

# **PALOMAR COMMUNITY COLLEGE DISTRICT**

Audit Report

## **INTEGRATED WASTE MANAGEMENT PROGRAM**

Chapter 1116, Statutes of 1992;  
and Chapter 764, Statutes of 1999

*July 1, 1999, through June 30, 2001;  
and July 1, 2003, through June 30, 2011*



**BETTY T. YEE**  
California State Controller

March 2015



**BETTY T. YEE**  
California State Controller

March 26, 2015

John J. Halcón, Ph.D., President  
Governing Board  
Palomar Community College District  
1140 W. Mission Road  
San Marcos, CA 92069

Dear Dr. Halcón:

The State Controller's Office audited the costs claimed by the Palomar Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011. We did not audit the costs claimed for the period of July 1, 2001, through June 30, 2003, because the statute of limitations to initiate the audit had expired by the time the audit started.

The district claimed \$950,550 for the mandated program. Our audit found that \$21,768 is allowable and \$928,782 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs, misstated indirect costs, and understated offsetting savings. The State paid the district \$214,086. The amount paid exceeds allowable costs claimed by \$192,318.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sa

cc: Robert P. Deegan, Superintendent/President  
Palomar Community College District  
Ron Ballesteros-Perez, Assistant Superintendent of Finance and Administrative Services  
Palomar Community College District  
Phyllis Laderman, Director of Fiscal Services  
Palomar Community College District  
Chris Miller, Director of Facilities  
Palomar Community College District  
Antonio Rangel, Grounds Services Supervisor  
Palomar Community College District  
Pai Wang-Smith, Staff Accountant  
Palomar Community College District  
Mario Rodriguez, Assistant Vice Chancellor  
College Finance and Facilities Planning  
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Christine Atalig, Specialist  
College Finance and Facilities Planning  
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Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Palomar Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011. We did not audit the costs claimed for the period of July 1, 2001, through June 30, 2003, because the statute of limitations to initiate the audit had expired by the time the audit started.

The district claimed \$950,550 for the mandated program. Our audit found that \$21,768 is allowable and \$928,782 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs, misstated indirect costs, and understated offsetting savings. The State paid the district \$214,086. The amount paid exceeds allowable costs claimed by \$192,318.

## Background

On March 25, 2004, the Commission on State Mandates (Commission) adopted its statement of decision, finding that Public Resources Code sections 40148, 40196.3, 42920-42928; Public Contract Code sections 12167 and 12167.1; and the State Agency Model Integrated Waste Management Plan (February 2000); require new activities which constitute new programs or higher levels of service for community college districts within the meaning of Article XIII B, section 6, of the California Constitution, and impose costs mandated by the State pursuant to Government Code section 17514.

Specifically, the Commission approved the test claim for the increased costs of performing the following specific activities:

- Comply with the model plan (Public Resources Code section 42920(b)(3) and State Agency Model Integrated Waste Management Plan, February, 2000)
- Designate a solid waste reduction and recycling coordinator (Public Resources Code section 42920(c))
- Divert solid waste (Public Resources Code sections 42921 and 42922(i))
- Report to the Board (Public Resources Code sections 42926(a) and 42922(i))
- Submit recycled material reports (Public Contract Code section 12167.1)

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on March 30, 2005, and last amended them on September 26, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated-program reimbursable costs.

## **Objectives, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Integrated Waste Management Program for the period of July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011.

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

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. 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.

We limited our review of the district'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.

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

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

We were unable to assess fraud risk because the district did not respond to our inquiries regarding fraud assessment. As a result, we increased our substantive testing; however, increased testing would not necessarily identify fraud or abuse that may have occurred.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1), Summary of Offsetting Savings Calculations (Schedule 2), and in the Findings and Recommendations section of this report.

For the audit period, the Palomar Community College District claimed \$950,550 for costs of the Integrated Waste Management Program. Our audit found that \$21,768 is allowable and \$928,782 is unallowable.

For the fiscal year (FY) 2000-01, FY 2003-04, and FY 2004-05 claims, the State paid the district \$214,086 from funds appropriated under Chapter 724, Statutes of 2010 (AB 1610). Our audit found that \$7,564 is allowable. The State will apply \$206,522 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For FY 1999-2000, and FY 2005-06 through FY 2010-11 claims, the State made no payments to the district. Our audit found that \$14,204 is allowable. The State will pay this amount, contingent upon available appropriations.

### **Views of Responsible Officials**

We issued a draft audit report on January 27, 2015. Ron Ballesteros-Perez, Assistant Superintendent/Vice President of Finance and Administrative Services, responded by letter dated February 4, 2015 (Attachment), disagreeing with the FY 1999-2000 indirect cost rate of 15.33% identified in Finding 2. The district did not provide a response to Findings 1, 3, or 4. This final audit report includes the district's response.

We agreed with the district's response for Finding 2 and have revised the finding in the final report to allow the 17.24% indirect cost rate. As a result, allowable costs increased by \$149, from \$21,619 to \$21,768.

