

GLENDALE COMMUNITY COLLEGE DISTRICT

Audit Report

INTEGRATED WASTE MANAGEMENT PROGRAM

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

July 1, 1999, through June 30, 2010



JOHN CHIANG
California State Controller

April 2013



JOHN CHIANG
California State Controller

April 26, 2013

Ann H. Ransford, President
Board of Trustees
Glendale Community College District
1500 North Verdugo Road
Glendale, CA 91208

Dear Ms. Ransford:

The State Controller's Office audited the costs claimed by Glendale Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992, and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2010.

The district claimed \$927,370 (\$965,926 less a \$38,556 penalty for filing late claims) for the mandated program. Our audit found that \$60,837 (\$63,710 less a \$2,873 penalty for filing late claims) is allowable and \$866,533 is unallowable. The costs are unallowable primarily because the district estimated costs, claimed reimbursement for ineligible costs, and understated offsetting savings. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$60,837, contingent upon available appropriations.

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

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/vb

cc: Jim Riggs, Ed.D., Interim Superintendent/President
 Glendale Community College District
Ron Nakasone, Vice President of Administrative Services
 Glendale Community College District
Christine Atalig, Specialist
 College Finance and Facilities Planning
 California Community Colleges Chancellor's Office
Ed Hanson, Principal Program Budget Analyst
 Education Systems Unit
 California Department of Finance
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 California Department of Finance
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 Division of Accounting and Reporting
 State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Glendale Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992, and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2010.

The district claimed \$927,370 (\$965,926 less a \$38,556 penalty for filing late claims) for the mandated program. Our audit found that \$60,837 (\$63,710 less a \$2,873 penalty for filing late claims) is allowable and \$866,533 is unallowable. The costs are unallowable primarily because the district estimated costs, claimed reimbursement for ineligible costs, and understated offsetting savings. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$60,837, contingent upon available appropriations.

Background

On March 25, 2004, the Commission on State Mandates (CSM) adopted its statement of decision finding that Public Resources Code 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 that constitute new programs or higher levels of service for community college districts within the meaning of Article XIII B, section 6, of the California Constitution, and impose costs mandated by the State pursuant to Government Code section 17514.

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

- 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))
- Divert 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)

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

**Objective, Scope,
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Integrated Waste Management Program for the period of July 1, 1999, through June 30, 2010.

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

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

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit found 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, Glendale Community College District claimed \$927,370 (\$965,926 less a \$38,556 penalty for filing late claims) for costs of the Integrated Waste Management Program. Our audit found that \$60,837 (\$63,710 less a \$2,873 penalty for filing late claims) is allowable and \$866,533 is unallowable.

The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, totaling \$60,837, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on April 2, 2013. Ron Nakasone, Vice President of Administrative Services, responded by letter dated April 16, 2013 (Attachment), disagreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of Glendale 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

