

# **SOUTHWESTERN 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, 2010*



**JOHN CHIANG**  
California State Controller

May 2013



**JOHN CHIANG**  
**California State Controller**

May 17, 2013

Humberto Peraza, Jr.  
Board President  
Southwestern Community College District  
900 Otay Lakes Road  
Chula Vista, CA 91910

Dear Mr. Peraza:

The State Controller's Office audited the costs claimed by Southwestern 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, 2010.

The district claimed \$1,479,100 (\$1,624,007 less a \$144,907 penalty for filing late claims) for the mandated program. Our audit found that \$44,373 is allowable (\$49,304 less a \$4,931 penalty for filing late claims) and \$1,434,727 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by source documentation. The State will pay allowable costs claimed that exceed the amount paid, totaling \$44,373, contingent upon available appropriations.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/vb

cc: Melinda Nish, Ed.D., Superintendent/President  
Southwestern Community College District  
Patti Larkin, Director  
Southwestern Community College District  
Christine Atalig, Specialist  
College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Mollie Quasebarth, Principal Program Budget Analyst  
Education Systems Unit  
California Department of Finance  
Mario Rodriguez, Finance Budget Analyst  
Education Systems Unit  
California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Views of Responsible Official .....</b>	<b>3</b>
<b>Restricted Use .....</b>	<b>3</b>
<b>Schedule 1—Summary of Program Costs .....</b>	<b>4</b>
<b>Finding and Recommendation .....</b>	<b>10</b>
<b>Attachment—District’s Response to Draft Audit Report</b>	

# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Southwestern 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, 2009.

The district claimed \$1,479,100 (\$1,624,007 less a \$144,907 penalty for filing late claims) for the mandated program. Our audit found that \$44,373 is allowable (\$49,304 less a \$4,931 penalty for filing late claims) and \$1,434,727 is unallowable. The costs are unallowable primarily because the district claimed estimated costs that were not supported by source documentation. The State will pay allowable costs claimed that exceed the amount paid, totaling \$44,373, contingent upon available appropriations.

## Background

On March 25, 2004, the Commission on State Mandates (CSM) adopted its statement of decision finding that Public Resources Code (PRC) sections 40148, 40196.3, 42920-42928; Public Contract Code (PCC) section 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 CSM approved this test claim for the increased costs of performing the following specific activities:

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

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM 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 and school districts in claiming mandated program reimbursable costs.

## **Objective, 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, 2010.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the 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.

## **Conclusion**

Our audit found an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Southwestern Community College District claimed \$1,479,100 (\$1,624,007 less a \$144,907 penalty for filing late claims) for costs of the Integrated Waste Management Program. Our audit found that \$44,373 is allowable (\$49,304 less a \$4,931 penalty for filing late claims) and \$1,434,726 is unallowable.

For the fiscal year (FY) 1999-2000 claim, the State made no payment to the district. Our audit found that \$1,419 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,419, contingent upon available appropriations.

For the FY 2000-01 claim, the State made no payments to the district. Our audit found that the claimed costs are unallowable.

For the FY 2001-02 claim, the State made no payment to the district. Our audit found that \$4,670 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,670, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our audit found that \$4,694 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,694, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our audit found that \$4,715 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,715, contingent upon available appropriations.

For the FY 2004-05 claim, the State made no payment to the district. Our audit found that \$5,118 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$5,118, contingent upon available appropriations.

For the FY 2005-06 claim, the State made no payment to the district. Our audit found that \$5,415 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$5,415, contingent upon available appropriations.

For the FY 2006-07 claim, the State made no payment to the district. Our audit found that \$4,191 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,191, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit found that \$4,396 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,396, contingent upon available appropriations.

For the FY 2008-09 claim, the State made no payment to the district. Our audit found that \$4,651 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,651, contingent upon available appropriations.

For the FY 2009-10 claim, the State made no payment to the district. Our audit found that \$5,669 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$5,669, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on March 28, 2013. Steve Crow, Vice President, Business and Financial Affairs, responded by letter dated May 10, 2013 (Attachment). The district stated that it is not disputing the finding. This final audit report includes the district's response.