### **Restricted Use**

This report is solely for the information and use of the Palomar Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

March 26, 2015

**Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2001;  
and July 1, 2003, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits	\$ 27,994	\$ 7,169	\$ (20,825)	Finding 1
Contract services	643	643	—	
Total direct costs	28,637	7,812	(20,825)	
Indirect costs	9,201	1,347	(7,854)	Finding 2
Total direct and indirect costs	37,838	9,159	(28,679)	
Less offsetting revenues	(2,162)	(905)	1,257	Finding 3
Less offsetting savings <sup>2</sup>	—	(3,735)	(3,735)	Finding 4
Total program costs	<u>\$ 35,676</u>	4,519	<u>\$ (31,157)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,519</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits	\$ 62,854	\$ 11,886	\$ (50,968)	Finding 1
Contract services	3,921	3,921	—	
Total direct costs	66,775	15,807	(50,968)	
Indirect costs	22,099	2,491	(19,608)	Finding 2
Total direct and indirect costs	88,874	18,298	(70,576)	
Less offsetting revenues	(4,126)	(2,425)	1,701	Finding 3
Less offsetting savings <sup>2</sup>	—	(8,309)	(8,309)	Finding 4
Total program costs	<u>\$ 84,748</u>	7,564	<u>\$ (77,184)</u>	
Less amount paid by the State <sup>3</sup>		(5,410)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,154</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 76,841	\$ 15,804	\$ (61,037)	Finding 1
Materials and supplies	962	962	—	
Contract services	1,100	1,100	—	
Total direct costs	78,903	17,866	(61,037)	
Indirect costs	22,714	2,481	(20,233)	Finding 2

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004 (continued)</u>				
Total direct and indirect costs	101,617	20,347	(81,270)	
Less offsetting revenues	(3,651)	(6,071)	(2,420)	Finding 3
Less offsetting savings <sup>2</sup>	—	(20,088)	(20,088)	Finding 4
Subtotal	97,966	(5,812)	(103,778)	
Adjustment to eliminate negative balance	—	5,812	5,812	
Total program costs	<u>\$ 97,966</u>	—	<u>\$ (97,966)</u>	
Less amount paid by the State <sup>3</sup>		<u>(97,966)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (97,966)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 89,034	\$ 18,439	\$ (70,595)	Finding 1
Materials and supplies	1,384	1,384	—	
Contract services	1,249	1,249	—	
Total direct costs	91,667	21,072	(70,595)	
Indirect costs	24,546	4,968	(19,578)	Finding 2
Total direct and indirect costs	116,213	26,040	(90,173)	
Less offsetting revenues	(5,503)	(3,521)	1,982	Finding 3
Less offsetting savings <sup>2</sup>	—	(35,406)	(35,406)	Finding 4
Subtotal	110,710	(12,887)	(123,597)	
Adjustment to eliminate negative balance	—	12,887	12,887	
Total program costs	<u>\$ 110,710</u>	—	<u>\$ (110,710)</u>	
Less amount paid by the State <sup>3</sup>		<u>(110,710)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (110,710)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 63,387	\$ 23,414	\$ (39,973)	Finding 1
Materials and supplies	1,505	1,505	—	
Fixed assets	919	919	—	
Total direct costs	65,811	25,838	(39,973)	
Indirect costs	16,151	6,405	(9,746)	Finding 2
Total direct and indirect costs	81,962	32,243	(49,719)	
Less offsetting revenues	(3,304)	(3,856)	(552)	Finding 3
Less offsetting savings <sup>2</sup>	—	(34,537)	(34,537)	Finding 4
Subtotal	78,658	(6,150)	(84,808)	
Adjustment to eliminate negative balance	—	6,150	6,150	
Total program costs	<u>\$ 78,658</u>	—	<u>\$ (78,658)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 88,533	\$ 22,742	\$ (65,791)	Finding 1
Indirect costs	25,178	5,310	(19,868)	Finding 2
Total direct and indirect costs	113,711	28,052	(85,659)	
Less offsetting revenues	—	(5,522)	(5,522)	Finding 3
Less offsetting savings <sup>2</sup>	—	(23,975)	(23,975)	Finding 4
Subtotal	113,711	(1,445)	(115,156)	
Adjustment to eliminate negative balance	—	1,445	1,445	
Total program costs	<u>\$ 113,711</u>	—	<u>\$ (113,711)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Salaries and benefits	\$ 96,803	\$ 27,074	\$ (69,729)	Finding 1
Indirect costs	27,531	7,204	(20,327)	Finding 2
Total direct and indirect costs	124,334	34,278	(90,056)	
Less offsetting revenues	—	(5,304)	(5,304)	Finding 3
Less offsetting savings <sup>2</sup>	—	(24,674)	(24,674)	Finding 4
Total program costs	<u>\$ 124,334</u>	4,300	<u>\$ (120,034)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,300</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 98,902	\$ 27,679	\$ (71,223)	Finding 1
Indirect costs	23,608	7,492	(16,116)	Finding 2
Total direct and indirect costs	122,510	35,171	(87,339)	
Less offsetting revenues	(5,367)	(5,112)	255	Finding 3
Less offsetting savings <sup>2</sup>	—	(24,674)	(24,674)	Finding 4
Total program costs	<u>\$ 117,143</u>	5,385	<u>\$ (111,758)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,385</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Salaries and benefits	\$ 100,093	\$ 17,641	\$ (82,452)	Finding 1
Indirect costs	25,304	4,953	(20,351)	Finding 2
Total direct and indirect costs	125,397	22,594	(102,803)	
Less offsetting revenues	(4,574)	(4,358)	216	Finding 3
Less offsetting savings <sup>2</sup>	—	(26,688)	(26,688)	Finding 4
Subtotal	120,823	(8,452)	(129,275)	
Adjustment to eliminate negative balance	—	8,452	8,452	
Total program costs	<u>\$ 120,823</u>	—	<u>\$ (120,823)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 55,673	\$ 7,521	\$ (48,152)	Finding 1
Indirect costs	14,587	2,126	(12,461)	Finding 2
Total direct and indirect costs	70,260	9,647	(60,613)	
Less offsetting revenues	(3,479)	(3,314)	165	Finding 3
Less offsetting savings <sup>2</sup>	—	(6,672)	(6,672)	Finding 4
Subtotal	66,781	(339)	(67,120)	
Adjustment to eliminate negative balance	—	339	339	
Total program costs	<u>\$ 66,781</u>	—	<u>\$ (66,781)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 760,114	\$ 179,369	\$ (580,745)	Finding 1
Materials and supplies	3,851	3,851	—	
Contract services	6,913	6,913	—	
Fixed assets	919	919	—	
Total direct costs	771,797	191,052	(580,745)	
Indirect costs	210,919	44,777	(166,142)	Finding 2
Total direct and indirect costs	982,716	235,829	(746,887)	
Less offsetting revenues	(32,166)	(40,388)	(8,222)	Finding 3
Less offsetting savings	—	(208,758)	(208,758)	Finding 4