April 26, 2013

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

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 10,928	\$ —	\$ (10,928)	Finding 1
Contract services	1,894	—	(1,894)	Finding 2
Total direct costs	12,822	—	(12,822)	
Indirect costs	4,197	—	(4,197)	Finding 1
Total direct and indirect costs	17,019	—	(17,019)	
Less offsetting savings	—	—	—	Finding 4
Total divert solid waste/maintain required level	17,019	—	(17,019)	
All other activities:				
Direct costs:				
Salaries and benefits	4,954	4,954	—	
Indirect costs	1,903	832	(1,071)	Finding 3
Total all other activities	6,857	5,786	(1,071)	
Subtotal	23,876	5,786	(18,090)	
Less late filing penalty ²	(2,388)	(579)	1,809	
Total program costs	<u>\$ 21,488</u>	5,207	<u>\$ (16,281)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,207</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 18,235	\$ —	\$ (18,235)	Finding 1
Materials and supplies	366	366	—	
Contract services	12,561	5,554	(7,007)	Finding 2
Total direct costs	31,162	5,920	(25,242)	
Indirect costs	6,956	921	(6,035)	Findings 1, 3
Total direct and indirect costs	38,118	6,841	(31,277)	
Less offsetting savings ³	—	(17,244)	(17,244)	Finding 4
Subtotal	38,118	(10,403)	(48,521)	
Adjustment to eliminate negative balance	—	10,403	10,403	
Total divert solid waste/maintain required level	38,118	—	(38,118)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001 (continued)</u>				
All other activities:				
Direct costs:				
Salaries and benefits	2,466	2,466	—	
Indirect costs	941	384	(557)	Finding 3
Total all other activities	3,407	2,850	(557)	
Subtotal	41,525	2,850	(38,675)	
Less late filing penalty ²	(4,153)	(285)	3,868	
Total program costs	<u>\$ 37,372</u>	2,565	<u>\$ (34,807)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,565</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 17,936	\$ —	\$ (17,936)	Finding 1
Materials and supplies	2,178	2,178	—	
Contract services	21,463	9,674	(11,789)	Finding 2
Total direct costs	41,577	11,852	(29,725)	
Indirect costs	6,132	—	(6,132)	Finding 1
Total direct and indirect costs	47,709	11,852	(35,857)	
Less offsetting revenues	(1,227)	(1,227)	—	
Less offsetting savings ³	—	(28,031)	(28,031)	Finding 4
Subtotal	46,482	(17,406)	(63,888)	
Adjustment to eliminate negative balance	—	17,406	17,406	
Total divert solid waste/maintain required level	46,482	—	(46,482)	
All other activities:				
Direct costs:				
Salaries and benefits	2,949	2,949	—	
Indirect costs	1,009	1,327	318	Finding 3
Total all other activities	3,958	4,276	318	
Subtotal	50,440	4,276	(46,164)	
Less late filing penalty ²	(5,044)	(428)	4,616	
Total program costs	<u>\$ 45,396</u>	3,848	<u>\$ (41,548)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,848</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 19,936	\$ —	\$ (19,936)	Finding 1
Contract services	72,662	10,070	(62,592)	Finding 2
Total direct costs	92,598	10,070	(82,528)	
Indirect costs	8,970	—	(8,970)	Finding 1
Total direct and indirect costs	101,568	10,070	(91,498)	
Less offsetting revenues	(1,461)	(1,461)	—	
Less offsetting savings ³	—	(20,940)	(20,940)	Finding 4
Subtotal	100,107	(12,331)	(112,438)	
Adjustment to eliminate negative balance	—	12,331	12,331	
Total divert solid waste/maintain required level	100,107	—	(100,107)	
All other activities:				
Direct costs:				
Salaries and benefits	3,253	3,253	—	
Indirect costs	1,464	1,464	—	
Total all other activities	4,717	4,717	—	
Subtotal	104,824	4,717	(100,107)	
Less late filing penalty ²	(10,482)	(472)	10,010	
Total program costs	<u>\$ 94,342</u>	4,245	<u>\$ (90,097)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,245</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 21,126	\$ —	\$ (21,126)	Finding 1
Contract services	42,507	10,032	(32,475)	Finding 2
Total direct costs	63,633	10,032	(53,601)	
Indirect costs	9,506	—	(9,506)	Finding 1
Total direct and indirect costs	73,139	10,032	(63,107)	
Less offsetting revenues	(1,443)	(1,443)	—	
Less offsetting savings ³	—	(16,118)	(16,118)	Finding 4
Subtotal	71,696	(7,529)	(79,225)	
Adjustment to eliminate negative balance	—	7,529	7,529	
Total divert solid waste/maintain required level	71,696	—	(71,696)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2003, through June 30, 2004 (continued)</u>				
All other activities:				
Direct costs:				
Salaries and benefits	3,690	3,690	—	
Indirect costs	1,661	1,661	—	
Total all other activities	5,351	5,351	—	
Subtotal	77,047	5,351	(71,696)	
Less late filing penalty ²	(7,705)	(535)	7,170	
Total program costs	<u>\$ 69,342</u>	4,816	<u>\$ (64,526)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,816</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 22,190	\$ —	\$ (22,190)	Finding 1
Contract services	51,561	11,998	(39,563)	Finding 2
Total direct costs	73,751	11,998	(61,753)	
Indirect costs	9,986	—	(9,986)	Finding 1
Total direct and indirect costs	83,737	11,998	(71,739)	
Less offsetting revenues	(1,629)	(1,629)	—	
Less offsetting savings ³	—	(14,893)	(14,893)	Finding 4
Subtotal	82,108	(4,524)	(86,632)	
Adjustment to eliminate negative balance	—	4,524	4,524	
Total divert solid waste/maintain required level	82,108	—	(82,108)	
All other activities:				
Direct costs:				
Salaries and benefits	3,956	3,956	—	
Indirect costs	1,780	1,780	—	
Total all other activities	5,736	5,736	—	
Subtotal	87,844	5,736	(82,108)	
Less late filing penalty ²	(8,784)	(574)	8,210	
Total program costs	<u>\$ 79,060</u>	5,162	<u>\$ (73,898)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 5,162</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 24,344	\$ —	\$ (24,344)	Finding 1
Materials and supplies	679	679	—	
Contract services	36,245	10,865	(25,380)	Finding 2
Total direct costs	61,268	11,544	(49,724)	
Indirect costs	10,955	—	(10,955)	Finding 1
Total direct and indirect costs	72,223	11,544	(60,679)	
Less offsetting revenues	(1,291)	(1,291)	—	
