

SEQUOIAS COMMUNITY COLLEGE DISTRICT

Audit Report

INTEGRATED WASTE MANAGEMENT PROGRAM

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

*July 1, 2000, through June 30, 2001;
and July 1, 2002, through June 30, 2011*



BETTY T. YEE
California State Controller

November 2015



BETTY T. YEE
California State Controller

November 3, 2015

Lori Cardoza, President
Board of Trustees
Sequoias Community College District
915 S. Mooney Boulevard
Visalia, CA 93277

Dear Ms. Cardoza:

The State Controller's Office audited the costs claimed by the Sequoias 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, 2000, through June 30, 2001; and July 1, 2002, through June 30, 2011.

The district claimed \$765,890 for the mandated program. Our audit found that \$158,914 is allowable (\$169,183 less a \$10,269 penalty for filing late claims) and \$606,976 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs, misstated indirect costs, and did not report any offsetting savings. The State paid the district \$97,546 from funds appropriated under Chapter 32, Statutes of 2014. Allowable costs claimed exceed the amount paid by \$61,368.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). The IRC must be filed within three years following the date of this report. You may obtain IRC information at the Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

cc: Stan A. Carrizosa, Superintendent/President
Sequoias Community College District
Leangela Miller-Hernandez, Director of Budgets/Categorical
Sequoias Community College District
Linda McCauley, Chief Accounting Officer
Sequoias Community College District
Mario Rodriguez, Assistant Vice Chancellor
College Finance and Facilities Planning
California Community Colleges Chancellor's Office
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Sequoias 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, 2000, through June 30, 2001; and July 1, 2002, through June 30, 2011. We did not include the costs claimed for the period of July 1, 2001, through June 30, 2002 in the audit period because the statute of limitations to initiate the audit has since expired.

The district claimed \$765,890 for the mandated program. Our audit found that \$158,914 is allowable (\$169,183 less a \$10,269 penalty for filing late claims) and \$606,976 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs, misstated indirect costs, and did not report any offsetting savings. The State paid the district \$97,546 from funds appropriated under Chapter 32, Statutes of 2014. Allowable costs claimed exceed the amount paid by \$61,368.

Background

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

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

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

Objectives, Scope, and Methodology

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

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, 2000, through June 30, 2001; and July 1, 2002, through June 30, 2011.

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

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations.

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

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

Conclusion

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

For the audit period, the Sequoias Community College District claimed \$765,890 for costs of the Integrated Waste Management Program. Our audit found that \$158,914 is allowable (\$169,183 less a \$10,269 penalty for filing late claims) and \$606,976 is unallowable.

For the fiscal year (FY) 2000-01 and FY 2002-03 claims, the State paid the district \$97,546 from funds appropriated under Chapter 32, Statutes of 2014. Our audit found that \$719 is allowable. The State will apply \$96,827 against any balances of unpaid mandated program claims due the district as of June 20, 2014.

For the FY 2003-04 through FY 2010-11 claims, the State made no payments to the district. Our audit found that \$158,195 is allowable (\$168,464 less a \$10,269 penalty for filing late claims). The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on September 29, 2015. Leangela Miller-Hernandez, Director of Budgets/Categorical, emailed us on October 9, 2015, stating that the district would not provide a response to the draft audit report findings.

Restricted Use

This report is solely for the information and use of the Sequoias 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

November 3, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2001;
and July 1, 2002, through June 30, 2011**

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits	\$ 36,002	\$ 2,983	\$ (33,019)	Finding 1
Materials and supplies	2,192	2,192	-	
Contract services	254	-	(254)	Finding 2
Total direct costs	38,448	5,175	(33,273)	
Indirect costs	14,970	756	(14,214)	Finding 3
Total direct and indirect costs	53,418	5,931	(47,487)	
Less offsetting savings ²	-	(5,212)	(5,212)	Finding 4
Total program costs	<u>\$ 53,418</u>	719	<u>\$ (52,699)</u>	
Less amount paid by the State ³		(48,645)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (47,926)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 37,027	\$ 674	\$ (36,353)	Finding 1
Materials and supplies	430	430	-	
Contract services	5,310	880	(4,430)	Finding 2
Total direct costs	42,767	1,984	(40,783)	
Indirect costs	11,568	297	(11,271)	Finding 3
Total direct and indirect costs	54,335	2,281	(52,054)	
Less offsetting savings ²	-	(9,722)	(9,722)	Finding 4
Subtotal	54,335	(7,441)	(61,776)	
Adjustment to eliminate negative balance	-	7,441	7,441	
Total program costs	<u>\$ 54,335</u>	-	<u>\$ (54,335)</u>	
Less amount paid by the State ³		(48,901)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (48,901)</u>		

