



**JOHN CHIANG**  
California State Controller

May 7, 2014

Kuldeep Kaur, Chief Business Officer  
Yuba Community College District  
2088 North Beale Road  
Marysville, CA 95901

Dear Ms. Kaur:

The State Controller's Office reviewed the costs claimed by the Yuba Community College District for the legislatively mandated Integrated Waste Management (IWM) Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2008. We did not include the costs claimed for the period of July 1, 2001, through June 30, 2003 in the review period because the statute of limitations to initiate a review has expired. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$54,777 for the mandated program. Our review found that \$1,881 is allowable and \$52,896 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its IWM plan, as described in the attached Summary of Program Costs, Summary of Offsetting Saving Calculations, and the Finding and Recommendation.

For the fiscal year (FY) 2000-01, FY 2003-04, and FY 2004-05 claims, the State paid the district \$23,660 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$1,881 is allowable. The State will apply \$21,779 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 2005-06 through FY 2007-08 claims, the State made no payment to the district. Our review found that the entire amount claimed is unallowable.

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/mh

Attachments

RE: S14-MCC-914

cc: Raymond Hunter, Director of Maintenance and Operations  
Yuba 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

**Attachment 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 2,947	\$ 2,947	\$ —
Contract services	5,201	5,201	—
Total direct costs	8,148	8,148	—
Indirect costs	1,320	1,320	—
Total direct and indirect costs	9,468	9,468	—
Less offsetting savings <sup>2</sup>	—	(7,587)	(7,587)
Total program costs	<u>\$ 9,468</u>	1,881	<u>\$ (7,587)</u>
Less amount paid by the State <sup>3</sup>		(9,468)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (7,587)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 899	\$ 899	\$ —
Contract services	1,710	1,710	—
Total direct costs	2,609	2,609	—
Indirect costs	304	304	—
Total direct and indirect costs	2,913	2,913	—
Less offsetting savings <sup>2</sup>	—	(15,830)	(15,830)
Subtotal	2,913	(12,917)	(15,830)
Adjustment to eliminate negative balance	—	12,917	12,917
Total program costs	<u>\$ 2,913</u>	—	<u>\$ (2,913)</u>
Less amount paid by the State <sup>3</sup>		(2,913)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (2,913)</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 8,943	\$ 8,943	\$ —
Contract services	1,710	1,710	—
Total direct costs	10,653	10,653	—
Indirect costs	626	626	—
Total direct and indirect costs	11,279	11,279	—
Less offsetting savings <sup>2</sup>	—	(52,838)	(52,838)
Subtotal	11,279	(41,559)	(52,838)
Adjustment to eliminate negative balance	—	41,559	41,559
Total program costs	<u>\$ 11,279</u>	—	<u>\$ (11,279)</u>
Less amount paid by the State <sup>3</sup>		(11,279)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (11,279)</u>	

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 10,449	\$ 10,449	\$ —
Contract services	1,330	1,330	—
Total direct costs	11,779	11,779	—
Indirect costs	1,642	1,642	—
Total direct and indirect costs	13,421	13,421	—
Less offsetting savings <sup>2</sup>	—	(59,809)	(59,809)
Subtotal	13,421	(46,388)	(59,809)
Adjustment to eliminate negative balance	—	46,388	46,388
Total program costs	<u>\$ 13,421</u>	—	<u>\$ (13,421)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 12,270	\$ 12,270	\$ —
Contract services	1,449	1,449	—
Total direct costs	13,719	13,719	—
Indirect costs	2,029	2,029	—
Total direct and indirect costs	15,748	15,748	—
Less offsetting savings <sup>2</sup>	—	(29,292)	(29,292)
Subtotal	15,748	(13,544)	(29,292)
Adjustment to eliminate negative balance	—	13,544	13,544
Total program costs	<u>\$ 15,748</u>	—	<u>\$ 15,748</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:			
Contract services	1,686	1,686	—
Indirect costs	262	262	—
Total direct and indirect costs	1,948	1,948	—
Less offsetting savings <sup>2</sup>	—	(27,539)	(27,539)
Subtotal	1,948	(25,591)	(27,539)
Adjustment to eliminate negative balance	—	25,591	25,591
Total program costs	<u>\$ 1,948</u>	—	<u>\$ (1,948)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 35,508	\$ 35,508	\$ —
Contract services	13,086	13,086	—
Total direct costs	48,594	48,594	—
Indirect costs	6,183	6,183	—
Total direct and indirect costs	54,777	54,777	—
Less offsetting savings	—	(192,895)	(192,895)
Subtotal	54,777	(138,118)	(192,895)
Adjustment to eliminate negative balance	—	139,999	139,999
Total program costs	<u>\$ 54,777</u>	1,881	<u>\$ (52,896)</u>
Less amount paid by the State		(23,660)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (21,779)</u>	

<sup>1</sup> See Attachment 3, Finding and Recommendation.