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011 (continued)</u>				
Subtotal	950,550	(13,317)	(963,867)	
Adjustment to eliminate negative balance	—	35,085	35,085	
Total program costs	<u>\$ 950,550</u>	21,768	<u>\$ (928,782)</u>	
Less amount paid by the State		<u>(214,086)</u>		
Allowable costs claimed in excess of amount paid		<u>\$ (192,318)</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> See Schedule 2, Summary of Offsetting Savings Calculations.

<sup>3</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

**Schedule 2—  
Summary of Offsetting Savings Calculations  
July 1, 1999, through June 30, 2001;  
and July 1, 2003, through June 30, 2011**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 1999, through June 30, 2000</u>					
Maximum required diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷ 62.82%		
Allocated diversion percentage		—	39.80%		
Tonnage diverted	×	—	×	(240.65)	
Actual landfill disposal fee	×	—	×	\$39.00	
Offsetting savings, FY 1999-2000	\$ —	\$ —	\$ (3,735)	\$ (3,735)	\$ (3,735)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum required diversion percentage		25.00%	25.00%		
Actual diversion percentage	÷	62.82%	÷ 31.90%		
Allocated diversion percentage		39.80%	78.37%		
Tonnage diverted	×	(240.65)	×	(149.65)	
Actual landfill disposal fee	×	\$39.00	×	\$39.00	
Offsetting savings, FY 2000-01	\$ —	\$ (3,735)	\$ (4,574)	\$ (8,309)	\$ (8,309)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	41.79%	÷ 59.53%		
Allocated diversion percentage <sup>2</sup>		100.00%	83.99%		
Tonnage diverted	×	(164.30)	×	(359.95)	
Actual landfill disposal fee	×	\$43.05	×	\$43.05	
Offsetting savings, FY 2003-04	\$ —	\$ (7,073)	\$ (13,015)	\$ (20,088)	\$ (20,088)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	59.53%	÷ 74.52%		
Allocated diversion percentage		83.99%	67.10%		
Tonnage diverted	×	(359.95)	×	(775.15)	
Actual landfill disposal fee	×	\$43.05	×	\$43.05	
Offsetting savings, FY 2004-05	\$ —	\$ (13,015)	\$ (22,391)	\$ (35,406)	\$ (35,406)

## Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2005, through June 30, 2006</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	74.52%	÷	50.55%	
Allocated diversion percentage		67.10%	98.91%		
Tonnage diverted	×	(775.15)	×	(285.25)	
Actual landfill disposal fee	×	\$43.05	×	\$43.05	
Offsetting savings, FY 2005-06	\$ —	\$ (22,391)	\$ (12,146)	\$ (34,537)	\$ (34,537)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	50.55%	÷	52.49%	
Allocated diversion percentage		98.91%	95.26%		
Tonnage diverted	×	(285.25)	×	(313.95)	
Actual landfill disposal fee	×	\$41.25	×	\$41.25	
Offsetting savings, FY 2006-07	\$ —	\$ (11,638)	\$ (12,337)	\$ (23,975)	\$ (23,975)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	52.49%	÷	52.49%	
Allocated diversion percentage		95.26%	95.26%		
Tonnage diverted	×	(313.95)	×	(313.95)	
Actual landfill disposal fee	×	\$41.25	×	\$41.25	
Offsetting savings, FY 2007-08	\$ —	\$ (12,337)	\$ (12,337)	\$ (24,674)	\$ (24,674)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	52.49%	÷	52.49%	
Allocated diversion percentage		95.26%	95.26%		
Tonnage diverted	×	(313.95)	×	(313.95)	
Actual landfill disposal fee	×	\$41.25	×	\$41.25	
Offsetting savings, FY 2008-09	\$ —	\$ (12,337)	\$ (12,337)	\$ (24,674)	\$ (24,674)
<u>July 1, 2009, through June 30, 2010</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	52.49%	÷	52.49%	
Allocated diversion percentage		95.26%	95.26%		
Tonnage diverted	×	(313.95)	×	(313.95)	
Actual landfill disposal fee	×	\$44.62	×	\$44.62	
Offsetting savings, FY 2009-10	\$ —	\$ (13,344)	\$ (13,344)	\$ (26,688)	\$ (26,688)

### Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2010, through June 30, 2011</u>					
Maximum required diversion percentage		50.00%	—		
Actual diversion percentage	÷	52.49%	÷	—	
Allocated diversion percentage		95.26%	—		
Tonnage diverted	×	(156.98)	×	—	
Actual landfill disposal fee	×	\$44.62	×	—	
Offsetting savings, FY 2010-11	\$ —	\$ (6,672)	\$ —	\$ (6,672)	\$ (6,672)
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011</u>					
	\$ —	\$ (102,542)	\$ (106,216)	\$ (208,758)	\$ (208,758)

<sup>1</sup> See Finding 4, Findings and Recommendations.

<sup>2</sup> Palomar Community College District did not achieve the maximum required diversion percentage in 2003. Therefore, 100% of the tonnage diverted is offsetting savings realized by the district.

# Findings and Recommendations

## FINDING 1— Unallowable salaries and benefits

The district claimed \$760,114 in salaries and benefits during the audit period. We found that \$179,369 is allowable and \$580,745 is unallowable. The costs are unallowable because the district claimed costs that are inadequately supported and ineligible.

The following table summarizes the salary and benefit audit adjustment for each fiscal year in the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 27,994	\$ 7,169	\$ (20,825)
2000-01	62,854	11,886	(50,968)
2003-04	76,841	15,804	(61,037)
2004-05	89,034	18,439	(70,595)
2005-06	63,387	23,414	(39,973)
2006-07	88,533	22,742	(65,791)
2007-08	96,803	27,074	(69,729)
2008-09	98,902	27,679	(71,223)
2009-10	100,093	17,641	(82,452)
2010-11	55,673	7,521	(48,152)
Total	<u>\$ 760,114</u>	<u>\$ 179,369</u>	<u>\$ (580,745)</u>

The following table summarizes the salary and benefit audit adjustment by reimbursable cost component:

Reimbursable Component	Amount Claimed	Amount Allowable	Audit Adjustment
Diversion and Maintenance of Approved Level	\$ 586,754	\$ 138,073	\$(448,681)
Staff Training	140,715	8,651	(132,064)
Completion and Submission of Plan to Board	3,070	3,070	-
Designation of Recycling Coordinator	7,555	7,555	-
Annual Report	4,401	4,401	-
Annual Recycled Materials Report	17,619	17,619	-
Total	<u>\$ 760,114</u>	<u>\$ 179,369</u>	<u>\$(580,745)</u>

### Diversion and Maintenance of Approved Level

The district claimed \$586,754 in salaries and benefits for the Diversion and Maintenance of Approved Level cost component. We found that \$138,073 is allowable and \$448,681 is unallowable. The costs are unallowable because the district claimed costs that are inadequately supported and ineligible.

To support the costs claimed, the district provided a worksheet titled Employee Time Record Sheet for Mandated Programs. We found that the hours reported on the Employee Time Record Sheet for Mandated Programs are estimated and, therefore, not allowable.

The parameters and guidelines (section IV, Reimbursable Activities) state:

...to be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that shows 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 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, receipts, and the community college plan approved by the Board.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocations 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.

#### *Groundskeepers and Facility Coordinators*

The district claimed \$370,403 for Groundskeepers (e.g. Groundskeepers, Senior Groundskeepers, Student Groundskeepers, Grounds Arborist, and Tree Trimming Assistants) to perform diversion activities. The activities performed by the Groundskeepers include weeding, mowing, chipping, and mulching. Student Groundskeepers perform the same activities as Groundskeepers. In addition, the district claimed \$81,711 for the Facility Coordinators (e.g. Facilities Services Coordinator, Director of Facilities, Supervisor of Facilities) to perform diversion activities.