Schedule 1 (continued)

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 39,350	\$ 20,194	\$ (19,156)	Finding 1
Materials and supplies	898	898	-	
Contract services	11,260	3,412	(7,848)	Finding 2
Total direct costs	51,508	24,504	(27,004)	
Indirect costs	11,738	4,332	(7,406)	Finding 3
Total direct and indirect costs	63,246	28,836	(34,410)	
Less offsetting savings ²	-	(9,184)	(9,184)	Finding 4
Subtotal	63,246	19,652	(43,594)	
Less late filing penalty ⁴	-	(1,965)	(1,965)	
Total program costs	<u>\$ 63,246</u>	17,687	<u>\$ (45,559)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,687</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 40,474	\$ 17,273	\$ (23,201)	Finding 1
Materials and supplies	101	101	-	
Contract services	12,961	4,149	(8,812)	Finding 2
Total direct costs	53,536	21,523	(32,013)	
Indirect costs	12,916	7,679	(5,237)	Finding 3
Total direct and indirect costs	66,452	29,202	(37,250)	
Less offsetting savings ²	-	(10,192)	(10,192)	Finding 4
Subtotal	66,452	19,010	(47,442)	
Less late filing penalty ⁴	-	(1,901)	(1,901)	
Total program costs	<u>\$ 66,452</u>	17,109	<u>\$ (49,343)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 17,109</u>		

Schedule 1 (continued)

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 43,896	\$ 19,289	\$ (24,607)	Finding 1
Materials and supplies	464	464	-	
Contract services	22,095	3,907	(18,188)	Finding 2
Total direct costs	66,455	23,660	(42,795)	
Indirect costs	15,521	8,338	(7,183)	Finding 3
Total direct and indirect costs	81,976	31,998	(49,978)	
Less offsetting savings ²	-	(11,858)	(11,858)	Finding 4
Subtotal	81,976	20,140	(61,836)	
Less late filing penalty ⁴	-	(2,014)	(2,014)	
Total program costs	<u>\$ 81,976</u>	18,126	<u>\$ (63,850)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 18,126</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 47,448	\$ 21,829	\$ (25,619)	Finding 1
Materials and supplies	738	738	-	
Contract services	19,230	2,842	(16,388)	Finding 2
Total direct costs	67,416	25,409	(42,007)	
Indirect costs	13,717	8,326	(5,391)	Finding 3
Total direct and indirect costs	81,133	33,735	(47,398)	
Less offsetting savings ²	-	(12,142)	(12,142)	Finding 4
Subtotal	81,133	21,593	(59,540)	
Less late filing penalty ⁴	-	(2,159)	(2,159)	
Total program costs	<u>\$ 81,133</u>	19,434	<u>\$ (61,699)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 19,434</u>		

Schedule 1 (continued)

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Salaries and benefits	\$ 50,840	\$ 23,661	\$ (27,179)	Finding 1
Materials and supplies	1,207	1,207	-	
Contract services	55,249	2,592	(52,657)	Finding 2
Total direct costs	107,296	27,460	(79,836)	
Indirect costs	15,750	8,019	(7,731)	Finding 3
Total direct and indirect costs	123,046	35,479	(87,567)	
Less offsetting savings ²	-	(13,178)	(13,178)	Finding 4
Subtotal	123,046	22,301	(100,745)	
Less late filing penalty ⁴	-	(2,230)	(2,230)	
Total program costs	<u>\$ 123,046</u>	20,071	<u>\$ (102,975)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 20,071</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 56,990	\$ 25,450	\$ (31,540)	Finding 1
Materials and supplies	1,865	1,865	-	
Contract services	27,799	2,234	(25,565)	Finding 2
Fixed assets	14,067	14,067	-	
Total direct costs	100,721	43,616	(57,105)	
Indirect costs	18,881	9,266	(9,615)	Finding 3
Total direct and indirect costs	119,602	52,882	(66,720)	
Less offsetting savings ²	-	(14,602)	(14,602)	Finding 4
Total program costs	<u>\$ 119,602</u>	38,280	<u>\$ (81,322)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,280</u>		

