

PALO VERDE 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, 2009



JOHN CHIANG
California State Controller

October 2014



JOHN CHIANG
California State Controller

October 22, 2014

Ermila Rodriguez, President
Board of Trustees
Palo Verde Community College District
One College Drive
Blythe, CA 92225

Dear Ms. Rodriguez:

The State Controller's Office audited the costs claimed by the Palo Verde 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 \$575,478 for the mandated program. Our audit found that \$59,013 is allowable (\$62,581 less a \$3,568 penalty for filing late claims) and \$516,465 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs, misstated indirect costs, and understated offsetting savings. The State made no payments to the district. The State will pay \$59,013, contingent upon available appropriations.

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/sk

cc: Donald G. Wallace, Ph.D., Superintendent/President
Palo Verde Community College District
Russi Egan, Chief Business Officer
Palo Verde Community College District
Shad Lee, Acting Maintenance and Operations Director
Palo Verde Community College District
Christine Atalig, Specialist
College Finance and Facilities Planning
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Palo Verde 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 \$575,478 for the mandated program. Our audit found that \$59,013 is allowable (\$62,581 less a \$3,568 penalty for filing late claims) and \$516,465 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs, misstated indirect costs, and understated offsetting savings. The State made no payments to the district. The State will pay \$59,013, contingent upon available appropriations.

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 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 Commission approved this 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 it on September 26, 2008. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies, school districts, and 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, 2009.

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.

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 Palo Verde Community College District claimed \$575,478 for costs of the Integrated Waste Management Program. Our audit found that \$59,013 is allowable (\$62,581 less a \$3,568 penalty for filing late claims) and \$516,465 is unallowable. The State made no payments to the district. The State will pay \$59,013, contingent upon available appropriations.

**Views of
Responsible
Officials**

We discussed our audit results with Russi Egan, Chief Business Officer, during an exit conference conducted on September 22, 2014. Ms. Egan neither agreed or disagreed with the audit results; however, Ms. Egan did state that as the Integrated Waste Management Program is suspended and the district is opting into the block grant program, it would not be in the district's best interest, time-wise, to provide a written response to the audit findings. As a result, Ms. Egan declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the Palo Verde 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

October 22, 2014

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits	\$ 6,369	\$ 229	\$ (6,140)	Finding 1
Materials and supplies	1,645	65	(1,580)	Finding 2
Fixed assets	11,905	—	(11,905)	Finding 3
Total direct costs	19,919	294	(19,625)	
Indirect costs	2,624	50	(2,574)	Finding 5
Total direct and indirect costs	22,543	344	(22,199)	
Less offsetting savings ²	—	(462)	(462)	Finding 6
Subtotal	22,543	(118)	(22,661)	
Adjustment to eliminate negative balance	—	118	118	
Total program costs	<u>\$ 22,543</u>	—	<u>\$ (22,543)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits	\$ 9,244	\$ 662	\$ (8,582)	Finding 1
Materials and supplies	3,449	133	(3,316)	Finding 2
Fixed assets	63,251	23,071	(40,180)	Finding 3
Total direct costs	75,944	23,866	(52,078)	
Indirect costs	3,978	4,138	160	Finding 5
Total direct and indirect costs	79,922	28,004	(51,918)	
Less offsetting savings ²	—	(924)	(924)	Finding 6
Subtotal	79,922	27,080	(52,842)	
Less late filing penalty ³	—	(2,708)	(2,708)	
Total program costs	<u>\$ 79,922</u>	24,372	<u>\$ (55,550)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,372</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits	\$ 18,219	\$ 2,791	\$ (15,428)	Finding 1
Materials and supplies	3,402	141	(3,261)	Finding 2
Fixed assets	40,234	—	(40,234)	Finding 3
Total direct costs	61,855	2,932	(58,923)	
Indirect costs	7,137	536	(6,601)	Finding 5