**Restricted Use**

This report is solely for the information and use of Southwestern 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

May 17, 2013

**Schedule 1—  
Summary of Program Costs  
July 1, 1999, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 1999, through June 30, 2000</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 94,825	\$ —	\$ (94,825)	Finding 1
Total direct costs	94,825	—	(94,825)	
Indirect costs	21,478	—	(21,478)	Finding 1
Total divert solid waste/maintain required level	116,303	—	(116,303)	
All other activities:				
Direct costs:				
Salaries and benefits	9,372	1,286	(8,086)	Finding 1
Indirect costs	2,123	291	(1,832)	Finding 1
Total all other activities	11,495	1,577	(9,918)	
Subtotal	127,798	1,577	(126,221)	
Less late filing penalty <sup>2</sup>	(12,780)	(158)	12,622	
Total program costs	<u>\$ 115,018</u>	1,419	<u>\$ (113,599)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,419</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 94,825	\$ —	\$ (94,825)	Finding 1
Total direct costs	94,825	—	(94,825)	
Indirect costs	21,478	—	(21,478)	Finding 1
Total divert solid waste/maintain required level	116,303	—	(116,303)	
All other activities:				
Direct costs:				
Salaries and benefits	5,353	—	(5,353)	Finding 1
Indirect costs	1,213	—	(1,213)	Finding 1
Total all other activities	6,566	—	(6,566)	
Subtotal	122,869	—	(122,869)	
Less late filing penalty <sup>2</sup>	(12,287)	—	12,287	
Total program costs	<u>\$ 110,582</u>	—	<u>\$ (110,582)</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 Adjustments	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 97,429	\$ —	\$ (97,429)	Finding 1
Total direct costs	97,429	—	(97,429)	
Indirect costs	22,068	—	(22,068)	Finding 1
Total divert solid waste/maintain required level	119,497	—	(119,497)	
All other activities:				
Direct costs:				
Salaries and benefits	5,600	4,231	(1,369)	Finding 1
Indirect costs	1,268	958	(310)	Finding 1
Total all other activities	6,868	5,189	(1,679)	
Subtotal	126,365	5,189	(121,176)	
Less late filing penalty <sup>2</sup>	(12,636)	(519)	12,117	
Total program costs	<u>\$ 113,729</u>	4,670	<u>\$ (109,059)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,670</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 97,721	\$ —	\$ (97,721)	Finding 1
Total direct costs	97,721	—	(97,721)	
Indirect costs	22,740	—	(22,740)	Finding 1
Total divert solid waste/maintain required level	120,461	—	(120,461)	
All other activities:				
Direct costs:				
Salaries and benefits	5,632	4,231	(1,401)	Finding 1
Indirect costs	1,311	985	(326)	Finding 1
Total all other activities	6,943	5,216	(1,727)	
Subtotal	127,404	5,216	(122,188)	
Less late filing penalty <sup>2</sup>	(12,740)	(522)	12,218	
Total program costs	<u>\$ 114,664</u>	4,694	<u>\$ (109,970)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,694</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 98,023	\$ —	\$ (98,023)	Finding 1
Total direct costs	98,023	—	(98,023)	
Indirect costs	23,359	—	(23,359)	Finding 1
Total divert solid waste/maintain required level	121,382	—	(121,382)	
All other activities:				
Direct costs:				
Salaries and benefits	5,666	4,231	(1,435)	Finding 1
Indirect costs	1,350	1,008	(342)	Finding 1
Total all other activities	7,016	5,239	(1,777)	
Subtotal	128,398	5,239	(123,159)	
Less late filing penalty <sup>2</sup>	(12,840)	(524)	12,316	
Total program costs	<u>\$ 115,558</u>	4,715	<u>\$ (110,843)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,715</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 100,918	\$ —	\$ (100,918)	Finding 1
Total direct costs	100,918	—	(100,918)	
Indirect costs	31,476	—	(31,476)	Finding 1
Total divert solid waste/maintain required level	132,394	—	(132,394)	
All other activities:				
Direct costs:				
Salaries and benefits	5,848	4,335	(1,513)	Finding 1
Indirect costs	1,824	1,352	(472)	Finding 1
Total all other activities	7,672	5,687	(1,985)	
Subtotal	140,066	5,687	(134,379)	
Less late filing penalty <sup>2</sup>	(14,007)	(569)	13,438	
Total costs	126,059	5,118	(120,941)	