Less offsetting savings ³	—	(15,460)	(15,460)	Finding 4
Subtotal	70,932	(5,207)	(76,139)	
Adjustment to eliminate negative balance	—	5,207	5,207	
Total divert solid waste/maintain required level	70,932	—	(70,932)	
All other activities:				
Direct costs:				
Salaries and benefits	4,351	4,351	—	
Indirect costs	1,958	1,958	—	
Total all other activities	6,309	6,309	—	
Total program costs	<u>\$ 77,241</u>	6,309	<u>\$ (70,932)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,309</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 30,313	\$ —	\$ (30,313)	Finding 1
Contract services	60,036	16,954	(43,082)	Finding 2
Total direct costs	90,349	16,954	(73,395)	
Indirect costs	13,640	—	(13,640)	Finding 1
Total direct and indirect costs	103,989	16,954	(87,035)	
Less offsetting revenues	(1,336)	(1,336)	—	
Less offsetting savings ³	—	(19,933)	(19,933)	Finding 4
Subtotal	102,653	(4,315)	(106,968)	
Adjustment to eliminate negative balance	—	4,315	4,315	
Total divert solid waste/maintain required level	102,653	—	(102,653)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2006, through June 30, 2007 (continued)</u>				
All other activities:				
Direct costs:				
Salaries and benefits	4,637	4,637	—	
Indirect costs	2,087	2,087	—	
Total all other activities	<u>6,724</u>	<u>6,724</u>	<u>—</u>	
Total program costs	<u>\$ 109,377</u>	6,724	<u>\$ (102,653)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,724</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 42,131	\$ —	\$ (42,131)	Finding 1
Contract services	66,060	14,541	(51,519)	Finding 2
Total direct costs	108,191	14,541	(93,650)	
Indirect costs	18,960	—	(18,960)	Finding 1
Total direct and indirect costs	127,151	14,541	(112,610)	
Less offsetting revenues	(2,608)	(2,608)	—	
Less offsetting savings ³	—	(18,472)	(18,472)	Finding 4
Subtotal	124,543	(6,539)	(131,082)	
Adjustment to eliminate negative balance	—	6,539	6,539	
Total divert solid waste/maintain required level	<u>124,543</u>	<u>—</u>	<u>(124,543)</u>	
All other activities:				
Direct costs:				
Salaries and benefits	4,945	4,945	—	
Indirect costs	2,225	2,225	—	
Total all other activities	<u>7,170</u>	<u>7,170</u>	<u>—</u>	
Total program costs	<u>\$ 131,713</u>	7,170	<u>\$ (124,543)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,170</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 40,940	\$ —	\$ (40,940)	Finding 1
Materials and supplies	459	459	—	
Contract services	68,517	8,226	(60,291)	Finding 2
Total direct costs	109,916	8,685	(101,231)	
Indirect costs	17,727	—	(17,727)	Finding 1
Total direct and indirect costs	127,643	8,685	(118,958)	
Less offsetting revenues	(4,065)	(4,065)	—	
Less offsetting savings ³	—	(12,602)	(12,602)	Finding 4
Subtotal	123,578	(7,982)	(131,560)	
Adjustment to eliminate negative balance	—	7,982	7,982	
Total divert solid waste/maintain required level	123,578	—	(123,578)	
All other activities:				
Direct costs:				
Salaries and benefits	5,121	5,121	—	
Indirect costs	2,217	2,217	—	
Total all other activities	7,338	7,338	—	
Total program costs	<u>\$ 130,916</u>	7,338	<u>\$ (123,578)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,338</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 45,447	\$ —	\$ (45,447)	Finding 1
Contract services	60,579	6,986	(53,593)	Finding 2
Total direct costs	106,026	6,986	(99,040)	
Indirect costs	19,679	—	(19,679)	Finding 1
Total direct and indirect costs	125,705	6,986	(118,719)	
Less offsetting revenues	(2,035)	(2,035)	—	
Less offsetting savings ³	—	(12,335)	(12,335)	Finding 4
Subtotal	123,670	(7,384)	(131,054)	
Adjustment to eliminate negative balance	—	7,384	7,384	
Total divert solid waste/maintain required level	123,670	—	(123,670)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2009, through June 30, 2010 (continued)</u>				
All other activities:				
Direct costs:				
Salaries and benefits	5,201	5,201	—	
Indirect costs	2,252	2,252	—	
Total all other activities	<u>7,453</u>	<u>7,453</u>	<u>—</u>	
Total program costs	<u>\$ 131,123</u>	<u>7,453</u>	<u>\$ (123,670)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,453</u>		
<u>Summary: July 1, 1999, through June 30, 2010</u>				
Divert solid waste/maintain required level:				
Direct costs:				
Salaries and benefits	\$ 293,526	\$ —	\$ (293,526)	
Materials and supplies	3,682	3,682	—	
Contract services	494,085	104,900	(389,185)	
Total direct costs	<u>791,293</u>	<u>108,582</u>	<u>(682,711)</u>	
Indirect costs	<u>126,708</u>	<u>921</u>	<u>(125,787)</u>	
Total direct and indirect costs	<u>918,001</u>	<u>109,503</u>	<u>(808,498)</u>	
Less offsetting revenues	(17,095)	(17,095)	—	
Less offsetting savings ³	—	(176,028)	(176,028)	
Subtotal	<u>900,906</u>	<u>(83,620)</u>	<u>(984,526)</u>	
Adjustment to eliminate negative balance	—	83,620	83,620	
Total divert solid waste/maintain required level	<u>900,906</u>	<u>—</u>	<u>(900,906)</u>	
All other activities:				
Direct costs:				
Salaries and benefits	45,523	45,523	—	
Indirect costs	19,497	18,187	(1,310)	
Total all other activities	<u>65,020</u>	<u>63,710</u>	<u>(1,310)</u>	
Subtotal	<u>965,926</u>	<u>63,710</u>	<u>(902,216)</u>	
Less late filing penalty ²	<u>(38,556)</u>	<u>(2,873)</u>	<u>35,683</u>	
Total program costs	<u>\$ 927,370</u>	<u>60,837</u>	<u>\$ (866,533)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 60,837</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17561, subdivision (d)(3), allows claimants to file an initial reimbursement claim within one year after the initial filing deadline, subject to a 10% penalty on allowable costs for filing a late claim. Initial reimbursement claims filed after September 30, 2002, are not subject to a maximum penalty. The SCO assesses the penalty on allowable costs that exceed the amount filed by the initial filing deadline. FY 1999-2000 through FY 2004-05 claims were initial reimbursement claims filed after September 30, 2002.