Schedule 1 (continued)

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Salaries and benefits	\$ 54,160	\$ 24,102	\$ (30,058)	Finding 1
Materials and supplies	1,168	1,168	-	
Contract services	25,671	2,614	(23,057)	Finding 2
Total direct costs	80,999	27,884	(53,115)	
Indirect costs	19,270	8,359	(10,911)	Finding 3
Total direct and indirect costs	100,269	36,243	(64,026)	
Less offsetting savings ²	-	(14,772)	(14,772)	Finding 4
Total program costs	<u>\$ 100,269</u>	21,471	<u>\$ (78,798)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 21,471</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 15,009	\$ 6,512	\$ (8,497)	Finding 1
Materials and supplies	725	725	-	
Contract services	986	-	(986)	Finding 2
Total direct costs	16,720	7,237	(9,483)	
Indirect costs	5,693	2,515	(3,178)	Finding 3
Total direct and indirect costs	22,413	9,752	(12,661)	
Less offsetting savings ²	-	(3,735)	(3,735)	Finding 4
Total program costs	<u>\$ 22,413</u>	6,017	<u>\$ (16,396)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,017</u>		

Schedule 1 (continued)

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2000, through June 30, 2001; and July 1, 2002, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 421,196	\$ 161,967	\$ (259,229)	
Materials and supplies	9,788	9,788	-	
Contract services	180,815	22,630	(158,185)	
Fixed assets	14,067	14,067	-	
Total direct costs	625,866	208,452	(417,414)	
Indirect costs	140,024	57,887	(82,137)	
Total direct and indirect costs	765,890	266,339	(499,551)	
Less offsetting savings	-	(104,597)	(104,597)	
Subtotal	765,890	161,742	(604,148)	
Adjustment to eliminate negative balance	-	7,441	7,441	
Subtotal	765,890	169,183	(596,707)	
Less late filing penalty	-	(10,269)	(10,269)	
Total program costs	<u>\$ 765,890</u>	158,914	<u>\$ (606,976)</u>	
Less amount paid by the State		(97,546)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 61,368</u>		

¹ See the Findings and Recommendations section.

² See Schedule 2, Summary of Offsetting Savings Calculations.

³ Payments from funds appropriated under Chapter 32, Statutes of 2014 (Senate Bill No. 858).

⁴ The district filed its fiscal year (FY) 2003-04 through FY 2007-08 initial reimbursement claims after the due date specified in Government Code 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 (for claims filed after September 30, 2002).

**Schedule 2—
Summary of Offsetting Savings Calculations
July 1, 2000, through June 30, 2001;
and July 1, 2002, through June 30, 2011**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2000, through June 30, 2001</u>					
Maximum required diversion percentage		25.00%	25.00%		
Actual diversion percentage		÷ 43.10%	÷ 46.90%		
Allocated diversion percentage		58.00%	53.30%		
Tonnage diverted	×	(145.80)	×	(156.80)	
Statewide average landfill fee per ton	×	\$31.00	×	\$31.00	
Total offsetting savings, FY 2000-01	\$ -	\$ (2,621)	\$ (2,591)	\$ (5,212)	\$ (5,212)
<u>July 1, 2002, through June 30, 2003</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 53.81%	÷ 54.84%		
Allocated diversion percentage		92.92%	91.17%		
Tonnage diverted	×	(170.70)	×	(170.00)	
Statewide average landfill fee per ton	×	\$31.00	×	\$31.00	
Total offsetting savings, FY 2002-03	\$ -	\$ (4,917)	\$ (4,805)	\$ (9,722)	\$ (9,722)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 54.84%	÷ 58.94%		
Allocated diversion percentage		91.17%	84.83%		
Tonnage diverted	×	(170.00)	×	(166.50)	
Statewide average landfill fee per ton	×	\$31.00	×	\$31.00	
Total offsetting savings, FY 2003-04	\$ -	\$ (4,805)	\$ (4,379)	\$ (9,184)	\$ (9,184)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 58.94%	÷ 54.93%		
Allocated diversion percentage		84.83%	91.02%		
Tonnage diverted	×	(166.50)	×	(206.00)	
Statewide average landfill fee per ton	×	\$31.00	×	\$31.00	
Total offsetting savings, FY 2004-05	\$ -	\$ (4,379)	\$ (5,813)	\$ (10,192)	\$ (10,192)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 54.93%	÷ 52.36%		
Allocated diversion percentage		91.02%	95.49%		
Tonnage diverted	×	(206.00)	×	(204.20)	
Statewide average landfill fee per ton	×	\$31.00	×	\$31.00	
Total offsetting savings, FY 2005-06	\$ -	\$ (5,813)	\$ (6,045)	\$ (11,858)	\$ (11,858)

Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2006, through June 30, 2007</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 52.36%	÷ 51.45%		
Allocated diversion percentage		95.49%	97.18%		
Tonnage diverted	×	(204.20)	×	(202.40)	
Statewide average landfill fee per ton	×	\$31.00	×	\$31.00	
Total offsetting savings, FY 2006-07	\$ -	\$ (6,045)	\$ (6,097)	\$ (12,142)	\$ (12,142)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 51.45%	÷ 51.45%		
Allocated diversion percentage		97.18%	97.18%		
Tonnage diverted	×	(202.40)	×	(202.40)	
Statewide average landfill fee per ton	×	\$31.00	×	\$36.00	
Total offsetting savings, FY 2007-08	\$ -	\$ (6,097)	\$ (7,081)	\$ (13,178)	\$ (13,178)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 51.45%	÷ 51.45%		
Allocated diversion percentage		97.18%	97.18%		
Tonnage diverted	×	(202.40)	×	(202.40)	
Statewide average landfill fee per ton	×	\$37.12	×	\$37.12	
Total offsetting savings, FY 2008-09	\$ -	\$ (7,301)	\$ (7,301)	\$ (14,602)	\$ (14,602)
<u>July 1, 2009, through June 30, 2010</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 51.45%	÷ 51.45%		
Allocated diversion percentage		97.18%	97.18%		
Tonnage diverted	×	(202.40)	×	(202.40)	
Statewide average landfill fee per ton	×	\$37.12	×	\$37.98	
Total offsetting savings, FY 2009-10	\$ -	\$ (7,301)	\$ (7,471)	\$ (14,772)	\$ (14,772)
<u>July 1, 2010, through June 30, 2011</u>					
Maximum required diversion percentage		50.00%	---		
Actual diversion percentage		÷ 51.45%	÷ ---		
Allocated diversion percentage		97.18%	---		
Tonnage diverted	×	(101.20)	×	---	
Statewide average landfill fee per ton	×	\$37.98	×	---	
Total offsetting savings, FY 2010-11	\$ -	\$ (3,735)	\$ -	\$ (3,735)	\$ (3,735)
<u>Summary: July 1, 2000, through June 30, 2001; and July 1, 2002, through June 30, 2011</u>					
	\$ -	\$ (53,014)	\$ (51,583)	\$ (104,597)	\$ (104,597)

¹ See Finding 4, Findings and Recommendations.

Findings and Recommendations

**FINDING 1—
Unsupported salaries
and benefits**

The district claimed \$421,196 in salaries and benefits during the audit period. We found that \$161,967 is allowable and \$259,229 is unallowable. The costs are unallowable because the district claimed costs that were based on estimates and not supported with source documentation, and understated the Custodians’ average productive hourly rate for FY 2003-04.