Adjustment to eliminate negative balance		—	—	
Total program costs	<u>\$ 126,059</u>	5,118	<u>\$ (120,941)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,118</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 106,779	\$ —	\$ (106,779)	Finding 1
Total direct costs	106,779	—	(106,779)	
Indirect costs	35,141	—	(35,141)	Finding 1
Total divert solid waste/maintain required level	141,920	—	(141,920)	
All other activities:				
Direct costs:				
Salaries and benefits	6,166	4,527	(1,639)	Finding 1
Indirect costs	2,029	1,490	(539)	Finding 1
Total all other activities	8,195	6,017	(2,178)	
Subtotal	150,116	6,017	(144,099)	
Less late filing penalty <sup>2</sup>	(15,012)	(602)	14,410	
Total program costs	<u>\$ 135,104</u>	5,415	<u>\$ (129,689)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,415</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 115,108	\$ —	\$ (115,108)	Finding 1
Total direct costs	115,108	—	(115,108)	
Indirect costs	50,383	—	(50,383)	Finding 1
Total divert solid waste/maintain required level	165,491	—	(165,491)	
All other activities:				
Direct costs:				
Salaries and benefits	5,368	3,536	(1,832)	Finding 1
Indirect costs	2,350	1,121	(1,229)	Finding 1
Total all other activities	7,718	4,657	(3,061)	
Subtotal	173,208	4,657	(168,551)	
Less late filing penalty <sup>2</sup>	(17,320)	(466)	16,854	
Total program costs	<u>\$ 155,888</u>	4,191	<u>\$ (151,697)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,191</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 116,834	\$ —	\$ (116,834)	Finding 1
Total direct costs	116,834	—	(116,834)	
Indirect costs	51,138	—	(51,138)	Finding 1
Total divert solid waste/maintain required level	167,972	—	(167,972)	
All other activities:				
Direct costs:				
Salaries and benefits	5,594	3,683	(1,911)	Finding 1
Indirect costs	2,449	1,202	(1,247)	Finding 1
Total all other activities	8,043	4,885	(3,158)	
Subtotal	176,015	4,885	(171,130)	
Less late filing penalty <sup>2</sup>	(17,601)	(489)	17,112	
Total program costs	<u>\$ 158,414</u>	4,396	<u>\$ (154,018)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,396</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 117,171	\$ —	\$ (117,171)	Finding 1
Total direct costs	117,171	—	(117,171)	
Indirect costs	51,286	—	(51,286)	Finding 1
Total divert solid waste/maintain required level	168,457	—	(168,457)	
All other activities:				
Direct costs:				
Salaries and benefits	5,829	3,849	(1,980)	Finding 1
Indirect costs	2,551	1,319	(1,232)	Finding 1
Total all other activities	8,380	5,168	(3,212)	
Subtotal	176,837	5,168	(171,669)	
Less late filing penalty <sup>2</sup>	(17,684)	(517)	17,167	
Total program costs	<u>\$ 159,153</u>	4,651	<u>\$ (154,502)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,651</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 118,025	\$ —	\$ (118,025)	Finding 1
Total direct costs	118,025	—	(118,025)	
Indirect costs	48,343	—	(48,343)	Finding 1
Total divert solid waste/maintain required level	166,368	—	(166,368)	
All other activities:				
Direct costs:				
Salaries and benefits	6,076	4,022	(2,054)	Finding 1
Indirect costs	2,487	1,647	(840)	Finding 1
Total all other activities	8,563	5,669	(2,894)	
Subtotal	174,931	5,669	(169,262)	
Total program costs	<u>\$ 174,931</u>	5,669	<u>\$ (169,262)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,669</u>		
<u>Summary July 1, 1999, through June 30, 2010</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 1,157,658	\$ —	\$ (1,157,658)	Finding 1
Total direct costs	1,157,658	—	(1,157,658)	
Indirect costs	378,890	—	(378,890)	Finding 1
Total divert solid waste/maintain required level	1,536,548	—	(1,536,548)	
All other activities:				
Direct costs:				
Salaries and benefits	66,504	37,931	(28,573)	Finding 1
Indirect costs	20,955	11,373	(9,582)	Finding 1
Total all other activities	87,459	49,304	(38,155)	
Subtotal	1,624,007	49,304	(1,574,703)	
Less late filing penalty	(144,907)	(4,931)	139,976	
Total program costs	<u>\$ 1,479,100</u>	44,373	<u>\$ (1,434,727)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 44,373</u>		