³ See Schedule 2, Summary of Offsetting Savings Calculations.

**Schedule 2—
Summary of Offsetting Savings Calculations
July 1, 2000, through June 30, 2010**

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 allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage		÷ 26.95%	÷ 52.94%		
Allocated diversion percentage		92.76%	47.22%		
Tonnage diverted	×	(37.75)	×	(929.30)	
Statewide average landfill fee per ton	× \$	36.39	× \$	36.39	
Offsetting savings, FY 2000-01	—	\$ (1,274)	\$ (15,970)	\$ (17,244)	\$ (17,244)
<u>July 1, 2001, through June 30, 2002</u>					
Maximum allowable diversion percentage		25.00%	50.00%		
Actual diversion percentage		÷ 52.94%	÷ 50.00%		
Allocated diversion percentage		47.22%	100.00%		
Tonnage diverted	×	(929.30)	×	(333.45)	
Statewide average landfill fee per ton	× \$	36.39	× \$	36.17	
Offsetting savings, FY 2001-02	—	\$ (15,970)	\$ (12,061)	\$ (28,031)	\$ (28,031)
<u>July 1, 2002, through June 30, 2003</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 50.00%	÷ 56.55%		
Allocated diversion percentage		100.00%	88.42%		
Tonnage diverted	×	(333.45)	×	(272.65)	
Statewide average landfill fee per ton	× \$	36.17	× \$	36.83	
Offsetting savings, FY 2002-03	—	\$ (12,061)	\$ (8,879)	\$ (20,940)	\$ (20,940)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 56.55%	÷ 65.11%		
Allocated diversion percentage		88.42%	76.79%		
Tonnage diverted	×	(272.65)	×	(245.35)	
Statewide average landfill fee per ton	× \$	36.83	× \$	38.42	
Offsetting savings, FY 2003-04	—	\$ (8,879)	\$ (7,239)	\$ (16,118)	\$ (16,118)

Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July – December	January – June	Total	
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 65.11%	÷ 62.99%		
Allocated diversion percentage		76.79%	79.38%		
Tonnage diverted	×	(245.35)	×	(247.25)	
Statewide average landfill fee per ton	× \$	38.42	×	\$ 39.00	
Offsetting savings, FY 2004-05	—	\$ (7,239)	\$ (7,654)	\$ (14,893)	\$ (14,893)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 62.99%	÷ 65.56%		
Allocated diversion percentage		79.38%	76.27%		
Tonnage diverted	×	(247.25)	×	(222.50)	
Statewide average landfill fee per ton	× \$	39.00	×	\$ 46.00	
Offsetting savings, FY 2005-06	—	\$ (7,654)	\$ (7,806)	\$ (15,460)	\$ (15,460)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 65.56%	÷ 50.25%		
Allocated diversion percentage		76.27%	99.50%		
Tonnage diverted	×	(222.50)	×	(253.90)	
Statewide average landfill fee per ton	× \$	46.00	×	\$ 48.00	
Offsetting savings, FY 2006-07	—	\$ (7,806)	\$ (12,127)	\$ (19,933)	\$ (19,933)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 50.25%	÷ 53.38%		
Allocated diversion percentage		99.50%	93.67%		
Tonnage diverted	×	(253.90)	×	(132.83)	
Statewide average landfill fee per ton	× \$	48.00	×	\$ 51.00	
Offsetting savings, FY 2007-08	—	\$ (12,127)	\$ (6,345)	\$ (18,472)	\$ (18,472)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 53.38%	÷ 53.77%		
Allocated diversion percentage		93.67%	92.99%		
Tonnage diverted	×	(132.83)	×	(122.35)	
Statewide average landfill fee per ton	× \$	51.00	×	\$ 55.00	
Offsetting savings, FY 2008-09	—	\$ (6,345)	\$ (6,257)	\$ (12,602)	\$ (12,602)

Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July – December	January – June	Total	
<u>July 1, 2009, through June 30, 2010</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 53.77%	÷ 51.55%		
Allocated diversion percentage		92.99%	96.99%		
Tonnage diverted	×	(122.35)	×	(111.90)	
Statewide average landfill fee per ton	× \$	55.00	× \$	56.00	
Offsetting savings, FY 2009-10	—	\$ (6,257)	\$ (6,078)	\$ (12,335)	\$ (12,335)
Total offsetting savings, FY 2000-01 through FY 2009-10	\$ —	\$ (85,612)	\$ (90,416)	\$ (176,028)	\$ (176,028)

¹ See Finding 4 of the Findings and Recommendations.

Findings and Recommendations

**FINDING 1–
Unallowable salaries,
benefits, and related
indirect costs**

The district claimed \$339,049 for salaries and benefits during the audit period. We determined that \$45,523 is allowable and \$293,526 is unallowable. The costs are unallowable because the salaries and benefits were estimated and not supported by source documentation. Related unallowable indirect costs total \$126,708.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 15,882	\$ 4,954	\$ (10,928)
2000-01	20,701	2,466	(18,235)
2001-02	20,885	2,949	(17,936)
2002-03	23,189	3,253	(19,936)
2003-04	24,816	3,690	(21,126)
2004-05	26,146	3,956	(22,190)
2005-06	28,695	4,351	(24,344)
2006-07	34,950	4,637	(30,313)
2007-08	47,076	4,945	(42,131)
2008-09	46,061	5,121	(40,940)
2009-10	50,648	5,201	(45,447)
Subtotal	339,049	45,523	(293,526)
Related Indirect costs	146,205	19,497	(126,708)
Total	<u>\$ 485,254</u>	<u>\$ 65,020</u>	<u>\$ (420,234)</u>

Divert Solid Waste/Maintain Required Level

The district claimed salaries and benefits totaling \$293,526 under the Divert Solid Waste/Maintain Required Level cost component. We determined that the entire amount is unallowable. The costs are unallowable because the district claimed costs that were based entirely on estimates.

