



JOHN CHIANG
California State Controller

August 15, 2013

Michael Gregoryk, Vice President of Administrative Services
Mt. San Antonio Community College District
1100 N. Grand Avenue
Walnut, CA 91789

Dear Mr. Gregoryk:

The State Controller's Office reviewed the costs claimed by Mt. San Antonio 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, 2003, through June 30, 2010. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$319,757 for the mandated program. Our review found that \$139,728 is allowable and \$180,029 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its integrated waste management plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation.

For the fiscal year (FY) 2003-04 through FY 2004-05 claims, the State paid the district \$69,289 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$39,787 is allowable. The State will apply \$29,502 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 2005-06 through FY 2009-10 claims, the State made no payment to the district. Our review found that \$99,941 is allowable. The State will pay that amount contingent upon available appropriations.

We informed Rosa Royce, Associate Vice President of Fiscal Services, of the review adjustment via email on July 23, 2013. On July 29, 2013, we received a telephone call from the district's consultant stating that she agrees with the adjustment. However, we did not receive a response directly from the district.

If you disagree with the review 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.

Michael Gregoryk, Vice President
of Administrative Services

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August 15, 2013

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/kw

Attachments

RE: S13-MCC-960

cc: Rosa Royce, Associate Vice President of Fiscal Services
Mt. San Antonio 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, 2003, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 1,316	\$ 1,316	\$ —
Contract services	23,728	23,728	—
Total direct costs	25,044	25,044	—
Indirect costs	583	583	—
Total direct and indirect costs	25,627	25,627	—
Less offsetting savings ²	—	(20,862)	(20,862)
Total program costs	<u>\$ 25,627</u>	4,765	<u>\$ (20,862)</u>
Less amount paid by the State ³		(13,039)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (8,274)</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 1,436	\$ 1,436	\$ —
Contract services	54,177	54,177	—
Total direct costs	55,613	55,613	—
Indirect costs	637	637	—
Total direct and indirect costs	56,250	56,250	—
Less offsetting savings ²	—	(21,228)	(21,228)
Total program costs	<u>\$ 56,250</u>	35,022	<u>\$ (21,228)</u>
Less amount paid by the State ³		(56,250)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (21,228)</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 1,436	\$ 1,436	\$ —
Contract services	77,164	77,164	—
Total direct costs	78,600	78,600	—
Indirect costs	545	545	—
Total direct and indirect costs	79,145	79,145	—
Less offsetting savings ²	—	(24,760)	(24,760)
Total program costs	<u>\$ 79,145</u>	54,385	<u>\$ (24,760)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 54,385</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 1,525	\$ 1,525	\$ —
Contract services	74,667	74,667	—
Total direct costs	76,192	76,192	—
Indirect costs	580	580	—
Total direct and indirect costs	76,772	76,772	—
Less offsetting savings ²	—	(31,216)	(31,216)
Total program costs	<u>\$ 76,772</u>	45,556	<u>\$ (31,216)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 45,556</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 1,615	\$ 1,615	\$ —
Contract services	25,643	25,643	—
Total direct costs	27,258	27,258	—
Indirect costs	613	613	—
Total direct and indirect costs	27,871	27,871	—
Less offsetting savings ²	—	(34,165)	(34,165)
Subtotal	27,871	(6,294)	(34,165)
Adjustment to eliminate negative balance	—	6,294	6,294
Total program costs	<u>\$ 27,871</u>	—	<u>\$ (27,871)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 1,630	\$ 1,630	\$ —
Contract services	26,404	26,404	—
Total direct costs	28,034	28,034	—
Indirect costs	506	506	—
Total direct and indirect costs	28,540	28,540	—
Less offsetting savings ²	—	(36,580)	(36,580)
Subtotal	28,540	(8,040)	(36,580)
Adjustment to eliminate negative balance	—	8,040	8,040
Total program costs	<u>\$ 28,540</u>	—	<u>\$ (28,540)</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 ¹
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 1,630	\$ 1,630	\$ —
Contract services	23,445	23,445	—
Total direct costs	25,075	25,075	—
Indirect costs	477	477	—
Total direct and indirect costs	25,552	25,552	—
Less offsetting savings ²	—	(38,306)	(38,306)
Subtotal	25,552	(12,754)	(38,306)
Adjustment to eliminate negative balance	—	12,754	12,754
Total program costs	<u>\$ 25,552</u>	—	<u>\$ (25,552)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2003, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 10,588	\$ 10,588	\$ —
Contract services	305,228	305,228	—
Total direct costs	315,816	315,816	—
Indirect costs	3,941	3,941	—
Total direct and indirect costs	319,757	319,757	—
Less offsetting savings	—	(207,117)	(207,117)
Subtotal	319,757	112,640	(207,117)
Adjustment to eliminate negative balance	—	27,088	27,088
Total program costs	<u>\$ 319,757</u>	139,728	<u>\$ (180,029)</u>
Less amount paid by the State		(69,289)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 70,439</u>	

¹ See Attachment 3, Finding and Recommendation.