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> The district deducted a 10% penalty for filing a late claim pursuant to Government Code section 17561, subdivision (d)(3). The SCO recalculated the penalty on allowable costs.

# Finding and Recommendation

**FINDING—  
Overstated salaries,  
benefits, and related  
indirect costs**

The district claimed \$1,224,164 in salaries and benefits during the audit period. We determined that \$37,931 is allowable and \$1,186,233 is unallowable. The costs are unallowable because the district claimed costs based on estimates that were not supported with source documentation. The related unallowable indirect costs totaled \$388,470.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the audit period by fiscal year.

Fiscal Year	Claimed Costs	Allowable Costs	Audit Adjustment
1999-2000	\$ 104,198	\$ 1,286	\$ (102,912)
2000-01	100,178	—	(100,178)
2001-02	103,029	4,231	(98,798)
2002-03	103,354	4,231	(99,123)
2003-04	103,689	4,231	(99,458)
2004-05	106,766	4,335	(102,431)
2005-06	112,945	4,527	(108,418)
2006-07	120,476	3,536	(116,940)
2007-08	122,428	3,683	(118,745)
2008-09	123,000	3,849	(119,151)
2009-10	124,101	4,022	(120,079)
Sub-total	1,224,164	37,931	(1,186,233)
Related indirect costs	399,843	11,373	(388,470)
Total	<u>\$ 1,624,007</u>	<u>\$ 49,304</u>	<u>\$ (1,574,703)</u>

## Train District Staff on the Integrated Waste Management Plan

The district claimed salaries and benefits totaling \$17,705 for this activity during the audit period. We determined that \$1,286 is allowable and \$16,419 is unallowable. The costs are unallowable because the district claimed costs for training the same district staff on the requirements and implementation of the integrated waste management plan. However, costs are only reimbursable one-time per employee.

The district claimed training costs for all years of the audit period. Except for FY 2001-02 and FY 2005-06, the district claimed training costs incurred for the same five employees every year. The district's claims for FY 2001-02 and FY 2005-06 did not identify which employees were trained. We determined that training costs claimed for the first year of the audit period (FY 1999-2000) are allowable and the costs claimed for the remaining years of the audit period are unallowable.

## Annual Reports to the Integrated Waste Management Board

The district claimed salaries and benefits totaling \$48,799 for this activity during the audit period. We determined that \$36,646 is allowable and \$12,153 is unallowable. The costs are unallowable because the district claimed costs for FY 1999-2000 and FY 2000-01 totaling \$8,110

that were ineligible for reimbursement, as districts were not required to submit annual reports to the Integrated Waste Management Board (now CalRecycle) until April 1, 2002. In addition, the district claimed duplicate costs totaling \$4,043 for FY 1999-2000.

### **Divert Solid Waste/Maintain Required Level**

The district claimed salaries and benefits totaling \$1,157,658 for this activity during the audit period. We determined that the entire amount is unallowable. The costs are unallowable because the district claimed costs based on estimates of time that were not supported by any source documentation.

During the course of our audit, the district provided documents for a time study that it conducted during FY 2008-09 for this activity. The time study consisted of documents prepared by fourteen district employees estimating the time required to complete certain activities related to recycling or solid waste reduction/diversion. This documentation was used as a basis to claim costs for this activity over the entire eleven-year audit period. However, the time study was not supported by any actual time records or any other form of documentation prepared on a contemporaneous basis. In addition, some of the time estimates were related to activities involving hazardous waste, which are unallowable activities.