The parameters and guidelines (section IV, Reimbursable Activities) states:

...to be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that shows the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, receipts, and the community college plan approved by the Board.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The district provided a document entitled Employee Time Record Sheets for Mandated Costs that summarized estimated hours each employee spent on diversion activities. The hours were reported annually and were not corroborated by any documentation supporting the actual amount of time claimed. Furthermore, some of the time records did not identify an employee, but merely stated "Custodian" and reported 650 hours for cardboard recycling.

To determine the validity of the hours claimed, we spoke with the district's Maintenance and Operations Manager, who informed us that district personnel had minimal involvement with solid waste diversion and recycling activities. In addition, during a tour of the district's maintenance and operations facility, district staff informed us that their solid waste service provider, Southland Disposal Company, picks up virtually all of the district's solid waste, including recyclable materials, and then diverts the recyclable materials at its facility.

We discussed the option of the district performing a time study to determine the amount of time spent diverting solid waste and associated recycling activities. The district opted not to perform a time study.

Other Activities

The district claimed salaries and benefits of \$45,523 for "Other Activities" consisting of one-time activities such as training, and on-going activities, such as preparing the annual report. We determined that the entire amount claimed is allowable.

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by source documentation.

District's Response

The District is not in agreement with this finding. The parameters and guidelines state:

"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, worksheet, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations."

The District believes it met this requirement with its "Employee Time Record Sheet for Mandated Costs" document which supported all salaries and benefits claimed. This document recorded the hours worked on each activity of the claim. The document was signed by the employee with a declaration certifying that actual data or a good faith estimate was reported. This document was accepted by the auditors as proper supporting documentation for the "Completion and Submission of Plan to Board" and "Preparing the Annual Report" activities but was considered unacceptable for the "Diversion and Maintenance of Approved Level of Reduction" activity.

The one exception for an employee signing the "Employee Time Record Sheet for Mandated Costs" document was the time claimed for custodians taking the cardboard outside their building for pick-up. For this activity a very conservative estimate was used. There are twenty five major buildings on campus and using 5 minutes per day per building, resulted in approximately 550 hours for a year. In addition, time is needed to transport the cardboard to a compactor, to bale the cardboard and finally to deliver the cardboard to the recycling agency. The District does have receipts of cardboard recycling so it is clear that the activity did occur and the District feels that the 5 minutes per building per day is very reasonable.

Finally, it should be noted that the parameters and guidelines for this claim were not approved until 2005. However, the claims were allowed retroactively to 1999-00. It would have been impossible to provide time records for these earlier years without estimating time.

SCO's Comment

The finding and recommendation remain unchanged.

The district provided declarations based on estimates of time to support claimed costs. The hours were reported annually and were not corroborated by source documentation supporting the actual amount of time claimed. The parameters and guidelines for the mandated program require that costs be supported by source documents created at or near the time that the event or activity in question took place. The parameters and guidelines consider declarations as corroborating rather than source documentation. The parameters and guidelines state that corroborating documentation are not a substitute for source documentation.

Furthermore, the declarations are unacceptable because they did not describe what specific activities were performed, which employees performed them, and the length of time it took to perform the mandated activities, as required in the claiming instructions.

As mentioned in the finding, during audit fieldwork, we attempted to determine the validity of the hours claimed on the declarations. We spoke with the district's Maintenance and Operations manager who informed us that district personnel have minimal involvements with solid waste diversion and recycling activities. As a result, the hours reported on the declarations are not reasonable. On August 14, 2011, we gave the district an option to perform a time study to corroborate the amount of time spent recycling cardboard. The district opted to not perform a time study.

Since we recognized that the district did perform cardboard recycling, we attempted to work with the district in developing actual costs. On September 20, 2011, we sent the district staff a spreadsheet and asked them to fill in the following information using the actual amounts specified on the cardboard recycling receipts:

- The date the cardboard recycling occurred
- The name of the employee performing the activity
- The employee’s productive hourly rate
- The amount of revenue received for cardboard recycling

The spreadsheet included a formula that factored in 2.5 miles driven from the campus to the recycling center and 5 minutes per building. The district did not complete our spreadsheet or provide us with the cardboard recycling receipts.

However, we did accept the hours reported on the declarations for “Completion and Submission of a Plan to the Board” and “Preparing the Annual Report.” These “other activities” are not repetitive in nature and are not time-studiable. During audit fieldwork, we determined that the district did perform these mandated activities, and that the hours claimed were reasonable based on documentation the district provided of the activity performed. Therefore, we determined that the costs claimed are allowable.

**FINDING 2–
Unallowable contract
service costs**

The district claimed \$494,085 in contract service costs during the audit period. We determined that \$104,900 is allowable and \$389,185 is unallowable. The costs are unallowable because the district claimed reimbursement for ineligible and estimated costs.

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

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
1999-2000	\$ 1,894	\$ -	\$ (1,894)
2000-01	12,561	5,554	(7,007)
2001-02	21,463	9,674	(11,789)
2002-03	72,662	10,070	(62,592)
2003-04	42,507	10,032	(32,475)
2004-05	51,561	11,998	(39,563)
2005-06	36,245	10,865	(25,380)
2006-07	60,036	16,954	(43,082)
2007-08	66,060	14,541	(51,519)
2008-09	68,517	8,226	(60,291)
2009-10	60,579	6,986	(53,593)
Total	<u>\$ 494,085</u>	<u>\$ 104,900</u>	<u>\$ (389,185)</u>

Ineligible Costs

Hazardous Waste

The district claimed \$259,053 (\$174,207 for North State Environmental; \$52,903 for Environtech Industries, Inc.; \$20,216 for Stericycle; and \$11,227 for TSM Recovery & Recycling; and \$500 for Pacific Environmental) for pick-up and disposal of hazardous waste such as medical waste, sharp objects, used oil, and anti-freeze. We determined that the entire amount is unallowable.

