opportunities for recreation, accessibility, and safety for everyone beyond traditional highway programs.

Transportation Systems Management (TSM)

Transportation Systems Management is the cooperative development and implementation of strategies to maximize the safe movement of people and goods by managing an integrated multimodal transportation system. The effective management of the system will enable the traveling public more efficient use of the existing transportation facilities. Elements of TSM include incident management programs, traveler information systems, traffic signal systems upgrades, intermodal freight planning, surveillance control systems, demand management techniques, and commercial vehicle operations.

Traffic Signal Priority (TSP)

It gives preferential treatment to one type of system user over other users and allows signal controllers to service competing needs in the order of relative importance.

User Services

Services available to travelers on an ITS-equipped transportation system, as set forth by ITS America. The 30 services are arranged in 7 categories, as follows: travel and transportation management, travel demand management, public transportation operations, electronic payment, commercial vehicle operations, emergency management, and advanced vehicle control and safety systems.

User-side Subsidies

This refers to funds set aside to offer discounts to public transit users. Such subsidies are approved by local jurisdictions councils or boards and are optional. A city, for example, pays full price for a monthly

bus or rail pass but will sell it to a transit user (city resident) for a lower (subsidized) rate. Each city defines who is eligible for subsidies based on demand and budgetary constraints.

Vehicle Miles Traveled (VMT)

The number of miles traveled within a specific geographic location by vehicles for a period of one year. VMT is calculated either by using two odometer readings or, in the absence of one of the odometer readings, by regression estimate.

REFERENCES

American Public Transportation Association

Website: <http://www.apta.com/research/info/online/glossary.cfm>

California Highway Design Manual Chapter 1000

California Streets and Highways Code

Website: <http://ntl.bts.gov/>

Caltrans-California Department of Transportation

Website: <http://www.dot.ca.gov/>

City and County of Honolulu and the Hawaii Department of Transportation

Website: <http://www.oahutrans2k.com/info/glossary>

Department of Energy

Website: <http://www.energy.gov/>

Federal Transportation Authority glossary

Website: http://www.fta.dot.gov/31_ENG_Printable.htm

Federal Highway Administration (ITS glossary)

Website: http://www.fhwa.dot.gov/planning/glossary/glossary_listing.cfm

Kitsap Transit, Bremerton, Washington.

Website: www.kitsaptransit.org/home/ktjargon.html

State of North Carolina Department of Transportation

Website: <http://www.ncdot.org/transit/transitnet/Glossary/>

US Department of Transportation glossary

Website: <http://www.dot.ca.gov/hq/MassTrans/trterms.htm>

Other website sources

<http://en.wikipedia.org/wiki/infrastructure>

<http://sco.ca.gov>

<http://www.belmont.gov/SubContent.asp?CatId=240000622>

<http://www.dieselnet.com/gl-a.html>

http://www.pvpc.org/html/tier3/transp/trans_study.html

<http://www.tempe.gov/tim/DialARide.htm>

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Carlos Vendiola, Local Programming, Metro
Thomas Soteris-McNamara (cover)

EXHIBIT C

Received: from Lkwdmail.lakewood.city ([fe80::149:fb06:74a:f12]) by
Lkwdmail.lakewood.city ([fe80::149:fb06:74a:f12%10]) with mapi id
14.03.0301.000; Thu, 7 Jul 2016 16:34:11 -0700

From: Konya Vivanti <KVivanti@lakewoodcity.org>

To: Diane Perkin <DPerkin@lakewoodcity.org>

CC: Claire Houck <CHouck@lakewoodcity.org>

Subject: RE: SCO Response Letter

Thread-Topic: SCO Response Letter

Thread-Index: AQHR2KgQnCU+I1osVU6C6CsIXLhLoQ==

Date: Thu, 7 Jul 2016 23:34:11 +0000

Message-ID: <721E34C6ABFD7149A1C55E2CA65A05368E2B06@Lkwdmail.lakewood.city>

References: <97BF0228AD66154482A105033A02713A5851AB@Lkwdmail.lakewood.city>

In-Reply-To: <97BF0228AD66154482A105033A02713A5851AB@Lkwdmail.lakewood.city>

Accept-Language: en-US

Content-Language: en-US

X-MS-Exchange-Organization-AuthAs: Internal

X-MS-Exchange-Organization-AuthMechanism: 04

X-MS-Exchange-Organization-AuthSource: Lkwdmail.lakewood.city

X-MS-Has-Attach: yes

X-MS-Exchange-Organization-SCL: -1

X-MS-TNEF-Correlator:

Content-Type: multipart/mixed;

boundary="_004_721E34C6ABFD7149A1C55E2CA65A05368E2B06Lkwdmaillakewoodc_"

MIME-Version: 1.0

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Content-Type: multipart/alternative;

boundary="_000_721E34C6ABFD7149A1C55E2CA65A05368E2B06Lkwdmaillakewoodc_"

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Content-Type: text/plain; charset="us-ascii"

Content-Transfer-Encoding: quoted-printable

I just heard from Dan Mueller of Downey. According to him, the City maintenance staff emptied the trash cans 2 to 3 times a week in Downey. Additionally, I did find the following emails from Philip and Kerry Musgrove and the frequency of the trash being emptied at bus stops:

>>>Philip Lopez 8/15/2011 9:25 AM>>>

Mondays and Fridays or Mondays and Thursdays on our short week

Philip J Lopez

Parks Superintendent

Recreation & Community Services

City of Lakewood

562 866-9771 x 2430

>>> Konya Vivanti 8/10/2011 3:55 PM >>>

Hi Guys-

Any confirmation of the days yet?

>>> Kerry Musgrove 8/9/2011 4:47 PM >>>

We send staff out on the first day of the week and the last day of the week= to empty half to full cans. Some areas the cans in busy locations are empt=ied twice a week others only once a week . Depends on the location. This s=

ummer staff is spending more time to empty half to full cans after the week=
end. It's now taking a day and half at the first of the week.

>>> Philip Lopez 8/9/2011 3:47 PM >>>

I want to say twice during the week and once on the weekend. Kerry is that =
correct

-----Original Message-----

From: Konya Vivanti

To: Philip Lopez < plopez@lakewoodcity.org<mailto:plopez@lakewoodcity.org> =

>

Sent: 8/9/2011 3:44:31 PM

Subject: Question About Trash Cans at Bus Stops

Hi Phillip-

Would you be able to tell me how often the trash cans at the bus stops get =
emptied?

Thanks,

Konya

Regarding the question on federal grant money... I found the attached pdf w=
ith notes from Max and Claire in 2011.

Konya

From: Diane Perkin

Sent: Thursday, July 07, 2016 3:51 PM

To: Konya Vivanti

Cc: Claire Houck

Subject: SCO Responce Letter

Importance: High

Hi Konya,

Please complete the yellow highlighted area of the attached letter - I need= to send out today.

Thanks,

Di

--_000_721E34C6ABFD7149A1C55E2CA65A05368E2B06Lkwdmaillakewoodc_

Content-Type: text/html; charset="us-ascii"

Content-Transfer-Encoding: quoted-printable

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<html xmlns:v=3D"urn:schemas-microsoft-com:vml" xmlns:o=3D"urn:schemas-microsoft-com:office:office" xmlns:w=3D"urn:schemas-microsoft-com:office:word" xmlns:m=3D"http://schemas.microsoft.com/office/2004/12/omml" xmlns=3D"http://www.w3.org/TR/REC-html40">
```

```
<head>
```

```
<meta http-equiv=3D"Content-Type" content=3D"text/html; charset=3Dus-ascii">
```

```
>
```

```
<meta name=3D"Generator" content=3D"Microsoft Word 12 (filtered medium)">
```

```
<style><!--
```

```
/* Font Definitions */
```

```
@font-face
```

```
{font-family:"Cambria Math";
```

```
panose-1:2 4 5 3 5 4 6 3 2 4;}
```

```
@font-face
```

```
{font-family:Calibri;
```

```
panose-1:2 15 5 2 2 2 4 3 2 4;}
```

```
@font-face
```

```
{font-family:Tahoma;
```

```
panose-1:2 11 6 4 3 5 4 4 2 4;}
```

```
@font-face
```

```
{font-family:Consolas;
```

```
panose-1:2 11 6 9 2 2 4 3 2 4;}
```

```
/* Style Definitions */
```

```
p.MsoNormal, li.MsoNormal, div.MsoNormal
```



```
{margin:0in;  
margin-bottom:.0001pt;  
font-size:11.0pt;  
font-family:"Calibri", "sans-serif";}
```

a:link, span.MsoHyperlink

```
{mso-style-priority:99;  
color:blue;  
text-decoration:underline;}
```

a:visited, span.MsoHyperlinkFollowed

```
{mso-style-priority:99;  
color:purple;  
text-decoration:underline;}
```

p.MsoPlainText, li.MsoPlainText, div.MsoPlainText

```
{mso-style-priority:99;  
mso-style-link:"Plain Text Char";  
margin:0in;  
margin-bottom:.0001pt;  
font-size:10.5pt;  
font-family:Consolas;}
```

p.MsoAcetate, li.MsoAcetate, div.MsoAcetate