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

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

**Attachment 2—  
Summary of Offsetting Savings Calculations  
July 1, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2008**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage		÷ 65.70%	÷ 65.42%		
Allocated diversion percentage		38.05%	38.21%		
Tonnage diverted		× (295.80)	× (251.10)		
Statewide average landfill fee per ton		× \$36.39	× \$36.39		
Offsetting savings, FY 2000-01	\$ —	\$ (4,096)	\$ (3,491)	\$ (7,587)	\$ (7,587)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 55.64%	÷ 60.45%		
Allocated diversion percentage		89.86%	82.71%		
Tonnage diverted		× (207.30)	× (282.25)		
Statewide average landfill fee per ton		× \$36.83	× \$38.42		
Offsetting savings, FY 2003-04	\$ —	\$ (6,861)	\$ (8,969)	\$ (15,830)	\$ (15,830)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 60.45%	÷ 92.44%		
Allocated diversion percentage		82.71%	54.09%		
Tonnage diverted		× (282.25)	× (2,079.6)		
Statewide average landfill fee per ton		× \$38.42	× \$39.00		
Offsetting savings, FY 2004-05	\$ —	\$ (8,969)	\$ (43,869)	\$ (52,838)	\$ (52,838)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 92.44%	÷ 67.28%		
Allocated diversion percentage		54.09%	74.32%		
Tonnage diverted		× (2,079.6)	× (466.25)		
Statewide average landfill fee per ton		× \$39.00	× \$46.00		
Offsetting savings, FY 2005-06	\$ —	\$ (43,869)	\$ (15,940)	\$ (59,809)	\$ (59,809)

## Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment <sup>1</sup>
		July - December	January - June	Total	
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	<u>67.28%</u>	÷	<u>68.82%</u>	
Allocated diversion percentage		74.32%	72.65%		
Tonnage diverted	×	(466.25)	×	(382.90)	
Statewide average landfill fee per ton	×	<u>\$46.00</u>	×	<u>\$48.00</u>	
Offsetting savings, FY 2006-07	\$ —	<u>\$ (15,940)</u>	<u>\$ (13,352)</u>	<u>\$ (29,292)</u>	<u>\$ (29,292)</u>
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	<u>68.82%</u>	÷	<u>68.82%</u>	
Allocated diversion percentage		72.65%	72.65%		
Tonnage diverted	×	(382.90)	×	(382.90)	
Statewide average landfill fee per ton	×	<u>\$48.00</u>	×	<u>\$51.00</u>	
Offsetting savings, FY 2007-08	\$ —	<u>\$ (13,352)</u>	<u>\$ (14,187)</u>	<u>\$ (27,539)</u>	<u>\$ (27,539)</u>
<u>Summary: July 1, 2000, through June 30, 2001; and July 1, 2003, through June 30, 2008</u>					
	\$ —	<u>\$ (93,087)</u>	<u>\$ (99,808)</u>	<u>\$ (192,895)</u>	<u>\$ (192,895)</u>

<sup>1</sup> See Attachment 3, Finding and Recommendation.

**Attachment 3—  
Finding and Recommendation  
July 1, 2000, through June 30, 2001;  
and July 1, 2003, through June 30, 2008**

**FINDING—  
Unreported offsetting  
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We found that the district realized savings of \$192,895 from implementation of its integrated waste management (IWM) plan.

We informed Kuldeep Kaur, Chief Business Officer, of the review finding via email on January 17, 2014. On March 10, 2014, we provided Ms. Kaur with documentation supporting the adjustment. On April 4, 2014, Ms. Kaur stated that she reviewed the finding and concurs with the adjustment.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
2000-01	\$ -	\$ (7,587)	\$ (7,587)
2003-04	-	(15,830)	(15,830)
2004-05	-	(52,838)	(52,838)
2005-06	-	(59,809)	(59,809)
2006-07	-	(29,292)	(29,292)
2007-08	-	(27,539)	(27,539)
<b>Total</b>	<b>\$ -</b>	<b>\$ (192,895)</b>	<b>\$ (192,895)</b>

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the IWM Program. The CSM determined that Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

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.

In March 2007, the Department of Finance and the IWM Board filed a petition for Writ of Mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges' cost savings (e.g., avoided landfill disposal fees) and revenues (from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering

the CSM to amend the parameters and guidelines to require community college districts to identify and offset from their claims cost savings realized as a result of implementing their plan.

On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court’s decision interprets the test claim statutes as a question of law.

In compliance with Government Code section 17558, the State Controller’s Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.

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 direction 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 review period, the district did not deposit any revenue into the IWM Account in the IWM Fund. As the district had reduced or avoided costs realized from implementation of its IWM plan that it did not remit to the State, the district should have identified and offset this savings from its claims.

**Offsetting Savings Calculation**

The CSM’s Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8–CSM 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:

$$\begin{array}{l}
 \text{Offsetting} \\
 \text{Savings} \\
 \text{Realized}
 \end{array}
 = \frac{\text{Maximum Allowable Diversion \%}}{\text{Actual Diversion \%}} \times \text{Tonnage Diverted} \times \text{Avoided Landfill Disposal Fee (per Ton)}$$

This calculation determines the cost that the district did not incur for solid waste disposal as a result of implementing its IWM plan. The offsetting savings calculation is presented in Attachment 2 – Summary of Offsetting Savings Calculations.

#### *Allocated Diversion Percentage*

Public Resource Code 42921 requires districts to achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction 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).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of “diversion percentage.” 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. The district did not provide any documentation supporting a different diversion percentage.

#### *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. The district did not provide any documentation supporting a different amount of tonnage diverted.

#### *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. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide any documentation supporting a different disposal fee.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in the 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.