Hazardous waste materials, including electronic waste, batteries, used oil/antifreeze, paint, fluorescent lights, universal waste, and medical waste cannot be disposed of as ordinary trash and are not included as reimbursable solid waste diversion activities. Furthermore, Public Resource Code section 40191, subsection (b)(1), states that “solid waste” does not include hazardous waste.

Trash Disposal

The district claimed \$197,336 for hauling and diverting solid waste through Southland Disposal Company’s material recovery facility (MRF). We determined that \$100,031 is allowable and \$97,305 is unallowable. The costs are unallowable because the district claimed reimbursement for trash disposal.

The district claimed costs for both trash and recycling services provided by Southland Disposal Company. The program allows reimbursement only for the diversion of solid waste. To separate the trash costs from the recycling costs, we multiplied the diversion percentage for Southland Disposal Company by the total costs claimed. To determine the actual diversion percentage, we divided the tonnage recycled by the total tonnage generated, as reported on the MRF line of the annual report the district submitted to CalRecycle pursuant to Public Resources Code section 42926, subsection (b)(1).

Shredding Services

The district claimed \$32,266 (\$8,341 for Priority Mailing Systems, \$6,362 for Iron Mountain, \$11,104 for Shredding Solutions, \$4,375 for California Document Shredding, and \$2,084 for SHRED-IT) for shredding services. The costs claimed were for pick-up, purging, and shredding of documents. These costs are not reimbursable under the mandated program. While costs associated with shredding paper are not reimbursable, we will revise the audit results, as appropriate, if the district can separate the cost of diverting solid waste from the cost of shredding.

Estimated Costs

The district claimed \$561 for forklift repairs by TCM Forklift. We determined that the entire amount is unallowable. The costs are unallowable because the district did not provide sufficient documentation to support costs claimed. The district claimed 5% of TCM Forklift charges for transporting and hauling pallets of cardboard and shredded papers. The forklift is also used for non-mandated activities throughout the district site. The district did not provide documentation to support how the 5% was derived. If the district can provide documentation to show how the usage percentage was determined, we will revise the audit results as appropriate.

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by source documentation.

District's Response

The District disagrees with the following aspects of this finding:

1. **Trash Disposal:** The District contracts with Southland Disposal for hauling and diverting solid waste through a material recovery facility (MRF). Southland Disposal's invoices have two components: a hauling fee and a material recovery fee. The District claimed the material recovery fee on its claim whereas the Controller's Office felt that only a portion of this cost was allowable and applied a factor of recycled waste to total waste to calculate the allowable cost. The District feels that the entire material recovery cost is allowable because all of the waste disposed has to be processed in order to generate the required level of recycling. However, if a percentage of recycled waste to total waste is to be applied to determine allowable cost, this percentage should also be applied to the hauling fee and this amount should be eligible as a reimbursable cost.
2. **Shredding Services:** The audit disallowed the District's costs for shredding as an unallowable cost for this claim. Privacy laws require the District to secure confidential employee information. As a result, these costs are required to recycle these documents and should be eligible for reimbursement. California Civil Code Section 1798.81 states:

“A business shall take all reasonable steps to dispose, or arrange for the disposal, of customer records within its custody or control containing personal information when the records are no longer to be retained by the business by (a) shredding, (b) erasing, or (c) otherwise modifying the personal information in those records to make it unreadable or undecipherable through any means.”

SCO's Comment

The finding and recommendation remain unchanged.

We will address the district's response in the same order that it was presented.

Trash Disposal

The parameters and guidelines allow reimbursement for diversion of solid waste from landfill disposal or transformation facilities through source reduction, recycling, and composting activities. The mandate does not allow reimbursement for the cost of disposing solid waste at the landfill. Therefore, to determine allowable costs associated with recycling, we multiplied the diversion percentage for Southland Disposal Company by total costs claimed.

The district believes that the hauling fee associated with the recycling cost is allowable. We agreed during the audit that the hauling fee associated with the recycling costs is allowable; however, we did not include the hauling fee as a contract service costs in the calculation of reimbursable costs because it has no impact on the audit. The district did not claim reimbursement for the hauling fee. If we did include the hauling fee as a contract service cost, we would also have included the same amount in the offsetting savings calculation because the district did not incur a cost to haul the diverted tonnage to the landfill. We discussed this issue with the district's Vice President of Administrative Services at both our status meeting and exit conference. At both of these meetings, he agreed with our approach and calculation.

Shredding Services

The costs claimed were for pick-up, purging, and shredding of documents, which are not reimbursable under the mandated program. We recognize that the district must follow Civil Code section 1798.81; however, this statutory provision is not a part of the mandate. The costs associated with shredding paper are not reimbursable. The district did not provide documentation that separated the cost of diverting solid waste from the cost of shredding.