Initially, we found that all of the costs claimed were unallowable because they were based on estimates. However, the district requested, and we agreed, that it be allowed to perform a time study to support allowable diversion activities.

- Time Study

The district performed a 16-week time study from April 2014 until August 2014. Included in the time study were the following employee classifications: one Grounds Service Supervisor, one Grounds Arborist, one Groundskeeper, two Senior Groundskeepers, and two Student Worker Groundskeepers. The district recorded the time these classifications spent each day composting (e.g. chipping and mulching) and recycling (cans, paper, cardboard, and plastic).

The time study revealed that the district employees spend an average of 110.04 hours every 16 weeks, or 358 hours each year, on diversion activities as shown in the following table:

Classification	16-Week Average Hours per Classification	Conversion to Annual <sup>1</sup>	Average Annual Hours per Classification
Grounds Service Supervisor (GSSV)	10.00	3.25	33
Grounds Arborist (GA)	15.50	3.25	50
Groundskeeper (HGK)	20.50	3.25	67
Senior Groundskeeper (SGK)	38.75	3.25	126
Student Worker - Groundskeeper (SW GK)	25.29	3.25	82
	<u>110.04</u>		<u>358</u>

<sup>1</sup> The time study was for 16 weeks, which when multiplied by 3.25, results in a yearly average (52 weeks).

- Allocated Diversion Percentage

We allocated the time study results based on the requirements of the mandated program. Public Resources Code section 42921 requires that 25% of all solid waste be diverted by January 1, 2002, and 50% of all solid waste be diverted by January 1, 2004. The parameters and guidelines allow districts to be reimbursed for all mandated costs incurred to achieve these levels, without reduction for when they fall short of state goals, but not for amounts used to exceed these state-mandated levels.

For calendar years 2000 through 2007, we used the diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

In 2008, Cal Recycle began focusing on a “per capita” disposal instead of a “diversion percentage.” As a result, CalRecycle stopped requiring the community college districts to report the actual amount of tonnage diverted and the diversion percentage is not available for the period during which the time study was performed (2014). Therefore, we used the 2007 diversion percentage to calculate allowable salaries and benefits for FY 2007-08 through FY 2010-11.

- Allowable Salaries and Benefits

To compute the allowable salaries and benefits, we multiplied the allocated diversion percentage by the average annual hours per classification to arrive at the allowable annual hours per classification. For every employee claimed for each fiscal year, we allowed the annual hours per the employee’s respective classification. Based on the time study, we found that \$72,763 is allowable for Groundskeepers and \$5,499 is allowable for Facility Coordinators.

### *Student Recyclers*

The district claimed \$70,332 for Student Recyclers to collect recycling bins (glass, plastic, and aluminum) located across the campus. All of the time spent by the Student Recyclers is devoted to mandated activities. To support the costs claimed, the district provided us with an Excel spreadsheet of actual salaries, totaling \$73,351, paid to the Student Recyclers for the audit period. The district also provided us with actual salaries, totaling \$29,486, paid to the Student Worker Groundskeepers. We did not allow the salaries for the Student Worker Groundskeepers because their time was already allowed from the time study (as previously discussed).

- **Allocated Diversion Percentage**

We allocated the Student Recycler actual costs based on the requirements of the mandated program. Public Resources Code section 42921 requires that 25% of all solid waste be diverted by January 1, 2002 and 50% of all solid waste be diverted by January 1, 2004. The parameters and guidelines allow districts to be reimbursed for all mandated costs incurred to achieve these levels, without reduction for when they fall short of stated goals, but not for amounts used to exceed these state-mandated levels.

For calendar years 2000 through 2007, we used the diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

As previously noted, in 2008, Cal Recycle began focusing on a “per capita” disposal instead of a “diversion percentage.” As a result, CalRecycle stopped requiring the community college districts to report the actual amount of tonnage diverted and the diversion percentage is not available for FY 2007-08 through FY 2010-11. Therefore, we used the 2007 diversion percentage to calculate allowable salaries for FY 2007-08 through FY 2010-11.

- **Allowable Salaries**

To compute the allowable salaries, we multiplied the allocated diversion percentage by actual salaries and found that \$59,811 is allowable.

### *Custodians*

The district claimed \$33,091 for Custodians to perform diversion activities. Custodial activities are limited to collecting all trash bins located on campus; therefore, all the costs claimed are unallowable.

### *Irrigation Workers*

The district claimed \$23,748 for Irrigation Workers (e.g. Maintenance Plumber, Pipefitter, Irrigation Specialist) to perform diversion activities. Irrigation Workers are responsible for maintenance on drainage systems,

irrigation systems, and plumbing fixtures. The activities performed by the Irrigation Workers are not an increased cost as a result of the mandated program; therefore, all the costs claimed are unallowable.