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002 (continued)</u>				
Total direct and indirect costs	68,992	3,468	(65,524)	
Less offsetting savings ²	—	(1,380)	(1,380)	Finding 6
Subtotal	68,992	2,088	(66,904)	
Less late filing penalty ³	—	(209)	(209)	
Total program costs	<u>\$ 68,992</u>	1,879	<u>\$ (67,113)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,879</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 14,182	\$ 2,676	\$ (11,506)	Finding 1
Materials and supplies	3,321	144	(3,177)	Finding 2
Fixed assets	40,234	—	(40,234)	Finding 3
Total direct costs	57,737	2,820	(54,917)	
Indirect costs	9,033	816	(8,217)	Finding 5
Total direct and indirect costs	66,770	3,636	(63,134)	
Less offsetting savings ²	—	(2,000)	(2,000)	Finding 6
Subtotal	66,770	1,636	(65,134)	
Less late filing penalty ³	—	(164)	(164)	
Total program costs	<u>\$ 66,770</u>	1,472	<u>\$ (65,298)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,472</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 15,245	\$ 2,807	\$ (12,438)	Finding 1
Materials and supplies	5,240	146	(5,094)	Finding 2
Fixed assets	40,234	—	(40,234)	Finding 3
Total direct costs	60,719	2,953	(57,766)	
Indirect costs	8,167	565	(7,602)	Finding 5
Total direct and indirect costs	68,886	3,518	(65,368)	
Less offsetting savings ²	—	(1,416)	(1,416)	Finding 6
Subtotal	68,886	2,102	(66,784)	
Less late filing penalty ³	—	(210)	(210)	
Total program costs	<u>\$ 68,886</u>	1,892	<u>\$ (66,994)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,892</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 17,437	\$ 3,307	\$ (14,130)	Finding 1
Materials and supplies	6,400	155	(6,245)	Finding 2
Fixed assets	51,058	—	(51,058)	Finding 3
Total direct costs	74,895	3,462	(71,433)	
Indirect costs	7,988	1,424	(6,564)	Finding 5
Total direct and indirect costs	82,883	4,886	(77,997)	
Less offsetting savings ²	—	(2,121)	(2,121)	Finding 6
Subtotal	82,883	2,765	(80,118)	
Less late filing penalty ³	—	(277)	(277)	
Total program costs	<u>\$ 82,883</u>	2,488	<u>\$ (80,395)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,488</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 18,903	\$ 4,653	\$ (14,250)	Finding 1
Materials and supplies	4,929	726	(4,203)	Finding 2
Fixed assets	40,234	—	(40,234)	Finding 3
Total direct costs	64,066	5,379	(58,687)	
Indirect costs	7,516	2,267	(5,249)	Finding 5
Total direct and indirect costs	71,582	7,646	(63,936)	
Less offsetting savings ²	—	(3,236)	(3,236)	Finding 6
Total program costs	<u>\$ 71,582</u>	4,410	<u>\$ (67,172)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,410</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 21,027	\$ 5,314	\$ (15,713)	Finding 1
Materials and supplies	4,562	294	(4,268)	Finding 2
Fixed assets	5,308	5,308	—	Finding 3
Total direct costs	30,897	10,916	(19,981)	
Indirect costs	7,915	4,807	(3,108)	Finding 5
Total direct and indirect costs	38,812	15,723	(23,089)	
Less offsetting savings ²	—	(3,325)	(3,325)	Finding 6
Total program costs	<u>\$ 38,812</u>	12,398	<u>\$ (26,414)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 12,398</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Salaries and benefits	\$ 23,085	\$ 6,769	\$ (16,316)	Finding 1
Materials and supplies	3,223	221	(3,002)	Finding 2
Travel and training	1,857	—	(1,857)	Finding 4
Total direct costs	28,165	6,990	(21,175)	
Indirect costs	10,480	3,637	(6,843)	Finding 5
Total direct and indirect costs	38,645	10,627	(28,018)	
Less offsetting savings ²	—	(3,869)	(3,869)	Finding 6
Total program costs	<u>\$ 38,645</u>	6,758	<u>\$ (31,887)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,758</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 20,739	\$ 4,461	\$ (16,278)	Finding 1
Materials and supplies	3,377	165	(3,212)	Finding 2
Contract services	645	645	—	
Travel and training	1,385	—	(1,385)	Finding 4
Total direct costs	26,146	5,271	(20,875)	
Indirect costs	10,297	2,215	(8,082)	Finding 5
Total direct and indirect costs	36,443	7,486	(28,957)	
Less offsetting savings ²	—	(4,142)	(4,142)	Finding 6
Total program costs	<u>\$ 36,443</u>	3,344	<u>\$ (33,099)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,344</u>		
<u>Summary: July 1, 1999, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 164,450	\$ 33,669	\$ (130,781)	
Materials and supplies	39,548	2,190	(37,358)	
Contract services	645	645	—	
Fixed assets	292,458	28,379	(264,079)	
Travel and training	3,242	—	(3,242)	
Total direct costs	500,343	64,883	(435,460)	
Indirect costs	75,135	20,455	(54,680)	
Total direct and indirect costs	575,478	85,338	(490,140)	
Less offsetting savings	—	(22,875)	(22,875)	
Subtotal	575,478	62,463	(513,015)	
Adjustment to eliminate negative balance	—	118	118	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 1999, through June 30, 2009 (continued)</u>				
Subtotal	575,478	62,581	(512,897)	
Less late filing penalty	—	(3,568)	(3,568)	
Total program costs	<u>\$ 575,478</u>	59,013	<u>\$ (516,465)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 59,013</u>		