**FINDING 3–
Misstated indirect
costs**

The district claimed \$146,205 in indirect costs for the audit period. We determined that \$19,108 is allowable and \$127,097 is unallowable. The unallowable costs occurred because of related unallowable salaries and benefits (as noted in Finding 1) totaling \$126,708, and misstated indirect cost rates totaling \$389.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 6,100	\$ 832	\$ (5,268)
2000-01	7,897	1,305	(6,592)
2001-02	7,141	1,327	(5,814)
2002-03	10,434	1,464	(8,970)
2003-04	11,167	1,661	(9,506)
2004-05	11,766	1,780	(9,986)
2005-06	12,913	1,958	(10,955)
2006-07	15,727	2,087	(13,640)
2007-08	21,185	2,225	(18,960)
2008-09	19,944	2,217	(17,727)
2009-10	21,931	2,252	(19,679)
Total	<u>\$ 146,205</u>	<u>\$ 19,108</u>	<u>\$ (127,097)</u>

For (FY) 1999-2000 and FY 2000-01, the district did not provide supporting documentation to show how the indirect cost rate was calculated. Therefore, we calculated the indirect cost rate using the methodology described in the SCO claiming instructions using Form FAM-29C. Consistent with this methodology, we calculated a rate of 16.79% for FY 1999-2000 and 15.56% for FY 2000-01.

For FY 2001-02, the district did not provide supporting documentation to show how the indirect cost rate was calculated. The district received a federal approval letter to calculate indirect costs by applying 45% to salaries and wages for FY 2002-03 and FY 2003-04. The indirect cost rate was based on FY 2001-02 actual expenditures. Therefore, even though the federal approval letter was not applicable to FY 2001-02, we applied the 45% to allowable salaries and wages for FY 2001-02, which is consistent with the mandated cost manual instructions applicable to the audit period and the approach taken in a prior audit of the district’s legislatively mandated Health Fee Elimination Program.

The parameters and guidelines (section V) 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 Educational Institutions”; (2) the rate calculated on State Controller’s Form FAM 29-C; or (3) a 7% indirect cost rate.

Recommendation

We recommend that the district maintain documentation supporting the claimed indirect cost rates and calculate a rate consistent with the parameters and guidelines.

District’s Response

The District does not agree with this finding. The District believes that it has supported its salary and benefit costs claimed that were disallowed in Finding 1. As a result, the indirect cost rate should be applied and allowed for these costs.

SCO’s Comment

Subsequent to the issuance of the draft report, we found that the FY 1999-2000 FAM-29C indirect cost rate was incorrectly calculated. As a result, we increased the FY 1999-2000 FAM-29C indirect cost rate from 11.67% to 16.79%. This change increased allowable indirect costs by \$254.

With the exception of a correction to the indirect cost rate for FY 1999-2000, the finding and recommendation remain unchanged.

**FINDING 4–
Understated offsetting
savings**

The district did not offset any savings on its mandated cost claims for the audit period. We determined that the district realized offsetting savings of \$176,028 from implementation of its Integrated Waste Management (IWM) Program.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Audit Adjustment
2000-01	\$ -	\$ (17,244)	\$ (17,244)
2001-02	-	(28,031)	(28,031)
2002-03	-	(20,940)	(20,940)
2003-04	-	(16,118)	(16,118)
2004-05	-	(14,893)	(14,893)
2005-06	-	(15,460)	(15,460)
2006-07	-	(19,933)	(19,933)
2007-08	-	(18,472)	(18,472)
2008-09	-	(12,602)	(12,602)
2009-10	-	(12,335)	(12,335)
Total	\$ -	\$ (176,028)	\$ (176,028)

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

...reduced or avoided costs realized from implementation of the community college districts’ Integrated Waste Management 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 of the IWM Fund; these revenues are continuously appropriated to the IWM Board for the purposes of offsetting recycling program costs. For the audit period, the district did not deposit any revenue into the IWM Account. We have determined that the district had reduced or avoided costs realized from implementation of its IWM Program that it did not identify and offset from its claims as offsetting savings.

Offsetting Savings Calculation

The Commission on State Mandates’ (CSM) 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 by the avoided landfill disposal fee, as follows:

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

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

Allocated Diversion Percentage

Public Resources Code section 42921 requires that districts achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines 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 each fiscal year in the audit period, the district diverted a larger percentage of tonnage than the maximum allowable. 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 diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1). For calendar years 2008, 2009, and 2010, we used the diversion percentage reported on the Southland Disposal Company invoices.

Tonnage Diverted

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

For calendar years 2000 through 2007, we used the tonnage diverted reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1). For calendar years 2008, 2009, and 2010, we used the tonnage recycled as reported on the Southland Disposal Company invoices.

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.

The district provided invoices from Southland Disposal Company identifying separate disposal fees for the open top containers and the compactor containers. However, the district did not provide a disposal fee for its front-loader. In addition, the district did not identify how much tonnage of diverted waste would have been disposed in each container. Therefore, for all fiscal years in the audit period, we used the statewide average disposal fee provided by CalRecycle.

Recommendation

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

District’s Response

The District agrees with the concept but not with the calculation. Southland Disposal’s invoices include a material handling fee. The rate is based on weight and is an all-inclusive fee for the separating, recycling and landfill costs. Southland Disposal could not provide their charge for the landfill component, so the State Controller’s Office used the state-wide average disposal fee from CalRecycle to calculate the landfill savings. At our exit conference, we were informed that this rate was greater than the material handling fee that Southland charges the District. Since the landfill cost is only one component of Southland's material handling fee, it should not exceed the total material handling fee. As a result, the audit overstates the landfill savings.

SCO’s Comment

The finding and recommendation remain unchanged.