During the course of audit fieldwork, the district indicated an interest in performing a time study based on actual time records in an effort to recapture unallowable costs. As of the issuance of this report, the district has not performed a time study. If the district subsequently conducts a time study to determine the time it takes to perform the reimbursable activities, we will revise the audit finding as appropriate.

The program's 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 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.

The parameters and guidelines (section V.A.1) – Claim Preparation and Submission – Direct Cost Reporting – Salaries and Benefits) require claimants to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rates (total wages divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (Section IV.A.2 - One-Time Activities) identify the following reimbursable activity, beginning January 1, 2000:

Train district staff on the requirements and implementation of the integrated waste management plan (one-time per employee). Training is limited to the staff working directly on the plan.

The parameters and guidelines (section IV.E – Reimbursable Activities, Annual Report) state that districts should:

Annually prepare and submit, by April 1, 2002, and by April 1 each subsequent fiscal year, a report to the Board summarizing its progress in reducing solid waste.” The parameters and guidelines go on to explain the information that should be reported by districts, at a minimum.

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by source documentation. Documentation should identify the mandated functions performed and support the actual number of hours devoted to each function.

#### District’s Response

The district stated that it is not disputing the audit finding.

#### **OTHER ISSUE— Potential offsetting revenues not realized**

The district reported to CalRecycle that it diverted recyclable beverage containers, cardboard, newspaper, recycled paper, and scrap metal to meet its diversion percentage during the audit period. However, the district claimed no costs and related offsetting revenues associated with recycling these materials during the audit period. The district did not provide any documentation supporting which vendors diverted the materials or the related costs. The district’s also reported that it received no revenues from these materials.

Based on the tonnage amounts reported to CalRecycle, we determined that the district could have realized \$97,961 in revenues for these materials. We did not offset the revenues from claimed costs for these materials as the district neither realized any revenues nor supported any costs associated with such diversion.

For calendar years 2002 through 2007, we determined possible offsetting revenues by multiplying the tonnage recycled (as reported by Southwestern Community College District to CalRecycle pursuant to Public Resources Code section 42926(b)(1)) by the average price per commodity per ton.

For example, the district reported to CalRecycle that it recycled 2.00 tons of beverage containers during calendar year 2002. However, the period of January 1, 2002 through June 30, 2002 belongs in FY 2001-02 and the period of July 1, 2002 through December 31, 2002 belongs in FY 2002-03. Accordingly, we divided the tonnage in half for each six-month period; this tonnage equals 1.00 ton. We then multiplied the 1.00 ton of recycled beverage containers by the average commodity rate of \$500 per ton to determine offsetting revenues of \$500 for January 1, 2002, through June 30, 2002, and possible revenues of \$6,566 for the entire audit period.

The following table summarizes the calculation of potential revenues for beverage containers by calendar year.

	Fiscal Year	Reported Tons (A)	Commodity Price (B)	Revenues (C) = (A) × (B)
01/01/02-06/30/02	2001-02	1.00	\$ 500.00	\$ 500
07/01/02-12/31/02		1.00	500.00	500
01/01/03-06/30/03	2002-03	1.00	500.00	500
				<u>1,000</u>
07/01/03-12/31/03		1.00	500.00	500
01/01/04-06/30/04	2003-04	1.00	500.00	500
				<u>1,000</u>
07/01/04-12/31/04		1.00	500.00	500
01/01/05-06/30/05	2004-05	0.50	500.00	250
				<u>750</u>
07/01/05-12/31/05		0.50	500.00	250
01/01/06-06/30/06	2005-06	0.50	702.42	351
				<u>601</u>
07/01/06-12/31/06		0.50	702.42	351
01/01/07-06/30/07	2006-07	2.60	908.90	2,363
				<u>2,714</u>
		<u>10.60</u>		<u>\$ 6,566</u>

The following table summarizes the \$97,961 in possible offsetting revenues the district could have received from selling all recyclable materials that it reported to CalRecycle for each calendar year. We adjusted the results in order to also present potential revenues on a fiscal year basis.