¹ See the Findings and Recommendations section.

² See Schedule 2, Summary of Offsetting Savings Calculations.

³ The district filed its fiscal year (FY) 2000-01 through FY 2004-05 initial reimbursement claims after the due date specified in Government Code section 17560. Pursuant to Government Code section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002).

**Schedule 2—
Summary of Offsetting Savings Calculations
July 1, 1999, through June 30, 2009**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 1999, through June 30, 2000</u>					
Maximum required diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷ 59.61%		
Allocated diversion percentage		—	41.94%		
Tonnage diverted	×	—	× (30.25)		
Statewide average landfill fee per ton	×	—	× \$36.39		
Offsetting savings, FY 1999-2000	\$ —	\$ —	\$ (462)	\$ (462)	\$ (462)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum required diversion percentage		25.00%	25.00%		
Actual diversion percentage	÷	59.61%	÷ 59.61%		
Allocated diversion percentage		41.94%	41.94%		
Tonnage diverted	×	(30.25)	× (30.25)		
Statewide average landfill fee per ton	×	\$36.39	× \$36.39		
Offsetting savings, FY 2000-01	\$ —	\$ (462)	\$ (462)	\$ (924)	\$ (924)
<u>July 1, 2001, through June 30, 2002</u>					
Maximum required diversion percentage		25.00%	50.00%		
Actual diversion percentage	÷	59.61%	÷ 59.61%		
Allocated diversion percentage		41.94%	83.88%		
Tonnage diverted	×	(30.25)	× (30.25)		
Statewide average landfill fee per ton	×	\$36.39	× \$36.17		
Offsetting savings, FY 2001-02	\$ —	\$ (462)	\$ (918)	\$ (1,380)	\$ (1,380)
<u>July 1, 2002, through June 30, 2003</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	59.61%	÷ 52.34%		
Allocated diversion percentage		83.88%	95.53%		
Tonnage diverted	×	(30.25)	× (30.75)		
Statewide average landfill fee per ton	×	\$36.17	× \$36.83		
Offsetting savings, FY 2002-03	\$ —	\$ (918)	\$ (1,082)	\$ (2,000)	\$ (2,000)

Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2003, through June 30, 2004</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 52.34%	÷ 81.32%		
Allocated diversion percentage		95.53%	61.49%		
Tonnage diverted	×	(30.75)	×	(14.15)	
Statewide average landfill fee per ton	×	\$36.83	×	\$38.42	
Offsetting savings, FY 2003-04	\$ —	\$ (1,082)	\$ (334)	\$ (1,416)	\$ (1,416)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 81.32%	÷ 89.63%		
Allocated diversion percentage		61.49%	55.78%		
Tonnage diverted	×	(14.15)	×	(82.15)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Offsetting savings, FY 2004-05	\$ —	\$ (334)	\$ (1,787)	\$ (2,121)	\$ (2,121)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 89.63%	÷ 86.51%		
Allocated diversion percentage		55.78%	57.80%		
Tonnage diverted	×	(82.15)	×	(54.50)	
Statewide average landfill fee per ton	×	\$39.00	×	\$46.00	
Offsetting savings, FY 2005-06	\$ —	\$ (1,787)	\$ (1,449)	\$ (3,236)	\$ (3,236)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 86.51%	÷ 85.28%		
Allocated diversion percentage		57.80%	58.63%		
Tonnage diverted	×	(54.50)	×	(66.65)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Offsetting savings, FY 2006-07	\$ —	\$ (1,449)	\$ (1,876)	\$ (3,325)	\$ (3,325)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 85.28%	÷ 85.28%		
Allocated diversion percentage		58.63%	58.63%		
Tonnage diverted	×	(66.65)	×	(66.65)	
Statewide average landfill fee per ton	×	\$48.00	×	\$51.00	
Offsetting savings, FY 2007-08	\$ —	\$ (1,876)	\$ (1,993)	\$ (3,869)	\$ (3,869)

Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2008, through June 30, 2009</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 85.28%	÷ 85.28%		
Allocated diversion percentage		58.63%	58.63%		
Tonnage diverted		× (66.65)	× (66.65)		
Statewide average landfill fee per ton		× \$51.00	× \$55.00		
Offsetting savings, FY 2008-09	\$ —	\$ (1,993)	\$ (2,149)	\$ (4,142)	\$ (4,142)
<u>Summary: July 1, 1999, through June 30, 2009</u>	\$ —	\$ (10,363)	\$ (12,512)	\$ (22,875)	\$ (22,875)

¹ See Finding 6, Findings and Recommendations.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$164,450 in salaries and benefits during the audit period. We found that \$33,669 is allowable and \$130,781 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are estimated, unsupported, and ineligible.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 6,369	\$ 229	\$ (6,140)
2000-01	9,244	662	(8,582)
2001-02	18,219	2,791	(15,428)
2002-03	14,182	2,676	(11,506)
2003-04	15,245	2,807	(12,438)
2004-05	17,437	3,307	(14,130)
2005-06	18,903	4,653	(14,250)
2006-07	21,027	5,314	(15,713)
2007-08	23,085	6,769	(16,316)
2008-09	20,739	4,461	(16,278)
Total	\$ 164,450	\$ 33,669	\$ (130,781)

The following table summarizes the claimed, allowable, and unallowable salaries and benefits for the audit period by reimbursable component and employee classification:

Reimbursable Component	Amount Claimed	Amount Allowable	Audit Adjustment
<u>Diversion & Maintenance of Approved Level</u>			
Custodians	\$ 106,627	\$ -	\$ (106,627)
Supervisor	21,351	12,732	(8,619)
Groundskeepers	8,400	-	(8,400)
Director of Facilities and Operations	1,931	-	(1,931)
Total, Diversion & Maintenance of Approved Level	138,309	12,732	(125,577)
<u>Annual Report</u>			
Director of Facilities and Operations	26,141	20,937	(5,204)
Total, Annual Report	26,141	20,937	(5,204)
Total	\$ 164,450	\$ 33,669	\$ (130,781)

Diversion and Maintenance of Approved Level of Reduction

The district claimed \$138,309 in salaries and benefits for the cost component Diversion and Maintenance of Approved Level of Reduction. We found that \$12,732 is allowable and \$125,577 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are estimated, unsupported, and ineligible.