```
{mso-style-priority:99;  
mso-style-link:"Balloon Text Char";  
margin:0in;  
margin-bottom:.0001pt;  
font-size:8.0pt;
```

EXHIBIT D

From: DPerkin@lakewoodcity.org,

To: LKurokawa@sco.ca.gov,

Cc: ABonezzi@sco.ca.gov, cHouck@lakewoodcity.org, LRevelde@lakewoodcity.org, AChinnCRS@aol.com, LLitzing@lakewoodcity.org, LRapp@lakewoodcity.org,

Subject: FW: SCO Exit Interview re: Mandated Cost Audit

Date: Wed, May 24, 2017 2:07 pm

→ **Attachments:** (161K), Waste Collection Certification.pdf (295K), Waste Collection Record with Certification.pdf (300K), 2009 Federal grant info.pdf (108K)

Ms. Kurokawa,

As you know, the purpose of our 2016 time study was not to show time spent per each trash pickup (as the claims cost is based on a unit costs and this would be irrelevant) but to show the stops and frequency to prove we did do twice weekly pickups. As we offered before, we are willing to conduct this trash survey again to your specifications because we feel strongly that we should be reimbursed for our actual twice weekly trash pick up schedule. However, it appears that you believe this not worthwhile as it is inadequate to support our prior years costs.

However, attached are emails that show that the program was and is designed for a twice per week pick-up of trash. I also re-attached the 2016 time study/collection schedule with the certification language that you stated it was lacking. We would not have requested reimbursement or submit this time study/collection schedule if we did not believe it to be true and correct. It should be noted that our claim forms are signed annually attesting to the fact that the details of the claim are true and correct.

At the last meeting I asked what you would need from us and offered possible evidentiary documents for you to review, your response was to wait and that you would inform me what you needed. Since that meeting I have emailed you several times over the past nine months asking what you needed us to submit with no response from you until this email. I find your narrative below stating that we did not submit what you requested to be odd considering your directive to me that I should wait to submit documents until you notified me of what exactly you needed. I do hope that the attached documents are what you are requesting, because it is not entirely clear.

I do believe that a conference call is necessary since I have provided you with documents that you did not previously have. Please provide dates and times you are available for a conference call. As I stated below, June is a very busy month and since it has taken the SCO nine months since our last meeting to provide any response to my emails I feel that my request to have the conference call in July is reasonable.

Sincerely,

Diane Perkin

Director of Administrative Services

City of Lakewood, CA

562-866-9771 ext 2601



City of Lakewood Memorandum

TO: Diane Perkin, Director of Administrative Services

FROM: Lisa Litzinger, Director of Recreation and Community Services

DATE: May 24, 2017

SUBJECT: Waste Collection Schedule Statement

I certify and declare under penalty of perjury under the laws of the State of California, to the best of my knowledge, that the waste pick up schedule at transit locations in the City of Lakewood was twice weekly for the entire period between FY 02-03 through present.

A handwritten signature in cursive script that reads "Lisa Litzinger".

Lisa Litzinger, Director
Recreation and Community Services
City of Lakewood

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

- ✓ Denotes trash receptacle inspected for service.
- + Denotes trash liner replaced at time of inspection.

LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
BELLFLOWER & ALLINGTON NE	+	8:12	Julio Ramirez	+	8:12	Julio Ramirez
BELLFLOWER & ALLINGTON SW	+	8:14	Julio Ramirez	+	8:14	Julio Ramirez
BELLFLOWER & ANDY NE	+	8:16	Julio Ramirez	+	8:16	Julio Ramirez
BELLFLOWER & ANDY NW	+	8:18	Julio Ramirez	✓	8:18	Julio Ramirez
BELLFLOWER & ASHWORTH NW	+	8:07	Julio Ramirez	+	8:07	Julio Ramirez
BELLFLOWER & ASHWORTH SE	+	8:10	Julio Ramirez	+	8:10	Julio Ramirez
BELLFLOWER & CANDLEWOOD NE	+	8:33	Julio Ramirez	+	8:33	Julio Ramirez
BELLFLOWER & CANDLEWOOD SW	+	8:35	Julio Ramirez	✓	8:35	Julio Ramirez
BELLFLOWER & DEL AMO NE	+	8:43	Julio Ramirez	+	8:43	Julio Ramirez
BELLFLOWER & HARDWICK NE	+	8:38	Julio Ramirez	✓	8:38	Julio Ramirez
BELLFLOWER & HARDWICK SW	+	8:40	Julio Ramirez	+	8:40	Julio Ramirez
BELLFLOWER & HEDDA NE	+	8:15	Julio Ramirez	+	8:15	Julio Ramirez
BELLFLOWER & HEDDA SW	+	8:17	Julio Ramirez	+	8:17	Julio Ramirez
BELLFLOWER & MICHELSON NE	+	8:28	Julio Ramirez	+	8:28	Julio Ramirez
BELLFLOWER & MICHELSON SW	+	8:30	Julio Ramirez	+	8:30	Julio Ramirez
BELLFLOWER & SOUTH SE	+	8:20	Julio Ramirez	+	8:20	Julio Ramirez
BELLFLOWER & SOUTH SW	+	8:23	Julio Ramirez	+	8:23	Julio Ramirez
BLOOMFIELD & DEL AMO SW	+	2:56	Julio Ramirez	+	2:56	Julio Ramirez
BLOOMFIELD & LEMMING SW	+	2:59	Julio Ramirez	+	2:59	Julio Ramirez

Waste collection record with certification - pdf

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

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LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
CANDLEWOOD & DOWNEY NW	+	12:33	Julio Ramirez	+	12:33	Julio Ramirez
CANDLEWOOD & GRAYWOOD SW	+	1:15	Julio Ramirez	✓	1:15	Julio Ramirez
CANDLEWOOD & HAYTER NE	✓	1:53	Julio Ramirez	+	1:53	Julio Ramirez
CANDLEWOOD & LAKEWOOD NW	+	10:05	Julio Ramirez	+	10:05	Julio Ramirez
CANDLEWOOD & LAKEWOOD SE	+	10:10	Julio Ramirez	+	10:10	Julio Ramirez
CANDLEWOOD & OBISPO NW	+	1:57	Julio Ramirez	+	1:57	Julio Ramirez
CANDLEWOOD & OBISPO SE	+	2:00	Julio Ramirez	✓	2:00	Julio Ramirez
CANDLEWOOD & PARAMOUNT SE	+	11:40	Julio Ramirez	+	11:40	Julio Ramirez
CARSON & CLUBHOUSE NE	+	10:40	Julio Ramirez	+	10:40	Julio Ramirez
CARSON & LAKEWOOD DRIVE NW	+	10:37	Julio Ramirez	+	10:37	Julio Ramirez
CARSON & LAKEWOOD NW	+	10:33	Julio Ramirez	+	10:33	Julio Ramirez
CARSON & NECTAR NW	+	2:37	Julio Ramirez	✓	2:37	Julio Ramirez
CARSON & OBISPO NW	✓	10:43	Julio Ramirez	+	10:43	Julio Ramirez
CARSON & OBISPO SE	+	10:45	Julio Ramirez	+	10:45	Julio Ramirez
CARSON & PALO VERDE NW	+	7:22	Julio Ramirez	✓	7:22	Julio Ramirez
CARSON & PARAMOUNT NE	+	10:47	Julio Ramirez	+	10:47	Julio Ramirez
CARSON & PARAMOUNT SE	+	10:50	Julio Ramirez	+	10:50	Julio Ramirez
CARSON & R/R TRACKS NE	+	10:56	Julio Ramirez	+	10:56	Julio Ramirez
CARSON & TOWN CTR WALMART	+	2:35	Julio Ramirez	+	2:35	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

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LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
CARSON & WATSON SE	+	10:41	Julio Ramirez	+	10:41	Julio Ramirez
CARSON & WOODRUFF NE	+	7:24	Julio Ramirez	+	7:24	Julio Ramirez
CARSON & WORSHAM NW	+	10:35	Julio Ramirez	+	10:35	Julio Ramirez
CENTRALIA & BLOOMFIELD NW	✓	3:02	Julio Ramirez	+	3:02	Julio Ramirez
CENTRALIA & CLARETTA NW	+	3:05	Julio Ramirez	✓	3:05	Julio Ramirez
CENTRALIA & ELAINE NW	+	3:10	Julio Ramirez	✓	3:10	Julio Ramirez
CENTRALIA & GRIDLEY NW	+	3:13	Julio Ramirez	✓	3:13	Julio Ramirez
CENTRALIA & NORWALK NW	+	3:07	Julio Ramirez	+	3:07	Julio Ramirez
CENTRALIA & PIONEER NW	+	3:10	Julio Ramirez	✓	3:10	Julio Ramirez
CHERRY & 36TH NE	+	2:25	Julio Ramirez	+	2:25	Julio Ramirez
CHERRY & 37TH E	+	2:22	Julio Ramirez	+	2:22	Julio Ramirez
CHERRY & BIXBY NE	+	2:20	Julio Ramirez	+	2:20	Julio Ramirez
CHERRY & DEL AMO NE	+	2:17	Julio Ramirez	+	2:17	Julio Ramirez
CHERRY & DENMEAD NE	+	2:15	Julio Ramirez	+	2:15	Julio Ramirez
CLARK & ASHWORTH NW	✓	9:38	Julio Ramirez	✓	9:38	Julio Ramirez
CLARK & ASHWORTH SE	+	9:40	Julio Ramirez	+	9:40	Julio Ramirez
CLARK & CANDLEWOOD NE	+	9:16	Julio Ramirez	+	9:16	Julio Ramirez
CLARK & CANDLEWOOD SW	+	9:18	Julio Ramirez	+	9:18	Julio Ramirez
CLARK & DEL AMO NE	+	8:55	Julio Ramirez	+	8:55	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

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LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
CLARK & HARDWICK NE	+	8:57	Julio Ramirez	✓	8:57	Julio Ramirez
CLARK & HARDWICK SW	+	9:00	Julio Ramirez	✓	9:00	Julio Ramirez
CLARK & HEDDA NW	+	9:33	Julio Ramirez	+	9:33	Julio Ramirez
CLARK & HEDDA SE	+	9:35	Julio Ramirez	+	9:35	Julio Ramirez
CLARK & MAYFAIR PARK SE	+	9:20	Julio Ramirez	+	9:20	Julio Ramirez
CLARK & MICHELSON NE	+	9:22	Julio Ramirez	+	9:22	Julio Ramirez
CLARK & SOUTH SE	+	9:25	Julio Ramirez	+	9:25	Julio Ramirez
CLARK & SOUTH SW	+	9:27	Julio Ramirez	+	9:27	Julio Ramirez
DEL AMO & ARTESIA H.S. S	+	3:30	Julio Ramirez	+	3:30	Julio Ramirez
DEL AMO & BELLFLOWER NW	+	8:46	Julio Ramirez	+	8:46	Julio Ramirez
DEL AMO & BELLFLOWER SE	+	8:48	Julio Ramirez	+	8:48	Julio Ramirez
DEL AMO & CLAIR DEL NW	+	11:45	Julio Ramirez	✓	11:45	Julio Ramirez
DEL AMO & CLARETTA SE	+	2:54	Julio Ramirez	✓	2:54	Julio Ramirez
DEL AMO & CLARK NW	+	8:53	Julio Ramirez	+	8:53	Julio Ramirez
DEL AMO & DOWNEY NW	+	11:55	Julio Ramirez	+	11:55	Julio Ramirez
DEL AMO & DOWNEY SW	+	11:53	Julio Ramirez	+	11:53	Julio Ramirez
DEL AMO & DUNROBIN NW	+	3:53	Julio Ramirez	✓	3:53	Julio Ramirez
DEL AMO & EASTBROOK SE	+	3:50	Julio Ramirez	✓	3:50	Julio Ramirez
DEL AMO & GRAYWOOD NW	+	3:57	Julio Ramirez	+	3:57	Julio Ramirez

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Week of: Monday, July 4, 2016

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LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
DEL AMO & LAKEWOOD NW	+	10:23	Julio Ramirez	✓	10:23	Julio Ramirez
DEL AMO & MC NAB NW	+	3:47	Julio Ramirez	✓	3:47	Julio Ramirez
DEL AMO & NORWALK SE	+	2:52	Julio Ramirez	+	2:52	Julio Ramirez
DEL AMO & OBISPO NW	+	11:48	Julio Ramirez	+	11:48	Julio Ramirez
DEL AMO & OBISPO SE	✓	11:50	Julio Ramirez	+	11:50	Julio Ramirez
DEL AMO & PALO VERDE NE	+	7:05	Julio Ramirez	+	7:05	Julio Ramirez
DEL AMO & PALO VERDE SE	+	7:08	Julio Ramirez	+	7:08	Julio Ramirez
DEL AMO & PARAMOUNT NW	+	11:31	Julio Ramirez	+	11:31	Julio Ramirez
DEL AMO & PARAMOUNT SE	+	11:33	Julio Ramirez	+	11:33	Julio Ramirez
DEL AMO & PEARCE NW	+	8:50	Julio Ramirez	+	8:50	Julio Ramirez
DEL AMO & PIONEER SE	+	3:35	Julio Ramirez	+	3:35	Julio Ramirez
DEL AMO & ROSETON SE	+	3:38	Julio Ramirez	✓	3:38	Julio Ramirez
DEL AMO & SAN GABRIEL RIVER NW	+	3:42	Julio Ramirez	✓	3:42	Julio Ramirez
DEL AMO & SNOWDEN SE	+	3:45	Julio Ramirez	+	3:45	Julio Ramirez
DEL AMO & STABLES S	✓	3:40	Julio Ramirez	+	3:40	Julio Ramirez
DEL AMO & VIOLETA SE	+	3:33	Julio Ramirez	✓	3:33	Julio Ramirez
DEL AMO & WOODRUFF NW	+	7:32	Julio Ramirez	+	7:32	Julio Ramirez
DEL AMO & WOODRUFF SE	+	7:34	Julio Ramirez	+	7:34	Julio Ramirez
DOWNEY & CANDLEWOOD NE	+	12:30	Julio Ramirez	+	12:30	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

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LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
DOWNEY & MICHELSON NE	+	12:35	Julio Ramirez	+	12:35	Julio Ramirez
DOWNEY & SOUTH SW	+	12:42	Julio Ramirez	+	12:42	Julio Ramirez
DOWNEY & ST. PANCRATIUS NE	+	12:40	Julio Ramirez	+	12:40	Julio Ramirez
DOWNEY & WOLFE NW	+	12:37	Julio Ramirez	✓	12:37	Julio Ramirez
LAKWOOD & ARBOR RD SW	+	10:25	Julio Ramirez	+	10:25	Julio Ramirez
LAKWOOD & CANDLEWOOD SW	+	10:03	Julio Ramirez	+	10:03	Julio Ramirez
LAKWOOD & CENTRALIA SW	+	10:28	Julio Ramirez	✓	10:28	Julio Ramirez
LAKWOOD & DEL AMO NE	+	10:17	Julio Ramirez	✓	10:17	Julio Ramirez
LAKWOOD & DEL AMO SW	+	10:20	Julio Ramirez	✓	10:20	Julio Ramirez
LAKWOOD & HARDWICK NE	+	10:13	Julio Ramirez	✓	10:13	Julio Ramirez
LAKWOOD & HARDWICK SW	+	10:15	Julio Ramirez	+	10:15	Julio Ramirez
LAKWOOD & HARVEY WAY SW	+	10:30	Julio Ramirez	+	10:30	Julio Ramirez
LAKWOOD & HEDDA	✓	9:45	Julio Ramirez	+	9:45	Julio Ramirez
LAKWOOD & MICHELSON SW	+	10:00	Julio Ramirez	✓	10:00	Julio Ramirez
LAKWOOD & SOUTH SW	+	9:55	Julio Ramirez	+	9:55	Julio Ramirez
NORWALK & 207TH NE	+	2:45	Julio Ramirez	✓	2:45	Julio Ramirez
NORWALK & 207TH NW	+	2:47	Julio Ramirez	✓	2:47	Julio Ramirez
NORWALK & CENTRALIA NE	+	2:42	Julio Ramirez	+	2:42	Julio Ramirez
NORWALK & DEL AMO SW	+	2:50	Julio Ramirez	✓	2:50	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

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LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
PALO VERDE & ARBOR NE	+	7:10	Julio Ramirez	+	7:10	Julio Ramirez
PALO VERDE & ARBOR ROAD SW	✓	7:11	Julio Ramirez	+	7:11	Julio Ramirez
PALO VERDE & CANDLEWOOD NE	+	1:27	Julio Ramirez	+	1:27	Julio Ramirez
PALO VERDE & CANDLEWOOD SW	+	1:30	Julio Ramirez	+	1:30	Julio Ramirez
PALO VERDE & CARFAX SW	+	1:40	Julio Ramirez	+	1:40	Julio Ramirez
PALO VERDE & CARSON NE	+	7:21	Julio Ramirez	+	7:21	Julio Ramirez
PALO VERDE & CENTRALIA NE	+	7:13	Julio Ramirez	+	7:13	Julio Ramirez
PALO VERDE & CENTRALIA SW	+	7:15	Julio Ramirez	+	7:15	Julio Ramirez
PALO VERDE & DEL AMO NE	+	7:05	Julio Ramirez	+	7:05	Julio Ramirez
PALO VERDE & DEL AMO SW	+	7:07	Julio Ramirez	+	7:07	Julio Ramirez
PALO VERDE & DENMEAD NE	+	1:33	Julio Ramirez	+	1:33	Julio Ramirez
PALO VERDE & DENMEAD NW	+	1:35	Julio Ramirez	+	1:35	Julio Ramirez
PALO VERDE & EBERLE NE	+	1:38	Julio Ramirez	✓	1:38	Julio Ramirez
PALO VERDE & HARVEY NE	+	7:19	Julio Ramirez	+	7:19	Julio Ramirez
PALO VERDE & HARVEY WAY SW	+	7:17	Julio Ramirez	+	7:17	Julio Ramirez
PALO VERDE & MICHELSON NE	+	1:23	Julio Ramirez	+	1:23	Julio Ramirez
PALO VERDE & MICHELSON SW	+	1:25	Julio Ramirez	+	1:25	Julio Ramirez
PALO VERDE & SOUTH SW	+	1:20	Julio Ramirez	+	1:20	Julio Ramirez
PARAMOUNT & ARBOR RD NE	+	11:21	Julio Ramirez	+	11:21	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: **Monday, July 4, 2016**

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LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
PARAMOUNT & ARBOR RD W	+	11:23	Julio Ramirez	+	11:23	Julio Ramirez
PARAMOUNT & BOMBERRY NE	+	11:09	Julio Ramirez	+	11:09	Julio Ramirez
PARAMOUNT & BOMBERRY SW	+	11:11	Julio Ramirez	+	11:11	Julio Ramirez
PARAMOUNT & CANDLEWOOD NE	+	11:36	Julio Ramirez	+	11:36	Julio Ramirez
PARAMOUNT & CANDLEWOOD SW	+	11:38	Julio Ramirez	+	11:38	Julio Ramirez
PARAMOUNT & CARSON NE	+	10:47	Julio Ramirez	+	10:47	Julio Ramirez
PARAMOUNT & CARSON NW	+	10:53	Julio Ramirez	+	10:53	Julio Ramirez
PARAMOUNT & DEL AMO NE	+	11:26	Julio Ramirez	+	11:26	Julio Ramirez
PARAMOUNT & DEL AMO SW	+	11:28	Julio Ramirez	+	11:28	Julio Ramirez
PARAMOUNT & FAIRMAN NE	+	11:19	Julio Ramirez	+	11:19	Julio Ramirez
PARAMOUNT & GREENTOP NE	+	11:14	Julio Ramirez	+	11:14	Julio Ramirez
PARAMOUNT & GREENTOP S	+	11:16	Julio Ramirez	+	11:16	Julio Ramirez
PARAMOUNT & HARDWICK NE	+	11:35	Julio Ramirez	+	11:35	Julio Ramirez
PARAMOUNT & HARDWICK NW	+	11:37	Julio Ramirez	+	11:37	Julio Ramirez
PARAMOUNT & VILLAGE RD NE	+	11:00	Julio Ramirez	✓	11:00	Julio Ramirez
PARAMOUNT & VILLAGE RD W	+	11:03	Julio Ramirez	+	11:03	Julio Ramirez
PARAMOUNT & WARWOOD NE	+	11:05	Julio Ramirez	+	11:05	Julio Ramirez
PARAMOUNT & WARWOOD SW	+	11:07	Julio Ramirez	+	11:07	Julio Ramirez
SOUTH & BELLFLOWER NW	+	8:25	Julio Ramirez	+	8:25	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

- ✓ Denotes trash receptacle inspected for service.
- + Denotes trash liner replaced at time of inspection.

LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
SOUTH & BELLFLOWER SE	+	8:20	Julio Ramirez	+	8:20	Julio Ramirez
SOUTH & CLARK NW	+	9:30	Julio Ramirez	+	9:30	Julio Ramirez
SOUTH & CLARK SE	+	9:25	Julio Ramirez	+	9:25	Julio Ramirez
SOUTH & DOWNEY SE	+	12:45	Julio Ramirez	+	12:45	Julio Ramirez
SOUTH & DOWNEY SW	+	12:42	Julio Ramirez	+	12:42	Julio Ramirez
SOUTH & GONDAR SW	+	1:11	Julio Ramirez	+	1:11	Julio Ramirez
SOUTH & GRAYWOOD NW	+	12:56	Julio Ramirez	✓	12:56	Julio Ramirez
SOUTH & GRAYWOOD SE	+	12:58	Julio Ramirez	+	12:58	Julio Ramirez
SOUTH & HAYTER NW	+	12:51	Julio Ramirez	+	12:51	Julio Ramirez
SOUTH & HAYTER SE	+	12:53	Julio Ramirez	+	12:53	Julio Ramirez
SOUTH & LAKEWOOD NW	+	9:50	Julio Ramirez	+	9:50	Julio Ramirez
SOUTH & LAKEWOOD SE	+	9:53	Julio Ramirez	✓	9:53	Julio Ramirez
SOUTH & MED CENTER S	+	12:48	Julio Ramirez	+	12:48	Julio Ramirez
SOUTH & OBISPO SW	+	12:44	Julio Ramirez	+	12:44	Julio Ramirez
SOUTH & OCANA NW	+	1:06	Julio Ramirez	+	1:06	Julio Ramirez
SOUTH & OCANA SE	✓	1:08	Julio Ramirez	+	1:07	Julio Ramirez
SOUTH & PALO VERDE NE	+	1:15	Julio Ramirez	+	1:15	Julio Ramirez
SOUTH & PALO VERDE SE	+	1:18	Julio Ramirez	+	1:18	Julio Ramirez
SOUTH & PEARCE NW	+	1:01	Julio Ramirez	+	1:01	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

- ✓ Denotes trash receptacle inspected for service.
- + Denotes trash liner replaced at time of inspection.

LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
SOUTH & PEARCE SE	+	1:03	Julio Ramirez	+	1:03	Julio Ramirez
SOUTH & SNOWDEN NW	+	1:13	Julio Ramirez	+	1:13	Julio Ramirez
SOUTH & WOODRUFF NE	+	7:52	Julio Ramirez	+	7:52	Julio Ramirez
SOUTH & WOODRUFF SE	+	7:51	Julio Ramirez	+	7:51	Julio Ramirez
STUDEBAKER & HORNET NE	+	3:17	Julio Ramirez	✓	3:17	Julio Ramirez
STUDEBAKER & LEMMING NE	✓	3:15	Julio Ramirez	+	3:15	Julio Ramirez
WOODRUFF & ALLINGTON SE	+	7:58	Julio Ramirez	+	7:58	Julio Ramirez
WOODRUFF & ALLINGTON SW			no can			no can
WOODRUFF & ARABELLA SE			no can			no can
WOODRUFF & ARABELLA SW	+	7:55	Julio Ramirez	+	7:55	Julio Ramirez
WOODRUFF & ASHWORTH NE	+	8:00	Julio Ramirez	✓	8:00	Julio Ramirez
WOODRUFF & ASHWORTH SW	+	8:03	Julio Ramirez	+	8:03	Julio Ramirez
WOODRUFF & CANDLEWOOD NE	+	7:42	Julio Ramirez	✓	7:42	Julio Ramirez
WOODRUFF & CANDLEWOOD SW	+	7:44	Julio Ramirez	+	7:44	Julio Ramirez
WOODRUFF & CARSON NE	+	7:24	Julio Ramirez	+	7:24	Julio Ramirez
WOODRUFF & CENTRALIA NE	+	7:29	Julio Ramirez	+	7:29	Julio Ramirez
WOODRUFF & CENTRALIA SW	+	7:31	Julio Ramirez	+	7:31	Julio Ramirez
WOODRUFF & DEL AMO NE	+	7:33	Julio Ramirez	+	7:33	Julio Ramirez
WOODRUFF & DEL AMO SW	+	7:35	Julio Ramirez	+	7:35	Julio Ramirez

Weekly Bus Stop Trash Receptacle Inspection and Trash Collection Record

Week of: Monday, July 4, 2016

- ✓ Denotes trash receptacle inspected for service.
- + Denotes trash liner replaced at time of inspection.

LOCATION	Date:	Time:	Personnel	Date:	Time:	Personnel
	7/4			7/8		
WOODRUFF & HARDWICK NE	+	7:37	Julio Ramirez	+	7:37	Julio Ramirez
WOODRUFF & HARDWICK SW	+	7:39	Julio Ramirez	+	7:39	Julio Ramirez
WOODRUFF & HARVEY WAY NE	+	7:25	Julio Ramirez	+	7:25	Julio Ramirez
WOODRUFF & HARVEY WAY SW	+	7:27	Julio Ramirez	✓	7:27	Julio Ramirez
WOODRUFF & PAVILIONS SE	+	7:47	Julio Ramirez	+	7:47	Julio Ramirez
WOODRUFF & PAVILIONS SW	+	7:49	Julio Ramirez	+	7:49	Julio Ramirez
WOODRUFF & SOUTH SE	+	7:51	Julio Ramirez	+	7:51	Julio Ramirez
WOODRUFF & SOUTH SW	+	7:52	Julio Ramirez	+	7:52	Julio Ramirez

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing information is true and correct to the best of my personal knowledge.



Philip Lopez
 Parks Superintendent
 City of Lakewood



City of Lakewood

REQUEST FOR REIMBURSEMENT

Grant Number CA-04-0077

February 11, 2010

MOU.PTLAKE

\$396,000	Federal Grant Amount
<u>\$99,000</u>	<u>Local Match (20%)</u>
\$495,000	Total Available
\$495,000.03	Total of Project Expenditures

\$396,000	Reimbursement Amount
Zero	Retention
<u>Zero</u>	<u>Previous Reimbursement Amount</u>
\$396,000	Amount Due this Request (1st & Final)

Please Remit to:

City of Lakewood
5050 Clark Ave
Lakewood, CA 90712

Max Withrow
Max Withrow
Asst Director of Public Works
City of Lakewood
(562) 866-9771 x2502
mwithrow@lakewoodcity.org

Lakewood

FTA grant throu A METRO

FTA'S \$396,000 EXPENDITURE ARE THE FOLLOWING:

ACCOUNT #	YEAR	PER	JOURNAL	EFF DATE	SRC	PO/REFZ	REFERENC	AMOUNT	CHECK NO	WARRANT	VDR NAME/ITEM DESC	COMMENTS
10109911-58805-60044 FEES	2009	'07	000094	1/7/2009	API	8951	W 10809	19,800.00	19925	10809	METROPOLITAN TRANSPORTATION	5% SHARE OF FEDERAL TRANS
10109911-58800-60044 CONTRACTS	2009	'09	000260	3/11/2009	API	8929	W 31209	4,985.24	21065	31209	LANDSCAPE FORMS INC.	SHIPPING AND HANDLING
10109911-58800-60044 CONTRACTS	2009	'13	000308	6/30/2009	GEN	CH	RECLASS	13,053.02	21065		LANDSCAPE FORMS INC.	RECLASS LANDSCAPE FORMS E
10109911-58800-60044 CONTRACTS	2009	'10	000523	4/22/2009	API	8929	W 42309	60,509.16	21927	42309	LANDSCAPE FORMS INC.	KA990254 3 POST STRAIGHT
10109911-58800-60044 CONTRACTS	2009	'10	000523	4/22/2009	API	8929	W 42309	100,798.85	21927	42309	LANDSCAPE FORMS INC.	SHIPPING AND HANDLING
10109911-58800-60044 CONTRACTS	2009	'11	000269	5/13/2009	API	8929	W 51409	122,710.10	22320	51409	LANDSCAPE FORMS INC.	SHIPPING AND HANDLING
10109911-58800-60044 CONTRACTS	2009	'11	000503	5/20/2009	API	8929	W 52109	60,509.16	22456	52109	LANDSCAPE FORMS INC.	KA990254 3 POST STRAIGHT
10109911-58800-60044 CONTRACTS	2009	'12	000103	6/3/2009	API	8929	W 60409	13,634.47	22707	60409	LANDSCAPE FORMS INC.	SHIPPING AND HANDLING

TOTAL FTA EXPENDITURE 396,000.00

BELOW IS THE FULL COST OF THE BUS SHELTER PROJECT # 60044 (PURCHASES + INST...

ACCOUNT #	YEAR	PER	JOURNAL	EFF DATE	SRC	PO/REFZ	REFERENC	AMOUNT	CHECK NO	WARRANT	VDR NAM
10109911-58800-60044 CONTRACTS	2009	'09	000160	3/9/2009	API	9496	W 31209	29.21	21005	31209	O'NEIL GRE
10109911-58800-60044 CONTRACTS	2009	'09	000260	3/11/2009	API	8929	W 31209	4,985.24	21065	31209	LANDSCAPE
10109911-58800-60044 CONTRACTS	2009	'10	000523	4/22/2009	API	8929	W 42309	60,509.16	21927	42309	LANDSCAPE
10109911-58800-60044 CONTRACTS	2009	'10	000523	4/22/2009	API	8929	W 42309	100,798.85	21927	42309	LANDSCAPE
10109911-58800-60044 CONTRACTS	2009	'11	000269	5/13/2009	API	8929	W 51409	122,710.10	22320	51409	LANDSCAPE I
10109911-58800-60044 CONTRACTS	2009	'11	000503	5/20/2009	API	8929	W 52109	60,509.16	22456	52109	LANDSCAPE F
10109911-58800-60044 CONTRACTS	2009	'12	000103	6/3/2009	API	8929	W 60409	13,634.47	22707	60409	LANDSCAPE F
10109911-58800-60044 CONTRACTS	2009	'13	000308	6/30/2009	GEN	CH	RECLASS	13,053.02	21065		LANDSCAPE F
10109911-58800-60044 DIRECT COST	2009	'10	000207	4/9/2009	GEN	10907	RECLASS	799.76			
10109911-58805-60044 FEES	2009	'07	000094	1/7/2009	API	8951	W 10809	19,800.00	19925	10809	METROPOLITAI
30609911-58800-60044 CONTRACTS	2009	'09	000260	3/11/2009	API	8929	W 31209	47,611.40	21065	31209	LANDSCAPE FOI
30609911-58800-60044 CONTRACTS	2009	'10	000523	4/22/2009	API	8929	W 42309	45,665.10	21927	42309	LANDSCAPE FOF
30609911-58800-60044 CONTRACTS	2009	'11	000236	5/12/2009	GEN	ES	RETENTION	2,737.56			
30609911-58800-60044 CONTRACTS	2009	'12	000302	6/10/2009	API	10209	W 61109	11,610.37	22844	61109	LANDSCAPE FORI
30609911-58800-60044 CONTRACTS	2009	'12	000563	6/17/2009	API	10180	W 61809	121,122.00	23057	61809	TDS ENGINEERING
30609911-58800-60044 CONTRACTS	2009	'12	000817	6/24/2009	API	10186	W 62509	7,166.18	23096	62509	BANG DAVID ASSC
30609911-58800-60044 CONTRACTS	2009	'13	000308	6/30/2009	GEN	CH	RECLASS	(13,053.02)			

TOTAL FY 08/09 EXPENDITURE FOR PURCHASE & INSTALLATION 619,688.56

BUS SHELTER PURCHASE COST	
SUBTOTAL FOR PURCHASE USING G/F	376,200.00
SUBTOTAL FOR MTA'S SHARE OF FTA GRANT	19,800.00
SUBTOTAL FOR PURCHASE USING PROP A	99,000.03
TOTAL FOR PURCHASE	495,000.03

TOTAL FY 08/09 G/F EXP FOR PURCHASES IS \$396,000. THIS IS THE AMOUNT OF THE FTA GRANT THAT MAX WITHDRAW WILL REQUEST FUND FOR IN OCT 2009 FROM METRO.

THIS IS THE NEW AMOUNT FOR PROP A & C'S FORM C FOR PROJECT # 60044; AKA METRO PROJECT # 160-65

INSTALLATION COST	
SUBTOTAL FOR INSTALLATION & MISC	799.76
	121,122.00
	29.21
	2,737.56
	124,688.53

3-8-10

Max,
Here's a copy of ck's invoices for the \$396k grant.

This lead sheet is the prt ledger that Richard asked for.

Clare

This form
 Claire.
 Did not send.



City of Lakewood

REQUEST FOR REIMBURSEMENT

Grant Number CA-04-0077

\$396,000	Federal Grant Amount
<u>\$99,000</u>	Local Match (20%)
\$495,000	Total Available

\$495,000.03 Total of Project Expenditures

\$396,000	Reimbursement Amount
<u>39,600</u>	Retention (10%)

\$356,400 Amount Due this Request

Richard Chaistic
Maria
11:00 AM 03 Mar 2010
and looked at
201001 she/Hes

Please Remit to:

City of Lakewood
5050 Clark Ave
Lakewood, CA 90712

Max Withrow
 Max Withrow
 Asst Director of Public Works
 City of Lakewood
 (562) 866-9771 x2502
mwithrow@lakewoodcity.org



CITY OF LAKEWOOD

Grant Number CA-04-0077

Request for Final Acceptance

This is a Request for Final Acceptance as required by Section 9.3 of the Agreement

Final Project Report

The project purchased 18 Kaleidoscope bus passenger shelters with solar lighting, 35 Presidio benches and 31 large and 53 small litter receptacles. The 35 benches are in addition to the 18 shelter locations which also have benches. All available grant funds were used to purchase equipment. Installation of these items was done using local funds. All items have been installed and placed in service.

- Attachments: Picture of shelter
- Map of locations of shelters
- List of locations of all items
- Copies of Paid Invoices

List of Paid Invoices (copies attached)						
Amount	Company	Date	Invoice Number	Shelters	Benches	Litter Receptacles
\$52,596.64	Landscape Forms	02-10-2009	21985		17	13
\$146,463.95	Landscape Forms	02-27-2009	22280	6	16	13
\$60,509.16	Landscape Forms	3-23-2009	22601	4		
\$60,509.16	Landscape Forms	3-23-2009	22620	4		
\$136,344.57	Landscape Forms	3-25-2009	22640	4		
\$11,610.37	Landscape Forms	6-03-2009	24006		2	5
\$7,166.18	Dave Bang, Assoc.	5-04-2009	30086			53 small
\$19,800.00	Metro	12-05-2008	800043175	Services Rendered		
\$495,000.03	Total Amount for Invoices			18	35	31/53

dperkin@lakewoodcity.org

From: LKurokawa@sco.ca.gov [mailto:LKurokawa@sco.ca.gov]

Sent: Monday, May 22, 2017 4:21 PM

To: Diane Perkin

Cc: ABonezzi@sco.ca.gov; Claire Houck; Loveneel Reveldez; AChinnCRS@aol.com; Lisa Litzinger

Subject: RE: SCO Exit Interview re: Mandated Cost Audit

Ms. Perkin,

At this point, we do not need a response to the findings I emailed you last Friday. The only response we will need from the city will be in response to the Draft Audit Report...which we have yet to issue. If you want to begin drafting a written response to the two audit findings, you are welcome to do so at any time; however, please know that we do not need a written response to proceed forward with the telephone exit conference.

Just to clarify, here's the remaining audit process necessary for us to complete this audit:

1. Telephone exit conference – meeting shouldn't take longer than 20-30 minutes
2. Issuance of Draft Audit Report
3. City will provide written response to the Draft Audit Report
4. Issuance of the Final Audit Report
5. City will have 3 years to file an Incorrect Reduction Claim (Appeal) with the Commission on State Mandates

Based on our previous two status meetings with the city, I believe we are at an impasse and have to “agree to disagree.” Subsequent to the issuance of our Final Audit Report, the city will have 3 years to file an Incorrect Reduction Claim with the Commission on State Mandates. All information regarding the appeal can be found at the following: <http://www.csm.ca.gov/forms/IRCForm.pdf>.

Since you and you staff are super busy with year-end closing, and we have already conducted two in-person status meetings with the city regarding the same two exact audit findings, I actually recommend that we forgo a telephone exit conference. If the city does wish to proceed forward with a telephone exit conference, I suspect that the telephone exit meeting will last approximately 20-30 minutes; therefore, we don't believe it to be prudent to wait until July 17, and would like to proceed with a telephone conference call either later this week or early next week.

Please let us know how you wish to proceed?

Thank you,

Lisa Kurokawa | Audit Manager

Office of the State Controller Betty T. Yee

Division of Audits, Mandated Cost Bureau

3301 C Street, Suite 725A

Sacramento, CA 95816 | (916) 327-3138

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From: Diane Perkin [<mailto:DPerkin@lakewoodcity.org>]

Sent: Monday, May 22, 2017 2:13 PM

To: Kurokawa, Lisa <LKurokawa@sco.ca.gov>

Cc: Bonezzi, Alexandra L. <ABonezzi@sco.ca.gov>; Claire Houck <cHouck@lakewoodcity.org>; Lovenel Reveldez <LRevelde@lakewoodcity.org>; 'AChinnCRS@aol.com' <AChinnCRS@aol.com>; Lisa Litzinger <LLitzing@lakewoodcity.org>

Subject: RE: SCO Exit Interview re: Mandated Cost Audit

Good afternoon Lisa,

I will provide you with a response to your email below. May and June are very busy months for me and my staff. I would request that we meet in July. The week of July 17th is preferable.

Thank you,

Diane Perkin

Director of Administrative Services

City of Lakewood, CA

562-866-9771 ext 2601

dperkin@lakewoodcity.org

From: LKurokawa@sco.ca.gov [mailto:LKurokawa@sco.ca.gov]

Sent: Friday, May 19, 2017 11:17 AM

To: Diane Perkin

Cc: ABonezzi@sco.ca.gov; Claire Houck; Lovenel Reveldez

Subject: RE: SCO Exit Interview re: Mandated Cost Audit

Ms. Perkin,

At this point, unless there is additional documentation to support the costs claimed that has not been previously provided, we do not need anything else from the city.

Time Study

After some thought, we have concluded that the time study completed by the city in July 2016 to support two weekly collections, is not allowable. In addition, we do not believe that if the city were to perform an additional time study, that the costs claimed would be allowable, as a time study is not sufficient documentation to support this activity. A time study is used to record the length of time an employee performs a reimbursable activity.

Reimbursement for weekly trash collection activities is dependent upon documentation to support how often the activity occurred, not the length of time it took for an employee to perform the activity.

On multiple occasions we requested that the city provide documentation to support that the transit stop trash receptacles were serviced more than one time per a week:

- On June 6, 2016, Taylor Kayatta, SCO Auditor sent an email to Konya Vivanti and copied Claire Houck, stating that the city, to date, had not provided any documentation, such as time logs, showing how often each receptacle was serviced throughout the audit period. Without supporting documentation, we cannot allow more than one pickup. No response was provided to the email.
- On July 18, 2016, during a status meeting with the city, the SCO discussed the city's written response to our preliminary findings, dated July 8, 2016. The SCO explained that it is inaccurate to state "The type of documentation being requested does not exist and we believe that the level of documentation requested is not reasonable," or that "The SCO cannot request documents that are not typically prepared and that do not exist."

We are aware from other audits in neighboring cities, that cities are keeping these records and are able to support costs claimed. Again, we requested documentation showing that the city serviced the bus

stop trash receptacles more than one time per week. It was suggested that the city provide policies and/or procedures from prior years, duty statements, or GPS route maps. The city stated that they do not keep these records to the level of detail that we are requesting. Following the status meeting, no documentation was provided.

- On August 23, 2016, the SCO met with the city to discuss why the SCO cannot accept the time study performed. The SCO explained that without documentation, the details of the time study would not be representative of the activity being performed for the entire the audit period. It was discussed that the city would provide email correspondence from 2011 documenting discussions that the city was performing two pickups per week. Following the status meeting, no documentation was provided.

Telephone Exit Conference – May 24 or 25 at 10 am?

Attached to this email is a Narrative of the Audit Findings and a Summary of Program Costs. At this time, we would like to schedule a telephone exit conference with the city. Please let me know if you are available sometime late next week? What about either Wednesday, May 24, or Thursday, May 25, 2017, at 10 am? If these dates/times don't work, please provide an alternate date/time.

Once we confirm a date/time, I will email out a calendar notice.

Thank you,

Lisa Kurokawa | Audit Manager

Office of the State Controller Betty T. Yee

Division of Audits, Mandated Cost Bureau

3301 C Street, Suite 725A

Sacramento, CA 95816 | (916) 327-3138

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From: Diane Perkin [<mailto:DPerkin@lakewoodcity.org>]

Sent: Wednesday, May 17, 2017 8:47 AM

To: Kurokawa, Lisa <LKurokawa@sco.ca.gov>

Cc: Bonezzi, Alexandra L. <ABonezzi@sco.ca.gov>; Claire Houck <[cHouck@lakewoodcity.org](mailto:CHouck@lakewoodcity.org)>; Loveneel Reveldez <LRevelde@lakewoodcity.org>

Subject: RE: SCO Exit Interview re: Mandated Cost Audit

Good morning Ms. Kurokawa,

I am following up on the status of the storm-water mandated cost audit. Is there anything you need from the city?

Thank you,

Diane Perkin

Director of Administrative Services

City of Lakewood, CA

562-866-9771 ext 2601

dperkin@lakewoodcity.org

Please be green! Print this e-mail only when necessary. Thank you for helping Lakewood be environmentally responsible.

I just heard from Dan Mueller of Downey. According to him, the City maintenance staff emptied the trash cans 2 to 3 times a week in Downey. Additionally, I did find the following emails from Philip and Kerry Musgrove and the frequency of the trash being emptied at bus stops:

>>>Philip Lopez 8/15/2011 9:25 AM>>>

Mondays and Fridays or Mondays and Thursdays on our short week

Philip J Lopez
Parks Superintendent
Recreation & Community Services
City of Lakewood
562 866-9771 x 2430

>>> Konya Vivanti 8/10/2011 3:55 PM >>>

Hi Guys-

Any confirmation of the days yet?

>>> Kerry Musgrove 8/9/2011 4:47 PM >>>

We send staff out on the first day of the week and the last day of the week to empty half to full cans. Some areas the cans in busy locations are emptied twice a week others only once a week .

Depends on the location. This summer staff is spending more time to empty half to full cans after the weekend. It's now taking a day and half at the first of the week.

>>> Philip Lopez 8/9/2011 3:47 PM >>>

I want to say twice during the week and once on the weekend. Kerry is that correct

-----Original Message-----

From: Konya Vivanti

To: Philip Lopez < plopez@lakewoodcity.org >

Sent: 8/9/2011 3:44:31 PM

Subject: Question About Trash Cans at Bus Stops

Hi Phillip-

Would you be able to tell me how often the trash cans at the bus stops get emptied?

Thanks,
Konya

Regarding the question on federal grant money... I found the attached pdf with notes from Max and Claire in 2011.

Konya

From: Diane Perkin

Sent: Thursday, July 07, 2016 3:51 PM

To: Konya Vivanti

Cc: Claire Houck

Subject: SCO Responce Letter

Importance: High

Hi Konya,

Please complete the yellow highlighted area of the attached letter – I need to send out today.

Thanks,

Di

EXHIBIT E



JOHN CHIANG
California State Controller

July 23, 2010

Ms. Nancy Patton
Assistant Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814



RE: Revised Proposed Parameters and Guidelines and Reasonable Reimbursement Methodology
Municipal Storm Water and Urban Runoff Discharges
03-TC-04, 03-TC-20, 03-TC-21
Los Angeles Regional Quality Control Board Order No. 01-182
Permit CAS004001; Part 4, Section F.5.c.3.
County of Los Angeles, Cities of Artesia, Azusa, Beverly Hills, Carson, Commerce
Norwalk, Rancho Palos Verdes, Westlake Village, Vernon, Bellflower, Covina, Downey,
Monterey Park, and Signal Hill, Co-claimants

Dear Ms. Patton:

We have reviewed the revised proposed parameters and guidelines submitted by the County of Los Angeles and the various cities, respectively. Below are our comments and recommendations; proposed additions are underlined and deletions are indicated with strikethrough as follows:

III. PERIOD OF REIMBURSEMENT

“Actual costs for one fiscal year shall be included in each claim. ~~Estimated costs for the subsequent year may be included on the same claim, if applicable.~~ Pursuant to section 17561, subdivision (d)(1)(A) of the Government Code, all claims for reimbursement of initial years² fiscal year costs shall be submitted to the State Controller within 120 days ~~of notification by the State Controller~~ of the issuance date of claiming instructions.”

“ If the total costs for a given year do not exceed \$200 1,000, no reimbursement shall be allowed, except as otherwise allowed by Government Code section 17564.”

COMMENTS: The County of Los Angeles' proposed revised parameters and guidelines on June 1, 2010.

Paragraph 6, Page 9

- a. *Delete 2nd sentence on Estimated Costs.* Chapter 6, Statutes of 2008 (effective February 16, 2008), eliminates the option of filing an estimated reimbursement claim.
- b. *Change 3rd sentence on language for minimum claim.* The language needs to be specific as to the initial fiscal year costs and the time frame 120 days from the issuance date, instead of the date of notification by SCO.

2. *7th Paragraph:*

Change minimum amount from \$200 to \$1,000. GC section 17564 (a) provides that no claim may be filed pursuant to Section 17551 and 17561, unless such a claim exceeds one thousand dollars (\$1,000).

IV. REIMBURSABLE ACTIVITIES

Paragraph 1, Page 9

~~“To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed, except where reasonable reimbursement methodology (RRM) rates are adopted as set forth in Section IV.B. To claim repetitive trash collection activities, claimants may elect to use RRM rates, their own time study or actual costs.”²²~~

IV. A. Actual Costs

Paragraph 3, Page 10

“Claimants may use time studies to support labor [salary, benefit and associated indirect] costs when an activity is task-repetitive. Time study usage is subject to the review and audit ~~conducted~~ by the State Controller’s Office. A time study plan is necessary before conducting a time study. The claimant must retain the time study plan for audit purposes. The plan needs to identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year, and the results can be reasonably projected to approximate actual costs;
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program’s parameters and guidelines, which are derived from the program’s Statement of

Decision. If a reimbursable activity in the parameters and guidelines identifies separate and distinct sub-activities, these sub-activities must also be treated as individual activities;

The reimbursable time recorded on each time survey..."

IV.B. Reasonable Reimbursement Methodology

"Claimants may elect to be reimbursed for their transit trash collection costs using a reasonable reimbursement methodology (RRM) as set forth below. Under this RRM, the annual standard or unit cost for each trash collection or 'pick-up' is multiplied by the annual number of trash collections to compute reimbursement for trash collection activities."

"The annual standard costs for a transit trash collection or 'pick-up' are:"

2008-09	\$6.75	plus three annual cost of living adjustments
2007-08	\$6.75	plus two annual cost of living adjustments
2006-07	\$6.75	plus one annual cost of living adjustment
2005-06	\$6.75	
2004-05	\$6.75	less one annual cost of living adjustment
2003-04	\$6.75	less two annual cost of living adjustments
2002-03	\$6.75	less three annual cost of living adjustments"

COMMENT:

Page 10, Part IV.B, Paragraph 1:

To be eligible for mandated cost reimbursement, the claimant should be used only One-time Activity for claiming. The claimants should use the "Actual Costs" method to claim costs for Installation of Trash Receptacles (subsections 1.a. to 1.e, pp. 11-12) and Maintenance of trash receptacles (subsections 2.b to 2.e), except for subsection 2.a. For uniformity and consistency, we recommend "Actual Costs" method to claim costs for the Collection of trash, Section IV. (C)(2)(a). Consequently, we propose to delete "Reasonable Reimbursement Methodology" (RRM) method and RRM table as set forth in Section IV.B.

IV.C B. Scope of Reimbursable Activities

COMMENT: This would have to be "B" now ... we're eliminating "B" above.

The claimant is only allowed to claim, and be reimbursed for, increased costs for reimbursable activities identified below. Increased cost are limited to the costs of an activity that the claimant is required to incur as a result of the mandate.

For each eligible claimant, the following activities are reimbursable:

1. Installation of Trash Receptacles. The activities include: planning (identifying transit stops, evaluating and selecting trash receptacle and pad type, evaluation of placement of trash receptacles and pads and specification and drawing preparation); preliminary

~~engineering work (construction contract preparation and specification review, bid advertising and award process); construction and installation of trash receptacles (including fabrication and installation of pads for receptacles and foundations and construction management). The five transit trash installation claiming categories are:~~

- ~~a. Identification of locations of all transit stops within the jurisdiction required to have a trash receptacle pursuant to the Permit.~~
- ~~b. Selection of receptacle and pad type, evaluate proper placement of receptacles and prepare specifications and/or drawings.~~
- ~~c. Contract preparation, specification review process, bid advertising, and review and award of bid.~~
- ~~d. Purchase of receptacles and/or construct receptacles and install receptacles.~~
- ~~e. Repeat steps (IV.C.1.e-d) when necessary for replacement of receptacles/pads.~~

COMMENT:

Paragraphs 3-10, Pages 11 & 12

We propose to delete the activities of "Installation of Trash Receptacles" as set forth in Section IV.C of subsections 1.a to 1.e, pp 11-12 because they are outside the scope of the state mandated reimbursable costs. "On September 3, 2009, the Commission adopted a Statement of Decision... (Part4F5c3 and GC section 17514 and 17556)".

IV.D: C. Methods for Claiming Costs

COMMENT:

Page 11-12:

We propose to delete Section IV.B. Reasonable Reimbursement Methodology above. Therefore, we recommend changing the distribution of and Section IV.C. Methods for Claiming Costs.

V. CLAIM PREPARATION AND SUBMISSION

4. Capital Fixed Assets and Equipment

"Report the purchase price paid for capital-fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the capital fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed."

COMMENT:

Page 13, Part V:

We propose to change "Capital" to "Fixed" because "Capital" pertains to both Fixed Assets and Equipment.

Ms. Nancy Patton
July 23, 2010
Page 5

Should you have any questions regarding the above, please contact Tiffany Hoang at (916) 323-1127, e-mail thoang@sco.ca.gov or Angie Lowi-Teng at (916) 323-0706, e-mail ateng@sco.ca.gov.

Sincerely,



JAYLAL, Manager
Local Reimbursement Sections

JL/ATL/th

EXHIBIT F



JOHN CHIANG
California State Controller
Division of Accounting and Reporting

February 18, 2011

Mr. Drew Bohan
Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: Draft Staff Analysis, Proposed Parameters and Guidelines, Schedule for Comments, and Hearing Date
Municipal Storm Water and Urban Runoff Discharges
03-TC-04, 03-TC-20, 03-TC-21
Los Angeles Regional Quality Control Board Order No. 01-182
Permit CAS004001; Part 4, Section F.5.c.3.
County of Los Angeles, Cities of Artesia, Beverly Hills, Carson, Norwalk, Rancho Palos Verdes, Westlake Village, Azusa, Commerce, Vernon, Bellflower, Covina, Downy, Monterey Park, and Signal Hill, Co-claimants

Dear Mr. Bohan:

We have reviewed the proposed parameters and guidelines submitted by the County of Los Angeles and the various cities, respectively. Below are our comments and recommendations; proposed additions are underlined and deletions are indicated with strikethrough as follows:

III. PERIOD OF REIMBURSEMENT

Page 3

Reimbursement for state-mandated costs may be claimed as follows:

3. Pursuant to Government Code section 17560, subdivision (a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. ~~If~~ In the event that revised claiming instructions are issued by the Controller pursuant to Government Code section 17558, subdivision (c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Government Code section 17560, subdivision (b)).

Comment: Change the boilerplate language to conform to Government Code section 17560, subdivision (b).

Mr. Drew Bohan
February 18, 2011
Page 2

5. If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564, subdivision (a).

IV. REIMBURSABLE ACTIVITIES

Page 4, Paragraph 2

Evidence corroborating the source documents may include, but is not limited to, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, ~~training packets~~, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

Page 4, Paragraph 4

For each eligible local agency, the following activities are reimbursable:

One-Time Activities

- A. Installation of Trash Receptacles (one-time per transit stop):

Ongoing Activities

- B. Maintenance of Trash Receptacles and Pads (on-going as needed):

Should you have any questions regarding the above, please contact Tiffany Hoang at (916) 323-1127, or e-mail to thoang@sco.ca.gov .

Sincerely,



JAY LAL, Manager
Local Reimbursement Sections

Commission on State Mandates

Original List Date:

Last Updated: 2/17/2011

List Print Date: 02/18/2011

Claim Number: 03-TC-04, 19, 20, 21

Issue: Municipal Stormwater and Urban Runoff Discharges

Mailing List

TO ALL PARTIES AND INTERESTED PARTIES:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.2.)

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COMMISSION ON STATE MANDATES

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**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Solano and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On February 18, 2011, I served the:

State Controller's Office comments

Municipal Storm Water and Urban Runoff Discharges

03-TC-04, 03-TC-19, 03-TC-20, 03-TC-21

Los Angeles Regional Quality Control Board Order No. 01-182

Permit CAS004001; Part 4F5c3

County of Los Angeles, Cities of Artesia, Beverly Hills, Carson, Norwalk, Rancho Palos Verdes, Westlake Village, Azusa, Commerce, Vernon, Bellflower, Covina, Downy, Monterey Park, Signal Hill, Co-claimants

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on February 18, 2011 at Sacramento, California.


Heidi J. Palchik

EXHIBIT G



United States Government Accountability Office

By the Comptroller General of the
United States

July 2018

GOVERNMENT AUDITING STANDARDS

2018 Revision



July 2018

GOVERNMENT AUDITING STANDARDS

2018 Revision

The 2018 revision of *Government Auditing Standards* is effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020, and for performance audits beginning on or after July 1, 2019. Early implementation is not permitted. The 2018 revision of *Government Auditing Standards* supersedes the 2011 revision (GAO-12-331G, December 2011), the 2005 *Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education* (GAO-05-568G, April 2005), and the 2014 *Government Auditing Standards: Guidance for Understanding the New Peer Review Ratings* (D06602, January 2014). The 2018 revision should be used until further updates and revisions are made. An electronic version of this document can be accessed on GAO's Yellow Book web page at <http://www.gao.gov/yellowbook>.

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Abbreviations

AICPA	American Institute of Certified Public Accountants
AR-C	<i>AICPA Codification of Statements on Standards for Accounting and Review Services</i>
AT-C	<i>AICPA Codification of Statements on Standards for Attestation Engagements</i>
AU-C	<i>AICPA Codification of Statements on Auditing Standards</i>
CPA	certified public accountant
CPE	continuing professional education
GAGAS	generally accepted government auditing standards
IAASB	International Auditing and Assurance Standards Board
IT	information technology
OMB	Office of Management and Budget
PCAOB	Public Company Accounting Oversight Board
SAS	Statements on Auditing Standards
SSAE	Statements on Standards for Attestation Engagements

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Audits provide essential accountability and transparency over government programs. Given the current challenges facing governments and their programs, the oversight provided through auditing is more critical than ever. Government auditing provides the objective analysis and information needed to make the decisions necessary to help create a better future. The professional standards presented in this 2018 revision of *Government Auditing Standards* (known as the Yellow Book) provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards, commonly referred to as generally accepted government auditing standards (GAGAS), provide the foundation for government auditors to lead by example in the areas of independence, transparency, accountability, and quality through the audit process.

This revision contains major changes from, and supersedes, the 2011 revision. These changes, summarized below, reinforce the principles of transparency and accountability and strengthen the framework for high-quality government audits.

- All chapters are presented in a revised format that differentiates requirements and application guidance related to those requirements.
- Supplemental guidance from the appendix of the 2011 revision is either removed or incorporated into the individual chapters.
- The independence standard is expanded to state that preparing financial statements from a client-provided trial balance or underlying accounting records generally creates significant threats to auditors' independence, and auditors should document the threats and safeguards applied to eliminate and reduce threats to an acceptable level or decline to perform the service.
- The peer review standard is modified to require that audit organizations comply with their respective affiliated organization's peer review requirements and GAGAS peer review requirements. Additional requirements are provided for audit organizations not affiliated with recognized organizations.
- The standards include a definition for waste.
- The performance audit standards are updated with specific considerations for when internal control is significant to the audit objectives.

Effective with the implementation dates for the 2018 revision of *Government Auditing Standards*, GAO is also retiring *Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education* (GAO-05-568G, April 2005) and *Government Auditing Standards: Guidance for Understanding the New Peer Review Ratings* (D06602, January 2014).

This revision of the standards has gone through an extensive deliberative process, including public comments and input from the Comptroller General's Advisory Council on Government Auditing Standards (Advisory Council). The Advisory Council consists of experts in financial and performance auditing and reporting from federal, state, and local government; the private sector; and academia. The views of all parties were thoroughly considered in finalizing the standards.

The 2018 revision of *Government Auditing Standards* is effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020, and for performance audits beginning on or after July 1, 2019. Early implementation is not permitted.

An electronic version of this document can be accessed at <http://www.gao.gov/yellowbook>.

I extend special thanks to the members of the Advisory Council for their extensive input and feedback throughout the process of developing and finalizing the standards.



Gene L. Dodaro
Comptroller General of the United States

July 2018

Chapter 1: Foundation and Principles for the Use and Application of Government Auditing Standards

1.01 This chapter provides guidance for engagements conducted in accordance with generally accepted government auditing standards (GAGAS). This chapter also

- a. explains the types of auditors and audit organizations that may employ GAGAS to conduct their work,
- b. identifies the types of engagements that may be conducted in accordance with GAGAS, and
- c. explains terminology that is commonly used in GAGAS.

Introduction

1.02 The concept of accountability for use of public resources and government authority is key to our nation's governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

1.03 As reflected in applicable laws, regulations, agreements, and standards, management and officials of government programs are responsible for providing reliable, useful, and timely information for transparency and accountability of these programs and their operations. Legislators, oversight bodies, those charged with governance, and the public need to know whether (1) management and officials manage government resources and use their authority properly and in compliance with laws and regulations; (2) government programs are achieving their objectives and desired outcomes; and (3) government services are provided effectively, efficiently, economically, and ethically.

1.04 "Those charged with governance" refers to the individuals responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process, subject matter, or program under audit, including related internal controls. Those charged with governance may also be part of the entity's management. In some audited entities, multiple parties may be charged with governance, including oversight bodies, members or staff of legislative committees, boards of directors, audit committees, or parties contracting for the engagement.

1.05 Government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance, and the public. GAGAS engagements provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations, depending upon the type and scope of the engagement.

1.06 The professional standards and guidance contained in this document provide a framework for conducting high-quality engagements with competence, integrity, objectivity, and independence. Auditors of government entities, entities that receive government awards, and other entities, as required by law or regulation or as they elect, may use these standards. Overall, GAGAS contains standards for engagements comprising individual requirements that are identified by terminology as discussed in paragraphs 2.02 through 2.10. GAGAS contains requirements and guidance dealing with ethics, independence, auditors' professional judgment and competence, quality control, peer review, conducting the engagement, and reporting.

1.07 Engagements conducted in accordance with GAGAS provide information used for oversight, accountability, transparency, and improvements of government programs and operations. GAGAS contains requirements and guidance to assist auditors in objectively obtaining and evaluating sufficient, appropriate evidence and reporting the results. When auditors conduct their work in this manner and comply with GAGAS in reporting the results, their work can lead to improved government management, better decision making and oversight, effective and efficient operations, and accountability and transparency for resources and results.

1.08 Laws, regulations, contracts, grant agreements, and policies frequently require that engagements be conducted in accordance with GAGAS. In addition, many auditors and audit organizations voluntarily choose to conduct their work in accordance with GAGAS. The requirements and guidance in GAGAS in totality apply to engagements pertaining to government entities, programs, activities, and functions, and to government assistance administered by contractors, nonprofit entities, and other nongovernmental entities when the use of GAGAS is required or voluntarily adopted.

1.09 The following are some of the laws, regulations, and other authoritative sources that require the use of GAGAS:

- a. The Inspector General Act of 1978, as amended (5 U.S.C. App.), requires that the federal inspectors general appointed under that act comply with GAGAS for audits of federal establishments, organizations, programs, activities, and functions. The act further states that the inspectors general shall take appropriate steps to assure that any work performed by nonfederal auditors complies with GAGAS.
- b. The Chief Financial Officers Act of 1990 (Public Law 101-576), as expanded by the Government Management Reform Act of 1994 (Public Law 103-356), requires that GAGAS be followed in audits of major executive branch departments' and agencies' financial statements. The Accountability of Tax Dollars Act of 2002 (Public Law 107-289) generally extends this requirement to most executive agencies not subject to the Chief Financial Officers Act.
- c. The Single Audit Act Amendments of 1996 (Public Law 104-156) requires that GAGAS be followed in audits of state and local governments and nonprofit entities that receive federal awards. Subpart F of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 C.F.R. part 200), which provides the government-wide guidelines and policies on conducting audits to comply with the Single Audit Act, reiterates the requirement to use GAGAS.

1.10 Other laws, regulations, or authoritative sources may require the use of GAGAS. For example, auditors at the state and local government levels may be required by state and local laws and regulations to follow GAGAS. Also, auditors may be required by the terms of an agreement or contract to follow GAGAS. Auditors may also be required to follow GAGAS by federal audit guidelines pertaining to program requirements. Being aware of such other laws, regulations, or authoritative sources may assist auditors in performing their work in accordance with the required standards.

1.11 Even if not required to do so, auditors may find it useful to follow GAGAS in conducting engagements pertaining to federal, state, and local government programs as well as engagements pertaining to state and local government awards that contractors, nonprofit entities, and other nongovernmental entities administer. Though not formally required to do so, many audit organizations, both in the United States and in other countries, voluntarily follow GAGAS.

Types of GAGAS Users

1.12 GAGAS provides standards that are used by a wide range of auditors and audit organizations that audit government entities, entities that receive government awards, and other entities. These auditors and audit organizations may also be subject to additional requirements unique to their environments. Examples of the various types of users who may be required or may elect to use GAGAS include the following:

- a. Contract auditors: audit organizations that specialize in conducting engagements pertaining to government acquisitions and contract administration
- b. Certified public accounting firms: public accounting organizations in the private sector that provide audit, attestation, or review services under contract to government entities or recipients of government funds
- c. Federal inspectors general: government audit organizations within federal agencies that conduct engagements and investigations relating to the programs and operations of their agencies and issue reports both to agency management and to third parties external to the audited entity
- d. Federal agency internal auditors: internal government audit organizations associated with federal agencies that conduct engagements and investigations relating to the programs and operations of their agencies
- e. Municipal auditors: elected or appointed officials in government audit organizations in the United States at the city, county, and other local government levels
- f. State auditors: elected or appointed officials in audit organizations in the governments of the 50 states, the District of Columbia, and the U.S. territories
- g. Supreme audit institutions: national government audit organizations, in the United States or elsewhere, typically headed by a comptroller general or auditor general

Types of GAGAS Engagements

1.13 This section describes the types of engagements that audit organizations may conduct in accordance with GAGAS. This description is not intended to limit or require the types of engagements that may be conducted in accordance with GAGAS.

1.14 All GAGAS engagements begin with objectives, and those objectives determine the type of engagement to be conducted and the applicable standards to be followed. This document classifies financial audits, attestation engagements, reviews of financial statements, and performance audits, as defined by their objectives, as the types of engagements that are covered by GAGAS.

1.15 In some GAGAS engagements, the standards applicable to the specific objective will be apparent. For example, if the objective is to express an opinion on financial statements, the standards for financial audits apply. However, some engagements may have objectives that could be met using more than one approach. For example, if the objective is to determine the reliability of performance measures, auditors can perform this work in accordance with either the standards for attestation engagements or performance audits.

1.16 GAGAS requirements and guidance apply to the types of engagements that auditors may conduct in accordance with GAGAS as follows:

- a. Financial audits: the requirements and guidance in chapters 1 through 6 apply.
- b. Attestation-level examination, review, and agreed-upon procedures engagements and reviews of financial statements: the requirements and guidance in chapters 1 through 5 and 7 apply.
- c. Performance audits: the requirements and guidance in chapters 1 through 5, 8, and 9 apply.

Financial Audits

1.17 Financial audits provide independent assessments of whether entities' reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria. Financial audits conducted in accordance with GAGAS include financial statement audits and other related financial audits.

- a. Financial statement audits: The primary purpose of a financial statement audit is to provide financial statement users with an opinion by an auditor on whether an entity's financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework. Reporting on financial statement audits conducted in accordance with GAGAS also includes reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
- b. Other types of financial audits: Other types of financial audits conducted in accordance with GAGAS entail various scopes of work, including
 - (1) obtaining sufficient, appropriate evidence to form an opinion on a single financial statement or specified elements, accounts, or line items of a financial statement;¹
 - (2) issuing letters (commonly referred to as comfort letters) for underwriters and certain other requesting parties;²
 - (3) auditing applicable compliance and internal control requirements relating to one or more government programs;³ and
 - (4) conducting an audit of internal control over financial reporting that is integrated with an audit of financial statements (integrated audit).⁴

¹See AU-C section 805, *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement* (AICPA, Professional Standards).

²See AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties* (AICPA, Professional Standards).

³See AU-C section 935, *Compliance Audits* (AICPA, Professional Standards).

⁴See AU-C section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (AICPA, Professional Standards).

Attestation Engagements and Reviews of Financial Statements

1.18 Attestation engagements can cover a broad range of financial or nonfinancial objectives about the subject matter or assertion depending on the users' needs. In an attestation engagement, the subject matter or an assertion by a party other than the auditors is measured or evaluated in accordance with suitable criteria. The work the auditors perform and the level of assurance associated with the report vary based on the type of attestation engagement. The three types of attestation engagements are as follows:

- a. **Examination:** An auditor obtains reasonable assurance by obtaining sufficient, appropriate evidence about the measurement or evaluation of subject matter against criteria in order to be able to draw reasonable conclusions on which to base the auditor's opinion about whether the subject matter is in accordance with (or based on) the criteria or the assertion is fairly stated, in all material respects. The auditor obtains the same level of assurance in an examination as in a financial statement audit.⁵
- b. **Review:** An auditor obtains limited assurance by obtaining sufficient, appropriate review evidence about the measurement or evaluation of subject matter against criteria in order to express a conclusion about whether any material modification should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated. Review-level work does not include reporting on internal control or compliance with provisions of laws, regulations, contracts, and grant agreements. The auditor obtains the same level of assurance in a review engagement as in a review of financial statements.⁶
- c. **Agreed-upon procedures engagement:** An auditor performs specific procedures on subject matter or an assertion and reports the findings without providing an opinion or a conclusion on it. The specified parties to the engagement agree upon and are responsible for the sufficiency of the procedures for their

⁵See AT-C section 205, *Examination Engagements* (AICPA, *Professional Standards*).

⁶See AT-C section 210, *Review Engagements* (AICPA, *Professional Standards*).

purposes. The specified parties are the intended users to whom use of the report is limited.⁷

1.19 The subject matter of an attestation engagement may take many forms, including the following:

- a. historical or prospective performance or condition, historical or prospective financial information, performance measurements, or backlog data;
- b. physical characteristics, for example, narrative descriptions or square footage of facilities;
- c. historical events, for example, the price of a market basket of goods on a certain date;
- d. analyses, for example, break-even analyses;
- e. systems and processes, for example, internal control; and
- f. behavior, for example, corporate governance, compliance with laws and regulations, and human resource practices.

1.20 The objective of the auditor when performing a review of financial statements is to obtain limited assurance as a basis for reporting whether the auditor is aware of any material modifications that should be made to financial statements in order for the financial statements to be in accordance with the applicable financial reporting framework. A review of financial statements does not include obtaining an understanding of the entity's internal control, assessing fraud risk, or certain other procedures ordinarily performed in an audit.⁸

Performance Audits

1.21 Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties

⁷See AT-C section 215, *Agreed-Upon Procedures Engagements* (AICPA, *Professional Standards*).

⁸See AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*).

responsible for overseeing or initiating corrective action, and contributing to public accountability.

1.22 Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. Audit objectives may also pertain to the current status or condition of a program. These overall objectives are not mutually exclusive. For example, a performance audit with an objective of determining or evaluating program effectiveness may also involve an additional objective of evaluating the program's internal controls. Key categories of performance audit objectives include the following:

- a.** Program effectiveness and results audit objectives. These are frequently interrelated with economy and efficiency objectives. Audit objectives that focus on program effectiveness and results typically measure the extent to which a program is achieving its goals and objectives. Audit objectives that focus on economy and efficiency address the costs and resources used to achieve program results.
- b.** Internal control audit objectives. These relate to an assessment of one or more aspects of an entity's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliability of reporting for internal and external use, or compliance with provisions of applicable laws and regulations. Internal control objectives also may be relevant when determining the cause of unsatisfactory program performance. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.
- c.** Compliance audit objectives. These relate to an assessment of compliance with criteria established by provisions of laws, regulations, contracts, and grant agreements, or other requirements that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance requirements can be either financial or nonfinancial.

- d.** Prospective analysis audit objectives. These provide analysis or conclusions about information that is based on assumptions about events that may occur in the future, along with possible actions that the entity may take in response to the future events.

1.23 Examples of program effectiveness and results audit objectives include

- a.** assessing the extent to which legislative, regulatory, or organizational goals and objectives are being achieved;
- b.** assessing the relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness;
- c.** analyzing the relative cost-effectiveness of a program or activity, focusing on combining cost information or other inputs with (1) information about outputs or the benefit provided or (2) outcomes or the results achieved;
- d.** determining whether a program produced intended results or produced results that were not consistent with the program's objectives;
- e.** determining the current status or condition of program operations or progress in implementing legislative requirements;
- f.** determining whether a program provides access to or distribution of public resources within the context of statutory parameters;
- g.** assessing the extent to which programs duplicate, overlap, or conflict with other related programs;
- h.** evaluating whether the entity is following sound procurement practices;
- i.** assessing the reliability, validity, or relevance of performance measures concerning program effectiveness and results or economy and efficiency;
- j.** assessing the reliability, validity, or relevance of financial information related to the performance of a program;

- k.** determining whether government resources (inputs) are obtained at reasonable costs while meeting timeliness and quality considerations;
- l.** determining whether appropriate value was obtained based on the cost or amount paid or based on the amount of revenue received;
- m.** determining whether government services and benefits are accessible to those individuals who have a right to access those services and benefits;
- n.** determining whether fees assessed cover costs;
- o.** determining whether and how the program's unit costs can be decreased or its productivity increased; and
- p.** assessing the reliability, validity, or relevance of budget proposals or budget requests to assist legislatures in the budget process.

1.24 Examples of internal control audit objectives include determining whether

- a.** organizational missions, goals, and objectives are achieved effectively and efficiently;
- b.** resources are used in compliance with laws, regulations, or other requirements;
- c.** resources, including sensitive information accessed or stored outside the organization's physical perimeter, are safeguarded against unauthorized acquisition, use, or disposition;
- d.** management information, such as performance measures, and public reports are complete, accurate, and consistent to support performance and decision making;
- e.** the integrity of information from computerized systems is achieved; and
- f.** contingency planning for information systems provides essential backup to prevent unwarranted disruption of the activities and functions that the systems support.

1.25 Examples of compliance objectives include determining whether

- a.** the purpose of the program, the manner in which it is to be conducted, the services delivered, the outcomes, or the population it serves is in compliance with provisions of laws, regulations, contracts, or grant agreements or other requirements;
- b.** government services and benefits are distributed or delivered to citizens based on eligibility to obtain those services and benefits;
- c.** incurred or proposed costs are in compliance with applicable laws, regulations, contracts, or grant agreements; and
- d.** revenues received are in compliance with applicable laws, regulations, contracts, or grant agreements.

1.26 Examples of prospective analysis objectives include providing conclusions based on

- a.** current and projected trends and future potential impact on government programs and services and their implications for program or policy alternatives;
- b.** program or policy alternatives, including forecasting program outcomes under various assumptions;
- c.** policy or legislative proposals, including advantages, disadvantages, and analysis of stakeholder views;
- d.** prospective information prepared by management;
- e.** budgets and forecasts that are based on (1) assumptions about expected future events and (2) stakeholders' and management's expected reaction to those future events; and
- f.** management's assumptions on which prospective information is based.

Terms Used in GAGAS

1.27 This paragraph describes certain terms used in GAGAS. When terminology differs from that used at an organization subject to GAGAS, auditors use professional judgment to determine if there is an equivalent term.⁹

- a. **Attestation engagement:** An examination, review, or agreed-upon procedures engagement conducted under the GAGAS attestation standards related to subject matter or an assertion that is the responsibility of another party.
- b. **Audit:** Either a financial audit or performance audit conducted in accordance with GAGAS.
- c. **Audit organization:** A government audit entity or a public accounting firm or other audit entity that conducts GAGAS engagements.
- d. **Audit report:** A report issued as a result of a financial audit, attestation engagement, review of financial statements, or performance audit conducted in accordance with GAGAS.
- e. **Audited entity:** The entity that is subject to a GAGAS engagement, whether that engagement is a financial audit, attestation engagement, review of financial statements, or performance audit.
- f. **Auditor:** An individual assigned to planning, directing, performing engagement procedures, or reporting on GAGAS engagements (including work on audits, attestation engagements, and reviews of financial statements) regardless of job title. Therefore, individuals who may have the title auditor, information technology auditor, analyst, practitioner, evaluator, inspector, or other similar titles are considered auditors under GAGAS.
- g. **Control objective:** The aim or purpose of specified controls; control objectives address the risks related to achieving an entity's objectives.

⁹See the Glossary for an expanded list of terms used in GAGAS.

- h. Engagement: A financial audit, attestation engagement, review of financial statements, or performance audit conducted in accordance with GAGAS.
- i. Engagement team (or audit team): Auditors assigned to planning, directing, performing engagement procedures, or reporting on GAGAS engagements.
- j. Engaging party: The party that engages the auditor to conduct the GAGAS engagement.
- k. Entity objective: What an entity wants to achieve; entity objectives are intended to meet the entity's mission, strategic plan, and goals and the requirements of applicable laws and regulations.
- l. External audit organization: An audit organization that issues reports to third parties external to the audited entity, either exclusively or in addition to issuing reports to senior management and those charged with governance of the audited entity.
- m. Internal audit organization: An audit organization that is accountable to senior management and those charged with governance of the audited entity and that does not generally issue reports to third parties external to the audited entity.
- n. Responsible party: The party responsible for a GAGAS engagement's subject matter.
- o. Review of financial statements: An engagement conducted under GAGAS for review of financial statements.
- p. Specialist: An individual or organization possessing special skill or knowledge in a particular field other than accounting or auditing that assists auditors in conducting engagements. A specialist may be either an internal specialist or an external specialist.

The GAGAS Format

1.28 GAGAS uses a format designed to allow auditors to quickly identify requirements and application guidance related to those requirements. GAGAS requirements are differentiated from application guidance by borders surrounding the text. The requirements are followed immediately by application guidance that relates directly to the preceding

requirements. The auditors' responsibilities related to requirements and application guidance are discussed in paragraphs 2.02 through 2.10.

Chapter 2: General Requirements for Complying with Government Auditing Standards

2.01 This chapter establishes general requirements for complying with generally accepted government auditing standards (GAGAS) that are applicable to all GAGAS engagements. The information it contains relates to how auditors conducting GAGAS engagements identify and apply the requirements contained in GAGAS. The chapter also contains requirements for using other audit standards in conjunction with GAGAS and for reporting compliance with GAGAS in the audit report.

Complying with GAGAS

Requirements: Complying with GAGAS

2.02 GAGAS uses two categories of requirements, identified by specific terms, to describe the degree of responsibility they impose on auditors and audit organizations:

- a.** Unconditional requirements: Auditors and audit organizations must comply with an unconditional requirement in all cases where such requirement is relevant. GAGAS uses *must* to indicate an unconditional requirement.
- b.** Presumptively mandatory requirements: Auditors and audit organizations must comply with a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances discussed in paragraphs 2.03, 2.04, and 2.08. GAGAS uses *should* to indicate a presumptively mandatory requirement.¹⁰

2.03 In rare circumstances, auditors and audit organizations may determine it necessary to depart from a relevant presumptively mandatory requirement. In such rare circumstances, auditors should perform alternative procedures to achieve the intent of that requirement.

2.04 If, in rare circumstances, auditors judge it necessary to depart from a relevant presumptively mandatory requirement, they must document their justification for the departure and how the alternative

¹⁰See para. 2.19 for additional documentation requirements for departures from GAGAS requirements.

procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

2.05 Auditors should have an understanding of the entire text of applicable chapters of GAGAS, including application guidance, and any amendments that GAO issued, to understand the intent of the requirements and to apply the requirements properly.¹¹

2.06 Auditors should consider applicable GAO-issued GAGAS interpretive guidance in conducting and reporting on GAGAS engagements.¹²

Application Guidance: Complying with GAGAS

2.07 GAGAS contains requirements together with related explanatory material in the form of application guidance. Not every paragraph of GAGAS carries a requirement. Rather, GAGAS identifies the requirements through use of specific language. GAGAS also contains introductory material that provides context relevant to a proper understanding of a GAGAS chapter or section. Having an understanding of the entire text of applicable GAGAS includes an understanding of any financial audit, attestation, and reviews of financial statement standards incorporated by reference.¹³

2.08 The need for auditors to depart from a relevant presumptively mandatory requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the intent of the requirement.

2.09 The application guidance provides further explanation of the requirements and guidance for applying them. In particular, it may explain more precisely what a requirement means or is intended to address or include examples of procedures that may be appropriate in the circumstances. Although such guidance does not in itself impose a

¹¹See <http://www.gao.gov/yellowbook> for GAGAS amendments.

¹²See <http://www.gao.gov/yellowbook> for GAGAS interpretive guidance.

¹³See paras. 2.13, 6.01, and 7.01 for discussion of standards incorporated by reference.

requirement, it is relevant to the proper application of the requirements. “May,” “might,” and “could” are used to describe these actions and procedures. The application guidance may also provide background information on matters addressed in GAGAS.

2.10 Interpretive guidance is not auditing standards. Interpretive guidance provides guidance on the application of GAGAS and recommendations on the application of GAGAS in specific circumstances.

Relationship between GAGAS and Other Professional Standards

Requirement: Relationship between GAGAS and Other Professional Standards

2.11 When auditors cite compliance with both GAGAS and another set of standards, such as those listed in paragraphs 2.13, 2.15, 6.01, and 7.01, auditors should refer to paragraph 2.17 for the requirements for citing compliance with GAGAS. In addition to citing GAGAS, auditors may also cite the use of other standards in their reports when they have also met the requirements for citing compliance with the other standards. Auditors should refer to the other set of standards for the basis for citing compliance with those standards.

Application Guidance: Relationship between GAGAS and Other Professional Standards

2.12 Auditors may use GAGAS in conjunction with professional standards issued by other authoritative bodies.

2.13 The relationship between GAGAS and other professional standards for financial audits, attestation engagements, and reviews of financial statements is as follows:

- a. The American Institute of Certified Public Accountants (AICPA) has established professional standards that apply to financial audits, attestation engagements, and reviews of financial statements for nonissuers (entities other than issuers under the Sarbanes-Oxley Act of 2002,¹⁴ such as privately held companies,

¹⁴See the Sarbanes-Oxley Act of 2002 (Public Law 107-204) for a discussion of issuers (generally, publicly traded companies with a reporting obligation under the Securities Exchange Act of 1934).

nonprofit entities, and government entities) conducted by certified public accountants (CPA). For financial audits and attestation engagements, GAGAS incorporates by reference AICPA Statements on Auditing Standards and Statements on Standards for Attestation Engagements.¹⁵ For reviews of financial statements, GAGAS incorporates by reference AR-C, section 90, *Review of Financial Statements*.¹⁶

- b. The International Auditing and Assurance Standards Board (IAASB) has established professional standards that apply to financial audits and assurance engagements. Auditors may elect to use the IAASB standards and the related International Standards on Auditing and International Standards on Assurance Engagements in conjunction with GAGAS.
- c. The Public Company Accounting Oversight Board (PCAOB) has established professional standards that apply to financial audits and attestation engagements for issuers. Auditors may elect to use the PCAOB standards in conjunction with GAGAS.

2.14 For financial audits, attestation engagements, and reviews of financial statements, GAGAS does not incorporate the AICPA Code of Professional Conduct by reference, but recognizes that certain CPAs may use or may be required to use the code in conjunction with GAGAS.

2.15 For performance audits, GAGAS does not incorporate other standards by reference, but recognizes that auditors may use or may be required to use other professional standards in conjunction with GAGAS, such as the following:

- a. *International Standards for the Professional Practice of Internal Auditing*, Institute of Internal Auditors, Inc.;
- b. *International Standards of Supreme Audit Institutions*, International Organization of Supreme Audit Institutions;
- c. *Guiding Principles for Evaluators*, American Evaluation Association;

¹⁵AICPA, *Professional Standards*.

¹⁶AICPA, *Professional Standards*.

- d. *The Program Evaluation Standards*, Joint Committee on Standards for Education Evaluation;
- e. *Standards for Educational and Psychological Testing*, American Psychological Association; and
- f. *IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals*, Information Systems Audit and Control Association.

Stating Compliance with GAGAS in the Audit Report

Requirements: Stating Compliance with GAGAS in the Audit Report

2.16 When auditors are required to conduct an engagement in accordance with GAGAS or are representing to others that they did so, they should cite compliance with GAGAS in the audit report as set forth in paragraphs 2.17 through 2.19.

2.17 Auditors should include one of the following types of GAGAS compliance statements in reports on GAGAS engagements, as appropriate.

- a. Unmodified GAGAS compliance statement: Stating that the auditors conducted the engagement in accordance with GAGAS. Auditors should include an unmodified GAGAS compliance statement in the audit report when they have (1) followed unconditional and applicable presumptively mandatory GAGAS requirements or (2) followed unconditional requirements, documented justification for any departures from applicable presumptively mandatory requirements, and achieved the objectives of those requirements through other means.
- b. Modified GAGAS compliance statement: Stating either that
 - (1) the auditors conducted the engagement in accordance with GAGAS, except for specific applicable requirements that were not followed, or
 - (2) because of the significance of the departure(s) from the

requirements, the auditors were unable to and did not conduct the engagement in accordance with GAGAS.

2.18 When auditors use a modified GAGAS statement, they should disclose in the report the applicable requirement(s) not followed, the reasons for not following the requirement(s), and how not following the requirement(s) affected or could have affected the engagement and the assurance provided.

2.19 When auditors do not comply with applicable requirement(s), they should (1) assess the significance of the noncompliance to the engagement objectives; (2) document the assessment, along with their reasons for not following the requirement(s); and (3) determine the type of GAGAS compliance statement.

Application Guidance: Stating Compliance with GAGAS in the Audit Report

2.20 Situations for using modified compliance statements include scope limitations, such as restrictions on access to records, government officials, or other individuals needed to conduct the engagement.

2.21 The auditors' determination of noncompliance with applicable requirements is a matter of professional judgment, which is affected by the significance of the requirement(s) not followed in relation to the engagement objectives.

2.22 Determining whether an unmodified or modified GAGAS compliance statement is appropriate is based on the consideration of the individual and aggregate effect of the instances of noncompliance with GAGAS requirements. Factors that the auditor may consider include

- a. the pervasiveness of the instance(s) of noncompliance;
- b. the potential effect of the instance(s) of noncompliance on the sufficiency and appropriateness of evidence supporting the findings, conclusions, and recommendations; and
- c. whether report users might misunderstand the implications of a modified or unmodified GAGAS compliance statement.

2.23 If an audit report is issued in situations described in paragraph 3.60 (except in circumstances discussed in paragraphs 3.25 or 3.84), a modified GAGAS compliance statement as discussed in paragraph 2.17b(2) is used.

Chapter 3: Ethics, Independence, and Professional Judgment