<u>Calendar Year</u>	<u>Total Revenues for Materials (Per CalRecycle)</u>	<u>Fiscal Year</u>	<u>Total Revenues for Materials (Per CalRecycle)</u>
2002	\$ 9,787	2001-02	\$ 4,893
2003	40,956	2002-03	25,372
2004	19,834	2003-04	30,395
2005	8,379	2004-05	14,106
2006	7,595	2005-06	7,987
2007	11,410	2006-07	9,503
2008	—	2007-08	5,705
2009	—	2008-09	—
Total	<u>\$ 97,961</u>		<u>\$ 97,961</u>

**OTHER ISSUE—  
Offsetting savings not realized**

The district reported to CalRecycle that it implemented an integrated waste management plan that included diverting solid waste during the audit period. However, the district claimed no costs and related offsetting savings associated with diverting solid waste. The district claimed salaries and benefits, but did not provide documentation supporting such costs. In addition, the district contracted with a vendor to haul away the solid waste. The district did not claim these costs or provide any documentation during the audit supporting the contract costs.

Based on information the district reported to CalRecycle, we determined that the district should have reported \$241,112 in offsetting savings. We did not offset the savings from claimed costs for the diverted solid waste as the district did not support any costs associated with such diversion. If the district subsequently supports costs incurred, we will apply the fiscal year offsetting savings totaling \$241,112 to allowable costs.

The calculation of offsetting savings equals tonnage diverted times the average landfill rate per ton times the required diversion percentage times the actual diversion percentage. For calendar years 2002 through 2006, we used the tonnage diverted as reported by the district to CalRecycle. However, as of January 1, 2007, community college districts were no longer required to report the tonnage of waste diverted, although the requirement to report tonnage disposed remained. Therefore, we used the requirement to report tonnage disposed to calculate the offsetting savings, under the assumption that the district would have had to divert an equivalent tonnage in order to remain in compliance with the mandated program.

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

Fiscal Year	Claimed Cost Savings	Calculated Cost Savings
2001-02	\$ —	\$ (6,172)
2002-03	—	(25,975)
2003-04	—	(26,373)
2004-05	—	(17,409)
2005-06	—	(29,683)
2006-07	—	(58,903)
2007-08	—	(46,684)
2008-09	—	(15,584)
2009-10	—	(14,329)
Total	<u>\$ —</u>	<u>\$ (241,112)</u>

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 Integrated Waste Management Account in the Integrated Waste Management Fund, which is continuously appropriated to CalRecycle for the purposes of offsetting recycling program costs. For the audit period, the district did not deposit any revenue into the Integrated Waste Management Account in the Integrated Waste Management Fund.

Regardless, we have determined that the district may have had reduced or avoided costs realized from implementation of its integrated waste management plan that it did not identify and offset from its claims as cost savings.

The Commission on State Mandates' (CSM) Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item No. 8–CSM hearing of September 26, 2008) states:

...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).

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

---



SOUTHWESTERN COLLEGE

OFFICE OF BUSINESS AND FINANCIAL AFFAIRS

Steve Crow  
*Vice President for Business and Financial Affairs*

Governing Board  
Norma L. Hernandez  
Tim Nader  
Humberto Peraza, Jr.  
Nora E. Vargas  
Terri Valladolid

May 10, 2013

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

Dear Mr. Spano:

The State Controller's Office audited Southwestern Community College District for the legislatively mandated Integrated Waste Management Program and determined that of the \$1,479,100 claimed only \$44,373 is allowable (\$49,304 less a \$4,931 penalty for filing late claims) and that \$1,434, 727 is unallowable.

The costs were primarily found to be unallowable due to the lack of source documentation.

The District is not disputing the findings of the State Controller's Office. Adequate records were not kept during the time period to supplement our claims request.

Sincerely,

Steve Crow  
Vice President Business and Financial Affairs  
Southwestern College

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**