The district disagrees with the statewide average disposal fee provided by CalRecycle because it is larger than the material handling fee charged by Southland Disposal. As noted in the following table, the statewide average disposal fee is less than the compactor fee FY 2000-01 through FY 2006-07:

Fiscal Year	Landfill Disposal Fee		
	Open Top Container	Compactor	Statewide Average *
2000-01	18.87	46.00	36.39
2001-02	18.87	46.00	36.28
2002-03	18.87	46.00	36.50
2003-04	18.87	46.00	37.63
2004-05	18.87	46.00	38.71
2005-06	21.00	48.00	42.50
2006-07	24.00	48.00	47.00
2007-08	26.00	48.00	49.50
2008-09	32.00	48.00	53.00
2009-10	32.00	48.00	55.50

* Note that the statewide average fee is assessed on a calendar year basis and the amounts identified for each fiscal year is the average of the two calendar years.

The Open Top Container and the Compactor disposal fee amounts are significantly different. Therefore, calculating an average disposal fee would not be appropriate. The statewide average disposal fee is appropriate because the disposal fee charged by Southland Disposal Company only accounts for the MRF diversion, and does not take into account the other diversion activities performed by the district, such as business source reduction (electronic media, double-sided copies, etc...), material exchange (garage sales, etc...), composting, and cardboard recycling.

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



Dr. Jim Riggs
Interim Superintendent/President

BOARD OF TRUSTEES
Anita Quinonez Gabrielian
Dr. Armine G. Hacopian
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April 16, 2013

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RE: Integrated Waste Management Audit Report for Fiscal Years 1999-00 through 2009-10

Dear Mr. Spano:

We have received the Integrated Waste Management Audit Report for the 1999-00 through 2009-10 fiscal years. Following are the district's responses to the audit's findings and recommendations:

Finding 1 – Unallowable Salaries, Benefits, and Related Indirect Costs: The audit disallowed the costs claimed for recycling cardboard because the claimed costs were based entirely on estimates.

The District is not in agreement with this finding. The parameters and guidelines state:

"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, worksheet, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations."

The District believes it met this requirement with its "Employee Time Record Sheet for Mandated Costs" document which supported all salaries and benefits claimed. This document recorded the hours worked on each activity of the claim. The document was signed by the employee with a declaration certifying that actual data or a good faith estimate was reported. This document was accepted by the auditors as proper supporting documentation for the "Completion and Submission of Plan to Board" and "Preparing the Annual Report" activities but was considered unacceptable for the "Diversion and Maintenance of Approved Level of Reduction" activity.

The one exception for an employee signing the "Employee Time Record Sheet for Mandated Costs" document was the time claimed for custodians taking the cardboard outside their building for pick-up. For this activity a very conservative estimate was used. There are twenty five major buildings on campus and using 5 minutes per day per building, resulted in approximately 550 hours for a year. In



addition, time is needed to transport the cardboard to a compactor, to bale the cardboard and finally to deliver the cardboard to the recycling agency. The District does have receipts of cardboard recycling so it is clear that the activity did occur and the District feels that the 5 minutes per building per day is very reasonable.

Finally, it should be noted that the parameters and guidelines for this claim were not approved until 2005. However, the claims were allowed retroactively to 1999-00. It would have been impossible to provide time records for these earlier years without estimating time.

Finding 2 – Unallowable Contract Service Costs: Costs claimed were disallowed because costs were ineligible and estimated costs were used.

The District disagrees with the following aspects of this finding:

- 1) Trash Disposal: The District contracts with Southland Disposal for hauling and diverting solid waste through a material recovery facility (MRF). Southland Disposal's invoices have two components: a hauling fee and a material recovery fee. The District claimed the material recovery fee on its claim whereas the Controller's Office felt that only a portion of this cost was allowable and applied a factor of recycled waste to total waste to calculate the allowable cost. The District feels that the entire material recovery cost is allowable because all of the waste disposed has to be processed in order to generate the required level of recycling. However, if a percentage of recycled waste to total waste is to be applied to determine allowable cost, this percentage should also be applied to the hauling fee and this amount should be eligible as a reimbursable cost.
- 2) Shredding Services: The audit disallowed the District's costs for shredding as an unallowable cost for this claim. Privacy laws require the District to secure confidential employee information. As a result, these costs are required to recycle these documents and should be eligible for reimbursement. California Civil Code Section 1798.81 states:

"A business shall take all reasonable steps to dispose, or arrange for the disposal, of customer records within its custody or control containing personal information when the records are no longer to be retained by the business by (a) shredding, (b) erasing, or (c) otherwise modifying the personal information in those records to make it unreadable or undecipherable through any means."

Finding 3 – Misstated Indirect Costs: The District overstated its indirect costs for the audit period.

The District does not agree with this finding. The District believes that it has supported its salary and benefit costs claimed that were disallowed in Finding 1. As a result, the indirect cost rate should be applied and allowed for these costs.

Finding 4 – Understated Offsetting Savings: The District understated its offsetting savings resulting from the landfill fees not incurred from the waste recycled.

The District agrees with the concept but not with the calculation. Southland Disposal's invoices include a material handling fee. The rate is based on weight and is an all-inclusive fee for the separating, recycling and landfill costs. Southland Disposal could not provide their charge for the landfill component, so the State Controller's Office used the state-wide average disposal fee from CalRecycle to calculate the landfill savings. At our exit conference, we were informed that this rate was greater than the material handling fee that Southland charges the District. Since the landfill cost is only one component of Southland's material handling fee, it should not exceed the total material handling fee. As a result, the audit overstates the landfill savings.

The District is requesting that the final audit report be amended by incorporating the changes described in the responses above.

Sincerely,



Ron Nakasone
Executive Vice President, Administrative Services

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