3.01 The first section of this chapter sets forth fundamental ethical principles for auditors in the government environment. The second section establishes independence standards and provides guidance on this topic for auditors conducting financial audits, attestation engagements, reviews of financial statements, and performance audits under generally accepted government auditing standards (GAGAS). This section emphasizes the importance of independence of the auditor and the audit organization. The third section establishes the standard for the auditor's use of professional judgment and provides related application guidance. The requirements of this chapter are intended to be followed in conjunction with all other applicable GAGAS requirements.

Ethical Principles

3.02 The ethical principles presented in this section provide the foundation, discipline, and structure, as well as the environment, that influence the application of GAGAS.¹⁷

3.03 Because auditing is essential to government accountability to the public, the public expects audit organizations and auditors who perform their work in accordance with GAGAS to follow ethical principles. Management of the audit organization sets the tone for ethical behavior throughout the organization by maintaining an ethical culture, clearly communicating acceptable behavior and expectations to each employee, and creating an environment that reinforces and encourages ethical behavior throughout all levels of the organization. The ethical tone maintained and demonstrated by management and personnel is an essential element of a positive ethical environment for the audit organization.

3.04 Performing audit work in accordance with ethical principles is a matter of personal and organizational responsibility. Ethical principles apply in preserving auditor independence,¹⁸ taking on only work that the audit organization is competent to perform,¹⁹ performing high-quality work, and following the applicable standards cited in the audit report. Integrity and objectivity are maintained when auditors perform their work

¹⁷See para. 5.08 for a discussion of ethical requirements in an audit organization's system of quality control.

¹⁸See paras. 3.18 through 3.108 for requirements and guidance related to independence.

¹⁹See paras. 4.02 through 4.15 for additional information on competence.

and make decisions that are consistent with the broader interest of those relying on the audit report, including the public.

3.05 Other ethical requirements or codes of professional conduct may also be applicable to auditors who conduct engagements in accordance with GAGAS. For example, individual auditors who are members of professional organizations or are licensed or certified professionals may also be subject to ethical requirements of those professional organizations or licensing bodies. Auditors employed by government entities may also be subject to government ethics laws and regulations.

3.06 The ethical principles that guide the work of auditors who conduct engagements in accordance with GAGAS are

- a. the public interest;
- b. integrity;
- c. objectivity;
- d. proper use of government information, resources, and positions;
and
- e. professional behavior.

The Public Interest

3.07 The public interest is defined as the collective well-being of the community of people and entities that the auditors serve. Observing integrity, objectivity, and independence in discharging their professional responsibilities helps auditors serve the public interest and honor the public trust. The principle of the public interest is fundamental to the responsibilities of auditors and critical in the government environment.

3.08 A distinguishing mark of an auditor is acceptance of responsibility to serve the public interest. This responsibility is critical when auditing in the government environment. GAGAS embodies the concept of accountability for public resources, which is fundamental to serving the public interest.

Integrity

3.09 Public confidence in government is maintained and strengthened by auditors performing their professional responsibilities with integrity. Integrity includes auditors performing their work with an attitude that is objective, fact-based, nonpartisan, and nonideological with regard to

audited entities and users of the audit reports. Within the constraints of applicable confidentiality laws, regulations, or policies, communications with the audited entity, those charged with governance, and the individuals contracting for or requesting the engagement are expected to be honest, candid, and constructive.

3.10 Making decisions consistent with the public interest of the program or activity under audit is an important part of the principle of integrity. In discharging their professional responsibilities, auditors may encounter conflicting pressures from management of the audited entity, various levels of government, and other likely users. Auditors may also encounter pressures to inappropriately achieve personal or organizational gain. In resolving those conflicts and pressures, acting with integrity means that auditors place priority on their responsibilities to the public interest.

Objectivity

3.11 Auditors' objectivity in discharging their professional responsibilities is the basis for the credibility of auditing in the government sector. Objectivity includes independence of mind and appearance when conducting engagements, maintaining an attitude of impartiality, having intellectual honesty, and being free of conflicts of interest. Maintaining objectivity includes a continuing assessment of relationships with audited entities and other stakeholders in the context of the auditors' responsibility to the public. The concepts of objectivity and independence are closely related. Independence impairments affect auditors' objectivity.²⁰

Proper Use of Government Information, Resources, and Positions

3.12 Government information, resources, and positions are to be used for official purposes and not inappropriately for the auditors' personal gain or in a manner contrary to law or detrimental to the legitimate interests of the audited entity or the audit organization. This concept includes the proper handling of sensitive or classified information or resources.

3.13 In the government environment, the public's right to the transparency of government information has to be balanced with the proper use of that information. In addition, many government programs are subject to laws and regulations dealing with the disclosure of information. Exercising discretion in using information acquired in the course of auditors' duties is

²⁰See paras. 3.18 through 3.108 for independence requirements and guidance.

an important part in achieving this balance. Improperly disclosing any such information to third parties is not an acceptable practice.

3.14 Accountability to the public for the proper use and prudent management of government resources is an essential part of auditors' responsibilities. Protecting and conserving government resources and using them appropriately for authorized activities are important elements of the public's expectations for auditors.

3.15 Misusing the auditor position for financial gain or other benefits violates an auditor's fundamental responsibilities. An auditor's credibility can be damaged by actions that could be perceived by an objective third party with knowledge of the relevant information as improperly benefiting an auditor's personal financial interests or those of an immediate or close family member; a general partner; an entity for which the auditor serves as an officer, director, trustee, or employee; or an entity with which the auditor is negotiating concerning future employment.

Professional Behavior

3.16 High expectations for the auditing profession include complying with all relevant legal, regulatory, and professional obligations and avoiding any conduct that could bring discredit to auditors' work, including actions that would cause an objective third party with knowledge of the relevant information to conclude that the auditors' work was professionally deficient. Professional behavior includes auditors putting forth an honest effort in performing their duties in accordance with the relevant technical and professional standards.

Independence

3.17 GAGAS's practical consideration of independence consists of four interrelated sections, providing

- a. general requirements and application guidance;
- b. requirements for and guidance on a conceptual framework for making independence determinations based on facts and circumstances that are often unique to specific environments;
- c. requirements for and guidance on independence for auditors providing nonaudit services, including identification of specific nonaudit services that always impair independence and others that would not normally impair independence; and

- d. requirements for and guidance on documentation necessary to support adequate consideration of auditor independence.

Requirements: General

3.18 In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity.

3.19 Auditors and audit organizations should avoid situations that could lead reasonable and informed third parties to conclude that the auditors and audit organizations are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work.

3.20 Except under the limited circumstances discussed in paragraphs 3.66 and 3.67, auditors and audit organizations should be independent from an audited entity during

- a. any period of time that falls within the period covered by the financial statements or subject matter of the engagement and
- b. the period of professional engagement.

Application Guidance: General

3.21 Independence comprises the following:

- a. Independence of mind: The state of mind that permits the conduct of an engagement without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
- b. Independence in appearance: The absence of circumstances that would cause a reasonable and informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the engagement team had been compromised.

3.22 Auditors and audit organizations maintain their independence so that their opinions, findings, conclusions, judgments, and recommendations

will be impartial and will be viewed as impartial by reasonable and informed third parties.

3.23 The period of professional engagement begins when the auditors either sign an initial engagement letter or other agreement to conduct an engagement or begin to conduct an engagement, whichever is earlier. The period lasts for the duration of the professional relationship—which, for recurring engagements, could cover many periods—and ends with the formal or informal notification, either by the auditors or the audited entity, of the termination of the professional relationship or with the issuance of a report, whichever is later. Accordingly, the period of professional engagement does not necessarily end with the issuance of a report and recommence with the beginning of the following year’s engagement or a subsequent engagement with a similar objective.

3.24 Under some conditions, the party requesting or requiring an engagement, referred to as the engaging party, will differ from the party responsible for the engagement’s subject matter, referred to as the responsible party. Under such conditions, the GAGAS independence requirements apply to the relationship between the auditors and the responsible party, not the relationship between the auditors and the engaging party. The following are examples of conditions under which the party requesting an engagement may differ from the party responsible for the engagement’s subject matter.

- a. A legislative body requires that auditors conduct, on the legislative body’s behalf, a performance audit of program operations that are the responsibility of an executive agency. GAGAS requires that the auditors be independent of the executive agency.
- b. A state agency engages an independent public accountant to conduct an examination-level attestation engagement to assess the validity of certain information that a local government provided to the state agency. GAGAS requires that the independent public accountant be independent of the local government.
- c. A government department works with a government agency that conducts examination-level attestation engagements of contractor compliance with the terms and conditions of agreements between the department and the contractor. GAGAS requires that the auditors be independent of the contractors.

3.25 Auditors in government sometimes work under conditions that impair independence in accordance with this section. An example of such a circumstance is a threat created by a statutory requirement for auditors to serve in official roles that conflict with the independence requirements of this section, such as a law that requires an auditor to serve as a voting member of an entity's management committee or board of directors, for which there are no safeguards to eliminate or reduce the threats to an acceptable level. Paragraph 2.17b provides standard language for modified GAGAS compliance statements for auditors who experience such impairments. Determining how to modify the GAGAS compliance statement in these circumstances is a matter of professional judgment.

GAGAS Conceptual Framework Approach to Independence

3.26 Many different circumstances, or combinations of circumstances, are relevant in evaluating threats to independence. Therefore, GAGAS establishes a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence. The conceptual framework assists auditors in maintaining both independence of mind and independence in appearance. It can be applied to many variations in circumstances that create threats to independence and allows auditors to address threats to independence that result from activities that are not specifically prohibited by GAGAS.

Requirements: GAGAS Conceptual Framework Approach to Independence

3.27 Auditors should apply the conceptual framework²¹ at the audit organization, engagement team, and individual auditor levels to

- a. identify threats to independence;
- b. evaluate the significance of the threats identified, both individually and in the aggregate; and
- c. apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level.

3.28 Auditors should reevaluate threats to independence, including

²¹See fig. 1 at the end of ch. 3 for a flowchart on applying the conceptual framework in accordance with GAGAS.

any safeguards applied, whenever the audit organization or the auditors become aware of new information or changes in facts and circumstances that could affect whether a threat has been eliminated or reduced to an acceptable level.

3.29 Auditors should use professional judgment when applying the conceptual framework.

3.30 Auditors should evaluate the following broad categories of threats to independence when applying the GAGAS conceptual framework:

- a. Self-interest threat: The threat that a financial or other interest will inappropriately influence an auditor's judgment or behavior.
- b. Self-review threat: The threat that an auditor or audit organization that has provided nonaudit services will not appropriately evaluate the results of previous judgments made or services provided as part of the nonaudit services when forming a judgment significant to a GAGAS engagement.
- c. Bias threat: The threat that an auditor will, as a result of political, ideological, social, or other convictions, take a position that is not objective.
- d. Familiarity threat: The threat that aspects of a relationship with management or personnel of an audited entity, such as a close or long relationship, or that of an immediate or close family member, will lead an auditor to take a position that is not objective.
- e. Undue influence threat: The threat that influences or pressures from sources external to the audit organization will affect an auditor's ability to make objective judgments.
- f. Management participation threat: The threat that results from an auditor's taking on the role of management or otherwise performing management functions on behalf of the audited entity, which will lead an auditor to take a position that is not objective.
- g. Structural threat: The threat that an audit organization's placement within a government entity, in combination with the

structure of the government entity being audited, will affect the audit organization's ability to perform work and report results objectively.

3.31 Auditors should determine whether identified threats to independence are at an acceptable level or have been eliminated or reduced to an acceptable level, considering both qualitative and quantitative factors to determine the significance of a threat.

3.32 When auditors determine that threats to independence are not at an acceptable level, the auditors should determine whether appropriate safeguards can be applied to eliminate the threats or reduce them to an acceptable level.

3.33 In cases where auditors determine that threats to independence require the application of safeguards, auditors should document the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.

3.34 If auditors initially identify a threat to independence after the audit report is issued, auditors should evaluate the threat's effect on the engagement and on GAGAS compliance. If the auditors determine that the newly identified threat's effect on the engagement would have resulted in the audit report being different from the report issued had the auditors been aware of it, they should communicate in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the audit organization requiring or arranging for the engagements, and other known users, so that they do not continue to rely on findings or conclusions that were affected by the threat to independence. If auditors previously posted the report to their publicly accessible website, they should remove the report and post a public notification that the report was removed. The auditors should then determine whether to perform the additional engagement work necessary to reissue the report, including any revised findings or conclusions, or to repost the original report if the additional engagement work does not result in a change in findings or conclusions.

Application Guidance: GAGAS Conceptual Framework Approach to Independence

3.35 For consideration of auditor independence, offices or units of an audit organization, or related or affiliated entities under common control, are not differentiated from one another. Consequently, for the purposes of evaluating independence using the conceptual framework, an audit organization that includes multiple offices or units, or includes multiple entities related or affiliated through common control, is considered to be one audit organization. Common ownership may also affect independence in appearance regardless of the level of control.

Identifying Threats

3.36 Facts and circumstances that create threats to independence can result from events such as the start of a new engagement, assignment of new personnel to an ongoing engagement, and acceptance of a nonaudit service for an audited entity.

3.37 Threats to independence may be created by a wide range of relationships and circumstances. Circumstances that result in a threat to independence in one of the categories may result in other threats as well.

3.38 Examples of circumstances that create self-interest threats for an auditor follow:

- a. An audit organization having undue dependence on income from a particular audited entity.
- b. A member of the audit team entering into employment negotiations with an audited entity.
- c. An audit organization discovering a significant error when evaluating the results of a previous professional service provided by the audit organization.
- d. A member of the audit team having a direct financial interest in the audited entity. However, this would not preclude auditors from auditing pension plans that they participate in if (1) the auditors have no control over the investment strategy, benefits, or other management issues associated with the pension plan and (2) the auditors belong to such pension plan as part of their employment with the audit organization or prior employment with the audited

entity, provided that the plan is normally offered to all employees in equivalent employment positions.

3.39 Examples of circumstances that create self-review threats for an auditor follow:

- a. An audit organization issuing a report on the effectiveness of the operation of financial or performance management systems after designing or implementing the systems.
- b. An audit organization having prepared the original data used to generate records that are the subject matter of the engagement.
- c. An audit organization providing a service for an audited entity that directly affects the subject matter information of the engagement.
- d. A member of the engagement team being, or having recently been, employed by the audited entity in a position to exert significant influence over the subject matter of the engagement.

3.40 Examples of circumstances that create bias threats for an auditor follow:

- a. A member of the engagement team having preconceptions about the objectives of a program under audit that are strong enough to affect the auditor's objectivity.
- b. A member of the engagement team having biases associated with political, ideological, or social convictions that result from membership or employment in, or loyalty to, a particular type of policy, group, entity, or level of government that could affect the auditor's objectivity.

3.41 Examples of circumstances that create familiarity threats for an auditor follow:

- a. A member of the engagement team having a close or immediate family member who is a principal or senior manager of the audited entity.
- b. A member of the engagement team having a close or immediate family member who is an employee of the audited entity and is in

a position to exert significant influence over the subject matter of the engagement.

- c. A principal or employee of the audited entity having recently served on the engagement team in a position to exert significant influence over the subject matter of the engagement.
- d. An auditor accepting gifts or preferential treatment from an audited entity, unless the value is trivial or inconsequential.
- e. Senior engagement personnel having a long association with the audited entity.

3.42 Examples of circumstances that create undue influence threats for an auditor or audit organization include existence of the following:

- a. External interference or influence that could improperly limit or modify the scope of an engagement or threaten to do so, including exerting pressure to inappropriately reduce the extent of work performed in order to reduce costs or fees.
- b. External interference with the selection or application of engagement procedures or in the selection of transactions to be examined.
- c. Unreasonable restrictions on the time allowed to complete an engagement or issue the report.
- d. External interference over assignment, appointment, compensation, and promotion.
- e. Restrictions on funds or other resources provided to the audit organization that adversely affect the audit organization's ability to carry out its responsibilities.
- f. Authority to overrule or to inappropriately influence the auditors' judgment as to the appropriate content of the report.
- g. Threat of replacing the auditor or the audit organization based on a disagreement with the contents of an audit report, the auditors' conclusions, or the application of an accounting principle or other criteria.

- h. Influences that jeopardize the auditors' continued employment for reasons other than incompetence, misconduct, or the audited entity's need for GAGAS engagements.

3.43 Examples of circumstances that create management participation threats for an auditor follow:

- a. A member of the engagement team being, or having recently been, a principal or senior manager of the audited entity.
- b. An auditor serving as a voting member of an entity's management committee or board of directors, making policy decisions that affect future direction and operation of an entity's programs, supervising entity employees, developing or approving programmatic policy, authorizing an entity's transactions, or maintaining custody of an entity's assets.
- c. An auditor or audit organization recommending a single individual for a specific position that is key to the audited entity or program under audit, or otherwise ranking or influencing management's selection of the candidate.
- d. An auditor preparing management's corrective action plan to deal with deficiencies detected in the engagement.

3.44 Examples of circumstances that create structural threats for an auditor follow:

- a. For both external and internal audit organizations, structural placement of the audit function within the reporting line of the areas under audit.
- b. For internal audit organizations, administrative direction from the audited entity's management.

Evaluating Threats

3.45 Threats to independence are evaluated both individually and in the aggregate, as threats can have a cumulative effect on auditors' independence.

3.46 When evaluating threats to independence, an acceptable level is a level at which a reasonable and informed third party would likely conclude

that the audit organization or auditor is independent. The concept of a reasonable and informed third party is a test that involves an evaluation by a hypothetical person. Such a person possesses skills, knowledge, and experience to objectively evaluate the appropriateness of the auditor's judgments and conclusions. This evaluation entails weighing all the relevant facts and circumstances, including any safeguards applied, that the auditor knows, or could reasonably be expected to know, at the time that the evaluation is made.

3.47 A threat to independence is not at an acceptable level if it either

- a. could affect the auditors' ability to conduct an engagement without being affected by influences that compromise professional judgment or
- b. could expose the auditors or audit organization to circumstances that would cause a reasonable and informed third party to conclude that the integrity, objectivity, or professional skepticism of the audit organization, or an auditor, had been compromised.

3.48 The GAGAS section on nonaudit services in paragraphs 3.64 through 3.106 provides requirements and guidance on evaluating threats to independence related to nonaudit services that auditors provide to audited entities. That section also enumerates specific nonaudit services that always impair auditor independence with respect to audited entities and that auditors are prohibited from providing to audited entities.

Applying Safeguards

3.49 Safeguards are actions or other measures, individually or in combination, that auditors and audit organizations take that effectively eliminate threats to independence or reduce them to an acceptable level. Safeguards vary depending on the facts and circumstances.

3.50 Examples of safeguards include

- a. consulting an independent third party, such as a professional organization, a professional regulatory body, or another auditor to discuss engagement issues or assess issues that are highly technical or that require significant judgment;
- b. involving another audit organization to perform or re-perform part of the engagement;

- c. having an auditor who was not a member of the engagement team review the work performed; and
- d. removing an auditor from an engagement team when that auditor's financial or other interests or relationships pose a threat to independence.

3.51 The lists of safeguards in 3.50 and 3.69 cannot provide safeguards for all circumstances. They may, however, provide a starting point for auditors who have identified threats to independence and are considering what safeguards could eliminate those threats or reduce them to an acceptable level. In some cases, multiple safeguards may be necessary to address a threat.

Audit Organizations in Government Entities

3.52 The ability of an audit organization structurally located in a government entity to perform work and report the results objectively can be affected by its placement within the government entity and the structure of the government entity being audited. The independence standard applies to auditors in both external audit organizations (reporting to third parties externally or to both internal and external parties) and internal audit organizations (reporting only to senior management within the audited entity). Such audit organizations are often subject to constitutional or statutory safeguards that mitigate the effects of structural threats to independence.

3.53 For external audit organizations, constitutional or statutory safeguards that mitigate the effects of structural threats to independence may include governmental structures under which a government audit organization is

- a. at a level of government other than the one of which the audited entity is part (federal, state, or local)—for example, federal auditors auditing a state government program—or
- b. placed within a different branch of government from that of the audited entity—for example, legislative auditors auditing an executive branch program.

3.54 Safeguards other than those described in paragraph 3.53 may mitigate threats resulting from governmental structures. For external audit organizations, structural threats may be mitigated if the head of the audit

organization meets any of the following criteria in accordance with constitutional or statutory requirements:

- a. directly elected by voters of the jurisdiction being audited;
- b. elected or appointed by a legislative body, subject to removal by a legislative body, and reporting the results of engagements to and accountable to a legislative body;
- c. appointed by someone other than a legislative body, so long as the appointment is confirmed by a legislative body and removal from the position is subject to oversight or approval by a legislative body, and reports the results of engagements to and is accountable to a legislative body; or
- d. appointed by, accountable to, reports to, and can only be removed by a statutorily created governing body, the majority of whose members are independently elected or appointed and are outside the organization being audited.

3.55 In addition to the criteria in paragraphs 3.53 and 3.54, GAGAS recognizes that there may be other organizational structures under which external audit organizations in government entities could be considered independent. If appropriately designed and implemented, these structures provide safeguards that prevent the audited entity from interfering with the audit organization's ability to perform the work and report the results impartially. An external audit organization may be structurally independent under a structure different from the ones listed in paragraphs 3.53 and 3.54 if the government audit organization is subject to all of the following constitutional or statutory provisions. The following constitutional or statutory provisions may also be used as safeguards to augment those listed in paragraphs 3.53 and 3.54:

- a. protections that prevent the audited entity from abolishing the audit organization;
- b. protections requiring that if the head of the audit organization is removed from office, the head of the agency reports this fact and the reasons for the removal to the legislative body;
- c. protections that prevent the audited entity from interfering with the initiation, scope, timing, and completion of any engagement;

- d. protections that prevent the audited entity from interfering with audit reporting, including the findings and conclusions or the manner, means, or timing of the audit organization's reports;
- e. protections that require the audit organization to report to a legislative body or other independent governing body on a recurring basis;
- f. protections that give the audit organization sole authority over the selection, retention, advancement, and dismissal of its personnel; and
- g. access to records and documents related to the agency, program, or function being audited and access to government officials or other individuals as needed to conduct the engagement.

3.56 Government internal auditors who work under the direction of the audited entity's management are considered structurally independent for the purposes of reporting internally, if the head of the audit organization meets all of the following criteria:

- a. is accountable to the head or deputy head of the government entity or to those charged with governance;
- b. reports the engagement results both to the head or deputy head of the government entity and to those charged with governance;
- c. is located organizationally outside the staff or line management function of the unit under audit;
- d. has access to those charged with governance; and
- e. is sufficiently removed from pressures to conduct engagements and report findings, opinions, and conclusions objectively without fear of reprisal.

Internal Auditors

3.57 Certain entities employ auditors to work for entity management. These auditors may be subject to administrative direction from persons involved in the entity management process. Such audit organizations are internal audit functions and are encouraged to use the Institute of Internal

Auditors' *International Standards for the Professional Practice of Internal Auditing*, in conjunction with GAGAS.

3.58 When an internal audit organization conducts engagements pertaining to external parties, such as contractors or entities subject to other outside agreements, and no impairments to independence exist, the audit organization can be considered independent as an external audit organization of those external parties.

Requirements: Independence Impairments

3.59 Auditors should conclude that independence is impaired if no safeguards have been effectively applied to eliminate an unacceptable threat or reduce it to an acceptable level.

3.60 When auditors conclude that independence of the engagement team or the audit organization is impaired under paragraph 3.59, auditors should decline to accept an engagement or should terminate an engagement in progress (except in circumstances discussed in paragraphs 3.25 or 3.84).

Application Guidance: Independence Impairments

3.61 Whether independence is impaired depends on the nature of the threat, whether the threat is of such significance that it would compromise an auditor's professional judgment or create the appearance that the auditor's integrity, objectivity, or professional skepticism may be compromised, and the specific safeguards applied to eliminate the threat or reduce it to an acceptable level.

3.62 If auditors conclude that an individual auditor's independence is impaired under paragraph 3.59, it may be necessary to terminate the engagement or it may be possible to take action that satisfactorily addresses the effect of the individual auditor's independence impairment.

3.63 Factors that are relevant in evaluating whether the independence of the engagement team or the audit organization is impaired by an individual auditor's independence impairment include

- a. the nature and duration of the individual auditor's impairment;

- b. the number and nature of any previous impairments with respect to the current engagement;
- c. whether a member of the engagement team had knowledge of the interest or relationship that caused the individual auditor's impairment;
- d. whether the individual auditor whose independence is impaired is (1) a member of the engagement team or (2) another individual for whom there are independence requirements;
- e. the role of the individual auditor on the engagement team whose independence is impaired;
- f. the effect of the service, if any, on the accounting records or audited entity's financial statements if the individual auditor's impairment was caused by the provision of a nonaudit service;
- g. whether a partner or director of the audit organization had knowledge of the individual auditor's impairment and failed to ensure that the individual auditor's impairment was promptly communicated to an appropriate individual within the audit organization; and
- h. the extent of the self-interest, undue influence, or other threats created by the individual auditor's impairment.

Provision of Nonaudit Services to Audited Entities

Requirement: Nonaudit Services

3.64 Before auditors agree to provide a nonaudit service to an audited entity, they should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS engagement they conduct.

Application Guidance: Nonaudit Services

3.65 Auditors have traditionally provided a range of nonaudit services that are consistent with their skills and expertise. Providing nonaudit services to audited entities may create threats to the independence of auditors or audit organizations.

3.66 For performance audits and agreed-upon procedures engagements, nonaudit services that are otherwise prohibited by GAGAS may be provided when such services do not relate to the specific subject matter of the engagement.

3.67 For financial audits, examination or review engagements, and reviews of financial statements, a nonaudit service otherwise prohibited by GAGAS and provided during the period covered by the financial statements may not threaten independence with respect to those financial statements provided that the following conditions exist:

- a. the nonaudit service was provided prior to the period of professional engagement;
- b. the nonaudit service related only to periods prior to the period covered by the financial statements; and
- c. the financial statements for the period to which the nonaudit service did relate were audited by other auditors (or in the case of an examination, review, or review of financial statements, examined, reviewed, or audited by other auditors as appropriate).

3.68 Nonaudit services that auditors provide can affect independence of mind and in appearance in periods after the nonaudit services were provided. For example, if auditors have designed and implemented an accounting and financial reporting system that is expected to be in place for many years, a threat to independence in appearance may exist in subsequent periods for future engagements that those auditors conduct. For recurring engagements, having another independent audit organization conduct an engagement over the areas affected by the nonaudit service may provide a safeguard that allows the audit organization that provided the nonaudit service to mitigate the threat to its independence.

3.69 The following are examples of actions that in certain circumstances could be safeguards in addressing threats to independence related to nonaudit services:

- a. not including individuals who provided the nonaudit service as engagement team members;
- b. having another auditor, not associated with the engagement, review the engagement and nonaudit work as appropriate;

- c. engaging another audit organization to evaluate the results of the nonaudit service; or
- d. having another audit organization re-perform the nonaudit service to the extent necessary to enable that other audit organization to take responsibility for the service.

Routine Activities

3.70 Routine activities that auditors perform related directly to conducting an engagement, such as providing advice and responding to questions as part of an engagement, are not considered nonaudit services under GAGAS. Such routine activities generally involve providing advice or assistance to the audited entity on an informal basis as part of an engagement. Routine activities typically are insignificant in terms of time incurred or resources expended and generally do not result in a specific project or engagement or in the auditors producing a formal report or other formal work product. However, activities such as financial statement preparation, cash-to-accrual conversions, and reconciliations are considered nonaudit services under GAGAS, not routine activities related to the performance of an engagement, and are evaluated using the conceptual framework as discussed in paragraphs 3.87 through 3.95.

3.71 Routine activities directly related to an engagement may include the following:

- a. providing advice to the audited entity on an accounting matter as an ancillary part of the overall financial audit;
- b. providing advice to the audited entity on routine business matters;
- c. educating the audited entity about matters within the technical expertise of the auditors; and
- d. providing information to the audited entity that is readily available to the auditors, such as best practices and benchmarking studies.

Other Services Provided by Government Audit Organizations

3.72 Audit organizations in government entities frequently provide services that differ from the traditional professional services that an accounting or consulting firm provides to or for an audited entity. These types of services are often provided in response to a statutory

requirement, at the discretion of the authority of the audit organization, or to an engaging party (such as a legislative oversight body or an independent external organization) rather than a responsible party, and would generally not create a threat to independence. Examples of these types of services include the following:

- a. providing information or data to a requesting party without auditor evaluation or verification of the information or data;
- b. developing standards, methodologies, audit guides, audit programs, or criteria for use throughout the government or for use in certain specified situations;
- c. collaborating with other professional organizations to advance auditing of government entities and programs;
- d. developing question and answer documents to promote understanding of technical issues or standards;
- e. providing assistance and technical expertise to legislative bodies or independent external organizations;
- f. assisting legislative bodies by developing questions for use at hearings;
- g. providing training, speeches, and technical presentations;
- h. providing assistance in reviewing budget submissions;
- i. contracting for audit services on behalf of an audited entity and overseeing the audit contract, as long as the overarching principles are not violated and the auditor under contract reports to the audit organization and not to management; and
- j. providing audit, investigative, and oversight-related services that do not involve a GAGAS engagement, such as
 - (1) investigations of alleged fraud, violation of contract provisions or grant agreements, or abuse;
 - (2) periodic audit recommendation follow-up engagements and reports; and

- (3) identifying best practices or leading practices for use in advancing the practices of government organizations.

Requirements: Management Responsibilities

3.73 Before auditors agree to provide nonaudit services to an audited entity that the audited entity's management requested and that could create a threat to independence, either by themselves or in aggregate with other nonaudit services provided, with respect to any GAGAS engagement they conduct, auditors should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience and that the individual understands the services to be provided sufficiently to oversee them.

3.74 Auditors should document consideration of management's ability to effectively oversee nonaudit services to be provided.

3.75 In cases where the audited entity is unable or unwilling to assume these responsibilities (for example, the audited entity does not have an individual with suitable skill, knowledge, or experience to oversee the nonaudit services provided, or is unwilling to perform such functions because of lack of time or desire), auditors should conclude that the provision of these services is an impairment to independence.

3.76 Auditors providing nonaudit services to audited entities should obtain agreement from audited entity management that audited entity management performs the following functions in connection with the nonaudit services:

- a. assumes all management responsibilities;
- b. oversees the services, by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
- c. evaluates the adequacy and results of the services provided; and
- d. accepts responsibility for the results of the services.

3.77 In connection with nonaudit services, auditors should establish and document their understanding with the audited entity's

management or those charged with governance, as appropriate, regarding the following:

- a. objectives of the nonaudit service,
- b. services to be provided,
- c. audited entity's acceptance of its responsibilities as discussed in paragraph 3.76,
- d. the auditors' responsibilities, and
- e. any limitations on the provision of nonaudit services.

3.78 Auditors should conclude that management responsibilities that the auditors perform for an audited entity are impairments to independence. If the auditors were to assume management responsibilities for an audited entity, the management participation threats created would be so significant that no safeguards could reduce them to an acceptable level.

Application Guidance: Management Responsibilities

3.79 A critical component of determining whether a threat to independence exists is consideration of management's ability to effectively oversee the nonaudit service to be provided. Although the responsible individual in management is required to have sufficient expertise to oversee the nonaudit services, management is not required to possess the expertise to perform or re-perform the services. However, indicators of management's ability to effectively oversee the nonaudit service include management's ability to determine the reasonableness of the results of the nonaudit services provided and to recognize a material error, omission, or misstatement in the results of the nonaudit services provided.

3.80 Management responsibilities involve leading and directing an entity, including making decisions regarding the acquisition, deployment, and control of human, financial, physical, and intangible resources.

3.81 The following are considered management responsibilities:

- a. setting policies and strategic direction for the audited entity;

- b. directing and accepting responsibility for the actions of the audited entity's employees in the performance of their routine, recurring activities;
- c. having custody of an audited entity's assets;
- d. reporting to those charged with governance on behalf of management;
- e. deciding which of the audit organization's or outside third party's recommendations to implement;
- f. accepting responsibility for the management of an audited entity's project;
- g. accepting responsibility for designing, implementing, or maintaining internal control;
- h. providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter of the engagement;
- i. developing an audited entity's performance measurement system when that system is material or significant to the subject matter of the engagement; and
- j. serving as a voting member of an audited entity's management committee or board of directors.

3.82 Whether a specific activity is a management responsibility as identified in paragraph 3.81 or otherwise depends on the facts and circumstances.

Requirements: Providing Nonaudit Services

3.83 Auditors who previously provided nonaudit services for an entity that is a prospective subject of an engagement should evaluate the effect of those nonaudit services on independence before agreeing to conduct a GAGAS engagement. If auditors provided a nonaudit service in the period to be covered by the engagement, they should (1) determine if GAGAS expressly prohibits the nonaudit service; (2) if

audited entity management requested the nonaudit service, determine whether the skills, knowledge, and experience of the individual responsible for overseeing the nonaudit service were sufficient; and (3) determine whether a threat to independence exists and address any threats noted in accordance with the conceptual framework.

3.84 Auditors in a government entity may be required to provide a nonaudit service that impairs the auditors' independence with respect to a required engagement. If, because of constitutional or statutory requirements over which they have no control, the auditors can neither implement safeguards to reduce the resulting threat to an acceptable level nor decline to provide or terminate a nonaudit service that is incompatible with engagement responsibilities, auditors should disclose the nature of the threat that could not be eliminated or reduced to an acceptable level and modify the GAGAS compliance statement as discussed in paragraph 2.17b accordingly. Determining how to modify the GAGAS compliance statement in these circumstances is a matter of professional judgment.

Consideration of Specific Nonaudit Services

3.85 By their nature, certain nonaudit services directly support an entity's operations and, if provided to an audited entity, create a threat to the auditors' ability to maintain independence in mind and appearance. Some aspects of these services will impair auditors' ability to conduct GAGAS engagements for the entities to which the services are provided.

3.86 Auditors may be able to provide nonaudit services in the broad areas indicated in paragraphs 3.87 through 3.106 without impairing independence if (1) the nonaudit services are not expressly prohibited by GAGAS requirements, (2) the auditors have determined that the requirements for providing nonaudit services in paragraphs 3.73 through 3.78 and paragraph 3.83 have been met, and (3) any significant threats to independence have been eliminated or reduced to an acceptable level through the application of safeguards. The conceptual framework enables auditors to evaluate independence given the facts and circumstances of individual services that are not specifically prohibited.

Requirements: Preparing Accounting Records and Financial Statements

3.87 Auditors should conclude that the following services involving preparation of accounting records impair independence with respect to an audited entity:

- a. determining or changing journal entries, account codes or classifications for transactions, or other accounting records for the entity without obtaining management's approval;
- b. authorizing or approving the entity's transactions; and
- c. preparing or making changes to source documents without management approval.

3.88 Auditors should conclude that preparing financial statements in their entirety from a client-provided trial balance or underlying accounting records creates significant threats to auditors' independence, and should document the threats and safeguards applied to eliminate and reduce threats to an acceptable level in accordance with paragraph 3.33 or decline to provide the services.²²

3.89 Auditors should identify as threats to independence any services related to preparing accounting records and financial statements, other than those defined as impairments to independence in paragraph 3.87 and significant threats in paragraph 3.88. These services include

- a. recording transactions for which management has determined or approved the appropriate account classification, or posting coded transactions to an audited entity's general ledger;
- b. preparing certain line items or sections of the financial statements based on information in the trial balance;
- c. posting entries that an audited entity's management has approved to the entity's trial balance; and

²²See fig. 2 at the end of ch. 3 for a flowchart on independence considerations for preparing accounting records and financial statements.

- d. preparing account reconciliations that identify reconciling items for the audited entity management's evaluation.

3.90 Auditors should evaluate the significance of threats to independence created by providing any services discussed in paragraph 3.89 and should document the evaluation of the significance of such threats.²³

Application Guidance: Preparing Accounting Records and Financial Statements

3.91 Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, even if the auditor assisted in drafting those financial statements. Consequently, an auditor accepting responsibility for the preparation and fair presentation of financial statements that the auditor will subsequently audit or that will otherwise be the subject matter of an engagement would impair the auditor's independence.

3.92 Source documents include those providing evidence that transactions have occurred (for example, purchase orders, payroll time records, customer orders, and contracts). Such records also include an audited entity's general ledger and subsidiary records or equivalent.

3.93 Determining whether services, as discussed in paragraph 3.89, are significant threats and require safeguards is a matter of professional judgment.

3.94 Factors that are relevant in evaluating the significance of any threats created by providing services as discussed in paragraph 3.89 include

- a. the extent to which the outcome of the service could have a material effect on the financial statements,
- b. the degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements, and

²³See para. 3.33 for additional requirements related to documenting threats identified and safeguards applied to eliminate or reduce threats to an acceptable level.

- c. the extent of the audited entity's involvement in determining significant matters of judgment.

3.95 Providing clerical assistance, such as typing, formatting, printing, and binding financial statements, is unlikely to be a significant threat.

Requirement: Internal Audit Assistance Services Provided by External Auditors

3.96 Internal audit assistance services involve assisting an entity in performing its internal audit activities. Auditors should conclude that the following internal audit assistance activities impair an external auditor's independence with respect to an audited entity:

- a. setting internal audit policies or the strategic direction of internal audit activities;
- b. performing procedures that form part of the internal control, such as reviewing and approving changes to employee data access privileges; and
- c. determining the scope of the internal audit function and resulting work.

Requirements: Internal Control Evaluation as a Nonaudit Service

3.97 Auditors should conclude that providing or supervising ongoing monitoring procedures over an entity's system of internal control impairs independence because the management participation threat created is so significant that no safeguards could reduce the threat to an acceptable level.

3.98 Separate evaluations are sometimes provided as a nonaudit service. When providing separate evaluations as nonaudit services, auditors should evaluate the significance of the threat created by performing separate evaluations and apply safeguards when necessary to eliminate the threat or reduce it to an acceptable level.

Application Guidance: Internal Control Evaluation as a Nonaudit Service

3.99 Accepting responsibility for designing, implementing, or maintaining internal control includes accepting responsibility for designing, implementing, or maintaining monitoring procedures. Monitoring involves the use of either ongoing monitoring procedures or separate evaluations to gather and analyze persuasive information supporting conclusions about the effectiveness of the internal control system. Ongoing monitoring procedures performed on behalf of management are built into the routine, recurring operating activities of an entity.

3.100 Factors relevant to evaluating the significance of any threats created by providing separate evaluations as a nonaudit service include

- a. the frequency of the separate evaluations and
- b. the scope or extent of the controls (in relation to the scope of the engagement conducted) being evaluated.

3.101 A separate evaluation provided as a nonaudit service is not a substitute for engagement procedures in a GAGAS engagement.

Requirement: Information Technology Services

3.102 Auditors should conclude that providing information technology (IT) services to an audited entity that relate to the period under audit impairs independence if those services include

- a. designing or developing an audited entity's financial information system or other IT system that will play a significant role in the management of an area of operations that is or will be the subject matter of an engagement;
- b. making other than insignificant modifications to source code underlying an audited entity's existing financial information system or other IT system that will play a significant role in the management of an area of operations that is or will be the subject matter of an engagement;

- c. supervising audited entity personnel in the daily operation of an audited entity's information system; or
- d. operating an audited entity's network, financial information system, or other IT system that will play a significant role in the management of an area of operations that is or will be the subject matter of an engagement.

Application Guidance: Information Technology Services

3.103 Services related to IT systems include the design or implementation of hardware or software systems. The systems may aggregate source data, form part of the internal control over the subject matter of the engagement, or generate information that affects the subject matter of the engagement.

Requirement: Appraisal, Valuation, and Actuarial Services

3.104 Auditors should conclude that independence is impaired if an audit organization provides appraisal, valuation, or actuarial services to an audited entity when (1) the services involve a significant degree of subjectivity and (2) the results of the service, individually or when combined with other valuation, appraisal, or actuarial services, are material to the audited entity's financial statements or other information on which the audit organization is reporting.

Application Guidance: Appraisal, Valuation, and Actuarial Services

3.105 A valuation comprises the making of assumptions with regard to future developments; the application of appropriate methodologies and techniques; and the combination of both to compute a certain value, or range of values, for an asset, a liability, or an entity as a whole.

Requirement: Other Nonaudit Services

3.106 Auditors should conclude that providing certain other nonaudit services impairs an external auditor's independence with respect to an audited entity. These activities include the following:

- a. Advisory service
 - (1) Assuming any management responsibilities
- b. Benefit plan administration
 - (1) Making policy decisions on behalf of management
 - (2) Interpreting the provisions in a plan document for a plan participant on behalf of management without first obtaining management's concurrence
 - (3) Making disbursements on behalf of the plan
 - (4) Having custody of the plan's assets
 - (5) Serving in a fiduciary capacity, as defined under the Employee Retirement Income Security Act of 1974²⁴
- c. Business risk consulting
 - (1) Making or approving business risk decisions
 - (2) Presenting business risk considerations to those charged with governance on behalf of management
- d. Executive or employee recruiting
 - (1) Committing the audited entity to employee compensation or benefit arrangements
 - (2) Hiring or terminating the audited entity's employees

²⁴See Section 2510.3-21 of Title 29, *Code of Federal Regulations*.

e. Investment advisory or management

- (1) Making investment decisions on behalf of management or otherwise having discretionary authority over an audited entity's investments
- (2) Executing a transaction to buy or sell an audited entity's investments
- (3) Having custody of an audited entity's assets, such as taking temporary possession of securities

Documentation

Requirement: Documentation

3.107 While insufficient documentation of an auditor's compliance with the independence standard does not impair independence, auditors should prepare appropriate documentation under the GAGAS quality control and assurance requirements.²⁵ The independence standard includes the following documentation requirements, where applicable:

- a. document threats to independence that require the application of safeguards, along with safeguards applied, in accordance with the conceptual framework for independence as required by paragraph 3.33;
- b. document the safeguards in paragraphs 3.52 through 3.56 if an audit organization is structurally located within a government entity and is considered structurally independent based on those safeguards;
- c. document consideration of audited entity management's ability to effectively oversee a nonaudit service to be provided by the auditor as indicated in paragraph 3.74;

²⁵See para. 5.04 for additional discussion of documenting compliance with quality control policies and procedures and paras. 5.08 through 5.11 for additional discussion of policies and procedures on independence, legal, and ethical requirements.

- d. document the auditor's understanding with an audited entity for which the auditor will provide a nonaudit service as indicated in paragraph 3.77; and
- e. document the evaluation of the significance of the threats created by providing any of the services discussed in paragraph 3.89.

Application Guidance: Documentation

3.108 Documentation of independence considerations provides evidence of the auditor's judgments in forming conclusions regarding compliance with independence requirements.

Professional Judgment

Requirement: Professional Judgment

3.109 Auditors must use professional judgment in planning and conducting the engagement and in reporting the results.

Application Guidance: Professional Judgment

3.110 Professional judgment includes exercising reasonable care and professional skepticism. Reasonable care includes acting diligently in accordance with applicable professional standards and ethical principles. Attributes of professional skepticism include a questioning mind, awareness of conditions that may indicate possible misstatement owing to error or fraud, and a critical assessment of evidence. Professional skepticism includes being alert to, for example, evidence that contradicts other evidence obtained or information that brings into question the reliability of documents or responses to inquiries to be used as evidence. Further, it includes a mindset in which auditors assume that management is neither dishonest nor of unquestioned honesty. Auditors may accept records and documents as genuine unless they have reason to believe the contrary. Auditors may consider documenting procedures undertaken to support their application of professional skepticism in highly judgmental or subjective areas under audit.

3.111 Using the auditor's professional knowledge, skills, and abilities, in good faith and with integrity, to diligently gather information and

objectively evaluate the sufficiency and appropriateness of evidence is a critical component of GAGAS engagements. Professional judgment and competence are interrelated because judgments made depend upon the auditor's competence, as discussed in chapter 4.

3.112 Professional judgment represents the application of the collective knowledge, skills, and abilities of all the personnel involved with an engagement, as well as the professional judgment of individual auditors. In addition, professional judgment may involve consultation with other stakeholders, specialists, and management in the audit organization.

3.113 Using professional judgment is important to auditors in carrying out all aspects of their professional responsibilities, including following the independence standards and related conceptual framework; maintaining objectivity and credibility; assigning competent personnel to the engagement; defining the scope of work; evaluating, documenting, and reporting the results of the work; and maintaining appropriate quality control over the engagement process.

3.114 Using professional judgment is important to auditors in applying the conceptual framework to determine independence in a given situation. This includes identifying and evaluating any threats to independence, including threats to the appearance of independence, and related safeguards that may mitigate the identified threats.²⁶

3.115 Using professional judgment is important to auditors in determining the necessary level of understanding of the engagement subject matter and related circumstances. This includes considering whether the audit team's collective experience, training, knowledge, skills, abilities, and overall understanding are sufficient to assess the risks that the subject matter of the engagement may contain a significant inaccuracy or could be misinterpreted.²⁷

3.116 An auditor's consideration of the risk level of each engagement, including the risk of arriving at improper conclusions, is also important. Within the context of audit risk, exercising professional judgment in determining the sufficiency and appropriateness of evidence to be used to support the findings and conclusions based on the engagement

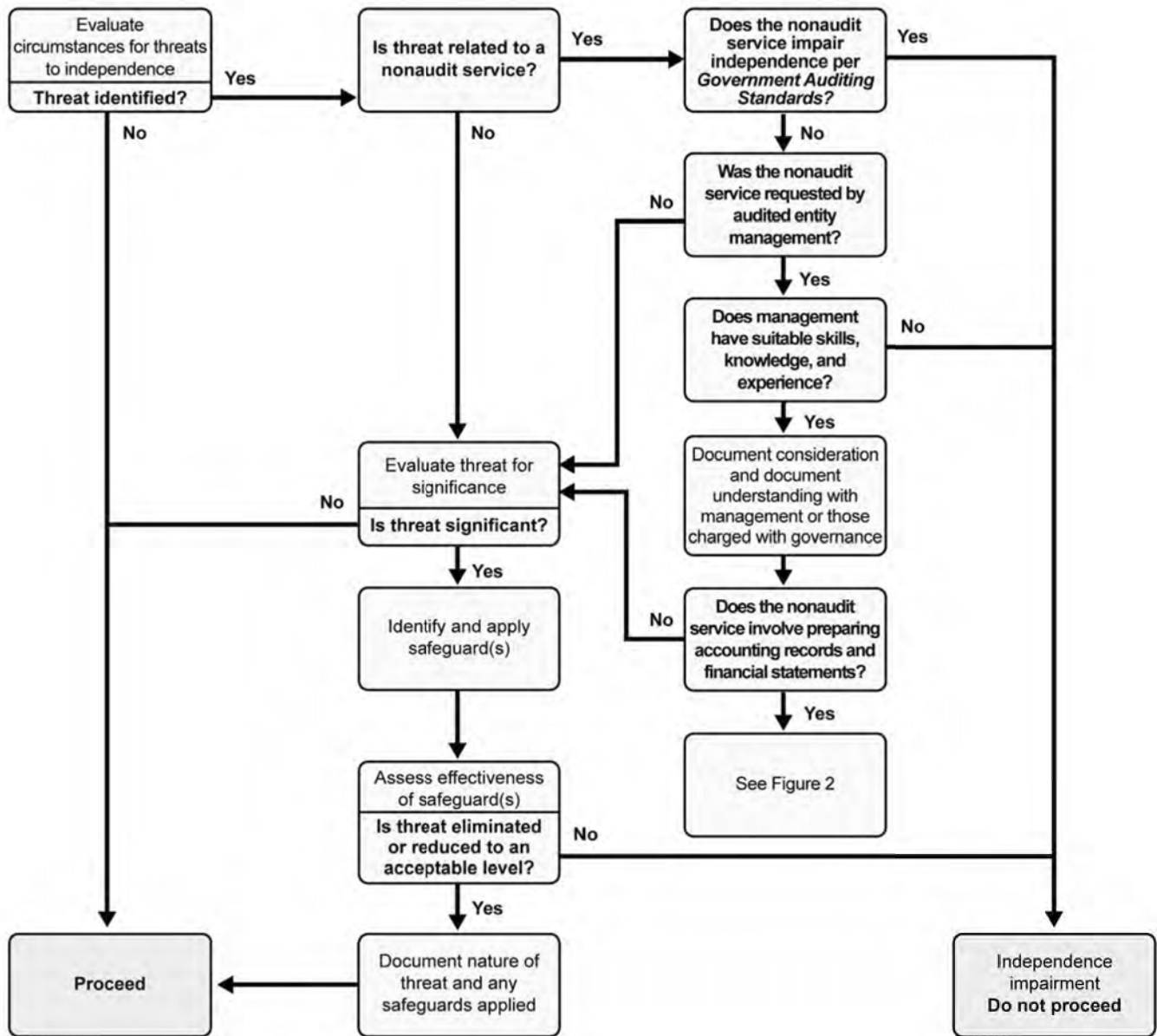
²⁶See para. 3.21b for a description of independence in appearance.

²⁷See paras. 4.02 through 4.15 for a discussion of competence.

objectives and any recommendations reported is integral to the engagement process.

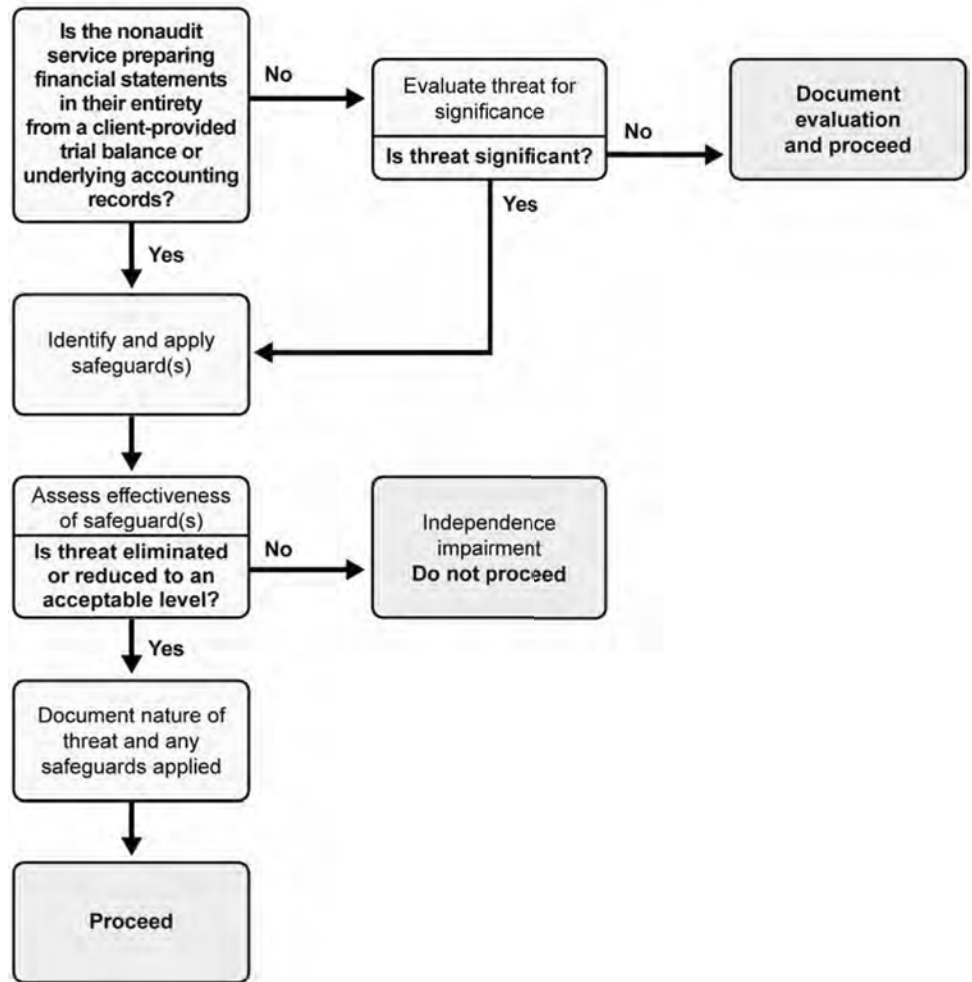
3.117 While this requirement places responsibility on each auditor and audit organization to exercise professional judgment in planning and conducting an engagement, it does not imply unlimited responsibility nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of factors such as the nature of evidence and characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific engagement, but rather identifying, assessing, mitigating, and concluding on them.

Figure 1: Generally Accepted Government Auditing Standards Conceptual Framework for Independence



Source: GAO. | GAO-18-568G

Figure 2: Independence Considerations for Preparing Accounting Records and Financial Statements



Source: GAO. | GAO-18-568G

Chapter 4: Competence and Continuing Professional Education

4.01 This chapter establishes the generally accepted government auditing standards (GAGAS) requirements for competence and continuing professional education (CPE). Competence includes being knowledgeable about the specific GAGAS requirements and having the skills and abilities to proficiently apply that knowledge on GAGAS engagements. CPE contributes to auditors' competence. The requirements of this chapter are intended to be followed in conjunction with all other applicable GAGAS requirements.

Competence

Requirements: General

4.02 The audit organization's management must assign auditors to conduct the engagement who before beginning work on the engagement collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS.

4.03 The audit organization's management must assign auditors who before beginning work on the engagement possess the competence needed for their assigned roles.

4.04 The audit organization should have a process for recruitment, hiring, continuous development, assignment, and evaluation of personnel so that the workforce has the essential knowledge, skills, and abilities necessary to conduct the engagement. The nature, extent, and formality of the process will depend on various factors, such as the size of the audit organization, its structure, and its work.

Application Guidance: General

4.05 Competence is the knowledge, skills, and abilities, obtained from education and experience, necessary to conduct the GAGAS engagement. Competence enables auditors to make sound professional judgments. Competence includes possessing the technical knowledge and skills necessary for the assigned role and the type of work being done. This includes possessing specific knowledge about GAGAS.

4.06 Competence is derived from a combination of education and experience. Education is a structured and systematic process aimed at developing knowledge, skills, and other abilities; it is a process that is typically but not exclusively conducted in academic or learning

environments. Experience refers to workplace activities that are relevant to developing professional proficiency. Competence is not necessarily measured by years of auditing experience because such a quantitative measurement may not accurately reflect the kinds of experiences gained by auditors in any given time period. Maintaining competence through a commitment to learning and development throughout auditors' professional lives is an important element for auditors.

Application Guidance: Indicators of Competence

Technical Knowledge and Skills

4.07 The knowledge, skills, and abilities needed when conducting an engagement in accordance with GAGAS include the understanding necessary to proficiently apply

- a. GAGAS;
- b. standards, statutory requirements, regulations, criteria, and guidance applicable to auditing or the objectives for the engagement(s) being conducted; and
- c. techniques, tools, and guidance related to professional expertise applicable to the work being performed.

Auditor proficiency in these areas helps ensure that engagements are conducted in accordance with GAGAS.

4.08 Achieving the knowledge, skills, and abilities needed to conduct a GAGAS engagement may include

- a. having prior experience in the subject matter or type of engagement;
- b. completing CPE related to the subject matter or type of engagement; and
- c. obtaining degrees or certifications relevant to the subject matter or type of engagement.

Competence for Assigned Roles

4.09 The audit organization and engagement teams may consider the levels of proficiency needed for each role on the engagement when assigning auditors to the engagement.

4.10 Roles on the engagement generally include the following:

- a. Nonsupervisory auditors: Auditors in these roles plan or perform engagement procedures. Work situations for these auditors are characterized by low levels of ambiguity, complexity, and uncertainty. The nonsupervisory auditor role necessitates at least a basic level of proficiency.
- b. Supervisory auditors: Auditors in these roles plan engagements, perform engagement procedures, or direct engagements. Work situations for these auditors are characterized by moderate levels of ambiguity, complexity, and uncertainty. The supervisory auditor role necessitates at least an intermediate level of proficiency.
- c. Partners and directors: Auditors in these roles plan engagements, perform engagement procedures, or direct or report on engagements. Partners and directors may also be responsible for reviewing engagement quality prior to issuing the report, for signing the report, or both. Work situations for these auditors are characterized by high levels of ambiguity, complexity, and uncertainty. The partner and director role necessitates an advanced level of proficiency.

4.11 Definitions of key terms follow:

- a. Planning: Determining engagement objectives, scope, and methodology; establishing criteria to evaluate matters subject to audit; or coordinating the work of the other audit organizations. This definition excludes auditors whose role is limited to gathering information used in planning the engagement.
- b. Directing: Supervising the efforts of others who are involved in accomplishing the objectives of the engagement or reviewing engagement work to determine whether those objectives have been accomplished.

- c. Performing engagement procedures: Performing tests and procedures necessary to accomplish the engagement objectives in accordance with GAGAS.
- d. Reporting: Determining the report content and substance or reviewing reports to determine whether the engagement objectives have been accomplished and the evidence supports the report's technical content and substance prior to issuance. This includes signing the report.

Requirement: Specialists

4.12 The engagement team should determine that specialists assisting the engagement team on a GAGAS engagement are qualified and competent in their areas of specialization.

Application Guidance: Specialists

4.13 Some engagements may necessitate the use of specialized techniques or methods that call for the skills of specialists. Specialists do not include individuals with special skill or knowledge related to specialized areas within the field of accounting or auditing, such as income taxation and information technology. Such individuals are considered auditors.

4.14 The competence and qualifications of specialists significantly affect whether their work will be adequate for the engagement team's purposes and will meet GAGAS requirements. Competence of specialists relates to the nature and level of expertise. Qualifications of specialists relate to their professional certifications, reputations, and previous work in the subject matter. Other relevant factors include the ability of specialists to exercise competence in the circumstances of the engagement and the effects that bias, conflict of interest, or the influence of others may have on the specialists' professional judgment.

4.15 Sources that may inform the auditors' assessment of the competence and professional qualifications of a specialist include the following:

- a. the professional certification, license, or other recognition of the competence of the specialist in his or her field, as appropriate;

- b. the reputation and standing of the specialist in the views of peers and others familiar with the specialist's capability or performance;
- c. the specialist's experience and previous work in the subject matter;
- d. the auditors' assessment of the specialist's knowledge and qualification based on prior experience in using the specialist's work;
- e. the specialist's knowledge of any technical performance standards or other professional or industry requirements in the specialist's field (for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation);
- f. the knowledge of the specialist with respect to relevant auditing standards; and
- g. the assessment of unexpected events, changes in conditions, or the evidence obtained from the results of engagement procedures that indicate it may be necessary to reconsider the initial evaluation of the competence and qualifications of a specialist as the engagement progresses.

Continuing Professional Education

Requirements: General

4.16 Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period as follows.

CPE hours	Subject matter categories of CPE
24 hours	Subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates
56 hours	Subject matter that directly enhance auditors' professional expertise to conduct engagements

4.17 Auditors should complete at least 20 hours of CPE in each year of the 2-year periods.

4.18 The audit organization should maintain documentation of each auditor's CPE.²⁸

Application Guidance: General

4.19 The continuing competence of the audit organization's personnel depends, in part, on an appropriate level of CPE so that auditors maintain the knowledge, skills, and abilities necessary to conduct the GAGAS engagement. Obtaining CPE specifically on GAGAS, particularly during years in which there are revisions to the standards, may assist auditors in maintaining the competence necessary to conduct GAGAS engagements.

4.20 CPE used to fulfill the 24-hour requirement may be taken at any time during the 2-year measurement period.

Application Guidance: Subject Matter Categories of CPE

4.21 Determining what subjects are appropriate for individual auditors to satisfy the CPE requirements is a matter of professional judgment to be exercised by auditors in consultation with appropriate officials in their audit organization. When determining what specific subjects qualify for the CPE requirement, the auditors may consider the types of knowledge, skills, and abilities, and the level of proficiency necessary, in order to be competent for their assigned roles. Auditors may consider probable future engagements to which they may be assigned when selecting specific CPE subjects to satisfy the 24-hour and the 56-hour CPE requirements. The audit organization is ultimately responsible for determining whether a subject or topic qualifies as acceptable for its auditors.

4.22 The subject matter categories for the 24-hour requirement may be used to satisfy the 56-hour CPE requirement. If CPE in any of the subject matter and topics that would satisfy the 56-hour requirement, as discussed in paragraph 4.24, is tailored specifically to the government environment, such CPE may qualify toward satisfying the 24-hour

²⁸See paras. 4.51 and 5.16 for a discussion of CPE documentation.

requirement. Examples of CPE subjects that may qualify for each of the categories are listed below.

Subject Matter Directly Related to the Government Environment, Government Auditing, or the Specific or Unique Environment in Which the Audited Entity Operates (24-Hour Requirement)

4.23 Subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates may include, but is not limited to, the following:

- a. generally accepted government auditing standards (GAGAS) and related topics, such as internal control as addressed in GAGAS;
- b. the applicable American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards;²⁹
- c. the applicable AICPA Statements on Standards for Attestation Engagements and Statements on Standards for Accounting and Review Services;³⁰
- d. the applicable auditing standards issued by the Institute of Internal Auditors, the Public Company Accounting and Oversight Board, the International Auditing and Assurance Standards Board, or other auditing standard-setting body;
- e. U.S. generally accepted accounting principles, or the applicable financial reporting framework being used, such as those issued by the Federal Accounting Standards Advisory Board, the Governmental Accounting Standards Board, or the Financial Accounting Standards Board;
- f. *Standards for Internal Control in the Federal Government*;³¹

²⁹See para. 6.01 for a discussion of the AICPA standards incorporated into GAGAS for financial audits.

³⁰See para. 7.01 for a discussion of the AICPA standards incorporated into GAGAS for attestation engagements and reviews of financial statements.

³¹GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

- g. *Internal Control—Integrated Framework*,³² as applicable;
- h. requirements for recipients of federal contracts or grants, such as Single Audits under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*,³³
- i. requirements for federal, state, or local program audits;
- j. relevant or applicable audit standards or guides, including those for information technology auditing and forensic auditing;
- k. information technology auditing topics applicable to the government environment;
- l. fraud topics applicable to a government environment;
- m. statutory requirements, regulations, criteria, guidance, trends, risks, or topics relevant to the specific and unique environment in which the audited entity operates;
- n. statutory requirements, regulations, criteria, guidance, trends, risks, or topics relevant to the subject matter of the engagement, such as scientific, medical, environmental, educational, or any other specialized subject matter;
- o. topics directly related to the government environment, such as the nature of government (structures, financing, and operations), economic or other conditions and pressures facing governments, common government financial management issues, appropriations, measurement or evaluation of government financial or program performance, and application of general audit methodologies or techniques to a government environment or program;

³²Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control—Integrated Framework* (New York: American Institute of Certified Public Accountants, 2013).

³³See Part 200, Subpart F, of Title 2, *Code of Federal Regulations*.

- p. specialized audit methodologies or analytical techniques, such as the use of complex survey instruments, actuarial estimates, statistical analysis tests, or statistical or nonstatistical sampling;
- q. performance auditing topics, such as obtaining evidence, professional skepticism, and other applicable audit skills;³⁴
- r. government ethics and independence;
- s. partnerships between governments, businesses, and citizens;
- t. legislative policies and procedures;
- u. topics related to fraud, waste, abuse, or improper payments affecting government entities; and
- v. compliance with laws and regulations.

Subject Matter That Directly Enhances Auditors' Professional Expertise to Conduct Engagements (56-Hour Requirement)

4.24 Subject matter that directly enhances auditors' professional expertise to conduct engagements may include, but is not limited to, the following:

- a. subject matter categories for the 24-hour requirement listed in paragraph 4.23;
- b. general ethics and independence;
- c. topics related to accounting, acquisitions management, asset management, budgeting, cash management, contracting, data analysis, program performance, or procurement;
- d. communicating clearly and effectively, both orally and in writing;
- e. managing time and resources;
- f. leadership;

³⁴See chs. 8 and 9 for performance audit topics that may be included.

- g. software applications used in conducting engagements;
- h. information technology; and
- i. economics, human capital management, social and political sciences, and other academic disciplines that may be applied in engagements, as applicable.

Application Guidance: Exemptions and Exceptions

4.25 Auditors may be exempted from the 56-hour CPE requirement by the audit organization, but not the 24-hour requirement, if they

- a. charge less than 20 percent of their time annually to engagements conducted in accordance with GAGAS and
- b. are only involved in performing engagement procedures, but not involved in planning, directing, or reporting on the engagement.

The 20 percent may be based on historical or estimated charges in a year, provided that the audit organization has a basis for this determination and monitors actual time. For auditors who change status such that they are charging more than 20 percent of their time annually to engagements under GAGAS, the audit organization may prorate the required CPE hours similar to when auditors are assigned to GAGAS engagements after the beginning of a 2-year CPE measurement period, as discussed in paragraph 4.42.

4.26 Nonsupervisory auditors who charge less than 40 hours of their time annually to engagements conducted in accordance with GAGAS may be exempted by the organization from all CPE requirements in paragraph 4.16.

4.27 The audit organization may exempt from the CPE requirements college and university students employed on a temporary basis for a limited period of time (for example, an internship of limited duration) or enrolled in a formal program sponsored by the college or university for a specific period of employment, such as a term or semester.

4.28 Employees or contract employees performing support services within the audit organization, such as individuals who are assigned to positions in budgeting, human resources, training, and administrative functions, and who do not conduct engagement activities are not auditors

subject to the GAGAS CPE requirements. Employees or contract employees who assist in the engagement by performing support services, such as performing background research, data entry, writing and editing assistance, proofreading, or report production and distribution are not auditors subject to the GAGAS CPE requirements.

4.29 The audit organization, at its discretion, may grant exemptions from a portion of the CPE requirement in the event of extended absences or other extenuating circumstances if situations such as the following prevent auditors from fulfilling those requirements and conducting engagements:

- a. ill health,
- b. maternity or paternity leave,
- c. extended family leave,
- d. sabbaticals,
- e. leave without pay absences,
- f. foreign residency,
- g. military service, and
- h. disasters.

The audit organization may not grant exceptions for reasons such as workload, budget, or travel constraints.

Application Guidance: Specialists

4.30 External specialists are not auditors subject to the GAGAS CPE requirements. Also, internal specialists assisting on a GAGAS engagement who are not involved in planning, directing, performing engagement procedures, or reporting on a GAGAS engagement are not auditors subject to the GAGAS CPE requirements.

4.31 Internal specialists who are performing work in accordance with GAGAS as part of the engagement team—including planning, directing, performing engagement procedures, or reporting on a GAGAS engagement—are considered auditors and are subject to the GAGAS

CPE requirements. The GAGAS CPE requirements become effective for internal specialists when an audit organization first assigns an internal specialist to an engagement. Because internal specialists apply specialized knowledge in government engagements, CPE in their areas of specialization qualifies under the requirement for 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.

Application Guidance: Programs and Activities That Qualify for CPE

4.32 CPE programs are structured educational activities or programs with learning objectives designed to maintain or enhance the auditors' competence to address engagement objectives and perform work in accordance with GAGAS.

4.33 The following are examples of structured educational programs and activities:

- a. internal training programs (e.g., courses, seminars, and workshops);
- b. education and development programs presented at conferences, conventions, meetings, and seminars and meetings or workshops of professional organizations;
- c. training programs presented by other audit organizations, educational organizations, foundations, and associations;
- d. web-based seminars and individual-study or eLearning programs;
- e. audio conferences;
- f. accredited university and college courses (credit and noncredit);
- g. standard-setting organization, professional organization, or audit organization staff meetings when a structured educational program with learning objectives is presented (e.g., the portion of the meeting that is a structured educational program with learning objectives designed to maintain or enhance auditors' competence);
- h. correspondence courses, individual-study guides, and workbooks;

- i. serving as a speaker, panelist, instructor, or discussion leader at programs that qualify for CPE hours;
- j. developing or technical review of courses or the course materials for programs that qualify for CPE hours; and
- k. publishing articles and books that contribute directly to the author's professional proficiency to conduct engagements.

4.34 Individual auditors who are members of professional organizations or who are licensed professionals, such as certified public accountants, are cautioned that the GAGAS CPE requirements, while similar in many respects to those of professional organizations and of licensing bodies, may not be identical. Some subjects and topics may be acceptable to state licensing bodies or professional organizations, but may not qualify as CPE under GAGAS. Conversely, some CPE that qualifies for GAGAS may not qualify for state licensing bodies or professional organizations. Careful consideration of auditors' relevant professional organizations or licensing body requirements is encouraged to meet other relevant CPE requirements.