² See Attachment 2, Summary of Offsetting Savings Calculations

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

Attachment 2— Summary of Offsetting Savings Calculations July 1, 2003, through June 30, 2010

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 27.92%	÷ 66.51%		
Allocated diversion percentage ²		100.00%	75.18%		
Tonnage diverted	x	(264.55)	x (384.95)		
Statewide average landfill fee per ton	x	\$36.83	x \$38.42		
Total offsetting savings, FY 2003-04	\$ —	\$ (9,743)	\$ (11,119)	\$ (20,862)	\$ (20,862)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 66.51%	÷ 69.21%		
Allocated diversion percentage		75.18%	72.24%		
Tonnage diverted	x	(384.95)	x (358.80)		
Statewide average landfill fee per ton	x	\$38.42	x \$39.00		
Total offsetting savings, FY 2004-05	\$ —	\$ (11,119)	\$ (10,109)	\$ (21,228)	\$ (21,228)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 69.21%	÷ 64.71%		
Allocated diversion percentage		72.24%	77.27%		
Tonnage diverted	x	(358.80)	x (412.20)		
Statewide average landfill fee per ton	x	\$39.00	x \$46.00		
Total offsetting savings, FY 2005-06	\$ —	\$ (10,109)	\$ (14,651)	\$ (24,760)	\$ (24,760)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 64.71%	÷ 56.33%		
Allocated diversion percentage		77.27%	88.76%		
Tonnage diverted	x	(412.20)	x (388.80)		
Statewide average landfill fee per ton	x	\$46.00	x \$48.00		
Total offsetting savings, FY 2006-07	\$ —	\$ (14,651)	\$ (16,565)	\$ (31,216)	\$ (31,216)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50%		
Actual diversion percentage		÷ 56.33%	÷ 56.33%		
Allocated diversion percentage		88.76%	88.76%		
Tonnage diverted	x	(388.80)	x (388.80)		
Statewide average landfill fee per ton	x	\$48.00	x \$51.00		
Total offsetting savings, FY 2007-08	\$ —	\$ (16,565)	\$ (17,600)	\$ (34,165)	\$ (34,165)

Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2008, through June 30, 2009</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 56.33%	÷ 56.33%		
Allocated diversion percentage		88.76%	88.76%		
Tonnage diverted	x	(388.80)	x (388.80)		
Statewide average landfill fee per ton	x	\$51.00	x \$55.00		
Total offsetting savings, FY 2008-09	\$ —	\$ (17,600)	\$ (18,980)	\$ (36,580)	\$ (36,580)
<u>July 1, 2009, through June 30, 2010</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 56.33%	÷ 56.33%		
Allocated diversion percentage		88.76%	88.76%		
Tonnage diverted	x	(388.80)	x (388.80)		
Statewide average landfill fee per ton	x	\$55.00	x \$56.00		
Total offsetting savings, FY 2009-10	\$ —	\$ (18,980)	\$ (19,326)	\$ (38,306)	\$ (38,306)
<u>Total offsetting savings: July 1, 2003, through June 30, 2010</u>	\$ —	\$ (98,767)	\$ (108,350)	\$ (207,117)	\$ (207,117)

¹ See Attachment 3, Finding and Recommendation.

² Mt. San Antonio Community College District did not achieve the maximum allowable diversion percentage in calendar year 2003. Therefore, 100% of the tonnage diverted is offsetting savings realized by the district.

Attachment 3— Finding and Recommendation July 1, 2003, through June 30, 2010

**FINDING—
Unreported offsetting
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We determined that the district realized savings of \$207,117 from implementation of its integrated waste management (IWM) plan.

The following table summarizes unreported offsetting savings by fiscal year:

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
2003-04	\$ -	\$ (20,862)	\$ (20,862)
2004-05	-	(21,228)	(21,228)
2005-06	-	(24,760)	(24,760)
2006-07	-	(31,216)	(31,216)
2007-08	-	(34,165)	(34,165)
2008-09	-	(36,580)	(36,580)
2009-10	-	(38,306)	(38,306)
Total	\$ -	\$ (207,117)	\$ (207,117)

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 amended parameters and guidelines (section VIII – Offsetting Cost Savings) state:

Reduced or avoided costs realized from implementation of the community college districts’ Integrated Waste Management Plan 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. We have determined that the district had reduced or avoided costs realized from implementation of its IWM plan that it did not identify and offset from its claims as cost savings.

Offsetting Savings Calculations

The CSM’s Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #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).

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

$$\begin{array}{rcccl}
 & & \text{Allocated Diversion \%} & & \\
 & & \overbrace{\hspace{1.5cm}} & & \\
 \text{Offsetting} & & \text{Maximum} & & \text{Avoided} \\
 \text{Savings} & = & \text{Allowable} & & \text{Landfill} \\
 \text{Realized} & = & \frac{\text{Diversion \%}}{\text{Actual}} & \times & \text{Disposal Fee} \\
 & & \text{Diversion \%} & \times & \text{Diverted} & \times & \text{(per Ton)}
 \end{array}$$

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 used to exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2003 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 a “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Consequently, the annual reports no longer identify a “diversion percentage.” Therefore, we used the 2007 diversion percentage to calculate the offsetting savings for fiscal year (FY) 2007-08, FY 2008-09, and FY 2009-10. The district did not provide documentation supporting a different diversion percentage.

Tonnage Diverted

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

For calendar years 2003 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, FY 2008-09, and FY 2009-10. The district did not provide documentation supporting a different tonnage amount.

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

Recommendation

We recommend that the district offset all savings realized from implementation of the community college district’s IWM plan.