#### *Skilled Workers*

The district claimed \$7,469 for Skilled Workers (e.g. Skilled Maintenance Worker, Skilled Maintenance Mechanic, Electrician, and Skilled Maintenance Technician) to perform diversion activities. Skilled Workers are responsible for minor maintenance around the campus, such as replacing ceiling and floor tiles, repairing downspouts and gutters, and installing banners and signs. The activities performed by the Skilled Workers are not an increased cost as a result of the mandated program; therefore, all the costs claimed are unallowable.

#### **Staff Training**

The district claimed \$140,715 for the Staff Training cost component. We initially found that the entire amount claimed is unallowable since it was based on estimates. During audit fieldwork, the district provided us with documentation to support the following training hours:

- 11 hours to train each new Student Recycler
- 8.67 annual hours to train the Community Service Workers

As a result, we found that \$8,651 is allowable (\$4,594 to train the Student Recyclers and \$4,057 to train the Community Service Workers) and \$132,064 is unallowable.

#### Recommendation

The Integrated Waste Management (IWM) Program was suspended in the FY 2011-12 through FY 2014-15 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### SCO's Comments

The district did not provide a response to this finding.

#### **FINDING 2— Misstated indirect costs**

The district claimed \$210,919 in indirect costs for the audit period. We found that \$44,777 is allowable and \$166,142 is unallowable. The costs are unallowable because the district did not support the indirect cost rates claimed, applied the indirect cost rate to unallowable salaries and benefits (see Finding 1), and did not apply the indirect cost rate to the proper direct cost base for FY 1999-00 through FY 2000-01, and FY 2003-04 through FY 2005-06.

The district did not provide its approved indirect cost rate proposals for any fiscal year in the audit period. With the exception of FY 2003-04, we are unaware of the methodology used by the district to calculate the claimed indirect cost rates.

- For FY 1999-2000, FY 2000-01, and FY 2006-07 through FY 2010-11, we used the audited indirect cost rates from our audit of the district's Enrollment Fee Collection and Waiver Program issued on April 22, 2013. As the district did not provide its indirect cost rate proposals for these fiscal years, we recalculated the indirect cost rates using the SCO FAM-29C methodology.
- For FY 2003-04 through FY 2005-06, we used the audited indirect cost rates from our audit of the district's Health Fee Elimination Program issued on November 30, 2010. For FY 2003-04, the district claimed indirect costs using the OMB circular A-21 indirect cost principles. However, the district did not obtain federal approval for this rate. For FY 2004-05 and FY 2005-06, the district did not provide its indirect cost rate proposals; therefore, the indirect cost rates were recalculated using the SCO FAM-29C methodology.

The following table summarizes the unsupported indirect cost rates by fiscal year:

Fiscal Year	Claimed FAM-29C Rate	Allowable FAM-29C Rate	Difference
1999-2000	32.87%	17.24%	-15.63%
2000-01	35.16%	15.76%	-19.40%
2003-04	29.56%	13.88%	-15.68%
2004-05	27.57%	23.58%	-3.99%
2005-06	25.48%	24.79%	-0.69%
2006-07	28.44%	23.35%	-5.09%
2007-08	28.44%	26.61%	-1.83%
2008-09	23.87%	27.07%	3.20%
2009-10	25.28%	28.07%	2.79%
2010-11	26.20%	28.28%	2.08%

In addition, the FAM-29C rate for FY 1999-00 through FY 2005-06 should have been applied to a direct cost base; however, the district applied the indirect rate only to salaries and benefits.

The following table summarizes the indirect cost audit adjustment for each fiscal year in the audit period:

Fiscal Year	Allowable Salaries and Benefits <sup>1</sup>	Allowable Direct Costs <sup>2</sup>	Allowable Indirect Cost Rate	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
1999-2000	\$ -	\$ 7,812	17.24%	\$ 1,347	\$ 9,201	\$ (7,854)
2000-01	-	15,807	15.76%	2,491	22,099	(19,608)
2003-04	-	17,866	13.88%	2,481	22,714	(20,233)
2004-05	-	21,072	23.58%	4,968	24,546	(19,578)
2005-06	-	25,838	24.79%	6,405	16,151	(9,746)
2006-07	-	22,742	23.35%	5,310	25,178	(19,868)
2007-08	27,074	-	26.61%	7,204	27,531	(20,327)
2008-09	27,679	-	27.07%	7,492	23,608	(16,116)
2009-10	17,641	-	28.07%	4,953	25,304	(20,351)
2010-11	7,521	-	28.28%	2,126	14,587	(12,461)
Total	\$ 79,915	\$ 111,137		\$ 44,777	\$ 210,919	\$ (166,142)

<sup>1</sup> The FAM-29C rate for FY 2007-08 through FY 2010-11 is applied to allowable salaries and benefits.

<sup>2</sup> The FAM-29C rate for FY 1999-2000 through FY 2006-07 is applied to allowable direct costs.