4.35 Examples of training topics that may qualify as CPE for state licensing bodies or professional organizations but would not generally qualify as CPE for purposes of satisfying requirements under GAGAS include certain training in taxation, personal financial planning and investment, taxation strategies, estate planning, retirement planning, and practice management, unless such training directly enhances the auditors' professional proficiency to perform engagements or relate to the subject matter of an engagement. However, if certain taxation or other topics relate to an objective or the subject matter of an engagement, training in those related topics could qualify as CPE under GAGAS.

4.36 Examples of programs and activities that do not qualify for CPE hours under GAGAS include, but are not limited to, the following:

- a. on-the-job training;
- b. basic or elementary courses in subjects or topics in which auditors already have the knowledge and skills being taught;
- c. programs that are designed for general personal development, such as résumé writing, improving parent-child relations, personal investments and money management, and retirement planning;

- d. programs that demonstrate office equipment or software that is not used in conducting engagements;
- e. programs that provide training on the audit organization's administrative operations;
- f. business sessions at professional organization conferences, conventions, and meetings that do not have a structured educational program with learning objectives;
- g. conducting external quality control reviews; and
- h. sitting for professional certification examinations.

Basic or elementary courses would be acceptable in cases where they are deemed necessary as “refresher” courses to enhance the auditors' proficiency to conduct audits and attestation engagements.

Application Guidance: Measurement of CPE

4.37 A CPE hour may be granted for each 50 minutes of participation in programs and activities that qualify.

4.38 For university or college credit courses, each unit of college credit under a semester system equals 15 CPE hours, and each unit of college credit under a quarter system equals 10 CPE hours. For university or college noncredit courses, CPE hours may be granted only for the actual classroom time.

4.39 For individual-study programs where successful completion is measured by a summary examination, CPE credit may be granted if auditors complete the examination with a passing grade. Auditors in other individual-study programs may earn CPE hours when they satisfactorily complete the requirements of the self-study program. The number of hours granted may be based on the CPE provider's recommended number of CPE hours for the program.

4.40 Speakers, instructors, and discussion leaders at programs that qualify for CPE and auditors who develop or write the course materials may receive CPE hours for preparation and presentation time to the extent the subject matter contributes to auditors' competence. One CPE hour may be granted for each 50 minutes of presentation time. Up to 2 CPE hours may be granted for developing, writing, or advance

preparation for each 50 minutes of the presentation. Auditors may not receive CPE hours for either preparation or presentation time for repeated presentations that they make within the 2-year period, unless the subject matter involved was changed significantly for each presentation. The maximum number of CPE hours that may be granted to an auditor as a speaker, instructor, discussion leader, or preparer of course materials may not exceed 40 hours for any 2-year period.

4.41 Articles, books, or materials written by auditors and published on subjects and topics that contribute directly to professional proficiency to conduct engagements qualify for CPE hours in the year they are published. One CPE hour may be granted for each hour devoted to writing articles, books, or materials that are published. However, CPE hours for published writings may not exceed 20 hours for any 2-year period.

4.42 Auditors hired or assigned to a GAGAS engagement after the beginning of an audit organization's 2-year CPE period may complete a prorated number of CPE hours. An audit organization may define a prorated number of hours based on the number of full 6-month intervals remaining in the CPE period. For example, an audit organization has a 2-year CPE period running from January 1, 2020, through December 31, 2021. The audit organization assigns a new auditor to a GAGAS engagement in May 2020. The audit organization may calculate the prorated CPE requirement for the auditor as follows:

- a. Number of full 6-month intervals remaining in the CPE period: 3
- b. Number of 6-month intervals in the full 2-year period: 4
- c. Newly assigned auditor's CPE requirement: $\frac{3}{4} \times 80 \text{ hours} = 60 \text{ hours}$

When auditors are newly hired or newly assigned to GAGAS engagements and have had some previous CPE, the audit organization has flexibility and may choose between using a pro rata approach or evaluating whether and to what extent any CPE already taken in that period would satisfy GAGAS CPE requirements.

4.43 For newly assigned auditors who are subject to the 24-hour requirement, the number of prorated hours may be calculated in a similar manner: $\frac{3}{4} \times 24 \text{ hours} = 18 \text{ hours}$, in this example. The prorated amount of hours would be the total requirement over the partial period. The 20-

hour minimum for each CPE year would not apply when the prorated number of hours is being used to cover a partial 2-year CPE period.

4.44 At their discretion, audit organizations may give auditors who have not completed the 80-hour CPE requirement for any 2-year period up to 2 months immediately following the 2-year period to make up the deficiency. Audit organizations may also give auditors who have not completed the 20 hours of CPE in a 1-year period up to 2 months immediately following the 1-year period to make up the deficiency. Any CPE hours completed toward a deficiency in one period may be documented in the CPE records and may not be counted toward the requirements for the next period. Audit organizations that grant the 2-month grace period may not allow auditors who have not satisfied the CPE requirements after the grace period to participate in GAGAS engagements until those requirements are satisfied.

4.45 Auditors may not carry over CPE hours earned in excess of the 80-hour and 24-hour requirements from one 2-year CPE measurement period to the next.

4.46 If an audit organization discontinues conducting GAGAS engagements or reassigns auditors to non-GAGAS assignments before auditors complete the CPE requirements, the auditors are not required to complete the number of hours to satisfy the CPE requirements. However, the audit organization may wish to have its auditors complete those requirements if it is foreseeable that the auditors will conduct GAGAS engagements in the future.

4.47 Auditors who complete a professional certification review course may receive CPE hours only for those segments of the review course that are relevant to the standards, statutory requirements, regulations, criteria, and guidance applicable to auditing or to the engagement objectives being performed, or for subject matter that directly enhances auditors' professional expertise to conduct engagements.

4.48 To simplify administration of the CPE requirements, an audit organization may establish a standard 2-year period for all of its auditors, which can be on either a fixed-year or rolling-year basis. A fixed-year measurement period, for example, would be the 2-year periods 2019 through 2020, 2021 through 2022, and so forth, while a rolling-year measurement period would be 2019 through 2020, 2020 through 2021, 2021 through 2022, and so forth.

4.49 An audit organization may use a measurement date other than the date it started its first GAGAS engagement, or the audit organization may choose to change its measurement date to coincide with a fiscal year or another reporting requirement, such as one established by a state licensing body or professional organization. For example, if an audit organization changes the end date of the measurement period from December 31 to June 30, during the audit organization's transition period (January 1 to June 30), its auditors may complete at least a prorated number of CPE hours for the 6-month transition period. The number of prorated hours required may be calculated using the method illustrated in paragraphs 4.42 and 4.43.

Application Guidance: Monitoring CPE

4.50 The audit organization's policies and procedures for CPE may address the following:

- a. identifying all auditors required to meet the CPE requirements;
- b. providing auditors with the opportunity to attend internal CPE programs, external CPE programs, or both;
- c. assisting auditors in determining which programs, activities, and subjects qualify for CPE;
- d. documenting the number of CPE hours completed by each auditor; and
- e. monitoring auditor compliance with the CPE requirements to ensure that auditors complete sufficient CPE in qualifying programs and subjects.

4.51 Policies and procedures for documentation may address maintaining documentation of the CPE hours completed by each auditor subject to the CPE requirements for an appropriate period of time to satisfy any legal and administrative requirements, including peer review. The audit organization may maintain documentation of CPE or may delegate the responsibility to the auditor and put in place adequate procedures to ensure that its records of CPE hours earned by auditors are supported by the documentation maintained by auditors. Documentation may include the following information:

- a. the name of the organization providing the CPE;

- b. the title of the training program, including the subject matter or field of study;
- c. the dates attended for group programs or dates completed for individual study programs;
- d. the number of CPE hours earned toward the 56-hour and 24-hour requirements;
- e. any reasons for specific exceptions granted to the CPE requirement; and
- f. evidence of completion of CPE, such as a certificate or other evidence of completion from the CPE provider for group and individual-study programs, if provided; documentation of CPE courses presented or copies of course materials developed by or for speakers, instructors, or discussion leaders, along with a written statement supporting the number of CPE hours claimed; or a copy of the published book, article, or other material that name the writer as author or contributor, or a written statement from the writer supporting the number of CPE hours claimed.

4.52 The audit organization may monitor CPE compliance through its internal inspections or other quality assurance monitoring activities.

4.53 The audit organization is not required to prepare reports on CPE. However, the audit organization may consider preparing a periodic CPE report for distribution to the auditors or maintaining or accessing training data online to monitor its auditors' progress toward meeting the CPE requirements.

Chapter 5: Quality Control and Peer Review

5.01 This chapter establishes the generally accepted government auditing standards (GAGAS) requirements and guidance for quality control and assurance, and for administering, planning, performing, and reporting on peer reviews of audit organizations that conduct engagements in accordance with GAGAS. The requirements of this chapter are intended to be followed in conjunction with those of all other applicable GAGAS requirements.

Quality Control and Assurance

Requirement: Quality Control and Assurance

5.02 An audit organization conducting engagements in accordance with GAGAS must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements.

Application Guidance: Quality Control and Assurance

5.03 An audit organization's system of quality control encompasses the organization's leadership, emphasis on performing high-quality work, and policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of an audit organization's quality control system will vary based on the audit organization's circumstances, such as size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its engagement work, and cost-benefit considerations.

System of Quality Control

Requirement: System of Quality Control

5.04 An audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the

extent to which the audit organization complies with its quality control policies and procedures.

Leadership Responsibilities for Quality within the Audit Organization

Requirements: Leadership Responsibilities for Quality within the Audit Organization

5.05 The audit organization should establish policies and procedures on leadership responsibilities for quality within the audit organization that include designating responsibility for quality of engagements conducted in accordance with GAGAS and communicating policies and procedures relating to quality.

5.06 The audit organization should establish policies and procedures designed to provide reasonable assurance that those assigned operational responsibility for the audit organization's system of quality control have sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.

Application Guidance: Leadership Responsibilities for Quality within the Audit Organization

5.07 Appropriate policies and communications encourage a culture that recognizes that quality is essential in conducting GAGAS engagements and that audit organization leadership is ultimately responsible for the system of quality control.

Independence, Legal, and Ethical Requirements

Requirements: Independence, Legal, and Ethical Requirements

5.08 The audit organization should establish policies and procedures on independence and legal and ethical requirements that are designed to provide reasonable assurance that the organization and its

personnel maintain independence and comply with applicable legal and ethical requirements.³⁵

5.09 At least annually, the audit organization should obtain written affirmation of compliance with its policies and procedures on independence from all of its personnel required to be independent.

Application Guidance: Independence, Legal, and Ethical Requirements

5.10 Policies and procedures pertaining to independence and legal and ethical requirements assist the audit organization in

- a. communicating its independence requirements to its personnel and
- b. identifying and evaluating circumstances and relationships that create threats to independence and taking appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards or, if considered appropriate, withdrawing from the engagement where withdrawal is not prohibited by law or regulation.

5.11 Written affirmation of compliance with its policies and procedures on independence from all audit organization personnel required to be independent may be in paper or electronic form. By obtaining affirmation of retrospective compliance with the audit organization's policies and procedures on independence during a specified period and taking appropriate action on information indicating noncompliance, or potential noncompliance, the organization demonstrates the importance that it attaches to independence and keeps the issue current for, and visible to, its personnel. An audit organization may obtain affirmation of required personnel's compliance with policies and procedures on independence more frequently than once per year. For example, affirmation may be obtained on a per-engagement basis when such engagements last less than 1 year.

³⁵See paras. 3.02 through 3.16 for a discussion of ethical principles and paras. 3.18 through 3.108 for independence requirements and guidance.

Initiation, Acceptance, and
Continuance of
Engagements

Requirement: Initiation, Acceptance, and Continuance of Engagements

5.12 The audit organization should establish policies and procedures for the initiation, acceptance, and continuance of engagements that are designed to provide reasonable assurance that the organization will undertake engagements only if it

- a. complies with professional standards, applicable legal and regulatory requirements, and ethical principles;
- b. acts within its legal mandate or authority; and
- c. has the capabilities, including time and resources, to do so.

Application Guidance: Initiation, Acceptance, and Continuance of Engagements

5.13 Government audit organizations initiate engagements as a result of (1) legal mandates, (2) requests from legislative bodies or oversight bodies, and (3) audit organization discretion. In the case of legal mandates and requests, a government audit organization may be required to conduct the engagement and may not be permitted to make decisions about acceptance or continuance and may not be permitted to resign or withdraw from the engagement.

5.14 Audit organizations may operate with limited resources. Audit organizations may consider their workloads in determining whether they have the resources to deliver the range of work to the desired level of quality. To achieve this, audit organizations may develop systems to prioritize their work in a way that takes into account the need to maintain quality.

Human Resources

Requirements: Human Resources

5.15 The audit organization should establish policies and procedures for human resources that are designed to provide the organization with reasonable assurance that it has personnel with the competence to conduct GAGAS engagements in accordance with professional

standards and applicable legal and regulatory requirements.³⁶

5.16 The audit organization should establish policies and procedures to provide reasonable assurance that auditors who are performing work in accordance with GAGAS meet the continuing professional education (CPE) requirements, including maintaining documentation of the CPE completed and any exemptions granted.

Application Guidance: Human Resources

5.17 Effective recruitment processes and procedures help the audit organization select individuals of integrity who have the capacity to develop the competence and capabilities necessary to perform the audit organization's work and possess the appropriate characteristics to enable them to perform competently. Examples of such characteristics include meeting minimum academic requirements established by the audit organization and leadership traits.

5.18 The audit organization may use a suitably qualified external person to conduct engagement work when internal resources, for example, personnel with particular areas of technical expertise, are unavailable.

5.19 Effective performance evaluation, compensation, and advancement procedures give due recognition and reward to developing and maintaining competent personnel. Steps that an audit organization may take in developing and maintaining competent personnel include the following:

- a. making personnel aware of the audit organization's expectations regarding performance and ethical principles;
- b. providing personnel with an evaluation of, and counseling on, performance, progress, and career development; and
- c. helping personnel understand that compensation and advancement to positions of greater responsibility depend on, among other things, performance quality, and that failure to

³⁶Refer to paras. 4.02 through 4.15 for requirements and guidance on competence.

comply with the audit organization's policies and procedures may result in disciplinary action.

5.20 The size and circumstances of the audit organization are important considerations in determining the structure of the audit organization's performance evaluation process. A smaller audit organization, in particular, may employ less formal methods of evaluating the performance of its personnel.

5.21 Objectives of the audit organization's human resources policies and procedures may include

- a. promoting learning and training for all personnel to encourage their professional development and to help ensure that personnel are trained in current developments in the profession and
- b. helping ensure that personnel and any parties contracted to carry out work for the audit organization have an appropriate understanding of the environment(s) in which the organization operates and a good understanding of the work they are required to carry out.

Engagement Performance

Requirements: General

5.22 The audit organization should establish policies and procedures for engagement performance, documentation, and reporting that are designed to provide the audit organization with reasonable assurance that engagements are conducted and reports are issued in accordance with professional standards and applicable legal and regulatory requirements.

5.23 If auditors change the engagement objectives during the engagement, they should document the revised engagement objectives and the reasons for the changes.

5.24 The audit organization should establish policies and procedures designed to provide it with reasonable assurance that

- a. appropriate consultation takes place on difficult or contentious issues that arise among engagement team members in the

course of conducting a GAGAS engagement;

- b.** both the individual seeking consultation and the individual consulted document and agree upon the nature and scope of such consultations; and
- c.** the conclusions resulting from consultations are documented, understood by both the individual seeking consultation and the individual consulted, and implemented.

5.25 If an engagement is terminated before it is completed and an audit report is not issued, auditors should document the results of the work to the date of termination and why the engagement was terminated.

Application Guidance: General

5.26 The audit organization's policies and procedures may address consistency in the quality of engagement performance. This is often accomplished through written or electronic manuals, software tools or other forms of standardized documentation, and industry-specific or subject matter-specific guidance materials. Matters addressed may include the following:

- a.** maintaining current policies and procedures;
- b.** briefing the engagement team to provide an understanding of the engagement objectives and professional standards;
- c.** complying with applicable engagement standards;
- d.** planning the engagement, supervision, staff training, and mentoring;
- e.** reviewing the work performed, the significant judgments made, and the type of report being issued;
- f.** documenting the work performed and the timing and extent of review;
- g.** reviewing the independence and qualifications of any specialists and the scope and quality of their work;

- h. resolving difficult or contentious issues or disagreements among team members, including specialists;
- i. obtaining and addressing comments from the audited entity on draft reports; and
- j. reporting findings and conclusions supported by the evidence obtained and in accordance with professional standards and applicable legal and regulatory requirements.

5.27 The form and content of the documentation of the audit organization's policies and procedures, as well as documentation of its compliance with those policies and procedures, are matters of professional judgment and will vary based on the organization's circumstances.

5.28 Documentation of policies and procedures, as well as compliance with those policies and procedures, may be either electronic or manual. For example, large audit organizations may use electronic databases to document matters such as independence confirmations, performance evaluations, and the results of monitoring. Smaller audit organizations may use more informal methods in the documentation of their systems of quality control, such as manual notes, checklists, and forms.

5.29 Consultation includes discussion at the appropriate professional level with individuals within or outside the audit organization who have relevant specialized expertise.

5.30 Consultation uses appropriate research resources, as well as the collective experience and technical expertise of the audit organization. Consultation helps promote quality and improves the application of professional judgment. Appropriate recognition of consultation in the audit organization's policies and procedures helps promote a culture in which consultation is recognized as a strength and personnel are encouraged to consult on difficult or contentious issues.

5.31 Effective consultation on significant technical, ethical, and other matters within the audit organization or, when applicable, outside the audit organization can be achieved when

- a. those consulted are given all the relevant facts that will enable them to provide informed advice;

- b. those consulted have appropriate knowledge, authority, and experience; and
- c. conclusions resulting from consultations are appropriately documented and implemented.

5.32 Documentation of consultations with other professionals that involve difficult or contentious matters contributes to an understanding of

- a. the issue on which consultation was sought and
- b. the results of the consultation, including any decisions made, the basis for those decisions, and how they were implemented.

5.33 An audit organization needing to obtain specialized or technical expertise from external providers may take advantage of services provided by

- a. other audit organizations,
- b. professional and regulatory bodies, and
- c. commercial organizations that provide relevant quality control services.

5.34 Before contracting for services, consideration of the competence and capabilities of the external provider helps the audit organization determine whether the external provider is suitably qualified for that purpose.

5.35 Determining whether and how to communicate the reason for terminating an engagement or changing the engagement objectives to those charged with governance, appropriate officials of the audited entity, the entity contracting for or requesting the engagement, and other appropriate officials will depend on the facts and circumstances and therefore is a matter of professional judgment.

Requirements: Supervision

5.36 The audit organization should establish policies and procedures that require engagement team members with appropriate levels of skill and proficiency in auditing to supervise engagements and review work

performed by other engagement team members.

5.37 The audit organization should assign responsibility for each engagement to an engagement partner or director with authority designated by the audit organization to assume that responsibility and should establish policies and procedures requiring the organization to

- a. communicate the identity and role of the engagement partner or director to management and those charged with governance of the audited entity and
- b. clearly define the responsibilities of the engagement partner or director and communicate them to that individual.

Application Guidance: Supervision

5.38 Appropriate teamwork and training help less experienced members of the engagement team to clearly understand the objectives of the assigned work.

5.39 Engagement supervision includes the following:

- a. tracking the progress of the engagement;
- b. considering the competence of individual members of the engagement team, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement;
- c. addressing significant findings and issues arising during the engagement, considering their significance, and modifying the planned approach appropriately; and
- d. identifying matters for consultation or consideration by engagement team members with appropriate levels of skill and proficiency in auditing, specialists, or both during the engagement.

5.40 A review of the work performed includes consideration of whether

- a. the work has been performed in accordance with professional standards and applicable legal and regulatory requirements;

- b. significant findings and issues have been raised for further consideration;
- c. appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- d. the nature, timing, and extent of the work performed is appropriate and without need for revision;
- e. the work performed supports the conclusions reached and is appropriately documented;
- f. the evidence obtained is sufficient and appropriate to support the report; and
- g. the objectives of the engagement procedures have been achieved.

5.41 In the case of a sole proprietor, the requirement for a second auditor to review work performed and related documentation may be achieved through alternative procedures.

Monitoring of Quality

Requirements: Monitoring of Quality

5.42 The audit organization should establish policies and procedures for monitoring its system of quality control.

5.43 The audit organization should perform monitoring procedures that enable it to assess compliance with professional standards and quality control policies and procedures for GAGAS engagements. Individuals performing monitoring should have sufficient expertise and authority within the audit organization.

5.44 The audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to the relevant engagement partner or director, and other appropriate personnel, any deficiencies noted during the monitoring process and recommend appropriate remedial action. This

communication should be sufficient to enable the audit organization and appropriate personnel to take prompt corrective action related to deficiencies, when necessary, in accordance with their defined roles and responsibilities. Information communicated should include the following:

- a. a description of the monitoring procedures performed;
- b. the conclusions reached from the monitoring procedures; and
- c. when relevant, a description of systemic, repetitive, or other deficiencies and of the actions taken to resolve those deficiencies.

5.45 The audit organization should evaluate the effects of deficiencies noted during monitoring of the audit organization's system of quality control to determine and implement appropriate actions to address the deficiencies. This evaluation should include assessments to determine if the deficiencies noted indicate that the audit organization's system of quality control is insufficient to provide it with reasonable assurance that it complies with professional standards and applicable legal and regulatory requirements, and that accordingly the reports that the audit organization issues are not appropriate in the circumstances.

5.46 The audit organization should establish policies and procedures that require retention of engagement documentation for a period of time sufficient to permit those performing monitoring procedures and peer review of the organization to evaluate its compliance with its system of quality control or for a longer period if required by law or regulation.

Application Guidance: Monitoring of Quality

5.47 Monitoring of quality is a process comprising an ongoing consideration and evaluation of the audit organization's system of quality control, including inspection of engagement documentation and reports for a selection of completed engagements. The purpose of monitoring is to provide management of the audit organization with reasonable assurance that (1) the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice and (2) auditors have followed professional standards and applicable legal and regulatory requirements.

5.48 Monitoring is most effective when performed by persons who do not have responsibility for the specific activity being monitored.

5.49 Monitoring procedures will vary based on the audit organization's facts and circumstances.

5.50 Ongoing consideration and evaluation of the audit organization's system of quality control may identify circumstances that necessitate changes to, or improve compliance with, the audit organization's policies and procedures to provide the audit organization with reasonable assurance that its system of quality control is effective.

5.51 Ongoing consideration and evaluation of the audit organization's system of quality control may include matters such as the following:

- a. review of selected administrative and human resource records pertaining to the quality control elements;
- b. review of engagement documentation and reports;
- c. discussions with the audit organization's personnel;
- d. determination of corrective actions to be taken and improvements to be made in the system, including providing feedback on the audit organization's policies and procedures relating to education and training;
- e. communication to appropriate audit organization personnel of weaknesses identified in the system, in the level of understanding of the system, or compliance with the system; and
- f. follow-up by appropriate audit organization personnel so that necessary modifications are promptly made to the quality control policies and procedures.

5.52 Monitoring procedures may also include an assessment of the following:

- a. the appropriateness of the audit organization's guidance materials and any practice aids;

- b. new developments in professional standards and applicable legal and regulatory requirements and how they are reflected in the audit organization's policies and procedures, when appropriate;
- c. written affirmation of compliance with policies and procedures on independence;
- d. the effectiveness of staff training;
- e. decisions related to acceptance and continuance of relationships with audited entities and specific engagements; and
- f. audit organization personnel's understanding of the organization's quality control policies and procedures and implementation thereof.

5.53 Reviews of the work by engagement team members prior to the date of the report are not monitoring procedures.

5.54 The extent of inspection procedures depends, in part, on the existence and effectiveness of the other monitoring procedures. Inspection is a retrospective evaluation of the adequacy of the audit organization's quality control policies and procedures, its personnel's understanding of those policies and procedures, and the extent of the audit organization's compliance with them. The nature of inspection procedures varies based on the audit organization's quality control policies and procedures and the effectiveness and results of other monitoring procedures.

5.55 The inspection of a selection of completed engagements may be performed on a cyclical basis. The manner in which the inspection cycle is organized, including the timing of selection of individual engagements, depends on many factors, such as the following:

- a. the size of the audit organization;
- b. the number and geographical location of offices;
- c. the results of previous monitoring procedures;
- d. the degree of authority of both personnel and office (for example, whether individual offices are authorized to conduct their own inspections or whether only the head office may conduct them);

- e. the nature and complexity of the audit organization's practice and structure; and
- f. the risks associated with entities audited by the audit organization and specific engagements.

5.56 The inspection process involves the selection of individual engagements, some of which may be selected without prior notification to the engagement team. In determining the scope of the inspections, the audit organization may take into account the scope or conclusions of a peer review or regulatory inspections.

5.57 Reporting of identified deficiencies to individuals other than the relevant engagement partner or director need not include identifying the specific engagements concerned, unless such identification is necessary for individuals other than the engagement partner or director to properly discharge their responsibilities.

5.58 Whether engagement documentation is in paper, electronic, or other form, the integrity, accessibility, and retrievability of the underlying information could be compromised if the documentation is altered, added to, or deleted without the auditors' knowledge or if the documentation is lost or damaged.

5.59 Appropriate documentation relating to monitoring may include, for example, the following:

- a. monitoring procedures, including the procedure for selecting completed engagements to be inspected;
- b. a record of the evaluation of the following:
 - (1) adherence to professional standards and applicable legal and regulatory requirements,
 - (2) whether the system of quality control has been appropriately designed and is effectively implemented and operating, and
 - (3) whether the audit organization's quality control policies and procedures have been appropriately applied so that the reports that are issued by the audit organization are appropriate in the circumstances; and

- c. identification of the deficiencies noted, an evaluation of their effect, and the basis for determining whether and what further action is necessary.

External Peer Review

Requirements: General

5.60 Each audit organization conducting engagements in accordance with GAGAS must obtain an external peer review conducted by reviewers independent of the audit organization being reviewed. The peer review should be sufficient in scope to provide a reasonable basis for determining whether, for the period under review, (1) the reviewed audit organization's system of quality control was suitably designed and (2) the organization is complying with its quality control system so that it has reasonable assurance that it is performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects.

5.61 Audit organizations affiliated with one of the following recognized organizations should comply with the respective organization's peer review requirements and the requirements listed throughout paragraphs 5.66 through 5.80.

- a. American Institute of Certified Public Accountants
- b. Council of the Inspectors General on Integrity and Efficiency
- c. Association of Local Government Auditors
- d. International Organization of Supreme Audit Institutions
- e. National State Auditors Association

5.62 Any audit organization not affiliated with an organization listed in paragraph 5.61 should meet the minimum GAGAS peer review requirements throughout paragraphs 5.66 through 5.94.

Application Guidance: General

5.63 Each audit organization has discretion in selecting and accepting its peer review teams. Auditors in governments or jurisdictions without access to established peer review programs may engage other auditors,

including public accounting firms, to conduct their peer reviews. If access to an established peer review program is not available, auditors may organize regional programs with other auditors.

5.64 In cases of unusual difficulty or hardship, extensions of the deadlines for submitting peer review reports exceeding 3 months beyond the due date may be granted by the entity that administers the peer review program with the concurrence of GAO.

5.65 Some audit organizations may be subject to or required to follow a peer review program of a recognized organization. Other audit organizations may follow a specific peer review program voluntarily. In instances where the audit organization follows a recognized organization's peer review program voluntarily, the use of such a peer review program means compliance with the recognized organization's entire peer review process, including, where applicable, standards for administering, performing, and reporting on peer reviews, oversight procedures, training, and related guidance materials.

Requirements: Assessment of Peer Review Risk

5.66 The peer review team should perform an assessment of peer review risk to help determine the number and types of engagements to select for review.

5.67 Based on the risk assessment, the peer review team should select engagements that provide a reasonable cross section of all types of work subject to the reviewed audit organization's quality control system, including one or more engagements conducted in accordance with GAGAS.

Application Guidance: Assessment of Peer Review Risk

5.68 Peer review risk is the risk that the review team

- a. fails to identify significant weaknesses in the reviewed audit organization's system of quality control for its auditing practice, its lack of compliance with that system, or a combination thereof;
- b. issues an inappropriate opinion on the reviewed audit organization's system of quality control for its auditing practice, its compliance with that system, or a combination thereof; or

- c. makes an inappropriate decision about the matters to be included in, or excluded from, the peer review report.

5.69 A selection approach that provides a cross section of all types of work is generally applicable to audit organizations that conduct a small number of GAGAS engagements in relation to other types of engagements. In these cases, one or more GAGAS engagements may represent more than what would be selected when looking at a cross section of the audit organization's work as a whole. Some audit organizations conduct audit and attestation work in a number of functional areas. For example, an organization may conduct financial audits, attestation engagements, reviews of financial statements, and performance audits. The peer review team may consider reviewing a sample of engagements from each of the major functional areas included within the scope of the review.

5.70 A peer review is designed to test significant risk areas where it is possible that engagements are not being conducted, reported on, or both in conformity with professional standards and applicable legal and regulatory requirements in all material respects. A peer review is not designed to test every engagement, compliance with every professional standard, or every detailed component of the audit organization's system of quality control.

5.71 Examples of the factors that may be considered when performing an assessment of risk for selecting engagements for peer review include

- a. scope of the engagements, including size of the audited entity or engagements covering multiple locations;
- b. functional area or type of government program;
- c. types of engagements conducted, including the extent of nonaudit services provided to audited entities;
- d. personnel (including use of new personnel or personnel not routinely assigned the types of engagements conducted);
- e. initial engagements;
- f. familiarity resulting from a long-standing relationship with the audited entity;

- g. political sensitivity of the engagements;
- h. budget constraints faced by the audit organization that could negatively affect engagement quality;
- i. results of the peer review team's review of the design of system of quality control;
- j. results of the audit organization's monitoring process; and
- k. overall risk tolerance within the audit organization that could negatively affect engagement quality.

Requirements: Peer Review Report Ratings

5.72 The peer review team should use professional judgment in deciding on the type of peer review rating to issue; the ratings are as follows:

- a. Peer review rating of pass: A conclusion that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects.
- b. Peer review rating of pass with deficiencies: A conclusion that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects with the exception of a certain deficiency or deficiencies described in the report.
- c. Peer review rating of fail: A conclusion, based on the significant deficiencies described in the report, that the audit organization's system of quality control is not suitably designed to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects, or that the audit organization has not complied with its

system of quality control to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects.

5.73 The peer review team should determine the type of peer review rating to issue based on the observed matters' importance to the audit organization's system of quality control as a whole and the nature, causes, patterns, and pervasiveness of those matters. The matters should be assessed both alone and in aggregate.

5.74 The peer review team should aggregate and systematically evaluate any observed matters (circumstances that warrant further consideration by the peer review team) and document its evaluation.³⁷ The peer review team should perform its evaluation and issue report ratings as follows:

- a. If the peer review team's evaluation of observed matters does not identify any findings (more than a remote possibility that the reviewed audit organization would not perform, report, or both in conformity with professional standards and applicable legal and regulatory requirements), or identifies findings that are not considered to be deficiencies, the peer review team issues a pass rating.
- b. If the peer review team's evaluation of findings identified deficiencies but did not identify any significant deficiencies, the peer review team issues a pass with deficiencies rating and communicates the deficiencies in its report.
- c. If the peer review team's evaluation of deficiencies identified significant deficiencies, the peer review team issues a fail rating and communicates the deficiencies and significant deficiencies in its report.

³⁷See fig. 3 for a flowchart on developing peer review communications for observed matters in accordance with GAGAS.

Application Guidance: Peer Review Report Ratings

5.75 Deficiencies are findings that because of their nature, causes, pattern, or pervasiveness, including their relative importance to the audit organization's system of quality control taken as a whole, could create a situation in which the audit organization would not have reasonable assurance of performing, reporting, or both in conformity with professional standards and applicable legal and regulatory requirements in one or more important respects.

5.76 Significant deficiencies are one or more deficiencies that the peer review team concludes result from a condition in the audit organization's system of quality control or compliance with that system such that the system taken as a whole does not provide reasonable assurance of performing, reporting, or both in conformity with professional standards and applicable legal and regulatory requirements.

Requirements: Availability of the Peer Review Report to the Public

5.77 An external audit organization should make its most recent peer review report publicly available. If a separate communication detailing findings, conclusions, and recommendations is issued, the external audit organization is not required to make that communication publicly available. An internal audit organization that reports internally to management and those charged with governance should provide a copy of its peer review report to those charged with governance.

5.78 An external audit organization should satisfy the publication requirement for its peer review report by posting the report on a publicly available website or to a publicly available file. Alternatively, if neither of these options is available, then the audit organization should use the same mechanism it uses to make other reports or documents public.

5.79 Because information in peer review reports may be relevant to decisions on procuring audit services, an audit organization seeking to enter into a contract to conduct an engagement in accordance with GAGAS should provide the following to the party contracting for such services when requested:

- a. the audit organization's most recent peer review report and
- b. any subsequent peer review reports received during the period of the contract.

5.80 Auditors who are using another audit organization's work should request a copy of that organization's most recent peer review report, and the organization should provide this document when it is requested.

Application Guidance: Availability of the Peer Review Report to the Public

5.81 To help the public understand the peer review reports, an audit organization may include a description of the peer review process and how it applies to its organization. Examples of additional information that audit organizations may include to help users understand the meaning of the peer review report follow:

- a. Explanation of the peer review process.
- b. Description of the audit organization's system of quality control.
- c. Explanation of the relationship of the peer review results to the audited organization's work.
- d. If a peer review report is issued with a rating of pass with deficiencies or fail, explanation of the reviewed audit organization's plan for improving quality controls and the status of the improvements.

Additional Requirements for Audit Organizations Not Affiliated with Recognized Organizations

Requirement: Peer Review Scope

5.82 The peer review team should include the following elements in the scope of the peer review:

- a. review of the audit organization's design of, and compliance with, quality control and related policies and procedures;

- b. consideration of the adequacy and results of the audit organization's internal monitoring procedures;
- c. review of selected audit reports and related documentation and, if applicable, documentation related to selected terminated engagements prepared in accordance with paragraph 5.25, if any terminated engagements are selected from the universe of engagements used for the peer review sample;
- d. review of prior peer review reports, if applicable;
- e. review of other documents necessary for assessing compliance with standards, for example, independence documentation, CPE records, and relevant human resource management files; and
- f. interviews with selected members of the audit organization's personnel in various roles to assess their understanding of and compliance with relevant quality control policies and procedures.

Application Guidance: Peer Review Scope

5.83 Review of documentation related to terminated engagements can provide information on the audit organization's response to threats to independence. For example, the documentation may include information on whether an engagement was terminated as a result of an undue influence from outside the audit organization.

Requirement: Peer Review Intervals

5.84 An audit organization not already subject to a peer review requirement should obtain an external peer review at least once every 3 years. The audit organization should obtain its first peer review covering a review period ending no later than 3 years from the date an audit organization begins its first engagement in accordance with GAGAS.

Application Guidance: Peer Review Intervals

5.85 The period under review in a peer review generally covers 1 year.

Requirement: Written Agreement for Peer Review

5.86 The peer review team and the reviewed audit organization should incorporate their basic agreement on the peer review into a written agreement. The written agreement should be drafted by the peer review team, reviewed by the reviewed audit organization to ensure that it accurately describes the agreement between the parties, and signed by the authorized representatives of both the peer review team and the reviewed audit organization prior to the initiation of work under the agreement. The written agreement should state that the peer review will be conducted in accordance with GAGAS peer review requirements.

Application Guidance: Written Agreement for Peer Review

5.87 The written agreement is meant to ensure mutual consent on the fundamental aspects of the peer review and to avoid any potential misunderstandings. The written agreement may address the following:

- a. scope of the peer review;
- b. staffing and time frame;
- c. compensation for conducting the peer review, if applicable;
- d. preliminary findings, if applicable;
- e. reporting results;
- f. administrative matters; and
- g. access to audit documentation.

5.88 The peer review team is responsible for ensuring that the peer review is conducted in accordance with GAGAS peer review requirements.

Requirement: Peer Review Team

5.89 The peer review team should meet the following criteria:

- a. The review team collectively has adequate professional competence and knowledge of GAGAS and government auditing.
- b. The organization conducting the peer review and individual review team members are independent (as defined in GAGAS) of the audit organization being reviewed, its personnel, and the engagements selected for the peer review.³⁸
- c. The review team collectively has sufficient knowledge to conduct a peer review.

Application Guidance: Peer Review Team

5.90 Peer review knowledge and professional competence may be obtained from on-the-job training, training courses, or a combination of both. Having individuals on the peer review team with prior experience on a peer review or internal inspection team is desirable.

Requirement: Report Content

5.91 The peer review team should prepare one or more written reports communicating the results of the peer review, which collectively include the following elements:

- a. a description of the scope of the peer review, including any limitations;
- b. a rating concluding on whether the system of quality control of the reviewed audit organization was adequately designed and complied with during the period reviewed and would provide the audit organization with reasonable assurance that it conformed to professional standards and applicable legal and regulatory

³⁸See paras. 3.18 through 3.108 for discussion of independence.

requirements;

- c. specification of the professional standards and applicable legal and regulatory requirements to which the reviewed audit organization is being held;
- d. reference to a separate written communication, if issued under the peer review program;
- e. a statement that the peer review was conducted in accordance with GAGAS peer review requirements; and
- f. a detailed description of the findings, conclusions, and recommendations related to any deficiencies or significant deficiencies identified in the review.

Application Guidance: Report Content

5.92 When the scope of the peer review is limited by conditions that preclude the application of one or more peer review procedures considered necessary in the circumstances and the peer review team cannot accomplish the objectives of those procedures through alternative procedures, the report can be modified by including a statement in the report's scope paragraph, body, and opinion paragraph. The statement describes the relationship of the excluded engagement(s) or functional area(s) to the reviewed audit organization's full scope of practice as a whole and system of quality control and the effects of the exclusion on the scope and results of the review.

Requirements: Audit Organization's Response to the Peer Review Report

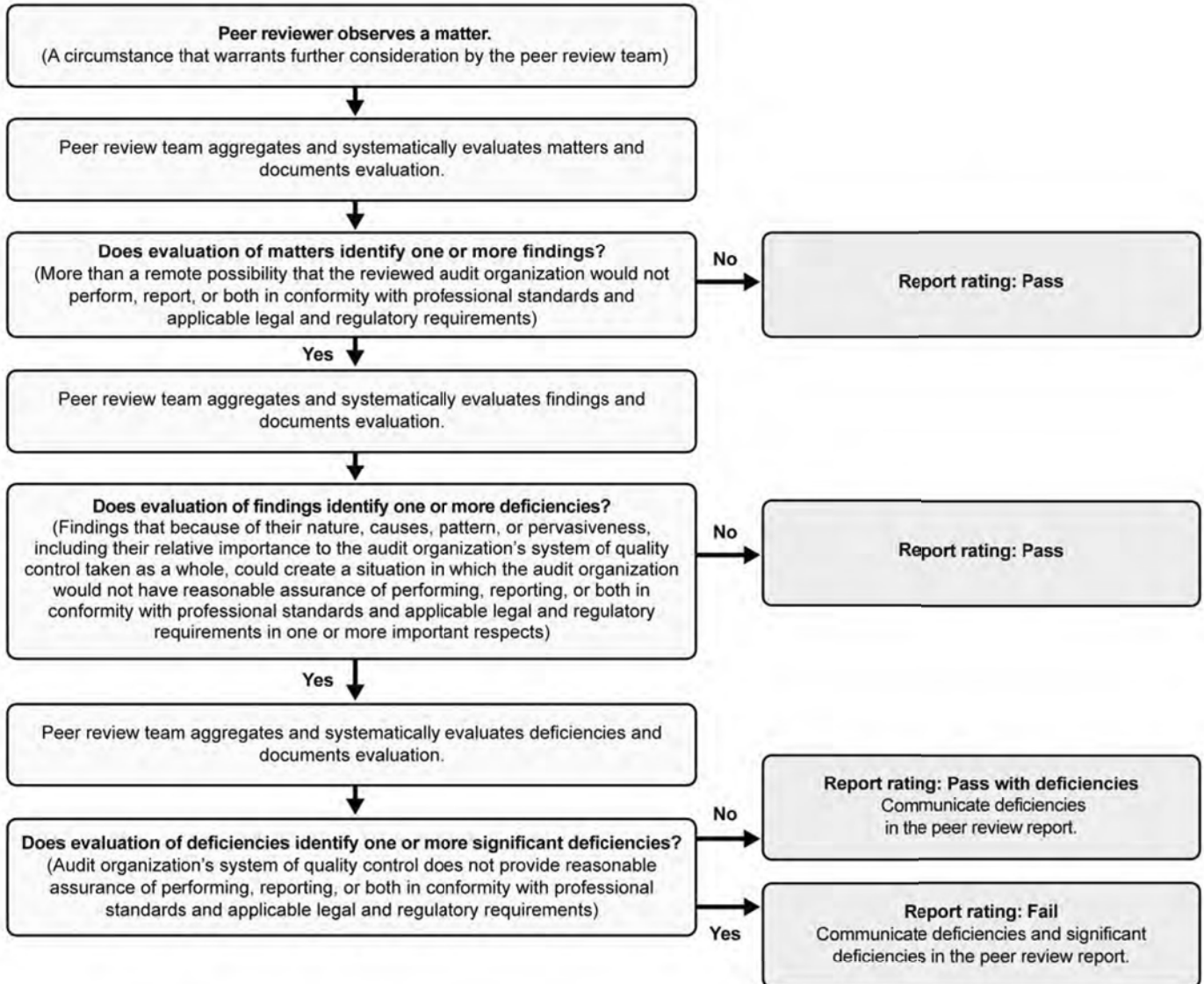
5.93 If the reviewed audit organization receives a report with a peer review rating of pass with deficiencies or fail, the reviewed audit organization should respond in writing to the deficiencies or significant deficiencies and related recommendations identified in the report.

5.94 With respect to each deficiency or significant deficiency in the report, the reviewed audit organization should describe in its letter of response the corrective actions already taken, target dates for planned corrective actions, or both.

Application Guidance: Audit Organization's Response to the Peer Review Report

5.95 When an audit organization receives a peer review rating of pass with deficiencies or fail that relates to its GAGAS engagements, critical evaluation of the design and implementation of the system of quality control is a factor in determining the audit organization's ability to accept and perform future GAGAS engagements.

Figure 3: Developing Peer Review Communications for Observed Matters in Accordance with Generally Accepted Government Auditing Standards



Source: GAO. | GAO-18-568G

Chapter 6: Standards for Financial Audits

6.01 This chapter contains requirements and guidance for conducting and reporting on financial audits conducted in accordance with generally accepted government auditing standards (GAGAS). GAGAS incorporates by reference the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards (SAS).³⁹ All sections of the SAS are incorporated, including the introduction, objectives, definitions, requirements, and application material. GAGAS does not incorporate the AICPA Code of Professional Conduct by reference but recognizes that certain certified public accountants (CPA) may use or may be required to use the code in conjunction with GAGAS.⁴⁰ For financial audits conducted in accordance with GAGAS, the requirements and guidance in the incorporated SAS and this chapter apply. The requirements and guidance contained in chapters 1 through 5 also apply.

Additional GAGAS Requirements for Conducting Financial Audits

Compliance with Standards

Requirement: Compliance with Standards

6.02 GAGAS establishes requirements for financial audits in addition to the requirements in the AICPA SAS. Auditors should comply with these additional requirements, along with the AICPA requirements for financial audits, when citing GAGAS in financial audit reports.

Application Guidance: Compliance with Standards

6.03 Standards used in conjunction with GAGAS require the auditors to apply the concept of materiality appropriately in planning and performing the audit.⁴¹ Additional considerations may apply to GAGAS engagements

³⁹See para. 2.13 and the AICPA *Codification of Statements on Auditing Standards (AU-C)* for additional discussion of the relationship between GAGAS and other professional standards.

⁴⁰See para. 2.14 for a discussion of the AICPA Code of Professional Conduct.

⁴¹See AU-C section 320, *Materiality in Planning and Performing an Audit* (AICPA, *Professional Standards*).

that concern government entities or entities that receive government awards. For example, for engagements conducted in accordance with GAGAS, auditors may find it appropriate to use lower materiality levels than those used in non-GAGAS audits because of the public accountability of government entities and entities receiving government funding, various legal and regulatory requirements, and the visibility and sensitivity of government programs.

Licensing and Certification

Requirements: Licensing and Certification

6.04 Auditors engaged to conduct financial audits in the United States who do not work for a government audit organization should be licensed CPAs, persons working for licensed certified public accounting firms, or licensed accountants in states that have multiclass licensing systems that recognize licensed accountants other than CPAs.

6.05 Auditors engaged to conduct financial audits of entities operating outside of the United States who do not work for a government audit organization should meet the qualifications indicated in paragraph 6.04, have certifications that meet all applicable national and international standards and serve in their respective countries as the functional equivalent of CPAs in the United States, or work for nongovernment audit organizations that are the functional equivalent of licensed certified public accounting firms in the United States.

Auditor Communication

Requirements: Auditor Communication

6.06 If the law or regulation requiring an audit specifically identifies the entities to be audited, auditors should communicate pertinent information that in the auditors' professional judgment needs to be communicated both to individuals contracting for or requesting the audit and to those legislative committees, if any, that have ongoing oversight responsibilities for the audited entity.

6.07 If the identity of those charged with governance is not clearly evident, auditors should document the process followed and

conclusions reached in identifying the appropriate individuals to receive the required communications.

Application Guidance: Auditor Communication

6.08 One example of a law or regulation requiring an audit that does not specifically identify the entities to be audited is the Single Audit Act Amendments of 1996.

6.09 For some matters, early communication to management or those charged with governance may be important because of the relative significance and the urgency for corrective follow-up action.⁴² Further, early communication is important to allow management to take prompt corrective action to prevent further occurrences when a control deficiency results in identified or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements or identified or suspected instances of fraud. When a deficiency is communicated early, the reporting requirements and application guidance in paragraphs 6.39 through 6.49 still apply.

6.10 Because the governance structures of government entities and organizations can vary widely, it may not always be clearly evident who is charged with key governance functions. The process for identifying those charged with governance includes evaluating the organizational structure for directing and controlling operations to achieve the audited entity's objectives and how the audited entity delegates authority and establishes accountability for management.

Results of Previous Engagements

Requirement: Results of Previous Engagements

6.11 When planning the audit, auditors should ask management of the audited entity to identify previous audits, attestation engagements, and other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should evaluate whether the audited entity has taken appropriate

⁴²See AU-C section 265, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*).

corrective action to address findings and recommendations from previous engagements that could have a significant effect on the subject matter. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work and determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.

Investigations or Legal Proceedings

Requirement: Investigations or Legal Proceedings

6.12 Auditors should inquire of management of the audited entity whether any investigations or legal proceedings have been initiated or are in process with respect to the period under audit, and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit.

Application Guidance: Investigations or Legal Proceedings

6.13 Laws, regulations, or policies may require auditors to communicate indications of certain types of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements to law enforcement or investigatory authorities before performing additional audit procedures.

6.14 Avoiding interference with investigations or legal proceedings is important in pursuing indications of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. In some cases, it may be appropriate for the auditors to work with investigators or legal authorities or to withdraw from or defer further work on the engagement or a portion of the engagement to avoid interfering with an ongoing investigation or legal proceeding.

Noncompliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements

Requirement: Noncompliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements

6.15 Auditors should extend the AICPA requirements concerning consideration of noncompliance with laws and regulations to include

consideration of noncompliance with provisions of contracts and grant agreements.⁴³

Application Guidance: Noncompliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements

6.16 Government programs are subject to provisions of many laws, regulations, contracts, and grant agreements. At the same time, these provisions' significance within the context of the audit objectives varies widely, depending on the objectives of the audit. Auditors may consult with their legal counsel to (1) determine those laws and regulations that are significant to the audit objectives, (2) design tests of compliance with laws and regulations, and (3) evaluate the results of those tests. Auditors also may consult with their legal counsel when audit objectives require testing compliance with provisions of contracts or grant agreements. Depending on the circumstances of the audit, auditors may consult with others, such as investigative staff, other audit organizations or government entities that provided professional services to the audited entity, or applicable law enforcement authorities, to obtain information on compliance matters.

Findings

Requirements: Findings

6.17 When auditors identify findings, they should plan and perform procedures to develop the criteria, condition, cause, and effect of the findings to the extent that these elements are relevant and necessary to achieve the audit objectives.

6.18 Auditors should consider internal control deficiencies in their evaluation of identified findings when developing the cause element of the identified findings.

⁴³See AU-C section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* (AICPA, *Professional Standards*).

Application Guidance: Findings

6.19 Findings may involve deficiencies in internal control; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or instances of fraud.

6.20 Given the concept of accountability for use of public resources and government authority, evaluating internal control in a government environment may also include considering internal control deficiencies that result in waste or abuse. Because the determination of waste and abuse is subjective, auditors are not required to perform specific procedures to detect waste or abuse in financial audits. However, auditors may consider whether and how to communicate such matters if they become aware of them. Auditors may also discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

6.21 Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

6.22 The following are examples of waste, depending on the facts and circumstances:

- a. Making travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive.
- b. Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive.

6.23 Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.

6.24 The following are examples of abuse, depending on the facts and circumstances:

- a. Creating unneeded overtime.
- b. Requesting staff to perform personal errands or work tasks for a supervisor or manager.
- c. Misusing the official's position for personal gain (including actions that could be perceived by an objective third party with knowledge of the relevant information as improperly benefiting an official's personal financial interests or those of an immediate or close family member; a general partner; an organization for which the official serves as an officer, director, trustee, or employee; or an organization with which the official is negotiating concerning future employment).

6.25 Criteria: For inclusion in findings, criteria may include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report. In a financial audit, the applicable financial reporting framework, such as generally accepted accounting principles, represents one set of criteria.

6.26 Condition: Condition is a situation that exists. The condition is determined and documented during the audit.

6.27 Cause: The cause is the factor or factors responsible for the difference between the condition and the criteria, and may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor contributing to the difference between the condition and the criteria.

6.28 Effect or potential effect: The effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. When the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, effect is a measure of those consequences. Effect or potential effect may be used to

demonstrate the need for corrective action in response to identified problems or relevant risks.

6.29 Regardless of the type of finding identified, the cause of a finding may relate to one or more underlying internal control deficiencies. Depending on the magnitude of impact, likelihood of occurrence, and nature of the deficiency, the deficiency could be a significant deficiency or material weakness in a financial audit.⁴⁴

6.30 Considering internal control in the context of a comprehensive internal control framework, such as *Standards for Internal Control in the Federal Government* or *Internal Control—Integrated Framework*,⁴⁵ can help auditors to determine whether underlying internal control deficiencies exist as the root cause of findings. Identifying these deficiencies can help provide the basis for developing meaningful recommendations for corrective actions.

Audit Documentation

Requirements: Audit Documentation

6.31 Auditors should document supervisory review, before the report release date, of the evidence that supports the findings and conclusions contained in the audit report.

6.32 Auditors should document any departures from the GAGAS requirements and the effect on the audit and on the auditors' conclusions when the audit is not in compliance with applicable GAGAS requirements because of law, regulation, scope limitations, restrictions on access to records, or other issues affecting the audit.

⁴⁴See AU-C section 265, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*).

⁴⁵Para. .A16 of AU-C section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (AICPA, *Professional Standards*) indicates that the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control—Integrated Framework* and *Standards for Internal Control in the Federal Government* (GAO-14-704G) provide suitable and available criteria against which management may evaluate and report on the effectiveness of the entity's internal control over financial reporting. *Standards for Internal Control in the Federal Government* may be adopted by entities beyond those federal entities for which it is legally required, such as state, local, and quasi-governmental entities, as well as other federal entities and not-for-profit organizations, as a framework for an internal control system.

Application Guidance: Audit Documentation

6.33 When documenting departures from the GAGAS requirements, the audit documentation requirements apply to departures from unconditional requirements and from presumptively mandatory requirements when alternative procedures performed in the circumstances were not sufficient to achieve the objectives of the requirements.

Availability of Individuals
and Documentation

Requirement: Availability of Individuals and Documentation

6.34 Subject to applicable provisions of laws and regulations, auditors should make appropriate individuals and audit documentation available upon request and in a timely manner to other auditors or reviewers.

Application Guidance: Availability of Individuals and Documentation

6.35 Underlying GAGAS audits is the premise that audit organizations in federal, state, and local governments and public accounting firms engaged to conduct financial audits in accordance with GAGAS cooperate in auditing programs of common interest so that auditors may use others' work and avoid duplication of efforts. The use of auditors' work by other auditors may be facilitated by contractual arrangements for GAGAS audits that provide for full and timely access to appropriate individuals and to audit documentation.

Additional GAGAS Requirements for Reporting on Financial Audits

Reporting the Auditors' Compliance with GAGAS

Requirement: Reporting the Auditors' Compliance with GAGAS

6.36 When auditors comply with all applicable GAGAS requirements, they should include a statement in the audit report that they conducted the audit in accordance with GAGAS.⁴⁶

Application Guidance: Reporting the Auditors' Compliance with GAGAS

6.37 Because GAGAS incorporates by reference the AICPA's financial audit standards, GAGAS does not require auditors to cite compliance with the AICPA standards when citing compliance with GAGAS. GAGAS does not prohibit auditors from issuing a separate report conforming only to the requirements of the AICPA or other standards.⁴⁷

6.38 When disclaiming an opinion on a financial audit, auditors may revise the statement that the auditor was engaged to audit the financial statements.⁴⁸ For example, auditors may state that they were engaged to conduct the audit in accordance with GAGAS or that the auditors' work was conducted in accordance with GAGAS, depending on whether the use of GAGAS is required or voluntary. Determining how to revise this statement is a matter of professional judgment.

⁴⁶See paras. 2.16 through 2.19 for information on the GAGAS compliance statement.

⁴⁷See AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*).

⁴⁸See AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* (AICPA, *Professional Standards*).

Reporting on Internal Control; Compliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements; and Instances of Fraud

Requirements: Reporting on Internal Control; Compliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements; and Instances of Fraud

6.39 Auditors should report on internal control and compliance with provisions of laws, regulations, contracts, or grant agreements regardless of whether they identify internal control deficiencies or instances of noncompliance.

6.40 When providing an opinion or a disclaimer on financial statements, auditors should report as findings any significant deficiencies or material weaknesses in internal control over financial reporting that the auditors identified based on the engagement work performed.

6.41 Auditors should include in their report on internal control or compliance the relevant information about noncompliance and fraud when auditors, based on sufficient, appropriate evidence, identify or suspect

- a. noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements or other financial data significant to the audit objectives or
- b. fraud that is material, either quantitatively or qualitatively, to the financial statements or other financial data significant to the audit objectives.

6.42 Auditors should include either in the same or in separate report(s) a description of the scope of the auditors' testing of internal control over financial reporting and of compliance with provisions of laws, regulations, contracts, and grant agreements. Auditors should also state in the report(s) whether the tests they performed provided sufficient, appropriate evidence to support opinions on the effectiveness of internal control and on compliance with provisions of laws, regulations, contracts, and grant agreements.

6.43 If auditors report separately (including separate reports bound in the same document) on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant

agreements, they should include a reference in the audit report on the financial statements to those additional reports. They should also state in the audit report that the reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements are an integral part of a GAGAS audit in considering the audited entity's internal control over financial reporting and compliance. If separate reports are used, the auditors should make the report on internal control and compliance available to users in the same manner as the financial audit report to which it relates.

6.44 Auditors should communicate in writing to audited entity officials when

- a. identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements comes to the auditor's attention during the course of an audit that has an effect on the financial statements or other financial data significant to the audit objectives that is less than material but warrants the attention of those charged with governance or
- b. the auditor has obtained evidence of identified or suspected instances of fraud that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance.

Application Guidance: Reporting on Internal Control; Compliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements; and Instances of Fraud

6.45 The GAGAS requirement to report on internal control over financial reporting is based on the AICPA requirements to communicate in writing to those charged with governance significant deficiencies and material weaknesses in internal control over financial reporting identified during an audit. The objective of the GAGAS internal control reporting requirement for financial audits is to increase the availability of information on significant deficiencies and material weaknesses to users of financial statements other than those charged with governance.

6.46 Internal control plays an expanded role in the government sector. Given the government's accountability for public resources, assessing

internal control in a government environment may involve considering controls that would not be required in the private sector. In the government sector, evaluating controls that are relevant to the audit involves understanding significant controls that the audited entity designed, implemented, and operated as part of its responsibility for oversight of public resources.

6.47 The audit report on internal control and compliance with provisions of laws, regulations, contracts, and grant agreements relates only to the most recent reporting period included, when comparative financial statements are presented.

6.48 When identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements that does not warrant the attention of those charged with governance comes to the auditor's attention during the course of the audit, the auditors' determination of how to communicate such instances to audited entity officials is a matter of professional judgment. When identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements is clearly inconsequential, the auditors' determination of whether and how to communicate such instances to audited entity officials is a matter of professional judgment.

6.49 When auditors identify or suspect noncompliance with provisions of laws, regulations, contracts, or grant agreements or instances of fraud, auditors may consult with authorities or legal counsel about whether publicly reporting such information would compromise investigative or legal proceedings. Auditors may limit their public reporting to matters that would not compromise those proceedings and, for example, report only on information that is already a part of the public record.

Presenting Findings in the Audit Report

Requirements: Presenting Findings in the Audit Report

6.50 When presenting findings, auditors should develop the elements of the findings to the extent necessary to assist management or oversight officials of the audited entity in understanding the need for corrective action.

6.51 Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of

the work performed that resulted in the finding. To give the reader a basis for judging the prevalence and consequences of these findings, auditors should, as appropriate, relate the instances identified to the population or the number of cases examined and quantify the results in terms of dollar value or other measures. If the results cannot be projected, auditors should limit their conclusions appropriately.

Application Guidance: Presenting Findings in the Audit Report

6.52 Along with assisting management or oversight officials of the audited entity in understanding the need for corrective action, clearly developed findings assist auditors in making recommendations for corrective action. If auditors sufficiently develop the elements of a finding, they may provide recommendations for corrective action.

**Reporting Findings
Directly to Parties outside
the Audited Entity**

Requirements: Reporting Findings Directly to Parties outside the Audited Entity

6.53 Auditors should report identified or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements and instances of fraud directly to parties outside the audited entity in the following two circumstances.

- a. When audited entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report such information to those charged with governance. If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the information directly to the specified external parties.
- b. When audited entity management fails to take timely and appropriate steps to respond to fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that (1) is likely to have a material effect on the subject matter and (2) involves funding received directly or indirectly from a government agency, auditors should first

report management's failure to take timely and appropriate steps to those charged with governance. If the audited entity still does not take timely and appropriate steps as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the audited entity's failure to take timely and appropriate steps directly to the funding agency.

6.54 Auditors should comply with the requirements in paragraph 6.53 even if they have resigned or been dismissed from the audit prior to its completion.

6.55 Auditors should obtain sufficient, appropriate evidence, such as confirmation from outside parties, to corroborate representations by management of the audited entity that it has reported audit findings in accordance with provisions of laws, regulations, or funding agreements. When auditors are unable to do so, they should report such information directly as discussed in paragraphs 6.53 and 6.54.

Application Guidance: Reporting Findings Directly to Parties outside the Audited Entity

6.56 The reporting in paragraph 6.53 is in addition to any legal requirements to report such information directly to parties outside the audited entity.

Obtaining and Reporting the Views of Responsible Officials

Requirements: Obtaining and Reporting the Views of Responsible Officials

6.57 Auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations in the audit report, as well as any planned corrective actions.

6.58 When auditors receive written comments from the responsible officials, they should include in their report a copy of the officials' written comments or a summary of the comments received. When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments, provide a copy of the

summary to the responsible officials to verify that the comments are accurately represented, and include the summary in their report.

6.59 When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported by sufficient, appropriate evidence.

6.60 If the audited entity refuses to provide comments or is unable to provide comments within a reasonable period of time, the auditors should issue the report without receiving comments from the audited entity. In such cases, the auditors should indicate in the report that the audited entity did not provide comments.

Application Guidance: Obtaining and Reporting the Views of Responsible Officials

6.61 Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Including the views of responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations but also the perspectives of the audited entity's responsible officials and the corrective actions they plan to take. Obtaining the comments in writing is preferred, but oral comments are acceptable. In cases in which the audited entity provides technical comments in addition to its written or oral comments on the report, auditors may disclose in the report that such comments were received. Technical comments address points of fact or are editorial in nature and do not address substantive issues, such as methodology, findings, conclusions, or recommendations.

6.62 Obtaining oral comments may be appropriate when, for example, there is a reporting date critical to meeting a user's needs; auditors have worked closely with the responsible officials throughout the engagement, and the parties are familiar with the findings and issues addressed in the draft report; or the auditors do not expect major disagreements with findings, conclusions, or recommendations in the draft report or major controversies with regard to the issues discussed in the draft report.

Reporting Confidential or Sensitive Information

Requirements: Reporting Confidential or Sensitive Information

6.63 If certain information is prohibited from public disclosure or is excluded from a report because of its confidential or sensitive nature, auditors should disclose in the report that certain information has been omitted and the circumstances that make the omission necessary.

6.64 When circumstances call for omission of certain information from the report, auditors should evaluate whether this omission could distort the audit results or conceal improper or illegal practices and revise the report language as necessary to avoid report users drawing inappropriate conclusions from the information presented.

6.65 When the audit organization is subject to public records laws, auditors should determine whether public records laws could affect the availability of classified or limited use reports and determine whether other means of communicating with management and those charged with governance would be more appropriate. Auditors use professional judgment to determine the appropriate means to communicate the omitted information to management and those charged with governance considering, among other things, whether public records laws could affect the availability of classified or limited use reports.

Application Guidance: Reporting Confidential or Sensitive Information

6.66 If the report refers to the omitted information, the reference may be general and not specific. If the omitted information is not necessary to meet the audit objectives, the report need not refer to its omission.

6.67 Certain information may be classified or may otherwise be prohibited from general disclosure by federal, state, or local laws or regulations. In such circumstances, auditors may issue a separate, classified, or limited use report containing such information and distribute the report only to persons authorized by law or regulation to receive it.

6.68 Additional circumstances associated with public safety, privacy, or security concerns could also justify the exclusion of certain information from a publicly available or widely distributed report. For example, detailed information related to computer security for a particular program may be excluded from publicly available reports because of the potential damage that misuse of this information could cause. In such

circumstances, auditors may issue a limited use report containing such information and distribute the report only to those parties responsible for acting on the auditors' recommendations. In some instances, it may be appropriate to issue both a publicly available report with the sensitive information excluded and a limited use report. The auditors may consult with legal counsel regarding any requirements or other circumstances that may necessitate omitting certain information. Considering the broad public interest in the program or activity under audit assists auditors when deciding whether to exclude certain information from publicly available reports.

6.69 In cases described in paragraph 6.65, the auditors may communicate general information in a written report and communicate detailed information orally. The auditors may consult with legal counsel regarding applicable public records laws.

Distributing Reports

Requirement: Distributing Reports

6.70 Distribution of reports completed in accordance with GAGAS depends on the auditors' relationship with the audited entity and the nature of the information contained in the reports. Auditors should document any limitation on report distribution.

- a. An audit organization in a government entity should distribute audit reports to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the audits. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports.
- b. A public accounting firm contracted to conduct an audit in accordance with GAGAS should clarify report distribution responsibilities with the engaging party. If the contracting firm is responsible for the distribution, it should reach agreement with the party contracting for the audit about which officials or organizations will receive the report and the steps being taken to make the report available to the public.