To support the costs claimed, the district provided a worksheet titled "Employee Time Record Sheet for Mandated Programs" that identifies the time spent each month on diversion activities. With the exception of hours for the Supervisor, we found that the hours reported are estimated and, therefore, not allowable. In addition, to support the time reported on the worksheets, the district also provided a signed certification from a five of the employees stating the amount of time they performed diversion activities each day. However, certifications are considered corroborating documentation that cannot be substituted for source documentation.

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.

Custodians, Groundskeepers, and the Director of Facilities and Operations

The district claimed \$116,958 for custodians, groundskeepers, and the Director of Facilities and Operations to perform diversion activities. We found that none of the costs claimed are allowable.

- The district claimed \$106,627 in salaries and benefits for custodians to perform diversion activities throughout the audit period. The custodians pick up trash cans and paper cans; they do not sort through the trash can to separate solid waste from recyclables. In

addition, paper is shredded and brought to the landfill for disposal. Further, the district's student government is responsible for the few recycling cans located across campus.

- For fiscal year (FY) 2006-07 through FY 2008-09, the district claimed \$8,400 in salaries and benefits for the groundskeepers to perform diversion activities. The groundskeepers do not perform any diversion activities such as composting and mulching. Further, mowing grass and trimming trees are not mandated activities.
- For FY 2000-01 and FY 2001-02, the district claimed \$1,931 in salaries and benefits for the Director of Facilities and Operations to perform diversion activities. The district did not provide any documentation to support the diversion activities performed by the Director.

Supervisor

The district claimed \$21,351 in salaries and benefits for the Supervisor to perform diversion activities. We found that \$12,732 is allowable and \$8,619 is unallowable. The costs are unallowable because the district did not allocate the salaries and benefits to be consistent with the requirements of the mandated program.

- Amount Claimed

To support the costs claimed, the district provided a worksheet titled "Employee Time Record Sheet for Mandated Costs" that identified the actual dates and hours spent by the Supervisor on mandated activities. Further, to validate the time spent, the district also provided truck logs documenting numerous travel trips offsite to dispose of diverted items. As a result, we found that the district was able to support the \$21,351 in salaries and benefits claimed.

- Allocated Diversion Percentage

Public Resources Code section 42921 requires districts to achieve a solid waste diversion percentage of 25% by January 1, 2002, and 50% 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 the audit period, the district diverted a larger percentage of tonnage than the maximum required. Therefore, we allocated the salaries and benefits to be consistent with the requirements of the mandated program.

- Allowable Salaries and Benefits Calculation

To compute the allowable salaries and benefits, we multiplied the amount claimed for each fiscal year, by the allocated diversion percentage, as follows:

$$\begin{array}{rcccl}
 & & & & \text{Allocated Diversion \%} \\
 & & & & \text{-----} \\
 & & & & \text{Maximum Allowable} \\
 & & & & \text{Diversion \%} \\
 \text{Allowable} & & & & \\
 \text{Salaries and} & = & \text{Amount} & \times & \text{-----} \\
 \text{Benefits} & & \text{Claimed} & & \text{Actual} \\
 & & & & \text{Diversion \%}
 \end{array}$$

This calculation determines the costs the district incurred to achieve the required level of diversion as a result of implementing its Integrated Waste Management plan. In total, we found that of the \$21,351 claimed, \$12,732 is allowable, and \$8,619 is unallowable.

Annual Report

The district claimed \$26,141 for preparing the annual report. We found that \$20,937 is allowable and \$5,204 is unallowable. Review of CalRecycle’s website confirms that the district did not prepare an annual report for either calendar year 2000 or calendar year 2001. Therefore, the costs claimed to prepare the annual report for FY 1999-00 and FY 2000-01 are not allowable.

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 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.