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
2000-01	\$ 36,002	\$ 2,983	\$ (33,019)
2002-03	37,027	674	(36,353)
2003-04	39,350	20,194	(19,156)
2004-05	40,474	17,273	(23,201)
2005-06	43,896	19,289	(24,607)
2006-07	47,448	21,829	(25,619)
2007-08	50,840	23,661	(27,179)
2008-09	56,990	25,450	(31,540)
2009-10	54,160	24,102	(30,058)
2010-11	15,009	6,512	(8,497)
Total	\$421,196	\$161,967	\$(259,229)

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

Reimbursable Component	Amount Claimed	Amount Allowable	Audit Adjustment
Diversion and maintenance of approved level	\$ 385,913	\$ 152,612	\$ (233,301)
Develop policies and procedures	2,143	2,143	-
Train district staff on IWM plan	25,928	-	(25,928)
Complete and submit IWM plan to board	237	237	-
Annual report of progress	5,978	5,978	-
Annual recycled material report	997	997	-
Total	\$ 421,196	\$ 161,967	\$ (259,229)

Diversion and maintenance of approved level

The district claimed \$385,913 in salaries and benefits for the Diversion and Maintenance of Approved Level cost component. We found that \$152,612 is allowable and \$233,301 is unallowable.

Audio Visual Technicians

The district claimed \$193,283 for Audio Visual Technicians to perform diversion activities. We found that none of the costs claimed are allowable because the activities performed were for proper disposal of electronic waste, which is considered hazardous waste. Reimbursement for the mandated program is limited to activities involving the diversion of solid waste. Public Resources Code section 42921(b) states that "...each large facility shall divert 50% of all *solid waste* (emphasis added) through source reduction, recycling, and composting activities." In addition, Public Resource Code section 40191(b)(1) states that "Solid waste does not include hazardous waste."

Custodians

The district claimed \$190,793 for Custodians to perform recycling activities. We found that \$152,612 is allowable and \$38,181 is unallowable. The costs are unallowable because the district performed no recycling in FY 2000-01 and FY 2002-03 (\$32,810), did not allocate the salaries and benefits claimed (\$8,839), and understated the FY 2003-04 productive hourly rates (\$3,468).

- 2009 Time Survey

The district claimed 735 cumulative hours for Custodians to perform diversion activities each fiscal year. The hours claimed were based on a 2009 time survey that determined that the Custodians collectively spend three hours each day emptying the recycling bins throughout the campus. The district multiplied three hours each day by 245 working days in a fiscal year to yield a total of 735 hours claimed. We found that the hours claimed are reasonable; however, we did not allow any time claimed for FY 2000-01 or FY 2002-03. The Custodians did not perform any diversion activities, as the district did not maintain recycling bins in these fiscal years. As a result, we found that \$32,810 is unallowable.

- Allocated Diversion Percentage

For each fiscal year in the audit period, the district diverted solid waste beyond the requirements of the mandated program; therefore, we allocated the 2009 time survey results to be consistent with the mandated requirements.

Public Resources Code section 42921 requires that 50% of all solid waste be diverted by January 1, 2004. The parameters and guidelines allow districts to be reimbursed for all mandated costs incurred to achieve these levels, without reduction for when they fall short of stated goals, but not for amounts that exceed these state-mandated levels.

For calendar years 2003 through 2007, we used the diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of a “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the amount of tonnage diverted. As the annual reports no longer identify a diversion percentage, we used the 2007 diversion percentage to calculate the allowable salaries and benefits for FY 2007-08 through FY 2010-11. The district did not provide any documentation to support a different diversion percentage.

- Allowable Custodian Salaries and Benefits

To compute the allowable salaries and benefits, we multiplied the allocated diversion percentage by the allowable time survey hours, and then multiplied the total by the average productive hourly rate (PHR), as follows:

$$\begin{array}{rcccl}
 & & \text{Allocated Diversion \%} & & \\
 & & \text{Maximum} & & \\
 \text{Allowable} & & \text{Required} & \text{Allowable} & \text{Average} \\
 \text{Salaries and} & = & \frac{\text{Diversion \%}}{\text{Actual}} & \times \text{Time Survey} & \times \text{PHR} \\
 \text{Benefits} & & \text{Diversion \%} & \times \text{Hours} & \\
 \end{array}$$

This formula determines the salary and benefit costs the district incurred to achieve the required level of diversion. Based on the time survey results, we found that \$8,389 is unallowable.

- Average Productive Hourly Rates

The district claimed the middle of the Custodian pay scale (e.g., range C) for each fiscal year in the audit period. During audit fieldwork, the district provided us with an Excel worksheet with the actual salary and benefit information for every individual custodian. We recalculated the PHR on a sample basis and found that the district understated the FY 2003-04 average Custodian’s PHR. We applied the allowable PHR to the allowable hours and found that the district understated salary and benefit costs by \$3,468.