The parameters and guidelines (section V. Claim Preparation and Submission, section (B)) state:

Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21 "Cost Principles of Education Institutions"; (2) the rate calculated on the State Controller's form FAM-29C; or (3) a 7% indirect cost rate.

### Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2014-15 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district calculate indirect costs in the manner prescribed in the claiming instructions, and apply the indirect cost rates to allowable direct costs.

### District's response

For the year July 1, 1999 through June 30, 2000, the District does not understand how a different indirect cost rate was calculated for the State's audit of the Enrollment Fee Collection and Waivers Program when compared to the State's audit of the Integrated Waste Management Program. The indirect cost rate for that year was calculated at 17.24% using the SCO FAM-29C methodology as stated in the already published audit of the Enrollment Fee Collection and Waivers Program audit; however, for this audit the rate was calculated at 15.33% using the same methodology.

For consistency's sake, we request that the indirect cost rate for July 1, 1999 through June 30, 2000 be adjusted to the 17.24% rate as published in the previous State audit.

SCO's Comments

We agree with the district's response and have revised the finding accordingly.

We have increased the FY 1999-2000 indirect cost rate from 15.33% to 17.24%. As a result, allowable indirect costs increased by \$149, from \$44,628 to \$44,777.

**FINDING 3—  
Understated offsetting  
revenue**

The district reported \$32,166 in offsetting revenues for the audit period. We found that the district generated \$40,388 in offsetting revenues as a result of implementing its IWM plan. The district understated offsetting revenues by \$8,222.

The following table summarizes the understated offsetting revenues by fiscal year:

<u>Fiscal Year</u>	<u>Offsetting Revenue Reported</u>	<u>Offsetting Revenue Generated</u>	<u>Audit Adjustment</u>
1999-2000	\$ (2,162)	\$ (905)	\$ 1,257
2000-01	(4,126)	(2,425)	1,701
2003-04	(3,651)	(6,071)	(2,420)
2004-05	(5,503)	(3,521)	1,982
2005-06	(3,304)	(3,856)	(552)
2006-07	-	(5,522)	(5,522)
2007-08	-	(5,304)	(5,304)
2008-09	(5,367)	(5,112)	255
2009-10	(4,574)	(4,358)	216
2010-11	(3,479)	(3,314)	165
<b>Total</b>	<u><u>\$ (32,166)</u></u>	<u><u>\$ (40,388)</u></u>	<u><u>\$ (8,222)</u></u>

The parameters and guidelines (section VII. Offsetting Revenues and Reimbursements) state:

Reimbursement for this mandated from any source, including but not limited to, service fees collected, federal funds, and other state funds allocated to any service provided under the program, shall be identified and offset from this claim. Offsetting revenue shall include all revenue generated from implementing the Integrated Waste Management Plan.

**Offsetting Revenue Calculation**

To compute the revenue generated from implementing the IWM plan, we multiplied the revenue received by the allocated diversion percentage, as follows:

$$\text{Offsetting Revenues Generated} = \text{Revenue Received} \times \frac{\text{Allocated Diversion \%}}{\text{Actual Diversion \%}}$$

Allocated Diversion %  
 Maximum Required Diversion %

### *Revenue Received*

The district maintains separate recycling bins for glass, aluminum, plastic, white paper, and mixed paper in the maintenance yard. The bins are collected by the district's waste hauler, EDCO. EDCO remits all revenue received from these commodities to the district. The revenue is recorded into a Recycling Commission account. We found that all of the revenue deposited into this account, totaling \$46,957, should have been multiplied by the allocated diversion percentage and offset against total program costs.

### *Allocated Diversion Percentage*

As stated in Finding 1, Public Resources Code section 42921 requires that districts achieve a solid waste diversion percentage of 25% beginning on January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines allow districts to be reimbursed for all mandated costs incurred to achieve these levels, without reduction for when they fall short of stated goals, but not for amounts that exceed these State-mandated levels. Therefore, we allocated the offsetting revenues to be consistent with the requirements of the mandated program.

For calendar years 2000 through 2007, we used the diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

As previously noted, in 2008, CalRecycle began focusing on "per-capita disposal" instead of a "diversion percentage." As a result, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted and the annual reports no longer identify a diversion percentage. Therefore, we used the 2007 diversion percentage to calculate the offsetting revenues for FY 2007-08 through FY 2010-11.

### Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2014-15 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district offset all revenues generated from implementation of its IWM plan

### SCO's Comments

The district did not provide a response to this finding.

## **FINDING 4— Unreported offsetting savings**

The district did not report any offsetting savings on its mandated cost claims for the audit period. We found that the district realized savings of \$208,758 from implementation of its IWM plan.