Chapter 7: Standards for Attestation Engagements and Reviews of Financial Statements

7.01 This chapter contains requirements and guidance for conducting and reporting on attestation engagements and reviews of financial statements conducted in accordance with generally accepted government auditing standards (GAGAS). For attestation engagements, GAGAS incorporates by reference the American Institute of Certified Public Accountants' (AICPA) Statements on Standards for Attestation Engagements (SSAE). For reviews of financial statements, GAGAS incorporates by reference AICPA's AR-C section 90, *Review of Financial Statements*.⁴⁹ All sections of the cited standards are incorporated, including the introduction, objectives, definitions, requirements, and application and other explanatory material. GAGAS does not incorporate the AICPA Code of Professional Conduct by reference but recognizes that certain certified public accountants (CPA) may use or may be required to use the code in conjunction with GAGAS.⁵⁰ For attestation engagements and reviews of financial statements conducted in accordance with GAGAS, the requirements and guidance in the respective incorporated standards and this chapter apply. The requirements and guidance contained in chapters 1 through 5 also apply.

7.02 An attestation engagement can provide one of three levels of service as defined by the AICPA: an examination engagement, a review engagement, or an agreed-upon procedures engagement.

7.03 The AICPA standards used in conjunction with GAGAS require auditors to establish an understanding with the audited entity regarding the services to be performed for each attestation engagement or review of financial statements. Such an understanding reduces the risk that either the auditors or the audited entity may misinterpret the needs or expectations of the other party. The understanding includes the objectives of the engagement, responsibilities of audited entity management, responsibilities of auditors, and limitations of the engagement.⁵¹

7.04 Auditors often conduct GAGAS engagements under a contract with a party other than the officials of the audited entity or pursuant to a third-party request. In such cases, auditors may also find it appropriate to communicate information regarding the services to be performed to the

⁴⁹AICPA, *Professional Standards*.

⁵⁰See para. 2.14 for a discussion of the AICPA Code of Professional Conduct.

⁵¹See para. .08 of AT-C section 205, para. .09 of AT-C section 210, and para. .14 of AT-C section 215; and para. .11 of AR-C section 90 (AICPA, *Professional Standards*).

individuals contracting for or requesting the engagement. Such an understanding can help auditors avoid any misunderstandings regarding the nature of the review or agreed-upon procedures engagement. For example, a review engagement only provides limited assurance, and as a result, auditors do not perform sufficient work to be able to develop elements of a finding or provide recommendations that are common in other types of GAGAS engagements. An agreed-upon procedures engagement does not provide an opinion or conclusion, and as a result, auditors do not perform sufficient work to be able to develop elements of a finding or provide recommendations that are common in other types of GAGAS engagements. Consequently, requesting parties may find that a different type of attestation engagement or a performance audit may provide the appropriate level of assurance to meet their needs.

Examination Engagements

Compliance with Standards

Requirement: Compliance with Standards

7.05 GAGAS establishes requirements for examination engagements in addition to the requirements for examinations contained in the AICPA's SSAEs. Auditors should comply with these additional requirements, along with the AICPA requirements for examination engagements, when citing GAGAS in their examination engagement reports.

Application Guidance: Compliance with Standards

7.06 The AICPA standards applicable to examinations require the auditors to apply the concept of materiality appropriately in planning and performing the examination. Additional considerations may apply to GAGAS engagements that concern government entities or entities that receive government awards. For example, for engagements conducted in accordance with GAGAS, auditors may find it appropriate to use lower materiality levels than those used in non-GAGAS engagements because of the public accountability of government entities and entities receiving government funding, various legal and regulatory requirements, and the visibility and sensitivity of government programs.

Licensing and Certification

Requirements: Licensing and Certification

7.07 Auditors engaged to conduct examination engagements in the United States who do not work for a government audit organization should be licensed CPAs, persons working for licensed certified public accounting firms, or licensed accountants in states that have multiclass licensing systems that recognize licensed accountants other than CPAs.

7.08 Auditors engaged to conduct examination engagements of entities operating outside of the United States who do not work for a government audit organization should meet the qualifications indicated in paragraph 7.07, have certifications that meet all applicable national and international standards and serve in their respective countries as the functional equivalent of CPAs in the United States, or work for nongovernment audit organizations that are the functional equivalent of licensed certified public accounting firms in the United States.

Auditor Communication

Requirements: Auditor Communication

7.09 If the law or regulation requiring an examination engagement specifically identifies the entities to be examined, auditors should communicate pertinent information that in the auditors' professional judgment needs to be communicated both to individuals contracting for or requesting the examination and to those legislative committees, if any, that have ongoing oversight responsibilities for the audited entity.

7.10 If the identity of those charged with governance is not clearly evident, auditors should document the process followed and conclusions reached in identifying the appropriate individuals to receive the required communications.

Application Guidance: Auditor Communication

7.11 For some matters, early communication to those charged with governance or management may be important because of the relative significance and the urgency for corrective follow-up action. Further, early communication is important to allow management to take prompt

corrective action to prevent further occurrences when a control deficiency results in identified or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements or identified or suspected fraud. When a deficiency is communicated early, the reporting requirements and application guidance in paragraphs 7.39 through 7.47 still apply.

7.12 Because the governance structures of government entities and organizations can vary widely, it may not always be clearly evident who is charged with key governance functions. The process for identifying those charged with governance includes evaluating the organizational structure for directing and controlling operations to achieve the audited entity's objectives and how the audited entity delegates authority and establishes accountability for management.

Results of Previous Engagements

Requirement: Results of Previous Engagements

7.13 When planning a GAGAS examination engagement, auditors should ask management of the audited entity to identify previous audits, attestation engagements, and other studies that directly relate to the subject matter or an assertion about the subject matter of the examination engagement, including whether related recommendations have been implemented. Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a significant effect on the subject matter or an assertion about the subject matter. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current work and determining the extent to which testing the implementation of the corrective actions is applicable to the current examination engagement objectives.

Investigations or Legal Proceedings

Requirement: Investigations or Legal Proceedings

7.14 Auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the engagement objectives have been initiated or are in process with

respect to the period under examination, and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current examination engagement.

Application Guidance: Investigations or Legal Proceedings

7.15 Laws, regulations, or policies may require auditors to report indications of certain types of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements to law enforcement or investigatory authorities before performing additional examination procedures.

7.16 Avoiding interference with investigations or legal proceedings is important in pursuing indications of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. In some cases, it may be appropriate for the auditors to work with investigators or legal authorities or to withdraw from or defer further work on the attestation engagement or a portion of the engagement to avoid interfering with an ongoing investigation or legal proceeding.

**Noncompliance with
Provisions of Laws,
Regulations, Contracts,
and Grant Agreements**

**Requirement: Noncompliance with Provisions of Laws,
Regulations, Contracts, and Grant Agreements**

7.17 Auditors should extend the AICPA requirements concerning consideration of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.⁵²

**Application Guidance: Noncompliance with Provisions of Laws,
Regulations, Contracts, and Grant Agreements**

7.18 Government programs are subject to provisions of many laws, regulations, contracts, and grant agreements. At the same time, these provisions' significance within the context of the engagement objectives varies widely, depending on the objectives of the engagement. Auditors may consult with their legal counsel to (1) determine those laws and

⁵²See paras. .32 and .33 of AT-C section 205 (AICPA, *Professional Standards*).

regulations that are significant to the examination objectives, (2) design tests of compliance with laws and regulations, and (3) evaluate the results of those tests. Auditors also may consult with their legal counsel when engagement objectives require testing compliance with provisions of contracts or grant agreements. Depending on the circumstances of the engagement, auditors may consult with others—such as investigative staff, other audit organizations or government entities that provided professional services to the audited entity, or applicable law enforcement authorities—to obtain information on compliance matters.

Findings

Requirements: Findings

7.19 When auditors identify findings, they should plan and perform procedures to develop the criteria, condition, cause, and effect of the findings to the extent that these elements are relevant and necessary to achieve the examination objectives.

7.20 Auditors should consider internal control deficiencies in their evaluation of identified findings when developing the cause element of the identified findings.

Application Guidance: Findings

7.21 Findings may involve deficiencies in internal control; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or instances of fraud.

7.22 Given the concept of accountability for use of public resources and government authority, evaluating internal control in a government environment may also include considering internal control deficiencies that result in waste or abuse. Because the determination of waste and abuse is subjective, auditors are not required to perform specific procedures to detect waste or abuse in examinations. However, auditors may consider whether and how to communicate such matters if they become aware of them. Auditors may also discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

7.23 Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of

law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

7.24 The following are examples of waste, depending on the facts and circumstances:

- a. Making travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive.
- b. Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive.

7.25 Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.

7.26 The following are examples of abuse, depending on the facts and circumstances:

- a. Creating unneeded overtime.
- b. Requesting staff to perform personal errands or work tasks for a supervisor or manager.
- c. Misusing the official's position for personal gain (including actions that could be perceived by an objective third party with knowledge of the relevant information as improperly benefiting an official's personal financial interests or those of an immediate or close family member; a general partner; an organization for which the official serves as an officer, director, trustee, or employee; or an organization with which the official is negotiating concerning future employment).

7.27 Criteria: For inclusion in findings, criteria may include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation.

Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report.

7.28 Condition: Condition is a situation that exists. The condition is determined and documented during the attestation engagement.

7.29 Cause: The cause is the factor or factors responsible for the difference between the condition and the criteria, and may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor contributing to the difference between the condition and the criteria.

7.30 Effect or potential effect: The effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. When the engagement objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the engagement, effect is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

7.31 Regardless of the type of finding identified, the cause of a finding may relate to an underlying internal control deficiency. Depending on the magnitude of impact, likelihood of occurrence, and nature of the deficiency, this deficiency could be a significant deficiency or a material weakness.

7.32 Considering internal control in the context of a comprehensive internal control framework, such as *Standards for Internal Control in the Federal Government* or *Internal Control—Integrated Framework*,⁵³ can

⁵³The Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control—Integrated Framework* and *Standards for Internal Control in the Federal Government* (GAO-14-704G) provide suitable and available criteria against which management may evaluate and report on the effectiveness of the entity's internal control. *Standards for Internal Control in the Federal Government* may be adopted by entities beyond those federal entities for which it is legally required, such as state, local, and quasi-governmental entities, as well as other federal entities and not-for-profit organizations, as a framework for an internal control system.

help auditors to determine whether underlying internal control deficiencies exist as the root cause of findings. Identifying these deficiencies can help provide the basis for developing meaningful recommendations for corrective actions.

Examination Engagement Documentation

Requirements: Examination Engagement Documentation

7.33 Auditors should comply with the following documentation requirements.

- a. Before the date of the examination report, document supervisory review of the evidence that supports the findings, conclusions, and recommendations contained in the examination report.
- b. Document any departures from the GAGAS requirements and the effect on the examination engagement and on the auditors' conclusions when the examination engagement does not comply with applicable GAGAS requirements because of law, regulation, scope limitations, restrictions on access to records, or other issues affecting the examination engagement.

7.34 In addition to the requirements of the examination engagement standards used in conjunction with GAGAS, auditors should prepare attest documentation in sufficient detail to enable an experienced auditor, having no previous connection to the examination engagement, to understand from the documentation the nature, timing, extent, and results of procedures performed and the evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions.

Application Guidance: Examination Engagement Documentation

7.35 When documenting departures from the GAGAS requirements where alternative procedures performed were not sufficient to achieve the objectives of the requirements, the examination engagement documentation requirements apply to departures from unconditional requirements and presumptively mandatory requirements.

7.36 An experienced auditor is an individual who possesses the competencies and skills to be able to conduct the examination

engagement. These competencies and skills include an understanding of (1) examination engagement processes and related examination standards, (2) GAGAS and applicable legal and regulatory requirements, (3) the subject matter on which the auditors are engaged to report, (4) the suitability and availability of criteria, and (5) issues related to the audited entity's environment.

Availability of Individuals and Documentation

Requirement: Availability of Individuals and Documentation

7.37 Subject to applicable provisions of laws and regulations, auditors should make appropriate individuals and examination engagement documentation available upon request and in a timely manner to other auditors or reviewers.

Application Guidance: Availability of Individuals and Documentation

7.38 Underlying GAGAS examination engagements is the premise that audit organizations in federal, state, and local governments and public accounting firms engaged to conduct examination engagements in accordance with GAGAS cooperate in evaluating programs of common interest so that auditors may use others' work and avoid duplication of efforts. The use of auditors' work by other auditors may be facilitated by contractual arrangements for GAGAS engagements that provide for full and timely access to appropriate individuals and to engagement documentation.

Reporting the Auditors' Compliance with GAGAS

Requirements: Reporting the Auditors' Compliance with GAGAS

7.39 When auditors comply with all applicable GAGAS requirements, they should include a statement in the report that they conducted the examination in accordance with GAGAS.⁵⁴

7.40 If auditors report separately (including separate reports bound in the same document) on deficiencies in internal control; noncompliance with provisions of laws, regulations, contracts, and grant agreements;

⁵⁴See paras. 2.16 through 2.19 for information on the GAGAS compliance statement.

or instances of fraud, they should state in the examination report that they are issuing those additional reports. They should include a reference to the separate reports and also state that the reports are an integral part of a GAGAS examination engagement.

Application Guidance: Reporting the Auditors' Compliance with GAGAS

7.41 Because GAGAS incorporates by reference the AICPA's attestation standards, GAGAS does not require auditors to cite compliance with the AICPA standards when citing compliance with GAGAS. GAGAS does not prohibit auditors from issuing a separate report conforming only to the requirements of the AICPA or other standards.

Reporting Deficiencies in
Internal Control

Requirement: Reporting Deficiencies in Internal Control

7.42 Auditors should include in the examination report all internal control deficiencies, even those communicated early, that are considered to be significant deficiencies or material weaknesses that the auditors identified based on the engagement work performed.⁵⁵

Application Guidance: Reporting Deficiencies in Internal Control

7.43 Determining whether and how to communicate to officials of the audited entity internal control deficiencies that are not considered significant deficiencies or material weaknesses is a matter of professional judgment.

⁵⁵GAGAS's use of internal control terminology is consistent with the definitions contained in AU-C section 265 (AICPA, *Professional Standards*).

Reporting on
Noncompliance with
Provisions of Laws,
Regulations, Contracts,
and Grant Agreements or
Instances of Fraud

**Requirements: Reporting on Noncompliance with Provisions of
Laws, Regulations, Contracts, and Grant Agreements or
Instances of Fraud**

7.44 Auditors should include in their examination report the relevant information about noncompliance and fraud when auditors, based on sufficient, appropriate evidence, identify or suspect

- a. noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the subject matter or an assertion about the subject matter or
- b. fraud that is material, either quantitatively or qualitatively, to the subject matter or an assertion about the subject matter that is significant to the engagement objectives.

7.45 When auditors identify or suspect noncompliance with provisions of laws, regulations, contracts, or grant agreements or instances of fraud that have an effect on the subject matter or an assertion about the subject matter that are less than material but warrant the attention of those charged with governance, they should communicate in writing to audited entity officials.

**Application Guidance: Reporting on Noncompliance with Provisions
of Laws, Regulations, Contracts, or Grant Agreements or Instances
of Fraud**

7.46 When auditors identify or suspect noncompliance with provisions of laws, regulations, contracts, or grant agreements or instances of fraud that do not warrant the attention of those charged with governance, the auditors' determination of whether and how to communicate such instances to audited entity officials is a matter of professional judgment.

7.47 When auditors identify or suspect noncompliance with provisions of laws, regulations, contracts, or grant agreements or instances of fraud, auditors may consult with authorities or legal counsel about whether publicly reporting such information would compromise investigative or legal proceedings. Auditors may limit their public reporting to matters that would not compromise those proceedings and, for example, report only on information that is already a part of the public record.

Presenting Findings in the Report

Requirements: Presenting Findings in the Report

7.48 When presenting findings, auditors should develop the elements of the findings to the extent necessary to assist management or oversight officials of the audited entity in understanding the need for taking corrective action.

7.49 Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the findings. To give the reader a basis for judging the prevalence and consequences of the findings, auditors should, as appropriate, relate the instances identified to the population or the number of cases examined and quantify the results in terms of dollar value or other measures. If the results cannot be projected, auditors should limit their conclusions appropriately.

Application Guidance: Presenting Findings in the Report

7.50 Along with assisting management or oversight officials of the audited entity in understanding the need for taking corrective action, clearly developed findings assist auditors in making recommendations for corrective action. If auditors sufficiently develop the elements of a finding, they may provide recommendations for corrective action.

Reporting Findings Directly to Parties outside the Audited Entity

Requirements: Reporting Findings Directly to Parties outside the Audited Entity

7.51 Auditors should report identified or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements and instances of fraud directly to parties outside the audited entity in the following two circumstances.

- a.** When audited entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report such information to those charged with governance. If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditors' communication with those

charged with governance, then the auditors should report the information directly to the specified external parties.

- b. When audited entity management fails to take timely and appropriate steps to respond to fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that (1) is likely to have a material effect on the subject matter and (2) involves funding received directly or indirectly from a government agency, auditors should first report management's failure to take timely and appropriate steps to those charged with governance. If the audited entity still does not take timely and appropriate steps as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the audited entity's failure to take timely and appropriate steps directly to the funding agency.

7.52 Auditors should comply with the requirements in paragraph 7.51 even if they have resigned or been dismissed from the engagement prior to its completion.

7.53 Auditors should obtain sufficient, appropriate evidence, such as confirmation from outside parties, to corroborate representations by management of the audited entity that it has reported engagement findings in accordance with laws, regulations, or funding agreements. When auditors are unable to do so, they should report such information directly, as discussed in paragraphs 7.51 and 7.52.

Application Guidance: Reporting Findings Directly to Parties outside the Audited Entity

7.54 The reporting in paragraph 7.51 is in addition to any legal requirements to report such information directly to parties outside the audited entity.

Obtaining and Reporting
the Views of Responsible
Officials

Requirements: Obtaining and Reporting the Views of Responsible Officials

7.55 Auditors should obtain and report the views of responsible

officials of the audited entity concerning the findings, conclusions, and recommendations in the examination report, as well as any planned corrective actions.

7.56 When auditors receive written comments from the responsible officials, they should include in their report a copy of the officials' written comments or a summary of the comments received. When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments, provide a copy of the summary to the responsible officials to verify that the comments are accurately represented, and include the summary in their report.

7.57 When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported by sufficient, appropriate evidence.

7.58 If the audited entity refuses to provide comments or is unable to provide comments within a reasonable period of time, the auditors should issue the report without receiving comments from the audited entity. In such cases, the auditors should indicate in the report that the audited entity did not provide comments.

Application Guidance: Obtaining and Reporting the Views of Responsible Officials

7.59 Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Including the views of responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations but also the perspectives of the audited entity's responsible officials and the corrective actions they plan to take. Obtaining the comments in writing is preferred, but oral comments are acceptable. When the audited entity provides technical comments in addition to its written or oral comments on the report, auditors may disclose in the report that such comments were received. Technical comments address points of fact or are editorial in nature and do not address substantive issues, such as methodology, findings, conclusions, or recommendations.

7.60 Obtaining oral comments may be appropriate when, for example, there is a reporting date critical to meeting a user's needs; auditors have worked closely with the responsible officials throughout the engagement, and the parties are familiar with the findings and issues addressed in the draft report; or the auditors do not expect major disagreements with findings, conclusions, or recommendations in the draft report or major controversies with regard to the issues discussed in the draft report.

Reporting Confidential or Sensitive Information

Requirements: Reporting Confidential or Sensitive Information

7.61 If certain information is prohibited from public disclosure or is excluded from a report because of its confidential or sensitive nature, auditors should disclose in the report that certain information has been omitted and the circumstances that make the omission necessary.

7.62 When circumstances call for omission of certain information, auditors should evaluate whether the omission could distort the examination engagement results or conceal improper or illegal practices and revise the report language as necessary to avoid report users drawing inappropriate conclusions from the information presented.

7.63 When the audit organization is subject to public records laws, auditors should determine whether public records laws could affect the availability of classified or limited use reports and determine whether other means of communicating with management and those charged with governance would be more appropriate. Auditors use professional judgment to determine the appropriate means to communicate the omitted information to management and those charged with governance considering, among other things, whether public records laws could affect the availability of classified or limited use reports.

Application Guidance: Reporting Confidential or Sensitive Information

7.64 If the report refers to the omitted information, the reference may be general and not specific. If the omitted information is not necessary to meet the engagement objectives, the report need not refer to its omission.

7.65 Certain information may be classified or may otherwise be prohibited from general disclosure by federal, state, or local laws or regulations. In

such circumstances, auditors may issue a separate, classified, or limited use report containing such information and distribute the report only to persons authorized by law or regulation to receive it.

7.66 Additional circumstances associated with public safety, privacy, or security concerns could also justify the exclusion of certain information from a publicly available or widely distributed report. For example, detailed information related to computer security for a particular program may be excluded from publicly available reports because of the potential damage that misuse of this information could cause. In such circumstances, auditors may issue a limited use report containing such information and distribute the report only to those parties responsible for acting on the auditors' recommendations. In some instances, it may be appropriate to issue both a publicly available report with the sensitive information excluded and a limited use report. The auditors may consult with legal counsel regarding any requirements or other circumstances that may necessitate omitting certain information.

7.67 Considering the broad public interest in the program or activity under examination assists auditors when deciding whether to exclude certain information from publicly available reports.

7.68 In cases described in paragraph 7.63, the auditors may communicate general information in a written report and communicate detailed information orally. The auditors may consult with legal counsel regarding applicable public records laws.

Distributing Reports

Requirement: Distributing Reports

7.69 Distribution of reports completed in accordance with GAGAS depends on the auditors' relationship with the audited organization and the nature of the information contained in the reports. Auditors should document any limitation on report distribution.

- a.** An audit organization in a government entity should distribute reports to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the examination engagements. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight

authority or who may be responsible for acting on engagement findings and recommendations and to others authorized to receive such reports.

- b. A public accounting firm contracted to conduct an examination engagement in accordance with GAGAS should clarify report distribution responsibilities with the engaging party. If the contracting firm is responsible for the distribution, it should reach agreement with the party contracting for the examination engagement about which officials or organizations will receive the report and the steps being taken to make the report available to the public.

Review Engagements

Compliance with Standards

Requirement: Compliance with Standards

7.70 GAGAS establishes requirements for review engagements in addition to the requirements for reviews contained in the AICPA's SSAEs. Auditors should comply with the additional GAGAS requirements, along with the applicable AICPA requirements, when citing GAGAS in their review engagement reports.

Licensing and Certification

Requirements: Licensing and Certification

7.71 Auditors engaged to conduct review engagements in the United States who do not work for a government audit organization should be licensed CPAs, persons working for licensed certified public accounting firms, or licensed accountants in states that have multiclass licensing systems that recognize licensed accountants other than CPAs.

7.72 Auditors engaged to conduct review engagements of entities operating outside of the United States who do not work for a

government audit organization should meet the qualifications indicated in paragraph 7.71, have certifications that meet all applicable national and international standards and serve in their respective countries as the functional equivalent of CPAs in the United States, or work for nongovernment audit organizations that are the functional equivalent of licensed certified public accounting firms in the United States.

Noncompliance with
Provisions of Laws,
Regulations, Contracts,
and Grant Agreements

**Requirement: Noncompliance with Provisions of Laws,
Regulations, Contracts, and Grant Agreements**

7.73 Auditors should extend the AICPA requirements concerning consideration of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.⁵⁶

Reporting Auditors'
Compliance with GAGAS

Requirement: Reporting Auditors' Compliance with GAGAS

7.74 When auditors comply with all applicable requirements for a review engagement conducted in accordance with GAGAS, they should include a statement in the review report that they conducted the engagement in accordance with GAGAS.⁵⁷

Application Guidance: Reporting Auditors' Compliance with GAGAS

7.75 Because GAGAS incorporates by reference the AICPA's attestation standards, GAGAS does not require auditors to cite compliance with the AICPA standards when they cite compliance with GAGAS. GAGAS does not prohibit auditors from issuing a separate report conforming only to the requirements of the AICPA or other standards setters.

⁵⁶See paras. .23 and .24 of AT-C section 210 (AICPA, *Professional Standards*).

⁵⁷See paras. 2.16 through 2.19 for information on the GAGAS compliance statement.

7.76 Because review engagements are substantially less in scope than audits and examination engagements, it is important to include all required reporting elements contained in the standards used in conjunction with GAGAS. For example, a required element of the review report under SSAEs is a statement that a review is substantially less in scope than an examination, the objective of which is to express an opinion on the subject matter, and accordingly, no such opinion is expressed.⁵⁸ Including only those elements that the reporting standards for review engagements require or permit helps ensure that auditors comply with the standards and that users of GAGAS reports have an understanding of the nature of the work performed and the results of the review engagement.

Distributing Reports

Requirement: Distributing Reports

7.77 Distribution of reports completed in accordance with GAGAS depends on the auditors' relationship with the audited organization and the nature of the information contained in the reports. If the subject matter or the assertion involves material that is classified or contains confidential or sensitive information, auditors should limit report distribution. Auditors should document any limitation on report distribution.

- a.** An audit organization in a government entity should distribute reports to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the engagements. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority and to others authorized to receive such reports.
- b.** A public accounting firm contracted to conduct a review engagement in accordance with GAGAS should clarify report distribution responsibilities with the engaging party. If the contracting firm is responsible for the distribution, it should reach agreement with the party contracting for the engagement

⁵⁸See para. .46(f)(iii) of AT-C section 210 (AICPA, *Professional Standards*).

about which officials or organizations will receive the report and the steps being taken to make the report available to the public.

Agreed-Upon Procedures Engagements

Compliance with Standards

Requirement: Compliance with Standards

7.78 GAGAS establishes requirements for agreed-upon procedures engagements in addition to the requirements for agreed-upon procedures engagements contained in the AICPA's SSAEs. Auditors should comply with the additional GAGAS requirements, along with the applicable AICPA requirements, when citing GAGAS in their agreed-upon procedures engagement reports.

Licensing and Certification

Requirements: Licensing and Certification

7.79 Auditors engaged to conduct agreed-upon procedures engagements in the United States who do not work for a government audit organization should be licensed CPAs, persons working for licensed certified public accounting firms, or licensed accountants in states that have multiclass licensing systems that recognize licensed accountants other than CPAs.

7.80 Auditors engaged to conduct agreed-upon procedures engagements of entities operating outside of the United States who do not work for a government audit organization should meet the qualifications indicated in paragraph 7.79, have certifications that meet all applicable national and international standards and serve in their respective countries as the functional equivalent of CPAs in the United States, or work for nongovernment audit organizations that are the

functional equivalent of licensed certified public accounting firms in the United States.

Noncompliance with
Provisions of Laws,
Regulations, Contracts,
and Grant Agreements

**Requirement: Noncompliance with Provisions of Laws,
Regulations, Contracts, and Grant Agreements**

7.81 Auditors should extend the AICPA requirements concerning consideration of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.⁵⁹

Reporting Auditors'
Compliance with GAGAS

Requirement: Reporting Auditors' Compliance with GAGAS

7.82 When auditors comply with all applicable GAGAS requirements for agreed-upon procedures engagements, they should include a statement in the agreed-upon procedures engagement report that they conducted the engagement in accordance with GAGAS.⁶⁰

Application Guidance: Reporting Auditors' Compliance with GAGAS

7.83 Because GAGAS incorporates by reference the AICPA's attestation standards, GAGAS does not require auditors to cite compliance with the AICPA standards when citing compliance with GAGAS. GAGAS does not prohibit auditors from issuing a separate report conforming only to the requirements of the AICPA or other standards.

7.84 Because agreed-upon procedures engagements are substantially less in scope than audits and examination engagements, it is important not to deviate from the required reporting elements contained in the attestation standards incorporated by reference in GAGAS, other than

⁵⁹See para. .42 of AT-C section 215 (AICPA, *Professional Standards*).

⁶⁰See paras. 2.16 through 2.19 for information on the GAGAS compliance statement.

including the reference to GAGAS. For example, a required element of the report on agreed-upon procedures is a statement that the auditors were not engaged to and did not conduct an examination or a review of the subject matter, the objective of which would be the expression of an opinion or a conclusion, respectively, and that had the auditors performed additional procedures, other matters may have come to their attention that would have been reported.⁶¹ Another required element is a statement that the sufficiency of the procedures is solely the responsibility of the parties specified in the report and a disclaimer of responsibility for sufficiency of those procedures.⁶² Including only those elements that the AICPA reporting standards for agreed-upon procedures engagements require or permit helps ensure that auditors comply with the AICPA standards and that users of GAGAS reports understand the nature of the work performed and the results of the agreed-upon procedures engagement.

Distributing Reports

Requirement: Distributing Reports

7.85 Distribution of reports completed in accordance with GAGAS depends on the auditors' relationship with the audited organization and the nature of the information contained in the reports. If the subject matter or the assertion involves material that is classified or contains confidential or sensitive information, auditors should limit the report distribution. Auditors should document any limitation on report distribution.

- a.** An audit organization in a government entity should distribute reports to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the engagements. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority and to others authorized to receive such reports.
- b.** A public accounting firm contracted to conduct an agreed-upon procedures engagement in accordance with GAGAS should

⁶¹See para. .35(j) of AT-C section 215 (AICPA, *Professional Standards*).

⁶²See para. .35(g) of AT-C section 215 (AICPA, *Professional Standards*).

clarify report distribution responsibilities with the engaging party. If the contracting firm is responsible for the distribution, it should reach agreement with the party contracting for the engagement about which officials or organizations will receive the report and the steps being taken to make the report available to the public.

Reviews of Financial Statements

Compliance with Standards

Requirement: Compliance with Standards

7.86 GAGAS establishes requirements for reviews of financial statements in addition to the requirements for reviews of financial statements contained in the AICPA's AR-C section 90, *Review of Financial Statements*.⁶³ Auditors should comply with the additional GAGAS requirements, along with the applicable AICPA requirements, when citing GAGAS in their review engagement reports.

Licensing and Certification

Requirements: Licensing and Certification

7.87 Auditors engaged to conduct reviews of financial statements in the United States who do not work for a government audit organization should be licensed CPAs, persons working for licensed certified public accounting firms, or licensed accountants in states that have multiclass licensing systems that recognize licensed accountants other than CPAs.

7.88 Auditors engaged to conduct reviews of financial statements of entities operating outside of the United States who do not work for a government audit organization should meet the qualifications indicated

⁶³AICPA, *Professional Standards*.

in paragraph 7.87, have certifications that meet all applicable national and international standards and serve in their respective countries as the functional equivalent of CPAs in the United States, or work for nongovernment audit organizations that are the functional equivalent of licensed certified public accounting firms in the United States.

Noncompliance with
Provisions of Laws,
Regulations, Contracts,
and Grant Agreements

**Requirement: Noncompliance with Provisions of Laws,
Regulations, Contracts, and Grant Agreements**

7.89 Auditors should extend the AICPA requirements concerning consideration of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.⁶⁴

Reporting Auditors'
Compliance with GAGAS

Requirement: Reporting Auditors' Compliance with GAGAS

7.90 When auditors comply with all applicable requirements for a review of financial statements conducted in accordance with GAGAS, they should include a statement in the report that they conducted the engagement in accordance with GAGAS.⁶⁵

Application Guidance: Reporting Auditors' Compliance with GAGAS

7.91 Because GAGAS incorporates by reference the AICPA's AR-C section 90, *Review of Financial Statements*,⁶⁶ GAGAS does not require auditors to cite compliance with the AICPA standards when they cite compliance with GAGAS. GAGAS does not prohibit auditors from issuing a separate report conforming only to the requirements of the AICPA or other standards setters.

⁶⁴See para. .51 of AR-C section 90 (AICPA, *Professional Standards*).

⁶⁵See paras. 2.16 through 2.19 for information on the GAGAS compliance statement.

⁶⁶AICPA, *Professional Standards*.

7.92 Because reviews of financial statements are substantially less in scope than audits and examination engagements, it is important to include all required reporting elements contained in the standards used in conjunction with GAGAS. For example, a required reporting element of the review of financial statements under AR-C section 90, *Review of Financial Statements*,⁶⁷ is to include a statement that a review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole and that accordingly the accountant does not express such an opinion.⁶⁸ Including only those elements that the reporting standards for review of financial statements engagements require or permit helps ensure that auditors comply with the standards and that users of GAGAS reports have an understanding of the nature of the work performed and the results of the review engagement.

Distributing Reports

Requirement: Distributing Reports

7.93 Distribution of reports completed in accordance with GAGAS depends on the auditors' relationship with the audited organization and the nature of the information contained in the reports. If the subject matter involves material that is classified or contains confidential or sensitive information, auditors should limit report distribution. Auditors should document any limitation on report distribution.

- a. An audit organization in a government entity should distribute reports to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the engagements. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority and to others authorized to receive such reports.
- b. A public accounting firm contracted to conduct a review of financial statements engagement in accordance with GAGAS should clarify report distribution responsibilities with the engaging party. If the contracting firm is responsible for the

⁶⁷AICPA, *Professional Standards*.

⁶⁸See para. .39(c)(vi) of AR-C section 90 (AICPA, *Professional Standards*).

distribution, it should reach agreement with the party contracting for the engagement about which officials or organizations will receive the report and the steps being taken to make the report available to the public.

Chapter 8: Fieldwork Standards for Performance Audits

8.01 This chapter contains fieldwork requirements and guidance for performance audits conducted in accordance with generally accepted government auditing standards (GAGAS). Fieldwork requirements establish an overall approach for auditors to apply in planning and performing an audit to obtain sufficient, appropriate evidence that provides a reasonable basis for findings and conclusions based on the audit objectives. For performance audits conducted in accordance with GAGAS, the requirements and guidance in chapters 1 through 5 and chapter 9 also apply.

8.02 The fieldwork requirements for performance audits relate to planning the audit; conducting the engagement; supervising staff; obtaining sufficient, appropriate evidence; and preparing audit documentation. The concepts of evidence, significance, and audit risk form a framework for applying these requirements and are included throughout the discussion of performance audits.

Planning

Requirements: General

8.03 Auditors must adequately plan the work necessary to address the audit objectives. Auditors must document the audit plan.

8.04 Auditors must plan the audit to reduce audit risk to an acceptably low level.

8.05 In planning the audit, auditors should assess significance and audit risk. Auditors should apply these assessments to establish the scope and methodology for addressing the audit objectives. Planning is a continuous process throughout the audit.

8.06 Auditors should design the methodology to obtain sufficient, appropriate evidence that provides a reasonable basis for findings and conclusions based on the audit objectives and to reduce audit risk to an acceptably low level.

8.07 Auditors should identify and use suitable criteria based on the audit objectives.

Application Guidance: General

8.08 The audit objectives are what the audit is intended to accomplish. They identify the audit subject matter and performance aspects to be included. Audit objectives can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. Audit objectives may also pertain to the current status or condition of a program. The term program as used in GAGAS includes processes, projects, studies, policies, operations, activities, entities, and functions.

8.09 Auditors may need to refine or adjust the audit objectives, scope, and methodology as work is performed. However, in situations where the audit objectives are established by statute or legislative oversight, auditors may not have latitude to define or adjust the audit objectives or scope.

8.10 Scope is the boundary of the audit and is directly tied to the audit objectives. The scope defines the subject matter that the auditors will assess and report on, such as a particular program or aspect of a program, the necessary documents or records, the period of time reviewed, and the locations that will be included.

8.11 The methodology describes the nature and extent of audit procedures for gathering and analyzing evidence to address the audit objectives. Audit procedures are the specific steps and tests auditors perform to address the audit objectives.

8.12 Obtaining sufficient, appropriate evidence provides auditors with a reasonable basis for findings and conclusions that are valid, accurate, appropriate, and complete with respect to the audit objectives.

8.13 The sufficiency and appropriateness of evidence needed and tests of evidence are determined by the auditors based on the audit objectives, findings, and conclusions. Objectives for performance audits range from narrow to broad and involve varying types and quality of evidence. In some engagements, sufficient, appropriate evidence is available, but in others, information may have limitations. Professional judgment assists auditors in determining the audit scope and methodology needed to address the audit objectives and in evaluating whether sufficient, appropriate evidence has been obtained to address the audit objectives.

8.14 In performance audits conducted in accordance with GAGAS, auditors are the party who measures or evaluates the subject matter of the engagement and who presents the resulting information as part of, or accompanying, the audit report. Therefore, GAGAS does not require auditors to obtain management assertions with respect to the subject matter when conducting a performance audit.

8.15 The concept of significance assists auditors throughout a performance audit, including when deciding the type and extent of audit work to perform, when evaluating results of audit work, and when developing the report and related findings and conclusions. Significance is defined as the relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors. Such factors include the magnitude of the matter in relation to the subject matter of the audit, the nature and effect of the matter, the relevance of the matter, the needs and interests of an objective third party with knowledge of the relevant information, and the matter's effect on the audited program or activity. Professional judgment assists auditors when evaluating the significance of matters within the context of the audit objectives. In the performance audit requirements, the term significant is comparable to the term material as used in the context of financial statement engagements.

8.16 Audit risk is the possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete as a result of factors such as evidence that is not sufficient or appropriate, an inadequate audit process, or intentional omissions or misleading information because of misrepresentation or fraud. The assessment of audit risk involves both qualitative and quantitative considerations. Factors affecting audit risk include the time frames, complexity, or sensitivity of the work; size of the program in terms of dollar amounts and number of citizens served; adequacy of the audited entity's systems and processes for preventing and detecting inconsistencies, significant errors, or fraud; and auditors' access to records. Audit risk includes the risk that auditors will not detect a mistake, inconsistency, significant error, or fraud in the evidence supporting the audit. Audit risk can be reduced by taking actions such as increasing the scope of work; adding specialists, additional reviewers, and other resources to conduct the audit; changing the methodology to obtain additional evidence, higher-quality evidence, or alternative forms of corroborating evidence; or aligning the findings and conclusions to reflect the evidence obtained.

8.17 Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report. Suitable criteria are relevant, reliable, objective, and understandable and do not result in the omission of significant information, as applicable, within the context of the audit objectives. The relative importance of each of these characteristics to a particular engagement is a matter of professional judgment. In instances where laws, regulations, or policies prescribe the criteria to be used for the engagement, such criteria are presumed to be suitable in the absence of indications to the contrary.

8.18 Examples of criteria include

- a. laws and regulations applicable to the operation of the audited entity;
- b. goals, policies, and procedures established by officials of the audited entity;
- c. technically developed standards or norms;
- d. expert opinions;
- e. prior periods' performance;
- f. defined business practices;
- g. contracts or grant agreements; and
- h. benchmarks against which performance is compared, including performance of other entities or sectors.

8.19 For audit objectives that pertain to the current status or condition of a program, sufficient, appropriate evidence is gathered to provide reasonable assurance that the description of the current status or condition of a program is accurate and reliable and does not omit significant information relevant to the audit objectives. Information addressing the audit objectives is to be provided in an objective, understandable manner. The relative importance of each of the characteristics of the information to a particular engagement is a matter of professional judgment.

Auditor Communication

Requirements: Auditor Communication

8.20 Auditors should communicate an overview of the objectives, scope, and methodology and the timing of the performance audit and planned reporting (including any potential restrictions on the report), unless doing so could significantly impair the auditors' ability to obtain sufficient, appropriate evidence to address the audit objectives. Auditors should communicate such information with the following parties, as applicable:

- a. management of the audited entity, including those with sufficient authority and responsibility to implement corrective action in the program or activity being audited;
- b. those charged with governance;
- c. the individuals contracting for or requesting audit services, such as contracting officials or grantees; or
- d. the cognizant legislative committee, when auditors conduct the audit pursuant to a law or regulation or when they conduct the work for the legislative committee that has oversight of the audited entity.

8.21 In situations where the parties required to receive communications, as described in paragraph 8.20, are not clearly evident, auditors should document the process followed and conclusions reached in identifying the appropriate individuals to receive the required communications.

8.22 Auditors should retain any written communication resulting from paragraph 8.20 as audit documentation.

Application Guidance: Auditor Communication

8.23 Determining the form, content, and frequency of the communication with management or those charged with governance is a matter of professional judgment, although written communication is preferred. Auditors may use an engagement letter to communicate key information early in the engagement.

8.24 Examples of communications regarding the objectives, scope, methodology, and timing that could impair the auditors' ability to obtain sufficient, appropriate evidence include situations in which the auditors plan to perform unannounced cash counts or perform procedures related to indications of fraud.

8.25 Communicating with those charged with governance or management may include communicating deficiencies in internal control; fraud; or noncompliance with provisions of laws, regulations, contracts, and grant agreements. Early communication of these matters may be important because of their relative significance and the urgency for corrective follow-up action. Further, early communication is important to allow management to take prompt corrective action to prevent further occurrences when a control deficiency results in noncompliance with provisions of laws, regulations, contracts, and grant agreements or fraud. When a deficiency is communicated early, the reporting requirements and application guidance in paragraphs 9.29 through 9.44 still apply.

8.26 Because the governance structures of government entities and organizations can vary widely, it may not always be clearly evident who is charged with key governance functions. The process for identifying those charged with governance includes evaluating the organizational structure for directing and controlling operations to achieve the audited entity's objectives and how the audited entity delegates authority and establishes accountability for management.

Investigations or Legal Proceedings

Requirement: Investigations or Legal Proceedings

8.27 Auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit, and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit.

Application Guidance: Investigations or Legal Proceedings

8.28 Laws, regulations, or policies may require auditors to report indications of the following to law enforcement or investigatory authorities before performing additional audit procedures: certain types of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

8.29 Avoiding interference with investigations or legal proceedings is important in pursuing indications of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. In some cases, it may be appropriate for the auditors to work with investigators or legal authorities or to withdraw from or defer further work on the engagement or a portion of the engagement to avoid interfering with an ongoing investigation or legal proceeding.

Results of Previous Engagements

Requirement: Results of Previous Engagements

8.30 Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives. When planning the audit, auditors should ask management of the audited entity to identify previous engagements or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.

Assigning Auditors

Requirements: Assigning Auditors

8.31 Audit management should assign sufficient auditors with adequate collective professional competence, as described in paragraphs 4.02 through 4.15, to conduct the audit. Staffing an audit includes, among other things,

- a. assigning auditors with the collective knowledge, skills, and abilities appropriate for the audit;
- b. assigning a sufficient number of auditors to the audit;
- c. providing for on-the-job training of auditors; and

- d. engaging specialists when necessary.

8.32 If planning to use the work of specialists, auditors should document the nature and scope of the work to be performed by the specialists, including

- a. the objectives and scope of the specialists' work,
- b. the intended use of the specialists' work to support the audit objectives,
- c. the specialists' procedures and findings so they can be evaluated and related to other planned audit procedures, and
- d. the assumptions and methods used by the specialists.

Preparing a Written Audit Plan

Requirement: Preparing a Written Audit Plan

8.33 Auditors must prepare a written audit plan for each audit. Auditors should update the plan, as necessary, to reflect any significant changes to the plan made during the audit.

Application Guidance: Preparing a Written Audit Plan

8.34 The form and content of the written audit plan may vary among audits and may include an audit strategy, audit program, project plan, audit planning paper, or other appropriate documentation of key decisions about the audit objectives, scope, and methodology and the auditors' basis for those decisions.

8.35 A written audit plan provides an opportunity for audit organization management to supervise audit planning and to determine whether

- a. the proposed audit objectives are likely to result in a useful report;
- b. the audit plan adequately addresses relevant risks;

- c. the proposed audit scope and methodology are adequate to address the audit objectives;
- d. available evidence is likely to be sufficient and appropriate for purposes of the audit; and
- e. sufficient staff, supervisors, and specialists with adequate collective professional competence and other resources are available to conduct the audit and to meet expected time frames for completing the work.

Conducting the Engagement

Nature and Profile of the Program and User Needs

Requirement: Nature and Profile of the Program and User Needs

8.36 Auditors should obtain an understanding of the nature of the program or program component under audit and the potential use that will be made of the audit results or report as they plan a performance audit. The nature and profile of a program include

- a. visibility, sensitivity, and relevant risks associated with the program under audit;
- b. age of the program or changes in its condition;
- c. the size of the program in terms of total dollars, number of citizens affected, or other measures;
- d. level and extent of review or other forms of independent oversight;
- e. the program's strategic plan and objectives; and
- f. external factors or conditions that could directly affect the program.

Application Guidance: Nature and Profile of the Program and User Needs

8.37 One group of users of the audit report is government officials or other parties who authorize or request audits. Other important users of the audit report are the audited entity, those responsible for acting on the auditors' recommendations, oversight organizations, and legislative bodies. Other potential users of the audit report include legislators or government officials (other than those who authorized or requested the audit), the media, interest groups, and individual citizens. In addition to an interest in the program, potential users may have an ability to influence the conduct of the program. An awareness of these potential users' interests and influence can help auditors judge whether possible findings could be significant to relevant users.

8.38 Obtaining an understanding of the program under audit helps auditors to assess the relevant risks associated with the program and the effect of the risks on the audit objectives, scope, and methodology. The auditors' understanding may come from knowledge they already have about the program or knowledge they gain from inquiries, observations, and reviewing documents while planning the audit. The extent and breadth of those inquiries and observations will vary among audits based on the audit objectives, as will the need to understand individual aspects of the program, such as the following:

- a.** Provisions of laws, regulations, contracts, and grant agreements: Government programs are usually created by law and are subject to specific laws and regulations. Laws and regulations usually set forth what is to be done, who is to do it, the purpose to be achieved, the population to be served, and related funding guidelines or restrictions. Government programs may also be subject to contracts or grant agreements. Thus, understanding the laws and legislative history establishing a program and the provisions of contracts or grant agreements is essential to understanding the program itself. Obtaining that understanding is also a necessary step in identifying the provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives.
- b.** Purpose and goals: Purpose is the result or effect that is intended or desired from a program's operation. Legislatures usually establish a program's purpose when they provide authority for the program. Audited entity officials may provide more detailed

information on the program's purpose to supplement the authorizing legislation. Audited entity officials are sometimes asked to set goals for program performance and operations, including both output and outcome goals. Auditors may use the stated program purpose and goals as criteria for assessing program performance or may develop additional criteria to use when assessing performance.

- c. **Internal control:** Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.
- d. **Inputs:** Inputs are the amount of resources (in terms of, for example, money, material, or personnel) that is put into a program. These resources may come from within or outside the entity operating the program. Measures of inputs can have a number of dimensions, such as cost, timing, and quality. Examples of measures of inputs are dollars spent, employee hours expended, and square feet of building space used.
- e. **Program operations:** Program operations are the strategies, processes, and activities management uses to convert inputs into outputs. Program operations may be subject to internal control.
- f. **Outputs:** Outputs represent the quantity of goods or services produced by a program. For example, an output measure for a job training program could be the number of persons completing training, and an output measure for an aviation safety inspection program could be the number of safety inspections completed.
- g. **Outcomes:** Outcomes are accomplishments or results of a program. For example, an outcome measure for a job training program could be the percentage of trained persons obtaining a job and still in the workplace after a specified period. An example of an outcome measure for an aviation safety inspection program could be the percentage reduction in safety problems found in subsequent inspections or the percentage of problems deemed corrected in follow-up inspections. Such outcome measures show the progress made in achieving the stated program purposes of helping unemployed citizens obtain and retain jobs and improving

the safety of aviation operations, respectively. Outcomes may be influenced by cultural, economic, physical, or technological factors outside the program. Auditors may use approaches drawn from other disciplines, such as program evaluation, to isolate the effects of the program from these other influences. Outcomes also include a program's unexpected or unintentional effects, both positive and negative.

**Determining Significance
and Obtaining an
Understanding of Internal
Control**

**Requirements: Determining Significance and Obtaining an
Understanding of Internal Control**

8.39 Auditors should determine and document whether internal control is significant to the audit objectives.⁶⁹

8.40 If it is determined that internal control is significant to the audit objectives, auditors should obtain an understanding of such internal control.

**Application Guidance: Determining Significance and Obtaining an
Understanding of Internal Control**

8.41 Consideration of internal control in a performance audit begins with determining the significance of internal control to the audit objectives and documenting that determination. Some factors that may be considered when determining the significance of internal control to the audit objectives include

- a. the subject matter under audit, such as the program or program component under audit, including the audited entity's objectives for the program and associated inherent risks;
- b. the nature of findings and conclusions expected to be reported, based on the needs and interests of audit report users;

⁶⁹See fig.4 at the end of ch. 8 for a flowchart on consideration of internal control in a GAGAS performance audit.

- c. the three categories of entity objectives (operations, reporting, and compliance),⁷⁰ and
- d. the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) and the integration of the components.

8.42 If internal control is significant to the audit objectives, auditors determine which of the five components of internal control and underlying principles are significant to the audit objectives, as all components of internal control are generally relevant, but not all components may be significant to the audit objectives. This determination can also identify whether specific controls are significant to the audit objectives. Determining which internal control components and principles and/or specific controls are significant to the audit objectives is a matter of professional judgment.

8.43 Determining the significance of internal control may be an iterative process. As discussed in paragraph 8.09, the audit objectives can evolve and become more refined throughout the audit. When this occurs, the significance of internal control is determined and documented for the new or revised objectives.

8.44 Determining the significance of internal control may be documented in formats such as narratives or tables. The documentation includes the conclusions on whether internal control is significant to the audit objectives, and if so, which components of internal control are significant to the audit objectives. The documentation may also include the factors considered and steps taken to perform the determination.

8.45 Determining the significance of internal control to the audit objectives affects the audit planning required in paragraphs 8.03 through 8.07. Specifically, it enables auditors to determine whether to assess internal control as part of the audit and, if they do, to identify criteria for the assessment and plan the appropriate scope, methodology, and extent of internal control assessments to perform.

⁷⁰The terminology used in this section is consistent with the definitions and concepts in the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control—Integrated Framework* (COSO Framework) and *Standards for Internal Control in the Federal Government* (GAO-14-704G) (Green Book).

8.46 The nature and extent of procedures auditors perform to obtain an understanding of internal control is a matter of professional judgment and may vary among audits based on audit objectives, audit risk, internal control deficiencies, and the auditors' knowledge about internal control gained in prior audits. The understanding of internal control builds on the understanding of the program required in paragraph 8.36. The auditors' understanding of internal control may be obtained through procedures such as inquiries, observations, inspection of documents and records, review of other audit reports, or direct tests.

8.47 Approaches for obtaining an understanding of internal control may vary and may include consideration of entity-level controls, transaction-level controls, or both. However, even when assessing only transaction-level controls, it may be beneficial to gain an understanding of entity-level controls that may affect transaction-level controls by obtaining a broad understanding of the five components of internal control at the entity level. This involves considering the relationships between the components, which work together in an integrated manner in an effective internal control system, and the principles of internal control that support each component. In addition to obtaining a broad understanding of internal control at the entity level, auditors may also obtain an understanding of internal control at the transaction level for the specific programs and processes under audit.

8.48 Obtaining an understanding of internal control assists auditors in identifying an audited entity's key controls relevant to the audit objectives. Identifying key controls involves considering the entity's objectives that are relevant to the audit and whether the entity has controls in place to achieve those objectives and address associated risks. Collectively, key controls are those controls necessary to achieve the entity's control objectives and provide reasonable assurance of achieving the entity's objectives. Key controls often have one or both of the following characteristics:

- a. Their failure may significantly affect the achievement of the entity's objectives, yet not reasonably be detected in a timely manner by other controls.
- b. Their operation may prevent or detect other control failures before they have an opportunity to become significant to the achievement of the entity's objectives.

Assessing Internal Control

Requirement: Assessing Internal Control

8.49 If internal control is determined to be significant to the audit objectives, auditors should assess and document their assessment of the design, implementation, and/or operating effectiveness of such internal control to the extent necessary to address the audit objectives.

Application Guidance: Assessing Internal Control

8.50 The auditors' understanding of internal control provides a basis for determining the nature, timing, and extent of procedures for assessments of internal control, if such an assessment will be performed. Assessments of internal control in a performance audit are performed to the extent necessary to address the audit objectives. The levels of internal control assessment that may be performed based on the audit objectives are (1) assessing the design; (2) assessing the design and implementation; or (3) assessing the design, implementation, and operating effectiveness of controls that are significant to the audit objectives.

8.51 Assessments of internal control involve designing and performing procedures to obtain sufficient, appropriate evidence, as required in paragraphs 8.90 through 8.94, to support and document the auditors' findings and conclusions on design, implementation, and/or operating effectiveness of controls that are significant to the audit objectives. The controls being assessed are generally the key controls identified during the planning phase of the engagement, which may include controls at both the entity and transaction levels. Changes may be made to the initial determination of key controls based on additional information gathered during the course of fieldwork.

8.52 The design of internal control is assessed by determining whether controls individually and in combination are capable of achieving an objective and addressing the related risk. The implementation of internal control is assessed by determining if the control exists and has been placed into operation. The operating effectiveness of internal control is assessed by determining whether controls were applied at relevant times during the period under evaluation, the consistency with which they were applied, and by whom or by what means they were applied. A control cannot be effectively implemented if it was not effectively designed. A control cannot be operating effectively if it was not effectively designed and implemented.

8.53 During the assessment of each control, deficiencies in internal control may be identified. A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management or personnel to achieve control objectives and address related risks.⁷¹ A deficiency in design exists when a necessary control is missing or is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in implementation exists when a control is properly designed but not implemented correctly in the internal control system. A deficiency in operating effectiveness exists when a properly designed control does not operate as designed or the person performing the control does not have the necessary competence or authority to perform the control effectively.

Internal Control Deficiencies Considerations

Requirement: Internal Control Deficiencies Considerations

8.54 Auditors should evaluate and document the significance of identified internal control deficiencies within the context of the audit objectives.

Application Guidance: Internal Control Deficiencies Considerations

8.55 Internal control deficiencies are evaluated for significance within the context of the audit objectives. Deficiencies are evaluated both on an individual basis and in the aggregate. Consideration is given to the correlation among deficiencies. This evaluation and the audit work performed form the basis of the auditors' determination whether, individually or in combination, the deficiencies are significant within the context of the audit objectives.⁷²

8.56 Determining whether deficiencies are significant within the context of the audit objectives involves evaluating the following factors:

- a. **Magnitude of impact:** Magnitude of impact refers to the likely effect that the deficiency could have on the entity achieving its objectives and is affected by factors such as the size, pace, and duration of

⁷¹See paras. 1.27g and 1.27k for definitions of control objective and entity objective.

⁷²See paras. 9.29 through 9.34 for a discussion of reporting on internal control.

the deficiency's impact. A deficiency may be more significant to one objective than another.

- b. Likelihood of occurrence: Likelihood of occurrence refers to the possibility of a deficiency impacting an entity's ability to achieve its objectives.
- c. Nature of the deficiency: The nature of the deficiency involves factors such as the degree of subjectivity involved with the deficiency and whether the deficiency arises from fraud or misconduct.

8.57 Internal control deficiencies are a type of finding, and the requirements related to developing the four elements of a finding in paragraph 8.116 apply. When determining the cause of internal control deficiencies, it may be helpful for auditors to perform an analysis to identify the root cause of the deficiencies. Identifying the root causes of internal control deficiencies may strengthen the quality of auditors' recommendations for corrective actions.

8.58 The following are examples of control deficiencies:

- a. Ineffective oversight by those charged with governance of the entity's financial reporting, performance reporting, or internal control, or an ineffective overall governance structure.
- b. An ineffective internal audit function or risk assessment function at an entity for which such functions are important to the monitoring or risk assessment component of internal control, such as for a large or complex entity.
- c. Failure by management or those charged with governance to assess the effect of a deficiency previously communicated to them and either to correct it or to conclude that it does not need to be corrected.
- d. Inadequate controls for the safeguarding of assets.
- e. Inadequate design of information systems general, application, and user controls that prevents an information system from providing complete and accurate information consistent with financial, compliance, or performance reporting objectives or other current needs.

- f. Failure of an application control caused by a deficiency in the design or operation of an information system's general controls.
- g. Employees or management who lack the qualifications and training to fulfill their assigned functions.

Information Systems Controls Considerations

Requirements: Information Systems Controls Considerations

8.59 The effectiveness of significant internal controls frequently depends on the effectiveness of information systems controls. Thus, when obtaining an understanding of internal control significant to the audit objectives, auditors should also determine whether it is necessary to evaluate information systems controls.

8.60 When information systems controls are determined to be significant to the audit objectives or when the effectiveness of significant controls depends on the effectiveness of information systems controls, auditors should then evaluate the design, implementation, and/or operating effectiveness of such controls. This evaluation includes other information systems controls that affect the effectiveness of the significant controls or the reliability of information used in performing the significant controls. Auditors should obtain a sufficient understanding of information systems controls necessary to assess audit risk and plan the audit within the context of the audit objectives.

8.61 Auditors should determine which audit procedures related to information systems controls are needed to obtain sufficient, appropriate evidence to support the audit findings and conclusions.

8.62 When evaluating information systems controls is an audit objective, auditors should test information systems controls to the extent necessary to address the audit objective.

Application Guidance: Information Systems Controls Considerations

8.63 Understanding information systems controls is important when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives rely on information systems. Information systems controls consist of those internal controls that depend on information systems

processing and include general controls, application controls, and user controls.

- a. Information systems general controls (entity-wide, system, and application levels) are the policies and procedures that apply to all or a large segment of an entity's information systems. General controls help ensure the proper operation of information systems by creating the environment for proper operation of application controls. General controls include security management, logical and physical access, configuration management, segregation of duties, and contingency planning.
- b. Application controls, sometimes referred to as business process controls, are those controls that are incorporated directly into computer applications to help ensure the validity, completeness, accuracy, and confidentiality of transactions and data during application processing. Application controls include controls over input, processing, output, master file, interface, and the data management system.
- c. User controls are portions of controls that are performed by people interacting with information systems controls. A user control is an information systems control if its effectiveness depends on information systems processing or the reliability (accuracy, completeness, and validity) of information processed by information systems.

8.64 An entity's use of information systems controls may be extensive; however, auditors are primarily interested in those information systems controls that are significant to the audit objectives. Information systems controls are significant to the audit objectives if auditors determine that it is necessary to evaluate the effectiveness of these controls in order to obtain sufficient, appropriate evidence. For example, an audit objective may involve evaluating the effectiveness of information systems controls related to certain systems, facilities, or entities.

8.65 Audit procedures to evaluate the effectiveness of significant information systems controls include (1) gaining an understanding of the system as it relates to the information and (2) identifying and evaluating the general, application, and user controls that are critical to providing assurance over the reliability of the information required for the audit.

8.66 The evaluation of information systems controls may be done in conjunction with the auditors' consideration of internal control within the context of the audit objectives or as a separate audit objective or audit procedure, depending on the audit's objectives. Depending on the significance of information systems controls to the audit objectives, the extent of audit procedures to obtain such an understanding may be limited or extensive. In addition, the nature and extent of audit risk related to information systems controls are affected by the hardware and software used, the configuration of the entity's systems and networks, and the entity's information systems strategy.

8.67 The following factors may assist auditors in determining the significance of information system controls to the audit objectives:

- a. The extent to which internal controls that are significant to the audit depend on the reliability of information processed or generated by information systems.
- b. The availability of evidence outside the information system to support the findings and conclusions. It may not be possible for auditors to obtain sufficient, appropriate evidence without evaluating the effectiveness of relevant information systems controls. For example, if information supporting the findings and conclusions is generated by information systems or its reliability depends on information systems controls, there may not be sufficient supporting or corroborating information or documentary evidence available other than that produced by the information systems.
- c. The relationship of information systems controls to data reliability. To obtain evidence about the reliability of computer-generated information, auditors may decide to evaluate the effectiveness of information systems controls as part of obtaining evidence about the reliability of the data. If the auditors conclude that information systems controls are effective, they may reduce the direct testing of data.

Provisions of Laws,
Regulations, Contracts,
and Grant Agreements

Requirement: Provisions of Laws, Regulations, Contracts, and Grant Agreements

8.68 Auditors should identify any provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives and assess the risk that noncompliance with provisions of laws, regulations, contracts, and grant agreements could occur. Based on that risk assessment, the auditors should design and perform procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives.

Application Guidance: Provisions of Laws, Regulations, Contracts, and Grant Agreements

8.69 Government programs are subject to many provisions of laws, regulations, contracts, and grant agreements. At the same time, these provisions' significance within the context of the audit objectives varies widely, depending on the objectives of the audit. Auditors may consult with their legal counsel to (1) determine those laws and regulations that are significant to the audit objectives, (2) design tests of compliance with provisions of laws and regulations, and (3) evaluate the results of those tests. Auditors also may consult with their legal counsel when audit objectives require testing compliance with provisions of contracts or grant agreements. Depending on the circumstances of the audit, auditors may consult with others, such as investigative staff, other audit organizations or government entities that provided professional services to the audited entity, or law enforcement authorities, to obtain information on compliance matters.