**FINDING 2—
Unallowable materials
and supplies**

The district claimed \$39,548 in materials and supplies for the audit period. We found that \$2,190 is allowable and \$37,358 is unallowable. The costs are unallowable because the district claimed reimbursement for unsupported and ineligible costs.

The following table summarizes the claimed, allowable, and unallowable materials and supplies for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 1,645	\$ 65	\$ (1,580)
2000-01	3,449	133	(3,316)
2001-02	3,402	141	(3,261)
2002-03	3,321	144	(3,177)
2003-04	5,240	146	(5,094)
2004-05	6,400	155	(6,245)
2005-06	4,929	726	(4,203)
2006-07	4,562	294	(4,268)
2007-08	3,223	221	(3,002)
2008-09	3,377	165	(3,212)
Total	<u>\$ 39,548</u>	<u>\$ 2,190</u>	<u>\$ (37,358)</u>

The following table summarizes the claimed, allowable, and unallowable materials and supplies for the audit period by category:

Category	Amount Claimed	Amount Allowable	Audit Adjustment
Inland Supply Company	\$ 658	\$ 658	\$ -
Waxie Sanitary Supply	20,198	-	(20,198)
Mileage Reimbursement	4,444	1,532	(2,912)
Gasoline	9,589	-	(9,589)
Maintenance	2,266	-	(2,266)
Unknown Costs	2,393	-	(2,393)
Total	<u>\$ 39,548</u>	<u>\$ 2,190</u>	<u>\$ (37,358)</u>

Waxie Sanitary Supply Costs

The district claimed \$20,198 for Waxie Sanitary Supply. We found that none of the costs claimed are allowable. The costs are unallowable because the district claimed reimbursement for unsupported and ineligible costs.

With the exception of that for FY 2006-07, the district did not provide any documentation to support the costs claimed for Waxie Sanitary Supply. 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 show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

Review of the FY 2006-07 invoice shows that the district purchased liners for both trash cans and paper cans. The paper from the paper cans is shredded and brought to the landfill. As the receptacle liners are used to dispose of solid waste, the cost is not allowable.

Mileage Reimbursement

The district claimed \$4,444 for mileage traveled to and from Palo Verde Valley Disposal to recycle cardboard and paper. We found that \$1,532 is allowable and \$2,912 is unallowable. The costs are unallowable because the district claimed reimbursement for unsupported costs.

The district provided handwritten estimates of mileage driven each year in each campus vehicle. Next, the district multiplied the total mileage driven by the percentage of time each vehicle was devoted to mandated activities. The district did not provide either maintenance records or mileage logs to corroborate the mandated mileage claimed. Therefore, the amounts claimed are unsupported.

However, for FY 2007-08 and FY 2008-09, the district provided Cardboard and Paper Recycling logs, also known as “truck logs,” to document the number of trips made to Palo Verde Disposal to divert cardboard, wood pallets, and scrap metal. According to the truck logs, a district employee traveled to Palo Verde Valley Disposal 32 times in FY 2007-08 and 21 times in FY 2008-09, for an average of 26.50 times per fiscal year. According to an internet map, the drive from the district to Palo Verde Valley Disposal (14701 S. Broadway in Blythe, CA) is 15 miles, round trip.

To compute the allowable mileage costs, we multiplied the mileage rate by the number of round trip miles traveled to Palo Verde Disposal (15 miles), and then multiplied the total by the average FY 2007-08 and FY 2008-09 actual trips (26.50 trips), as follows:

Allowable Mileage Reimbursement	=	Allowable Mileage Rate	x	Round trip miles to Palo Verde Disposal	x	Average FY 2007-08 and FY 2008-09 Actual Trips
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In total, we found that \$1,532 is allowable.

Gasoline and Maintenance Costs

The district claimed \$9,589 for gasoline and \$2,266 for maintenance and repairs of its vehicles. The entire amount is unallowable. The costs are unallowable because the district claimed reimbursement of both mileage and actual costs (e.g. maintenance, repairs, and fuel).