Custodial Manager and Director of Facilities

For FY 2000-01, the district claimed \$1,837 for the Custodial Manager and the Director of Facilities to perform diversion activities. 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 show 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 costs 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.

Train District Staff on the IWM Plan

The district claimed \$25,929 in salaries and benefits for the Train District Staff on IWM Plan cost component. We found that the entire amount claimed is unallowable. The costs are unallowable because the district did not provide any documentation to support the costs claimed.

Recommendation

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

**FINDING 2—
Unallowable contract
services**

The district claimed \$180,815 in contract services costs for the audit period. We found that \$22,630 is allowable and \$158,185 is unallowable. The costs are unallowable because the district claimed ineligible costs.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
2000-01	\$ 254	\$ -	\$ (254)
2002-03	5,310	880	(4,430)
2003-04	11,260	3,412	(7,848)
2004-05	12,961	4,149	(8,812)
2005-06	22,095	3,907	(18,188)
2006-07	19,230	2,842	(16,388)
2007-08	55,249	2,592	(52,657)
2008-09	27,799	2,234	(25,565)
2009-10	25,671	2,614	(23,057)
2010-11	986	-	(986)
Total	\$ 180,815	\$ 22,630	\$ (158,185)

The following table summarizes the claimed, allowable and unallowable contract services for the audit period by vendor:

Vendor	Amount Claimed	Amount Allowable	Audit Adjustment
T&M Hazardous Waste Management	\$ 109,898	\$ -	\$ (109,898)
City of Visalia	66,871	22,630	(44,241)
Department of Toxic Substances	2,746	-	(2,746)
Keenan and Associates	1,250	-	(1,250)
Evergreen Environmental Services	50	-	(50)
	\$ 180,815	\$ 22,630	\$ (158,185)

Ineligible Hazardous Waste

The district claimed \$113,944 in contract services costs for vendors T&M Hazardous Waste Management, Department of Toxic Substances, Keenan and Associates, and Evergreen Environmental Services. The costs claimed were for handling, hauling, and disposing of hazardous waste. Hazardous waste material, such as batteries and paint, is not an eligible cost. Hazardous waste is not considered solid waste, as it cannot be disposed of as ordinary trash.

Reimbursement for the mandated program is limited to activities involving the diversion of solid waste. Public Resources Code section 42921(b) states that "...each large facility shall divert 50% of all *solid waste* (emphasis added) through source reduction, recycling, and composting activities." In addition, Public Resource Code section 40191(b)(1) states that "Solid waste does not include hazardous waste."

Ineligible Bin Rental and Hauling Fee

The district claimed \$66,871 for the bin rental and emptying fee for both green waste bins and recycling bins. We found that the bin rental and emptying fee is not an eligible activity.

We found that the \$66,871 claimed for the bin rental and emptying fee for the green waste and recycling bins is unallowable because the district did not support that it incurred additional costs. Prior to the mandate, the district was disposing of 100% its solid waste in the trash bins. Since implementation of the district's IWM plan, the district has diverted approximately 50% of its solid waste from landfill disposal. As such, the district would not need to maintain the same number of trash bins as it did prior to the mandate. Further, we confirmed that the fees for bin rental and emptying of both green waste and recycling bins is the same as for the trash bins. The district was unable to show that the total number of campus bins (trash, green waste, and recycling) has increased since implementation of its IWM plan; therefore, the entire amount claimed is unallowable.

Allowable Disposal Fee (Green Waste and Recycling Bins)

For FY 2002-03 through FY 2009-10, the district paid \$22,630 to the City of Visalia for the green waste and recycling bins to be emptied at the landfill. The district did not claim reimbursement for this cost; however, we found it to be an allowable cost.

Recommendation

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

FINDING 3— Misstated indirect costs

The district claimed \$140,024 in indirect costs for the audit period. We found that \$57,887 is allowable and \$82,137 is unallowable. The costs are unallowable because the district applied the indirect cost rate to unallowable salaries and benefits (see Finding 1), incorrectly calculated the FAM-29C indirect cost rates, 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.