8.70 The auditors' assessment of audit risk may be affected by such factors as the complexity or recent establishment of the laws, regulations, contracts, and grant agreements. The auditors' assessment of audit risk also may be affected by whether the audited entity has controls that are effective in preventing or detecting noncompliance with provisions of laws, regulations, contracts, and grant agreements. If auditors obtain sufficient, appropriate evidence of the effectiveness of these controls, they can reduce their tests of compliance.

Fraud

Requirements: Fraud

8.71 Auditors should assess the risk of fraud occurring that is significant within the context of the audit objectives. Audit team members should discuss among the team fraud risks, including factors such as individuals' incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could increase the risk of fraud. Auditors should gather and assess information to identify the risk of fraud that is significant within the scope of the audit objectives or that could affect the findings and conclusions.

8.72 Assessing the risk of fraud is an ongoing process throughout the audit. When information comes to the auditors' attention indicating that fraud, significant within the context of the audit objectives, may have occurred, auditors should extend the audit steps and procedures, as necessary, to (1) determine whether fraud has likely occurred and (2) if so, determine its effect on the audit findings.

Application Guidance: Fraud

8.73 Fraud involves obtaining something of value through willful misrepresentation. Whether an act is, in fact, fraud is determined through the judicial or other adjudicative system and is beyond auditors' professional responsibility.

8.74 Auditors may obtain information through discussion with officials of the audited entity or through other means to determine the susceptibility of a program to fraud, the extent to which the audited entity has implemented leading practices to manage fraud risks, the status of internal controls the audited entity has established to prevent and detect fraud, or the risk that officials of the audited entity could override internal control. An attitude of professional skepticism in assessing the risk of fraud assists auditors in assessing which factors or risks could significantly affect the audit objectives.

8.75 In some circumstances, conditions such as the following could indicate a heightened risk of fraud:

- a. economic, programmatic, or entity operating conditions that threaten the entity's financial stability, viability, or budget;

- b. the nature of the entity's operations provide opportunities to engage in fraud;
- c. management's monitoring of compliance with laws, regulations, and policies is inadequate;
- d. the organizational structure is unstable or unnecessarily complex;
- e. management communication or support for ethical standards is lacking;
- f. management is willing to accept unusually high levels of risk in making significant decisions;
- g. the entity has a history of impropriety, such as previous issues with fraud, questionable practices, or past audits or investigations with findings of questionable or criminal activity;
- h. operating policies and procedures have not been developed or are outdated;
- i. key documentation is lacking or does not exist;
- j. asset accountability or safeguarding procedures are lacking;
- k. a history of improper payments;
- l. evidence of false or misleading information; and
- m. evidence of unusual patterns and trends in contracting, procurement, acquisition, and other activities of the entity or program.

8.76 If fraud that may have occurred is not significant within the context of the audit objectives, the auditors may perform additional audit work as a separate engagement or refer the matter to other parties with oversight responsibility or jurisdiction.

Identifying Sources of
Evidence and the Amount
and Type of Evidence
Required

**Requirements: Identifying Sources of Evidence and the Amount
and Type of Evidence Required**

8.77 Auditors should identify potential sources of information that could be used as evidence. Auditors should determine the amount and type of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives and adequately plan audit work.

8.78 Auditors should evaluate whether any lack of sufficient, appropriate evidence is caused by internal control deficiencies or other program weaknesses, and whether the lack of sufficient, appropriate evidence could be the basis for audit findings.

**Application Guidance: Identifying Sources of Evidence and the
Amount and Type of Evidence Required**

8.79 If auditors believe it is likely that sufficient, appropriate evidence will not be available, they may revise the audit objectives or modify the scope and methodology and determine alternative procedures to obtain additional evidence or other forms of evidence to address the current audit objectives.

Using the Work of Others

Requirements: Using the Work of Others

8.80 Auditors should determine whether other auditors have conducted, or are conducting, audits that could be relevant to the current audit objectives.

8.81 If auditors use the work of other auditors, they should perform procedures that provide a sufficient basis for using that work. Auditors should obtain evidence concerning the other auditors' qualifications and independence and should determine whether the scope, quality, and timing of the audit work performed by the other auditors can be relied on in the context of the current audit objectives.⁷³

⁷³See para. 5.80 for additional discussion on using the work of other auditors and peer review reports.

8.82 If the engagement team intends to use the work of a specialist, it should assess the independence of the specialist.⁷⁴

Application Guidance: Using the Work of Others

8.83 The results of other auditors' work may be useful sources of information for planning and conducting the audit. If other auditors have identified areas that warrant further audit work or follow-up, their work may influence the auditors' selection of objectives, scope, and methodology.

8.84 Internal auditing is an important part of overall governance, accountability, and internal control. A key role of many internal audit organizations is to provide assurance that internal controls are in place to adequately mitigate risks and achieve program goals and objectives. Auditors may determine that it is appropriate to use the work of the internal auditors in assessing the effectiveness of design or operation of internal controls that are significant within the context of the audit objectives.

8.85 If other auditors have completed audit work related to the objectives of the current audit, the current auditors may be able to use the work of the other auditors to support findings or conclusions for the current audit and thereby avoid duplication of effort. Procedures that auditors may perform in making this determination include reviewing the other audit report, audit plan, or audit documentation, or performing tests of the other auditors' work. The nature and extent of evidence needed will depend on the significance of the other auditors' work to the current audit objectives and the extent to which the auditors will use that work.

8.86 The engagement team's assessment of the independence of specialists who perform audit work includes identifying threats and applying any necessary safeguards in the same manner as they would for auditors performing work on those audits.⁷⁵

⁷⁴See para. 1.27p for the definition of specialist.

⁷⁵See paras. 3.18 through 3.108 for requirements and guidance related to independence.

Supervision

Requirement: Supervision

8.87 Auditors must properly supervise audit staff.

Application Guidance: Supervision

8.88 Audit supervision involves providing sufficient guidance and direction to auditors assigned to the audit to address the audit objectives and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training.

8.89 The nature and extent of the auditors' supervision and the review of audit work may vary depending on a number of factors, such as the size of the audit organization, the significance of the work, and the experience of the auditors.

Evidence

Requirements: Evidence

8.90 Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions.

8.91 In assessing the appropriateness of evidence, auditors should assess whether the evidence is relevant, valid, and reliable.

8.92 In determining the sufficiency of evidence, auditors should determine whether enough appropriate evidence exists to address the audit objectives and support the findings and conclusions to the extent that would persuade a knowledgeable person that the findings are reasonable.

8.93 When auditors use information provided by officials of the audited entity as part of their evidence, they should determine what the officials of the audited entity or other auditors did to obtain assurance over the reliability of the information.

8.94 Auditors should evaluate the objectivity, credibility, and reliability of testimonial evidence.

Application Guidance: Evidence

8.95 Audit objectives may vary widely, as may the level of work necessary to assess the sufficiency and appropriateness of evidence to address the objectives. The concepts of audit risk and significance assist auditors in evaluating the audit evidence. Professional judgment assists auditors in determining the sufficiency and appropriateness of evidence taken as a whole. Interpreting, summarizing, or analyzing evidence is typically used in determining the sufficiency and appropriateness of evidence and in reporting the results of the audit work.

8.96 When auditors use information that audited entity officials provided as part of their evidence, auditors may find it necessary to test management's procedures to obtain assurance, perform direct testing of the information, or obtain additional corroborating evidence. The nature, timing, and extent of the auditors' procedures will depend on the significance of the information to the audit objectives and the nature of the information being used. Using a risk-based approach, auditors may consider additional procedures if they become aware of evidence that conflicts with that provided by management. In their overall assessment, auditors may document how they resolved situations involving conflicting evidence.⁷⁶

8.97 Auditors may request that management provide written representations as to the accuracy and completeness of information provided.

8.98 The nature, timing, and extent of audit procedures to assess sufficiency and appropriateness are affected by the effectiveness of the audited entity's internal controls over the information, including information systems controls, and the significance of the information and the level of detail presented in the auditors' findings and conclusions in the context of the audit objectives. The sufficiency and appropriateness of computer-processed information is assessed regardless of whether this information is provided to auditors or auditors independently extract it. Assessing the sufficiency and appropriateness of computer-processed information includes considering the completeness and accuracy of the data for the intended purposes.

⁷⁶See para. 8.105 for a discussion of the relationship between testimonial and documentary evidence.

Sufficiency

8.99 Sufficiency is a measure of the quantity of evidence used to support the findings and conclusions related to the audit objectives.

8.100 When appropriate, auditors may use statistical methods to analyze and interpret evidence to assess its sufficiency.

8.101 The sufficiency of evidence required to support the auditors' findings and conclusions is a matter of the auditors' professional judgment. The following presumptions are useful in judging the sufficiency of evidence.

- a. The greater the audit risk, the greater the quantity and quality of evidence required.
- b. Stronger evidence may allow less evidence to be used.

Appropriateness

8.102 Appropriateness is the measure of the quality of evidence that encompasses the relevance, validity, and reliability of evidence used for addressing the audit objectives and supporting findings and conclusions.

- a. Relevance refers to the extent to which evidence has a logical relationship with, and importance to, the issue being addressed.
- b. Validity refers to the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated. In other words, validity refers to the extent to which evidence represents what it is purported to represent.
- c. Reliability refers to the consistency of results when information is measured or tested and includes the concepts of being verifiable or supported. For example, in establishing the appropriateness of evidence, auditors may test its reliability by obtaining supporting evidence, using statistical testing, or obtaining corroborating evidence.
- d. Having a large volume of evidence does not compensate for a lack of relevance, validity, or reliability.

8.103 The degree of assurance associated with a performance audit is strongly associated with the appropriateness of evidence in relation to the audit objectives. Examples follow.

- a. The audit objectives might focus on verifying specific quantitative results presented by the audited entity. In these situations, the audit procedures would likely focus on obtaining evidence about the accuracy of the specific amounts in question. This work may include the use of statistical sampling.
- b. The audit objectives might focus on the performance of a specific program or activity in the audited entity. In these situations, the auditors may be provided information that the audited entity compiled in order to satisfy the audit objectives. The auditors may find it necessary to test the quality of the information, which includes both its validity and reliability.
- c. The audit objectives might focus on information that is used for widely accepted purposes and obtained from sources generally recognized as appropriate. For example, economic statistics issued by government agencies for purposes such as adjusting for inflation, or other such information issued by authoritative organizations, may be the best information available. In such cases, it may not be practical or necessary for auditors to perform procedures to verify the information. These decisions call for use of professional judgment based on the nature of the information, its common usage or acceptance, and how it is being used in the audit.
- d. The audit objectives might focus on comparisons or benchmarking between various government functions or agencies. These types of audits are especially useful for analyzing the outcomes of various public policy decisions. In these cases, auditors may perform analyses, such as comparative statistics of different jurisdictions or changes in performance over time, where it would be impractical to verify the detailed data underlying the statistics. Clear disclosure of the extent to which comparative information or statistics were evaluated or corroborated will likely be necessary to place the evidence in context for report users.
- e. The audit objectives might focus on trend information based on data that the audited entity provided. In this situation, auditors may assess the evidence by using overall analytical tests of underlying

data, combined with knowledge and understanding of the systems or processes used for compiling information.

- f. The audit objectives might focus on identifying emerging and crosscutting issues using information that audited entities compiled or self-reported. In such cases, it may be helpful for the auditors to consider the overall appropriateness of the compiled information along with other information available about the program. Other sources of information, such as inspector general reports or other external audits, may provide the auditors with information regarding whether any unverified or self-reported information is consistent with or can be corroborated by these other external sources of information.

8.104 In terms of its form and how it is collected, evidence may be categorized as physical, documentary, or testimonial. Physical evidence is obtained by auditors' direct inspection or observation of people, property, or events. Such evidence may be documented in summary memos, photographs, videos, drawings, charts, maps, or physical samples. Documentary evidence is already existing information, such as letters, contracts, accounting records, invoices, spreadsheets, database extracts, electronically stored information, and management information on performance. Testimonial evidence is obtained through inquiries, interviews, focus groups, public forums, or questionnaires. Auditors frequently use analytical processes, including computations, comparisons, separation of information into components, and rational arguments, to analyze any evidence gathered to determine whether it is sufficient and appropriate. Evidence may be obtained by observation, inquiry, or inspection. Each type of evidence has its own strengths and weaknesses. The following contrasts are useful in judging the appropriateness of evidence. However, these contrasts are not adequate in themselves to determine appropriateness. The nature and types of evidence used to support auditors' findings and conclusions are matters of the auditors' professional judgment based on the audit objectives and audit risk.

- a. Evidence obtained when internal control is effective is generally more reliable than evidence obtained when internal control is weak or nonexistent.⁷⁷

⁷⁷See paras. 8.39 through 8.67 for a discussion of internal control.

- b. Evidence obtained through the auditors' direct physical examination, observation, computation, and inspection is generally more reliable than evidence obtained indirectly.
- c. Examination of original documents is generally more reliable than examination of copies.
- d. Testimonial evidence obtained under conditions in which persons may speak freely is generally more reliable than evidence obtained under circumstances in which the persons may be intimidated.
- e. Testimonial evidence obtained from an individual who is not biased and has direct knowledge about the area is generally more reliable than testimonial evidence obtained from an individual who is biased or has indirect or partial knowledge about the area.
- f. Evidence obtained from a knowledgeable, credible, and unbiased third party is generally more reliable than evidence obtained from management of the audited entity or others who have a direct interest in the audited entity.

8.105 Testimonial evidence may be useful in interpreting or corroborating documentary or physical information. Documentary evidence may be used to help verify, support, or challenge testimonial evidence.

8.106 Surveys generally provide self-reported information about existing conditions or programs. Evaluating the survey design and administration assists auditors in evaluating the objectivity, credibility, and reliability of the self-reported information.

8.107 When sampling is used, the appropriate selection method will depend on the audit objectives. When a representative sample is needed, the use of statistical sampling approaches generally results in stronger evidence than that obtained from nonstatistical techniques. When a representative sample is not needed, a targeted selection may be effective if the auditors have isolated risk factors or other criteria to target the selection.

Overall Assessment of Evidence

Requirements: Overall Assessment of Evidence

8.108 Auditors should perform and document an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments performed to conclude on the validity and reliability of specific evidence.

8.109 When assessing the overall sufficiency and appropriateness of evidence, auditors should evaluate the expected significance of evidence to the audit objectives, findings, and conclusions; available corroborating evidence; and the level of audit risk. If auditors conclude that evidence is not sufficient or appropriate, they should not use such evidence as support for findings and conclusions.

8.110 When the auditors identify limitations or uncertainties in evidence that is significant to the audit findings and conclusions, they should perform additional procedures, as appropriate.

Application Guidance: Overall Assessment of Evidence

8.111 Professional judgments about the sufficiency and appropriateness of evidence are closely interrelated, as auditors interpret the results of audit testing and evaluate whether the nature and extent of the evidence obtained is sufficient and appropriate.

8.112 Sufficiency and appropriateness of evidence are relative concepts, which may be thought of as a continuum rather than as absolutes. Sufficiency and appropriateness are evaluated in the context of the related findings and conclusions. For example, even though the auditors may identify some limitations or uncertainties about the sufficiency or appropriateness of some of the evidence, they may nonetheless determine that in total there is sufficient, appropriate evidence to support the findings and conclusions.

8.113 The steps to assess evidence may depend on the nature of the evidence, how the evidence is used in the audit or report, and the audit objectives.

- a. Evidence is sufficient and appropriate when it provides a reasonable basis for supporting the findings or conclusions within the context of the audit objectives.

- b. Evidence is not sufficient or appropriate when (1) using the evidence carries an unacceptably high risk that it could lead auditors to reach an incorrect or improper conclusion; (2) the evidence has significant limitations, given the audit objectives and intended use of the evidence; or (3) the evidence does not provide an adequate basis for addressing the audit objectives or supporting the findings and conclusions.

8.114 Evidence has limitations or uncertainties when its validity or reliability has not been assessed or cannot be assessed, given the audit objectives and the intended use of the evidence. Limitations also include errors identified by the auditors in their testing.

8.115 Additional procedures that could address limitations or uncertainties in evidence that are significant to the audit findings and conclusions include

- a. seeking independent, corroborating evidence from other sources;
- b. redefining the audit objectives or the audit scope to eliminate the need to use the evidence;
- c. presenting the findings and conclusions so that the supporting evidence is sufficient and appropriate and describing in the report the limitations or uncertainties with the validity or reliability of the evidence, if such disclosure is necessary to avoid misleading the report users about the findings or conclusions; and
- d. determining whether to report the limitations or uncertainties as a finding, including any related significant internal control deficiencies.

Findings

Requirements: Findings

8.116 As part of a performance audit, when auditors identify findings, they should plan and perform procedures to develop the criteria, condition, cause, and effect of the findings to the extent that these elements are relevant and necessary to achieve the audit objectives.

8.117 Auditors should consider internal control deficiencies in their

evaluation of identified findings when developing the cause element of the identified findings when internal control is significant to the audit objectives.

Application Guidance: Findings

8.118 Findings may involve deficiencies in internal control; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or instances of fraud.

8.119 Given the concept of accountability for use of public resources and government authority, evaluating internal control in a government environment may also include considering internal control deficiencies that result in waste or abuse. Because the determination of waste and abuse is subjective, auditors are not required to perform specific procedures to detect waste or abuse in performance audits. However, auditors may consider whether and how to communicate such matters if they become aware of them. Auditors may also discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

8.120 Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

8.121 The following are examples of waste, depending on the facts and circumstances:

- a. Making travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive.
- b. Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive.

8.122 Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for

personal financial interests or those of an immediate or close family member or business associate.

8.123 The following are examples of abuse, depending on the facts and circumstances:

- a. Creating unneeded overtime.
- b. Requesting staff to perform personal errands or work tasks for a supervisor or manager.
- c. Misusing the official's position for personal gain (including actions that could be perceived by an objective third party with knowledge of the relevant information as improperly benefiting an official's personal financial interests or those of an immediate or close family member; a general partner; an organization for which the official serves as an officer, director, trustee, or employee; or an organization with which the official is negotiating concerning future employment).

8.124 Criteria: To develop findings, criteria may include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. The term program includes processes, projects, studies, policies, operations, activities, entities, and functions. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report.

8.125 Condition: Condition is a situation that exists. The condition is determined and documented during the audit.

8.126 Cause: The cause is the factor or factors responsible for the difference between the condition and the criteria, and may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor contributing to the difference between the condition and the criteria.

8.127 Effect or potential effect: The effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. When the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, effect is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

8.128 The elements needed for a finding are related to the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are addressed and the report clearly relates those objectives to the elements of a finding. For example, an audit objective may be to determine the current status or condition of program operations or progress in implementing legislative requirements, and not the related cause or effect. In this situation, developing the condition would address the audit objective, and developing the other elements of a finding would not be necessary.

8.129 The cause of a finding may relate to an underlying internal control deficiency. For example, auditors conducting a compliance audit may find that an audited entity has not complied with certain legislation. Upon further evaluation, the auditors may find the root cause of the finding to be that one of the entity's control activities was not properly designed. In this case, the finding would be an instance of noncompliance, but the cause of the finding would be an internal control deficiency.

8.130 Considering internal control in the context of a comprehensive internal control framework, such as *Standards for Internal Control in the Federal Government* or *Internal Control—Integrated Framework*,⁷⁸ can help auditors to determine whether underlying internal control deficiencies exist as the root cause of findings. When the audit objectives include explaining why a particular type of positive or negative program performance, output, or outcome identified in the audit occurred, the underlying deficiencies are referred to as cause. Identifying the cause of

⁷⁸The COSO Framework and the Green Book provide suitable and available criteria against which management may evaluate and report on the effectiveness of the entity's internal control. The Green Book may be adopted by entities beyond those federal entities for which it is legally required, such as state, local, and quasi-governmental entities, as well as other federal entities and not-for-profit organizations, as a framework for an internal control system.

problems may assist auditors in making constructive recommendations for correction. Auditors may identify deficiencies in program design or structure as the cause of deficient performance. Auditors may also identify deficiencies in internal control that are significant to the subject matter of the performance audit as the cause of deficient performance. In developing these types of findings, the deficiencies in program design or internal control would be described as the cause. Often the causes of deficient program performance are complex and involve multiple factors, including fundamental, systemic root causes.

8.131 When the audit objectives include estimating the extent to which a program has caused changes in physical, social, or economic conditions, “effect” is a measure of the program’s impact. In this case, effect is the extent to which positive or negative changes in actual physical, social, or economic conditions can be identified and attributed to the program.

Audit Documentation

Requirements: Audit Documentation

8.132 Auditors must prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed; the evidence obtained; and its source and the conclusions reached, including evidence that supports the auditors’ significant judgments and conclusions.

8.133 Auditors should prepare audit documentation that contains evidence that supports the findings, conclusions, and recommendations before they issue their report.

8.134 Auditors should design the form and content of audit documentation to meet the circumstances of the particular audit. The audit documentation constitutes the principal record of the work that the auditors have performed in accordance with standards and the conclusions that the auditors have reached. The quantity, type, and content of audit documentation are a matter of the auditors’ professional judgment.

8.135 Auditors should document the following:

- a. the objectives, scope, and methodology of the audit;
- b. the work performed and evidence obtained to support significant judgments and conclusions, as well as expectations in analytical procedures, including descriptions of transactions and records examined (for example, by listing file numbers, case numbers, or other means of identifying specific documents examined, though copies of documents examined or detailed listings of information from those documents are not required); and
- c. supervisory review, before the audit report is issued, of the evidence that supports the findings, conclusions, and recommendations contained in the audit report.

8.136 When auditors do not comply with applicable GAGAS requirements because of law, regulation, scope limitations, restrictions on access to records, or other issues affecting the audit, the auditors should document the departure from the GAGAS requirements and the impact on the audit and on the auditors' conclusions.

Application Guidance: Audit Documentation

8.137 Audit documentation is an essential element of audit quality. The process of preparing and reviewing audit documentation contributes to the quality of an audit. Audit documentation serves to (1) provide the principal support for the audit report, (2) aid auditors in conducting and supervising the audit, and (3) allow for the review of audit quality.

8.138 An experienced auditor means an individual (whether internal or external to the audit organization) who possesses the competencies and skills that would have enabled him or her to conduct the performance audit. These competencies and skills include an understanding of (1) the performance audit processes, (2) GAGAS and applicable legal and regulatory requirements, (3) the subject matter associated with achieving the audit objectives, and (4) issues related to the audited entity's environment.

8.139 When documenting departures from the GAGAS requirements, the audit documentation requirements apply to departures from unconditional

requirements and from presumptively mandatory requirements when alternative procedures performed in the circumstances were not sufficient to achieve the objectives of the requirements.

Availability of Individuals and Documentation

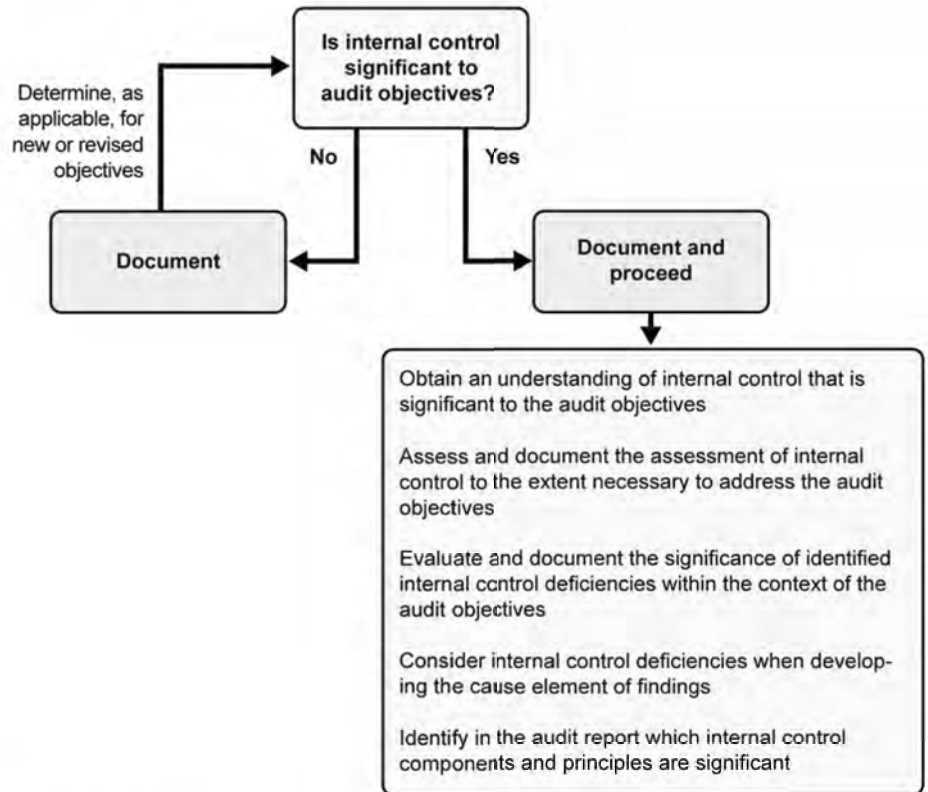
Requirement: Availability of Individuals and Documentation

8.140 Subject to applicable provisions of laws and regulations, auditors should make appropriate individuals and audit documentation available upon request and in a timely manner to other auditors or reviewers.

Application Guidance: Availability of Individuals and Documentation

8.141 Underlying GAGAS audits is the premise that audit organizations in federal, state, and local governments and public accounting firms engaged to conduct audits in accordance with GAGAS cooperate in auditing programs of common interest so that auditors may use others' work and avoid duplication of efforts. The use of auditors' work by other auditors may be facilitated by contractual arrangements for GAGAS audits that provide for full and timely access to appropriate individuals and to audit documentation.

Figure 4: Consideration of Internal Control in a Generally Accepted Government Auditing Standards Performance Audit



Source: GAO. | GAO-18-568G

Chapter 9: Reporting Standards for Performance Audits

9.01 This chapter contains reporting requirements and guidance for performance audits conducted in accordance with generally accepted government auditing standards (GAGAS). Reporting requirements establish the auditors' overall approach for communicating the results of a performance audit. For performance audits conducted in accordance with GAGAS, the requirements and guidance in chapters 1 through 5 and chapter 8 also apply.

9.02 The reporting requirements for performance audits relate to reporting the auditors' compliance with GAGAS, the form of the report, the report contents, obtaining the views of responsible officials, report distribution, reporting confidential or sensitive information, and discovery of insufficient evidence after report release.

Reporting Auditors' Compliance with GAGAS

Requirements: Reporting Auditors' Compliance with GAGAS

9.03 When auditors comply with all applicable GAGAS requirements, they should use the following language, which represents an unmodified GAGAS compliance statement, in the audit report to indicate that they conducted the audit in accordance with GAGAS:

We conducted this performance 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.

9.04 Audit organizations that meet the independence requirements for internal audit organizations, but not those for external audit organizations, should include in the GAGAS compliance statement, where applicable, a statement that they are independent per the GAGAS requirements for internal auditors.

9.05 When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report. For performance audits, auditors should use a statement that includes either (1) the language in paragraph

9.03, modified to indicate the requirements that were not followed, or (2) language indicating that the auditors did not follow GAGAS.

Report Format

Requirements: Report Format

9.06 Auditors should issue audit reports communicating the results of each completed performance audit.

9.07 Auditors should issue the audit report in a form that is appropriate for its intended use, either in writing or in some other retrievable form.⁷⁹

Application Guidance: Report Format

9.08 The purposes of audit reports are to (1) clearly communicate the results of audits to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials and (2) facilitate follow-up to determine whether appropriate corrective actions have been taken.

9.09 Auditors may present audit reports using electronic media through which report users and the audit organization can retrieve them. The users' needs will influence the form of the audit report. Different forms of audit reports include written reports, letters, briefing slides, or other presentation materials.

Report Content

Requirements: Report Content, Including Objectives, Scope, and Methodology

9.10 Auditors should prepare audit reports that contain (1) the objectives, scope, and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations, as appropriate;

⁷⁹See paras. 9.56 through 9.67 for a discussion of report distribution and reporting confidential or sensitive information.

(3) a summary of the views of responsible officials; and (4) if applicable, the nature of any confidential or sensitive information omitted.

9.11 Auditors should communicate audit objectives in the audit report in a clear, specific, neutral, and unbiased manner that includes relevant assumptions. In order to avoid potential misunderstanding, when audit objectives are limited but users could infer broader objectives, auditors should state in the audit report that certain issues were outside the scope of the audit.

9.12 Auditors should describe the scope of the work performed and any limitations, including issues that would be relevant to likely users, so that report users can reasonably interpret the findings, conclusions, and recommendations in the report without being misled. Auditors should also report any significant constraints imposed on the audit approach by information limitations or scope impairments, including denials of, or excessive delays in, access to certain records or individuals.

9.13 In describing the work performed to address the audit objectives and support the reported findings and conclusions, auditors should, as applicable, explain the relationship between the population and the items tested; identify entities, geographic locations, and the period covered; report the kinds and sources of evidence; and explain any significant limitations or uncertainties based on the auditors' overall assessment of the sufficiency and appropriateness of the evidence in the aggregate.

9.14 In reporting audit methodology, auditors should explain how the completed audit work supports the audit objectives, including the evidence-gathering and evidence-analysis techniques, in sufficient detail to allow knowledgeable users of their reports to understand how the auditors addressed the audit objectives. Auditors should identify significant assumptions made in conducting the audit; describe comparative techniques applied; describe the criteria used; and, when the results of sample testing significantly support the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

Application Guidance: Report Content, Including Objectives, Scope, and Methodology

9.15 Report users need information regarding the audit objectives, scope, and methodology to understand the purpose of the audit; the nature and extent of the audit work performed; the context and perspective regarding what is reported; and any significant limitations in the audit objectives, scope, or methodology.

9.16 In reporting audit methodology, auditors may include a description of the procedures performed as part of their assessment of the sufficiency and appropriateness of information used as audit evidence.

9.17 The auditor may use the report quality elements of accurate, objective, complete, convincing, clear, concise, and timely when developing and writing the audit report as the subject permits.

- a. **Accurate:** An accurate report is supported by sufficient, appropriate evidence with key facts, figures, and findings being traceable to the audit evidence. Reports that are fact-based, with a clear statement of sources, methods, and assumptions so that report users can judge how much weight to give the evidence reported, assist in achieving accuracy. Disclosing data limitations and other disclosures also contribute to producing more accurate audit reports. Reports also are more accurate when the findings are presented in the broader context of the issue. One way to help the audit organization prepare accurate audit reports is to use a quality control process such as referencing. Referencing is a process in which an experienced auditor who is independent of the audit checks that statements of facts, figures, and dates are correctly reported; the findings are adequately supported by the evidence in the audit documentation; and the conclusions and recommendations flow logically from the evidence.
- b. **Objective:** Objective means that the presentation of the report is balanced in content and tone. A report's credibility is significantly enhanced when it presents evidence in an unbiased manner and in the proper context. This means presenting the audit results impartially and fairly. The tone of reports may encourage decision makers to act on the auditors' findings and recommendations. This balanced tone can be achieved when reports present sufficient, appropriate evidence to support conclusions while refraining from using adjectives or adverbs that characterize

evidence in a way that implies criticism or unsupported conclusions. The objectivity of audit reports is enhanced when the report explicitly states the source of the evidence and the assumptions used in the analysis. The report may recognize the positive aspects of the program reviewed if applicable to the audit objectives. Inclusion of positive program aspects may lead to improved performance by other government organizations that read the report. Audit reports are more objective when they demonstrate that the work has been performed by professional, unbiased, independent, and knowledgeable personnel.

- c. **Complete:** Being complete means that the report contains sufficient, appropriate evidence needed to satisfy the audit objectives and promote an understanding of the matters reported. It also means the report states evidence and findings without omission of significant relevant information related to the audit objectives. Providing report users with an understanding means providing perspective on the extent and significance of reported findings, such as the frequency of occurrence relative to the number of cases or transactions tested and the relationship of the findings to the entity's operations. Being complete also means clearly stating what was and was not done and explicitly describing data limitations, constraints imposed by restrictions on access to records, or other issues.
- d. **Convincing:** Being convincing means that the audit results are responsive to the audit objectives, that the findings are presented persuasively, and that the conclusions and recommendations flow logically from the facts presented. The validity of the findings, the reasonableness of the conclusions, and the benefit of implementing the recommendations are more convincing when supported by sufficient, appropriate evidence. Reports designed in this way can help focus the attention of responsible officials on the matters that warrant attention and can provide an incentive for taking corrective action.
- e. **Clear:** Clarity means the report is easy for the intended user to read and understand. Preparing the report in language as clear and simple as the subject permits assists auditors in achieving this goal. Use of straightforward, nontechnical language is helpful to simplify presentation. Defining technical terms, abbreviations, and acronyms that are used in the report is also helpful. Auditors may use a highlights page or summary within the report to capture the

report user's attention and highlight the overall message. If a summary is used, it is helpful if it focuses on the audit objectives, summarizes the audit's most significant findings and the report's principal conclusions, and prepares users to anticipate the major recommendations. Logical organization of material and accuracy and precision in stating facts and in drawing conclusions assist in the report's clarity and understandability. Effective use of titles and captions and topic sentences makes the report easier to read and understand. Visual aids (such as pictures, charts, graphs, and maps) may help clarify and summarize complex material.

- f. **Concise:** Being concise means that the report is no longer than necessary to convey and support the message. Extraneous detail detracts from a report and may even conceal the real message and confuse or distract the users. Although room exists for considerable judgment in determining the content of reports, those that are fact-based but concise are likely to achieve results.
- g. **Timely:** To be of maximum use, providing relevant evidence in time to respond to officials of the audited entity, legislative officials, and other users' legitimate needs is the auditors' goal. Likewise, the evidence provided in the report is more helpful if it is current. Therefore, the timely issuance of the report is an important reporting goal for auditors. During the audit, the auditors may provide interim reports of significant matters to appropriate entity and oversight officials. Such communication alerts officials to matters needing immediate attention and allows them to take corrective action before the final report is completed.

Reporting Findings,
Conclusions, and
Recommendations

Requirements: Reporting Findings, Conclusions, and Recommendations

9.18 In the audit report, auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives. Auditors should provide recommendations for corrective action if findings are significant within the context of the audit objectives.

9.19 Auditors should report conclusions based on the audit objectives and the audit findings.

9.20 Auditors should describe in their report limitations or uncertainties with the reliability or validity of evidence if (1) the evidence is significant to the findings and conclusions within the context of the audit objectives and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions. Auditors should describe the limitations or uncertainties regarding evidence in conjunction with the findings and conclusions, in addition to describing those limitations or uncertainties as part of the objectives, scope, and methodology.

9.21 Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the findings. To give the reader a basis for judging the prevalence and consequences of these findings, auditors should, as appropriate, relate the instances identified to the population or the number of cases examined and quantify the results in terms of dollar value or other measures. If the results cannot be projected, auditors should limit their conclusions appropriately.

9.22 When reporting on the results of their work, auditors should disclose significant facts relevant to the objectives of their work and known to them that if not disclosed could mislead knowledgeable users, misrepresent the results, or conceal significant improper or illegal practices.

9.23 When feasible, auditors should recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified deficiencies and findings, and clearly state the actions recommended.

Application Guidance: Reporting Findings, Conclusions, and Recommendations

9.24 The extent to which the elements for a finding are developed depends on the audit objectives. Clearly developed findings assist management and oversight officials of the audited entity in understanding the need for taking corrective action.

9.25 As discussed in paragraphs 8.108 through 8.115, even though the auditors may have some uncertainty about the sufficiency or appropriateness of some of the evidence, they may nonetheless determine that in total there is sufficient, appropriate evidence given the findings and conclusions. Describing limitations provides report users with a clear understanding of how much responsibility the auditors are taking for the information.

9.26 Auditors may provide background information to establish the context for the overall message and to help the reader understand the findings and significance of the issues discussed. Appropriate background information may include information on how programs and operations work; the significance of programs and operations (e.g., dollars, effect, purposes, and past audit work, if relevant); a description of the audited entity's responsibilities; and explanation of terms, organizational structure, and the statutory basis for the program and operations.

9.27 Report conclusions are logical inferences about the program based on the auditors' findings, not merely a summary of the findings. The strength of the auditors' conclusions depends on the persuasiveness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are more compelling if they lead to recommendations and convince a knowledgeable user of the report that action is necessary.

9.28 Effective recommendations encourage improvements in the conduct of government programs and operations. Recommendations are effective when they are addressed to parties with the authority to act and when the recommended actions are specific, feasible, cost-effective, and measurable.

Reporting on Internal Control

Requirements: Reporting on Internal Control

9.29 When internal control is significant within the context of the audit objectives, auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed.

9.30 If some but not all internal control components are significant to the audit objectives, the auditors should identify as part of the scope those internal control components and underlying principles that are significant to the audit objectives.

9.31 When auditors detect deficiencies in internal control that are not significant to the objectives of the audit but warrant the attention of those charged with governance, they should include those deficiencies either in the report or communicate those deficiencies in writing to audited entity officials. If the written communication is separate from the audit report, auditors should refer to that written communication in the audit report.

Application Guidance: Reporting on Internal Control

9.32 Control components and underlying principles that are not considered significant to the audit objectives may be identified in the scope if, in the auditors' professional judgment, doing so is necessary to preclude a misunderstanding of the breadth of the conclusions of the audit report and to clarify that control effectiveness has not been evaluated as a whole. Auditors may also identify and describe the five components of internal control so that report users understand the scope of the work within the context of the entity's internal control system.

9.33 An internal control system is effective if the five components of internal control are effectively designed, implemented, and operating, and are operating together in an integrated manner. The principles support the effective design, implementation, and operation of the associated components and represent requirements necessary to establish an effective internal control system. If a principle is not applied effectively, then the respective component cannot be effective. If a principle or component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective.

9.34 When auditors detect deficiencies in internal control that do not warrant the attention of those charged with governance, determining whether and how to communicate such deficiencies to audited entity officials is a matter of professional judgment.

Reporting on
Noncompliance with
Provisions of Laws,
Regulations, Contracts,
and Grant Agreements

**Requirements: Reporting on Noncompliance with Provisions of
Laws, Regulations, Contracts, and Grant Agreements**

9.35 Auditors should report a matter as a finding when they conclude, based on sufficient, appropriate evidence, that noncompliance with provisions of laws, regulations, contracts, and grant agreements either has occurred or is likely to have occurred that is significant within the context of the audit objectives.

9.36 Auditors should communicate findings in writing to audited entity officials when the auditors detect instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that are not significant within the context of the audit objectives but warrant the attention of those charged with governance.

**Application Guidance: Reporting on Noncompliance with Provisions
of Laws, Regulations, Contracts, and Grant Agreements**

9.37 Whether a particular act is, in fact, noncompliance with provisions of laws, regulations, contracts, and grant agreements may have to await final determination by a court of law or other adjudicative body.⁸⁰

9.38 When auditors detect instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that do not warrant the attention of those charged with governance, the auditors' determination of whether and how to communicate such instances to audited entity officials is a matter of professional judgment.

9.39 When noncompliance with provisions of laws, regulations, contracts, and grant agreements either has occurred or is likely to have occurred, auditors may consult with authorities or legal counsel about whether publicly reporting such information would compromise investigative or legal proceedings. Auditors may limit their public reporting to matters that would not compromise those proceedings and, for example, report only on information that is already a part of the public record.

⁸⁰See paras. 8.27 through 8.29 for a discussion of investigations or legal proceedings.

Reporting on Instances of Fraud

Requirements: Reporting on Instances of Fraud

9.40 Auditors should report a matter as a finding when they conclude, based on sufficient, appropriate evidence, that fraud either has occurred or is likely to have occurred that is significant to the audit objectives.

9.41 Auditors should communicate findings in writing to audited entity officials when the auditors detect instances of fraud that are not significant within the context of the audit objectives but warrant the attention of those charged with governance.

Application Guidance: Reporting on Instances of Fraud

9.42 Whether a particular act is, in fact, fraud may have to await final determination by a court of law or other adjudicative body.⁸¹

9.43 When auditors detect instances of fraud that do not warrant the attention of those charged with governance, the auditors' determination of whether and how to communicate such instances to audited entity officials is a matter of professional judgment.

9.44 When auditors conclude fraud has occurred or is likely to have occurred, auditors may consult with authorities or legal counsel about whether publicly reporting such information would compromise investigative or legal proceedings. Auditors may limit their public reporting to matters that would not compromise those proceedings and, for example, report only on information that is already a part of the public record.

Reporting Findings Directly to Parties outside the Audited Entity

Requirements: Reporting Findings Directly to Parties outside the Audited Entity

9.45 Auditors should report known or likely noncompliance with provisions of laws, regulations, contracts, and grant agreements or fraud directly to parties outside the audited entity in the following two

⁸¹See paras. 8.27 through 8.29 for a discussion of investigations or legal proceedings.

circumstances.

- a. When audited entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report such information to those charged with governance. If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the information directly to the specified external parties.
- b. When audited entity management fails to take timely and appropriate steps to respond to noncompliance with provisions of laws, regulations, contracts, and grant agreements or instances of fraud that (1) are likely to have a significant effect on the subject matter and (2) involve funding received directly or indirectly from a government agency, auditors should first report management's failure to take timely and appropriate steps to those charged with governance. If the audited entity still does not take timely and appropriate steps as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the audited entity's failure to take timely and appropriate steps directly to the funding agency.

9.46 Auditors should comply with the requirements in paragraph 9.45 even if they have resigned or been dismissed from the audit prior to its completion.

9.47 Auditors should obtain sufficient, appropriate evidence, such as confirmation from outside parties, to corroborate representations by audited entity management that it has reported audit findings in accordance with provisions of laws, regulations, or funding agreements. When auditors are unable to do so, they should report such information directly, as discussed in paragraphs 9.45 and 9.46.

Application Guidance: Reporting Findings Directly to Parties outside the Audited Entity

9.48 The reporting in paragraph 9.45 is in addition to any legal requirements to report such information directly to parties outside the audited entity.

9.49 Internal audit organizations do not have a duty to report outside the audited entity unless required by law, regulation, or policy.

Obtaining the Views of Responsible Officials

Requirements: Obtaining the Views of Responsible Officials

9.50 Auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations in the audit report, as well as any planned corrective actions.

9.51 When auditors receive written comments from the responsible officials, they should include in their report a copy of the officials' written comments or a summary of the comments received. When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments, provide a copy of the summary to the responsible officials to verify that the comments are accurately represented, and include the summary in their report.

9.52 When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported by sufficient, appropriate evidence.

9.53 If the audited entity refuses to provide comments or is unable to provide comments within a reasonable period of time, the auditors may issue the report without receiving comments from the audited entity. In such cases, the auditors should indicate in the report that the audited entity did not provide comments.

Application Guidance: Obtaining the Views of Responsible Officials

9.54 Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Including the views of responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the audited entity's responsible officials and the corrective actions they plan to take. Obtaining the comments in writing is preferred, but oral comments are acceptable. In cases in which the audited entity provides technical comments in addition to its written or oral comments on the report, auditors may disclose in the report that such comments were received. Technical comments address points of fact or are editorial in nature and do not address substantive issues, such as methodology, findings, conclusions, or recommendations.

9.55 Obtaining oral comments may be appropriate when, for example, there is a reporting date critical to meeting a user's needs; auditors have worked closely with the responsible officials throughout the engagement, and the parties are familiar with the findings and issues addressed in the draft report; or the auditors do not expect major disagreements with findings, conclusions, or recommendations in the draft report, or major controversies with regard to the issues discussed in the draft report.

Report Distribution

Requirements: Report Distribution

9.56 Distribution of reports completed in accordance with GAGAS depends on the auditors' relationship with the audited organization and the nature of the information contained in the reports. Auditors should document any limitation on report distribution. Auditors should make audit reports available to the public, unless distribution is specifically limited by the terms of the engagement, law, or regulation.

Report Distribution for Internal Auditors

9.57 If an internal audit organization in a government entity follows the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* as well as GAGAS, the head of the internal audit organization should communicate results to the parties who can ensure that the results are given due consideration. If not otherwise mandated by statutory or regulatory requirements, prior

to releasing results to parties outside the organization, the head of the internal audit organization should (1) assess the potential risk to the organization, (2) consult with senior management or legal counsel as appropriate, and (3) control dissemination by indicating the intended users in the report.

Report Distribution for External Auditors

9.58 An audit organization in a government entity should distribute audit reports to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the audits. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports.

9.59 A public accounting firm contracted to conduct an audit in accordance with GAGAS should clarify report distribution responsibilities with the engaging party. If the contracting firm is responsible for the distribution, it should reach agreement with the party contracting for the audit about which officials or organizations will receive the report and the steps being taken to make the report available to the public.

Application Guidance: Report Distribution for External Auditors

9.60 Making an audit report available to the public can involve auditors posting the audit report to their publicly accessible websites or verifying that the audited entity has posted the audit report to its publicly accessible website.

**Reporting
Confidential or
Sensitive Information**

Requirements: Reporting Confidential or Sensitive Information

9.61 If certain information is prohibited from public disclosure or is excluded from a report because of its confidential or sensitive nature, auditors should disclose in the report that certain information has been omitted and the circumstances that make the omission necessary.

9.62 When circumstances call for omission of certain information, auditors should evaluate whether this omission could distort the audit results or conceal improper or illegal practices and revise the report language as necessary to avoid report users drawing inappropriate conclusions from the information presented.

9.63 When the audit organization is subject to public records laws, auditors should determine whether public records laws could affect the availability of classified or limited use reports and determine whether other means of communicating with management and those charged with governance would be more appropriate. Auditors use judgment to determine the appropriate means to communicate the omitted information to management and those charged with governance considering, among other things, whether public records laws could affect the availability of classified or limited use reports.

Application Guidance: Reporting Confidential or Sensitive Information

9.64 If the report refers to the omitted information, the reference may be general and not specific. If the omitted information is not necessary to meet the audit objectives, the report need not refer to its omission.

9.65 Certain information may be classified or may otherwise be prohibited from general disclosure by federal, state, or local laws or regulations. In such circumstances, auditors may issue a separate, classified, or limited use report containing such information and distribute the report only to persons authorized by law or regulation to receive it.

9.66 Additional circumstances associated with public safety, privacy, or security concerns could justify the exclusion of certain information from a publicly available or widely distributed report. For example, detailed information related to computer security for a particular program may be excluded from publicly available reports because of the potential damage that misuse of this information could cause. In such circumstances, auditors may issue a limited use report containing such information and distribute the report only to those parties responsible for acting on the auditors' recommendations. In some instances, it may be appropriate to issue both a publicly available report with the sensitive information excluded and a limited use report. The auditors may consult with legal counsel regarding any requirements or other circumstances that may necessitate omitting certain information. Considering the broad public

interest in the program or activity under audit assists auditors when deciding whether to exclude certain information from publicly available reports.

9.67 In cases described in paragraph 9.63, auditors may communicate general information in a written report and communicate detailed information orally. Auditors may consult with legal counsel regarding applicable public records laws.

Discovery of Insufficient Evidence after Report Release

Requirement: Discovery of Insufficient Evidence after Report Release

9.68 If, after the report is issued, the auditors discover that they did not have sufficient, appropriate evidence to support the reported findings or conclusions, they should communicate in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the entities requiring or arranging for the audits, and other known users, so that they do not continue to rely on the findings or conclusions that were not supported. If the report was previously posted to the auditors' publicly accessible website, the auditors should remove the report and post a public notification that the report was removed. The auditors should then determine whether to perform the additional audit work necessary to either reissue the report, including any revised findings or conclusions, or repost the original report if the additional audit work does not result in a change in findings or conclusions.

Glossary

The following terms are provided to assist in clarifying the *Government Auditing Standards*. The most relevant paragraph numbers are provided for reference. When terminology differs from that used at an organization subject to generally accepted government auditing standards (GAGAS), auditors use professional judgment to determine if there is an equivalent term.

Abuse: Behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. (paragraphs 6.23, 7.25, and 8.122)

Agreed-upon procedures engagement: Consists of auditors performing specific procedures on subject matter or an assertion and reporting findings without providing an opinion or a conclusion on it. (paragraph 1.18c)

Appropriateness: The measure of the quality of evidence that encompasses the relevance, validity, and reliability of evidence used for addressing the audit objectives and supporting findings and conclusions. (paragraph 8.102)

Attestation engagement: An examination, review, or agreed-upon procedures engagement conducted under the GAGAS attestation standards related to subject matter or an assertion that is the responsibility of another party. (paragraph 1.27a)

Audit: Either a financial audit or performance audit conducted in accordance with GAGAS. (paragraph 1.27b)

Audit objectives: What the audit is intended to accomplish. They identify the audit subject matter and performance aspects to be included. Audit objectives can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. Audit objectives may also pertain to the current status or condition of a program. (paragraph 8.08)

Audit organization: A government audit entity or a public accounting firm or other audit entity that conducts GAGAS engagements. (paragraph 1.27c)

Audit procedures: The specific steps and tests auditors perform to address the audit objectives. (paragraph 8.11)

Audit report: A report issued as a result of a financial audit, attestation engagement, review of financial statements, or performance audit conducted in accordance with GAGAS. (paragraph 1.27d)

Audit risk: The possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete. The assessment of audit risk involves both qualitative and quantitative considerations. (paragraph 8.16)

Audited entity: The entity that is subject to a GAGAS engagement, whether that engagement is a financial audit, attestation engagement, review of financial statements, or performance audit. (paragraph 1.27e)

Auditor: An individual assigned to planning, directing, performing engagement procedures or reporting on GAGAS engagements (including work on audits, attestation engagements, and reviews of financial statements) regardless of job title. Therefore, individuals who may have the title auditor, information technology auditor, analyst, practitioner, evaluator, inspector, or other similar titles are considered auditors under GAGAS. (paragraph 1.27f)

Bias threat: The threat that an auditor will, as a result of political, ideological, social, or other convictions, take a position that is not objective. (paragraph 3.30c)

Cause: The factor or factors responsible for the difference between the condition and the criteria, which may also serve as a basis for recommendations for corrective actions. (paragraphs 6.27, 7.29, and 8.126)

Competence: The knowledge, skills, and abilities, obtained from education and experience, necessary to conduct the GAGAS engagement. Competence enables auditors to make sound professional judgments. Competence includes possessing the technical knowledge and skills necessary for the assigned role and the type of work being done. This includes possessing specific knowledge about GAGAS. (paragraph 4.05)

Condition: A situation that exists. The condition is determined and documented during the engagement. (paragraphs 6.26, 7.28, and 8.125)

Control objective: The aim or purpose of specified controls; control objectives address the risks related to achieving an entity's objectives. (paragraph 1.27g)

CPE programs: Structured educational activities or programs with learning objectives designed to maintain or enhance the auditors' competence to address engagement objectives and perform work in accordance with GAGAS. (paragraph 4.32)

Criteria: Laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report. (paragraphs 6.25, 7.27, and 8.124)

Directing: Supervising the efforts of others who are involved in accomplishing the objectives of the engagement or reviewing engagement work to determine whether those objectives have been accomplished. (paragraph 4.11b)

Education: A structured and systematic process aimed at developing knowledge, skills, and other abilities; it is a process that is typically but not exclusively conducted in academic or learning environments. (paragraph 4.06)

Effect or potential effect: The outcome or consequence resulting from the difference between the condition and the criteria. (paragraphs 6.28, 7.30, and 8.127)

Engagement: A financial audit, attestation engagement, review of financial statements, or performance audit conducted in accordance with GAGAS. (paragraph 1.27h)

Engagement partner or director: The partner or director assigned responsibility for a specific engagement as designated by the audit organization. (paragraph 5.37)

Engagement team (or audit team): Auditors assigned to planning, directing, performing engagement procedures or reporting on GAGAS engagements. (paragraph 1.27i)

Engaging party: The party that engages the auditor to conduct a GAGAS engagement. (paragraph 1.27j)

Entity objective: What an entity wants to achieve; entity objectives are intended to meet the entity's mission, strategic plan, and goals and the requirements of applicable laws and regulations. (paragraph 1.27k)

Examination: Consists of obtaining reasonable assurance by obtaining sufficient, appropriate evidence about the measurement or evaluation of subject matter against criteria in order to be able to draw reasonable conclusions on which to base the auditor's opinion about whether the subject matter is in accordance with (or based on) the criteria or the assertion is fairly stated, in all material respects. (paragraph 1.18a)

Experience: Workplace activities that are relevant to developing professional proficiency. (paragraph 4.06)

External audit organization: An audit organization that issues reports to third parties external to the audited entity, either exclusively or in addition to issuing reports to senior management and those charged with governance of the audited entity. (paragraph 1.27l)

Familiarity threat: The threat that aspects of a relationship with management or personnel of an audited entity, such as a close or long relationship, or that of an immediate or close family member, will lead an auditor to take a position that is not objective. (paragraph 3.30d)

Financial audits: Provide an independent assessment of whether an entity's reported financial information (e.g., financial condition, results, and use of resources) is presented fairly, in all material respects, in accordance with recognized criteria. (paragraph 1.17)

Finding: An issue that may involve a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; or instances of fraud. Elements of a finding generally include criteria, condition, cause, and effect or potential effect. (paragraphs 6.17, 6.19, 7.19, 7.21, 8.116, and 8.118)

Fraud: Involves obtaining something of value through willful misrepresentation. Whether an act is, in fact, fraud is determined through the judicial or other adjudicative system and is beyond auditors' professional responsibility. (paragraph 8.73)

Independence in appearance: The absence of circumstances that would cause a reasonable and informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the engagement team had been compromised. (paragraph 3.21b)

Independence of mind: The state of mind that permits the conduct of an engagement without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism. (paragraph 3.21a)

Inputs: The amount of resources (in terms of, for example, money, material, or personnel) that is put into a program. These resources may come from within or outside the entity operating the program. Measures of inputs can have a number of dimensions, such as cost, timing, and quality. (paragraph 8.38d)

Integrity: Auditors performing their work with an attitude that is objective, fact-based, nonpartisan, and nonideological with regard to audited entities and users of the audit reports and making decisions consistent with the public interest of the program or activity under audit. (paragraphs 3.09 and 3.10)

Internal audit organization: An audit organization that is accountable to senior management and those charged with governance of the audited entity and that does not generally issue reports to third parties external to the audited entity. (paragraph 1.27m)

Internal control: A process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. (paragraph 1.22b)

Likelihood of occurrence: The possibility of a deficiency impacting an entity's ability to achieve its objectives. (paragraph 8.56b)

Magnitude of impact: The likely effect that a deficiency could have on the entity achieving its objectives. (paragraph 8.56a)

Management participation threat: The threat that results from an auditor's taking on the role of management or otherwise performing management functions on behalf of the audited entity, which will lead an auditor to take a position that is not objective. (paragraph 3.30f)

Methodology: The nature and extent of audit procedures for gathering and analyzing evidence to address the audit objectives. (paragraph 8.11)

Monitoring of quality: A process comprising an ongoing consideration and evaluation of the audit organization's system of quality control. (paragraph 5.47)

Nature of the deficiency: Involves factors such as the degree of subjectivity involved with the deficiency and whether the deficiency arises from fraud or misconduct. (paragraph 8.56c)

Nonsupervisory auditor: An auditor who plans or performs engagement procedures and whose work situation is characterized by low levels of ambiguity, complexity, and uncertainty. (paragraph 4.10a)

Objectivity: The basis for the credibility of auditing in the government sector. Objectivity includes independence of mind and appearance when conducting engagements, maintaining an attitude of impartiality, having intellectual honesty, and being free of conflicts of interest. (paragraph 3.11)

Outcomes: Accomplishments or results of a program. (paragraph 8.38g)

Outputs: The quantity of goods or services produced by a program. (paragraph 8.38f)

Partners and directors: Auditors who plan engagements, perform engagement procedures, or direct or report on engagements and whose work situations are characterized by high levels of ambiguity, complexity, and uncertainty. Partners and directors may also be responsible for reviewing engagement quality prior to issuing the report, for signing the report, or both. (paragraph 4.10c)

Peer review risk: the risk that the review team (1) fails to identify significant weaknesses in the reviewed audit organization's system of quality control for its auditing practice, its lack of compliance with that system, or a combination thereof; (2) issues an inappropriate opinion on the reviewed audit organization's system of quality control for its auditing practice, its compliance with that system, or a combination thereof; or (3) makes an inappropriate decision about the matters to be included in, or excluded from, the peer review report. (paragraph 5.68)

Performance audits: Engagements that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to, among other things, improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. In a performance audit, the auditors measure or evaluate the subject matter of the audit and present the resulting information as part of, or accompanying, the audit report. (paragraphs 1.21 and 8.14)

Period of professional engagement: The period beginning when the auditors either sign an initial engagement letter or other agreement to conduct an engagement or begin to conduct an engagement, whichever is earlier. The period lasts for the duration of the professional relationship—which, for recurring engagements, could cover many periods—and ends with the formal or informal notification, either by the auditors or the audited entity, of the termination of the professional relationship or with the issuance of a report, whichever is later. (paragraph 3.23)

Performing engagement procedures: Performing tests and procedures necessary to accomplish the engagement objectives in accordance with GAGAS. (paragraph 4.11c)

Planning: Determining engagement objectives, scope, and methodology; establishing criteria to evaluate matters subject to audit; or coordinating the work of the other audit organization. This definition excludes auditors whose role is limited to gathering information used in planning the engagement. (paragraph 4.11a)

Presumptively mandatory requirements: Auditors and the audit organization must comply in all cases where such a requirement is relevant except in rare circumstances discussed in paragraphs 2.03, 2.04, and 2.08. GAGAS uses *should* to indicate a presumptively mandatory requirement. (paragraph 2.02b)

Professional behavior: Behavior that includes auditors avoiding any conduct that could bring discredit to their work and putting forth an honest effort in performing their duties in accordance with the relevant technical and professional standards. (paragraph 3.16)

Professional judgment: Use of the auditor's professional knowledge, skills, and abilities, in good faith and with integrity, to diligently gather

information and objectively evaluate the sufficiency and appropriateness of evidence. Professional judgment includes exercising reasonable care and professional skepticism. (paragraphs 3.109 through 3.117)

Program: Includes processes, projects, studies, policies, operations, activities, entities, and functions. (paragraph 8.08)

Program operations: The strategies, processes, and activities management uses to convert inputs into outputs. Program operations may be subject to internal control. (paragraph 8.38e)

Public interest: The collective well-being of the community of people and entities that the auditors serve. (paragraph 3.07)

Reasonable and informed third party: As evaluated by a hypothetical person, a person who possesses skills, knowledge, and experience to objectively evaluate the appropriateness of the auditor's judgments and conclusions. This evaluation entails weighing all the relevant facts and circumstances, including any safeguards applied, that the auditor knows, or could reasonably be expected to know, at the time that the evaluation is made. (paragraph 3.46)

Reporting: Determining the report content and substance or reviewing reports to determine whether the engagement objectives have been accomplished and the evidence supports the report's technical content and substance prior to issuance. This includes signing the report. (paragraph 4.11d)

Responsible party: The party responsible for a GAGAS engagement's subject matter. (paragraph 1.27n)

Review: Consists of obtaining limited assurance by obtaining sufficient, appropriate review evidence about the measurement or evaluation of subject matter against criteria in order to express a conclusion about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated. Review-level work does not include reporting on internal control or compliance with provisions of laws, regulations, contracts, and grant agreements. (paragraph 1.18b)

Review of financial statements: The objective of the auditor when performing a review of financial statements is to obtain limited assurance as a basis for reporting whether the auditor is aware of any material

modifications that should be made to financial statements in order for the financial statements to be in accordance with the applicable financial reporting framework. A review of financial statements does not include obtaining an understanding of the entity's internal control, assessing fraud risk, or certain other procedures ordinarily performed in an audit. (paragraph 1.20)

Safeguards: Actions or other measures, individually or in combination, that auditors and the audit organization take that effectively eliminate threats to independence or reduce them to an acceptable level. (paragraph 3.49)

Scope: The boundary of the audit and is directly tied to the audit objectives. The scope defines the subject matter that the auditors will assess and report on, such as a particular program or aspect of a program, the necessary documents or records, the period of time reviewed, and the locations that will be included. (paragraph 8.10)

Self-interest threat: The threat that a financial or other interest will inappropriately influence an auditor's judgment or behavior. (paragraph 3.30a)

Self-review threat: The threat that an auditor or audit organization that has provided nonaudit services will not appropriately evaluate the results of previous judgments made or services provided as part of the nonaudit services when forming a judgment significant to a GAGAS engagement. (paragraph 3.30b)

Significance: The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors. In the performance audit requirements, the term significant is comparable to the term material as used in the context of financial statement engagements. (paragraph 8.15)

Source documents: Documents providing evidence that transactions have occurred (for example, purchase orders, payroll time records, customer orders, and contracts). Such records also include an audited entity's general ledger and subsidiary records or equivalent. (paragraph 3.92)

Specialist: An individual or organization possessing special skill or knowledge in a particular field other than accounting or auditing that

assists auditors in conducting engagements. A specialist may be either an internal specialist or an external specialist. (paragraph 1.27p)

Structural threat: The threat that an audit organization's placement within a government entity, in combination with the structure of the government entity being audited, will affect the audit organization's ability to perform work and report results objectively. (paragraph 3.30g)

Sufficiency: A measure of the quantity of evidence used to support the findings and conclusions related to the audit objectives. (paragraph 8.99)

Supervisory auditor: An auditor who plans engagements, performs engagement procedures, or directs engagements, and whose work situation is characterized by moderate levels of ambiguity, complexity, and uncertainty. (paragraph 4.10b)

Technical comments: Comments that address points of fact or are editorial in nature and do not address substantive issues, such as methodology, findings, conclusions, or recommendations. (paragraphs 6.61, 7.59, and 9.54)

Those charged with governance: The individuals responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process, subject matter, or program under audit, including related internal controls. Those charged with governance may also be part of the entity's management. In some audited entities, multiple parties may be charged with governance, including oversight bodies, members or staff of legislative committees, boards of directors, audit committees, or parties contracting for the engagement. (paragraph 1.04)

Unconditional requirement: Requirement with which auditors and the audit organization must comply in all cases where such requirement is relevant. GAGAS uses *must* to indicate an unconditional requirement. (paragraph 2.02a)

Undue influence threat: The threat that influences or pressures from sources external to the audit organization will affect an auditor's ability to make objective judgments. (paragraph 3.30e)

Waste: The act of using or expending resources carelessly, extravagantly, or to no purpose. Waste can include activities that do not

include abuse and does not necessarily involve a violation of law.
(paragraphs 6.21, 7.23, and 8.120)

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SECTION 9

Claiming Instructions

EXHIBIT H

OFFICE OF THE STATE CONTROLLER
STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-05
MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES

MAY 31, 2011

This program will be in effect beginning July 1, 2002, until a new national pollutant discharge elimination system (NPDES) permit issued by the Regional Water Quality Control Board for Los Angeles is adopted.

In accordance with Government Code sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state mandated cost programs. The following are claiming instructions and forms that eligible claimants will use for the filing of claims for the Municipal Storm Water and Urban Runoff Discharges program. These claiming instructions are issued subsequent to adoption of the program's Parameters and Guidelines (P's & G's) by the Commission on State Mandates (Commission).

On July 31, 2009, the Commission adopted a Statement of Decision finding that part 4F5c3 of the Permit CAS004001 adopted by the Los Angeles Regional Water Quality Control Board imposes a partially reimbursable state-mandated program on specified local agencies for the activities listed in the P's & G's which are included as an integral part of these claiming instructions.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

The following local agencies that incur increased costs as a result of this mandate are eligible to claim reimbursement:

- 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 total maximum daily load (TMDL) are eligible to claim reimbursement for the mandated activities.