The State of California, Department of Personnel Administration Travel Rules state that mileage reimbursement covers:

- Gasoline
- The cost of maintenance (oil, lube, routine maintenance)
- Insurance (liability, damage, comprehensive and collision coverage)
- Licensing and registration
- Depreciation and all other costs associated with operation of the vehicle

The district cannot claim reimbursement for both mileage costs and actual costs. As the district did not provide any documentation to support the actual costs claimed, we allowed reimbursement for the mileage costs (as noted above).

Unknown Costs

The district claimed \$2,393 in material and supply costs (\$273 for FY 2002-03 and \$2,120 for FY 2006-07) that are not supported any source documentation.

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.

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 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.

**FINDING 3—
Unallowable fixed
assets**

The district claimed \$292,458 in fixed assets for the audit period. We found that \$28,379 is allowable and \$264,079 is unallowable. The costs are unallowable because the district claimed reimbursement for unsupported and ineligible costs.

The following table summarizes the claimed, allowable, and unallowable fixed assets for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 11,905	\$ -	\$ (11,905)
2000-01	63,251	23,071	(40,180)
2001-02	40,234	-	(40,234)
2002-03	40,234	-	(40,234)
2003-04	40,234	-	(40,234)
2004-05	51,058	-	(51,058)
2005-06	40,234	-	(40,234)
2006-07	5,308	5,308	-
Total	\$ 292,458	\$ 28,379	\$ (264,079)

The following table summarizes the claimed, allowable, and unallowable fixed assets for the audit period by equipment type:

Equipment	Amount Claimed	Amount Allowable	Audit Adjustment
Copiers	\$ 241,404	\$ -	\$ (241,404)
Truck	23,071	23,071	-
Tractor	11,905	-	(11,905)
Lawn mower/mulcher	10,824	-	(10,824)
Forklift	5,308	5,308	-
Calculation Error	(54)	-	54
Total	\$ 292,458	\$ 28,379	\$ (264,079)

Copiers

For FY 2000-01 through FY 2005-06, the district claimed \$241,404 for a five-year lease of 12 Xerox copiers. We found that the entire amount is unallowable.

The district claimed reimbursement for the copiers because the copiers have the ability to perform double-sided copying. Making a double-sided copy instead of a single-sided copy is a type of diversion activity. However, unless additional costs are incurred as a result of purchasing/leasing a double-sided copier instead of a single-sided copier, copying is not a mandated cost. For example, if a copier is purchased that is unable to make double-sided copies, and as a result a special copier must be purchased at an additional price, then there is an increased cost. Therefore, only the additional cost incurred to perform diversion activities is reimbursable.

Further our review of Xerox's website indicates that it introduced two-sided copying in 1970 to lessen the environmental impact of making and using paper. We are unable to ascertain if the district had the option of purchasing a single-sided copier in FY 2000-01, or what the increased cost imposed on the district would have been to purchase a double-sided copier instead of a single-sided copier.

Tractor and Lawn mower/mulcher

For FY 1999-00, the district claimed \$11,905 for a two-year lease of a tractor, and in FY 2004-05 the district claimed \$10,824 for the purchase of a lawn mower/mulcher. We found that none of the costs claimed are allowable because the district did not provide any documentation to support the costs claimed.

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.

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 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.

**FINDING 4—
Unallowable travel
and training**

The district claimed \$3,242 in travel and training costs for the audit period. We found that the entire amount is unallowable because the district did not provide any documentation to support the costs claimed.

The following table summarizes the claimed, allowable, and unallowable training costs by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
2007-08	\$ 1,857	\$ -	\$ (1,857)
2008-09	1,385	-	(1,385)
Total	<u>\$ 3,242</u>	<u>\$ -</u>	<u>\$ (3,242)</u>

For FY 2007-08 and FY 2008-09, the district claimed training costs for the Maintenance Supervisor. The district did not provide any documentation to support the costs claimed.