The following table summarizes the unreported offsetting savings by fiscal year:

<u>Fiscal Year</u>	<u>Offsetting Savings Reported</u>	<u>Offsetting Savings Realized</u>	<u>Audit Adjustment</u>
1999-2000	\$ -	\$ (3,735)	\$ (3,735)
2000-01	-	(8,309)	(8,309)
2003-04	-	(20,088)	(20,088)
2004-05	-	(35,406)	(35,406)
2005-06	-	(34,537)	(34,537)
2006-07	-	(23,975)	(23,975)
2007-08	-	(24,674)	(24,674)
2008-09	-	(24,674)	(24,674)
2009-10	-	(26,688)	(26,688)
2010-11	-	(6,672)	(6,672)
<b>Total</b>	<b>\$ -</b>	<b>\$ (208,758)</b>	<b>\$ (208,758)</b>

The parameters and guidelines (section VIII. Offsetting Cost Savings) state:

...reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management plans shall be identified and offset from this claim as cost savings, consistent with the directions for revenue in Public Contract Code sections 12167 and 12167.1.

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund. The revenues are to be continuously appropriated to the Board for the purposes of offsetting recycling program costs. For the audit period, the district did not remit to the State the savings realized from implementation of its IWM plan.

**Offsetting Savings Calculation**

The Commission on State Mandates' (Commission) Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8- Commission hearing of September 26, 2008) state:

...cost savings may be calculated from the annual solid waste disposal reduction or diversion rates that community colleges must annually report to the Board pursuant to Public Resources Code section 42926, subdivision (b)(1).

To compute the savings amount, we multiplied the allocated diversion percentage by the tonnage diverted, and then multiplied the total by the avoided landfill disposal fee, as follows:

$$\begin{array}{rcccl}
 & \text{Allocated Diversion \%} & & & \\
 & \text{Maximum} & & & \\
 \text{Offsetting} & \text{Required} & & \text{Avoided} & \\
 \text{Savings} & = & \frac{\text{Diversion \%}}{\text{Actual}} & \times & \text{Landfill} \\
 \text{Realized} & & \text{Diversion \%} & \times & \text{Disposal Fee} \\
 & & & & \text{(per ton)}
 \end{array}$$

This calculation determines the cost the district did not incur for solid waste disposal as a result of implementing its IWM plan.

*Allocated Diversion Percentage*

As stated in Finding 1, Public Resources Code section 42921 requires districts to achieve a solid waste diversion percentage of 25% beginning on January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines allow districts to be reimbursed for all mandated costs incurred to achieve these levels, without reduction for when they fall short of stated goals, but not for amounts that exceed these State-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2000 through 2007, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

As previously noted, in 2008, CalRecycle began focusing on “per-capita disposal” instead of a “diversion percentage.” Therefore, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted, and the annual reports no longer identify a diversion percentage. Therefore, we used the 2007 diversion percentage to calculate the offsetting savings for FY 2007-08 through FY 2010-11.

*Tonnage Diverted*

The tonnage diverted is solid waste that the district recycled, composted, and kept out of a landfill.

For calendar years 2000 through 2007, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

As previously noted, in 2008, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Therefore, we used the tonnage diverted in 2007 to calculate the offsetting savings for FY 2007-08 through FY 2010-11.

*Avoided Landfill Disposal Fee (per ton)*

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at a landfill. We used the actual disposal fee provided by the district in its contract with its waste hauler, EDCO.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2014-15 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district offset all savings realized from implementation of its IWM plan.

SCO's Comments

The district did not provide a response to this finding.

**Attachment—  
District's Response to  
Draft Audit Report**

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**Robert P. Deegan**  
Superintendent/President

**Governing Board**  
Nancy C. Chadwick, M.S.W., M.P.A.  
Mark R. Evislizer, M.A.  
John J. Halcón, Ph.D.  
Nancy Ann Hensch, B.A.  
Paul P. McNamara, B.A.  
Student Trustee:  
ASG President

**Ron Ballesteros-Perez**  
Assistant Superintendent/  
Vice President  
Finance & Administrative Services

Jim L. Spano  
Chief, Mandated Cost Audits Bureau  
State Controller's Office  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

February 4, 2015

Dear Mr. Spano:

Thank you for providing a copy of your draft audit report for the legislatively mandated Integrated Waste Management Program for Palomar Community College District for the years July 1, 1999 through June 30, 2001; and July 1, 2003 through June 30, 2011. At this time the District has only the below exception to your findings.

For the year July 1, 1999 through June 30, 2000, the District does not understand how a different indirect cost rate was calculated for the State's audit of the Enrollment Fee Collection and Waivers Program when compared to the State's audit of the Integrated Waste Management Program. The indirect cost rate for that year was calculated at 17.24% using the SCO FAM-29C methodology as stated in the already published audit of the Enrollment Fee Collection and Wavers Program audit; however, for this audit the rate was calculated at 15.33% using the same methodology.

For consistency's sake, we request that the indirect cost rate for July 1, 1999 through June 30, 2000 be adjusted to the 17.24% rate as published in the previous State audit.

If the rate is not changed before the final audit is published, the District requests that this response to the draft audit findings be included when the final report is issued.

Sincerely,

Ron Ballesteros-Perez  
Assistant Superintendent/Vice President  
Finance and Administrative Services Division  
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