The district did not provide any documentation to support the indirect cost rate claimed for FY 2000-01, FY 2002-03 through FY 2007-08, and FY 2010-11. 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:

<u>Fiscal Year</u>	<u>Claimed FAM-29C Rate</u>	<u>Allowable FAM-29C Rate</u>	<u>Difference</u>
2000-01	41.58%	14.61%	-26.97%
2002-03	31.24%	14.96%	-16.28%
2003-04	29.83%	17.68%	-12.15%
2004-05	31.91%	35.68%	3.77%
2005-06	35.36%	35.24%	-0.12%
2006-07	28.91%	32.77%	3.86%
2007-08	30.98%	33.89%	2.91%
2010-11	37.93%	38.62%	0.69%

For FY 2008-09 and FY 2009-10 the district provided the FAM-29C form to support the indirect cost rates. We reviewed the FAM-29C rates claimed and adjusted them for the following reasons:

- FY 2008-09 – The district claimed a FAM-29C rate of 33.13%. We found that the FAM-29C rate was actually 36.41% because the district used the wrong FAM-29C formula to calculate the rate. In FY 2007-08, the FAM-29C formula changed and the district incorrectly used the original formula.
- FY 2009-10 – The district claimed a FAM-29C rate of 34.83%. We found that the FAM-29C rate was actually 34.68% because the district incorrectly included expenditures for Community Relations (# 6710) as an indirect cost.

In addition, the FAM-29C rate for FY 2000-01 through FY 2006-07 is applied to a direct cost base; however, the district applied only the indirect cost rate to claimed salaries and benefits.

Further, the FAM-29C rate for FY 2009-10 is applied to salaries and benefit cost base only; however, the district incorrectly applied the FAM-29C rate to materials and supplies.

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

Fiscal Year	Allowable Salaries and Benefits ¹	Allowable Direct Costs ²	Allowable Indirect Cost Rate	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
2000-01	\$ 2,983	\$ 5,175	14.61%	\$ 756	\$ 14,970	\$ (14,214)
2002-03	674	1,984	14.96%	297	11,568	(11,271)
2003-04	20,194	24,504	17.68%	4,332	11,738	(7,406)
2004-05	17,273	21,523	35.68%	7,679	12,916	(5,237)
2005-06	19,289	23,660	35.24%	8,338	15,521	(7,183)
2006-07	21,829	25,409	32.77%	8,326	13,717	(5,391)
2007-08	23,661	27,460	33.89%	8,019	15,750	(7,731)
2008-09	25,450	43,616	36.41%	9,266	18,881	(9,615)
2009-10	24,102	27,884	34.68%	8,359	19,270	(10,911)
2010-11	6,512	7,237	38.62%	2,515	5,693	(3,178)
Total	\$ 161,967	\$ 208,452		\$ 57,887	\$ 140,024	\$ (82,137)

¹ The FAM-29C rates for FY 2000-01 and FY 2002-03 through FY 2006-07 is applied to allowable direct costs.

² The FAM-29C rates for FY 2007-08 through FY 2010-11 is applied to allowable salaries and benefits.

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

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

Recommendation

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

**FINDING 4—
Unreported offsetting
savings**

The district did not report any offsetting savings on its mandated cost claims for the audit period. We found that the district realized savings of \$104,597 from implementation of its IWM plan.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Audit Adjustment
2000-01	\$ -	\$ (5,212)	\$ (5,212)
2002-03	-	(9,722)	(9,722)
2003-04	-	(9,184)	(9,184)
2004-05	-	(10,192)	(10,192)
2005-06	-	(11,858)	(11,858)
2006-07	-	(12,142)	(12,142)
2007-08	-	(13,178)	(13,178)
2008-09	-	(14,602)	(14,602)
2009-10	-	(14,772)	(14,772)
2010-11	-	(3,735)	(3,735)
Total	\$ -	\$ (104,597)	\$ (104,597)

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

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

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

Offsetting Savings Calculation

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

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

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

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

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

Allocated Diversion Percentage

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

For calendar years 2002 through 2007, we used the diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of a “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the 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 FY 2007-08 through FY 2010-11. 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.

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

Recommendation

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

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