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.

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 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.

**FINDING 5—
Misstated indirect
costs**

The district claimed \$75,135 in indirect costs for the audit period. We found that \$20,455 is allowable and \$54,680 is unallowable. The costs are unallowable because the district applied the indirect cost rate to unallowable salaries and benefits (see Finding 1), could not support the FAM-29C indirect cost rates, and did not apply the FAM-29C indirect cost rate to the proper direct cost base for FY 1999-2000 through FY 2006-07.

The district did not provide any documentation to support the indirect cost rate claimed for FY 1999-2000 through FY 2007-08. Therefore, we recalculated indirect costs using the SCO FAM-29C methodology. We calculated the allowable indirect cost rate by using the information contained in the California Community College Annual Financial Budget Report Expenditures by activity report (CCFS-311).

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

Fiscal Year	Claimed Rate	Allowable FAM-29C Rate	Difference
1999-2000	41.20%	17.04%	(24.16%)
2000-01	43.03%	17.34%	(25.69%)
2001-02	39.17%	18.28%	(20.89%)
2002-03	63.70%	28.95%	(34.75%)
2003-04	53.57%	19.12%	(34.45%)
2004-05	45.81%	41.12%	(4.69%)
2005-06	39.76%	42.14%	2.38%
2006-07	37.64%	44.04%	6.40%
2007-08	45.40%	53.73%	8.33%

In addition, the FAM-29C rate for FY 1999-2000 through FY 2006-07 is applied to a direct cost base; however, the district only applied the indirect cost rate to salaries and benefits.

The following table summarizes the unallowable indirect costs for each fiscal year in the audit period:

Fiscal Year	Allowable Salaries and Benefits ¹	Allowable Direct Costs ²	Allowable Indirect Cost Rate	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
1999-2000	\$ -	\$ 294	17.04%	\$ 50	\$ 2,624	\$ (2,574)
2000-01	-	23,866	17.34%	4,138	3,978	160
2001-02	-	2,932	18.28%	536	7,137	(6,601)
2002-03	-	2,820	28.95%	816	9,033	(8,217)
2003-04	-	2,953	19.12%	565	8,167	(7,602)
2004-05	-	3,462	41.12%	1,424	7,988	(6,564)
2005-06	-	5,379	42.14%	2,267	7,516	(5,249)
2006-07	-	10,916	44.04%	4,807	7,915	(3,108)
2007-08	6,769	-	53.73%	3,637	10,480	(6,843)
2008-09	4,461	-	49.65%	2,215	10,297	(8,082)
	<u>\$ 11,230</u>	<u>\$ 52,622</u>		<u>\$ 20,455</u>	<u>\$ 75,135</u>	<u>\$ (54,680)</u>

¹ The FAM-29C rate for FY 2007-08 and FY 2008-09 is applied to allowable salaries and benefits.

² 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 2013-14 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.

**FINDING 6—
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 \$22,875 from implementation of its IWM plan.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Audit Adjustment
1999-2000	\$ -	\$ (462)	\$ (462)
2000-01	-	(924)	(924)
2001-02	-	(1,380)	(1,380)
2002-03	-	(2,000)	(2,000)
2003-04	-	(1,416)	(1,416)
2004-05	-	(2,121)	(2,121)
2005-06	-	(3,236)	(3,236)
2006-07	-	(3,325)	(3,325)
2007-08	-	(3,869)	(3,869)
2008-09	-	(4,142)	(4,142)
	<u>\$ -</u>	<u>\$ (22,875)</u>	<u>\$ (22,875)</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 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’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:

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

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

Allocated Diversion Percentage

Public Resource 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).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of a “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 and FY 2008-09. The district did not provide any documentation to support 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 and FY 2008-09. The district did not provide any documentation to support 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 the landfill. We used the statewide average disposal fee provided by CalRecycle. The district did not provide any documentation to support 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 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.

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