- The following local agency permittees that are subject to the Ballona Creek 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 Ballona Creek trash TMDL requirements:
 - Beverly Hills, Culver City, Inglewood, Los Angeles (City), Los Angeles County, Santa Monica, and West Hollywood
- From August 28, 2002, until September 22, 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:

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

- 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

Filing Deadlines

A. Reimbursement Claims

Initial reimbursement claims must be filed within 120 days from the issuance date of the claiming instructions. Costs incurred for compliance with this mandate are reimbursable for fiscal years 2002-2003 through 2009-2010 and must be filed with the SCO and be delivered or postmarked on or before **September 28, 2011**. Claims filed after **September 28, 2011**, are subject to a 10% late penalty without limitation. Claims for fiscal year 2010-2011 must be filed with the SCO and be delivered or post marked on or before **February 15, 2012**. Claims for fiscal year 2010-2011 filed after **February 15, 2012**, will be subject to a 10% late penalty not to exceed \$10,000. **Claims filed more than one year after the applicable deadline will not be accepted.**

B. Late Penalty

1. Initial Claims

Late initial claims are assessed a 10% late penalty of the total amount of the claims without limitation pursuant to Government Code Section 17561.

2. Annual Reimbursement Claims

Annual reimbursement claims must be filed by February 15 of the following fiscal year in which costs were incurred or the claims will be reduced by a late penalty.

Late annual reimbursement claims are assessed a 10% late penalty of the claimed amount; \$10,000 maximum penalty.

Minimum Claim Cost

GC section 17564(a) provides that no claim may be filed pursuant to sections 17551, 17560, and 17561, unless such a claim exceeds one thousand dollars (\$1,000).

Reimbursement of Claims

Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure Section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

Audit of Costs

All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the Commission. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the activity adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within thirty days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency for this mandate is subject to the initiation of an audit by the SCO no later than three years after the date that the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or last amended regardless of the year of costs incurred. If no funds were appropriated for initial claims at the time the claim was filed, supporting documents must be retained for three years from the date of

initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Address for Filing Claims

Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

Mandated costs claiming instructions and forms are available online at the SCO's Web site: www.sco.ca.gov/ard_mancost.html. If you have questions, call the Local Reimbursements Section at (916) 324-5729 or email LRSDAR@sco.ca.gov.

Adopted: March 24, 2011

PARAMETERS AND GUIDELINES

Los Angeles Regional Quality Control Board Order No. 01-182

Permit CAS004001

Part 4F5c3

Municipal Storm Water and Urban Runoff Discharges

03-TC-04, 03-TC-20, 03-TC-21

County of Los Angeles, Claimant (03-TC-04)

Cities of Artesia, Beverly Hills, Carson, Norwalk, Rancho Palos Verdes, Westlake Village,

Azusa, Commerce, Vernon, Claimants (03-TC-20)

Bellflower, Covina, Downey, Monterey Park, Signal Hill, Claimants (03-TC-21)

I. SUMMARY OF THE MANDATE

This consolidated test claim was filed by the County of Los Angeles and several cities in the Los Angeles region, alleging that various sections of the 2001 storm water permit (Permit CAS004001) adopted by the Los Angeles Regional Water Quality Control Board constitute a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution. On July 31, 2009, the Commission adopted a Statement of Decision, finding that part 4F5c3 of the permit imposes a partially reimbursable state-mandated program on specified local agencies. (California Regional Water Quality Control Board, Los Angeles Region, Order No. 01-182, Permit CAS004001 (12/13/01), part 4F5c3, page 49.) Part 4F5c3 states the following:

Permittees not subject to a trash TMDL [total maximum daily load] shall [¶]...[¶] 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.

The Commission found that each local agency subject to the permit and not subject to a trash total maximum daily load (TMDL), is entitled to reimbursement 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." All other activities pled in the test claim were denied by the Commission. The Statement of Decision was issued in September 2009.

II. ELIGIBLE CLAIMANTS

The following local agencies that incur increased costs as a result of this mandate are eligible to claim reimbursement:

- 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.
- The following local agency permittees that are subject to the Ballona Creek 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 Ballona Creek trash TMDL requirements:
 - Beverly Hills, Culver City, Inglewood, Los Angeles (City), Los Angeles County Santa Monica, and West Hollywood
- From August 28, 2002, until September 22, 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:
 - 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
- 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

III. PERIOD OF REIMBURSEMENT

Government Code section 17557 states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for reimbursement for that fiscal year. The County of Los Angeles filed a test claim on *Transit Trash Receptacles* (03-TC-04) on September 2, 2003. The Cities of Artesia, Beverly Hills, Carson, La Mirada, Monrovia, Norwalk, Rancho Palos Verdes, San Marino, and Westlake Village filed a test claim on *Waste Discharge Requirements* (03-TC-20) on September 30, 2003. The Cities of Baldwin Park, Bellflower, Cerritos, Covina, Downey, Monterey Park, Pico Rivera, Signal Hill, South Pasadena, and West Covina filed a test claim on *Storm Water Pollution Requirements* (03-TC-21) on September 30, 2003. Each test claim alleged that Part 4F5C3 of the Los Angeles Regional Water Quality Control Board Order No. 01-182,

Permit CAS004001 was a reimbursable state-mandated program. The filing dates of these test claims establish eligibility for reimbursement beginning July 1, 2002, pursuant to Government Code section 17557, subdivision (e), and continues until a new NPDES permit issued by the Regional Water Quality Control Board for Los Angeles is adopted.

Reimbursement for state-mandated costs may be claimed as follows:

1. Costs for one fiscal year shall be included in each claim.
2. All claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions. (Gov. Code, § 17561, subd. (b)(1)(A).)
3. A local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (Gov. Code, § 17560, subd. (a).)
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558, subdivision (c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code, § 17560, subd. (b).)
5. If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564, subdivision (a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed for the one-time activities in section IV. A below. The ongoing activities in section IV. B below are reimbursed under a reasonable reimbursement methodology.

Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual costs were incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, timesheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible local agency, the following activities are reimbursable:

- A. Install Trash Receptacles (one-time per transit stop, reimbursed using actual costs):
 - 1. Identify locations of all transit stops within the jurisdiction required to have a trash receptacle pursuant to the Permit.
 - 2. Select receptacle and pad type, evaluate proper placement of receptacles and prepare specifications and drawings.
 - 3. Prepare contracts, conduct specification review process, advertise bids, and review and award bids.
 - 4. Purchase or construct receptacles and pads and install receptacles and pads.
 - 5. Move (including replacement if required) receptacles and pads to reflect changes in transit stops, including costs of removal and restoration of property at former receptacle location and installation at new location.
- B. Maintain Trash Receptacles and Pads (on-going, reimbursed using the reasonable reimbursement methodology):
 - 1. Collect and dispose of trash at a disposal/recycling facility. *This activity is limited to no more than three times per week.*
 - 2. Inspect receptacles and pads for wear, cleaning, emptying, and other maintenance needs.
 - 3. Maintain receptacles and pads. This activity includes painting, cleaning, and repairing receptacles; and replacing liners. The cost of paint, cleaning supplies and liners is reimbursable. *Graffiti removal is not reimbursable.*
 - 4. Replace individual damaged or missing receptacles and pads. The costs to purchase and install replacement receptacles and pads and dispose of or recycle replaced receptacles and pads are reimbursable.

V. CLAIM PREPARATION AND SUBMISSION OF ACTUAL COSTS FOR THE REIMBURSABLE ACTIVITIES IDENTIFIED IN SECTION IV.A.

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. **Salaries and Benefits**

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. **Materials and Supplies**

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. **Contracted Services**

Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

4. **Fixed Assets and Equipment**

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. **Travel**

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. **Indirect Cost Rates**

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B).) However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
2. The allocation of allowable indirect costs (as defined and described in (OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) separate a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

VI. CLAIM PREPARATION AND SUBMISSION OF THE REASONABLE REIMBURSEMENT METHODOLOGY FOR THE REIMBURSABLE ACTIVITIES IDENTIFIED IN SECTION IV.B

Direct and Indirect Costs

The Commission is adopting a reasonable reimbursement methodology to reimburse eligible local agencies for all direct and indirect costs for the on-going activities identified in section IV.B of these parameters and guidelines to maintain trash receptacles. (Gov. Code, §§ 17557, subd. (b) & 17518.) The RRM is in lieu of filing detailed documentation of actual costs. Under the RRM, the unit cost of \$6.74, during the period of July 1, 2002 to June 30, 2009, for each trash collection or "pickup" is multiplied by the annual number of trash collections (number of receptacles times pickup

events for each receptacle), subject to the limitation of no more than three pickups per week. Beginning in fiscal year 2009-2010, the RRM shall be adjusted annually by the implicit price deflator as forecast by the Department of Finance.

VII. RECORDS RETENTION

A. Actual Costs

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter¹ is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

B. Reasonable Reimbursement Methodology

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district pursuant to this chapter² is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

Pursuant to Government Code section 17561, subdivision (d)(2), the Controller has the authority to audit the application of a reasonable reimbursement methodology.

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. If an audit has been initiated by the Controller during the period subject to audit, the record retention period is extended until the ultimate resolution of any audit findings.

VIII. OFFSETTING REVENUES AND REIMBURSEMENTS

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

¹ This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

² This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561, subdivision (d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (d), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.

PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM - 27
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- (01) Enter the claimant identification number assigned by the State Controller's Office.
- (02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) Not applicable.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown on Form 1, line (13). The total claimed amount must exceed \$1,000; minimum claim must be \$1,001.
- (14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was timely filed. Otherwise, enter the penalty amount as a result of the calculation formula as follows:
- Late Initial Claims: FAM-27 line(13) multiplied by 10%, without limitation; or
 - Late Annual Reimbursement Claims: FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) A.1.(g), means the information is located on Form 1, line (04), A.1, column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the payment process.**
- (37) Read the statement of Certification of Claim. The claim must be dated, signed by the district's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL, AND A COPY OF FORM FAM-27, WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 P.O. Box 942850
 Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 700
 Sacramento, CA 95816

PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES CLAIM SUMMARY	Form 1
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(01) Claimant _____	(02) Fiscal Year ____/20____
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(03) Department _____	
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Direct Costs	Object Accounts						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
(04) Reimbursable Activities	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Travel	Total
A. One-time Activities							
1. Identification of locations that are required to have a trash receptacle							
2. Selection/evaluation/and preparation of specifications and drawings							
3. Preparation of contracts/specification review process/advertise/review and award bids							
4. Purchase or construction and installation of receptacles and pads							
5. Moving/restoration at old location/and installation at new location							
(05) Total One-time Costs							

Reasonable Reimbursement Methodology (RRM).

B. Ongoing Activity: Maintain Trash Receptacles and Pads	
(06) Annual number of trash collections (Refer to claiming instructions)	
(07) Total Ongoing Costs	Line (06) x RRM rate

Indirect Costs

(08) Indirect Cost Rate for A. One-time Activities	[From ICRP or 10%]	%
(09) Total Indirect Costs for A. One-time Activities	Line (05)(a) x 10% or [Refer to Claiming Instructions for ICRP over 10%]	
(10) Total Direct and Indirect Costs	Line (05)(g)+ line (07) + line (09)	
(11) Less: Offsetting Revenues		
(12) Less: Other Reimbursements		
(13) Total Claimed Amount	[Line (10) - {line (11) + line (12)}]	

PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES CLAIM SUMMARY INSTRUCTIONS	Form 1
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of claim.
- (03) Department. If more than one department has incurred costs for this mandate, give the name of each department. A separate Form-1 should be completed for each department.
- (04) **A One-time Activities (Actual Costs)**
 Reimbursable Activities. For each reimbursable activity, enter the total from Form 2, line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row. Total each row.
- (05) Total One-time Costs. Total each column (a) through (g).
- (04) **B. Ongoing Activity- Reasonable Reimbursement Methodology (RRM)**
- (06) Annual number of trash collections. Enter the product of (number of receptacles) x (pick up events) for each receptacle, subject to the limitation of no more than three pickups per week.
 Example: 10 receptacles x 2 times per week x 52 weeks = 1,040
- (07) Total Cost = Result from line (06) above x RRM rate for the applicable fiscal year.
 Example: 1,040 x \$6.74 = \$7,010

Fiscal Year	RRM Rate
2002-03 to 2008-09	\$6.74
2009-2010	6.78
2010-2011	6.80

- (08) Indirect Cost Rate for A. One-time Activities. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an ICRP. If an indirect cost rate of greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim.
- (09) Local agencies have the option of using 1) the flat rate of 10% of direct labor costs or 2) a department's indirect cost rate proposal (ICRP) in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate, by the Indirect Cost Rate, line (08). If more than one department is reporting costs, each must have its own ICRP for the program. [Line (08) x (line (05) (g) – costs not used in distribution base)].
- (10) Total Direct and Indirect Costs. Enter the sum of line (05)(g) + line (07) + line (09).
- (11) Less Offsetting Revenues. If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.
- (12) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds, that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (13) Total Claimed Amount. Line (10) less the sum of line (11) plus line (12). Enter the total on this line and carry the amount forward to form FAM-27, line (14) for the Reimbursement Claim.

Program <b style="font-size: 24pt;">314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES ACTIVITY COST DETAIL	Form <b style="font-size: 24pt;">2
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(01) Claimant	(02) Fiscal Year
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(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

A. One-time Activities

<input type="checkbox"/> 1. Identification of locations that are required to have a trash receptacle <input type="checkbox"/> 2. Selection/evaluation and preparation of specifications and drawings <input type="checkbox"/> 3. Preparation of contracts/specification review process/advertisement/review and award of bids	<input type="checkbox"/> 4. Purchase or construction and installation of receptacles and pads <input type="checkbox"/> 5. Moving/restoration at old location/and installation at new location
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(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel

(05) Total <input type="checkbox"/> Subtotal <input type="checkbox"/> Page: ___ of ___								
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Program 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES ACTIVITY COST DETAIL INSTRUCTIONS	Form 2
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- (01) Claimant. Enter the name of the claimant.
- (02) Fiscal Year. Enter the fiscal year for which costs were incurred.
- (03) Reimbursable Activities. Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.
- (04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated and no payment was made at the time the claim was filed, the time for the Controller to initiate an audit shall be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

- (05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (05), columns (a) through (f) in the appropriate row.

OFFICE OF THE STATE CONTROLLER
STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-05
MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES

MAY 31, 2011

REVISED JULY 1, 2015

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Municipal Storm Water and Urban Runoff Discharges program. The SCO issues these claiming instructions subsequent to the Commission on State Mandates (CSM) adopting the program's Parameters and Guidelines (Ps & Gs). The Ps & Gs are included as an integral part of the claiming instructions.

On July 31, 2009, the CSM adopted a Statement of Decision finding that part 4F5c3 of the Permit CAS004001 adopted by the Los Angeles Regional Water Quality Control Board imposes a partially reimbursable state-mandated program on specified local agencies for the activities listed in the Ps & Gs.

This program will be in effect beginning July 1, 2002, until a new national pollutant discharge elimination system (NPDES) permit issued by the Regional Water Quality Control Board for Los Angeles is adopted.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

The following local agencies that incur increased costs as a result of this mandate are eligible to claim for reimbursement:

- Local agency permittees identified in the Los Angeles Regional Water Quality Control Board Order No. 01-182, Permit CAS004001, which are *not* subject to a trash total maximum daily load (TMDL) are eligible to claim reimbursement for the mandated activities.
- The following local agency permittees that are subject to the Ballona Creek 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 Ballona Creek trash TMDL requirements:

Beverly Hills, Culver City, Inglewood, Los Angeles (City), Los Angeles County, Santa Monica, and West Hollywood

- From August 28, 2002, until September 22, 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:

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

- 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

Special districts, subject to tax and spend limitations pursuant to the provisions of Articles XIII A and B of the California Constitution, are eligible to file a claim for reimbursement. To establish proof of eligibility and to minimize payment delays, the SCO requests that special district claimants submit a supporting document affirming that the special district received an annual allocation of property tax revenue from the county pursuant to Article XIII A of the California Constitution. This may include a Board of Directors Resolution establishing the appropriation limit for the fiscal year being claimed, in compliance with Article XIII B of the California Constitution.

Reimbursement Claim Deadline

Claims for the **2014-15** fiscal year may be filed by **February 16, 2016**, without a late penalty. **Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount, not to exceed \$10,000, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**\$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

Audit of Costs

All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with the SCO's claiming instructions and the Ps & Gs adopted by the CSM. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the activity adjusted, the amount adjusted, and the reason for the adjustment, will be mailed within thirty days after payment of the claim.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, Subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original Form FAM-27 and one copy with required documents. **To expedite the process, please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO’s website: **www.sco.ca.gov/ard_mancost.html**.

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

For more information, contact the Local Reimbursements Section by email at LRSDAR@sco.ca.gov, by telephone at (916) 324-5729, or by writing to the address above.

PARAMETERS AND GUIDELINES

Los Angeles Regional Quality Control Board Order No. 01-182

Permit CAS004001

Part 4F5c3

Municipal Storm Water and Urban Runoff Discharges

03-TC-04, 03-TC-20, 03-TC-21

County of Los Angeles, Claimant (03-TC-04)

Cities of Artesia, Beverly Hills, Carson, Norwalk, Rancho Palos Verdes, Westlake Village,
Azusa, Commerce, Vernon, Claimants (03-TC-20)

Bellflower, Covina, Downey, Monterey Park, Signal Hill, Claimants (03-TC-21)

I. SUMMARY OF THE MANDATE

This consolidated test claim was filed by the County of Los Angeles and several cities in the Los Angeles region, alleging that various sections of the 2001 storm water permit (Permit CAS004001) adopted by the Los Angeles Regional Water Quality Control Board constitute a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution. On July 31, 2009, the Commission adopted a Statement of Decision, finding that part 4F5c3 of the permit imposes a partially reimbursable state-mandated program on specified local agencies. (California Regional Water Quality Control Board, Los Angeles Region, Order No. 01-182, Permit CAS004001 (12/13/01), part 4F5c3, page 49.) Part 4F5c3 states the following:

Permittees not subject to a trash TMDL [total maximum daily load] shall [¶]...[¶] 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.

The Commission found that each local agency subject to the permit and not subject to a trash total maximum daily load (TMDL), is entitled to reimbursement 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." All other activities pled in the test claim were denied by the Commission. The Statement of Decision was issued in September 2009.

II. ELIGIBLE CLAIMANTS

The following local agencies that incur increased costs as a result of this mandate are eligible to claim reimbursement:

- 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.

- The following local agency permittees that are subject to the Ballona Creek 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 Ballona Creek trash TMDL requirements:

Beverly Hills, Culver City, Inglewood, Los Angeles (City), Los Angeles County Santa Monica, and West Hollywood

- From August 28, 2002, until September 22, 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:

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

- 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

III. PERIOD OF REIMBURSEMENT

Government Code section 17557 states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for reimbursement for that fiscal year. The County of Los Angeles filed a test claim on *Transit Trash Receptacles* (03-TC-04) on September 2, 2003. The Cities of Artesia, Beverly Hills, Carson, La Mirada, Monrovia, Norwalk, Rancho Palos Verdes, San Marino, and Westlake Village filed a test claim on *Waste Discharge Requirements* (03-TC-20) on September 30, 2003. The Cities of Baldwin Park, Bellflower, Cerritos, Covina, Downey, Monterey Park, Pico Rivera, Signal Hill, South Pasadena, and West Covina filed a test claim on *Storm Water Pollution Requirements* (03-TC-21) on September 30, 2003. Each test claim alleged that Part 4F5C3 of the Los Angeles Regional Water Quality Control Board Order No. 01-182,

Permit CAS004001 was a reimbursable state-mandated program. The filing dates of these test claims establish eligibility for reimbursement beginning July 1, 2002, pursuant to Government Code section 17557, subdivision (e), and continues until a new NPDES permit issued by the Regional Water Quality Control Board for Los Angeles is adopted. Reimbursement for state-mandated costs may be claimed as follows:

1. Costs for one fiscal year shall be included in each claim.
2. All claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions. (Gov. Code, § 17561, subd. (b)(1)(A).)
3. A local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year. (Gov. Code, § 17560, subd. (a).)
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558, subdivision (c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code, § 17560, subd. (b).)
5. If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564, subdivision (a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed for the one-time activities in section IV. A below. The ongoing activities in section IV. B below are reimbursed under a reasonable reimbursement methodology.

Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual costs were incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, timesheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, “I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct,” and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible local agency, the following activities are reimbursable:

- A. Install Trash Receptacles (one-time per transit stop, reimbursed using actual costs):
1. Identify locations of all transit stops within the jurisdiction required to have a trash receptacle pursuant to the Permit.
 2. Select receptacle and pad type, evaluate proper placement of receptacles and prepare specifications and drawings.
 3. Prepare contracts, conduct specification review process, advertise bids, and review and award bids.
 4. Purchase or construct receptacles and pads and install receptacles and pads.
 5. Move (including replacement if required) receptacles and pads to reflect changes in transit stops, including costs of removal and restoration of property at former receptacle location and installation at new location.

B. Maintain Trash Receptacles and Pads (on-going, reimbursed using the reasonable reimbursement methodology):

1. Collect and dispose of trash at a disposal/recycling facility. *This activity is limited to no more than three times per week.*
2. Inspect receptacles and pads for wear, cleaning, emptying, and other maintenance needs.
3. Maintain receptacles and pads. This activity includes painting, cleaning, and repairing receptacles; and replacing liners. The cost of paint, cleaning supplies and liners is reimbursable. *Graffiti removal is not reimbursable.*
4. Replace individual damaged or missing receptacles and pads. The costs to purchase and install replacement receptacles and pads and dispose of or recycle replaced receptacles and pads are reimbursable.

V. CLAIM PREPARATION AND SUBMISSION OF ACTUAL COSTS FOR THE REIMBURSABLE ACTIVITIES IDENTIFIED IN SECTION IV.A.

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

4. Fixed Assets and Equipment

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B).) However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
2. The allocation of allowable indirect costs (as defined and described in (OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) separate a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

VI. CLAIM PREPARATION AND SUBMISSION OF THE REASONABLE REIMBURSEMENT METHODOLOGY FOR THE REIMBURSABLE ACTIVITIES IDENTIFIED IN SECTION IV.B

Direct and Indirect Costs

The Commission is adopting a reasonable reimbursement methodology to reimburse eligible local agencies for all direct and indirect costs for the on-going activities identified in section IV.B of these parameters and guidelines to maintain trash receptacles. (Gov. Code, §§ 17557, subd. (b) & 17518.)

The RRM is in lieu of filing detailed documentation of actual costs. Under the RRM, the unit cost of \$6.74, during the period of July 1, 2002 to June 30, 2009, for each trash collection or “pickup” is multiplied by the annual number of trash collections (number of receptacles times pickup events for each receptacle), subject to the limitation of no more than three pickups per week. Beginning in fiscal year 2009-2010, the RRM shall be adjusted annually by the implicit price deflator as forecast by the Department of Finance.

VII. RECORDS RETENTION

A. Actual Costs

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter¹ is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

B. Reasonable Reimbursement Methodology

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a school district pursuant to this chapter² is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

Pursuant to Government Code section 17561, subdivision (d)(2), the Controller has the authority to audit the application of a reasonable reimbursement methodology.

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. If an audit has been initiated by the Controller during the period subject to audit, the record retention period is extended until the ultimate resolution of any audit findings.

¹ This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

² This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

VIII. OFFSETTING REVENUES AND REIMBURSEMENTS

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

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561, subdivision (d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (d), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.

PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27
------------------------	-------------------------------------------------------------------------------------------------	------------------------

- (01) Enter the claimant identification number assigned by the State Controller's Office.
- (02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown on Form 1, line (13). The total claimed amount must exceed \$1,000; minimum claim must be \$1,001.
- (14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15**, or otherwise specified in the claiming instructions, following the fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:
- Late Initial Claims: Form FAM-27 line (13) multiplied by 10%, without limitation; or
 - Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) A.1.(g), means the information is located on Form 1, line (04). A.1, column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process.**
- (37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification. (Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.)**
- (38) Enter the name, telephone number, and email address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and email address.

SUBMIT A SIGNED ORIGINAL FORM FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:*Address, if delivered by U.S. Postal Service:*

**OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250**

Address, if delivered by other delivery service:

**OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816**

PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES CLAIM SUMMARY	FORM 1
------------------------------	----------------------------------------------------------------------------------	-------------------------

(01) Claimant	(02)	Fiscal Year 20__/20__
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(03) Department

Direct Costs	Object Accounts
---------------------	------------------------

(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Travel	Total

A. One-time Activities

1. Identification of locations that are required to have a trash receptacle							
2. Selection/evaluation and preparation of specifications and drawings							
3. Preparation of contracts/specification review process/advertise/review and award bids							
4. Purchase or construction and installation of receptacles and pads							
5. Moving/restoration at old location/and installation at new location							
(05) Total One-time Costs							

Reasonable Reimbursement Methodology (RRM)

B. Ongoing Activity: Maintain Trash Receptacles and Pads

(06) Annual number of trash collections (Refer to claiming instructions)	
(07) Total Ongoing Costs	[Line (06) x RRM rate]

Indirect Costs

(08) Indirect Cost Rate for A. One-time Activities	[From ICRP or 10%]	%
(09) Total Indirect Costs for A. One-time Activities	[Line (05)(a) x 10%] or [Refer to Claim Summary Instructions]	
(10) Total Direct and Indirect Costs	[Line (05)(g)+ line (07) + line (09)]	
(11) Less: Offsetting Revenues		
(12) Less: Other Reimbursements		
(13) Total Claimed Amount	[Line (10) - {line (11) + line (12)}]	

PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES CLAIM SUMMARY INSTRUCTIONS	FORM 1
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of claim.
- (03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.
- (04) **A. One-time Activities (Actual Costs)**
 For each reimbursable activity, enter the total from Form 2, line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row. Total each row.
- (05) Total each column (a) through (g).
- (04) **B. Ongoing Activity- Reasonable Reimbursement Methodology (RRM)**
- (06) Enter the product of (number of receptacles) x (pick up events) for each receptacle, subject to the limitation of no more than three pickups per week.
 Example: 10 receptacles x 2 times per week x 52 weeks = 1,040
- (07) Total Cost = Result from line (06) above x RRM rate for the applicable fiscal year.

Example: 1,040 x \$6.74 = \$7,010

Fiscal Year	RRM Rate
2002-03 to 2008-09	\$6.74
2009-10	6.78
2010-11	6.80
2011-12	7.15
2012-13	7.31
2013-14	7.32
2014-15	7.47

- (08) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.
- (09) Local agencies have the option of using 1) the flat rate of 10% of direct labor costs or 2) a department's ICRP in accordance with the Office of Management and Budget Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is used, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (08). If more than one department is reporting costs, each must have its own ICRP for the program. [Line (08) x (line (05) (g) – costs not used in distribution base)].
- (10) Enter the sum of line (05)(g) + line (07) + line (09).
- (11) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.
- (12) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (13) From Total Direct and Indirect Costs, line (10), subtract the sum of Offsetting Revenues, line 11, and Other Reimbursements, line (12). Enter the total on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES ACTIVITY COST DETAIL	FORM 2
------------------------------	-----------------------------------------------------------------------------------------	-------------------------

(01) Claimant	(02)	Fiscal Year 20__/20__
---------------	------	--------------------------

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

A. One-time Activities

<input type="checkbox"/> 1. Identification of locations that are required to have a trash receptacle <input type="checkbox"/> 2. Selection/evaluation and preparation of specifications and drawings <input type="checkbox"/> 3. Preparation of contracts/specification review process/advertise/review and award of bids	<input type="checkbox"/> 4. Purchase or construction and installation of receptacles and pads <input type="checkbox"/> 5. Moving/restoration at old location/and installation at new location
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(04) Description of Expenses			Object Accounts						
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel	

(05) Total <input type="checkbox"/> Subtotal <input type="checkbox"/> Page: ____ of ____		
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PROGRAM 314	MUNICIPAL STORM WATER AND URBAN RUNOFF DISCHARGES ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2
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- (01) Enter the name of the claimant.
- (02) Enter the fiscal year for which costs were incurred.
- (03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.
- (04) The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit shall be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

- (05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

SECTION 10

Final State Audit Report

EXHIBIT 1

CITY OF LAKEWOOD

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, 2013



BETTY T. YEE
California State Controller

November 2017



BETTY T. YEE
California State Controller

November 27, 2017

The Honorable Diane DuBois, Mayor
City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

Dear Mayor DuBois:

The State Controller's Office (SCO) audited the costs claimed by the City of Lakewood 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, 2013.

The city claimed \$1,661,278 for the mandated program. Our audit found that \$740,995 is allowable and \$920,283 is unallowable. The costs are unallowable primarily because the city did not provide sufficient documentation to support the annual number of trash collections performed by city employees, claimed ineligible costs, and did not offset the restricted revenues used to fund the mandated activities. The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

This final audit report contains an adjustment to costs claimed by the city. If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as



BETTY T. YEE
California State Controller

November 27, 2017

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City of Lakewood
5050 Clark Avenue
Lakewood, CA 90712

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The city claimed \$1,661,278 for the mandated program. Our audit found that \$740,995 is allowable and \$920,283 is unallowable. The costs are unallowable primarily because the city did not provide sufficient documentation to support the annual number of trash collections performed by city employees, claimed ineligible costs, and did not offset the restricted revenues used to fund the mandated activities. The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

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If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Diane Perkin, Director of Administrative Services
City of Lakewood
Lisa Litzinger, Director of Recreation and Community Services
City of Lakewood
Lovenel Reveldez, Assistant Director of Administrative Services
City of Lakewood
Chris Hill, Principal Program Budget Analyst
Local Government Unit, California Department of Finance
Steven Pavlov, Finance Budget Analyst
Local Government Unit, California Department of Finance
Anita Dagan, Manager
Local Government Programs and Services Division
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Lakewood 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, 2013.

The city claimed \$1,661,278 for the mandated program. Our audit found that \$740,995 is allowable and \$920,283 is unallowable. The costs are unallowable primarily because the city did not provide sufficient documentation to support the annual number of trash collections performed by city employees, claimed ineligible costs, and did not offset the restricted revenues used to fund the mandated activities. The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

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 (GC) 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 (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 GC section 17558, the SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the Municipal Storm Water and Urban Runoff Discharges Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The audit period was from July 1, 2002, through June 30, 2013.

To achieve our audit objective, we:

- Reviewed the annual mandated cost claims filed by the city for the audit period to identify the material cost components of each claim and to determine whether there were any errors or any unusual or unexpected variances from year to year. In addition, we reviewed the activities claimed to determine their adherence to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key city staff, and performed a walk-through of the claim preparation process to determine what information was obtained, who obtained it, and how it was used;
- Researched NPDES Permit, Order No. R4-2012-0175, to gain an understanding of the effective date in order to determine the city's eligibility;
- Researched the city's location within the Los Angeles River Watershed to gain an understanding of the trash TMDL effective date in order to determine the city's eligibility;
- Traced the unit cost rate claimed for each fiscal year in the audit period to the SCO's claiming instructions to ensure proper application of the rate;
- Requested source documents to support the number of trash receptacles claimed for each fiscal year in the audit period. The city provided documentation to support all trash receptacles claimed for fiscal year (FY) 2002-03 through FY 2008-09 and provided documentation to support 233 of 237 trash receptacles claimed for FY 2009-10 through FY 2011-12;
- Requested source documentation to support the number of trash collections claimed for each fiscal year in the audit period. We determined that the city was unable to provide sufficient source documentation for any fiscal year in audit period; and
- Traced mandated costs claimed to expenditure reports and accounting records for all fiscal years in the audit period to determine whether costs claimed were funded by another source.

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. We conducted this performance 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 objective.

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.

Conclusion

Our audit found instances of noncompliance with the requirements outlined in the Objective section. 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 claimed \$1,661,278 for costs of the Municipal Storm Water and Urban Runoff Discharges Program. Our audit found that \$740,995 is allowable and \$920,283 is unallowable. The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

Views of Responsible Officials

We issued a draft audit report on August 24, 2017. Diane Perkin, Director of Administrative Services, responded by letter dated September 6, 2017 (Attachment), disagreeing with the audit results. This final audit report includes the city's response.

Restricted Use

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

November 27, 2017

Schedule—

Summary of Program Costs

July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 150	× 150		
Annual number of trash collections	× 104	× 52		
Total program costs	<u>\$ 105,144</u>	52,572	<u>\$ (52,572)</u>	Finding 1
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 52,572</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 150	× 150		
Annual number of trash collections	× 104	× 52		
Total program costs	<u>\$ 105,144</u>	52,572	<u>\$ (52,572)</u>	Finding 1
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 52,572</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 195	× 195		
Annual number of trash collections	× 104	× 52		
Total program costs	<u>\$ 136,687</u>	68,344	<u>\$ (68,343)</u>	Finding 1
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,344</u>		
<u>July 1, 2005, through June 30, 2006</u>				
One-time activities:				
Salaries	\$ 145	\$ 145		
Materials and supplies	+ 25,276	+ 25,276		
Indirect costs	+ 15	+ 15		
Total one-time costs	<u>25,436</u>	<u>25,436</u>	\$ -	
Ongoing activities:				
Unit cost rate	6.74	6.74		
Number of transit receptacles	× 195	× 195		
Annual number of trash collections	× 104	× 52		
Total ongoing costs	<u>136,687</u>	<u>68,344</u>	<u>(68,343)</u>	Finding 1
Total one-time costs and ongoing costs	162,123	93,780	(68,343)	
Less offsetting revenues and reimbursements	-	(25,276)	(25,276)	Finding 2
Total program costs	<u>\$ 162,123</u>	68,504	<u>\$ (93,619)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,504</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 195	× 195		
Annual number of trash collections	× 104	× 52		
Total program costs	<u>\$ 136,687</u>	68,344	<u>\$ (68,343)</u>	Finding 1
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,344</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 195	× 195		
Annual number of trash collections	× 104	× 52		
Total program costs	<u>\$ 136,687</u>	68,344	<u>\$ (68,343)</u>	Finding 1
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,344</u>		
<u>July 1, 2008, through June 30, 2009</u>				
One-time activities:				
Salaries	\$ 1,366	\$ 1,366		
Materials and supplies	+ 48,684	+ 48,684		
Indirect costs	+ 136	+ 136		
Total one-time costs	<u>50,186</u>	<u>50,186</u>	\$ -	
Ongoing activities:				
Unit cost rate	\$ 6.74	\$ 6.74		
Number of transit receptacles	× 195	× 195		
Annual number of trash collections	× 104	× 52		
Total ongoing costs	<u>136,687</u>	<u>68,344</u>	<u>(68,343)</u>	Finding 1
Total one-time costs and ongoing costs	186,873	118,530	(68,343)	
Less offsetting revenues and reimbursements	-	(48,664)	(48,664)	Finding 2
Total program costs	<u>\$ 186,873</u>	69,866	<u>\$ (117,007)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 69,866</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
One-time activities:				
Salaries	\$ 705	\$ 705		
Materials and supplies	+ 28	+ 28		
Indirect costs	+ 71	+ 71		
Total one-time costs	<u>804</u>	<u>804</u>	\$ -	
Ongoing activities:				
Unit cost rate	\$ 6.78	\$ 6.78		
Number of transit receptacles	× 237	× 230		
Annual number of trash collections	× 104	× 52		
Total ongoing costs	<u>167,113</u>	<u>81,089</u>	<u>(86,024)</u>	Finding 1
Total program costs	<u>\$ 167,917</u>	<u>81,893</u>	<u>\$ (86,024)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 81,893</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Ongoing activities:				
Unit cost rate	\$ 6.80	\$ 6.80		
Number of transit receptacles	× 237	× 230		
Annual number of trash collections	× 104	× 52		
Total program costs	<u>\$ 167,606</u>	<u>81,328</u>	<u>\$ (86,278)</u>	Finding 1
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 81,328</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Ongoing activities:				
Unit cost rate	\$ 7.15	\$ 7.15		
Number of transit receptacles	× 237	× 230		
Annual number of trash collections	× 104	× 52		
Total program costs	<u>\$ 176,233</u>	<u>85,514</u>	<u>\$ (90,719)</u>	Finding 1
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 85,514</u>		
<u>July 1, 2012, through June 30, 2013</u>				
Ongoing activities:				
July 1, 2012, through December 27, 2012:				
Unit cost rate	\$ 7.31	\$ 7.31		
Number of transit receptacles	× 237	× 230		
Annual number of trash collections	× 104	× 26		
Total program costs	<u>\$ 180,177</u>	<u>43,714</u>	<u>\$ (136,463)</u>	Finding 1
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 43,714</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2002, through June 30, 2013</u>				
Total one-time costs	\$ 76,426	\$ 76,426	\$ -	
Total ongoing costs	<u>1,584,852</u>	<u>738,509</u>	<u>(846,343)</u>	
Total one-time costs and ongoing costs	1,661,278	814,935	(846,343)	
Less offsetting revenues and reimbursements	<u>-</u>	<u>(73,940)</u>	<u>(73,940)</u>	
Total program costs	<u>\$ 1,661,278</u>	740,995	<u>\$ (920,283)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 740,995</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated ongoing maintenance costs

The city claimed reimbursement of \$1,584,852 for ongoing maintenance of the transit stop trash receptacles for the audit period. We found that \$738,509 is allowable and \$846,343 is unallowable. The costs are unallowable because the city overstated the number of trash receptacles, did not provide sufficient documentation to support the annual number of trash collections performed by city employees, and claimed ineligible costs.

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 thereafter 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.

A summary of the claimed, allowable, and audit adjustment amounts is as follows:

Fiscal Year	Amount Claimed				Amount Allowable				Audit Adjustment
	Number of Trash Receptacles	No. of Annual Trash Collections	Unit Cost Rate	Total	Number of Trash Receptacles	No. of Annual Trash Collections	Unit Cost Rate	Total	
2002-03	150	104	\$ 6.74	\$ 105,144	150	52	\$ 6.74	\$ 52,572	\$ (52,572)
2003-04	150	104	6.74	105,144	150	52	6.74	52,572	(52,572)
2004-05	195	104	6.74	136,687	195	52	6.74	68,344	(68,343)
2005-06	195	104	6.74	136,687	195	52	6.74	68,344	(68,343)
2006-07	195	104	6.74	136,687	195	52	6.74	68,344	(68,343)
2007-08	195	104	6.74	136,687	195	52	6.74	68,344	(68,343)
2008-09	195	104	6.74	136,687	195	52	6.74	68,344	(68,343)
2009-10	237	104	6.78	167,113	230	52	6.78	81,089	(86,024)
2010-11	237	104	6.80	167,606	230	52	6.80	81,328	(86,278)
2011-12	237	104	7.15	176,233	230	52	7.15	85,514	(90,719)
2012-13	237	104	7.31	180,177	230	26	7.31	43,714	(136,463)
Total ongoing costs				<u>\$ 1,584,852</u>				<u>\$ 738,509</u>	<u>\$ (846,343)</u>

Overstated number of trash receptacles

For the period of July 1, 2009, through June 30, 2013, the city claimed annual reimbursement for 237 trash receptacles. We found that 230 trash receptacles are allowable.

The city’s Environmental Programs Manager provided us with a survey that details all bus stops within the city in 2011. The survey shows the location of each bus stop and whether each stop has a trash receptacle, among other information. This survey shows 233 total receptacles. Of these 233 receptacles, three are located within the Los Angeles River trash TMDL. Therefore, 230 receptacles are eligible for reimbursement.

Section II. (Eligible Claimants) of the parameters and guidelines states, in part:

Beginning September 23, 2008... 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 that they have transit stops located in areas not covered by the Los Angeles River trash TMDL requirements.

Overstated number of trash collections

For the period of July 1, 2002, through June 30, 2013, the city claimed two collections per trash receptacle per week, totaling 104 annual collections. We found that one collection per trash receptacle per week, totaling 52 annual collections, is allowable.

To support the costs incurred, the city provided email excerpts from the Parks Superintendent, dated August 2011, stating that city staff collect the transit stop trash receptacles two times a week, typically on Mondays and Fridays, or Mondays and Thursdays during short weeks. In addition, the city provided a statement under penalty of perjury from the Director of Recreation and Community Services, dated May 2017, certifying that city employees maintained the transit stop trash receptacles twice weekly during the audit period. While the email excerpts and statement are corroborating documents, they are not contemporaneous source documents and cannot be substituted for source documents.

The city also provided us with the names of the Park Maintenance Worker classification and the Maintenance Trainee classification who performed the transit stop trash collection activities during the audit period. The city was unable to provide duty statements or policy and procedural manuals for either classification during the audit period; therefore, we reviewed the job flyers, dated Spring 2016, for both the Park Maintenance Worker and the Maintenance Trainee, and found that neither of the duty examples listed include maintenance at transit stops.

To demonstrate that employees are able to perform trash receptacle inspection and trash collection at all transit stop trash receptacles in a single day, the city provided documents supporting a simulated trash pickup route. The simulated trash pickup route took place over a two-day period (July 4, 2016, and July 8, 2016). The documentation is not a source document because the two-day simulated trash pickup route was not representative of the prior 14-year period, and was not completed at or near the same time the actual costs were incurred.

We requested that the city provide us with source documents maintained during the audit period, such as policy and procedural manuals regarding trash collection activities, duty statements of the employees performing weekly trash collection activities, and/or trash collection route maps. The city stated that it does not keep these types of records. As the documentation provided was not contemporaneous and was not created during the audit period, we found that the city did not provide sufficient source documentation to support two weekly trash collection activities, totaling 104 annual collections.

However, during audit fieldwork, we physically observed a number of the transit trash receptacles located throughout the city and confirmed that the city is currently performing trash collection activities. Absent contemporaneous documentation to support more than one weekly collection, we determined that one weekly collection, totaling 52 annual collections, is allowable.

Section VII. (Records Retention) of the parameters and guidelines states, in part:

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.

Section IV. (Reimbursable Activities) of the parameters and guidelines states, in part:

Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual costs were incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

...Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

Expired period of reimbursement

For the period of December 28, 2012, through June 30, 2013, the city claimed reimbursement for two trash collections per week. We found that none of these collections are reimbursable.

The city is a permittee identified in the Board's NPDES Permit (Order No. 01-182), and as such, is eligible to claim reimbursement for activities mandated by this permit. However, the Board adopted a new NPDES permit, Order No. R4-2012-0175, which has an effective date of December 28, 2012. As such, reimbursement for activities mandated by the expired permit ended on December 27, 2012.

Section III. (Period of Reimbursement) of the parameters and guidelines states, in part:

The filing dates of these test claims establish eligibility for reimbursement beginning July 1, 2002, pursuant to Government Code section 17557, subdivision (e), and continues until a new NPDES permit issued by the Regional Water Quality Control Board for Los Angeles is adopted.

Recommendation

No recommendation is applicable for this finding, as the period of reimbursement expired on December 27, 2012.

City's Response

Ongoing maintenance cost of transit bus stop receptacles claimed by the City was calculated by taking the approximately 230 stops, multiplying 2 pickups per week performed by City staff, and multiplying by the Unit costs allowed in the claim. SCO allowed only one pick up per location because they said City could not adequately "prove" that pickups occurred twice weekly.

The City of Lakewood disagrees with FINDING 1 for the following reason:

The City of Lakewood staff performed the eligible activity of maintaining transit trash receptacles for the entire mandated period. Public Works staff performed this activity twice weekly for the entire time period eligible under the mandate. The City did not maintain records requested by SCO during the audit but provided three forms of documentation:

- 1) Contemporaneous correspondence showing trash collection activities and frequency.

SCO states on page 9 of their Draft Audit Report that "We requested that the city provide us with source documents maintained during the audit period, such as policy and procedures manuals regarding trash collections activities, duty statements of the employees performing weekly trash collection activities, and/or trash collection route maps.

The City provided 2011 email records of discussions between City staff, Phillip Lopez, Parks Superintendent and Kerry Musgrove, Environmental Resources Supervisor, stating that trash cans were emptied on the first and last day of the week.

This documentation WAS a source document AND a contemporaneous document as it was produced by the city during the actual time the activities were taking place and during the eligible reimbursable time frame. It shows what SCO requested: a source document maintained during the audit period...regarding trash collection activities.

- 2) Signed statements (under the Penalty of Perjury) by Lisa Litzinger, Director of Recreation and Community Services, and Phillip Lopez, Parks Superintendent, the direct supervisor of staff performing this duty, that the City did indeed empty the transit trash receptacles at least twice weekly since 2002-03. Also, the City Administrative Services Director, Diane Perkin, signed each claim form certifying that claims submitted were "true and correct".
- 3) The City performed a survey/study of trash collection routes to prove that employees did collect trash from transit receptacles twice weekly. The study was not intended to be a time study per se – since the claim allows a unit cost and time spent per location is irrelevant. The purpose was to demonstrate collection routes and frequency of pickups. City corrected issues noted by SCO in its Narrative after Exit Conference.

The SCO did not accept any of these sources, but asked for copies of policy and procedure manuals regarding trash collection schedules, duty statements of the employees performing (sic) the trash collection activities, and/or GPS trash collection route maps to prove cleaning schedules during the 2002-2011 time periods. None of these types of

documentation were maintained by the City; however we believe that the records we did provide supports our costs claimed (twice weekly trash pickups).

The mandated program was passed and first made available for reimbursement to cities in May, 2011. Claiming instructions do not list/require these types of documents SCO is requiring as a condition to obtain full reimbursement. Asking local agencies to provide documentation that is not commonly maintained by cities, then using this as a reason to deny costs is arbitrary and capricious.

Now that we are aware what types of documentation the State is requiring, we can comply. However, to ask for documents that were not enumerated in the claiming instructions and not commonly produced by local agencies is unfair to local agencies.

During a July 2016 Status Meeting, City mentioned that “The type of documentation being requested does not exist and we believe that the level of documentation is not reasonable.” SCO responded that they disagreed stating, “We are aware from other neighboring cities, that cities are keeping these records and are able to support costs claimed.”

The SCO however did not provide any specific examples of which cities in similar circumstances (those that maintained trash receptacles in-house) were able to support their costs and provide the information SCO was requesting. Nor did they share what types of documentation they had provided to support the more than weekly pickups.

When we reviewed the results for the other 32 audits for this program that were posted on the website as of May 23, 2017, we found that NO other agency that did their own waste collections in-house and claimed more than once weekly pickups were able to support their costs to the SCO’s satisfaction. ALL agencies that did their own waste pickups had their costs reduced to once per week pickups despite their statements that they did indeed empty the receptacles more than once a week. Those agencies were:

City of Alhambra – claimed 3 times a week trash pickups – but only once a week was allowed because they were not able to provide the type of documentation begin (sic) requested by the SCO.

City of Carson – claimed 2 times a week trash pickups – during audit Carson agreed they only did once a week pickups.

City of San Fernando – claimed 3 times a week trash pickups – they did their own pickups as well, but had their claim reduced similarly to once a week because they also were not able to provide the type of documentation requested by SCO.

The fact that we found no example of any city able to satisfy SCO documentation requirements where more than once weekly maintenance was claimed by an agency doing the work themselves in-house, reinforces our conclusion that the SCO’s requirements are unreasonable and deny agencies actual costs incurred to comply with this State Mandated program by requesting types of documentation that are unreasonable and do not exist.

The following is a list of cities that also claimed more than once weekly pickups, but had an outside contractor do the work at no charge. In these instances, the contract spelled out the services schedule/frequency, so documentation as to frequency was not the issue. ALL costs were denied because they did not use General Funds to pay for these services.

City of Los Angeles – claimed multiple trash pickups- SCO Denied all costs because MTA was found to do pickups at their cost – no costs to city.

City of Manhattan Beach – claimed multiple trash pickups- SCO Denied all costs because Contract provider, USA Waste, was found to do all pickups at their cost – no costs to city.

City of Monterrey (sic) Park – claimed multiple trash pickups- SCO Denied all costs because Contract provider, California Integrated Waste Management, was found to do all pickups at their costs – no costs to city.

City of Torrance – claimed multiple trash pickups- SCO Denied all costs because Contract provider, Viacom Inc., was found to do all pickups at their cost – no costs to city.

City of West Covina – claimed multiple trash pickups- SCO Denied all costs because Contract provider, Athens Services, was found to do all pickups at their cost – no costs to city.

The following is a list of cities that also claimed more than once weekly pickups, but they did not use General Funds to pay for the services or were not eligible to file the claim.

City of Palmdale – claimed multiple trash pickups per week – ALL costs disallowed – not in eligible claimant in correct TMDL area.

City of Pasadena – claimed multiple trash pickups- SCO Denied all costs because City used a special fund.

City of Santa Monica – claimed multiple trash pickups- SCO Denied almost all costs because City used a special fund.

Located approximately 23 miles southeast of Los Angeles, Lakewood is a large city with a population of about 80,000 residents and has numerous restaurants, retail, and commercial land uses including a regional mall. The transit locations are busy and generate large amounts of trash that requires frequent service.

The City's request for twice weekly pickups is reasonable given its demographics and the actual costs claimed under penalty of perjury. The City requests that its actual costs (twice weekly trash pickups) be reimbursed.

SCO's Comments

The city states that the 2011 email documentation "WAS a source document AND a contemporaneous document..." We disagree. Section IV. (Reimbursable Activities) of the parameters and guidelines define a source document as "a document created at or near the same time the actual costs were incurred for the event or activity

in question.” The audit period began in 2002, and the email discussing trash collection activities was dated nine years later. As such, we determined that this 2011 email is not a source document that was “created at or near the same time” that the activities occurred. We provided the city with examples of source documents it may have had during the audit period (such as policy and procedural manuals regarding trash collection activities, duty statements for employees performing weekly trash collection activities, and/or route maps city employees followed when collecting the transit stop trash receptacles) that would meet the criteria outlined in the parameters and guidelines. The city acknowledged that “none of these types of documentation were maintained....” Therefore, absent source documentation to support two weekly trash collections, we found that one weekly trash collection is allowable.

We did not accept the signed statement from either the Parks Superintendent or the Director of Recreation and Community Services certifying that the transit trash receptacles were collected twice weekly during the audit period because these declarations are corroborating documents that “cannot be substituted for source documents” (Section IV. Reimbursable Activities). Further, these declarations were signed in 2016 and 2017, which is more than 15 years following the beginning of the audit period.

The city states that it “performed a survey/study of trash routes to prove that the employees did collect trash from transit receptacles twice weekly.” We did not accept this survey/study of trash routes as it does not “prove” that employees collecting transit receptacles twice weekly in 2016 also did so during the audit period from FY 2002-03 through FY 2012-13.

The city states that the SCO is arbitrary and capricious to ask “local agencies to provide documentation that is not commonly maintained by cities, then using this as a reason to deny costs....” We disagree. We do not believe that policy and procedural manuals regarding trash collection activities, duty statements for the employees performing weekly trash collection activities, and route maps is information “not commonly maintained by cities.” The city states that the SCO did not “share what types of documentation they (other cities) had provided to support the more than weekly pickups.” It is not the SCO’s responsibility to provide the City of Lakewood with examples of documentation that neighboring cities maintained for the mandated program.

The city goes on to reference other audits for the Municipal Storm Water and Urban Runoff Discharges program that were posted on the SCO website and states that the SCO’s documentation requirements are “unreasonable” and “deny agencies actual costs incurred to comply with this State Mandated program....” To clarify, the documentation requirements are established by the Commission on State Mandates, not the SCO. It is the SCO’s responsibility to audit to the criteria outlined in the program’s parameters and guidelines. Further, the SCO’s audits of other local agency reimbursement claims are not relevant to the current audit. Every audit stands alone and is

dependent upon documentation and evidence provided by the claimant to support increased costs mandated by the State.

**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 \$73,940 for the audit period.

For FY 2005-06, the city claimed \$25,276 for the purchase of 26 trash receptacles (\$24,656 for the purchase of 25 trash receptacles and \$620 for the purchase of an additional trash receptacle). The city confirmed that it paid for the purchase of the 25 trash receptacles with Proposition A funds; however, the city was unable to provide documentation to support the funding of the remaining trash receptacle. Nevertheless, as this one-time cost was similar in nature to those paid for with Proposition A funds, we concluded that the city likely paid for the remaining trash receptacle with Proposition A funds as well.

For FY 2008-09, the city claimed \$48,664 for the purchase of 84 trash receptacles. The city confirmed that it used both Proposition A funds and a federal grant to pay for these trash receptacles.

Proposition A is a one-half cent sales tax approved by Los Angeles County voters in 1980. As a condition of voter approval, the sales tax revenues must be used to benefit public transit. The federal grant the city received in FY 2008-09 was designated for use in pedestrian, bikeway, and handicapped accessibility projects.

Section VIII. (Offsetting Revenues and Reimbursements) of the parameters and guidelines states:

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

City's Response

SCO states that the City did not offset any revenues on its claim forms for the audit period, finding that the City should have reported \$73,940 for the audit period as offsetting revenues or reimbursements and is therefore not entitled to the State mandate reimbursement for the costs that are otherwise compliant with the State Mandated Program. SCO is specifically referring to the use of restricted funds from Proposition A.

The City of Lakewood partially disagrees with FINDING 2 for the following reason:

First, there were no revenues generated or experienced by the City from the State Mandate Stormwater Program requiring the installation and maintenance of trash receptacles.

Second, the City did not receive any reimbursement for THIS MANDATE that required offset from the costs incurred and claimed. Claiming instructions state “reimbursement **for this mandate** received from any federal, State, or non-local sources shall be identified and deducted from this claim.” The City did not receive any monies for this specific program. The funding sources city by the SCO were general in nature and the City did not have to use them for this specific purpose.

City agrees that \$4,114.16 received from the Federal Grant should have been reduced; however, not the \$44,549.84 from Proposition A funding source.

The costs were among a long list of items that the City could have paid for. However, because of the State’s mandated requirements and the lack of City funding in General Fund, the City was forced to look to any other sources of revenue available to fund the State mandated activities.

Prop A transportation funds are essentially local funds generated from County sales tax which could have been used for various transportation City priorities we had such as filling pot holes, fixing curbs, and supplementing our transit program. Trash receptacle purchase would not have been required had the State not mandated it. Each of these funding sources could have been used by the City (and can still be used, if the State pays the City for the mandated costs incurred) to fund CITY priorities and not STATE Mandated projects.

We believe that prior Commission decision regarding the use of specific versus general funding from other sources was addressed in a prior State Mandated program, Two-Way Traffic Control Signal Communications. (CSM-4504). Similarly, the State mandated the purchase of new signal controllers that had specific software capabilities allowing for inter jurisdictional communication capacity.

Those units could have also been purchased from a variety of sources, such as gas tax, federal grants, etc.

The Commission found in its March 27, 1998 Statement of Decision (pages 15-17) that there was a difference between dedicated versus discretionary funds received. If the local agency had the *discretion* of choosing between multiple types of projects, those funds received did not have to have been used solely to offset the cost of mandated program activities. “The local agency has the *discretion* to prioritize the projects to be funded within the above categories.”

On page 17 of the Statement of Decision, its states, “there is no mandate requiring local agencies to use gas tax funds specifically for the two-way communications program. Rather, local agencies have the discretion to prioritize the projects to be funded.”

“The Commission disagreed with Caltrans’ assertion that the funds received by local agencies from the gas tax increase fully fund and must be used toward the...” State Mandated program (Footnote 17) on page 17.

Saying an agency “chose” and has the discretion to “prioritize” is really not a choice when they are out of General Fund money. Agencies that did not have General Funds available to pay for State Mandated program should not be punished for using other funds (that could have been used to pay for real CITY PRIORITIES, rather than State Mandates). The stated purpose of Article XIII B, section 6, is to preclude the State from shifting financial responsibility for carrying out governmental functions to local agencies, which are ‘ill quipped’ to assume increased financial responsibility because of the taxing and spending limitations that articles XIII A and XIII B impose.” County of San Diego v. State of California (1991) 15 Cal. 4th 68, 81.

Shifting financial responsibility to those most vulnerable and “ill equipped” agencies is exactly what is happening in this case.

Further, Prop A and Prop C are also “proceeds of taxes”, subject to the taxing and spending limitations.

The City has the legal authority to repay and transfer monies received from State Mandate payments back to those original funding sources. Then those funds can be used to pay for true local agency (not State Mandated) priorities such as repairing deteriorating streets and sidewalks.

The California Constitution and Government Codes require that the State pay local agencies for costs mandated by the State. The costs and (sic) claimed by the City were directly related to the City’s efforts to comply with the State Mandates.

Punishing the most vulnerable cities that had scarce General Funds to pay for these required multi-million dollar State Mandated expenditures violates the intent of the law.

We request restoration of \$916,169 costs cut relating to “Offsetting Reimbursements” reductions.

SCO’s Comments

Both the Commission’s parameters and guidelines and the SCO’s claiming instructions require the identification and reporting of offsetting revenues and reimbursements. Section VIII. of the parameters and guidelines states that reimbursement from federal, state, and non-local sources shall be identified and deducted from the claim. We believe that the Proposition A Local Return funds the city used to pay for the purchase of the transit receptacles are restricted funds that should be reported and offset against claimed costs.

We disagree with the city’s comment that “the funding sources cited by the SCO were general in nature and the city did not have to use them for this specific purpose.” The Proposition A Local Return funds are restricted solely for the development and/or improvement of public transit services, which is not “general in nature.”

The city states that there is a difference between dedicated and discretionary funding, as determined by the Commission in the Two-Way Traffic Control Signal Communications mandated program. The city references the Commission’s statement that says, “There is no mandate

requiring local agencies to use gas tax funds specifically for the two-way communications program. Rather, local agencies have the discretion to prioritize the projects to be funded.” However, the city fails to reference the following paragraph, in which the Commission concludes that:

The funds received by local agencies from the gas tax *may* be used to fund the cost of obtaining the standard two-way traffic signal communications software. Accordingly, reimbursement is not required to the extent local agencies use their gas tax proceeds to fund the test claim legislation.

The same principle applies to the Municipal Storm Water and Urban Runoff Discharges Program. The city chose, at its discretion, to use the Proposition A Local Return funds to pay for the purchase of the transit trash receptacles. As such, reimbursement for mandated costs is not required to the extent that the city used its Proposition A Local Return funds to fund mandated activities.

The city states that it has the “legal authority to repay and transfer monies received from State Mandates payments back to the original funding sources.” We disagree. The Proposition A Local Return program guidelines do not allow for the advancement of Local Return funds pending reimbursement from the State for mandated costs.

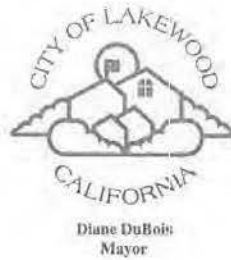
The city states that Proposition A funds are “‘proceeds of taxes’, subject to the taxing and spending limitations.” The city has not provided documentation to support that the Proposition A Local Return funds have been included in the city’s appropriations subject to the limit. Further, in regards to the “proceeds of taxes,” Proposition A Local Return funds are a special supplementary sales tax approved by Los Angeles County voters in 1980 and are restricted solely for the development and or improvement of public transit services. A special supplementary sales tax is not the same as unrestricted general sales tax, which can be spent for any general governmental purposes, including public employee salaries and benefits.

The city concludes that the SCO is punishing “the most vulnerable cities that had scarce General Funds to pay for these required multi-million dollar State Mandated expenditures....” To the contrary, the city had Proposition A Local Return funds available to fund the mandated program and did not have to rely on the use of its “scarce” general funds.

**Attachment—
City's Response to Draft Audit Report**

Steve Croft
Vice Mayor

Ron Piazza
Council Member



Jeff Wood
Council Member

Todd Rogers
Council Member

September 6, 2017

Mr. Jim L. Spano
Assistant Division Chief, Division of Audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano,

Please accept the City of Lakewood's response to the State Controller's Office (SCO) August 24, 2017 Draft Audit Report of the Municipal Stormwater & Urban Discharges Program for the period of July 1, 2002 through June 30, 2013.

Please see the attached document for our detailed responses to your findings.

We believe the responses submitted were prepared in accordance with the claiming instruction, Statement of Decision, and the Parameters and Guidelines adopted by the Commission. We are willing to provide additional documentation upon request.

Please contact me at (562) 866-9771 or our consultant Annette Chinn at (916) 939-7901 with any questions.

Sincerely,

 FOR D.P.
Ms. Diane Perkin
Administrative Services Director

cc: Annette S. Chinn, Cost Recovery System, Inc.

Page 1

Lakewood

5050 Clark Avenue, Lakewood, CA 90712 • (562) 866-9771 • Fax (562) 866-0505 • www.lakewoodcity.org • Email: service1@lakewoodcity.org

FINDING 1 - Overstated ongoing maintenance costs:

Ongoing maintenance cost of transit bus stop receptacles claimed by the City was calculated by taking the approximately 230 stop, multiplying by 2 pickups per week performed by City staff, and multiplying by the Unit costs allowed in the claim. SCO allowed only one pick up per location because they said City could not adequately "prove" that pickups occurred twice weekly.

The City of Lakewood disagrees with FINDING 1 for the following reason:

The City of Lakewood staff performed the eligible activity of maintaining transit trash receptacles for the entire mandated period. Public Works staff performed this activity twice weekly for the entire time period eligible under the mandate. The City did not maintain records requested by SCO during the audit but provided three forms of documentation:

- 1) Contemporaneous correspondence showing trash collection activities and frequency.

SCO states on page 9 of their Draft Audit Report that "We requested that the city provide us with source documents maintained during the audit period, such as policy and procedures manuals regarding trash collection activities, duty statements of the employees performing weekly trash collections activities, and /or trash collection route maps.

The City provided 2011 email records of discussions between City staff, Philip Lopez, Parks Superintendent and Kerry Musgrove, Environmental Resources Supervisor, stating that trash cans were emptied on the first and last day of the week.

This documentation WAS a source document AND a contemporaneous document as it was produced by the city during the actual time the activities were taking place and during the eligible reimbursable time frame . It shows what SCO requested: a source document maintained during the audit period...regarding trash collection activities.

- 2) Signed statements (under the Penalty of Perjury) by Lisa Litzinger, Director of Recreation and Community Services, and Philip Lopez, Parks Superintendent, the direct supervisor of staff performing this duty, that the City did indeed empty the transit trash receptacles at least twice weekly since 2002-03. Also, the City Administrative Services Director, Diane Perkin, signed each claim form certifying that claims submitted were "true and correct".
- 3) The City performed a survey/study of trash collection routes to prove that employees did collect trash from transit receptacles twice weekly. The study was not intended to be a time study per se – since the claim allows a unit cost and time spent per location is irrelevant. The purpose was to demonstrate collection routes and frequency of pickups. City corrected issues noted by SCO in its Narrative after Exit Conference

The SCO did not accept any of these sources, but asked for copies of policy and procedure manuals regarding trash collection schedules, duty statements of the employees performing the trash collection activities, and/or GPS trash collection route maps to prove cleaning schedules during the 2002-2011 time periods. None of these types of documentation were maintained by the City; however we believe that the records we did provide supports our costs claimed (twice weekly trash pickups).

The mandated program was passed and first made available for reimbursement to cities in May, 2011. Claiming Instructions do not list/require these types of documents SCO is requiring as a condition to obtain full reimbursement. Asking local agencies to provide documentation that is not commonly maintained by cities, then using this as a reason to deny costs is arbitrary and capricious.

Now that we are aware what types of documentation the State is requiring, we can comply. However, to ask for documents that were not enumerated in the claiming instructions and not commonly produced by local agencies is unfair to local agencies.

During a July 2016 Status Meeting, City mentioned that "The type of documentation being requested does not exist and we believe that the level of documentation requested is not reasonable." SCO responded that they disagreed stating, "We are aware from other neighboring cities, that cities are keeping these records and are able to support costs claimed."

The SCO however did not provide any specific examples of which cities in similar circumstances (those that maintained trash receptacles in-house) were able to support their cost and provide the information SCO was requesting. Nor did they share what types of documentation they had provided to support the more than weekly pickups.

When we reviewed the results for the other 32 audits for this program that were posted on the website as of May 23, 2017, we found that NO other agency that did their own waste collections in-house and claimed more than once weekly pickups were able to support their costs to the SCO's satisfaction. ALL agencies that did their own waste pickups had their costs reduced to once per week pickups despite their statements that they did indeed empty the receptacles more than once a week. Those agencies were:

City of Alhambra – claimed 3 times a week trash pickups – but only once a week was allowed because they also were not able to provide the type of documentation begin requested by the SCO.

City of Carson – claimed 2 times a week trash pickups – during audit Carson agreed they only did once a week pickups.

City of San Fernando – claimed 3 times a week trash pickups – they did their own pickups as well, but had their claim reduced similarly to once a week because they also were not able to provide the type of documentation requested by SCO.

The fact that we found no example of any city able to satisfy SCO documentation requirements where more than once weekly maintenance was claimed by an agency doing the work themselves in-house, reinforces our conclusion that the SCO's requirements are unreasonable and deny agencies actual costs

incurred to comply with this State Mandated program by requesting types of documentation that are unreasonable and do not exist.

The following is a list of cities that also claimed more than once weekly pickups, but had an outside contractor do the work at no charge. In these instances, the contract spelled out the service schedule/frequency, so documentation as to frequency was not the issue. ALL costs were denied because they did not use General Funds to pay for the services.

City of Los Angeles – claimed multiple trash pickups- SCO Denied all costs because MTA was found to do all pickups at their cost – no costs to city.

City of Manhattan Beach – claimed multiple trash pickups- SCO Denied all costs because Contract provider, USA Waste, was found to do all pickups at their cost – no costs to city.

City of Monterrey Park – claimed multiple trash pickups- SCO Denied all costs because Contract provider, California Integrated Waste Management, was found to do all pickups at their cost – no costs to city.

City of Torrance – claimed multiple trash pickups- SCO Denied all costs because Contract provider, Viacom Inc., was found to do all pickups at their cost – no costs to city.

City of West Covina – claimed multiple trash pickups- SCO Denied all costs because Contract provider, Athens Services, was found to do all pickups at their cost – no costs to city.

The following is a list of cities that also claimed more than once weekly pickups, but they did not use General Funds to pay for the services or were not eligible to file the claim.

City of Palmdale – claimed multiple trash pickups per week – ALL costs disallowed – not in eligible claimant in correct TMDL area.

City of Pasadena– claimed multiple trash pickups- SCO Denied all costs because City used a special fund.

City of Santa Monica– claimed multiple trash pickups- SCO Denied almost all costs because City used a special fund.

Located approximately 23 miles southeast of Los Angeles, Lakewood is a large city with a population of about 80,000 residents and has numerous restaurants, retail, and commercial land uses including a regional mall. The transit locations are busy and generate large amounts of trash that requires frequent service.

The City's request for twice weekly pickups is reasonable given its demographics and the actual costs claimed under penalty of perjury. The City requests that its actual costs (twice weekly trash pickups) be reimbursed.

FINDING 2 – Unreported offsetting revenues:

SCO states that the City did not offset any revenues on its claim forms for the audit period, finding that the City should have reported \$73,940 for the audit period as offsetting revenues or reimbursements and is therefore not entitled to the State mandate reimbursement for the costs that are otherwise compliant with the State Mandated Program. SCO is specifically referring to the use of restricted funds from Proposition A.

The City of Lakewood partially disagrees with FINDING 2 for the following reason:

First, there were no revenues generated or experienced by the City from the State Mandate Stormwater Program requiring the installation and maintenance of trash receptacles.

Second, the City did not receive any reimbursement for THIS MANDATE that required offset from the costs incurred and claimed. Claiming instructions state "reimbursement for this mandate received from any federal, State, or non-local sources shall be identified and deducted from this claim." The City did not receive any monies for this specific program. The funding sources cited by the SCO were general in nature and the City did not have to use them for this specific purpose.

City agrees that \$4,114.16 received from the Federal Grant should have been reduced; however, not the \$44,549.84 from Proposition A funding source.

The costs were among a long list of items that the City could have paid for. However, because of the State's mandated requirements and the lack of City funding in General Fund, the City was forced to look to any other sources of revenue available to fund the State mandated activities.

Prop A transportation funds are essentially local funds generated from County sales tax which could have been used for various transportation City priorities we had such as filling pot holes, fixing curbs, and supplementing our transit program. Trash receptacle purchase would not have been required had the State not mandated it. Each of these funding sources could have been used by the City (and still can be used, if the State pays the City for the mandated costs incurred) to fund CITY priorities and not STATE Mandated projects.

We believe that prior Commission decision regarding the use of specific versus general funding from other sources was addressed in a prior State Mandated program, Two-Way Traffic Control Signal Communications. (CSM-4504). Similarly, the State mandated the purchase of new signal controllers that had specific software capabilities allowing for inter jurisdictional communication capacity.

Those units could have also been purchased from a variety of sources, such as gas tax, federal grants, etc.

The Commission found in its March 27, 1998 Statement of Decision (pages 15-17) that there was a difference between dedicated versus discretionary funds received. If the local agency had the *discretion* of choosing between multiple types of projects, those funds received did not have to have been used

solely to offset the cost of mandated program activities. "The local agency has the *discretion* to prioritize the projects to be funded within the above categories."

On page 17 of the Statement of Decision, it states, "there is no mandate requiring local agencies to use the gas tax funds specifically for the two-way communications program. Rather, local agencies have the discretion to prioritize the projects to be funded."

"The Commission disagreed with Caltrans' assertion that the funds received by local agencies from the gas tax increase fully fund and must be used toward the..." State Mandated program (Footnote 17) on page 17.

Saying an agency "chose" and has the discretion to "prioritize" is really not a choice when they are out of General Fund money. Agencies that did not have General Funds available to pay for State Mandated program should not be punished for using other funds (that could have been used to pay for real CITY PRIORITIES, rather than State Mandates). The stated purpose of Article XIII B, section 6, is to preclude the State from shifting financial responsibility for carrying out governmental functions to local agencies, which are 'ill quipped' to assume increased financial responsibility because of the taxing and spending limitations that articles XIII A and XIII B impose." County of San Diego v. State of California (1991) 15 Cal. 4th 68, 81.

Shifting financial responsibility to those most vulnerable and "ill equipped" agencies is exactly what is happening in this case.

Further, Prop A and Prop C are also "proceeds of taxes", subject to the taxing and spending limitations.

The City also has the legal authority to repay and transfer monies received from State Mandate payments back to those original funding sources. Then those funds can be used to pay for true local agency (not State Mandated) priorities such as repairing deteriorating streets and sidewalks.

The California Constitution and Government Codes require that the State pay local agencies for costs mandated by the State. The costs and claimed by the City were directly related to the City's efforts to comply with the State Mandates.

Punishing the most vulnerable cities that had scarce General Funds to pay for these required multi-million dollar State Mandated expenditures violates the intent of the law.

We request restoration of \$916,169 costs cut relating to the "Offsetting Reimbursements" reductions.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>

SECTION 11

Reimbursement Claims

EXHIBIT 2

State Mandate Reimbursement Claims Receipt

City of Lakewood

September 28, 2011

Mandate/Program

Amount Claimed

Municipal Stormwater & Urban Runoff Discharges, Prog 314

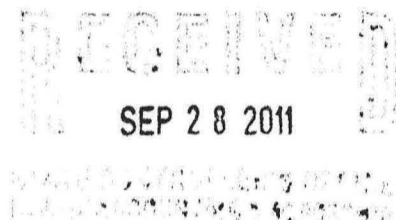
Actual	2002-03	\$	105,144
Actual	2003-04	\$	105,144
Actual	2004-05	\$	136,687
Actual	2005-06	\$	162,123
Actual	2006-07	\$	136,687
Actual	2007-08	\$	136,687
Actual	2008-09	\$	186,873
Actual	2009-10	\$	167,917
Actual	2010-11	\$	167,606

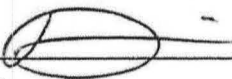
Total Claimed \$ 1,304,868

*The following claims were submitted to and received by the State Controller's Office
by Cost Recovery Systems on behalf of the City of Lakewood*

Signed by: *Lindsey Bailey*

Date: 9/28/11



Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number			9819418	
(02) Claimant Name			City of Lakewood	
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)
Street Address or P.O. Box				
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)
State			CA	
Zip Code			90712	
Type of Claim	Estimated Claim	Reimbursement Claim		(24) FORM-1 (04)(A)(3)(g)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>		(25) FORM-1 (04)(A)(4)(g)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>		(26) FORM-1 (04)(A)(5)(g)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>		(27) FORM-1,(06)
				15,600
Fiscal Year of Cost	(06)	(12)	2002-03	(28) FORM-1,(07)
Total Claimed	(07)	(13)	\$105,144	(29) FORM-1,(08)
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)			(14)	(30) FORM-1,(11)
Less: Estimated Claim Payment Received			(15)	(32) FORM-1,(12)
Net Claimed Amount		(16)	\$105,144	(32)
Due from State	(08)	(17)	\$105,144	(33)
Due to State	(09)	(18)		(34)
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
			Date Signed	9-27-11
Diane Perkin			Telephone Number	(562) 866-9771
Finance Director			Email Address	dperkin@lakewoodcity.org
Name of Contact Person for Claim			Telephone Number	E-Mail Address
Annette S. Chinn (CRS)			(916) 939-7901	ACHinnCRS@aol.com

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only		
			(19) Program Number: 000314	Program 314	
(01) Claimant Identification Number			9819418		
(02) Claimant Name			City of Lakewood		
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box					
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)	
State			CA		
Zip Code			90712		
Type of Claim	Estimated Claim		Reimbursement Claim		(24) FORM-1 (04)(A)(3)(g)
	(03) Estimated	<input type="checkbox"/>	(09) Reimbursement	<input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4.)(g)
	(04) Combined	<input type="checkbox"/>	(10) Combined	<input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)
	(05) Amended	<input type="checkbox"/>	(11) Amended	<input type="checkbox"/>	(27) FORM-1,(06)
				15,600	
Fiscal Year of Cost	(06)	(12)	2002-03	(28) FORM-1,(07)	
Total Claimed	(07)	(13)	\$105,144	(29) FORM-1,(08)	
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Signature of Authorized Representative					
_____			Date Signed	_____	
Diane Perkin			Telephone Number	(562) 866-9771	
Finance Director			Email Address	dperkin@lakewoodcity.org	
Name of Contact Person for Claim		Telephone Number		E-Mail Address	
Annette S. Chinn (CRS)		(916) 939-7901		AChinnCRS@aol.com	

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2002-03 <small>(see FAM-27 for estimate)</small>
------------------------------------------	----------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------

Claim Statistics

(03) Department	Public Works
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Direct Costs	Object Accounts
---------------------	------------------------

(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Total

A. ONE-TIME ACTIVITIES						
1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract.specs, review process/award bid						
4. Purchase or construct and install receptacle & pad						
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						

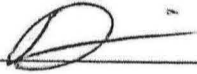
B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads						
(06) Annual number of trash collections						15600
(07) Total Ongoing Costs (Line (06) x RRM rate)						\$105,144

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	
(09) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	
(10) Total Direct and Indirect Costs	Line (05)(d) + line (07)	\$105,144

Cost Reductions

(11) Less: Offsetting Savings, if applicable		
(12) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10))	\$105,144

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only		
			(19) Program Number: 000314	Program 314	
(01) Claimant Identification Number			9819418		
(02) Claimant Name			City of Lakewood		
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box					
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)	
State CA			Zip Code 90712		
Type of Claim	Estimated Claim		Reimbursement Claim		(24) FORM-1 (04)(A)(3)(g)
	(03) Estimated	<input type="checkbox"/>	(09) Reimbursement	<input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4.)(g)
	(04) Combined	<input type="checkbox"/>	(10) Combined	<input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)
	(05) Amended	<input type="checkbox"/>	(11) Amended	<input type="checkbox"/>	(27) FORM-1,(06)
					15,600
Fiscal Year of Cost	(06)	(12)	2003-04	(28) FORM-1,(07)	
Total Claimed	(07)	(13)	\$105,144	(29) FORM-1,(08)	
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)		(30) FORM-1,(11)	
Less: Estimated Claim Payment Received		(15)		(32) FORM-1,(12)	
Net Claimed Amount		(16)	\$105,144	(32)	
Due from State	(08)	(17)	\$105,144	(33)	
Due to State	(09)	(18)		(34)	
(38) CERTIFICATION OF CLAIM					
In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.					
I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.					
The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.					
Signature of Authorized Representative					
			Date Signed	9-27-11	
Diane Perkin			Telephone Number	(562) 866-9771	
Finance Director			Email Address	dperkin@lakewoodcity.org	
Name of Contact Person for Claim		Telephone Number		E-Mail Address	
Annette S. Chinn (CRS)		(916) 939-7901		AChinnCRS@aol.com	

Revised (12/09)

Form FAM-27

Claim for Payment			For State Controller Use Only	
Pursuant to Government Code Section 17561			(19) Program Number: 000314	Program
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			(20) Date Filed ___/___/___	314
(01) Claimant Identification Number 9819418			(21) LRS Input ___/___/___	
(02) Claimant Name City of Lakewood			(22) FORM-1 (04)(A)(1)(g)	
Mailing Address 5050 N. Clark Avenue			(23) FORM-1 (04)(A)(2)(g)	
Street Address or P.O. Box			(24) FORM-1 (04)(A)(3)(g)	
City Lakewood			(25) FORM-1 (04)(A)(4.)(g)	
State CA Zip Code 90712			(26) FORM-1 (04)(A)(5)(g)	
Type of Claim	Estimated Claim	Reimbursement Claim	(27) FORM-1,(06)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>		
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28) FORM-1,(07)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29) FORM-1,(08)	
Fiscal Year of Cost (06) 2003-04 (12)			(30) FORM-1,(11)	
Total Claimed (07) \$105,144 (13)			(32) FORM-1,(12)	
<i>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</i> (14)				
<i>Less: Estimated Claim Payment Received</i> (15)				
Net Claimed Amount (16) \$105,144 (32)				
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The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.				
Signature of Authorized Representative				
_____			Date Signed _____	
Diane Perkin			Telephone Number (562) 866-9771	
Finance Director			Email Address dperkin@lakewoodcity.org	
Name of Contact Person for Claim			Telephone Number	
Annette S. Chinn (CRS)			(916) 939-7901	
			E-Mail Address	
			ACHinnCRS@aol.com	

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2003-04 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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Direct Costs	Object Accounts
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(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
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A. ONE-TIME ACTIVITIES						
1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract,specs, review process/award bid						
4. Purchase or construct and install receptacle & pad						
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						


B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads						
(06) Annual number of trash collections						15600
(07) Total Ongoing Costs (Line (06) x RRM rate)						\$105,144

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)</small>	
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small>	\$105,144

Cost Reductions

(11) Less: Offsetting Savings, if applicable		
(12) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	<small>Line (08)- (line(09) + Line(10))</small>	\$105,144

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 314
(01) Claimant Identification Number 9819418				
(02) Claimant Name City of Lakewood Mailing Address 5050 N. Clark Avenue Street Address or P.O. Box City Lakewood State CA Zip Code 90712			(22) FORM-1 (04)(A)(1)(g)	
			(23) FORM-1 (04)(A)(2)(g)	
Type of Claim	Estimated Claim	Reimbursement Claim	(24) FORM-1 (04)(A)(3)(g)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(27) FORM-1,(06)	20,280
Fiscal Year of Cost	(06)	(12) 2004-05	(28) FORM-1,(07)	
Total Claimed	(07)	(13) \$136,687	(29) FORM-1,(08)	
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(30) FORM-1,(11)	
Less: Estimated Claim Payment Received		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$136,687	(32)	
Due from State	(08)	(17) \$136,687	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.				
I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.				
The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.				
Signature of Authorized Representative				
			Date Signed <u>9-27-11</u>	
Diane Perkin			Telephone Number (562) 866-9771	
Finance Director			Email Address dperkin@lakewoodcity.org	
Name of Contact Person for Claim			Telephone Number	E-Mail Address
Annette S. Chinn (CRS)			(916) 939-7901	AChinnCRS@aol.com

Claim for Payment			For State Controller Use Only	
Pursuant to Government Code Section 17561			(19) Program Number: 000314	Program
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			(20) Date Filed ___/___/___	314
(01) Claimant Identification Number 9819418			(21) LRS Input ___/___/___	
(02) Claimant Name City of Lakewood			(22) FORM-1 (04)(A)(1)(g)	
Mailing Address 5050 N. Clark Avenue			(23) FORM-1 (04)(A)(2)(g)	
Street Address or P.O. Box			(24) FORM-1 (04)(A)(3)(g)	
City Lakewood			(25) FORM-1 (04)(A)(4.)(g)	
State CA Zip Code 90712			(26) FORM-1 (04)(A)(5)(g)	
Type of Claim	Estimated Claim	Reimbursement Claim	(27) FORM-1,(06)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>		
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28) FORM-1,(07)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29) FORM-1,(08)	
			20,280	
Fiscal Year of Cost	(06)	(12) 2004-05	(30) FORM-1,(11)	
Total Claimed	(07)	(13) \$136,687	(32) FORM-1,(12)	
<i>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</i>			(32)	
<i>Less: Estimated Claim Payment Received</i>			(32)	
Net Claimed Amount	(16) \$136,687		(33)	
Due from State	(17) \$136,687		(34)	
Due to State	(18)			
(38) CERTIFICATION OF CLAIM				
In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.				
I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.				
The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.				
Signature of Authorized Representative				
_____			Date Signed _____	
Diane Perkin			Telephone Number (562) 866-9771	
Finance Director			Email Address dperkin@lakewoodcity.org	
Name of Contact Person for Claim			Telephone Number	
Annette S. Chinn (CRS)			(916) 939-7901	
			E-Mail Address	
			ACHinnCRS@aol.com	

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2004-05 <small>(see FAM-27 for estimate)</small>
------------------------------------------	----------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------

Claim Statistics

(03) Department	Public Works
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Direct Costs	Object Accounts
---------------------	------------------------

(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Total

A. ONE-TIME ACTIVITIES

1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract.specs, review process/award bid						
4. Purchase or construct and install receptacle & pad						
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads


(06) Annual number of trash collections	20280
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$136,687

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)</small>	
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [(line (05)(a) + line(05)(b))]</small>	
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small>	\$136,687

Cost Reductions

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	<small>Line (08)- (line(09) + Line(10))</small> \$136,687

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number			9819418	
(02) Claimant Name			City of Lakewood	
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)
Street Address or P.O. Box				
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)
State CA			Zip Code 90712	
Type of Claim	Estimated Claim		Reimbursement Claim	
	(03) Estimated	<input type="checkbox"/>	(09) Reimbursement	<input checked="" type="checkbox"/>
	(04) Combined	<input type="checkbox"/>	(10) Combined	<input type="checkbox"/>
	(05) Amended	<input type="checkbox"/>	(11) Amended	<input type="checkbox"/>
Fiscal Year of Cost	(06)	(12)	2005-06	(24) FORM-1 (04)(A)(3)(g)
Total Claimed	(07)	(13)	\$162,123	(25) FORM-1 (04)(A)(4)(g)
<i>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</i>			(14)	(26) FORM-1 (04)(A)(5)(g)
<i>Less: Estimated Claim Payment Received</i>			(15)	(27) FORM-1,(06)
Net Claimed Amount		(16)	\$162,123	(28) FORM-1,(07)
Due from State	(08)	(17)	\$162,123	(29) FORM-1,(08)
Due to State	(09)	(18)		(30) FORM-1,(11)
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
			Date Signed	9-27-11
Diane Perkin			Telephone Number	(562) 866-9771
Finance Director			Email Address	dperkin@lakewoodcity.org
Name of Contact Person for Claim			Telephone Number	E-Mail Address
Annette S. Chinn (CRS)			(916) 939-7901	ACHinnCRS@aol.com

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number			9819418	
(02) Claimant Name			City of Lakewood	
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)
Street Address or P.O. Box				
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)
State			CA	
Zip Code			90712	
Type of Claim	Estimated Claim	Reimbursement Claim	(24) FORM-1 (04)(A)(3)(g)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4.) (g)	25,421
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(27) FORM-1,(06)	20,280
Fiscal Year of Cost	(06)	(12) 2005-06	(28) FORM-1,(07)	15
Total Claimed	(07)	(13) \$162,123	(29) FORM-1,(08)	10
<i>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</i>		(14)	(30) FORM-1,(11)	
<i>Less: Estimated Claim Payment Received</i>		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$162,123	(32)	
Due from State	(08)	(17) \$162,123	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
_____			Date Signed	_____
Diane Perkin			Telephone Number	(562) 866-9771
Finance Director			Email Address	dperkin@lakewoodcity.org
Name of Contact Person for Claim			Telephone Number	E-Mail Address
Annette S. Chinn (CRS)			(916) 939-7901	ACHinnCRS@aol.com

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2005-06 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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Direct Costs	Object Accounts					
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(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
A. ONE-TIME ACTIVITIES						
1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract.specs, review process/award bid						
4. Purchase or construct and install receptacle & pad	\$145		\$25,276			\$25,421
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs	\$145		\$25,276			\$25,421

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads

(06) Annual number of trash collections	20280
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$136,687

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)</small>	10.0%
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	\$15
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small>	\$162,123

Cost Reductions

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	<small>Line (08)- (line(09) + Line(10))</small> \$162,123

Program
314

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
ACTIVITY COST DETAIL**

FORM 2

(01) Claimant: **City of Lakewood** (02) Fiscal Year Costs Were Incurred: **2005-06**

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- | | | | |
|--------------------------|-----------------------------------------------------------|-------------------------------------|----------------------------------------------------------|
| <input type="checkbox"/> | ID locations that are required to have a trash receptacle | <input checked="" type="checkbox"/> | Purchase or construct/install receptacles and pads |
| <input type="checkbox"/> | Select/eval. & prep of specifications & drawings | <input type="checkbox"/> | Move/restore at old location and install at new location |
| <input type="checkbox"/> | Prep of contracts/specs review, process, award bid... | | |

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
<u>Landscapeforms, Inc</u> 7/21/05 Purchased 25 trash receptacles (PO 060649) 3/9/06 Purchased 1 Plexus trash receptacle (INV. 1024)						\$24,657 \$620			
<u>Skill Trade 2</u> 5/3/06 Replace missing 10 gallon trash cans (WO 5772) 6/12/06 Install trash cans per State Mandate (WO 5930)	\$29.97 \$21.29		2.00 4.00	\$60 \$85					\$60 \$85
(05) Total			6.00	\$145		\$25,276			\$145

Activity INQ

Invoice Number (G/N) 40670 P/O Number 060649 Vendor 064887

1 Due Date 07/21/05 2 Discount LANDSCAPE FORMS, INC.

3 Check # 222180 (#/HOLD/NONE) 4 Tax Code LA4 Invoice Total 133,067.96

5 Description 7 Check Pull N

#	Quant	Stock#	Loc	Unit	Unit-Cost	Tax	Rcvd	Disenc	Expend
L3	25			EA	986.2600	Y	25	27,785.48	24,656.50
P/O Balance 0.00									

Description	Account #	Charges
PRESIDIO TRASH RECEPTACLE	280-990-CC-4950-T196-00000	24656.50
AS PER FILE #LFI410B619		

THIS IS A SOLE SOURCE PURCHASE

CITY'S PRICING

APPROVED BY:

CITY COUNCIL 11-04-04

APPROVED BY MTA 12-01-04

OK (Y/N)

File This (Y/N/X/P/D)

Return To < > Enter Action (C,F,B,A)

Invalid line number

Invoice

landscapeforms

Please remit to our invoice:
DEPT. 78073
LANDSCAPE FORMS, INC
PO BOX 78000
DETROIT, MICHIGAN 48278-0073

Invoice Date: 3/9/2006
Reference/P.O.#: 062405
Order #: 0000061131
Invoice #: 0000001024
Project: City Of Lakewood City Hall

Bill To: CITY OF LAKEWOOD
PO Box 220
Lakewood, CA 90714

Ship To: City of Lakewood
Attn: Bonnie Call
(562) 866-9771
6929 Nixon Street
Lakewood, CA 90714

Contact: CITY OF LAKEWOOD

Shipped: 3/9/2006 Ship Via: OLDDOM Ship Track#: 11301392152 GRR Terms: NET 30 DAYS

Item:	Qty Shp	Unit Price:	Total Price:
PLEXUS BENCH: Straight Backed Seats on straight 3 seat support. Surface Mount. All Arms. C1: FROS	2	1,465.45	2,930.90
PLEXUS ASH URN: 12" dia x 21" h. Freestanding/surface mount. C1: FROS	1	261.84	261.84
PLEXUS LITTER RECEPTACLE: 20" dia x 36"h w/liner. Metal lid: top opening. Freestanding/Surface Mount. C1: FROS	1	619.69	619.69
SHIPPING & HANDLING - TAXABLE	1	460.00	460.00

*** Sales tax, if applicable, has been added to this invoice unless we have received a tax-exempt certificate. If purchaser is indeed tax exempt, please submit certificate with payment.

*** Purchaser shall pay all costs and expenses paid or incurred by Seller in collecting any amounts due for goods purchased by Purchaser, including without limitation, reasonable attorneys' fees and costs. Balances on invoices not paid within thirty (30) days of date of invoice or within an alternate period of time as determined and indicated by Seller, shall incur interest at a rate of eighteen percent (18%) per annum. No cash discounts shall be allowed.

Subtotal	4,272.43
Sales Tax	352.48
Payment/Credit Amount	0.00
Balance Due: USD	4,624.91

FOR OFFICE USE:

Cust #: OK998
Sales: LC

Landscape Forms, Inc. Corporate Address:
431 Lawndale Avenue
Kalamazoo, MI 49048-9543
PH: 800/521-2548 FX: 269/381-3455
Federal I.D.# 38-1897577

Work Order Reports **Home** **Status** **Recurring** **My Saved Templates** **Supervisor Reports** **log Off**

Displaying 1 thru 30 of 30 new orders

Notation: P.W. BUS STOP (& OTHERS) WORK ORDERS SINCE 2001

Work Order Report

30 Records Found - RUN DATE: 09-Aug-11 - RUN BY: projmgr USING: From Current Work Order Database

Order#	Submitted/ Completed	Req by	P Site	Bldg/Room	Assigned to/ Scheduled date	Labor Hrs/ Labor(\$)	Material (\$)	Total(\$)
<u>5772</u>	05/03/06 Standard 05/16/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	2 \$59.94	\$0.00	\$59.94
<i>Replace missing 10 gallon trash can on pole at bus stop located on the east side of Paramount, north of Arbor.</i>								
<u>5783</u>	05/03/06 Standard 05/18/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	4 \$85.16	\$0.00	\$85.16
<i>Install Presidio 3-seat backed bench with 2 end-arms surface-mount pedestal support, LFI Ivy green bus bench on the north side of Del Amo, east of Palo Verde. Check with Steve, Dave Kersting, or Cathy for specific location.</i>								
<u>5850</u>	05/17/06 Standard 05/18/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	3 \$72.55	\$0.00	\$72.55
<i>Install concrete bus bench on the west side of Palo Verde just south of South Street. Bench may be replaced with Presidio bench at future date.</i>								
<u>5930</u>	06/12/06 Standard 06/13/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	4 \$85.16	\$0.00	\$85.16
<i>Install trash can at bus stop on the north side of Del Amo Blvd. east of Palo Verde.</i>								
<u>7139</u>	01/11/07 Standard 01/22/07	C. Hornsby	2 R.O.W.	- Other	Jim Dixon (SKILLTRADE1)	7 \$209.79	\$0.00	\$209.79
<i>Set up delineators with NO PARKING WEDNESDAY 5AM TO 7AM sign on the west side of Civic Center Way between City Hall driveway and Candlewood. Remove signs and delineators during afternoon of same day. Area restricted this Wednesday only to clear street for sweeping.</i>								
<u>9988</u>	04/29/08 Standard 05/12/08	Cathy Hornsby	3 R.O.W.	- Other	Jim Dixon (SKILLTRADE1)	3 \$62.96	\$0.00	\$62.96
<i>On the Centralia side of 4462 Palo Verde, remove trash container from pole holding 30 mph sign and install same trash container on pole holding bus sign. Work to be done by May 6th.</i>								
<u>10070</u>	05/12/08 Standard 05/12/08	Steve Fairchild	3 R.O.W.	- Street	Horst Klotzer (SKILLTRADE4)	9 \$265.56	\$0.00	\$265.56
<i>Please install bus bench at n/w corner Clark and Hedda by 5/15/08. Thanks</i>								
<u>10657</u>	08/04/08 Standard 08/25/08	Cathy Hornsby	3 R.O.W.	- Street	Jim Dixon (SKILLTRADE1)	8 \$167.88	\$0.00	\$167.88
<i>Remove vacant poles at the following locations: 11949 205th 11905 207th 12056 208th, c/s Horst 20811 Elaine 12047 Centralia-(side yard near alley) 20876 Horst 20865 Horst 20833 Horst 12056 208th 11956 209th-(side yard two poles) 12002 209th-(side yard near alley) 11903 Centralia 11703 209th 21014 Alburdis 21122 Alburdis 21113 Seeley 21112 Seeley 21345 Rossford NWC 216/Pioneer 11402 216th 11508 216th-(front and side yards) 21504 Roseton 21503 Roseton-(side yard) 11303 215th 11302 214th 11303 214th 11303 Gradwell 21229 Longworth 11303 212th 21103 Longworth 21425 Longworth 21107 Nectar 11520 212th 21222 Nectar 11520 Gradwell 11533 213th 11532 213th 21322 Nectar 21405 Nectar 11535 214th 11367 Chadwell</i>								
<u>12109</u>	04/09/09 Standard 06/01/09	Cathy Hornsby	2 R.O.W.	- Street	Jim Rocha (fmsupr) 04/13/09	2 \$93.90	\$0.00	\$93.90
<i>Provide 15 barricades to be left at Maintenance Yard. Sargeant Anderson to pick up barricades (562 421 2701) by 4:30 Thursday or early am on Friday. Barricades to be returned no later than Monday 4/13.</i>								
<u>12318</u>	05/19/09 Standard 05/28/09	Steve Fairchild	2 R.O.W.	- Street	Jim Dixon (SKILLTRADE1)	8 \$167.88	\$0.00	\$167.88
<i>Install barricades on Clark on Thursday 5/21/09 by 9am. See map Greg has.</i>								
<u>12357</u>	05/27/09 Standard 06/03/09	Cathy Hornsby	3 R.O.W.	- Signs	Jim Dixon (SKILLTRADE1)	1.5 \$44.96	\$0.00	\$44.96
<i>Fill hole (post and sign removed) on the south side of Allington east of Woodruff (Mayfair High School) near wooden pole.</i>								

05-0

Work Order Reports

Home

Status

Recurring

My Saved Templates

Supervisor Reports

log Off

Displaying 1 thru 30 of 30 new orders


Notation: P.W. BUS STOP (& OTHERS) WORK ORDERS SINCE 2001

Work Order Report

30 Records Found - RUN DATE: 09-Aug-11 - RUN BY: projmgr USING: From Current Work Order Database

Order#	Submitted/ Completed	Req by	P Site	Bldg/Room	Assigned to/ Scheduled date	Labor Hrs/ Labor(\$)	Material (\$)	Total(\$)
<u>5772</u>	05/03/06 Standard 05/16/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	2 \$59.94	\$0.00	\$59.94
<p>Replace missing 10 gallon trash can on pole at bus stop located on the east side of Paramount, north of Arbor.</p>								
<u>5783</u>	05/03/06 Standard 05/18/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	4 \$85.16	\$0.00	\$85.16
<p>Install Presidio 3-seat backed bench with 2 end-arms surface-mount pedestal support, LFI ivy green bus bench on the north side of Del Amo, east of Palo Verde. Check with Steve, Dave Kersting, or Cathy for specific location.</p>								
<u>5850</u>	05/17/06 Standard 05/18/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	3 \$72.55	\$0.00	\$72.55
<p>Install concrete bus bench on the west side of Palo Verde just south of South Street. Bench may be replaced with Presidio bench at future date.</p>								
<u>5930</u>	06/12/06 Standard 06/13/06	C. Hornsby	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	4 \$85.16	\$0.00	\$85.16
<p>Install trash can at bus stop on the north side of Del Amo Blvd. east of Palo Verde.</p>								
<u>7139</u>	01/11/07 Standard 01/22/07	C. Hornsby	2 R.O.W.	- Other	Jim Dixon (SKILLTRADE1)	7 \$209.79	\$0.00	\$209.79
<p>Set up delineators with NO PARKING WEDNESDAY 5AM TO 7AM sign on the west side of Civic Center Way between City Hall driveway and Candlewood. Remove signs and delineators during afternoon of same day. Area restricted this Wednesday only to clear street for sweeping.</p>								
<u>9988</u>	04/29/08 Standard 05/12/08	Cathy Hornsby	3 R.O.W.	- Other	Jim Dixon (SKILLTRADE1)	3 \$62.96	\$0.00	\$62.96
<p>On the Centralia side of 4462 Palo Verde, remove trash container from pole holding 30 mph sign and Install same trash container on pole holding bus sign. Work to be done by May 6th.</p>								
<u>10070</u>	05/12/08 Standard 05/12/08	Steve Fairchild	3 R.O.W.	- Street	Horst Klotzer (SKILLTRADE4)	9 \$265.56	\$0.00	\$265.56
<p>Please install bus bench at n/w corner Clark and Hedda by 5/15/08. Thanks</p>								
<u>10657</u>	08/04/08 Standard 08/25/08	Cathy Hornsby	3 R.O.W.	- Street	Jim Dixon (SKILLTRADE1)	8 \$167.88	\$0.00	\$167.88
<p>Remove vacant poles at the following locations: 11949 205th 11905 207th 12056 208th, c/s Horst 20811 Elaine 12047 Centralia-(side yard near alley) 20876 Horst 20865 Horst 20833 Horst 12056 208th 11956 209th-(side yard two poles) 12002 209th-(side yard near alley) 11903 Centralia 11703 209th 21014 Alburdis 21122 Alburdis 21113 Seeley 21112 Seeley 21345 Rossford NWC 216/Pioneer 11402 216th 11508 216th-(front and side yards) 21504 Roseton 21503 Roseton-(side yard) 11303 215th 11302 214th 11303 214th 11303 Gradwell 21229 Longworth 11303 212th 21103 Longworth 21425 Longworth 21107 Nectar 11520 212th 21222 Nectar 11520 Gradwell 11533 213th 11532 213th 21322 Nectar 21405 Nectar 11535 214th 11367 Chadwell</p>								
<u>12109</u>	04/09/09 Standard 06/01/09	Cathy Hornsby	2 R.O.W.	- Street	Jim Rocha (fmsupr) 04/13/09	2 \$93.90	\$0.00	\$93.90
<p>Provide 15 barricades to be left at Maintenance Yard. Sargeant Anderson to pick up barricades (562 421 2701) by 4:30 Thursday or early am on Friday. Barricades to be returned no later than Monday 4/13.</p>								
<u>12318</u>	05/19/09 Standard 05/28/09	Steve Fairchild	2 R.O.W.	- Street	Jim Dixon (SKILLTRADE1)	8 \$167.88	\$0.00	\$167.88
<p>Install barricades on Clark on Thursday 5/21/09 by 9am. See map Greg has.</p>								
<u>12357</u>	05/27/09 Standard 06/03/09	Cathy Hornsby	3 R.O.W.	- Signs	Jim Dixon (SKILLTRADE1)	1.5 \$44.96	\$0.00	\$44.96
<p>Fill hole (post and sign removed) on the south side of Allington east of Woodruff (Mayfair High School) near wooden pole.</p>								

05-20

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number		9819418	(20) Date Filed ___/___/___	(21) LRS Input ___/___/___
(02) Claimant Name		City of Lakewood	(22) FORM-1 (04)(A)(1)(g)	
Mailing Address		5050 N. Clark Avenue	(23) FORM-1 (04)(A)(2)(g)	
Street Address or P.O. Box			(24) FORM-1 (04)(A)(3)(g)	
City		Lakewood	(25) FORM-1 (04)(A)(4)(g)	
State CA		Zip Code 90712	(26) FORM-1 (04)(A)(5)(g)	
Type of Claim	Estimated Claim	Reimbursement Claim	(27) FORM-1,(06)	20,280
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>		
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>		
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>		
Fiscal Year of Cost	(06)	(12) 2006-07	(28) FORM-1,(07)	
Total Claimed	(07)	(13) \$136,687	(29) FORM-1,(08)	
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(30) FORM-1,(11)	
Less: Estimated Claim Payment Received		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$136,687	(32)	
Due from State	(08)	(17) \$136,687	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
		Date Signed	9-27-11	
Diane Perkin		Telephone Number	(562) 866-9771	
Finance Director		Email Address	dperkin@lakewoodcity.org	
Name of Contact Person for Claim		Telephone Number	E-Mail Address	
Annette S. Chinn (CRS)		(916) 939-7901	AChinnCRS@aol.com	

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only		
			(19) Program Number: 000314	Program 314	
(01) Claimant Identification Number			9819418		
(02) Claimant Name			City of Lakewood		
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box					
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)	
State			CA		
Zip Code			90712		
Type of Claim	Estimated Claim		Reimbursement Claim		(24) FORM-1 (04)(A)(3)(g)
	(03) Estimated	<input type="checkbox"/>	(09) Reimbursement	<input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)
	(04) Combined	<input type="checkbox"/>	(10) Combined	<input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)
	(05) Amended	<input type="checkbox"/>	(11) Amended	<input type="checkbox"/>	(27) FORM-1,(06)
					20,280
Fiscal Year of Cost	(06)	(12)	2006-07	(28) FORM-1,(07)	
Total Claimed	(07)	(13)	\$136,687	(29) FORM-1,(08)	
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)		(30) FORM-1,(11)	
Less: Estimated Claim Payment Received		(15)		(32) FORM-1,(12)	
Net Claimed Amount		(16)	\$136,687	(32)	
Due from State	(08)	(17)	\$136,687	(33)	
Due to State	(09)	(18)		(34)	
(38) CERTIFICATION OF CLAIM					
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>					
Signature of Authorized Representative					
_____			Date Signed	_____	
Diane Perkin			Telephone Number	(562) 866-9771	
Finance Director			Email Address	dperkin@lakewoodcity.org	

Name of Contact Person for Claim			Telephone Number	E-Mail Address	
Annette S. Chinn (CRS)			(916) 939-7901	AChinnCRS@aol.com	

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2006-07 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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Direct Costs **Object Accounts**

(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Total

A. ONE-TIME ACTIVITIES

1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract specs, review process/award bid						
4. Purchase or construct and install receptacle & pad						
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads


(06) Annual number of trash collections	20280
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$136,687

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)</small>	
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small>	\$136,687

Cost Reductions

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	\$136,687 <small>Line (08)- (line(09) + Line(10))</small>

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only		
			(19) Program Number: 000314	Program 314	
(01) Claimant Identification Number			9819418		
(02) Claimant Name			City of Lakewood		
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box					
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)	
State CA			Zip Code 90712		
Type of Claim	Estimated Claim		Reimbursement Claim		(24) FORM-1 (04)(A)(3)(g)
	(03) Estimated	<input type="checkbox"/>	(09) Reimbursement	<input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)
	(04) Combined	<input type="checkbox"/>	(10) Combined	<input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)
	(05) Amended	<input type="checkbox"/>	(11) Amended	<input type="checkbox"/>	(27) FORM-1,(06)
Fiscal Year of Cost			(06)	(12) 2007-08	(28) FORM-1,(07)
Total Claimed			(07)	(13) \$136,687	(29) FORM-1,(08)
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)			(14)		(30) FORM-1,(11)
Less: Estimated Claim Payment Received			(15)		(32) FORM-1,(12)
Net Claimed Amount			(16)	\$136,687	(32)
Due from State			(08)	(17) \$136,687	(33)
Due to State			(09)	(18)	(34)
(38) CERTIFICATION OF CLAIM					
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>					
Signature of Authorized Representative					
 _____ Diane Perkin Finance Director			Date Signed <u>9-27-11</u> Telephone Number (562) 866-9771 Email Address <u>dperkin@lakewoodcity.org</u>		
Name of Contact Person for Claim			Telephone Number		E-Mail Address
Annette S. Chinn (CRS)			(916) 939-7901		AChinnCRS@aol.com

Claim for Payment			For State Controller Use Only	
Pursuant to Government Code Section 17561			(19) Program Number: 000314	Program
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			(20) Date Filed ___/___/___	314
			(21) LRS Input ___/___/___	
(01) Claimant Identification Number		9819418		
(02) Claimant Name		City of Lakewood		
Mailing Address		5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box				
City		Lakewood	(23) FORM-1 (04)(A)(2)(g)	
State	CA	Zip Code	90712	
Type of Claim	Estimated Claim	Reimbursement Claim	(24) FORM-1 (04)(A)(3)(g)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(27) FORM-1,(06)	20,280
Fiscal Year of Cost	(06)	(12) 2007-08	(28) FORM-1,(07)	
Total Claimed	(07)	(13) \$136,687	(29) FORM-1,(08)	
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(30) FORM-1,(11)	
Less: Estimated Claim Payment Received		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$136,687	(32)	
Due from State	(08)	(17) \$136,687	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
_____		Date Signed	_____	
Diane Perkin		Telephone Number	(562) 866-9771	
Finance Director		Email Address	dperkin@lakewoodcity.org	
Name of Contact Person for Claim		Telephone Number	E-Mail Address	
Annette S. Chinn (CRS)		(916) 939-7901	AChinnCRS@aol.com	

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2007-08 (see FAM-27 for estimate)
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Claim Statistics

(03) Department	Public Works
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Direct Costs **Object Accounts**

(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Total

A. ONE-TIME ACTIVITIES

1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract.specs, review process/award bid						
4. Purchase or construct and install receptacle & pad						
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads

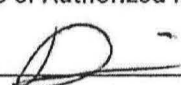
(06) Annual number of trash collections	20280
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$136,687

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	
(09) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	
(10) Total Direct and Indirect Costs	Line (05)(d) + line (07)	\$136,687

Cost Reductions

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	\$136,687

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number 9819418			(20) Date Filed ___/___/___	
(02) Claimant Name City of Lakewood			(21) LRS Input ___/___/___	
Mailing Address 5050 N. Clark Avenue			(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box			(23) FORM-1 (04)(A)(2)(g)	
City Lakewood				
State CA Zip Code 90712				
Type of Claim	Estimated Claim		Reimbursement Claim	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(24) FORM-1 (04)(A)(3)(g)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)	50,049
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
Fiscal Year of Cost	(06)	(12) 2008-09	(27) FORM-1,(06)	20,280
Total Claimed	(07)	(13) \$186,873	(28) FORM-1,(07)	137
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)			(14)	(29) FORM-1,(08)
Less: Estimated Claim Payment Received			(15)	(30) FORM-1,(11)
Net Claimed Amount		(16) \$186,873	(31) FORM-1,(12)	
Due from State	(08)	(17) \$186,873	(32)	
Due to State	(09)	(18)	(33)	
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
 Diane Perkin Finance Director			Date Signed <u>9-27-11</u> Telephone Number (562) 866-9771 Email Address dperkin@lakewoodcity.org	
Name of Contact Person for Claim			Telephone Number	E-Mail Address
Annette S. Chinn (CRS)			(916) 939-7901	AChinnCRS@aol.com

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES	For State Controller Use Only
	(19) Program Number: 000314 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___
	Program 314

(01) Claimant Identification Number	9819418
(02) Claimant Name	City of Lakewood
Mailing Address	5050 N. Clark Avenue
Street Address or P.O. Box	
City	Lakewood
State	CA
Zip Code	90712

Type of Claim	Estimated Claim	Reimbursement Claim	
(03) Estimated	<input type="checkbox"/>	(09) Reimbursement	<input checked="" type="checkbox"/>
(04) Combined	<input type="checkbox"/>	(10) Combined	<input type="checkbox"/>
(05) Amended	<input type="checkbox"/>	(11) Amended	<input type="checkbox"/>
Fiscal Year of Cost	(06)	(12) 2008-09	(28) FORM-1,(07)
Total Claimed	(07)	(13) \$186,873	(29) FORM-1,(08)
<i>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</i>		(14)	(30) FORM-1,(11)
<i>Less: Estimated Claim Payment Received</i>		(15)	(32) FORM-1,(12)
Net Claimed Amount		(16) \$186,873	(32)
Due from State	(08)	(17) \$186,873	(33)
Due to State	(09)	(18)	(34)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

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Signature of Authorized Representative

_____ Date Signed _____

Diane Perkin Telephone Number (562) 866-9771

Finance Director Email Address dperkin@lakewoodcity.org

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	(916) 939-7901	ACHinnCRS@aol.com

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2008-09 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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Direct Costs **Object Accounts**

(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
------------------------------	-----------------	-----------------	-------------------------------	--------------------------	---------------------	--------------

A. ONE-TIME ACTIVITIES

1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract.specs, review process/award bid						
4. Purchase or construct and install receptacle & pad	\$1,366		\$48,684			\$50,049
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs	\$1,366		\$48,684			\$50,049

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads

(06) Annual number of trash collections	20280
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$136,687

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)*</small>	10.0%
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	\$137
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small>	\$186,873

Cost Reductions

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	

(13) Total Claimed Amount	<small>Line (08)- (line(09) + Line(10))</small>	\$186,873
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Program 314	MANDATED COSTS MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES ACTIVITY COST DETAIL	FORM 2
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(01) Claimant: City of Lakewood **(02) Fiscal Year Costs Were Incurred:** 2008-09

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <input type="checkbox"/> ID locations that are required to have a trash receptacle | <input checked="" type="checkbox"/> Purchase or construct/install receptacles and pads |
| <input type="checkbox"/> Select/eval. & prep of specifications & drawings | <input type="checkbox"/> Move/restore at old location and install at new location |
| <input type="checkbox"/> Prep of contracts/specs review, process, award bid... | |

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
<u>Landscapeforms, Inc</u>									
2/10/09 Purchase 13 trash receptacles + tax/shipping/hdlg						\$17,273			
2/27/09 Purchase 13 trash receptacles + tax/shipping/hdlg						\$17,256			
6/3/09 Purchase 5 trash receptacles + tax/shipping/hdlg						\$6,969			
<u>Dave Bang Associates, Inc</u>									
5/4/09 Purchase 53 pole mount trash receptacles						\$7,166			
<u>Skill Trade 2</u>									
6/11/09 Install 13 trash cans per Mandate (WO 12452)	\$27.31		32.00	\$874		\$20			\$874
6/19/09 Install 10 trash cans per Mandate (WO 12489)	\$27.31		18.00	\$492					\$492
(05) Total			50.00	\$1,366		\$48,684			\$1,366

Invoice

landscapeforms

Invoice Date: 2/10/2009
Reference/P.O.#: 00008929-08
Order #: 0000089167
Invoice #: 0000021985
Project: Lakewood Bus Shelters Ph III

Please remit to our lockbox:
DEPT. 78073
LANDSCAPE FORMS, INC
PO BOX 78000
DETROIT, MICHIGAN 48278-0073

Bill To: City of Lakewood
Accounts Payable
PO Box 220
Lakewood, CA 90714

Ship To: City of Lakewood- WHSE
Purchasing/Warehouse
6929 Nixon Street -Bldg C
Attn: Steve Fairchild/Max Withrow
Lakewood, CA 907132810

Contact: Accounts Payable

PAID
2/10/09

D25834

✓ 64887

Shipped: 2/10/2009 Ship Via: C.H. Robinson Ship Track#: seal #03138307 Terms: NET 30 DAYS

Item:	Qty	Shp	Unit Price:	Total Price:
PRESIDIO BENCH: Straight backed seats on straight 3 seat support. Surface mount. End arms. C1: IVY_	L1	17	1,797.97	30,565.49
PRESIDIO LITTER RECEPTACLE: 26" sq. x 40"h, side opening, w/liner. Freestanding/surface mount. C1: IVY_	L2	13	1,178.28	15,317.64
Shipping & Handling to California, Zone 3		1	2,705.00	2,705.00

*** Sales tax, if applicable, has been added to this invoice unless we have received a tax -exempt certificate. If purchaser is indeed tax exempt, please submit certificate with payment.

*** Purchaser shall pay all costs and expenses paid or incurred by Seller in collecting any amounts due for goods purchased by Purchaser, including without limitation, reasonable attorneys' fees and costs. Balances on invoices not paid within thirty (30) days of date of invoice or within an alternate period of time as determined and indicated by Seller, shall incur interest at a rate of eighteen percent (18%) per annum. No cash discounts shall be allowed.

L1 Rec'd 17
L2 Rec'd 13
L4 Partial

B3758

Subtotal	48,588.13
Sales Tax	4,008.51
Payment/Credit Amount	0.00
Balance Due: USD	<u>P 52,596.64</u>

Page: 1

FOR OFFICE USE

Cust #: OK998
Sales: CHP

Landscape Forms, Inc. Corporate Address:
431 Lewndale Avenue
Kalamazoo, MI 49048-9543
PH: 800/521-2548 FX: 269/381-3455
Federal I.D.# 38-1897577
GST#: 894248792RT0001



City of Lakewood
 5050 N. Clark Avenue
 Lakewood, CA 90712-2603

Vendor Number: 64887
 Check Date: 03/12/2009
 Check Number: 00021065

VOID AFTER 90 DAYS

Bank of America - S.C.G.S.D.1431
 625 S. Flower St., Los Angeles, CA 90071

\$52,596.64

Pay Fifty Two Thousand Five Hundred Ninety Six dollars and 64 cents *****

00021065

To The
 Order Of

LANDSCAPE FORMS, INC.
 DEPT 78073
 PO BOX 78000
 DETROIT, MI 48278-0073

**FILE COPY
 NON - NEGOTIABLE**

City of Lakewood
 5050 N. Clark Avenue, Lakewood, CA 90712-2603

Page Number: 1

Check Number: 00021065

DATE	ACCOUNT NO.	NO.	DESCRIPTION	AMOUNT	BALANCE
03/09/2009	0000021985	8929 8929	BUS SHELTERS	48,588.13	52,596.64
			FTA = \$ 18,038.26		
			Prop A = \$ 34,558.38		
64887	LANDSCAPE FORMS, INC.		00021065	03/12/2009	52,596.64

Invoice

landscapeforms

Invoice Date: 2/27/2009
Invoice/P.O.#: 00008929-08
Order #: 0000094165
Invoice #: 0000022280
Project: Lakewood Bus Shelters Ph III

Please remit to our lockbox:
DEPT. 78073
LANDSCAPE FORMS, INC
PO BOX 78000
DETROIT, MICHIGAN 48278-0073

Bill To: City of Lakewood
Accounts Payable
PO Box 220
Lakewood, CA 90714

Ship To: City of Lakewood-WHSE
Purchasing/Warehouse
6929 Nixon Street-Bldg C
Attn: Steve Fairchild/Max Withrow
Lakewood, CA 907132810

Contact: Accounts Payable

027241

B3895
V64887

Shipped: 2/27/2009 Ship Via: C.H. Robinson Ship Track#: seal # 03156257 Terms: NET 30 DAYS

Item:	Qty	Shp	Unit Price:	Total Price:
PRESIDIO BENCH: Straight backed seats on straight 3 seat support. Surface mount. End arms. C1: IVY_	L1	16	1,797.97	28,767.52
PRESIDIO LITTER RECEPTACLE: 26" sq. x 40"h, side opening, w/liner. Freestanding/surface mount. C1: IVY_	L2	13	1,178.28	15,317.64
KA990254; 3 post straight perf canopy with (1) 3 seat Presidio backed bench with end and intermediate arms ir	L3	6	13,974.40	83,846.40
Shipping & Handling to California, Zone 3	L4	1	7,370.00	7,370.00

PAID
2/19/09

*** Sales tax, if applicable, has been added to this invoice unless we have received a tax exempt certificate. If purchaser is indeed tax exempt, please submit certificate with payment.

*** Purchaser shall pay all costs and expenses paid or incurred by Seller in collecting any amounts due for goods purchased by Purchaser, including without limitation, reasonable attorneys' fees and costs. Balances on invoices not paid within thirty (30) days of date of invoice or within an alternate period of time as determined and indicated by Seller, shall incur interest at a rate of eighteen percent (18%) per annum. No cash discounts shall be allowed.

L1 = FULL
L2 = FULL

L4 = Partial
L3 = Partial

Subtotal	135,301.56
Sales Tax	11,162.39
Payment/Credit Amount	0.00
Balance Due: USD	<u>146,463.95</u>

Page: 1

FOR OFFICE USE

Cust #: OK998
Sales: CHP

Landscape Forms, Inc. Corporate Address:
431 Lawndale Avenue
Kalamazoo, MI 49048-9543
PH: 800/521-2546 FX: 269/381-3455
Federal I.D.# 38-1897577
GST#: 894248792RT0001



City of Lakewood
 5050 N. Clark Avenue
 Lakewood, CA 90712-2603

Vendor Number: 64887
 Check Date: 04/23/2009
 Check Number: 00021927
VOID AFTER 90 DAYS
 Bank of America - S.C.G.S.D.1431
 525 S. Flower St., Los Angeles, CA 90071

\$206,973.11

Pay Two Hundred Six Thousand Nine Hundred Seventy Three dollars and 11 cents *****

To The
 Order Of

LANDSCAPE FORMS, INC.
 DEPT 78073
 PO BOX 78000
 DETROIT, MI 48278-0073

00021927

**FILE COPY
 NON - NEGOTIABLE**

City of Lakewood
 5050 N. Clark Avenue, Lakewood, CA 90712-2603

Page Number: 1

Check Number: 00021927

04/21/2009	0000022601	8929	BUS SHELTERS	55,897.60	60,509.16
04/21/2009	0000022280	8929 8929	BUS SHELTERS	135,301.58	146,463.95
64887 LANDSCAPE FORMS, INC. 00021927 04/23/2009 206,973.11					

Invoice

landscapeforms

Please remit to our location:
DEPT. 78073
LANDSCAPE FORMS, INC.
PO BOX 79000
DETROIT, MICHIGAN 48278-0073

3

Invoice Date: 6/3/2009
Reference/P.O.#: 00010209
Order #: 000098513
Invoice #: 000024006
Project: City of Lakewood-Streetscape Additions

Bill To: City of Lakewood
Accounts Payable
5050 Clark Avenue
Lakewood, CA 90712

Ship To: City of Lakewood - WHSE
6929 Nixon Street
Bidg C
Attn: Purchasing/Warehouse
562-866-9771 X2640
Lakewood, CA 907132810

V 6/4/08 87

Contact: Accounts Payable

Shipped: 6/3/2009 Ship Via: YRC Ship Track#: 7710429056 Terms: NET 30 DAYS

Item:	Qty	SNP	Unit Price:	Total Price:
PRESIDIO BENCH: Straight backed seats on straight 3 seat support. Surface mount. End arms. C1: IVY_	2		1,797.97	3,595.94
PRESIDIO LITTER RECEPTACLE: 26" sq. x 40"h. side opening. w/liner. Freestanding/surface mount. C1: IVY_	5		1,178.28	5,891.40
Shipping & Handling to California, Zone 3	1		1,140.00	1,140.00

028758

tax
+ supply

*** Sales tax, if applicable, has been added to this invoice unless we have received a tax-exempt certificate. If purchaser is indeed tax exempt, please submit certificate with payment.

*** Purchaser shall pay all costs and expenses paid or incurred by Seller in collecting any amounts due for goods purchased by Purchaser, including without limitation, reasonable attorneys' fees and costs. Balances on invoices not paid within thirty (30) days of date of invoice or within an alternate period of time as determined and notified by Seller, shall incur interest at a rate of eighteen percent (18%) per annum. No cash discounts shall be allowed.

ACCOUNTS PAYABLE

CITY OF LAKEWOOD

Subtotal	10,627.34
Sales Tax	983.03
Payment/Credit Amount	0.00
Balance Due: USD	<u>11,610.37</u>

TOT (PAX) 112

Cust #: OK99E
Sales: CHP

Landscape Forms, Inc. Corporate Address:
421 Lakewood Avenue
Kalamazoo, MI 49004-9843
PH: 800.621.0546 FX: 269.383.3455
FEDERAL ID #: 38-1847677
95° = 404246° E2410002

S
A

dave bang associates, inc.

P.O. Box 1088 Tustin, CA 92781-1088
Toll Free (800) 649-2585
Fax (800) 729-2483

INVOICE

DATE	INVOICE #
6/4/2009	30086 RR

BILL TO
City of Lakewood ATTN: Accounts Payable 5050 Clark Avenue Lakewood, CA 90712 10186

B4118
V 49803

SHIP TO
City of Lakewood Purchasing Warehouse 6929 Nixon Street, Building C Lakewood, CA 90713-2810

P.O. #	Terms	Due Date	Sales...	Ship Date	Ship Via	FOB	DBA Order #
00010186	Net 30	6/3/2009	PN	6/4/2009	Truck	Lakewood	615414

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
53	REVISED INVOICE Wabash #LR380D, 10-Gallon Pole-Mount Receptacle, Diamond Pattern GREEN	130.00	6,890.00T
	Less CalSave Bid Discount	-1,033.50	-1,033.50T
	Less Special Quantity Discount	-344.50	-344.50T
	Subtotal		5,512.00
	Shipping	1,144.32	1,144.32
	Los Angeles COUNTY Sales Tax	9.25%	509.88

PAID JUN 25 2009
23096

D29464

562-425-8588

JUN 24 2009

87

We Appreciate Your Business - Thank You!

Due Total F **\$7,166.18**

We are a reporting agency to Dun & Bradstreet. Failure to pay our invoice within our terms may affect your credit rating.



City of Lakewood
 5050 N. Clark Avenue
 Lakewood, CA 90712-2603

Vendor Number: 49803
 Check Date: 06/25/2009
 Check Number: 00023096

VOID AFTER 90 DAYS

Bank of America - S.C.G.S.D.1431
 525 S. Flower St., Los Angeles, CA 90071

\$7,166.18

Pay Seven Thousand One Hundred Sixty Six dollars and 18 cents *****

To The Order Of: **BANG, DAVID ASSOCIATES**
 PO BOX 1088
 TUSTIN, CA 92681-0000

**FILE COPY
 NON - NEGOTIABLE**

City of Lakewood
 5050 N. Clark Avenue, Lakewood, CA 90712-2603

Page Number: 1

Check Number: 00023096

Invoice Date	Invoice Number	P.O. No.	Invoice Description	Gross	Discount	Net Invoice	
06/24/2009	30086RR	10186	TRASH RECEPTACLE 10 GAL.	6,656.32		7,166.18	
Vendor No.			Vendor Name		Check No.	Check Date	Check Amount
49803			BANG, DAVID ASSOCIATES		00023096	06/25/2009	7,166.18

Displaying 1 thru 24 of 24 orders found with keyword: trash cans


Spreadsheet View

Notation: Keyword: trash cans - between 11/25/2003 and 08/04/2011

Work Order Report

24 Records Found - RUN DATE: 04-Aug-11 - RUN BY: PWSRMGTAN USING: Current Work Order Database

Order#	Submitted/Completed	Req by	P Site	Bldg/Room	Assigned to/ Scheduled date	Labor Hrs/ Labor(\$)	Material (\$)	Total(\$)
<u>3693</u> Other Event	05/17/05 05/23/05	N. Hitt	2 NYE	6600 Del Amo Blvd., 90713 - Other	()	0 \$0.00	\$0.00	\$0.00
<p>Deliver four trash cans to the storage area at the Nye Library by Friday, June 3rd. trash cans will be used for Family Reading Festival event on Saturday, June 4th. Please pick up trash cans on Monday, June 6, 2005.</p>								
<u>5544</u> Standard	04/04/06 07/07/06	N. Hitt	3 NYE	6600 Del Amo Blvd., 90713 - Other	()	0 \$0.00	\$0.00	\$0.00
<p>Deliver 4 trash cans to the storage area in the library parking lot that is attached to the library for the Family Reading Festival. Deliver by June 1st and pick up on or after June 5. See Dave Osborne for key to storage area. I believe it is masterlock key #5.</p>								
<u>7142</u> Standard	01/11/07 08/01/07	S. Junkin	3 WEING	5220 Oliva Avenue, 90712 - Other	()	0 \$0.00	\$0.00	\$0.00
<p>Please steam clean lunchroom trash cans and service carts. Please notify Sabrina Junkin of the date, and she will have items outside and ready. Thank you.</p>								
<u>7496</u> Standard	03/15/07 03/26/07	N. Hitt	3 RYN	20711 Studebaker Road, 90715 - BallDia.	()	0 \$0.00	\$0.00	\$0.00
<p>Deliver about 12 trash cans to the Little League baseball diamond. The trash cans can be picked up again after July 15th, 2007.</p>								
<u>9700</u> Summer Concerts	03/18/08 06/18/08	Nancy Hitt	3 DV	5939 Henrilee Street, 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00
<p>Deliver 30 trash cans to be used for the Summer Concerts in the Park Series. Deliver them to the Youth Center patio by Wednesday, June 11th, 2008. They can be picked up any time on or after Friday, August 1st, 2008.</p>								
<u>9958</u> Standard	04/24/08 06/02/08	Nancy Hitt	3 NYE	6600 Del Amo Blvd., 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00
<p>Bring 6 trash cans to the Nye library by Thursday, May 15 to use for the reading festival. Please store them in the outside storage area on the south end of the building next to the parking lot. See Dave Osborne for location. They can be picked up on Monday, May 19 from the same location.</p>								
<u>11672</u> Standard	01/22/09 02/09/09	Steve Fairchild	3 R.O.W.	- Street	Bill Holland (SKILLTRADE2)	6 \$163.86	\$0.00	\$163.86
<p>Please remove two bus benches and trash cans, one is a new Presidio bench in front of Casa Margarita, just east of Norwalk ave, and place in storage @ Nixon Yard; the second is a concrete bench to be destroyed, located just east of Violeta. Both are on Centralia on the south side of the street.</p>								
<u>12144</u> Other Event	04/15/09 05/22/09	Nancy Hitt	2 NYE	6600 Del Amo Blvd., 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00
<p>Deliver 10 trash cans to Nye library patio on Friday, May 15. trash cans can be picked up from patio on Monday, May 18. See Terry Farmer or Dave Osborne for key to patio.</p>								
<u>12452</u> Standard	06/11/09 06/11/09	Greg O'Neil	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	32 \$873.92	\$20.00	\$893.92
<p>Install 13 large trash cans at 13 different bus stops.</p>								
<u>12489</u> Standard	06/19/09 07/03/09	Steve Fairchild	3 R.O.W.	- Street	Bill Holland (SKILLTRADE2)	18 \$491.58	\$0.00	\$491.58
<p>Install 10 gal bus stop trash cans, as time allows, using list provided to Greg.</p>								
<u>12553</u> Standard	07/01/09 07/09/09	Steve Fairchild	3 R.O.W.	- Street	Dennis Kildall (SKILLTRADE3)	2 \$54.62	\$0.00	\$54.62
<p>Install 10 gallon trash cans city wide following list that Greg has.</p>								
<u>12619</u> Standard	07/13/09 07/20/09	Gay Givens	3 CNTR	5000 Clark Ave, 90712 - Restrms.	Dennis Kildall (SKILLTRADE3)	6 \$158.54	\$0.00	\$158.54
<p>Secure the stainless steel trash cans in restrooms to the unit that houses the cans.</p>								
<u>12638</u> Standard	07/14/09 08/06/09	Steve Fairchild	3 R.O.W.	- Street	Dennis Kildall (SKILLTRADE3)	12 \$219.90	\$0.00	\$219.90
<p>Install 5 - 30 gal trash cans at following bus shelters: 2 at Carson w/b at Necter, 2 at Bloomfield s/b at Del Amo, 1 at Norwalk n/b at Centralia(as time permits.)</p>								
<u>12647</u> Standard	07/15/09 08/11/09	Steve Fairchild	3 R.O.W.	- Street	Dennis Kildall (SKILLTRADE3)	10 \$273.10	\$12.00	\$285.10
<p>Install 30 gal trash cans at following bus stops: South st e/b at Albertsons, Woodruff s/b at South st, Del Amo e/b at Woodruff,</p>								
<u>12648</u> Standard	07/15/09 08/10/09	Steve Fairchild	3 R.O.W.	- Street	Jim Dixon (SKILLTRADE1)	4 \$83.94	\$0.00	\$83.94
<p>Install new 10 gal trash cans at following bus stops: Bellflower s/b at South st, Clark n/b at Candlewood,</p>								
<u>14040</u> Standard	02/23/10 09/09/10	Nancy Hitt	2 NYE	6600 Del Amo Blvd., 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00
<p>By Friday, May 14 deliver 10 trash cans to the Library storage area located next to the parking lot. They will be used for the Reading Festival on</p>								

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number 9819418			(20) Date Filed ___/___/___	(21) LRS Input ___/___/___
(02) Claimant Name City of Lakewood			(22) FORM-1 (04)(A)(1)(g)	
Mailing Address 5050 N. Clark Avenue			(23) FORM-1 (04)(A)(2)(g)	
Street Address or P.O. Box				
City Lakewood				
State CA Zip Code 90712				
Type of Claim	Estimated Claim	Reimbursement Claim	(24) FORM-1 (04)(A)(3)(g)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)	733
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(27) FORM-1,(06)	24,648
Fiscal Year of Cost	(06)	(12) 2009-10	(28) FORM-1,(07)	70
Total Claimed	(07)	(13) \$167,917	(29) FORM-1,(08)	10
<i>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</i>		(14)	(30) FORM-1,(11)	
<i>Less: Estimated Claim Payment Received</i>		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$167,917	(32)	
Due from State	(08)	(17) \$167,917	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.				
I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.				
The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.				
Signature of Authorized Representative				
			Date Signed <u>9-27-11</u>	
Diane Perkin			Telephone Number (562) 866-9771	
Finance Director			Email Address <u>dperkin@lakewoodcity.org</u>	
Name of Contact Person for Claim			Telephone Number	
Annette S. Chinn (CRS)			(916) 939-7901	
			E-Mail Address	
			ACHinnCRS@aol.com	

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number			9819418	
(02) Claimant Name			City of Lakewood	
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)
Street Address or P.O. Box				
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)
State CA			Zip Code 90712	
Type of Claim	Estimated Claim	Reimbursement Claim	(24) FORM-1 (04)(A)(3)(g)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)	733
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(27) FORM-1,(06)	24,648
Fiscal Year of Cost	(06)	(12) 2009-10	(28) FORM-1,(07)	70
Total Claimed	(07)	(13) \$167,917	(29) FORM-1,(08)	10
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(30) FORM-1,(11)	
Less: Estimated Claim Payment Received		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$167,917	(32)	
Due from State	(08)	(17) \$167,917	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
_____			Date Signed	_____
Diane Perkin			Telephone Number	(562) 866-9771
Finance Director			Email Address	dperkin@lakewoodcity.org

Name of Contact Person for Claim		Telephone Number	E-Mail Address	
Annette S. Chinn (CRS)		(916) 939-7901	AChinnCRS@aol.com	

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2009-10 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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Direct Costs	Object Accounts					
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(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Total

A. ONE-TIME ACTIVITIES

1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract specs, review process/award bid						
4. Purchase or construct and install receptacle & pad	\$705		\$28			\$733
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs	\$705		\$28			\$733

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads

(06) Annual number of trash collections	24648
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$167,113

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)</small>	10.0%
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	\$70
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small>	\$167,917

Cost Reductions

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	<small>Line (08)- (line(09) + Line(10))</small> \$167,917

Program

314

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
ACTIVITY COST DETAIL**

FORM 2

(01) Claimant: **City of Lakewood** (02) Fiscal Year Costs Were Incurred: **2009-10**

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

- | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <input type="checkbox"/> ID locations that are required to have a trash receptacle | <input checked="" type="checkbox"/> Purchase or construct/install receptacles and pads |
| <input type="checkbox"/> Select/eval. & prep of specifications & drawings | <input type="checkbox"/> Move/restore at old location and install at new location |
| <input type="checkbox"/> Prep of contracts/specs review, process, award bid... | |

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
<u>Skill Trade 3</u>									
7/1/09 Install 10 gallon trash receptacles (WO 12553)	\$27.31		2.00	\$55					\$55
7/14/09 Install 5 30 gallon trash receptacles (WO 12638)	\$18.33		12.00	\$220					\$220
7/15/09 Install 30 gallon trash receptacles (WO 12647)	\$27.31		10.00	\$273		\$12			\$273
10/9/09 Replace missing trash receptacles (WO 13206)	\$18.33		4.00	\$73		\$16			\$73
<u>Skill Trade 1</u>									
7/15/09 Install 30 gallon trash receptacles (WO 12648)	\$20.95		4.00	\$84					\$84
(05) Total			32.00	\$705		\$28			\$705

12918 08/26/09 Steve Fairchild 2 R.O.W. - Street Dennis Kildall (SKILLTRADE3) 5 \$91.63 \$0.00 \$91.63
Standard 08/31/09

Deliver generator to e/s Paramount panel for event on Monday 8-31-09 @ 8:30 am. Place where it was on the practice day Tuesday. Thanks

13206 10/09/09 Cathy Hornsby 3 R.O.W. - Street Dennis Kildall (SKILLTRADE3) 4 \$73.30 \$16.00 \$89.30
Standard 10/12/09

Replace missing trash receptacle at bus stop on the north side of Del Amo east of Palo Verde.

13665 12/16/09 Cathy Hornsby 3 R.O.W. - Other Dennis Kildall (SKILLTRADE3) 2 \$36.65 \$0.00 \$36.65
Standard 12/18/09

Remove large obstacle on sidewalk, west side of Clubhouse north of Carson.

13769 01/12/10 Cathy Hornsby 3 R.O.W. - Street Dennis Kildall (SKILLTRADE3) 2 \$36.65 \$0.00 \$36.65
Standard 01/19/10

Remove steel pole in parkway on Ashworth side of property at 6178 Coldbrook. Dispose of pole and sleeve.

14161 03/16/10 Cathy Hornsby 2 R.O.W. - Other Dennis Kildall (SKILLTRADE3) 2 \$36.65 \$0.00 \$36.65
Standard 03/25/10

Pick up delineators at and near intersection of Barlin and Hardwick. Store items at yard (unclaimed) Work to be done 3/17/2010

14310 04/07/10 Cathy Hornsby 2 R.O.W. - Other Jim Dixon (SKILLTRADE1) 1.5 \$44.96 \$0.00 \$44.96
Standard 04/12/10

By 4/9/2010 install missing #22 master lock on gateat transfer site next to water well on west side of Palo Verde north of Del Amo.

14496 04/28/10 Cathy Hornsby 3 R.O.W. - Street Dennis Kildall (SKILLTRADE3) 2 \$49.30 \$0.00 \$49.30
Standard 10/04/10

Remove large pieces of concrete leaning on and near block wall fencing on the south side of Candlewood and west of railroad tracks west of Deeboyar. Pictures forwarded to Greg.

15086 07/26/10 Cathy Hornsby 3 R.O.W. - Other Horst Klotzer (SKILLTRADE4) 4 \$109.24 \$0.00 \$109.24
Standard 07/27/10

Remove concrete slab leaning against fence on the south side of Candlewood west of railroad tracks, east of Cherry. Section of fence between 5322 and 5425 Meadow Wood.

15305 08/19/10 Cathy Hornsby 3 R.O.W. - Other Dennis Kildall (SKILLTRADE3) 3 \$54.98 \$0.00 \$54.98
Standard 08/25/10

Repair chainlink fence and remove mattress from city-owned property 20920 Roseton.

15503 09/09/10 Cathy Hornsby 3 R.O.W. - Street Dennis Kildall (SKILLTRADE3) 2 \$36.65 \$0.00 \$36.65
Standard 09/13/10

Remove concrete block debris in gutter area south side of Centralia east of Norwalk

17219 05/09/11 Greg O'Neil 3 R.O.W. - Other David Santos (PWMNWKR2) 2 \$37.30 \$0.00 \$37.30
Standard 05/09/11

Deliver two trash cans for green waste to 5832 Pennswood.

17239 05/11/11 Greg O'Neil 3 R.O.W. - Other David Santos (PWMNWKR2) 2 \$46.95 \$0.00 \$46.95
Standard 05/11/11

Deliver one green waste can to 4231 Marwick Ave.

17240 05/11/11 Greg O'Neil 3 R.O.W. - Other David Santos (PWMNWKR2) 2 \$37.30 \$0.00 \$37.30
Standard 05/11/11

Deliver two green waste cans to 6161 Clark Ave.

17241 05/11/11 Greg O'Neil 3 R.O.W. - Other David Santos (PWMNWKR2) 2 \$37.30 \$0.00 \$37.30
Standard 05/11/11

Deliver one green waste can to 6120 Droxford ST.

17271 05/16/11 Greg O'Neil 3 R.O.W. - Other David Santos (PWMNWKR2) 2 \$37.30 \$0.00 \$37.30
Standard 05/17/11

Deliver two Green waste cans to 6530 Denmead St.

17538 06/20/11 Cathy Hornsby 3 R.O.W. - Other Bill Holland (SKILLTRADE2) 2 \$59.94 \$5.00 \$64.94
Standard 06/21/11

Change lock on gate to DWP City-owned property northwest side of Chesteroark entrance northeast of Turnergrove. Resident at 6111 Turnergrove had access until Gardner Tractor Servicecut weeds a few weeks ago, key nowdoes not work. Advised Jim Rocha and requested lock change for resident.

Displaying 1 thru 24 of 24 orders found with keyword: trash cans

[Spreadsheet View](#)

Notation: Keyword: trash cans - between 11/25/2003 and 08/04/2011

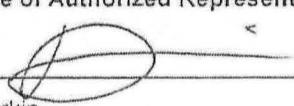
Work Order Report

24 Records Found - RUN DATE: 04-Aug-11 - RUN BY: PWSRMGTAN USING: Current Work Order Database

Order#	Submitted/Completed	Req by	P Site	Bldg/Room	Assigned to/ Scheduled date	Labor Hrs/ Labor(\$)	Material (\$)	Total(\$)
<u>3693</u> Other Event	05/17/05 05/23/05	N. Hitt	2 NYE	6600 Del Amo Blvd., 90713 - Other	()	0 \$0.00	\$0.00	\$0.00
<i>Deliver four trash cans to the storage area at the Nye Library by Friday, June 3rd. trash cans will be used for Family Reading Festival event on Saturday, June 4th. Please pick up trash cans on Monday, June 6, 2005.</i>								
<u>5544</u> Standard	04/04/06 07/07/06	N. Hitt	3 NYE	6600 Del Amo Blvd., 90713 - Other	()	0 \$0.00	\$0.00	\$0.00
<i>Deliver 4 trash cans to the storage area in the library parking lot that is attached to the library for the Family Reading Festival. Deliver by June 1st and pick up on or after June 5. See Dave Osborne for key to storage area. I believe it is masterlock key #5.</i>								
<u>7142</u> Standard	01/11/07 08/01/07	S. Junkin	3 WEING	5220 Oliva Avenue, 90712 - Other	()	0 \$0.00	\$0.00	\$0.00
<i>Please steam clean lunchroom trash cans and service carts. Please notify Sabrina Junkin of the date, and she will have items outside and ready. Thank you.</i>								
<u>7496</u> Standard	03/15/07 03/26/07	N. Hitt	3 RYN	20711 Studebaker Road, 90715 - BallDia.	()	0 \$0.00	\$0.00	\$0.00
<i>Deliver about 12 trash cans to the Little League baseball diamond. The trash cans can be picked up again after July 15th, 2007.</i>								
<u>9700</u> Summer Concerts	03/18/08 06/18/08	Nancy Hitt	3 DV	5939 Henrilee Street, 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00
<i>Deliver 30 trash cans to be used for the Summer Concerts in the Park Series. Deliver them to the Youth Center patio by Wednesday, June 11th, 2008. They can be picked up any time on or after Friday, August 1st, 2008.</i>								
<u>9958</u> Standard	04/24/08 06/02/08	Nancy Hitt	3 NYE	6600 Del Amo Blvd., 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00
<i>Bring 6 trash cans to the Nye library by Thursday, May 15 to use for the reading festival. Please store them in the outside storage area on the south end of the building next to the parking lot. See Dave Osborne for location. They can be picked up on Monday, May 19 from the same location.</i>								
<u>11672</u> Standard	01/22/09 02/09/09	Steve Fairchild	3 R.O.W.	- Street	Bill Holland (SKILLTRADE2)	6 \$163.86	\$0.00	\$163.86
<i>Please remove two bus benches and trash cans, one is a new Presidio bench in front of Casa Margarita, just east of Norwalk ave, and place in storage @ Nixon Yard; the second is a concrete bench to be destroyed, located just east of Violeta. Both are on Centralia on the south side of the street.</i>								
<u>12144</u> Other Event	04/15/09 05/22/09	Nancy Hitt	2 NYE	6600 Del Amo Blvd., 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00
<i>Deliver 10 trash cans to Nye library patio on Friday, May 15. trash cans can be picked up from patio on Monday, May 18. See Terry Farmer or Dave Osborne for key to patio.</i>								
<u>12452</u> Standard	06/11/09 06/11/09	Greg O'Neil	3 R.O.W.	- Other	Bill Holland (SKILLTRADE2)	32 \$873.92	\$20.00	\$893.92
<i>Install 13 large trash cans at 13 differnt bus stops.</i>								
<u>12489</u> Standard	06/19/09 07/03/09	Steve Fairchild	3 R.O.W.	- Street	Bill Holland (SKILLTRADE2)	18 \$491.58	\$0.00	\$491.58
<i>Install 10 gal bus stop trash cans, as time allows, using list provided to Greg.</i>								
<u>12553</u> Standard	07/01/09 07/09/09	Steve Fairchild	3 R.O.W.	- Street	Dennis Kildall (SKILLTRADE3)	2 \$54.62	\$0.00	\$54.62
<i>Install 10 gallon trash cans city wide following list that Greg has.</i>								
<u>12619</u> Standard	07/13/09 07/20/09	Gay Givens	3 CNTR	5000 Clark Ave, 90712 - Restrms.	Dennis Kildall (SKILLTRADE3)	6 \$158.54	\$0.00	\$158.54
<i>Secure the stainless steel trash cans in restrooms to the unit that houses the cans.</i>								
<u>12638</u> Standard	07/14/09 08/06/09	Steve Fairchild	3 R.O.W.	- Street	Dennis Kildall (SKILLTRADE3)	12 \$219.90	\$0.00	\$219.90
<i>Install 5 - 30 gal trash cans at following bus shelters: 2 at Carson w/b at Necter, 2 at Bloomfield s/b at Del Amo, 1 at Norwalk n/b at Centralia(as time permits.)</i>								
<u>12647</u> Standard	07/15/09 08/11/09	Steve Fairchild	3 R.O.W.	- Street	Dennis Kildall (SKILLTRADE3)	10 \$273.10	\$12.00	\$285.10
<i>Install 30 gal trash cans at following bus stops: South st e/b at Albertsons, Woodruff s/b at South st, Del Amo e/b at Woodruff,</i>								
<u>12648</u> Standard	07/15/09 08/10/09	Steve Fairchild	3 R.O.W.	- Street	Jim Dixon (SKILLTRADE1)	4 \$83.94	\$0.00	\$83.94
<i>Install new 10 gal trash cans at following bus stops: Bellflower s/b at South st, Clark n/b at Candlewood,</i>								
<u>14040</u> Standard	02/23/10 09/09/10	Nancy Hitt	2 NYE	6600 Del Amo Blvd., 90713 - Other	Ronald Dickinson (PKMTNWK5)	0 \$0.00	\$0.00	\$0.00

By Friday, May 14 deliver 10 trash cans to the Library storage area located next to the parking lot . They will be used for the Reading Festival on

Claim for Payment			For State Controller Use Only	
Pursuant to Government Code Section 17561			(19) Program Number: 000314	Program 314
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			(20) Date Filed ____/____/____	
			(21) LRS Input ____/____/____	
(01) Claimant Identification Number		9819418		
(02) Claimant Name		City of Lakewood		
Mailing Address		5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box				
City		Lakewood	(23) FORM-1 (04)(A)(2)(g)	
State		CA		
Zip Code		90712		
Type of Claim	Estimated Claim	Reimbursement Claim	(24) FORM-1 (04)(A)(3)(g)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4.) (g)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(27) FORM-1,(06)	24,648
Fiscal Year of Cost	(06)	(12) 2010-11	(28) FORM-1,(07)	
Total Claimed	(07)	(13) \$167,606	(29) FORM-1,(08)	
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)	(30) FORM-1,(11)	
Less: Estimated Claim Payment Received		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$167,606	(32)	
Due from State	(08)	(17) \$167,606	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
_____		Date Signed	_____	
Diane Perkin		Telephone Number:	(562) 866-9771	
Finance Director		Email Address	dperkin@lakewoodcity.org	
Name of Contact Person for Claim		Telephone Number	E-Mail Address	
Annette S. Chinn (CRS)		(916) 939-7901	ACHinnCRS@aol.com	

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
(01) Claimant Identification Number			9819418	
(02) Claimant Name			City of Lakewood	
Mailing Address			5050 N. Clark Avenue	(22) FORM-1 (04)(A)(1)(g)
Street Address or P.O. Box				
City			Lakewood	(23) FORM-1 (04)(A)(2)(g)
State CA			Zip Code 90712	
Type of Claim	Estimated Claim	Reimbursement Claim		(24) FORM-1 (04)(A)(3)(g)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>		(25) FORM-1 (04)(A)(4)(g)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>		(26) FORM-1 (04)(A)(5)(g)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>		(27) FORM-1,(06)
Fiscal Year of Cost	(06)	(12) 2010-11		(28) FORM-1,(07)
Total Claimed	(07)	(13) \$167,606		(29) FORM-1,(08)
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)			(14)	(30) FORM-1,(11)
Less: Estimated Claim Payment Received			(15)	(32) FORM-1,(12)
Net Claimed Amount		(16) \$167,606		(32)
Due from State	(08)	(17) \$167,606		(33)
Due to State	(09)	(18)		(34)
(38) CERTIFICATION OF CLAIM				
In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.				
I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.				
The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.				
Signature of Authorized Representative				
			Date Signed	9-27-11
Diane Perkin			Telephone Number	(562) 866-9771
Finance Director			Email Address	dperkin@lakewoodcity.org
Name of Contact Person for Claim			Telephone Number	E-Mail Address
Annette S. Chinn (CRS)			(916) 939-7901	ACHinnCRS@aol.com

Revised (12/09)

Form FAM-27

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2010-11 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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Direct Costs	Object Accounts					
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(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Total

A. ONE-TIME ACTIVITIES

1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract specs, review process/award bid						
4. Purchase or construct and install receptacle & pad						
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads

(06) Annual number of trash collections	24648
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$167,606

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	
(09) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	
(10) Total Direct and Indirect Costs	Line (05)(d) + line (07)	\$167,606

Cost Reductions

(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)) \$167,606

Claim for Payment

Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES

For State Controller Use Only

(19) Program Number: 000314

Program

(20) Date Filed ___/___/___

314

(21) LRS Input ___/___/___

(01) Claimant Identification Number		9819418		
(02) Claimant Name		City of Lakewood		
Mailing Address		5050 N. Clark Avenue		(22) FORM-1 (04)(A)(1)(g)
Street Address or P.O. Box				
City		Lakewood		(23) FORM-1 (04)(A)(2)(g)
State		CA		
Zip Code		90712		
Type of Claim	Estimated Claim	Reimbursement Claim		(24) FORM-1 (04)(A)(3)(g)
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>		(25) FORM-1 (04)(A)(4.)(g)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>		(26) FORM-1 (04)(A)(5)(g)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>		(27) FORM-1,(06)
				24,648
Fiscal Year of Cost	(06)	(12)	2011-12	(28) FORM-1,(07)
Total Claimed	(07)	(13)	\$176,233	(29) FORM-1,(08)
Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)		(14)		(30) FORM-1,(11)
Less: Estimated Claim Payment Received		(15)		(32) FORM-1,(12)
Net Claimed Amount		(16)	\$176,233	(32)
Due from State	(08)	(17)	\$176,233	(33)
Due to State	(09)	(18)		(34)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative



Date Signed 1-15-13

Diane Perkin

Telephone Number (562) 866-9771

Finance Director

Email Address dperkin@lakewoodcity.org

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	(916) 939-7901	AChinnCRS@aol.com

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2011-12 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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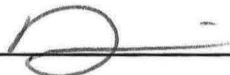

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a)	(b)	(c)	(d)	(e)	(g)
	Salaries	Benefits	Materials and Supplies	Contract Services	Fixed Assets	Total

A. ONE-TIME ACTIVITIES						
1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract.specs, review process/award bid						
4. Purchase or construct and install receptacle & pad						
5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads	
(06) Annual number of trash collections	24648
(07) Total Ongoing Costs (Line (06) x RRM rate)	\$176,233

Indirect Costs	
(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)</small>
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [(line (05)(a) + line(05)(b))]</small>
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small> \$176,233

Cost Reductions	
(11) Less: Offsetting Savings, if applicable	
(12) Less: Other Reimbursements, if applicable	
(13) Total Claimed Amount	<small>Line (08)- (line(09) + Line(10))</small> \$176,233

Claim for Payment Pursuant to Government Code Section 17561 MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES			For State Controller Use Only	
			(19) Program Number: 000314	Program 314
			(20) Date Filed ___/___/___	
			(21) LRS Input ___/___/___	
(01) Claimant Identification Number 9819418				
(02) Claimant Name City of Lakewood				
Mailing Address 5050 N. Clark Avenue			(22) FORM-1 (04)(A)(1)(g)	
Street Address or P.O. Box				
City Lakewood			(23) FORM-1 (04)(A)(2)(g)	
State CA Zip Code 90712				
Type of Claim	Estimated Claim	Reimbursement Claim	(24) FORM-1 (04)(A)(3)(g)	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(25) FORM-1 (04)(A)(4)(g)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(26) FORM-1 (04)(A)(5)(g)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(27) FORM-1,(06)	24,648
Fiscal Year of Cost	(06)	(12) 2012-13	(28) FORM-1,(07)	
Total Claimed	(07)	(13) \$180,177	(29) FORM-1,(08)	
<i>Less: 10% Late Penalty, but not to exceed \$1,000 (if applicable)</i>		(14)	(30) FORM-1,(11)	
<i>Less: Estimated Claim Payment Received</i>		(15)	(32) FORM-1,(12)	
Net Claimed Amount		(16) \$180,177	(32)	
Due from State	(08)	(17) \$180,177	(33)	
Due to State	(09)	(18)	(34)	
(38) CERTIFICATION OF CLAIM				
<p>In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.</p> <p>I further certify that there was no application for nor any grant or payment received, other than from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.</p> <p>The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p>				
Signature of Authorized Representative				
 _____		Date Signed	 _____	
Diane Perkin		Telephone Number (562) 866-9771		
Finance Director		Email Address dperkin@lakewoodcity.org		
Name of Contact Person for Claim		Telephone Number	E-Mail Address	
Annette S. Chinn (CRS)		(916) 939-7901	ACHinnCRS@aol.com	

**MANDATED COSTS
MUNICIPAL STORM WATER & URBAN RUNOFF DISCHARGES
CLAIM SUMMARY**

**Prog 314
FORM
1**

(01) Claimant City of Lakewood	(02) Type of Claim Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2012-13 <small>(see FAM-27 for estimate)</small>
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Claim Statistics

(03) Department	Public Works
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Direct Costs	Object Accounts
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(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
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A. ONE-TIME ACTIVITIES						
1. ID of locations that are required to have receptacle						
2. Select/Eval./& preparation of specs and drawings						
3. Prep of contract.specs, review process/award bid						
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5. Move/restore at old locations & install at new locations						
(05) Total Direct Costs						

B. ON GOING ACTIVITY: Maintain Trash Receptacles and Pads						
(06) Annual number of trash collections						24648
(07) Total Ongoing Costs (Line (06) x RRM rate)						\$180,177

Indirect Costs

(08) Indirect Cost Rate (applied to salaries)	<small>(from ICRP) (Applied to Salaries)</small>	
(09) Total Indirect Costs	<small>Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]</small>	
(10) Total Direct and Indirect Costs	<small>Line (05)(d) + line (07)</small>	\$180,177

Cost Reductions

(11) Less: Offsetting Savings, if applicable		
(12) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	<small>Line (08)- (line(09) + Line(10))</small>	\$180,177

SECTION 12

Certifications

12. CLAIM CERTIFICATION

*Read, sign, and date this section and insert at the end of the incorrect reduction claim submission.**

This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to Government Code section 17561. This incorrect reduction claim is filed pursuant to Government Code section 17551, subdivision (d). I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief.

Jose Gomez

Print or Type Name of Authorized Local Agency
or School District Official

Director of Finance & Administrative Services

Print or Type Title



Signature of Authorized Local Agency or
School District Official

October 14, 2020

Date

** If the declarant for this Claim Certification is different from the Claimant contact identified in section 2 of the incorrect reduction claim form, please provide the declarant's address, telephone number, fax number, and e-mail address below.*

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On November 4, 2020, I served the:

- **Notice of Complete Incorrect Reduction Claim, Schedule for Comments, and Notice of Tentative Hearing Date issued November 4, 2020**
- **Incorrect Reduction Claim (IRC) filed by the City of Lakewood on October 22, 2020**

Municipal Storm Water and Urban Runoff Discharges, 20-0304-I-07

Los Angeles Regional Quality Control Board Order No. 01-182,

Permit CAS004001, Part 4F5c3

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013

City of Lakewood, Claimant

By making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on November 4, 2020 at Sacramento, California.



Jill L. Magee

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 10/27/20

Claim Number: 20-0304-I-07

Matter: Municipal Storm Water and Urban Runoff Discharges

Claimant: City of Lakewood

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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SAquino@sco.ca.gov

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allanburdick@gmail.com

Evelyn Calderon-Yee, Bureau Chief, *State Controller's Office*

Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740, Sacramento, CA 95816

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Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740, Sacramento, CA 95816

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Annette Chinn, *Cost Recovery Systems, Inc.*

Claimant Representative

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Phone: (916) 939-7901

achinnrcs@aol.com

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donna.ferebee@dof.ca.gov

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